



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT
LEGISLATION COMMITTEE

Consideration of Budget Estimates

MONDAY, 27 MAY 2002

CANBERRA

BY AUTHORITY OF THE SENATE

INTERNET

The Proof and Official Hansard transcripts of Senate committee hearings, some House of Representatives committee hearings and some joint committee hearings are available on the Internet. Some House of Representatives committees and some joint committees make available only Official Hansard transcripts.

The Internet address is: **<http://www.aph.gov.au/hansard>**

To search the parliamentary database, go to: **<http://search.aph.gov.au>**

SENATE
RURAL AND REGIONAL AFFAIRS AND TRANSPORT LEGISLATION
COMMITTEE
Monday, 27 May 2002

Members: Senator Crane (*Chair*), Senator Buckland (*Deputy Chair*), Senators Cherry, Colbeck, Ferris and O'Brien

Senators in attendance: Senators Buckland, Colbeck, Crane, Ferris and O'Brien

Committee met at 9.08 a.m.

AGRICULTURE, FISHERIES AND FORESTRY PORTFOLIO

In Attendance

Senator Ian Macdonald, Minister for Forestry and Conservation

Senator Troeth, Parliamentary Secretary to the Minister for Agriculture, Fisheries and Forestry

Departmental

Mr Michael Taylor, Secretary

Mr Bernie Wonder, Deputy Secretary

Management Services and Corporate Governance

Mr David Banham, Acting Chief Operating Officer

Mr Allan Gaukroger, Chief Finance Officer

Mr Peter Moore, Manager, Budgets

Ms Julie Hicks, General Manager, Portfolio Coordination and Communication

Industry Development

Mr Don Banfield, Executive Manager

Agricultural Industries

Dr Cliff Samson, General Manager, Field Crops

Mr Paul Sutton, General Manager, Meat, Wool and Dairy

Mr Greg Williamson, Manager, Wool and Dairy

Mr Roland Pittar, Manager, Meat and Livestock

Mr John Walter, Chairman, Wheat Export Authority

Mr Glen Taylor, Wheat Export Authority

Mr Rod Wellington, Executive Officer, Wheat Export Authority

Food

Ms Bev Clarke, Executive Manager

Mr David Mortimer, General Manager, Food Industry Policy

Market Access and Biosecurity

Dr Simon Hearn, Executive Manager

Dr Dennis Gebbie, General Manager, Trade Policy

Dr David Banks, General Manager, Animal Biosecurity

Dr Brian Stynes, General Manager, Plant Biosecurity

Ms Mary Harwood, Executive Manager, Biosecurity Australia

Product Integrity, Animal (including aquatic animal) and Plant Health

Dr Bob Biddle, Deputy Chief Veterinary Officer
Dr Mike Nunn, Manager, Animal Health Science
Dr Eva-Maria Bernoth, Manager, Aquatic Animal Health
Mr Tim Roseby, Chair, FMD Taskforce
Mr Troy Cousins, Residues and Standards
Mr Dean Merrilees, General Manager, Animal and Plant Health Policy
Mr Bill Roberts, Executive Manager, Office of the Chief Plant Protection Officer
Mr Mike Cole, Office of the Chief Plant Protection Officer
Mr Steve McCutcheon, General Manager, Product Safety and Integrity
Dr Graeme Hamilton, Director, Australian Plague Locust Commission
Dr Graeme Evans, Principal Research Scientist, Office of the Chief Plant Protection Officer
Dr Peter Miller, Acting Director, NRS
Ms Alison Turner, Chief Executive Officer, NRA
Mr Joe Smith, Executive Manager, Registration, NRA
Mr Peter Raphael, Executive Manager, Review and Compliance, NRA
Mr Andre Mayne, Manager, Agricultural and Veterinary Chemicals

AQIS

Ms Meryl Stanton, Executive Director
Mr Greg Read, Executive Manager, Exports and Corporate Group
Mr John Cahill, Executive Manager, Quarantine Group
Ms Jenni Gordon, National Manager, Animal and Plant Programs/Quarantine
Mr Tim Carlton, General Manager, Exports, Finance and Information Strategy
Ms Cathy Cox, General Manager, People and Planning Strategy/Exports
Mr Steve Bailey, National Manager, Food Services Group/Exports
Dr Ann McDonald, General Manager, Market Maintenance/Export
Dr Andy Carroll, National Manager, Cargo Management/Quarantine
Mr Bob Murphy, National Manager, Border/Quarantine

Innovation and Rural Policy and Programs

Mr Don Banfield, Executive Manager
Mr Paul Morris, Executive Manager
Mr Brian Jones, General Manager, Science and Economic Policy
Mr Michael Wilson, Rural Support and Adjustment
Dr Andrew Pearson, Project Manager, Science Policy/Biotechnology Projects
Ms Annette Sugden, Project Manager, Farm Innovation Program
Mr David Ingham, Project Manager, Economic and Tax Policy
Ms Edna Sharpe, Resource Manager, IOE
Ms Carolyn Page, Rural Support and Adjustment

ABARE

Dr Brian Fisher, Executive Director
Ms Annette Blyton, Corporate Manager

BRS

Dr Peter O'Brien, Executive Director
Dr Derek Staples, Deputy Executive Director

Ms Melanie Fisher, Senior Executive Manager
Mr Ron Levers, Program Leader, Executive and Business Manager
Mr Ben Loudon, Planning Manager, Planning and Liaison

Industry Development**Fisheries and Forestry**

Mr Daryl Quinlivan, Executive Manager
Mr Glenn Hurry, General Manager, Fisheries
Mr Mike Macnamara, General Manager, Forests
Mr John Talbot, General Manager, Fisheries and Forestry
Mr David Calvert, Acting General Manager, FISAP
Mr Frank Meere, AFMA
Mr Les Roberts, AFMA

Natural Resources and Access Management

Mr Ian Thompson, Executive Manager
Mr Mike Lee, Executive Coordinator, State and Regional Negotiations
Mr Charles Willcocks, General Manager, Landcare and Regional Capacity
Mr Volker Aeuckens, Manager, Water Policy and Reform
Mr Tom Aldred, General Manager, NRM Assessment and Regional Action
Mr David Calvert, Acting General Manager, Greenhouse
Mr Gerry Smith, Manager, NRM Strategies

CHAIR—I declare open this public hearing of the Senate Rural and Regional Affairs and Transport Legislation Committee. On 14 May 2002, the Senate referred to the committee the particulars of proposed expenditure in respect of the year ended 30 June 2003 for the portfolio areas of Agriculture, Fisheries and Forestry and Transport and Regional Services. The committee will consider proposed expenditure for both portfolios during this week's hearings. The committee is required to report to the Senate by 19 June 2002. Answers to questions taken on notice and additional information should be received by the committee no later than Friday, 12 July 2002. Committee members and participating members have been provided with portfolio budget statements for each department. Members have also been given a briefing on the form of this year's portfolio budget statements by both departments. As agreed, I propose to call on the estimates according to the format adopted in the printed program.

While the Finance and Public Administration Legislation Committee oversees the format of the portfolio budget statements, I remind you all that the Rural and Regional Affairs and Transport Committee is continuing to monitor the format of the PBS presented to it. This is in accordance with the Finance and Public Administration Legislation Committee's recommendation in its third report on the format of PBSs that legislation committees report on the adequacy of the PBSs provided for their use.

The committee has authorised the recording and rebroadcasting of its proceedings in accordance with the rules contained in the order of the Senate of 23 August 1990. I welcome Senator the Hon. Ian Macdonald, Minister for Forestry and Conservation, representing the Minister for Agriculture, Fisheries and Forestry. Senator Macdonald is accompanied by Mr Michael Taylor, Secretary, Mr Bernie Wonder, Deputy Secretary, and other officers from the Department of Agriculture, Fisheries and Forestry and related agencies. Officers are reminded that an officer of the department of the Commonwealth or of a state shall not be asked to give

opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to a minister.

Finally, witnesses are reminded that evidence given to the committee is protected by parliamentary privilege. I also remind you that the giving of false or misleading evidence to the committee may constitute a contempt of the Senate. Minister, would you like to make an opening statement?

Senator Ian Macdonald—No, thank you, Mr Chairman, but Mr Taylor would like to say a few words.

Mr M. Taylor—Thank you, Chairman and senators. I wrote to the secretary, Mr Snedden, and said there were two issues I would like to briefly outline by way of introduction. One is a brief overview of budget issues in terms of the portfolio, with some particular emphasis on the National Food Industry Strategy. Then I would like to indicate some organisational changes that we will make from 1 July 2002 which, of course, will reflect on how we handle the PBS.

Briefly, the importance of the portfolio budget statement, which will be the subject of much discussion over the next two days, will be brought out in detail by my colleagues responding to your questions. It highlights some important issues but particularly the implementation of the National Action Plan for Salinity and Water Quality, environmental management systems and a range of programs in natural resources and sustainable management around national weeds, the Great Artesian Basin, the Wimmera-Mallee pipeline and a program for a stronger Tasmania.

There are also some important developments in the budget in terms of water protection and emergency management, with reference to the Northern Australian Quarantine Strategy, emergency disease response and a program focusing on increased emphasis on veterinary capacity within rural and regional Australia.

In terms of industry development, there are important issues relating to southern bluefin tuna research and our support for our international negotiations, Beef Expo 2003, and importantly the National Food Industry Strategy. The National Food Industry Strategy is a program that has been developed after detailed consultation between the Commonwealth and state governments and industry. It came to fruition at the end of September 2001 in terms of outline in the strategic directions and has now been funded as part of this budget initiative. Importantly, there is some \$102.4 million allocated over five years.

The program will be managed in the following fashion: the program area of the strategy will be implemented by a new independent secretariat, which is in the process of being created and will begin operations early in 2002-03. That secretariat will deliver the program aspects of the strategy. It will also support the National Food Industry Council, which will be chaired by the Minister for Agriculture, Fisheries and Forestry. The policy area of the food program will be managed by the department itself and will cover the issues of food policy, safety and quality assurance.

It is worth noting that, over the past 12 months, we believed it was important to review the way in which we looked at our work and the way in which we could best go about implementing our commitments by way of legislation, regulation and government policy to see whether we were organised in the most efficient fashion. We have just undertaken a brief review, across April and early May, about existing arrangements, involving both senior staff and staff at the work face. As a consequence we will make some small changes to our

organisational form, come 1 July. That will make some modifications to the way in which we report in terms of the PBS. For that reason, I would like to briefly outline those for you.

Importantly, they are about giving emphasis to some of those areas which are high on governments' list of priorities. Our commitment to a through-chain, market approach remains—that is, the department's overall structure works back from the marketplace, through AQIS, through the product integrity, market access and biosecurity framework, supported by the food, agriculture, fishery and forestry industries, the input areas of innovation, and natural resource management, which is supported by two independent bureaus: the Bureau of Rural Science and the Bureau of Agricultural and Resource Economics.

The changes that we intend making are reasonably straightforward. I have already alluded to the fact that we will manage food somewhat differently from 1 July and, importantly, will bring the food industry development and the agricultural industry development groups together. We will also give added emphasis to the fisheries and forestry groups, particularly recognising the increasing demands in the fishing industry both internationally and nationally. In terms of natural resource management, there will be some added emphasis, particularly on natural resource management policy and water areas—both of which have very strong Commonwealth-state components but are clearly major developments in terms of the challenges that we face into the future.

We are increasing our emphasis on support in the trade or market access and biosecurity area to build on the work we have already done in underpinning the Doha round negotiations, the free trade agreement negotiations and, importantly, how we deal with domestic policies in major trading partners, such as the Farm Bill in the United States and the common agricultural policy in the EU. We will be making a conscious decision to ensure that people returning from overseas postings will form part of that trade and market access group to the ongoing strengthening of that area.

I think that gives an adequate but short overview. I am happy to answer questions. Perhaps it would be useful if the Deputy Secretary, Mr Wonder, were to briefly outline the framework of the PBS so as to assist senators in the discussions over the next two days.

CHAIR—Thank you.

Mr Wonder—I will make my points brief. There are some key pages that I want to refer the committee to, to help it with the hearing over the next day or two. The first is page 23 of the PBS. There you will see the changes to outcomes and outputs that Mr Taylor referred to, in particular the reference to a couple of activities from our previous PBS in 2001-02: rural support and adjustment, women in rural industries and industry leadership have now moved into output 2 in the 2002-03 PBS. The other change is that food policy, horticulture and the wine industry have moved to output 3. They are the results of how we are configured that follow Mr Taylor's earlier remarks.

The second page that I would refer you to is page 25. Again, I do that because it contains a summary of the total resources for AFFA's outcome. You can see by reference to page 25 that, in respect of our total administered expenses, we have had a small increase from 2001-02 to 2002-03. Similarly, for our total revenue from government, under departmental appropriations, we have also had a small increase from \$241.3 million to \$250.6 million. So our total government funding for AFFA is increasing in 2002-03.

The other key pages that you will want to be aware of—I am sure you have read the documentation; this is just to help the hearing—are pages 16 and 17. They are particularly

relevant because they give a summary of the measures disclosed in the 2002-03 budget, including all of those measures that Mr Taylor was referring to earlier. A key figure that I would refer you to there is on page 17: you will see there that in 2002-03 the portfolio has a total increase in its funding on 2001-02 of \$12.5 million.

There are a couple of other pages that I would refer you to. The first is page 96, which has an appendix concerned with administered expenses for the portfolio under Appropriation Bill (No. 1). When you look at that you will see that the major increases in 2002-03 relate to funding for the National Action Plan for Salinity and Water Quality and for the National Food Industry Strategy. It also has some programs that have ceased following 2001-02: the Sugar Industry Assistance Package, the Lamb Industry Development Program, the Flood Assistance Package and the like. Going over to page 97, you will see that that table continues. Turning to page 98, you will see, similarly, the administered expenses for Appropriation Bill (No. 2). The major increases in 2002-03 relate to Forest Industry Structural Adjustment Package payments to the states and the Skilling Farmers for the Future program. Finally, on page 99, is the list of our administered expenses at appendix 2.2. It concerns the special appropriations that relate to AFFA. You will see that there is a marginal decrease, from \$718,000 to \$710,000, in our special appropriations. There are a whole lot of things in that list, but probably the biggest mover of the items there is lower payments for exceptional circumstances purposes. Thank you.

CHAIR—Thank you, Mr Wonder. I will now open it up for questions.

Senator O'BRIEN—Mr Wonder, the additional estimates provide for an additional \$47.15 million from Appropriation Bill (No. 3) and an additional \$25.239 million from Appropriation Bill (No. 4.) Are there now likely to be underspends in relation to that additional money?

Mr Wonder—You are referring to the additional estimates from 2001-02—is that correct?

Senator O'BRIEN—Yes.

Mr Wonder—Could I have the page numbers for what you are referring to?

Senator O'BRIEN—Pages 48 to 49—that is the table—and page 50.

Mr Wonder—I am with you now. Appropriation Bill (No. 3) is, of course, the additional estimates following Appropriation Bill (No. 1) in the 2001-02 budget and, similarly, Appropriation Bill (No. 4) relates to Appropriation Bill (No. 2). Are you referring to the \$47 million on page 49?

Senator O'BRIEN—Yes, and the \$25.239 million on page 50.

Mr Wonder—Yes. Could you repeat the question?

Senator O'BRIEN—Are there now likely to be underspends in relation to that additional money?

Mr Wonder—Our expected outcomes for 2001-02 are captured in the 2002-03 budget documentation. If you go to the page I was referring to a moment ago, page 96—which is an update if you like beyond the additional estimates because we have moved beyond the additional estimates into preparing these 2002-03 portfolio budget statements—you will see there that our estimated actual outcome for 2001-02 on page 97 is \$248,194,000. I cannot quite compare that with our budgeted estimate for 2001-02 from the additional estimates papers because the additional estimates only provide for the additional estimates; they do not go back to the budget estimates for the entire year. Is that correct?

Mr Gaukroger—No, not for the original PBS.

Mr Wonder—No, not for the original PBS so I would like to take that on notice and come back to you comparing the number on page 97 to what was in the original PBS for last year's budget.

Senator O'BRIEN—What is different from the table on pages 48 and 49, in terms of what is covered, from pages 96 and 97 in the current PBS?

Mr Wonder—Because pages 48 and 49 in the 2001-02 additional estimates—and I will ask my colleagues to add to what I have got to say on this—basically refer to what went through the additional estimates bills in the 2001-02 budget. They do not deal with everything that was in the 2001-02 budget. They are the additional estimates that follow up on the original budget, as opposed to pages 96, 97, 98 and 99 which would deal with the entire year for the 2002-03 PBS.

Senator O'BRIEN—The tables on pages 48 and 49 talk about total expenditure of \$309 million, do they not?

Mr Wonder—Okay, maybe that figure is comparable, is it?

Mr Gaukroger—Yes. There is a different structure under the additional estimates to what is in the portfolio budget statements. In total the additional estimates have got a total of \$309.139 million compared to what we are estimating, \$248 million so, yes, there are some underspends there.

Senator O'BRIEN—Quite a lot. Those two figures are comparable. There is an underspend of \$61 million. How do you explain that?

Mr Gaukroger—There are a number of areas where that has occurred—for example, under the National Action Plan for Salinity and Water Quality.

Senator O'BRIEN—Yes. Where will I see that particular difference show up in the PBS?

Mr Gaukroger—In the PBS we have got an estimated actual of \$22.071 million on page 96 and it is not directly comparable to the additional estimates; it is only compared to the 2002-03 budget estimate. But if you look at page 48 of the additional estimates, under output 1 you have got the figure \$56.471 million and we are saying that the estimated outcome for 2001-02 on page 96 of the current PBS document is \$22.071 million.

Senator O'BRIEN—So the national action plan estimate in the additional estimates last year was \$56.471 million?

Mr Gaukroger—That is right.

Senator O'BRIEN—And actual expenditure was \$22.071 million?

Mr Gaukroger—That is correct, Senator.

Senator O'BRIEN—So we have carried forward the \$30-odd million difference?

Mr Wonder—Yes. The \$30-odd million difference is reflected in the forward estimates.

Senator O'BRIEN—Right. So how much of that \$30-odd million has been carried forward to 2002-03?

Mr Gaukroger—There is \$34.4 million, Senator.

Senator O'BRIEN—And how much in subsequent years?

Mr Wonder—It is all reflected overall in the forward estimates. None of that money—

Senator O'BRIEN—Those precise numbers are not reflected.

Mr Wonder—We could certainly give you that on notice, in terms of the resource. All of the resourcing from the National Action Plan for Salinity and Water Quality has been maintained over the period of the forward estimates compared with what the government originally budgeted.

Senator O'BRIEN—If we carry forward \$34.4 million from the national action plan out of a total of \$309 million in the additional estimates, we come up with estimates for this year of \$229.6 million. So \$34.4 million of the \$229.6 million was carried forward from the current financial year. Is that correct?

Mr Gaukroger—Yes.

Senator O'BRIEN—We are down to about \$195 million as the budget estimate administered expenses from Appropriation Bill (No. 1). Is that correct?

Mr Gaukroger—You are talking about between the additional estimates and the budget estimates?

Senator O'BRIEN—Yes.

Mr Gaukroger— Yes, that is about \$80 million to \$90 million.

Mr Wonder—Perhaps I can help. If I have my arithmetic correct, the difference is \$309 million in the additional estimates compared with \$248 million on page 97—

Senator O'BRIEN—Yes, you are correct.

Mr Wonder—which is \$61 million less the \$34 million leaves \$27 million that you were looking for. Is that correct?

Senator O'BRIEN—I think you are double counting the \$34 million in that exercise. I am comparing the actual from 2001-02 to what is budgeted for 2002-03. The budgeted for 2001-02 was \$309 million following additional estimates.

Mr Wonder—Yes.

Senator O'BRIEN—That drops for 2002-03 to budgeted \$229 million. Is that correct?

Mr Wonder—They are different years.

Senator O'BRIEN—Yes, they are. I am making a comparison between the years, so they are different years. Included in the \$229.639 million is \$34.4 million carryover on the national action plan.

Mr Wonder—Yes.

Mr Gaukroger—I have just received some information which might help to clarify the situation. The \$34.4 million is being rephased beyond 2002-03. It is not included in the \$229 million. My apologies for that.

Senator O'BRIEN—So it is not in the \$94 million figure?

Mr Gaukroger—No, it has been rephased but not in 2002-03.

Senator O'BRIEN—I am sorry. I was certain you had told me that it had been.

Mr Gaukroger—I did, but I have just received information to show that I gave you incorrect information earlier.

Senator O'BRIEN—Is any of it rephased, carried forward or represented in that \$94 million figure?

Mr Gaukroger—Not for 2002-03. It is beyond that.

Mr Wonder—Not the national action plan.

Senator O'BRIEN—No. That was a point that we—

Mr Wonder—I am sorry. We misled you there.

Senator O'BRIEN—Let us look at the additional estimates amount in Appropriation Bill (No. 4) and the comparison table on page 98. We looked at additional estimates and a revised estimate going from \$117.755 million to \$142.994 million, but estimated actual is down to \$119.749 million. So does that mean that \$23 million of that \$25 million will be carried forward?

Mr Wonder—Yes.

Senator O'BRIEN—Can you tell me where it appears?

Mr Wonder—The item that stands out to my eye, just looking at the table—although we can provide you with a more comprehensive response—is under output 3, where the revised estimate for the Forest Industry Structural Adjustment Package to the states in bill 4 was \$42.83 million and the estimated actual on page 98 of the 2002-03 PBS is \$15.741. If you look at the 2002-03 figure sitting alongside that on page 98, you will see it jumps to \$46.883 million.

Senator O'BRIEN—Yes, and also skilling farmers jumps from \$15.9 million to \$28.4 million.

Mr Wonder—But with respect to the skilling farmers for the future in the states—from bill 4 of the 2001-02 additional estimates—there was no change between the budget estimate and the revised estimate on page 50.

Senator O'BRIEN—Yes, I am finding it in the mass of numbers and columns.

Mr Wonder—Did you want me to repeat that?

Senator O'BRIEN—No, I can see that the actual has not changed. So there is an additional 12½ there?

Mr Wonder—That is correct.

Senator O'BRIEN—But with FISAP you revised it down at additional estimates.

Mr Wonder—We revised it down \$700,000.

Senator O'BRIEN—You revised it down \$700,000, then you revised it down by \$27 million.

Mr Wonder—That is right. The actual outcome for 2001-02 is estimated to be way below the budget estimate in 2001-02. We would obviously be happy to talk about the reasons for that in the forestry part of these estimates.

Senator O'BRIEN—So does that \$27 million carry forward into the \$46.8 million?

Mr Gaukroger—Yes, it does. Some \$27.89 million was rephased into 2002-03.

Senator O'BRIEN—Going back to the total of \$229.639 million on page 97, how much of that \$229.639 million has been carried forward from previous budgets?

Mr Gaukroger—In bill 1 there is a total of \$3.6 million that has been carried over to 2002-03.

Mr Wonder—Senator, since we have done some arithmetic on the spot, we would like to confirm that number but that is our initial estimate.

Senator O'BRIEN—Okay. Of the \$61 million difference between the additional estimate and the estimated actual for 2001-02, \$3.6 million is carried forward.

Mr Wonder—That is right. Just to clarify that, there are other dollars that have been carried forward into subsequent years, as is the case with—

Senator O'BRIEN—That was my next question. Perhaps you can tell me which years they are carried forward into.

Mr Gaukroger—Beyond 2002-03, as I mentioned earlier, there is \$34.4 million for the National Action Plan on Salinity and Water Quality. Under bill 2, the Forest Industry Structural Adjustment Package for the states carried forward \$27.089 million. So in total, for 2002-03 and beyond, there is a total of \$65.081 million that has been carried forward from this current financial year.

Senator O'BRIEN—Into years other than 2002-03?

Mr Gaukroger—Including 2002-03. If you take the \$65 million and take away the \$34.4 million, that will give you what is in 2002-03. So it is roughly \$31 million.

Senator O'BRIEN—So \$31 million has been carried forward into 2002-03?

Mr Gaukroger—This is for bill 1 and bill 2.

Mr Wonder—I am sorry, Senator. For bill 1 it is the \$3.6 million.

Senator O'BRIEN—So for bill 2 there was an underspend of—

Mr Wonder—The revised estimate is \$142 million.

Senator O'BRIEN—Yes; it is a little over \$23 million. How much of the \$23 million has been carried forward into this year's budget?

Mr Gaukroger—This is under bill 2?

Senator O'BRIEN—It is called bill 2 and it was bill 4.

Mr Gaukroger—That is a total of \$27.089 million. It is for the Forest Industry Structural Adjustment Package.

Senator O'BRIEN—So \$27.089 has been carried forward there. And that is the total carry forward in that bill.

Mr Gaukroger—That is correct.

Senator O'BRIEN—So without that we are looking at expenditure of about \$129.1 million.

Mr Wonder—If you take that off the \$158 million, you mean?

Senator O'BRIEN—I guess that underlying my question is another question, and that is: is that a fair way of making an assessment of the total expenditure of those particular administrative expenses?

Mr Wonder—Of the \$158 million on page 98, there is a significant part of the \$46.9 million for the Forest Industry Structural Adjustment Package. It has been brought over from 2001-02 into 2002-03, which I think is your understanding.

Senator O'BRIEN—Yes. How much did the department of finance take back from the 2001-02 budget?

Mr Wonder—The department of finance does not take anything back. The government makes those decisions.

Senator O'BRIEN—How much do they expect to receive back on the direction of the government? That may be the way I should have phrased my question. That is what I want to know.

Mr Wonder—I guess all I can do is to go to the numbers on page 25, because that gives you a summary of bill 1, bill 2 and special appropriations that we were looking at for 2001-02, compared with 2002-03. The government has made available for total administrative expenses an additional \$12 million in 2002-03 compared with 2001-02.

Senator O'BRIEN—We are talking about the estimated actual, not the estimated budgeted position arising from the additional estimates.

Mr Wonder—The budget estimate for 2001-02, on page 29 of the portfolio budget statement for 2001-02; this is the book prior to additional estimates—

Senator O'BRIEN—I have that book.

Mr Wonder—Good. The estimate is \$1.06 billion—total administered appropriations—compared with 2002-03, \$1.098 billion. So there is an additional \$38 million, if I have the arithmetic right, between 2001-02 and 2002-03.

Senator O'BRIEN—Sorry, I have lost those numbers.

Mr Wonder—On page 29 of the 2001-02 PBS, in the right-hand column, is the budget estimate for 2001-02, and the sum of bill 1, bill 2 and special appropriations is \$1.06 billion, or \$1,060,426. If you compare that with the same number on page 25 of the 2002-03 PBS, you will see \$1.098 billion. So in total there is a \$38 million increase between 2001-02 and 2002-03.

Senator O'BRIEN—Bill 3 adds to bill 1, doesn't it?

Mr Wonder—Yes.

Senator O'BRIEN—Let's add \$47.15 million—

Mr Wonder—Okay, you are on page 49.

Senator O'BRIEN—I am taking it from page 49 of the additional estimates. We add \$47.1 million to bill 1 and we add \$25.239 million to bill 2, so we are adding \$72 million. The difference is \$38 million, so there is \$44 million—or is it \$34 million?

Mr Wonder—Perhaps the arithmetic should be done on notice, Senator.

Senator Ian Macdonald—You do not want the departmental officials to take on notice something that just needs a calculator and add up something you can do yourself, Senator—that is all I am saying.

Senator O'BRIEN—That is a fair comment—sometimes I can work a calculator.

Senator Ian Macdonald—I know you can Senator O'Brien, you are a very clever person. I know you are able to use a calculator.

Senator O'BRIEN—Perhaps we could move on to the administered items, special appropriations. I do not recall whether there was any additional appropriation through the additional appropriation process for the third line item under the total of administered appropriations?

Mr Wonder—Do you mean special appropriation?

Senator O'BRIEN—Yes. It might have reduced.

Mr Wonder—No, it is on page 52 of the 2001-2002 additional estimates. It went from \$680 million to \$714 million—an additional \$34 million.

Senator O'BRIEN—In round figures, it is an additional appropriation of \$106 million on top of \$1 billion—minus \$68 million.

Mr Wonder—To be clear about this, my personal view is that I do not know that it is valid to compare the budget plus the additional estimate for 2001-02 against the budget for 2002-03. I would have thought that the comparison would be against budget plus additional estimates for 2001-02 with budget plus additional estimates for 2002-03.

Senator Ian Macdonald—Exactly right.

Mr Wonder—All you can really compare is the budget estimate at this point for 2001-02 against the budget estimate for 2002-03—to compare apples with apples.

Senator O'BRIEN—You certainly can compare what you announced you would spend through the two processes last year, with what you are now announcing you will spend for this year. You might ratchet it up in the additional estimates and say that I was wrong.

Mr Wonder—That is my point.

Senator Ian Macdonald—Again, I do not know that we should comment on that. You make your own assessments and comparisons on whatever figures you like. We are only here to answer the questions but, obviously, if you want to compare last year's budget plus additional, and you want a proper comparison, you should compare this year's budget plus a prospective additional which may or may not happen later in the year. As I say, we have given you last year's budget, we have given you this year's budget, we have given you last year's actual and you can make whatever comparison you like from those—that is your prerogative.

Senator O'BRIEN—Of the appropriations last year, how much was not spent which will not be available in future budgets as now known?

Mr Wonder—Could I put your question another way? Are you asking whether, out of the total revised estimate for 2001-02, there is anything else other than what was spent in 2001-02 or was carried forward to a subsequent year and, if so, how much? Is that what you want to know?

Senator O'BRIEN—Yes.

Mr Wonder—I think we will have to take that on notice. We do not have that number; we would have to dig the calculator out and be here for sometime so it would be best to take it on notice under the circumstances.

Senator Ian Macdonald—The answer may be none or it may be a lot.

Mr Wonder—We will do that calculation.

Senator O'BRIEN—I think we know that the answer is not none—that is the only commonsense that arises from these numbers. The question is: how much is it?

Mr Wonder—We will take that on notice.

Senator O'BRIEN—Page 29 of last year's PBS—not the additional estimates but the actual portfolio budget statements—shows the average staffing level at 3,655. At the bottom of page 25 it shows the actual at 3,190. Can you explain the difference between the two numbers?

Mr Wonder—We would probably have to take that on notice to provide a detailed answer, but basically, as at the time of the budget last year, we were expecting to have an average for the year of 3,655. As it turned out, we are expecting 3,190. We overestimated the extent of the increase from staffing from the previous year, 2000-01, which was 3,016. We did not increase as quickly as might have been anticipated. The major increase that we were anticipating at that time, as you will recall, was in the context of the additional staffing for intervention at the border—with AQIS. We were not definitive at the time of the budget as to exactly what numbers we would increase to. As it has turned out, the actual outcome we expect for the year is 3,190. I could seek to obtain some further details on notice.

Senator O'BRIEN—So we are looking at a difference of a bit under 500?

Mr Wonder—Yes.

Senator O'BRIEN—Is most of that attributable to border surveillance?

Mr Wonder—The major increase we were anticipating in 2001-02 was related to border surveillance, yes.

Senator O'BRIEN—So you will be able to advise me on notice about the breakdown of your calculations for 3,190 and the breakdown of your calculations for 3,655?

Mr Wonder—That is what we will seek to do, yes.

Senator O'BRIEN—In February you told me that the department received the final submission from the Hewitts in December last year. Can anyone recall the date that the material was received?

Mr Banham—We received it on 5 December.

Senator O'BRIEN—There is a small bit of the working year left. Who in the department has been working on the issue and what sort of time has it taken up? An estimate would be satisfactory.

Mr Banham—Mr Bill Pahl, the AFFA chief operating officer, has had primary carriage of this issue. He is supported by two of his staff. In aggregate, I estimate that they would have taken between three and four months, since last May when it commenced.

Senator O'BRIEN—Three officers taking three to four months?

Mr Banham—That is correct.

Senator O'BRIEN—Most of their time?

Mr Banham—This is since May last year. That is an aggregate figure of all three officers.

Senator O'BRIEN—So that is the combined total. How much time would they have put in since the material was received on 5 December?

Mr Banham—I do not have the exact breakdown, but we would certainly have ramped up our input into the exercise since we have received the submission.

Senator O'BRIEN—So the majority of the work has been done since then?

Mr Banham—I would say so.

Senator O'BRIEN—What legal costs has AFFA incurred to date in relation to this matter?

Mr Banham—Approximately \$136,000.

Senator O'BRIEN—We were told that the department expected to finish its assessment and the assessment of the legal advisers by the end of February.

Mr Banham—We received advice from the legal advisers in early March.

Senator O'BRIEN—When did the department complete its assessment?

Mr Banham—The department is not making an assessment in itself. Our legal advisers have provided an initial analysis of the submission. That will form part of the work that will be undertaken by the independent assessor who has been engaged.

Senator O'BRIEN—Mr Maurice Kennedy.

Mr Banham—That is correct.

Senator O'BRIEN—Can we have some detail on Mr Kennedy, the background which makes him suitable to perform this duty?

Mr Banham—Mr Kennedy is a former senior executive officer with the Department of Finance and Administration. I believe he had a career of about 35 years with the Department of Finance and Administration. He has had significant experience with the CDA scheme.

Senator O'BRIEN—What is that again?

Mr Banham—That is compensation for defective administration.

Senator O'BRIEN—When was he appointed and what time frame is he working to?

Mr Banham—The minister agreed to his appointment on 7 May. He was able to and formally started work on the case on 20 May. At this moment, it is too early for him to give us an indication of how long it will take him.

Senator O'BRIEN—Does he have a formal document of appointment which sets out the terms of reference for his work?

Mr Banham—There is a contract between him and the department. The terms of reference are essentially to provide advice to the minister under the scheme itself.

Senator Ian Macdonald—Chair, I know Mr Wonder wrote to you—I am not sure whether in your capacity as a senator for Western Australia or as chair of this committee—and the letter has all this information in it. If you were minded to, you might make that available.

CHAIR—I was waiting for Senator O'Brien to finish his questions. I have a series of letters here from Mr Hewett to me as chair of this committee. I have two responses from the department, which I have informed Mr Taylor and officers of the department I intend to table at this meeting. It is my intention to seek leave of the committee to table this correspondence.

Senator Ian Macdonald—I only raise that, Chair, because a lot of the questions Senator O'Brien is raising are covered in the letter.

CHAIR—Is the committee happy if I table these letters?

Senator O'BRIEN—Yes. When I have had a look at them, I will know whether I need to ask further questions.

CHAIR—This is dated 24 May. There is another letter here signed by Cheryl Cartwright, 21 May 2002. There is one dated 22 May 2002 from Maurice Kennedy. There is another one to Mr Hartnell signed by Maurice Kennedy. There is a further letter to me from Hal and Don Hewett. There is a letter addressed to Mike Manning, my adviser on this matter, from Hal and Don Hewett. Those are the letters I table.

Senator O'BRIEN—I am not sure whether they will tell me what Mr Kennedy's remuneration will be.

Senator Ian Macdonald—I do not understand this, but apparently there is some sensitivity about privacy. I am told it is a daily rate. I would guess, without having any idea, that it would be set by the Remuneration Tribunal, or a rate akin to it. We will take the question on notice, to see what we are legally able to advise you.

Senator O'BRIEN—If you contract to the public, your contract fee should be able to be made public.

Senator Ian Macdonald—One would have thought so, but I do not understand these things. Everyone knows what I get paid. We also know what my secretary gets paid, reading the paper this morning.

Senator O'BRIEN—They are the only questions I was going to ask on management services and corporate governance. Mr Wonder, if the documents which have now been tabled raise something new, it would be appropriate if the officers concerned could be made available later.

CHAIR—I have two questions written on the front of them, which can be put on notice.

Senator FERRIS—Are you ready for program B?

Mr M. Taylor—The officers are just coming to the table.

[10.09 a.m.]

Senator O'BRIEN—I want to ask some questions about the Wheat Export Authority. Dr Samson, how important is the work of the Wheat Export Authority in keeping the government informed about the operation of the single desk arrangements?

Dr Samson—You would be aware that the Wheat Export Authority in its operations is an integral part of the Wheat Marketing Act. The authority's operations are inseparable from the operation of that act. The short answer to your question is that the Wheat Export Authority's functions are extremely important.

Senator O'BRIEN—There is increasing pressure from the United States about the use of the single desk as a non-tariff barrier. Am I not correct in saying that the Wheat Export Authority enables the government to ensure that the single desk arrangements return a net benefit to the industry and therefore the economy? Is that their function?

Dr Samson—The function of the authority is to monitor the arrangements as prescribed under the Wheat Marketing Act. One of the outputs of the authority is to report to the government by the end of 2005 on the operation of the Wheat Marketing Act. It is to monitor and report rather to ensure per se.

Senator O'BRIEN—I said it enables the government to ensure not that they ensure.

Dr Samson—It enables the government to be informed as to the operation of the arrangements.

CHAIR—So far you have used the word informed on quite a number of occasions in your short address. How often do you report to the government? Do you only report on what you consider a needs basis?

Mr Walter—We report to the minister on a specified yearly basis.

CHAIR—I understand that. I am talking about in the interim. You use the word inform. I know you put out an annual report. I understand that fully. During the year do you have two monthly meetings or discussions? I am not asking if you write a letter. Do you pass information on as to the progress or concerns? As you are aware there are a number of concerns in a number of areas by some grain producers about what they determine are restrictive practices. They are my words not theirs but that is the summary. How often would you report in a substantive way to the government just to keep them informed about what is happening?

Mr Walter—We make a quarterly report to the minister.

Senator O'BRIEN—I assume that the work of the Wheat Export Authority assists the government in dealing with the argument about how arrangements work and therefore that they do not represent some anti-free trade strategy by Australia through support of Australian grain growers.

Dr Samson—The information that is provided to the government by the authority could be used for that purpose.

Senator O'BRIEN—In relation to the first WEA grower's report that is not dated it says in the first paragraph that it is the first in a series. When was it published?

Mr Walter—It was published towards the end of last year.

Senator O'BRIEN—How often have these reports been produced?

Mr Walter—This is the first such report. It is not something which the authority has a statutory obligation to provide. It was determined upon as a means of communicating with the grower and stakeholders concerned with the operation of the Wheat Export Authority.

Senator O'BRIEN—There is no plan to have the series that you refer to there?

Mr Walter—There is a plan to continue these reports on an annual basis.

Senator O'BRIEN—Annual. So it will be one a year?

Mr Walter—One a year.

Senator O'BRIEN—It is a summary of, as I understand it, the more comprehensive document that went to Mr Truss. Can you tell me when that more comprehensive document went to Mr Truss?

Mr Walter—That report was provided to Mr Truss toward the end of calendar year 2001. It was provided, I believe, in the month of October.

Mr Taylor—It was made available on 30 September to Mr Truss.

Senator O'BRIEN—The document that the growers received, I take it, is substantially different from the one that Mr Truss received?

Mr Walter—It is fair to say that it covers the same ground but, as indicated in the report to growers, the report to growers is complementary to the report made to the minister which, of course, contains confidential information.

Senator O'BRIEN—'Complementary' is an interesting term. It is almost as if you need one and the other to get the full picture.

Mr Walter—Perhaps one can cavil at the words, but the idea is that this should actually be a communication with the growers. It is intended to provide growers with an indication of the activity, the issues which confront the authority and the issues which have been worked through. It is work in progress, which is the reason it is seen as one of a series. It is also seen that this is made available to growers. It is posted on our web site, and there is a summary, which has been the subject matter of publication in the rural press.

CHAIR—Would you describe it as an abridged version?

Mr Walter—I would not describe it as an abridged version. I would describe it as a report to growers of the activities.

CHAIR—No, an abridged version of what went to the minister. I am intrigued by this word 'complementary'. Is it actually a separate report or is it a summary of the main substance leaving out the confidential bits? I could understand that. Is it an abridged version, but substantially the same?

Mr Walter—I would not describe it as substantially the same. I would describe it as drawing on the same material. In the sense that the report to the minister is a reflection of the activities of the authority and the obligations which we have to the minister, I would see the report to growers as intended to give an indication, which is drawn from the same basic material as that which is provided to the minister, of the activities of the Wheat Export Authority, both current and projected.

CHAIR—Therefore, it would not be contradictory?

Mr Walter—Not contradictory at all.

Senator O'BRIEN—I presume that there is a lot more detail. This document is extremely general, in terms of what it reports.

Mr Walter—Yes, indeed.

Senator O'BRIEN—The difference is that the minister has the detail and the growers have the generality?

Mr Walter—The minister has the detail containing the confidential information, which is very much related to markets and other particular specific issues. The growers have a more general statement.

Senator O'BRIEN—Is that consistent with provisions of the act, or how is a decision taken on what could be disseminated broadly or what would go to the minister only?

Mr Walter—There is, as I think I said at the outset, no obligation—there is no mandate, in a sense—to provide the growers' report. The growers' report was seen as a means of communicating with the growers the activity of the Wheat Export Authority, bearing in mind its mandate, in a sense, to report to the minister on the performance of AWB International and the benefits to growers as a result. To respond to the specific question, we had seen this as intended to cover and communicate with the growers the sorts of things we were doing, the sorts of activities we were undertaking. We had intended it to be read by the growers. There is

also a summary, Senator—I don't know whether you have seen that—in addition to this document which was the subject matter of the advertisements. So the concept behind this was of communication to the growers in a way which, hopefully, communicated our activities to them. The decision was not made in a sense to exclude or include information, though I have referred to confidential information. The idea was more what would meaningfully communicate with the growers the activities of the Wheat Export Authority. Certainly some information, specific market information, may be seen to be—and I am sure is—of considerable interest; for example to competitors of AWB International. It is for that sort of reason that there is a need to retain confidentiality for some information and to make decisions as to the sorts of ways in which one might seek to communicate with the growers the activities of the authority.

Senator O'BRIEN—I just have the feeling that somewhere between what you have released and what the minister has exists information which could have been supplied to the growers, although it is effectively a complimentary service that you are providing under no obligation.

Mr Walter—That is not quite the way we see it, Senator. The decision was made in terms of framing this report as to what we felt would make sense to the growers of the information which we were able to release. So it was not really in a sense making decisions that everything which was not confidential would be the subject matter of this report. If that decision were made, this report, which is quite a slim report—but intentionally slim—would of course have been longer than it is. This report—and, as I say, we do not see it as complimentary; we see it as a decision we have made as to the way we communicate to the growers—was done drawing on the information and the approach which we felt might be helpful in communicating to the growers. This report was workshopped through the Wheat Export Authority membership, which includes two growers, and the communication and the subject matter of communication were determined after going through that process. So it was very consciously a communication in this way with this information after that process.

Senator O'BRIEN—So the report which is given to Mr Truss, I take it, is for the purposes of him fulfilling his responsibilities in administering his portfolio and you fulfilling your responsibilities under the act.

Mr Walter—The report given to the minister was in discharge of our responsibilities under the act—yes, Senator.

Senator O'BRIEN—So you are required to do that?

Mr Walter—We are required to make that report.

Senator O'BRIEN—Dr Samson, what does the minister do with the report once he has received it? Does it have any other destinations or is there any other process that needs to be applied to it?

Dr Samson—No, there is no prescribed action that the minister is required to take on receipt of the report. It is to provide the minister with ongoing provision of information on the operation of the single desk arrangements and the Wheat Export Authority's activities.

Senator O'BRIEN—The document to growers said that one of the principal tasks of the Wheat Export Authority is to 'scrutinise the performance of the AWB and the benefits to growers that result from AWB's operations'. You then say that the effectiveness of WEA's scrutiny depends on the information that AWB provides to you. So WEA's scrutiny depends on information that AWB gives you to scrutinise?

Mr Walter—Senator, we have no specific powers to require information so that our reporting, which is based upon AWB (I) activity is dependant upon receipt of information from AWB (I).

Senator O'BRIEN—So they tell you what they are doing and you make an assessment of what they are doing?

Mr Walter—We have made it quite clear to AWB (I) what our expectations are of flow of information to us so that we have articulated our expectations, and it is on the basis of the response of AWB (I) to our articulated requirements that we make our assessment and in turn make our report to the minister. We do that against the background of a framework which is referred to in the material and also referred to in the published report.

Senator O'BRIEN—Going to the second page of the grower document, and the section headed service agreement, you refer to previous problems with the service agreement entered into between AWB (I) and AWB Limited and said there are a number of concerns that did not achieve minimised costs and therefore impacted on grower returns. Can you tell me exactly what those concerns were, please?

Mr Walter—The concerns, Senator, related to the fact that the initial service arrangement between AWB Limited and AWB (I)—and bear in mind that the services for AWB (I) to carry out its activities are contracted to be provided by AWB Limited—were essentially around fixed costings. That is to say, if a task were undertaken there were specified rewards for that task. There were no particular incentives or disincentives in the structure which had been established under the service agreement which was entered into between AWB (I) and AWB Limited, so that it was seen for example that such costings, the drivers in those arrangements, did not necessarily drive toward minimising cost and maximising revenue which is effectively the requirement of AWB (I) under the arrangements for its establishment.

Senator O'BRIEN—Were you able to quantify the cost to growers arising from these less than satisfactory arrangements?

Mr Walter—Quantification is a difficult thing in these areas because you are comparing the idea which of course does not exist with what is present. It is easier to examine the deficiencies and to comment on the deficiencies in the report, and indeed any specific analysis I think would necessarily be subject to certain limitations by reason of that circumstance. But I would say that these issues as referred to in the material have been the subject matter of a change in arrangements between AWB (I) and AWB Limited, so that there is—

Senator O'BRIEN—That is the new service agreement?

Mr Walter—That is the new service agreement, Senator.

Senator O'BRIEN—We will come to that. Presumably you included this provision in your report because it was a matter which you considered significant?

Mr Walter—Yes, Senator.

Senator O'BRIEN—Therefore presumably the potential cost savings or impact on growers was significant?

Mr Walter—We saw it as a significant issue.

Senator O'BRIEN—Have you reported to the minister any estimates of the impact of these less than satisfactory measures?

Mr Walter—This has been the subject matter of the report to the minister. I do not believe, although it is a matter that perhaps one should take on notice, it has been the subject matter of specific monetary analysis. In fact, that is partly explicable by the change in service model. Our activities, in a sense, are forward looking, not necessarily backward looking.

Senator O'BRIEN—When was the new service agreement put in place?

Mr Walter—The new service agreement was put in place last year. I do not know that I can recall the precise date.

CHAIR—What month?

Mr Walter—I would need to take that on notice. My reaction is to say that it was in the third quarter of last year. But that could be wrong, so I will take on notice.

Senator O'BRIEN—You can give us the date on notice.

Mr Walter—I might say, just for the sake of completeness, that we were aware of the bases for analysis within the AWB structure which had given rise to the new arrangements, and of course our concerns had been the subject matter of discussion with AWB.

Senator O'BRIEN—Is this area that we have just been discussing the principal area of change in the service agreement?

Mr Walter—This is a significant part of the change. There have been other changes in the service arrangements. Indeed, they have been the subject matter of considerable public statement by AWBI and AWB.

Senator O'BRIEN—Perhaps you could refresh my memory of those other areas.

Mr Walter—The arrangement is what I would describe as 'a cap and a collar' arrangement. The circumstances are that there is a maximum fee and a minimum fee which is payable by AWBI to AWB for the provision of services. There is an incentive arrangement once certain benchmarks are exceeded—that is, once the wheat industry benchmark, which has three components, is exceeded by \$US5 dollars per tonne. Above that figure, there is a sharing of the additional revenue, which is received by the pool. Within the wheat industry benchmark there are three components. One component is what might be described as pricing or revenue realisation and the other two components are what might be described as costs. One relates to currency and hedging arrangements which may be entered into on behalf of the pool and the other relates to what might be described as logistics-chain handling, on behalf of the pool, of the crop as it makes its way to the seaport and export markets.

Proceedings suspended from 10.34 a.m. to 10.52 a.m.

CHAIR—We should continue with the Wheat Export Authority while Senator O'Brien works swiftly through that paper. Welcome, Senator Troeth. This is the first time you have been before the committee. Hopefully there will be many more times.

Senator Troeth—Thank you.

CHAIR—I would like to follow up some of the questions that Senator O'Brien asked you. I particularly want to go to the funding. When the legislation was passed, \$6 million was transferred from the Australian Wheat Board to fund the Wheat Export Authority. In the budget item before us it shows, under 'Other matters', your expenditure this year as \$80,000 for moneys from other sources and \$80,000 for total revenue. Does that mean that all the funding is in fact coming from that original \$6 million that was allocated from the Wheat Board. Is that the case?

Mr Walter—That is the case.

CHAIR—Do you have any other sources of income?

Mr Walter—We have no other current sources of income.

CHAIR—Therefore, I find your answers to Senator O'Brien—that you are not obliged and that you are doing a service sending out a report to growers—somewhat disturbing because that is growers' money. While it may not be written as a statutory requirement, at least it must be a moral obligation to keep growers absolutely and totally informed because they are funding you. The real essence of my concern and the issue I want to raise is the conflict down on the ground. I declare here and now that I am a grain grower from Western Australia and a very strong supporter of the single desk, and that is well known. I have declared my bona fides as far as this matter is concerned.

Senator O'BRIEN—You are not a member of PGA then?

CHAIR—There are plenty of growers in PGA who support the single desk and support it very strongly, and vice versa with the Western Australian Farmers Federation. We have a situation which I would like you to comment on. Both sides of the argument—you are well aware of the situation in Western Australia where 90 per cent or a bit more support the single desk—are saying they are not getting sufficient information to assess your performance and your report is too generalised. Have you heard that complaint?

Mr Walter—I have not heard that complaint.

CHAIR—You have not read it in the press?

Mr Walter—I have not read it in the press.

CHAIR—It has had a fair amount of coverage in Western Australia. I cannot speak for the other rural papers. I do not know.

Mr Walter—I have been present at gatherings of growers where questions have been raised about the issue of the structure and the level of information which we gain from AWB but I have not heard the specific complaint that you make.

CHAIR—'Generalise' was your word not mine—but I agree with it—in terms of the report. Would it be possible, in the light of growers on either side of the debate, to be a little more detailed and specific without compromising those things that obviously have to remain confidential?

Mr Walter—If you look at the growers report, what we have said is that we are seeking input from interested parties. I think the expression used was that the WEA was interested in hearing feedback from stakeholders and growers with respect to this and other issues. We certainly stand to be very responsive to the stakeholders, whom we see primarily as the wheat growers of Australia, in relation to their perspective of our operation and our responsiveness. You have identified as one of the issues a question of what additional information could be provided. Speaking as the chairman of the Wheat Export Authority, that would be a matter which I would take very seriously indeed. I should say for the sake of completeness, with respect to the growers report, a workshop was also conducted with representatives of the GCA. The format and content of the growers report was not something which was embarked on lightly. A choice was made as to the information contained in that report. I do not want to prejudge matters but it may well be that if the feedback we get from this report says, 'Where is the meat?' we can look at the level of additional specific information that can be given

within the report. Speaking as the chair, that is something that I am very happy to entertain, look at and see what else can be done if that is a complaint—and you have identified it as one.

CHAIR—What I am raising here is something that individuals do not generally raise with authorities, particularly Canberra authorities because they regard it as a waste of time—with all due respect, but they do; it is a fact of life. I have been asked to raise this issue not only from Western Australia but from across Australia. I would ask you to give consideration to being more specific about some of the reporting. You know the lines you cannot go over better any anybody and we appreciate that. My next question is: you report to the minister but is there any form of reporting direct to the parliament?

Mr Walter—There is the annual report, which is tabled in parliament.

CHAIR—I know there is that but is there anything beyond that? I should have phrased the question differently.

Mr Walter—Nothing specific beyond that, in terms of the authority's role.

CHAIR—Is the number of applicants to export outside the single desk static? Is it growing? In your early days there were certainly what I considered some frivolous claims. I am sure you are aware of them; it was a testing process, I guess. Has that settled down, or are you still getting a level of frivolous claims?

Mr Walter—I think it is fair to say that the changed processes which were introduced at the end of last year have acted to more closely match the level of granted consent, especially for short-term consents. As you know, there are short-term consents and longer term consents—the longer term consents being essentially niche market consents; for example, specific organic, typically low volume markets. The effect of the changed arrangements and the purpose of the changed arrangements is to more closely match the level of granted allocations to exports into particular markets. One of the specific factors we take into account in determining the eligibility of a particular applicant is whether the applicant has in fact exported in accordance with the application which the exporter has made and been granted by the authority. That is quite important, because now our structure is not one of looking at individual applications and making a determination on the basis of individual applications. It is on the basis of making a quarterly allocation, a decision which is made by the authority. We receive information as to AWB perceptions of markets, but a decision is made by the authority as to the available tonnage for particular markets. So it is now quite important that the individual exporter demonstrate to the authority the exporter's performance in that market against a determination being made on the basis of allocation.

CHAIR—On the issue of some Asian markets, there were complaints made by supporters of the single desk that there were a number of Australian importers or exporters operating under the non-single desk arrangements who were deliberately and maliciously undermining developing markets that the Australian Wheat Board was working on. Once again, I think you know what I am talking about. Have the changes that were made last year overcome the problem? 'Minimised' might be a better way to put it; you never overcome things totally.

Mr Walter—These sorts of issues will probably always exist with a structure which permits a third party to make decisions as to whether particular markets are to be served by wheat exports from Australia, and that is the legislative structure that we operate within. The changed arrangements identify very clearly that which is most important to the making of our decisions. The guidelines which we have issued—the amended guidelines issued last year—clearly identify the way in which the decisions will be made by the authority. Those decisions

will be made, in particular on the basis of complementarity, to the single desk with respect to particular markets. That throws into sharp relief the information which AWBI provide to us as to their strategies and applications, in an exhaustive way, with respect to a particular market, because our decisions are of course based upon the information which is available to us. The effect of the changed arrangements has made quite clear the importance of the flow of that information from AWB International and permitted us to make decisions in the context of the new structure, based upon that clear flow of information.

CHAIR—So it would be fair to say they have been more forthcoming in the information they have provided to you.

Mr Walter—Yes.

CHAIR—On the other side of the coin, a consistent claim has been made to me—and I am talking about genuine people who are operating out there in the marketplace, not frivolous ones—that the Australian Wheat Board has been able to get access, after you have made your decision in the process for exporting licences et cetera, and in fact go in there and can be very damaging to somebody who has developed a good niche market or who has got a base. Have you been able to deal with that particular problem in terms of your processing?

Mr Walter—The way we structure the application process means that certain basic data is made available to AWB with respect to applications. It is also fair to say that the process of providing an allocation with respect to a market means that we can be more generic, in a sense, in the flow of data to AWB. Having said that, the legislation does require us to consult with AWB International so that there is, necessarily, some flow of information, albeit limited, with respect to market interaction, as it were. We think we have made the structure as confidential as it can be, so that information provided to us by exporters, and markets which may be developed by them with respect to particular customers, are able to be preserved. But we have to do that against the background of the legislation and the fact that information does flow through this system, albeit in a way which we hope preserves confidentiality as far as it can be preserved. I should say that the preservation of the confidential information which we have from exporter applicants is a very important matter to us. We provide what we consider to be information which is necessary for AWBI to consult, but not such as to permit the confidential aspects of the information to flow through.

CHAIR—So it has improved?

Mr Walter—The system has improved, but the system will always give rise to some of these sorts of issues.

CHAIR—You may not think you should answer the next question. That is fine; just say so. It has been put to me by a number of growers and organisations that, in fact, the legislation needs tightening in this area. Are you in a position to comment on that or is it outside your province? If you are, I would like to know your views.

Mr Walter—I would prefer not to comment on that because our role, of course, is to administer the legislation as it stands.

CHAIR—Yes, I understand that. Thank you.

Senator O'BRIEN—Going back to the grower bulletin or newsletter, the next heading after the one I was referring to previously is 'Pricing'. You say:

The WEA notes that AWBI has generally achieved prices at or above comparable overseas grade benchmarks identified by AWBI.

Are these benchmarks calculated by the AWB, or do they come from somewhere else?

Mr Walter—They are derived really from comparable grades and comparable export ports, essentially.

Senator O'BRIEN—Who does the derivation?

Mr Walter—The derivation, in the sense of the imports into what the AWB has identified as the wheat industry benchmark, is AWB's source. It is appropriate to say that our approach to it has been clearly articulated. We have said we are happy to take on board all the things that AWB are saying to us in the formulation of their benchmarks, but we will form our own independent perspective of the applicability or appropriateness of those benchmarks against the basis of the framework which we have identified for analysis. In the report we have set out the aspects of pricing performance which we intend to look at in an overview sense in that we are looking at gross sales with the new price discrimination, which is intuitively, when you think about it, what happens if you are a seller of something, especially if you are the only seller of something and you sell into the markets where you believe you can obtain the greatest premium. Evidence of selection of markets for the greatest of returns for Australian wheat is something which we are particularly interested in. Of course, within pricing are issues of commodity hedging and foreign exchange. It is those aspects which we will be looking at. Certainly we will take on board and analyse what AWB says to us, but it will be our judgment which we employ in relation to the pricing issues.

CHAIR—Can I just interrupt? We have Mr Banham sitting at the back of the room. Have you had a chance to look at the documents I was asking about?

Senator O'BRIEN—Yes. I will not be asking any further questions.

CHAIR—Mr Banham is free to go. Can I just put on record the two questions that may have been covered by Senator O'Brien. One is partly answered in a letter. The first one is: when will Mr Kennedy commence this matter? The second one is: what is the anticipated time frame to fully assess the claim and arrive at a recommendation? I table those two questions and, if you want to add anything further, you can.

Senator O'BRIEN—Later in the report you suggest that AWB provided advice as to how it performed against overseas benchmarks it identified. Then you say:

At the point of writing this report WEA was unable to verify in absolute terms that AWB was maximising benefits to growers that may be captured by the single desk.

You say:

This matter will be the subject of further research in order to fully understand whether the benefits of the single desk are being fully captured.

The WEA came into being on 1 July 1999. You had a board in place at that time. The then minister announced the membership of the board on 7 July. Its key task was to ensure that the benefits of the single desk were captured, and those benefits passed on to growers. We are nearly three years into this new structure and, according to the report that I have just referred to, you are still trying to work out how to best measure this key outcome. When do you expect to be in a position to measure the benefits of the single desk to growers?

Mr Walter—Senator, it is a very good question. It has certainly been a significant focus for the authority. You can see that, in terms of the data which is required here and the way one goes about it, it is also an issue that AWB has been seeking to address: what are appropriate benchmarks, how does discrimination take place, and what information is required? And

information flow has been the key to this. On behalf of the authority, I would say that we have been assiduous in progressing this aspect. I believe that our next report, which will be effectively for this period, the year we are currently in, will show—

Senator O'BRIEN—At the end of this year?

Mr Walter—Yes. I believe that it will show substantial advances in this area. The whole question of measurement of the benefits of single desk has been the subject matter of considerable, and not altogether conclusive, analysis over the years.

Senator O'BRIEN—So you cannot tell me when you expect to be in a position to measure the benefits?

Mr Walter—I can tell you that this year we would hope to be substantially advanced. What I do not want to be saying to you is that the answer is 42 at the end of this year, because I think that would not necessarily be correct.

Senator O'BRIEN—You have read *Hitchhiker* recently too!

Mr Walter—Indeed, Senator.

Senator O'BRIEN—Is that where we will find the answer?

Mr Walter—I would not suggest that.

Senator O'BRIEN—So who is doing the necessary research, when was it commenced, and how is it proceeding?

Mr Walter—We have resources within the authority and we have retained the services of Allan Consulting Group, and we have individuals who are called upon by the authority to provide expert inputs. We also have within our number Professor Gordon MacAulay, Professor of Agricultural Economics at the University of Sydney. Within that structure we have identified, and have had very vigorous discussions with AWB about, the approaches and flow of data and analysis which we see as appropriate to put some quantification around these issues, bearing in mind—against the background of our previous discussions—the limitations of quantifications out of models which are as good as the assumptions in there.

So it is within that framework. We indeed have a meeting of the authority tomorrow, the principal activity of which will be to focus around these particular issues and driving to the sorts of answers which you are pressing for, which the minister requires and which Senator Crane has indicated that growers have an enthusiasm to analyse as well.

Senator O'BRIEN—I think you are right: the answer is 42. I want to go to the issue of how the WEA deals with the export consent arrangements, particularly the heading of export marketing. You say that AWB markets its wheat as a differentiated and branded product with reported success. Who reported the success? Are you again relying on the AWB for advice on how its marketing is going?

Mr Walter—No, we are not. Of course these issues, in the absence of scientific testing, are necessarily anecdotal but there was a delegation from the authority which went to Vietnam last year focused around the importance of that market for containerised exports. It was clear to that delegation that those market positions were being perceived by the market as far as the export of Australian wheat is concerned. There is other anecdotal evidence in support of that proposition as well which the authority has independently received.

Senator O'BRIEN—So the information you have is AWB's view, your delegation's assessment and anecdotal evidence?

Mr Walter—Yes.

Senator O'BRIEN—You say you are seeking more information from AWB to better monitor this aspect of its operations?

Mr Walter—Indeed, that generally is a comment with respect to export marketing—that is, the market strategies which are adopted with respect to overseas markets. So that paragraph I think is saying—and there is a reinforcement in relation to the containerised process—‘AWB, tell us what you are doing in the overseas markets, articulate and identify your strategies.’ Of course, the detail of the strategies is probably one of the most commercially sensitive pieces of data which the authority receives from AWBI.

Senator O'BRIEN—When did WEA first start looking at this aspect of the AWB operation?

Mr Walter—I cannot identify a specific time, but marketing was one of the issues identified in terms of the structure for monitoring and reporting, which is set out in the annual report, so it would be of at least 12 months standing.

Senator O'BRIEN—I would have thought that the costs and benefits of marketing would be key issues in assessing whether returns to growers are being maximised.

Mr Walter—And also over time as well. You could imagine that there may be issues of market development.

Senator O'BRIEN—True. So somewhere around 2½ years after its inception, WEA commenced seeking information about marketing from AWB, to enable it to improve its monitoring.

Mr Walter—I do not think that reflects the time frames appropriately. When I said at least 12 months, that was in a specific sense—and, as I do my calculations, that is well under two years. In a more general sense, the identification of AWB strategies in offshore markets had been something which had been under discussion with AWBI right from the inception. This is putting specific frameworks around that analysis, which has been the fundamental—

Senator O'BRIEN—What do you mean by ‘under discussion’?

Mr Walter—For example, one of the issues in relation to export marketing is that in order to be able to consider properly the task of granting a consent for a particular market, the strategy of AWBI with respect to that market needs to be understood by the Wheat Export Authority. Indeed, that has been a requirement of our guidelines from the very outset and we have been insistent that the AWBI provide us with data as to their marketing strategies in markets where applications are being sought.

Senator O'BRIEN—I would have thought that in relation to pooling there may be a similar criticism that has not been the subject of ongoing focus for the life of WEA.

Mr Walter—I take that comment, Senator. In the context of pooling, the focus on pooling is within the framework but the focus on pooling also arises—as you would be aware we have an ongoing consultation process with the GCA—out of quite recent GCA-expressed concerns with respect to the operation of pooling, in particular the opening and closing of pools.

Senator O'BRIEN—I am getting the strong impression that WEA is not all that advanced in its capacity to analyse the AWB's pool management systems and its pool harvest acquisitions, your benchmarking tools and pool related services. How do you respond to that?

Mr Walter—Are you focusing here on pools in particular, Senator?

Senator O'BRIEN—I think I am focusing on a group of things that are contained in the document we have just been discussing: pooling, export marketing, post-harvest acquisitions, your benchmarking tools et cetera.

Mr Walter—The task of the Wheat Export Authority is to take in a backward way the information which is provided to us because we review on a yearly basis. The task is to take that information, to analyse it against a framework and to make a report, which is hopefully useful to the stakeholders, in particular AWBI, as to its forward activities.

It is also clear that the subject matter we are dealing with here is a dynamic subject which changes. The fundamental activity—which we have spoken of—which is the provision of dynamic services to the pool, has been the subject matter of change. We would suggest that the comments we have made and the tasks we have undertaken with AWBI are not unrelated to that change. We would not shy away from the proposition that there is much work to be done and we would also say that that work depends on the identification of frameworks and the flow of information within those frameworks to us. Much work has been done on the development of the frameworks and that more work remains to be done in terms of the implementation of those frameworks.

As chairman I would say that the authority has been active and focused. If you said to me, 'Are there things you would wish to have done that you have not done'? Of course, the answer to that, biblically, is that there are those things but I think the authority—against the background of the tasks which it has been given and the resources which it has had, the flow of information and the fact of the subject matter of analysis changes—has performed credibly.

Senator O'BRIEN—What are the difficulties in assessing supply chain cost savings?

Mr Walter—The difficulties relate substantially to the role we have. Bear in mind that our role is not a role with respect to AWB. AWB is not the company that we monitor the performance of; it is AWB International. AWB International has arrangements, contracted through the provision of services by AWB, for the movement and handling of the grain, which is pool grain, through to the ports. That agreement may be the subject matter of our comment and analysis, but it is really only that agreement, that arrangement, that we focus on—the extent to which the significant buying power of AWBI is able to drive efficiencies. It is really beyond our capacity to influence or report on such matters as investment by others in the logistics supply chain—for example, investment by AWB Ltd in the logistics supply chain. What one can say in relation to our role here is that it is a narrow focus within the logistics supply chain.

Senator O'BRIEN—So you do not focus on particular points in the supply chain and make assessments of them?

Mr Walter—Insofar as it could be driven by the agreement arrangements, the answer to that is yes. But insofar as it goes to issues of seeking or encouraging investment by third parties, I am not sure that that is something we can particularly focus on.

Senator O'BRIEN—I am trying to understand how you would actually assess them in the context of that answer. Perhaps you can tell me how you assess them and what sorts of outcomes you get in assessing points in a supply chain.

Mr Walter—There are service arrangements entered into by AWBI with bulk handlers. Those service arrangements dictate the sorts of charges for wheat received at those points. Arrangements are made with respect to movement along pathways to ports, where there are also arrangements made with the rail authorities in particular. It is fair to say that these are

negotiations which typically take place on a yearly basis, or thereabouts. They are effectively agreements which need to be reached. You have a major acquirer of services and a major supplier of services, and they tend to be, if not monopolies, not too numerous. From our point of view, our focus is on whether they are doing the best deal against the background or using the appropriate criteria and approach in doing that deal.

I think it has been reported—and I make no comment on it—that one of the announced statements AWB have made is that they are making investments in the logistics chain in order to introduce contestability and competitiveness into certain aspects of the logistics chain. In terms of where we are focused, that might potentially be one of the issues which produces a different outcome in the context of the agreements and the range of persons with whom agreements might be reached. But it seems to me that our focus necessarily has to be on that which we can influence—namely: did they do the best they could in terms of the one-on-one negotiations which were available with respect to logistics suppliers?

Senator O'BRIEN—So is there simply an annual assessment made of the supply chain arrangements—is it one process or is it an ongoing process?

Mr Walter—We see it as an ongoing process, bearing in mind the inputs. But I would have to say that I think it is very much focused around the one dimension of the acquisition of services.

Senator O'BRIEN—And that is annual?

Mr Walter—We would assess it on a yearly basis, and we understand that, by and large, those arrangements are entered into on a yearly basis.

Senator O'BRIEN—I was asking if you have done it, since inception, every year?

Mr Walter—I cannot answer that question, but certainly it has been an issue which we have particularly focused on since the minister's announcement of last year.

Senator O'BRIEN—Can you check that and let us know?

Mr Walter—Certainly.

Senator O'BRIEN—Are you again dependent on data from AWB to perform your assessment?

Mr Walter—In this area, critically—as you can tell.

Senator O'BRIEN—Are there other sources of data as well?

Mr Walter—Data in this area, as I think is indicated, is quite hard to come by, because there are third parties involved.

Senator O'BRIEN—How do you verify, if you do, the data you receive?

Mr Walter—That matter is a question of looking at the agreement to see whether it represents a commercial arrangement in the context. It is a question of what other data you can obtain from what other sources.

Senator O'BRIEN—Under the next heading, 'Grower services, products and benefits', you say, 'Growers are generally happy with the services provided by the AWB.'

Mr Walter—Yes, indeed, we do say that.

Senator O'BRIEN—What is the basis of that claim?

Mr Walter—AWBI conducts surveys of growers. We have not simply had access to the output of those surveys; we have had access to the raw data which was employed and resulted from those surveys. It is on the basis of that survey that we make that statement.

Senator O'BRIEN—Who conducts that survey?

Mr Walter—It is conducted by independent third parties but retained by AWB International.

Senator O'BRIEN—Do you have direct access to the independent third party?

Mr Walter—I am not aware that we have spoken directly to the independent supplier, but we have certainly seen directly the raw data of that service.

Senator O'BRIEN—Do you know whether you have the ability to question the independent body about the methodology or any aspect of the survey process?

Mr Walter—I think it is fair to say that we are aware of the methodology. I do not believe we have sought to question the service provider—not to my knowledge.

Mr G. Taylor—No: that is correct. We have not sought to question the service provider, but I believe there would be opportunity for that.

Senator O'BRIEN—So you have not asked, for example, if they would recommend any other approach?

Mr G. Taylor—As the chairman indicated, the raw data has been made available to the authority, and the authority was comfortable with the data that was provided.

Senator O'BRIEN—The raw data is based on the methodology, and the methodology is no doubt subject to some discussion between the principal and the contractor. The contractor might have a view that there is a better method. You do not know whether or not that is the case?

Mr Walter—I am not aware of that. Having said that, in my view the questions are reasonably straightforward and self-explanatory. But it is a well-made point and a well-taken point.

Senator O'BRIEN—In the last section of the report, headed 'Wheat export arrangements', you advise that the wheat export arrangements for containerised and bagged wheat have improved but you say:

... the WEA will continue as far as possible to independently seek improvements to the operations of the approval arrangements.

I want to come to this issue in some detail in a minute. First, what in your view are the improvements that are now presenting in this process?

Mr Walter—The source of that statement is a statement made when the arrangements were introduced, in which we said that we were introducing these changed arrangements but would keep them under review. As we come to each quarterly process—because it is substantially a quarterly process—one of the issues that the membership addresses with the secretariat is the sorts of lessons that might be learned from the process. This stems from the statements we have made as to review of the process. Clearly, the issues that are on the table relate to the overall structure of the arrangements, the flow of information to support those arrangements and the experiences of the constituencies in relation to those arrangements. It is all those factors that we see as inputs.

Senator O'BRIEN—Can you be a little more precise?

Mr Walter—For example, we have canvassed the exporters to see what their perspectives are of the new arrangements, to seek from them whether there might be perceptions of improvements.

Senator O'BRIEN—How do you do that?

Mr Walter—We would administer or seek to have them answer a questionnaire.

Senator O'BRIEN—Okay. So you use a questionnaire to exporters. Has that been used on an annual basis to make a judgment as to improvement?

Mr Walter—We have sought interaction. I cannot answer the question in terms of an annual basis but it has very much been focused around the changed arrangements.

Mr G. Taylor—That is correct. It is a survey that has been undertaken as a result of the revised export consent arrangements. The authority also has ongoing consultation with a range of industry organisations and that provides opportunity for those industry groups to represent growers and exporters to provide feedback to the authority on a range of issues including how the new export consent arrangements are operating.

Senator O'BRIEN—Okay. So you have got a round of consultations that you do year by year with an export group—or, export bodies is perhaps a better way of putting it.

Mr G. Taylor—There is ongoing opportunity for those consultations, and the groups are invited to attend WEA board meetings and liaise directly with the board members as well as throughout the year to engage with the secretariat and representatives from the WEA.

Mr Walter—And that has always been a perspective of the authority, that it sees the exporters as one of its constituents and there have been recent moves within the body, which may be perceived as the peak body of exporters—namely, NACMA—to be a more formalised and federated body which may provide, and has provided, some more formality around that consultation process. Indeed, the membership of the authority has met with NACMAR on two occasions over the last six months.

Senator O'BRIEN—What is meant by 'independently seek improvements to the approvals process'?

Mr Walter—I do not know that I would fixate on the word 'independently'. I think the purpose of the sentence is—and I suppose in conjunction with reference to AWBI—that it is WEA on its own initiative undertaking these tasks. It should not be seen in any sense related to the process of consultation with AWBI.

Senator O'BRIEN—So if there is no particular meaning I should ascribe to those words I wonder why they are used.

Mr Walter—I think it was intended to be a juxtaposition with AWBI rather than to suggest that we were independent experts or independently of anybody in particular. We are just doing it I think was the concept we were keen to convey.

Senator O'BRIEN—You say that, while some issues are identified in the report, which I assume to be the review or arrangements, further issues will be addressed over time? What is the nature of the issues you would be addressing and the timeline for addressing those issues?

Mr Walter—I am having some difficulty—where is this reference made?

Senator O'BRIEN—I will try to find it.

Mr Walter—Perhaps it is in the conclusion.

Senator O'BRIEN—I am just checking. I cannot find it myself; it is not something I annotated.

Mr Walter—There is a reference in the conclusion in the report rather than the letter. I cannot find the precise words but perhaps you are referring to the very last paragraph of the summary, which says:

The WEA is aware that some of the performance issues identified in this report are already being addressed by AWBI with further issues to be addressed over time.

Is that it?

Senator O'BRIEN—Where is that again?

Mr Walter—That is the very last paragraph in the growers report summary, which is not specifically related to wheat export arrangements. It is a more general comment.

Senator O'BRIEN—So it is a general comment about issues identified in this report, is it not?

Mr Walter—It is, yes.

Senator O'BRIEN—Does that mean there would be further performance issues addressed or other non-performance related issues?

Mr Walter—I do not want to fixate on the words, but I think it is relating to performance issues generally. That is our function, after all: performance. It is saying, for example, that we know there were and are changes which we will be reporting on with respect to the service arrangements between AWB and AWBI. They also know that we have issues against our framework with other areas. For example, evidence of price discrimination in relation to offshore markets is something that we are particularly concerned with, which we have identified to AWBI.

Senator O'BRIEN—Do you have a list of issues and time lines for them to be addressed that you can supply to the committee?

Mr Walter—We have a list of issues to be addressed, which are consistent with the list of issues in the report. We also have perspectives that they will be addressed within the time lines and reporting processes which we adopt. In terms of our function, we cannot compel anybody to do anything but we can tell you what our anticipation is and what the subject matter of our reports will be. There is no difficulty in supplying that documentation to the committee.

Senator O'BRIEN—Thank you for that. Now I want to go to the issue of permits for containers and bagged wheat.

Mr Walter—Certainly.

Senator O'BRIEN—There was a group set up by Mr Truss last year following the review of the single desk to look at the system of issuing permits for the export of wheat. It did its work and reported back to the ministry in August. New arrangements were put in place in November, I think.

Mr Walter—For the first quarter 2002.

Senator O'BRIEN—According to Mr Taylor, that report contained a number of options to improve the process of long-term export consents, increased flexibility of exporters—for

example—and you have provided considerable detail on changes to the administrative arrangement for permits. Are there now two types of applications: short-term applications and applications for a permit for a period of 12 months?

Mr Walter—There are. I do not know whether you have the guidelines which were issued by the Wheat Export Authority?

Senator O'BRIEN—No.

Mr G. Taylor—They were attached to the response.

Senator O'BRIEN—I have found a document which was attachment A, if that is the one you are referring to?

Mr Walter—If it says, 'WEA guidelines' at the top that is the document. Under the structure of the guidelines we operate under now for containerised exports, we look to eligibility—in other words, is this the sort of person who should receive a permit for the export of wheat from Australia? That is bearing in mind the various issues that are identified there: the need to maintain control over the export of wheat from Australia and Australia's reputation in overseas markets as a reliable supplier of wheat.

That is the starting point. Then there are effectively two categories—you may think of them as short- and long-term or vice versa. For niche markets basically identified as specialised, smaller tonnage—but the tonnages could be larger than the guideline tonnage of 1,500 tonnes per annum—long-term consents may be given for a period of 12 months. So they are the long-term consents and they are focused around niche markets.

The short-term consents are those which represent non-niche markets. They are markets which are not specialised but where, in the application of the criteria, it might be appropriate to make an allocation of tonnage for a quarter for that market. For example, we have made allocations for the Vietnamese market for the two quarters ending 31 March and 30 June. We have done that on the basis of, among other things, advice from AWBI as to its strategies in that market and also on the basis of the independent assessment by the WEA of its perspective of that market, the behaviour of exporters in that market and the particular markets that are being served by containerised exports by reference to the overall AWB strategy. We make an allocation for the market—the allocation is identified via our web site to exporters generally so that they might be able to assess what the prospects are for future consents for containerised exports with respect to that market—and then we examine the particular applications for that market and make determinations for the allocation within that allocation for that market. That, of course, is done on the basis of the various assessment criteria, which are set out in part 4 of the guidelines.

In summary, short-term is based upon AWB strategies and complementarity with AWB strategies but with an independent assessment by the Wheat Export Authority. Long-term niche based upon specialised markets with an overriding test of eligibility by the individual exporter.

Senator O'BRIEN—In one of the answers, I think it was the answer to question 8—the first sentence in the last paragraph on the first page—says:

Under the revised consent arrangement, AWBI provides market strategies and briefs and reports to the WEA on the implementation of previous strategy advice.

It concludes:

This includes AWBI indicative tonnage advice to some markets, which is included in WEA considerations in determining the tonnage permitted for short-term export consents against the guidelines.

Does this mean that the basis on which the WEA assesses an application for a permit is advice from AWBI?

Mr Walter—Not at all. I can say definitively to you that it is one of the inputs but our decisions are made quite independently of AWBI's perspective of allocations, and the guidelines say so—and we do do that. We make those decisions quite independently. Indeed, they may be and are quite different. It might be useful—although this relates to the previous consent system—to know that, in the report for the year ending 2001, we approved applications totalling something like 1.3 million tonnes, of which approximately 400,000 were supported by AWBI. The decisions the authority makes are quite independent of AWBI.

Senator O'BRIEN—We will come back to that. Since the introduction of the new arrangements on 1 October, there have been 337 applications, of which 231 were approved. Is there a breakdown anywhere of the niche market and the shorter-term market arrangements?

Mr Walter—I am not sure that there is a breakdown in this material, but there may be in the published material.

Mr G. Taylor—There is material that could provide a breakdown between the long-term and the short-term or the niche and the general containerised exports.

Senator O'BRIEN—Perhaps you could supply on notice a breakdown between long-term and short-term applications and approvals. You are confusing me with 'niche'. You implied 'niche' was 'long'.

Mr Walter—It is a sort of contraindicator—niche, long.

Senator O'BRIEN—That is what I thought. I am not sure Mr Taylor just said that.

Mr Walter—We know what he meant.

Senator O'BRIEN—Yes. I do not know whether you would have kept the information on the same basis prior to the guidelines, but is there any indication of what occurred prior to the introduction of the guidelines which can be related to those figures?

Mr Walter—I am not sure that we can identify readily niche or non-niche because it was not a categorisation that we made previously, but we have published data that identifies applications made, granted and tonnages, which can be supplied.

Senator O'BRIEN—I just wondered whether there was a document which could be compared on a like-for-like basis, but it does not sound like you have one.

Mr Walter—It may not be directly comparable. It may be an aggregate but not in the breakdown.

Senator O'BRIEN—So there was no short-term or niche distinction prior to 1 October?

Mr Walter—No.

Senator O'BRIEN—Not even in your own internal workings?

Mr Walter—Not even internally, though it is fair to say the guidelines effectively said complementarity was a factor so niche would typically be complementary and would have received approval, and probably also AWBI support in many cases.

Senator O'BRIEN—With the previous system, would you be able to say how many applications to export over a period of more than 12 months were approved?

Mr Walter—Were granted?

Senator O'BRIEN—Were granted.

Mr Walter—We can certainly do that, yes.

Senator O'BRIEN—Is there a difference between approval and action upon the approval?

Mr Walter—Yes. You will see that in our published material we actually identify that. We can certainly provide that data.

Senator O'BRIEN—Does your data identify the number of new markets complementary to AWB's markets that have been identified or developed under the new administrative arrangements?

Mr Walter—We have not given consideration to that. It is something which has arisen out of the last probably less than six months of operation. It is certainly something that could be considered. We do, as we have indicated, publish on the web site perspectives with respect to particular markets as to whether they are stable, likely to have an increase in allocation to them or otherwise. Certainly, communication is one thing we can look at. There is the countervailing factor, which is the issue that Senator Crane referred to, that if you have found a 'you beaut' niche market, you do not want everybody trampling over that particular opportunity you have discovered.

Senator O'BRIEN—You gave us a figure of approvals for export of 1.3 million tonnes?

Mr G. Taylor—That is correct. That is from the 2000-01 annual report period.

Senator O'BRIEN—The 2000-01 period?

Mr Walter—Under the previous export consent arrangement system.

Senator O'BRIEN—Are there any preliminary figures on the current arrangements?

Mr G. Taylor—For the first two quarters of 2002, there has been about 432,000 tonnes consented by the authority. I only have ABS statistics for the first quarter of 2002, but that indicates there is about 69,000 tonnes that have actually been exported for the first quarter. The other figure that might assist you for that first quarter of 2002 is that there was a total of about 295,000 tonnes consented by the authority for export. That figure includes long and short-term consents.

Senator O'BRIEN—Can you give us a breakdown of how much of the 432,000 tonnes were approved with the support of AWB?

Mr G. Taylor—It is more difficult under the new arrangements to identify that. The new arrangements have been structured around a quarterly process where applications are generally batched and provided to AWBI for our consultation process, whereas, under the previous system it was an application by application and consultation process. However, AWBI do provide, as the chairman indicated, an indicative tonnage advice to the authority which might be of assistance to you.

Senator O'BRIEN—Maybe.

Mr Walter—We can see what sort of data we may have available and perhaps take that on notice. I would reinforce to you that those decisions have been made independently by AWBI.

Senator O'BRIEN—In 2000-01, you approved 1.3 million tonnes. Can you tell us the volume that was sought to be approved?

Mr Walter—Total applications received exceeded two million.

Senator O'BRIEN—So something under 65 per cent approved.

Mr Walter—By volume.

Senator O'BRIEN—How does that stack up to the first six months of the current financial year?

Mr Walter—This is an anecdotal response only. I think that the process is one of allocating a tonnage across credentialled exporters. By and large we have, I think, met most credentialled applications but it has been for a tonnage which has been allocated across those credentialled tonnages, so that applicants have not received the total tonnages which they may have sought with respect to a market. That relates this whole aim of matching the tonnages to the real market there and encouraging exporters to export by reference to the consents they have.

Senator O'BRIEN—So an exporter says, 'I have got 100,000 tonnes that I can sell here', but they might only get 50 if that matches this profile you have for the particular market.

Mr Walter—It is conceivable, though, by and large we actually look specifically at the individual exporters. If the exporters were saying, 'Hey look, I have a demonstrated history and relationship here and I have been selling this tonnage', then that is a factor we would take into account and we may indeed make a full allocation to that particular exporter. So it is really very much a question of the application of the guidelines.

Senator O'BRIEN—If they had been selling the tonnage you would have approved the previous year, you would be cutting them back if you didn't.

Mr Walter—It is a question of looking at AWBI strategies as they emerge, as well. An example may be the New Zealand market, where there has been a reduction, because of changed AWBI strategies, in containerised exports to that market. But there is also evidence of increased AWBI sales to that market, possibly as a consequence.

Senator O'BRIEN—That is certainly an area that seems to be determined by a formula that AWB seek you to follow in some respects.

Mr Walter—The way I would like to think of it, and the way I hope we administer it, is that we do it within a guideline which has as its concept an overall complementarity to AWBI strategies and premiums but the decisions with respect to particular allocations and allocation sizes are ours. Those decisions are made quite independently and, as you can see from the material, in many respects quite differently from what may be perceived as AWBI desires.

Senator O'BRIEN—So AWBI will tell you what they think the market tolerance is, in effect?

Mr Walter—They identify for short-term consents an allocation in their opinion.

Senator O'BRIEN—Which is based on what they think the market can bear without affecting price.

Mr Walter—That is one of the factors which they look at.

Senator O'BRIEN—It would have to be, wouldn't it?

Mr Walter—Yes.

Senator O'BRIEN—How often does WEA exceed their parameters for a market?

Mr Walter—How often do we exceed the parameters for a market? Through this initial phase I think it is quite frequent.

Senator O'BRIEN—So they say what the tolerance is and WEA regularly does not accept that.

Mr Walter—During this initial phase—because we see their data and we see the export applications and we can see the particular markets which are being sought, even with the short-term application to be served—we can make a judgment as to what the complementarity is with the identified AWBI strategies. The history we have had over this initial period—and it is a short period—would suggest that the markets have received tonnages which have been not inconsistent with our perspectives of the markets.

Senator O'BRIEN—What certainty does an exporter have, if they have received approval for a market, that they will get approval for a subsequent period?

Mr Walter—Consistent with the data we have and the consultation we have with the AWBI, we publish on our web site an outlook for that market. That is intended to give them a measure of assurance that for the subsequent quarter and for the quarters after that. We cannot give them total assurance, but they should be able to plan for that market.

Senator O'BRIEN—So, the answer is they are not assured of—

Mr Walter—They have no absolute assurance.

Senator O'BRIEN—Having established a market, is it potentially available for AWB to pick that up in the next year?

Mr Walter—We cannot prevent competition, but the indications we can give them from our point of view are those of whether that market will be accessible to them for the next period or periods. It is a matter for them no doubt as to how they entrench their relationship with their particular customer.

Senator O'BRIEN—When AWB does an assessment for you of the potential for a market, do they indicate what they are expecting to contract into that market?

Mr Walter—In some cases I think they would indicate their expectations, bearing in mind there is always an element of opportunism in approaches to markets. More important to us is not so much expected tonnages. More important to us are really the strategies they are adopting with respect to that market and the way in which they will be operating their marketing strategies because that will determine the complementarity or otherwise of, in particular, the short-term exports to that market.

Senator O'BRIEN—What weight would you give to the need to protect the single interests of the single desk marketing arrangements?

Mr Walter—The guidelines really hold the answer to this. If I could take you to page 3, the critical bits are the three bullet points there—this is non-niche, bear in mind—which are: we have regard to whether giving the consent would adversely affect the sales premiums or export marketing strategies of AWB International in the market; with a giving of a consent to export to the market, for which wheat export consent is sought would adversely affect a related market to which AWB International exports; and the overall impact on Australian wheat exports to the markets for which a wheat export consent is sought. They are the overall factors we look at. The AWBI strategies are identified against that background.

Senator O'BRIEN—Yes. There seems to be a fairly heavy weighting towards the AWB in those criteria. There is only one very limited weighting, one reference to actually using the permit system to try to grow overall exports to the Australian market. Dr Samson, is it the view of the department that these two objectives—protecting the single desk exporter and growing the overall exporter effort—are mutually exclusive?

Dr Samson—I do not believe they are mutually exclusive. One of the issues that came out of the NCP review of the wheat marketing arrangements that Malcolm Irving conducted for the government was a clearer articulation at the end of that process as to what the actual intent of the legislation was in this regard.

I think it is clear, in the statements that the minister subsequently made, that the intent of the operation of the act is to look after the interests of growers who deliver to the pools. At the same time, as far as it does not conflict with that objective, it is a desire to facilitate the development of niche markets.

Mr Walter—We take those three criteria into account when we make our decisions.

Senator O'BRIEN—Briefly, in relation to the answer to question 9 about measuring the performance of the AWB in 2004, what will be the basis for measuring performance in delivering appropriate financial returns to growers?

Mr Walter—There was a question on notice and the framework was provided, which was the framework for the 2004 review. One would hope that out of that process there will be very specific matters reported on.

Senator O'BRIEN—Show me where the benchmarks are established.

Mr Walter—Do you have a copy of the report—

Senator O'BRIEN—I believe so, back in the office.

Mr Walter—That is, I believe, attachment C to question No. 9.

Senator O'BRIEN—It is not marked as attachment C, but I have that.

Mr Walter—That is attachment C, Senator. It is the framework and, indeed, the contemplation we have is that the annual reports that the authority is making will feed into the 2004 report. So, unlike most reports where there is a snapshot, effectively, the result of the annual reporting process to the minister will be that it will form a longitudinal basis, or an over time basis, for the report due before the end of 2004.

Senator O'BRIEN—What I am asking is: do you envisage having particular benchmarks to measure the delivery of financial returns to growers?

Mr Walter—That is the discussion we had previously in relation to the monitoring function. Certainly that is our aim.

Senator O'BRIEN—Is it envisaged that you will have a benchmark for assessing the cost of administering the single desk?

Mr Walter—By that do you mean our costs or the costs of AWB—

Senator O'BRIEN—AWB's costs, I would have thought.

Mr Walter—We would see that as being reflected in the costs and revenues deriving from the analysis which we will be undertaking, because that analysis will identify, in terms of the benefits to growers, the revenue opportunities and the optimising of the costs of operating the system. So that will be, in terms of our structure, part of our report.

Senator O'BRIEN—I look forward to it. The ABC *Country Hour* on 8 January this year reported claims by exporters of containerised wheat that their permits had been, I think, cut in half or reduced by half and their markets threatened because of a clampdown by WEA. You have given me some figures for the first two quarters of yours and then ABS statistics for, I think, the third quarter.

Mr G. Taylor—It is the first quarter of this year, 2002.

Senator O'BRIEN—The other two quarters that you were talking about were, I thought, the first two quarters of the 2001-02 financial year. Did I misunderstand you?

Mr Walter—I think it is the first quarter of calendar year 2002.

Senator O'BRIEN—Let us go back to that figure of 432,000 tonnes for 2001-02. What period does that apply to?

Mr Walter—That was from 1 January to 31 March.

Senator O'BRIEN—In the ABS statistics it is only 69,000.

Mr Walter—That was for the period from 1 January to 28 February.

Mr G. Taylor—Just to clarify that point, the figure of 69,000 that I mentioned to you was for the first full quarter, from January to March 2002. They were the ABS statistics on exports of containers and bags.

Mr Walter—And to clarify the difference between the answer and that comment, the 42,000 tonnes which was given in the answer on notice was for the period from 1 January to 28 February. So the extra tonnage reflects the extra month.

Senator O'BRIEN—I wrote it down as 432,000, but it is only 42,000—is that right?

Mr Walter—No, the permits were about 430,000. For the first two months, the exports were 42,000 and for the full quarter, the exports were approximately 69,000.

Senator O'BRIEN—How do we explain the difference between permits and exports?

Mr Walter—I think one would explain it in terms of the issue that Senator Crane identified—namely, that you may make application for tonnages and you may not necessarily have consummated arrangements with customers. Indeed, one of the consequences of the administration of the new system for those who simply make up applications will be for them to take into account the fact that they have not exported against their applications, with an outcome consistent with the guidelines being that their permit entitlement is reduced, if not refused.

Mr Wonder—The permits presumably relate to all of 2002, don't they?

Senator O'BRIEN—I was thinking that that might be an explanation.

Mr Wonder—The figure of 432,000 would relate to the full calendar year, 2002.

Mr G. Taylor—The 432,000 tonnes that was consented to by the authority relates to the consent to tonnages for the first two quarters—that is, January to June 2002.

Senator O'BRIEN—To be expected to be shipped in that time period?

Mr G. Taylor—Yes.

Mr Walter—It also relates to niche markets. It is the full 12 months for the niche markets.

Mr Wonder—So there are different time scales.

Senator O'BRIEN—Because some of the 432,000 had to be shipped in that period and some did not?

Mr Walter—Yes.

Senator O'BRIEN—It is pretty clear that the work of WEA is an important source of information for the government as it looks to future wheat marketing arrangements. What financial role has the government played in the operation of WEA, at least to the present?

Dr Samson—I think, as Senator Crane referred to earlier, at the moment the Wheat Export Authority is funded through a sum of money—\$6 million—that was initially set aside when the Australian Wheat Board was privatised and became AWB. There was an initial allocation of \$6 million to the operation of the authority.

Senator O'BRIEN—So there has been no on-budget funding?

Dr Samson—No. There has been nothing in addition to that initial \$6 million.

Mr Walter—And the interest on the \$6 million.

Senator O'BRIEN—Dr Samson, can you remind me where the initiative for the setting up of the WEA came from?

Dr Samson—I think that actually predates my involvement.

Senator O'BRIEN—I thought it was an initiative required by the government in its review of the single desk arrangements. You could take that on notice.

Dr Samson—I will take that on notice; we will give you the story of the setting up of the authority.

Senator O'BRIEN—I do not need the full story of the setting up of the authority; I just want to know where the initiative for its setting up came from.

Dr Samson—We will certainly take that on notice.

Senator O'BRIEN—How much has been expended to date on the WEA since its inception? You can take that on notice.

Dr Samson—Yes, we will take that on notice.

Senator O'BRIEN—What is happening with negotiations with the industry regarding the future funding of WEA?

Dr Samson—AFFA has been engaged in a series of discussions with the Grains Council of Australia. We have had some informal discussions with AWB International to look at what options the government may wish to consider down the track as to how to continue the funding of the operations of the Wheat Export Authority.

Senator O'BRIEN—The minister told the industry at Grains Week in April that the government would not put any money into the WEA in the future. Is that what has been communicated to the industry? Is that still the case?

Dr Samson—That is correct.

Senator O'BRIEN—According to last year's PBS, under the heading 'Agency resources' on page 260, 'Administration of consents to export wheat' was \$876,000 in 2001-02. I think that has jumped to about \$1.328 million in this year's PBS.

Mr Wonder—Where are you referring to for this year's?

Senator O'BRIEN—Page 264. Can you give us some details on the cause of the overrun?

Dr Samson—Part of that change reflects the impact of the government's response to the NCP review of the wheat marketing arrangements, whereby putting in place the new arrangements that we have just discussed at some length—the long-term niche, the short-term arrangements—has involved a considerable amount of work and there have been costs associated with that.

Senator O'BRIEN—So actual total agency resourcing was \$2.247 million last year. That is expected to fall by about 40 per cent, or the high thirties.

Dr Samson—That fall does not reflect the real picture in some ways. If we go back to the \$1.3 million, that was the estimated actual. The final cost was considerably less than that; it was down to \$864,000.

Senator O'BRIEN—Are you saying that the estimated actual is wrong? I am not sure what you are saying there.

Dr Samson—I am informed that the \$1.3 million was, at the time of the preparation of this document, the cost estimated by the authority. The actual cost at the end of the day—it is worth keeping in mind that the authority's financial year runs at a different time to the normal financial year—was \$864,000.

Senator O'BRIEN—So half a million was overestimated. When was the first estimate done?

Dr Samson—We would have to take that on notice.

Senator O'BRIEN—What is the status of the other figures in the table on page 264?

Dr Samson—The point is that the costs of the authority, whilst they vary somewhat from year to year, are approximately \$2 million. I think the figure of \$1.49 million represents how much remains of the \$6 million original seed funding for the authority.

Senator O'BRIEN—So that is all that is going to be provided; that is what this document is saying—although you did not spend what you had estimated you would be spending.

Dr Samson—Yes. It indicates that there is \$1.497 million left of that original \$6 million and that we have to have in place an alternative funding arrangement for the authority to supplement that money on an ongoing basis.

Senator O'BRIEN—That figure was derived when the administration costs were going to be \$1.3 million. They are now down to \$800,000. So there is another \$500,000 around somewhere, isn't there?

Dr Samson—We are not sure where you derive the extra \$500,000.

Senator O'BRIEN—You told me that the \$1.328 million was going to reduce, in actual terms, from when it was estimated to be about \$800,000. There is about a \$500,000 difference there. We are talking about page 264 of the PBS, the figure 'output 1, administration of consents to export wheat, estimated actual 2001-02, \$1.328 million'. I am pretty sure you have just told me that that is well above what the current actual is estimated to be, at around \$800,000 and some. Is that correct?

Mr G. Taylor—That is correct.

Senator O'BRIEN—So there is a difference of about \$500,000.

Mr G. Taylor—That would be correct. That was an estimated actual that included an estimate of the impact of the government's response to the NCP and the implementation of the revised consent arrangements incorporated into that figure. That level of expenditure was not actually incurred.

Senator O'BRIEN—Dr Samson, you were suggesting to me that the figure in the next column, 'total resourcing outcome, budget estimate 2002-03', of \$1.497 million, represented the remaining funds available.

Dr Samson—Indeed, that is how it was explained to me, Senator.

Senator O'BRIEN—So we should add the \$500,000 to those funds, should we?

Dr Samson—That may well be the outcome. We will have to get back to you on that.

Mr Wonder—We will clarify this and come back to you.

Senator O'BRIEN—And find out where the \$500,000 went?

Mr Wonder—We will clarify whether the \$500,000 that you have identified is in fact available in 2002-03 additional to the \$1.497 million.

Senator O'BRIEN—It is a strange way of reflecting it, if that is the case, because it was not how it was reflected in the previous budget. Perhaps it was not a relevant figure then because you had a bit more left and you needed it.

Mr Wonder—I think what we are saying in regard to the estimated actual for 2001-02 is that we have additional information since the time that these papers were prepared that suggests that the cost of delivering from the agency output 1 is going to be significantly less than the \$1.328 million. You are now seeking advice as to whether those additional resources would be available in 2002-03, and we will undertake to answer that question on notice.

Senator O'BRIEN—So have the costs of administration been fairly stable?

Mr Walter—It is fair to say that, once established, they have been fairly stable.

Senator O'BRIEN—So it has not fluctuated depending on the number of applications?

Mr Walter—Clearly there are some variables in there but after the initial ramp-up phase the establishment and costs have stabilised.

Senator O'BRIEN—Are there any additional cost burdens occasioned by small quantity exporters seeking permits? Are they easy to handle? Are they difficult to handle?

Mr Walter—It is fair to say that the cost of handling a large tonnage application is probably not, order of magnitude, different from handling a small tonnage application. They tend, effectively, to be fairly fixed once one has a particular process to be gone through which is the same for all of them. The changes we have made may affect savings as between the long-term niche and the short-term complementary exports.

Senator O'BRIEN—So if someone gets a long-term niche they would basically have a tick on an ongoing basis?

Mr Walter—At least for 12 months, anyway.

Senator O'BRIEN—Okay. I think you have answered the question I was about to ask in relation to a market having been set up, the AWB could move into it. You said that you did not want to interfere with competition, but is it more than that where you are taking into account the AWB's marketing priorities as a precursor to assessing an application? Where you

could prove an applicant is moving into a niche market, on what you are saying they get absolutely no priority to have first go at maintaining that. Irrespective of the price they want to negotiate, they have to get an export permit first, and it is the price on which they would be competing rather than right of access.

Mr Walter—It may be something I did not make clear. Those criteria which had regard to AWBI strategies were only for non-niche markets. For niche markets we look at the limited range of circumstances which the guidelines specify. So in determining niche market consents we actually have regard to whether there is no, or minimal, likelihood that the export will adversely affect AWBI's sales premium or export marketing strategy. That is the issue which we take into account, which is slightly differently expressed for that particular area. Indeed, I think it is fair to say that it is unusual for there to be any perception of, for true niche markets, conflict between AWBI strategies and the niche markets.

Senator O'BRIEN—So whether someone is applying for a niche market or a short-term one-off application to send a hundred tonnes to a particular country, the costs are pretty well the same for WEA?

Mr Walter—I think they are not an order of magnitude different because the one process is gone through for each. With the niche, the fact that they do not have to come back every quarter means that they have a 12-month window, not four handlings as may be the case if you are coming back quarterly.

Senator O'BRIEN—Is there a maximum tonnage for a quarterly permit?

Mr Walter—No, there is not.

Senator O'BRIEN—What about for a niche?

Mr Walter—There is no maximum tonnage. As a guideline 1,500 tonnes per annum and below would be perceived as niche but it could be higher than that.

Senator O'BRIEN—If an applicant came along and said they had a niche market but they could sell 50,000 tonnes a year—

Mr Walter—That would be a factor against but in my view if the other factors were met that market could still be niche.

Senator O'BRIEN—When you say it would be a factor against it, if it were into a market not penetrated by AWB, would it be guaranteed of success?

Mr Walter—It would not necessarily be guaranteed of success, but clearly if it were a market which was quite consistent with AWB strategies and it met one or more of the other criteria it would be highly likely to succeed.

Senator O'BRIEN—Okay. Mr Chairman, I have got no more questions for this authority. I am going to go on to another subject. There may be other—

CHAIR—I would just like to follow up the other questions I asked. Just going back to your budget of \$80,000, does that cover all contingencies of the Wheat Export Authority—wages, travel, remuneration to the members of the board et cetera?

Mr Walter—The \$80,000 represents the interest earned on the balance of the \$6 million which was set aside as part of the initial restructure of AWB in 1999. Our annual operating budget is of the order of \$1.5 million to \$2 million per annum.

CHAIR—As there are no further questions for you, thank you both for being here with us today and for the great way in which you have answered all the questions. I do not think you took any on notice, did you?

Mr Walter—Yes.

CHAIR—There were not many. Thank you very much.

[12.41 p.m.]

ABARE

CHAIR—We will deal with dairy deregulation now.

Senator O'BRIEN—It would be useful if Dr Fisher could give us a preliminary update on the industry.

CHAIR—Yes.

Senator O'BRIEN—First of all, Dr Fisher, my compliments on a highly successful ABARE Outlook Conference, and thank you for the invitation. Would you update the committee on the outlook for the dairy industry.

Dr Fisher—First of all, the next formal update of our outlook will be released on the third Tuesday of June, in the June issue of *Australian commodities*. Just to give you a little precursor of perhaps what we will be saying there, the first thing that I think is important is that we will be revising our exchange rate assumptions from those that were contained in the outlook document. Obviously, anybody that has been following the Australian dollar has noticed that there has been a small appreciation against the US dollar, and that has the potential to reduce farm incomes and the value of export commodities across the board, particularly in those commodities that are having a large proportion of their product exported. Manufactured dairy is one of those products, so we would expect to see some easing in returns over the next 12 months as a consequence of that. However, having said that, we have seen reasonably robust returns over the last 12 months. In fact, we are expecting to see farm cash incomes in the dairy industry in this financial year slightly above those for last financial year.

Senator O'BRIEN—I am sure that I overheard one of the industry spokespeople talking about a 25 per cent reduction in prices in my state. That does not seem to tie in with what you are saying.

Dr Fisher—For 2002-03?

Senator O'BRIEN—Yes.

Dr Fisher—We are expecting some easing in demand for manufactured products for next financial year. However, at this stage we do not have estimates of the impact that that will have on farm cash incomes for next financial year, state by state.

Senator O'BRIEN—How is the international price regime standing up at the moment?

Dr Fisher—To take a couple of examples, the price of cheese on average for 2001-02 in US dollars per tonne should be around \$2,200. We are forecasting a fall in the order of \$100 per tonne in 2002-03. In the case of skim milk powder, we are talking about something in the order of a \$200 a tonne fall from about \$1,925 for 2001-02. They are the numbers that we had in the March *Australian Commodities*. We will be reassessing those numbers for the June AC and I would expect that we will ease those prices slightly as a consequence of the slower

recovery we have seen in world markets and of the fact, as I have said before, that we are expecting to see a stronger Australian dollar in the coming 12 months.

Senator O'BRIEN—So, on the basis of about a 10 per cent appreciation in the Australian dollar and some further easing of prices, you would expect that there will be a reasonably dramatic impact on farm income.

Dr Fisher—I would expect that, when we make the assessment of farm cash incomes for the 2002-03 year—that will not be until we have finalised the next round of our farm surveys, and our field officer has just left this morning to start the next set of runs—we would be easing our farm cash income numbers for next year on the basis of those numbers I have just talked about.

Senator O'BRIEN—Thank you for that, Dr Fisher. It is a useful backdrop.

CHAIR—Dr Fisher, you gave answers against last year's figures. How do they compare against, say, the average for the last five years? I do not want you to go through dollar for dollar. Are they up or down or is it fairly stable?

Dr Fisher—There has been a reasonably strong trend in real farm incomes in the dairy industry over something like a 10-year period.

Senator O'BRIEN—Mr Sutton, do you have up-to-date numbers on exits from the dairy industry by state?

Mr Sutton—Yes, we have a couple of sets of figures. One is the figures reported by the Australian Dairy Corporation on the number of registered dairy farms. Unfortunately, it is a little dated; it is for the year to 30 June 2001. Exits from the dairy industry in New South Wales were 295; Victoria, 247; Queensland, 240; South Australia, 80; WA, 54; and, Tasmania, 96—a total of 1,012. In terms of those who have accessed the exit program under the adjustment package, as of 30 April—this is a cumulative figure, not an annual figure as the previous ADC figures I quoted refer to—the number of farmers in each state are: Victoria, 57; New South Wales, 33; Queensland, 11; South Australia, 4; Tasmania, 2; and, WA, 2. Clearly, there have been a lot of farmers who have exited the industry who have not claimed that exit package for the reasons we have discussed before.

Senator O'BRIEN—Could a farmer who exits the industry be a lessee taking the package and walking off?

Mr Sutton—If they were dairy farmers, that would be the case.

Senator O'BRIEN—Naturally they would not be entitled to a package, would they?

Mr Williamson—Yes, if they were farmers as at 28 September 1999.

Mr Sutton—In fact, in some states they would be the large preponderance of people taking the exit payment because of the effect of the assets test. In Victoria, for example, we would expect that a lot of those that had exited would have left as lessees.

Senator O'BRIEN—Application for this program, I believe, had to be in by 30 January. Do we have final numbers there?

Mr Williamson—That is 30 June this year.

Senator O'BRIEN—It is 30 June. That is good.

Mr Williamson—That is the dairy exit program that we are referring to there.

Senator O'BRIEN—I want to go to question on notice No. 10 on industry development and adjustment. You advise that 659 enterprises out of 13,000 registered enterprises sought an internal review in relation to the Dairy Structural Adjustment Program. Out of these 659, some 140 were resolved in favour of the applicant, you say, on the basis of additional information. Are you saying that there were, in fact, no incorrect assessments but only assessments made on the basis of inadequate information provided by the applicant?

Mr Sutton—I do not have the figures in front of me that you are referring to. It is a fact that, in terms of appeals to the AAT, there have been no successful appeals. What that means is that the AAT has not found that the exercise of discretion or implementation of the guidelines has been contrary to the intent. There have been some people who had lodged appeals but subsequently withdrew those appeals as a result of the discretionary payment arrangements coming into play and the basis of their appeal has been covered by the discretion available to the DAA in those cases.

Senator O'BRIEN—Are we at the end of the DSAP?

Mr Williamson—We are very close. As of 14 May, 99.98 per cent of eligible farmers had been issued a notice. Of those, 97 per cent were being paid and the other two to three per cent are still awaiting the outcome of either an internal review by the DAA, which is required in the first instance, or an AAT appeal. The AAT appeals are very few, numbering 24 in total at this point.

Mr Sutton—I just add that in relation to that three per cent that quite a few of them are believed to be estates and insolvencies that still need to be resolved before final entitlements can be awarded.

Senator O'BRIEN—In relation to the supplementary assistance program, you just gave us percentages. Do you have actual numbers?

Mr Williamson—In terms of the additional market milk payments, there have been 8,476 notices of decision issued by the Dairy Adjustment Authority valued at \$109.35 million. Payments to farmers number 7,565 as of 14 May, constituting 89 per cent of the notices issued.

Senator O'BRIEN—That means there has been something in excess of 8,476 applications?

Mr Williamson—That is in terms of the additional market milk payments. There is, in technical terms, an application. However, the eligibility criteria are such that payment is almost automatic, provided they are able to demonstrate they have received a DSAP entitlement and have a market milk dependency above 25.1 per cent of deliveries. There is also, as you are probably aware, a discretionary payment program running at the same time, and I think the DAA have indicated that they have looked at 776 entities for assessment under that program for a discretionary payment. Of those, 396 have been found eligible for a payment and rights have been awarded to a value of \$10.213 million. A total of \$1.875 million has been paid out to date. I should add that, under the discretionary payment rights, they are paid out in the same way as the Dairy Structural Adjustment Program payment—over a period of eight years. With the additional market milk payment rights, there is an option to take the payment as a lump sum or to take it over eight years as per the Dairy Structural Adjustment Program payment rights.

Senator O'BRIEN—I understand there have been 136 applicants seeking a review regarding the supplementary dairy assistance program. How many have succeeded?

Mr Sutton—Our records show that only five appeals against the supplementary dairy assistance and discretionary payments have been lodged with the AAT—

Senator O'BRIEN—I am not asking about lodgment with AAT but those asking for a review internally.

Mr Williamson—That is reconsideration by the Dairy Adjustment Authority. What is your question again, Senator?

Senator O'BRIEN—I understood that 136 have requested reconsideration. I wanted to know how many succeeded.

Mr Williamson—We would have to take that on notice. We do not have that information.

Senator O'BRIEN—The answer to question on notice No. 11 gives the committee some numbers on legal costs to both the department and the DAA in relation to the appeal processes. Can you give me the up-to-date numbers on these costs, please?

Mr Williamson—In terms of the legal expenses incurred by the department in respect of the Dairy Structural Adjustment Program, in 1999-2000 we incurred \$83,185; in 2000-01, \$132,638; and in 2001-02, \$66,819. I have not added that up.

Mr Sutton—They are AFFA costs. We do not have with us the DAA's legal costs. All we have is their total administrative expenditure, which would include legal expenses: \$6 million to April 2002 as compared with \$12.7 million in the full year last year. We will take it on notice if you would like those DAA legal costs.

Senator O'BRIEN—Yes, the figures up to 31 January.

CHAIR—I think this is a good time to break for lunch. Thank you, everyone.

Proceedings suspended from 12.59 p.m. to 2.03 p.m.

CHAIR—Welcome back.

Senator O'BRIEN—Mr Sutton, the answer to question 13 gives some advice on the timing of applications under the Extraordinary Circumstances Program. It advises that invitations were sent out in September 2001. Can you remind me of the basis on which the DAA determined that an application should be sent out?

Mr Sutton—In terms of discretionary payment rights?

Senator O'BRIEN—Yes.

Mr Sutton—The intent was to address situations of farmers in terms of human health constraints or other personal constraints on their ability to produce during the eligibility period. The intention was that the discretionary payment right facility was to provide for those farmers as if they had produced their normal volumes during the eligibility period and, accordingly, to grant them their standard DSAP entitlements and, as it turns out, the additional market milk payment entitlements based on a readjusted production supply record. In addition, there were other considerations—Mr Williamson will correct me if I am wrong—in terms of other rights that lessees and lessors might have.

Senator O'BRIEN—How many were there, and what was the level of response?

Mr Sutton—I think Mr Williamson mentioned before the lunch break that there were 776 entities assessed for a discretionary payment, of which 396 were granted a DPR and 380 were found to be ineligible. The value of those additional payment rights was \$10.213 million, and so far \$1.875 million has been paid.

Senator O'BRIEN—Was there any follow-up to the first invitation? Were there any reminders?

Mr Williamson—I am fairly certain—we would have to check, though—that there have been a number of reminders or notices provided in the Dairy Adjustment Authority newsletters, which are sent out to all eligible dairy farmers. That has been the extent of it. Essentially, when this discretionary payment right process was set up, the authority looked back through all its records, which would relate in the main to people who had been assessed for the Dairy Structural Adjustment Program, and put the records of those people who may have been disadvantaged against those original eligibility criterion into a big pile and went through them systematically. At the same time, the authority notified farmers that there was a discretionary payments program about and invited applications for that as well.

Senator O'BRIEN—Responses to that batch of invitations had to be in by March this year?

Mr Williamson—At this point in time, there is not any deadline for a discretionary payment right application. There are timing requirements with respect to providing information, as with the Dairy Structural Adjustment Program.

Senator O'BRIEN—I thought from your answer that maybe we were talking about different things: 'The deadline for applications for discretionary payment rights on the supplementary dairy assistance scheme closes six months after the DAA invites potential applicants to demonstrate their eligibility.'

Mr Williamson—I am fairly certain that that answer refers to those who have been invited to submit an application. They have six months to make that application.

Senator O'BRIEN—So there is a deadline for those people.

Mr Williamson—Yes, in terms of those who have been invited to submit an application.

Senator O'BRIEN—For those who received the invitation sent out in September, their eligibility has expired. The additional invitations issued in January will expire in July. If there is anyone left, their rights are not closed off.

Mr Williamson—That is correct.

Senator O'BRIEN—But all of those people's rights will be?

Mr Williamson—As I understand it.

Senator O'BRIEN—How many invitations in total have been sent?

Mr Williamson—I think 776.

Senator O'BRIEN—Seven hundred and seventy six is the total from the two batches?

Mr Williamson—Sorry, that is the number that have been assessed. I am not sure how many invitations were sent out.

Senator O'BRIEN—Can you find out for us?

Mr Williamson—We can take that on notice.

Senator O'BRIEN—Do you know why a second batch was sent out?

Mr Sutton—I do not think it is a matter of a second batch of invitations. These were follow-ups to identification by the DAA of those people, farms and farming enterprises that the DAA believed may have been eligible. There would also have been people who would

have put themselves forward but, clearly, they do not need an invitation. I am sure that these are general invitations to people to bring forward applications and make contact with the DAA if they believe they have the possibility of a claim under the discretionary payment arrangements.

Senator O'BRIEN—Why two lots? I am trying to get an answer which explains why there was one batch sent out in September and another one sent out in January. There are a variety of things that are happening, which seem to me from what you are saying to be what you think might have happened. Do you know what happened?

Mr Sutton—Can we come back to you? We do not administer the program. It could well be that that was the date of a newsletter or it may have been a mail-out. But we will need to come back to you with a definite answer on that.

Senator O'BRIEN—Thank you. Can you clarify whether the 776 responses are to the first batch or to both batches?

Mr Sutton—I think that is the total figure. We have received a one-page summary brief from the DAA and that is the accumulative figure.

Senator O'BRIEN—Could you just check and confirm it, lest the one page does not make that clear enough?

Mr Sutton—We will.

Senator O'BRIEN—When the invitation is issued, is it expressly stated that the people have six months to act?

Mr Williamson—We will have to take that on notice. I am not sure of the answer to that.

Senator O'BRIEN—Is there any process of follow-up for people who have not responded?

Mr Williamson—The Dairy Adjustment Authority do indeed take all available measures to try and follow people up. They attempted to do that all the way through all these programs.

Mr Sutton—Senator O'Brien, there is a need to put some timing constraints on this program. The intention is to wind up the DAA operations as soon as possible. Clearly, while there are still applications under consideration and lengthy appeal processes that hang off the back of that in a timing sense, the government's view is that there should be some encouragement to people to lodge their applications and pursue their eligibility of their own volition rather than having an open-ended regime which could keep the process running indefinitely.

Senator O'BRIEN—I simply say that I thought there was a deadline; you were telling me there was not—but clearly there is. On another subject, what has happened to production levels in cow numbers on a state by state basis? Do you have those figures?

Mr Sutton—As of mid-May, the figures for cow numbers are: 1999-2000, for the benchmark, \$2.171 million; 2000-01, \$2.28 million; and forecast in the current year \$2.289 million. So it has been fairly stable over the last couple of years. For milk production the figure for 2000-01 is 10.548 billion litres and for 2001-02, forecast, it is 10.532 billion litres. Again, a flat outcome is expected for this year. In terms of state by state analysis the forecast for New South Wales is 1.33 billion litres, down 4.66 per cent on the previous year. For Victoria for 2000-01 it is 6.675 billion litres, down 1.53 per cent. For Queensland 2000-01 it is 0.761 billion litres, down 10.6 per cent. In South Australia for 2000-01 it is 0.694 billion

litres, down 2.8 per cent. In Western Australia it is 0.372 billion litres, down 9.7 per cent and for Tasmania it is 0.583 billion litres, down 4.27 per cent. All of those percentage declines appear to indicate a very substantial reduction but the national average is closer to the Victorian figure of 1.53—it is a little over two per cent, I think.

Senator O'BRIEN—But the state with two-thirds of the production goes down one and a half per cent?

Mr Sutton—Yes.

Senator O'BRIEN—You advised at the additional estimates that there was to be a review of the dairy structural adjustment package, but it had not yet been commissioned.

Mr Sutton—There is a scheduled review by the Dairy Adjustment Authority of the adequacy of the levy stream to service the package. There is also an intention by the government to undertake a review of the overall package. That has not started yet, but we are at the preliminary stages of shaping that review. One element of it will be the impact of the package on the dairy industry and, as Dr Fisher mentioned this morning, the dairy survey started this morning—the team left Canberra this morning with a brief from us to undertake a survey of farmer behaviour in terms of their use of the payments under the package and other elements of the adjustment process. But we have not yet put the overall review in place.

Senator O'BRIEN—When is that going to happen?

Mr Sutton—We would expect to start in the second half of this year.

Senator O'BRIEN—In what month?

Mr Sutton—In September or October.

Senator O'BRIEN—Are there figures on how lessors in quota states have been treated under this package? I am interested in whether the status of lessors in quota states was in some way different to lessors in non-quota states.

Mr Sutton—I think we attempted to discuss this question last time. The situation of lessors and lessees was different in those two different marketing environments. Perhaps I will pass to Mr Williamson, who is more closely involved in those issues than I am, in terms of the technical entitlements of lessors in the quota and non-quota states.

Mr Williamson—It is fair to say that the lessors in the quota states received higher payments, on average, than lessors in non-quota states. However, that is principally because of the production patterns in quota states versus non-quota states. In the quota states, there is a predominance of milk deliveries in the area of quota, and that was paid out at the higher rate of 45.23c a litre. Whereas in, say, Victoria, I think around 93 per cent of milk was manufacturing milk and only 7 per cent was market milk. In the main, the lessors received far smaller payments because of that different production mix. But, to answer your question, the lessors were treated exactly the same across the board; the payments that they received were simply a product of the different mixes of production.

Senator O'BRIEN—How many entities received more than one type of payment under any of the dairy packages?

Mr Williamson—That is a complex question, Senator. There was the original dairy restructure package: the Dairy Structural Adjustment Program payments. An entity could have received a payment under that DSAP. Then the government decided to bring in a supplementary package, so an entity who received a payment under DSAP could also have

received an additional market milk payment. Indeed, on top of that, they could have received a discretionary payment. We do not know how many entities would have got two or more payments.

Senator O'BRIEN—If someone was a lessee and a dairy farmer on different properties, would they get two different payments or one cheque?

Mr Sutton—They would get two separate payments. Their entitlements were based on the entities that they were involved in.

Senator O'BRIEN—On entities they were involved in, not—

Mr Williamson—That is right. Sorry—enterprises.

Mr Sutton—Enterprises. Entities in enterprises.

Senator O'BRIEN—Could you give me the detail on the number of entities that receive more than one payment?

Mr Williamson—Under the Dairy Structural Adjustment Program?

Senator O'BRIEN—Yes, and the subsequent supplementary and discretionary programs.

Mr Williamson—We can do that.

Mr Sutton—I can say, Senator O'Brien, that the DAA was actively seeking consolidation, and this event was clearly inappropriate to having parallel payments under different programs. People were able to nominate their entitlements for consolidation so that there was only one cheque going per quarter.

Senator O'BRIEN—I am sorry, I was slightly distracted there. Could you repeat that?

Mr Sutton—All I was saying was that, in terms of good administration, the DAA was allowing consolidation of entitlements where there were multiple entitlements and people wished to receive it in one payment.

Senator O'BRIEN—You would still be able to tell me whether they received their cheque covering three different entitlements.

Mr Sutton—We will speak to DAA.

Senator O'BRIEN—Can you get me the value of the multiple entitlements as well, please?

Mr Sutton—Yes.

Senator O'BRIEN—I go to the answer to question on notice No. 01: Flood Assistance to Dairy Farmers in Northern New South Wales Program. Is that your area?

Dr Samson—Yes, Senator.

Senator O'BRIEN—It is question 01, about agricultural industry flood assistance to dairy farmers. This program had four components: income support, interest subsidies, replant grants and fodder pasture grants. The numbers you have provided indicate a very small uptake of income support. The initial allocation was \$46 million. How was that estimate arrived at?

Dr Samson—It was question 01?

Senator O'BRIEN—Yes.

Dr Samson—Could you just run that by me again. It was the income support—

Senator O'BRIEN—Yes; the initial allocation was \$46 million, as I understand it. How was that estimate arrived at?

Dr Samson—As we have discussed previously, when we are looking at assistance programs of this type we make a series of assumptions and it is always difficult to know, without the detailed financial circumstances of individual farmers, whether or not they are going to be eligible. The original figure would have been derived on an assessment of the number of people who were potentially eligible for the assistance. In the event, it is a demand driven program. It is based on eligibility criteria, so a lot of those eligibility criteria relate to assessment of income. We make a series of assumptions. In this case, clearly the take-up rate was considerably less than we had expected.

Senator O'BRIEN—Was there a formula used—X people had X dollars each?

Dr Samson—There would have been. I do not have those details with me. We can provide that.

Senator O'BRIEN—The actual expenditure was only \$19.726 million. Has anyone tried to discover why there was a much lower uptake than was expected?

Dr Samson—Not beyond, as I said, noting that these are dependent on individual farmers' assets. Tests are applied. Clearly, a larger number of people than we expected did not meet the test.

Senator O'BRIEN—A high percentage of applicants were successful, so it was not anything to do with administrative barriers?

Dr Samson—I do not believe so. In fact, as the table points out, as we gained experience in the operation of the program the original allocation of 46 was adjusted downwards to 20.7. You will see that the total expenditure was 19.7. So we did adjust our assessments based on some experience of operating the program.

Senator O'BRIEN—Yet you have dramatically underestimated the level of demand for the replanting grant, to which you allocated \$24 million and spent nearly \$134 million. That is an enormous variation.

Dr Samson—That is right. You may recall at the time that the intention was to provide this assistance to the people who had suffered hardship as a result of the floods as expeditiously as possible to alleviate that hardship. These assumptions were made very quickly to facilitate that process. Reflecting the demand driven nature of the program, in some areas our estimates were under and we revised as the program progressed. Similarly, in other areas the demand greatly exceeded our expectations and adjustments were made accordingly there as well.

Senator O'BRIEN—How many applicants were there for replanting grants?

Dr Samson—A total of 3,250 claims were lodged.

Senator O'BRIEN—What was the upper limit on the claim?

Dr Samson—It was \$60,000 for replanting.

Senator O'BRIEN—How was the original \$24 million arrived at? Was there an expectation of fewer claims? I take it that was the reason. It was not just needed as people thought it was?

Dr Samson—One of the reasons for the difference between the original estimate and the actual expenditure against that item was that, following the original announcement of the package, changes were made in the latter part of December that broadened the eligibility

criteria. We had made the original assessment against a set of eligibility criteria. Those criteria were revised on 20 December. That, not surprisingly, had a significant impact on the accuracy of the original estimates that we had made.

Senator O'BRIEN—Was that on the basis of representations made to the department?

Dr Samson—I understand they were not to the department but on the basis of representations made to the government.

Senator O'BRIEN—Was there any change to the definition of area in which it would apply?

Dr Samson—I do not believe there was any modification to the eligible areas at that time. The modifications announced on 20 December basically also extended the interest rate subsidy component of the package to loans from non-bank financiers whereas before loans were only eligible for interest rate subsidies if they had been obtained through a banking institution.

Senator O'BRIEN—Just in relation to the replanting grant?

Dr Samson—The bank issue was in terms of the interest rate subsidy component.

Senator O'BRIEN—The replanting grant subsidy was the big major blow-out, wasn't it?

Dr Samson—Yes.

Senator O'BRIEN—Was there any change to the criteria that applied to that?

Dr Samson—I will have to take that one on notice.

Senator O'BRIEN—Was the replanting grant the subject of means testing?

Dr Samson—The replanting grant was not subject to means testing.

Senator O'BRIEN—Was the only part of the package subject to means testing the income support assistance?

Dr Samson—An assets test was applied to all elements of the package.

Senator O'BRIEN—Including the replanting grant?

CHAIR—Dr Fisher, I have just been informed by Senator O'Brien that he does not require you here any more for the dairy program, but he will require you back some time late tomorrow for ABARE. I am sorry, there was a misunderstanding. Let me just clarify two things on dairy. With the exit package—which is available, as I understand it, to all who exit—people can exit the industry without claiming it, can they not?

Mr Sutton—Yes.

CHAIR—Do you have any idea at all of the numbers of people who would get classified in that general group, having exited the industry, who have switched to, say, forestry or horticulture?

Mr Sutton—We did indicate this morning the numbers who had left dairy farming.

CHAIR—If it is on the record, there is no need to repeat it.

Mr Sutton—We did indicate the numbers, which were 230 in June 2001. That is the latest information available from the ADC, but the ABARE farm survey will have more up-to-date information when the results are available.

CHAIR—Do those figures show the numbers that have exited the industry because they were able to sell to an alternative industry?

Mr Sutton—No, they merely indicate the number of dairy farms this year compared to last year. The numbers I have provided are the difference in those figures; they do not indicate to what purpose the farm was turned.

CHAIR—So they do not provide the detail I am looking for?

Mr Sutton—No.

CHAIR—Would it be possible in the next round with ABARE to determine what happened to those dairy farmers who have not claimed the exit package? It is obvious they are not there. I do not want to prolong the proceedings but I think it would be useful to know, when you make estimations of people exiting, how many you think are going to exit, whether they actually stay in agriculture, but in a different form or, alternatively, whether the market took care of them.

Mr Sutton—Just before Dr Fisher leaves, I am wondering whether you would want his comments on the beef market situation, if we are moving to beef. I am not seeking to hold him in the room, but I did not want to lose the opportunity, if you did wish to pursue that.

CHAIR—Dr Fisher, if it helps the process and speeds it up, could you come back to the table—with your running shoes on!

Mr Sutton—I did not want to suggest to Senator O'Brien or to anyone else that you move to beef now—merely that if you wanted Dr Fisher's comments on it now would be a good time.

CHAIR—We are going to general questions on the dairy industry, so I think it would be appropriate for you to give an overview of the beef industry and then we can return to a different form of work. I dare not say more productive work!

Dr Fisher—In the case of the beef industry, I may be able to kill several birds with one stone here. If we are looking at beef, wool and wheat, basically the story is pretty much the same. When we were looking at prices, we were expecting at the time of outlook to see prices for all of those commodities return to much what they were in 2000-01. In 2001-02 we had a fairly substantial rise in prices and in 2002-03, on the back of falling demand and slower world economic growth, we are expecting for most of those commodities to see a reduction in demand and therefore a fall in price. Subsequent to the assessment that we made at outlook, as I said before, we have seen some appreciation of the Australian dollar and therefore a little more pressure on prices.

In the case of beef specifically, we are expecting to see saleyard prices at around 260c in 2002-03 compared with around 310c in 2001-02. Much of that has been as a consequence of the easing in demand in Japan and, therefore, reduction in demand for Australian beef. At the same time we are also seeing an increase in the production of beef. So we have an increase in supply, some reduction in demand and, therefore, pressure on prices, plus the effect of the exchange rate. Just so that we keep all of this in perspective, we are talking now about returning to prices that we saw in 2000-01—not a dramatic fall in historic terms.

CHAIR—So that means in effect about a 20 per cent drop?

Dr Fisher—Yes.

Senator FERRIS—Dr Fisher, do you have any comments to make on the likely return of demand in the Japanese market?

Dr Fisher—That is a fairly hard question. We are not expecting to see a strong return to growth in Japan in the medium term. The Japanese economy has been struggling along at very low growth for some years now. We are expecting that to continue for some time. That, together with some of the concerns we have seen with respect to the discovery of BSE in Japan and related issues, has somewhat damaged consumer confidence. Therefore, I think it is going to be some time before we see a strong recovery in that market. That, together with increases in supply around the world, have meant that the world market is not looking nearly as robust as it did even three months ago. So I think over the next 12 to 18 months beef producers should expect to see substantially lower prices than they experienced in the last half of the last calendar year.

Senator FERRIS—Could I just follow that up? Perhaps this is a question that I will need to ask Mr Sutton, but I will try asking you first. Are any attempts being made to try to increase demand for the Australian product in Japan through better labelling or a better understanding that Australia does not have a problem with BSE?

Dr Fisher—Senator, I think that is more a question for Mr Sutton than for me.

Senator FERRIS—I thought it might be.

Mr Sutton—Do you want me to respond to it now?

CHAIR—Just a moment. If there are no further questions to Dr Fisher, thanks, Dr Fisher, and we shall see you tomorrow. Thanks Mr Sutton; you may now respond.

Mr Sutton—Meat and Livestock Australia has a very substantial promotion activity in Japan, as you would be aware. They spent \$11 million in the first part of this year—\$9 million per annum is a typical spend in Japan—but when the BSE incident occurred in the second half of calendar last year they intensified their activity and brought forward their promotion programs. Unfortunately, of course, the issue continued, but the MLA had exhausted its promotion budget, including a substantial contribution from processors. Since then we understand that the processors, through the Australian Meat Processor Council, have been exploring the scope for additional promotion in Japan, including intensive discussions with Meat and Livestock Australia about the most appropriate promotion activity.

The MLA view is essentially that, because of the history of generic promotion in Japan of Australian beef with the Aussie beef symbol, in terms of an image our standing is quite high, and there are other factors at work in terms of buyers' behaviour in Japan. The United States has not been undertaking that sort of generic promotion in Japan over the years and as a result they have only recently commenced an intensive generic promotion activity. But the AMPC is working with MLA now in terms of developing a new regime of promotion. The choice of processors is to undertake in-store brand promotion rather than generic promotion, and that rests on advice from MLA that the generic Australian image in Japan is very positive and it is a waste of money to spend more on it. Instead, the focus in the view of processors should be on in-store brand promotion and that is what is being planned at the moment.

The AMPC membership is individually contracting MLA to undertake that sort of promotion and has committed funds and we understand that the intention is that MLA will be able to join with them in those activities in an \$11 million campaign starting in June. So, yes, there is consciousness of the need to do more and it is being closely targeted at the most effective promotion that the processors themselves believe is appropriate.

Senator FERRIS—I was aware of a lot of the background to that but I still think it is disappointing that Dr Fisher does not expect too much change in demand for the next 18 months.

Mr Sutton—I guess the BSE issues in Japan are so critical that that is the major downside in the market for Australia. A 50 per cent reduction in our key market—a \$1.7 billion market, similar in size to the US market—is going to have impacts on our whole beef supply chain right back to the farms, so it is a very significant development. Whether generic or other promotion is going to overcome consumer wariness remains to be seen. But there were signs of a recovery in the Japanese market with quite strong growth in consumer expenditure on beef, but unfortunately this latest BSE incident has at least raised the prospects of a further dip or a slowing of that recovery.

ACTING CHAIR—Senator O'Brien, did you have some questions on that?

Senator O'BRIEN—Yes. At what stage is the promulgation of regulation on US beef?

Mr Sutton—There are a number of steps we need to go through, Senator O'Brien, but the regulation itself is not going to be a major challenge. It is in essence merely capturing the formula that the minister has announced and providing for the levy regime. The real issue for us is reaching agreement with the United States government in terms of their contribution to the management of a company specific, or a project specific, quota allocation arrangement.

We initiated discussions with the United States as long ago as six weeks and our embassy is now engaged in discussions with the United States trades representatives office with a view to enabling Australia to enter with a number of other countries who have similar arrangements. Until we reach agreement with the United States on a date for implementation or at least an approximation of it we cannot put the order in place.

But in terms of our ambitions I guess we hope to have a draft order within about a month. But in terms of the US ability to deliver at their end, it may be a couple of months. But it is that sort of time frame, and I can assure you it has top priority in terms of our efforts to secure agreement of the United States authorities.

Senator O'BRIEN—As I understand it the order will be to prescribe quotas for the calendar year—no, it is not quite the calendar year is it, it is November 2001 through to November 2002.

Mr Sutton—That is the shipping year, but it applies to the US import year, which is the calendar year. We manage our administration of it on a shipping year, which is 1 November to 30 October.

Senator O'BRIEN—So encompassed in entitlement will be the history to date in the year under regulation of the shipper?

Mr Sutton—Yes. We deliberately selected an historic period for the eligibility period rather than the current year, so the shipping processor of record in 2001 is the base. When we are able to model the allocations, we will need to deduct the shipments to date this year from the global figure. The market is unregulated now. We do not know what people are shipping. When the order is in place and certification is in place, we will be able to control exports but, at the moment, anyone can ship to the US. So we need to put the arrangements in place, identify how much has been shipped this year, deduct that from the pool and see how it impacts on each individual shipper. Clearly, we have to look at fairly imaginative ways of implementing the arrangement. One idea that we, with industry, are now progressing—and

they agree that it is appropriate—is a 75 or 80 per cent allocation to companies and the adjustment for shipments or overshipments against a company quota in the current year deducted from the final allocations. It sounds very complicated, but the reality is that it can be modelled fairly readily. We are inviting industry—we are working with the Red Meat Advisory Council—in validating the model that will be used for allocation of company specific allocations and that is happening this week.

ACTING CHAIR—Did you say that at the moment the department has no idea how much beef has been shipped so far this year to the United States?

Mr Sutton—No. We know fairly precisely what has been shipped to date. What we do not know is how much will be shipped until the point when certification is put in place. So we are looking ahead—it may be a couple of months ahead.

ACTING CHAIR—Can you tell us how much has been shipped so far?

Mr Sutton—Yes. It might be useful if I were to circulate through the kind officers of the secretariat some documents which have indications of shipments this year plotted against last year and then histograms of exports to the major markets.

Senator FERRIS—That would be very useful. While that is happening, could you give us some idea of the figure of what is being shipped.

Mr Sutton—You will see in the diagram, if you can see the two charts, that one is last year's track—

Senator FERRIS—You will need to explain that for the *Hansard*, Mr Sutton.

Mr Sutton—The graph shows an accumulation of exports in the last calendar year. It also has superimposed upon it shipments to date in the current year. You will see that they are tracking parallel, but the current year is running at a rate slightly higher than the rate of exports last year, which indicates to us that, contrary to the views of many in the media, the tariff rate quota limit of 378,214 tonnes will probably be hit only a matter of two or three weeks or perhaps a month earlier than it did last year, unless there is a very sudden change in the rate of exports.

Senator FERRIS—Can I ask one other question to clarify previous introductory remarks that you made about the reason why you chose the calendar year 2000-01. I am sure you are aware that, for a number of people, that particular year was very difficult for one reason or another. Can you explain to the committee why you chose that year.

Mr Sutton—It was important that it be an historic period rather than the current year. If you use a current period as a basis for eligibility for a quite valuable right in the next year, people have opportunities to change their behaviour to increase their exports to whichever market is advantaging them in terms of the formula that is agreed. There are, no doubt, firms which will have suffered unusual or exceptional circumstances in that period and 14,000 tonnes have been set aside to make adjustments for firms that were in that situation.

Senator FERRIS—How did you come to set the 14,000 tonnes aside? Where did that figure come from?

Mr Sutton—The minister had received—as you know—a proposal from the Red Meat Advisory Council on 30 April which had, as an element, a 15,000 tonnes hardship allocation. In the minister's final judgment call on that proposal, he wished to have the RMAC proposal modified slightly. To meet his preferred allocation, it meant that we needed to find 1,000 tonnes to even out the figures.

Senator FERRIS—Do you know where RMAC got the 15,000 tonne figure from?

Mr Sutton—No, I am not sure that there was any logic beyond a gut feeling as to what sort of tonnage was appropriate for hardship allocation, but the RMAC hardship allocation was, in their concept, to be directed to those processors who had been most adversely affected by their formula. So there is no real correlation between the 15,000 tonnes of the RMAC proposal and the 14,000 tonnes to which the minister has agreed.

Senator FERRIS—I asked the question knowing that you have yet to decide on the precise terms of the application of the hardship provisions. Speaking for my state of South Australia, we have a very large employer in the regional town of Murray Bridge—in fact, the largest employer—T&R Meats. Because they had difficulty with labour availability, and skilled labour in particular, they were able to slaughter in a particular year, but not to bone because they did not have boning specialists. They went through a period of intensive training and searching for people so they now have a highly skilled work force of 700 people. It is the largest work force in that town. They find themselves in the situation—because of the upskilling difficulties—of not having shipped at all to the United States in that year. They are now in a position—through that upskilling and investment in human resources, I suppose you would say—having shipped a lot of quota last year, of being totally unable to access the quota under the current criteria. They are optimistic they will get something under the hardship provisions but, at this stage, that is not clear because the hardship provisions criteria have not yet been announced. Can you tell me when you are likely to know what those criteria are going to be?

Mr Sutton—It is a very difficult issue you have pointed to in relation to this company. We have had a dozen similar accounts put to us of other firms—in different situations, but with the same sort of problem—that they have invested in capacity, modernisation—

Senator FERRIS—Human resources.

Mr Sutton—Exactly. But there is some difficulty in spreading 14,000 around among all those—

Senator FERRIS—Almost every abattoir that has contacted me has told me that they are going to apply for hardship, so whoever determines the criteria—and then the allocation—is going to have a very difficult job.

Mr Sutton—Yes, and to that end we are working with the Red Meat Advisory Committee executive officers on that eligibility criteria, and the minister will certainly be looking to the advice of industry in terms of how to distribute that quite limited tonnage.

Senator FERRIS—Do you have any idea of when that is likely to be known?

Mr Sutton—I suspect it will be in the same timeframe as the order—say, a month in draft form.

Senator FERRIS—I dare to suggest that you will have applications for three times the amount of hardship allocated.

Mr Sutton—No doubt.

Senator FERRIS—I have a number of questions on EU beef quotas, but I will leave the US one now.

CHAIR—I have a couple I would like to address if I could. In an answer to Senator Ferris you mentioned the hardship provisions. Do those dozen or so you mentioned include Kilcoy in Queensland?

Mr Sutton—I am not familiar with the situation of individual firms. It is probably not appropriate to make a comment about how the allocation arrangement might affect individual firms.

CHAIR—I am not asking you to make any comment on that. I am asking about those 12. I will get the letter and table it. I was going to send it direct to them, and I will send it direct to the minister. My question is quite simple. Does that number include Kilcoy or not? The answer is either yes or no. I am not asking you to go into any detail.

Mr Sutton—I cannot recall whether Kilcoy was one of the firms.

CHAIR—Can I put it on notice?

Mr Sutton—Yes.

CHAIR—Thank you. My main question is: where are you at in terms of the computer program upgrade to manage the US beef quota? Is that progressing? Has it started? Are you nearly finished?

Mr Sutton—Yes, Senator Crane. We have a problem in that the computer system in place has been there for eight years or thereabouts. The software is rapidly becoming redundant and the hardware is becoming unreliable. So we were looking to have to do an upgrade of the equipment anyhow. But it is adequate to get the US quota allocation system up and running. We do not see major problems in that. It does require reconfiguration in terms of the software and that is underway. We have reached agreement with the AMPC in terms of how that would be done. They have agreed to the funding of that upgrade of \$16,000. The next stage is to scope the new hardware requirements. To that end, a scoping study is being initiated, again with the full cooperation of AMPC. They have agreed to advance the funding necessary for the upgrade, which is about \$700,000 for the equipment and software upgrade. That is in train. As far as we are concerned, there is not going to be a constraint on the introduction of US beef quota as a result of any problems with the computer system. Hopefully, there will be no breakdowns in the formation of the arrangements. At this stage we are optimistic that it will come on stream on time.

CHAIR—What is the AMPC?

Mr Sutton—The Australian Meat Processor Corporation.

CHAIR—Does that mean that the cost will go back to growers for the upgrade?

Mr Sutton—The quota management is always an industry expense. The industry willingly agrees to it. At the moment, it costs on average 0.8 of a cent per kilo of meat. Because the servicing costs will be spread over a much larger trade now than the EU high quality beef and lamb that is currently only meeting the costs of the quota management unit to a much broader population of firms exporting to the US, the cost per kilo will go down quite dramatically, perhaps to 0.3 or 0.4 of a cent per kilo.

CHAIR—I understand the operating costs to the industry and it is paid through the processors. I am talking about the capital cost. That will also be borne through the same process?

Mr Sutton—Yes, and that is consistent with past practice.

CHAIR—Will there be any government input at all?

Mr Sutton—No, the government's policy is that where there is industry servicing, such as in this area, industry meets the costs and industry is happy to do so.

CHAIR—In terms of that, so I get this correct—

Mr Sutton—Sorry, Senator Crane, I should say that there is considerable input from the department in support of the quota management. There is not total cost recovery. In fact, we agreed with the AMPC this year that, rather than increase the levy rate, that AFFA would meet something of the order of \$50,000 from our running costs. So it is not a 100 per cent cost recovery, and I am sure that will continue into the future.

CHAIR—Are you talking about the personal input of people and the paying of their salaries and on-costs?

Mr Sutton—Yes.

CHAIR—Thank you. The \$700,000 you mentioned is for the major upgrade. Is that correct?

Mr Sutton—That is correct.

CHAIR—I think you said \$16,000. Is that correct?

Mr Sutton—Yes. That is for an upgrade of the current hardware and software.

CHAIR—Can we call that the short-term upgrade to get the program up and running?

Mr Sutton—That is right.

CHAIR—When do you anticipate the major upgrade will take place and when will it be finished?

Mr Sutton—Mr Pittar might answer that.

Mr Pittar—The question of when the more major upgrade might be completed is currently being investigated by our computer consultants who, in fact, are on-site this week. They are essentially scoping out precisely what is required in terms of hardware and software upgrades to the existing system. After meeting with them last Friday afternoon, we anticipate that they will be able to report to us toward the end of this week or early next week on the costs and the time frames that will be involved in the more complete upgrade. At this stage, we do not have an absolutely clear picture.

CHAIR—The \$700,000 is an indicative estimate, is it?

Mr Pittar—That is correct.

CHAIR—You went through the process, but you did not say when you thought that would start—not the assessment, but the actual process of doing the upgrade.

Mr Pittar—The assessment itself will inform us as to when the process might start for the major upgrade.

CHAIR—What is your targeted finishing date?

Mr Pittar—We would be looking at completing that upgrade most likely toward the end of this calendar year.

CHAIR—I am not asking you to say, 'It'll be 25 December—

Mr Pittar—And I am unable to do so.

CHAIR—while we are having a Christmas beer,' but it is somewhere in the order of 25 December.

Mr Pittar—That is right. Bearing in mind that, as our computer consultants were very keen to point out to me on Friday, the longer the implementation window, generally, the cheaper the cost, we need to balance time frames with cost. They can do it in two or three months, but the cost goes up considerably. That will be the sort of advice that they will be providing to us towards the end of this week or early next week.

Mr Sutton—This will be very much an industry decision. This equipment is being installed to meet their requirements and at their expense. We will be working with them in the assessment of the scoping study and the implementation. It will not just be an AFFA decision.

CHAIR—It is creating some interest out there, as I guess you realise.

Senator FERRIS—I want your assurance that, if the ministerial review of the best quota system takes place as foreshadowed in the middle of next year, beef producers are not going to be up for a further outlay to make adjustments to this system. Is the software that you are putting in place flexible enough to cover any changes—fine tuning, you might say—in the management of this quota system in the middle of next year or are we going to be looking at a situation where beef producers have to fund yet another upgrade of the system?

Mr Pittar—The answer to that question is that the system that is being put in place provides for flexibility. The main cost that we are dealing with, this potential \$700,000, relates to upgrading software and hardware to give the system we have a greater lifespan than it has currently. That will be an enduring investment. The first part of the exercise is to simply reconfigure what we have so that we can deal with the introduction of quota controls for beef to the US. That reconfiguration is, in relative terms, not particularly costly—it is \$14,000 to \$16,000. Hypothetically speaking, if the review next year were to point to a different allocation mechanism from the one that is being implemented at the moment, the balance of probability is that there would potentially be some reconfiguration and the cost of that would be in the vicinity of \$14,000 to \$16,000. That would be the back of the envelope estimate that we might make this far out from such an exercise.

Senator FERRIS—I want to make one more observation—that is, there has been some suggestion in the Senate of a move to disallow these regulations. I am concerned that not too much expenditure takes place before the period for the disallowance has passed so that we do not have a situation where beef producers pay for something that does not happen at all. You would be aware of that.

Mr Pittar—I understand that point. We have a situation where to some extent, whether or not a system were introduced for managing quota to the US, the actual computer hardware and software we are dealing with is nearing the end of its life. So, in any event, the issue of the need for an upgrade is there to a large extent.

Senator FERRIS—But it may be more effective and more efficient to leave it until the middle of next year when the upgrade could take into account any finetuning that might have taken place.

Mr Sutton—Unfortunately, I am sure the industry would not be very happy if we could not deliver certificates for exports. That effectively would mean chaos in terms of product going into the US market. We have to presume that the system is required and is going to be implemented. If it is disallowed, senators are going to have to take into account what that might mean in terms of an impact on a quite valuable trade. It is important that we understand

that, to enable the arrangements to be implemented with the US, we are going to have to act as soon as the order is signed by the minister on the presumption that it will stand. To the extent that we can work with the committee, we are very keen to do so. To that end, we have made available this material, which spreads out in quite some detail the reasons for the shaping of the package. Speaking on behalf of AFFA officials, we are more than happy to meet with the committee earlier, if it were to facilitate your consideration of this proposal.

Senator FERRIS—You would be aware that this committee is inquiring into this issue, so I am sure there will be an opportunity to meet with us quite soon.

Mr Sutton—The problem we have in terms of dates is that we are aiming for introduction about 1 July and your final hearing is scheduled for 30 June.

Senator FERRIS—I thought it was 17 to 20 June.

Mr Sutton—17 to 20 June for the hearings, but your report is the 27 June. It does not leave a lot of time.

Senator FERRIS—Let me assure you, Mr Sutton, that my telephone has been running hot for weeks about this issue, and I do not think I am alone.

Mr Sutton—I repeat my invitation to you: we are more than happy to work with you in an earlier time frame.

Senator FERRIS—We appreciate that.

Senator COLBECK—You mentioned working with RMAC on some of the implementation issues that are going on. Given that it does not appear that RMAC represents the entire industry that is shipping into the US—there are some that fall outside their banner, if you like, with respect to shipments to the US—what are you doing to ensure that those people are within the loop of setting up the issues that have to be resolved?

Mr Sutton—It is a very difficult situation that we are operating in. It is important that we understand that the vast majority of processors are probably resigned to accepting the reality of the package as announced by the minister as a reasonable compromise. To that end, the chief executives of each of the peak bodies are working with us, some on a no commitment basis in terms of where the leadership of their peak bodies might come out. We have a professional working relationship with each of the chief executive officers. We meet regularly with them. We have met four times since the decision and we expect to continue to do that. There are other processes running, as you have indicated, but we have to presume that we have to hit 1 July, or as soon as possible thereafter, in terms of introduction of a workable arrangement. So they are in the circle, to answer your question. Each of the parties, whether they are fully supportive or not of the compromise the minister has announced, are engaged in the dialogue with us.

Senator O'BRIEN—Mr Sutton, looking at some of the charts you have provided and the date the implementation date, 1 July, is that export from the country or US customs clearance?

Mr Sutton—That is export from the country, and it is an optimistic estimate.

Senator O'BRIEN—Is 1 August less optimistic?

Mr Sutton—We are trying to hit 1 July, but a lot will depend on the date of agreement with the United States.

Senator O'BRIEN—Do you have any experience with these sorts of negotiations with the United States?

Mr Sutton—Each one is different. We understand that New Zealand took three months to reach agreement with the US on its arrangements. We hope to expedite that and, to that end, we made our first approach to them six weeks ago.

Senator O'BRIEN—Odds are that between the range of the dates you fix, we will probably have exported somewhere between 200,000 and 250,000 tonnes?

Mr Sutton—Yes. I will need to check that.

Senator O'BRIEN—That may be an optimistic projection of the information that you have just given us. Putting a slight upward twist on that US Customs clearance figures chart gets you at the beginning of July to around 200,000 tonnes and around 1 August to somewhere approaching 250,000 tonnes—maybe beyond that, but I am not sure. That leaves between 178,000 and 128,000 to be regulated. Is that what we are talking about this year?

Mr Sutton—No. The whole year's figure will be regulated.

Senator O'BRIEN—So it will be retrospective?

Mr Sutton—The tonnage shipped and landed in this calendar year will be taken into account. We have accurate figures on each company's exports so we will know how much each company has shipped. That will be credited or debited against the processor's allocation when it is made.

Senator O'BRIEN—So the application of the quota will be retrospective?

Mr Sutton—It is not retrospective in that the minister indicated before the start of the year that shipments this year would be taken into account in any quota allocation made for this year. While the calculation is done retrospectively for the whole year, the industry wanted the quota applied over the whole year, and we will be in a position to meet that industry request.

Senator O'BRIEN—If someone has hit their quota by 1 July they cannot send any more?

Mr Sutton—That will be the case unless, of course, they choose to buy quota. Quota will be tradeable, and any firm that has contractual arrangements in place that wishes to honour those contracts can buy quota if it is available on the market.

Senator O'BRIEN—So someone who has been out of the market for five months has a distinct advantage under these arrangements?

Mr Sutton—If they had a significant performance shipping record in 2001 then that is the case.

Senator O'BRIEN—And someone who has been actively trading over that period is disadvantaged?

Mr Sutton—If they have contractual arrangements that have been in place for some time and have been continuing business, and shipping at that consistent rate, they will be affected by the quota. But they will not be as affected as some who have made a new entry into the US market this year and do not have a performance record in 2001 and, therefore, will not get as large a quota allocation.

Senator O'BRIEN—I think we will debate these things at another time and place.

Mr Sutton—Yes.

Senator O'BRIEN—I am finished with beef for the moment.

CHAIR—Are there any further questions on beef?

Senator FERRIS—I have questions on the EU beef quota, if it is appropriate to ask them now.

CHAIR—Yes.

Senator FERRIS—The EU beef quota ends at the end of June, as I understand it. Is that correct?

Mr Sutton—Yes, I am advised so.

Senator FERRIS—Can you give me some indication of how you think the quota has worked. Are we going to fill our quota this year? What are the figures?

Mr Sutton—We know what the situation is for the current year in that unused quota was available for redistribution as of 15 April. Approximately 1,200 tonnes was available. When it was made available on a first-come, first-served basis, 600 tonnes was accepted. There will be a shortfall in deliveries this year of 600 tonnes. The reason for that is essentially that it is a commercial outcome in that processors have not been able to secure cattle.

The market for meat products into the EU is affected by the extent of subsidisation within the European market, meaning meat prices in Europe are low and the offer prices to Australian meat processors are also low. Flowing back down the chain to farmers, the offer price for cattle to EU accreditation standards is also too low to be attractive to farmers. Basically, people in the beef supply chain have found it more attractive to sell their product into other markets. As a result, there is a shortage of beef for the EU supply chain.

Senator FERRIS—Is this the first time this has happened?

Mr Sutton—There was a six-tonne shortfall in the previous year, but it is a commercial reality. There is nothing to be discerned in terms of observation about the efficiency of the administration of the scheme, although the minister has invited industry to come up with proposals for modification of it next year if those changes are likely to make it more workable or attractive so far as industry is concerned. But the outcome this year is purely a result of the commercial realities in the marketplace. New Zealand forewent its total consignment entitlement because of the market situation.

Senator FERRIS—Is it the case that we are trying to increase that quota? Isn't the Minister for Trade trying to increase the EU access quota?

Mr Sutton—Yes, at every opportunity we seek to try and improve our access, whether it is to the US or the EU. We should be clear that the EU market is a very small market for us—it is less than one per cent. But it is important to some suppliers and we do press to improve our access in that market, not only in terms of volume. We have made a number of representations during the last year in relation to the conditions for that trade. The animal carcass weight limits and other constraints on that trade have made it difficult for our suppliers to meet the market requirement. But at every opportunity we pursue with industry improvements to our access.

Senator FERRIS—How do we argue that when we have not filled the existing quota this year?

Mr Sutton—Well, next year may be different. We have to keep pressing at every opportunity.

Senator FERRIS—Were there any incentive schemes gazetted to ensure that the quota was filled?

Mr Sutton—The incentive should be commercial. I guess what we have tried to do is press firms to release unused quota sooner rather than later on a voluntary basis. That did not eventuate. As I said before, we are looking to receive advice from RMAC as to changes to the arrangements so that there can be withdrawal of quota allocation earlier in the year and so that firms that are active in the market can see their way to contracting into the EU earlier in the year and are able to do so by being allocated that additional tonnage.

Senator FERRIS—My understanding from meat processors is that the date in April—I think it is 12 April—

Mr Sutton—It is 15 April.

Senator FERRIS—is too short a period of time, given the length of time for shipping, to try to ensure that the quota is filled and that in fact only 75 per cent of the quota was filled when the notification took place and it was therefore very difficult for processors to organise their shipping arrangements to ensure that the quota was filled. So one of the criticisms that has been made is that the date should be brought forward so that shippers have a greater opportunity.

Mr Sutton—As I have said, we have had discussions with RMAC secretariat staff in the last couple of weeks and had foreshadowed to us that that will be the direction of their recommendations. I cannot say any more than that. The minister would be responsive to that recommendation. But you must also take into account that there are many firms that are seriously pursuing market opportunities for their tonnage and, by introducing earlier cut-off periods, their opportunities for marketing their entitlement is limited. So there are swings and roundabouts in addressing this issue.

Senator FERRIS—Nevertheless, that is 75 per cent only allocated by the middle of April. That is three-quarters of the year and three-quarters of the quota. Processors tell me that they are very concerned about the length of time that they then have to take up the quota and they say that, in the scramble to try and fill it, this sends a very poor message to the market. Do you agree with that?

Mr Sutton—Yes, we agree. We expect that the industry will bring forward recommendations to bring forward those cut-off dates.

Senator FERRIS—One of the things that the processors have said to me repeatedly over the last 18 months, since this committee had the inquiry into EU beef quotas, is that the management of the quota has been a failure and that we have sent a very poor message to this very well established market as a result.

Mr Sutton—I do not think we need revisit the commercial interests that various players had in the previous arrangement. As I said, the outcome this year is directly a commercial outcome, not a systemic issue as such. There will always be people who will claim that, if they had been allocated more tonnage, they could have used it earlier in the year or traded with it. As I said, there are swings and roundabouts in terms of the views of processors who have direct commercial interests in when quota is allocated and who it goes to.

Senator FERRIS—I think it is a fairly unhappy saga that does not need to be revisited.

Senator O'BRIEN—Isn't it the case that under the previous system it was the common practice for quota to be filled, even if the processor took a bit of a financial hit to make sure that the quota was filled, but that that has not happened under these arrangements?

Mr Sutton—It is unusual; it is also unusual that people did not see it to their advantage to sell off that quota earlier in the year. But the reality is that all processors were affected by the same problem, and that is a shortage of capital that had been through the EU accreditation scheme. I think that is what is different about the EU beef quota as opposed to the other quota arrangements.

Senator O'BRIEN—This is the 'use it or lose it' model that we are talking about, isn't it?

Mr Sutton—Yes.

Senator O'BRIEN—If you sell it off, you lose it.

Mr Sutton—That is right.

Senator O'BRIEN—The longer you keep it, the more chance you have got of filling it and the better chance you have of keeping it.

Mr Sutton—That is right. If you do not use it, you still lose it.

Senator O'BRIEN—Yes, but you are going to lose it if you sell it off, aren't you?

Mr Sutton—Yes, but there is the benefit of having received dollars.

Senator O'BRIEN—And maybe that is where cattle prices came in—although one would have thought that, with the lack of the Japanese market, it would have been easier to find cattle to fill this quota. The date of application for unused quota was 15 April, so I think it was the 12th that you had to fess up that you could not use your quota, wasn't it?

Mr Sutton—Yes.

Mr Pittar—That date of 12 April was when processors had to advise whether they were unable to use it, and processors could apply from 15 April to gain access to the unused quota.

Senator O'BRIEN—This timetable was the scheme proposed by the minister, wasn't it, not by RMAC?

Mr Sutton—It was in a regulation. I think it was drafted in consultation with industry at the time, but where the balance—

Senator O'BRIEN—RMAC didn't support it, did they?

Mr Pittar—The order was, as is every order, a disallowable instrument that went through the houses during the course of the last year.

Senator O'BRIEN—RMAC didn't support it.

Mr Sutton—Sorry. We are new to meat, unfortunately. We were not around when it was passed.

Senator O'BRIEN—So basically—and you can check this, but this is my understanding—the timetabling was the decision of the minister, not a recommendation of industry.

Mr Sutton—As I said, I would have to take that on notice.

Senator O'BRIEN—My advice from industry was that the last available vessel to get products into Europe on time was somewhere between 9 and 13 May.

Mr Sutton—It is not unusual for firms to airfreight a high value product into Europe, if it is necessary to get it in by 30 June.

Senator O'BRIEN—High quality beef?

Mr Sutton—Correct.

Senator O'BRIEN—How much beef has been airfreighted in the past?

Mr Sutton—We can get the figure for you, but it is not insignificant.

Senator O'BRIEN—I appreciate that. How many new entrants have come into the market this year?

Mr Sutton—There was one applicant, and that applicant failed to deliver in its first year.

Senator O'BRIEN—So none of the 400 tonnes set aside for new entrants was used?

Mr Sutton—That was rolled into the 1,200 tonnes that was available for reallocation.

Senator O'BRIEN—So the answer is that there were no new entrants.

Mr Sutton—There were no new entrants and that, again, is another area of the minister's dissatisfaction with the current arrangements. He has asked RMAC to provide him with interim advice on new entrant arrangements by end of April this year for decision and implementation later this year.

Senator O'BRIEN—How many RMAC recommendations has the minister accepted? Will you take that on notice and let us know?

Mr Sutton—I will do that.

CHAIR—Mr Sutton, if I could just follow up the questioning here because I think it is very important that this issue of the underfill of the EU quota be revisited. I certainly have been lobbied very hard with regard to the previous flexibility we had in the system with the lamb quota, which allowed somebody, for whatever reason, to sell that quota for the season—you know what I am talking about—for a price, and it was usually about a third to 40 per cent of that, and still retain that quota. Last year the government—and I do not want to revisit that—took away that ability from people. Almost entirely as a result of that we have a situation where this year we did not fill it. I am firmly of the belief that, had the lamb quota still been in place, it would have been filled, as there are enough people with a long-term concern about the importance of that market—despite the fact that beef prices moved and what have you—because it gets rid of that specialist meat always at a good price. It may be not quite as high this year.

Are you having policy discussions now within the department with the aim of making recommendations to overcome what I see as a serious flaw in our arrangements and to make sure that we keep our very high quality beef markets in place and our quotas filled? It is only 7,000 tonnes of high quality meat that we are talking about—the fillets from each beast—but not insignificant when you add it to the sale of the rest of our beef to our various markets. Considering the situation now in Asia, including Japan, is there a policy rethink going on to make sure that we do not allow the present situation to continue?

Mr Sutton—I have mentioned that RMAC has been asked to provide a report on the future of the EU beef quota arrangements. It has ideas on improvements and, in any respect, the minister would be happy to consider them. I cannot do more than foreshadow that the minister has invited proposals from RMAC in terms of the continuing arrangements in that market.

CHAIR—RMAC did that last time. We, as a government, chose not to accept their recommendations; otherwise, we would not have found ourselves in the position we are in now. While I think that is very good, we have to look at it very closely. I must declare an interest in this matter. I am a beef producer—I do not know whether anybody else at the table is one. I think it is very important that, at the end of the day, we protect our very high quality

markets, because we have got only small access around the world. We have a lot of access for manufacturing in our second line of beef, but high quality is a very difficult area for us.

Mr Sutton—I can only repeat that the quota is tradeable. Anyone who felt that they could make more money from selling into Europe than into whatever other markets their product went into, I am sure would have been able to buy quota pretty cheaply throughout the last year.

CHAIR—I do not want to continue on this, but you have missed my point—and I think you know very well what my point is. Before, you could sell your quota in total or you could lend it for a season at between 30 per cent and 40 per cent of the process. It moved around. It covered industrial disputation, it covered drought—it covered all the things that happen in a country as big and diverse as Australia. That is the point I am raising here, and it is a point that we need to revisit.

Mr Wonder—To finish off that point, Mr Sutton has indicated that RMAC will be providing a report to the minister and, in conjunction with that at the time, the department will also be providing advice to Minister Truss. I think you can take it that the answer to your question is that detailed thought is being given to the questions you have raised.

CHAIR—When I was in Europe recently, the issue of people not being able to get access to it was raised with me consistently. People who previously supplied and who, under the arrangements, lost their quota because they let it off the year before were saying that they would be prepared to do it, and we can take that on face value. I have not finished the letter yet, but I am writing to the department and the minister on the matter.

Senator O'BRIEN—What role does the government have in assisting the beef industry to maintain demand for its product in Japan, in the face of the BSE scare?

Mr Sutton—The government's longstanding policy is not to be directly involved in promotion of commodity markets. Of course, there are sometimes exceptional circumstances where that does happen. The government sees its main contribution in this area to be the funding, through the collection of statutory levies, of promotion funds that are passed to promotion bodies—in this case Meat and Livestock Australia. As I mentioned before, some \$11 million has been spent in the current year on beef promotion in Japan, most of which has been raised by the statutory levy.

Senator O'BRIEN—I understand the United States is spending in the order of \$17 million to try to shore up its position in the Japanese beef market. There was a story on the AAP wire on 14 May in which Mr Truss said that he had taken a number of actions while in Japan, in January, to promote our beef exports. Mr Truss said that he had encouraged the Japanese to import more Australian products. Whom did he actually meet and how did he go about opening up markets?

Mr Sutton—I can take it on notice to respond to you in detail. I understand that he made a number of public statements in Japan directed at supporting the safety and wholesomeness of Australian beef, but I cannot say to whom he spoke or in what fora he made those comments. I will come back to you.

Senator O'BRIEN—Could you take that on notice, please?

Mr Sutton—Yes.

Senator O'BRIEN—So he made some public statements as well as having meetings. Is that the extent of his activity to open up that market?

Mr Sutton—I think that, given the key role of the Ministry of Agriculture, Fisheries and Forestry in Japan and of its livestock industry bureau in meat importation, it is quite important and a valuable means of promoting the safety of Australian product. The BSE issue, which is at the core of the downturn in consumer demand in Japan, is certainly a high priority for the Japanese government in terms of its responsibility for ensuring safe product in Japan. Obviously, Australia's BSE-free status is an important point that the minister could—and did—make.

CHAIR—This is an important question. I have had a briefing on this. Is it possible to try to get something to put on the table tomorrow? The minister met with the highest level people in Japan in terms of trying to expand into the beef market, and I would hate to think that it was left on the record that he only made a few statements.

Mr Sutton—You will have something tomorrow.

CHAIR—Thank you.

Senator O'BRIEN—The statement in the wire quotes Mr Truss as saying:

When I was in Japan in January, I encouraged the Japanese Government to consider importing more Australian products, including beef ...

What were the other products?

Mr Sutton—Again, I was not present, Senator O'Brien. We will have to come back to you.

Senator O'BRIEN—When you do, can you tell us what the current barriers are to getting these other products—or more of these other products—into Japan?

Mr Sutton—Yes.

Senator O'BRIEN—Is there any scheduled reduction in relevant barriers in place? Was Mr Truss trying to negotiate that?

Mr Sutton—There are barriers to dairy products in Japan which are subject to some wind-back, but, in terms of a significant breakthrough, the multilateral trade negotiation is likely to be the main vehicle for making significant progress on the removal of the remaining barriers.

Senator O'BRIEN—So Mr Truss was not seeking to negotiate that?

Mr Sutton—No. But I think it will be another part of the department's program. Dr Hearn's area—market access and biosecurity—is probably the more productive part of the program to take up those issues.

Senator O'BRIEN—That is where I was going to deal with it, but we had opened up the beef question. I am quite happy to deal with it now or then. I will save my other questions for Dr Hearn. On dairy again, but a different area, I want to ask about the ACCC decision on collective negotiation. This is a matter in which the department has an active interest.

Mr Sutton—We have made a submission to the ACCC in terms of the initial application for exemption. As you know, there was a draft ACCC determination released in October 2001 which authorised collective negotiations on a regional basis by dairy farmers for their raw milk supply to processors. This was released as a final decision in March this year. It incorporated some modifications, including a modification to allow dairy farmers from different regions, but with a common community interest, to negotiate collectively with a supplier across regions. As you know, National Foods has approached the Australian Competition Tribunal, effectively appealing that determination and seeking a review. Clearly, National Foods is of the view that there are anticompetitive elements in the determination

which affect its interests. Beyond that, I am not in a position to comment on its case. We have not received a briefing from National Foods on this issue, but the review process is running and a determination is expected in the last quarter of this year or perhaps into next year. In terms of the government's reaction, I guess I would be speaking on behalf of the minister. I am chancing my arm, but I am sure he would be disappointed that the authorisation he earlier supported has been affected by this appeal. However, this appeal is quite within the rights of National Foods to put to the Australian Competition Tribunal.

Senator O'BRIEN—And you think that matter will go through to next year, in all probability?

Mr Sutton—The advice we have is that it could be resolved in the fourth quarter or perhaps next year.

Senator O'BRIEN—Thank you for that. On the International Wool Secretariat, Senator Forshaw asked some questions during the last hearing about legal action by Cape Wools against KPMG in the Victorian Supreme Court. Mr Sutton, you said that KPMG was seeking to enjoin the Commonwealth. What has happened there? Is the Commonwealth in or out?

Mr Sutton—I think you will recall that we indicated that the Australian Government Solicitor was acting for the Commonwealth and seeking to have the Commonwealth struck out of that case. That has happened: as of last week, the Commonwealth has been released from that action. The formalities are yet to work their way through, but KPMG has ceased the attempt to enjoin the Commonwealth in that action.

Senator O'BRIEN—What is the current status of the International Wool Secretariat?

Mr Sutton—I think we provided you with quite detailed briefing in relation to the questions on notice. We do not have anything further to add to that. We do not monitor what the Woolmark Company is doing in relation to its subsidiaries.

Senator O'BRIEN—On the issue of fellmongered wool, the issue of the application of the levy was to be resolved by March last year. In February you told us that the findings of the comprehensive analysis were passed to Mr Truss in April last year—that is more than a year ago—and that Mr Truss had consulted other ministers, but you were not aware then of the outcome of those consultations.

Mr Sutton—I understand that the minister has written to the main parties who made submissions to the inquiry, indicating that the exemptions currently in place will continue. However, he is conscious of the potential for biologically harvested wool to assume a significant part of the industry. If that were to eventuate at some point in the future, he would be prepared to revisit the situation in relation to the exemption for biologically harvested wool, and dead and plucked wool. But at this point the exemption is to continue.

Senator O'BRIEN—Has the department had any meetings with officers of other departments about this issue as a result of the review by Mr Truss being distributed to a number of other ministers?

Mr Sutton—We had consultation at the end of the review process. We had a general endorsement by the Prime Minister's department, and the department of finance was in support of the proposed approach.

Senator O'BRIEN—So it was not to seek comment; it was to advise a decision?

Mr Sutton—The minister subsequently has had consultations at ministerial level.

Senator O'BRIEN—Have you had further departmental discussions?

Mr Sutton—Not that I am aware of.

Mr Williamson—No.

Senator O'BRIEN—In February, Mr Sutton, you made it clear that the extension did not pass the levy test. You also made it clear that the cost of collecting the levy from a small number of additional prospective levy payers may not justify the extra revenue, therefore the cost-benefit extension of the scheme did not stack up. I presume that was the finding. Why did it take so long to find it?

Mr Sutton—There are other considerations, in terms of the government's levy principles. A key element is acceptance by the prospective levy payers of the burden of the levy. Clearly that was not forthcoming. That was part of the report. The minister took that into account as well as the considerations I mentioned about the cost effectiveness of imposing a new levy on an industry sector that is, at this stage, probably best termed 'precommercial' rather than 'fully commercial'. If it were a fully commercial wool harvesting method, I am sure the minister would seek to have the issue revisited and the exemption reconsidered.

Senator O'BRIEN—But why did it take so long to find that out?

Mr Sutton—That is the minister's decision. I cannot comment on that.

Senator O'BRIEN—So the delay is down to the minister's decision making process?

Mr Sutton—He was having consultations with a range of people in industry and in government.

Senator O'BRIEN—I have no more questions about meat, dairy or wool. I have questions about the sugar industry. I thought Dr Samson might bring us up to date on the review of the Sugar Industry Infrastructure Program which had been completed and provided to the ministry as of last February. Can the committee now have a copy of that report?

Dr Samson—I do not have a copy with me. I will make a copy available to the committee.

Senator O'BRIEN—What will happen with the recommendations in the report? How does the government intend to respond to them?

Dr Samson—As you may recall, the report was commissioned by AFFA and it is an AFFA internal working document. In that sense, it is not a matter for the government to respond to those recommendations but for AFFA itself to do so, which we certainly intend to do. We are fully supportive of the recommendations that were made. Certainly, as we foreshadowed at the last estimates, we will be seeking to incorporate the thrust of those recommendations in any future programs we might develop.

Senator O'BRIEN—Did the department or a consultant do the review?

Dr Samson—A consultant did the review.

Senator O'BRIEN—So it was commissioned by the department?

Dr Samson—AFFA commissioned a consultant to conduct the review on our behalf.

Senator O'BRIEN—You said at the earlier hearing that the consultant found there was a need for there to be an earlier focus on environmental issues in the development of infrastructure. Can you expand on that point?

Dr Samson—The issue, and I think we briefly discussed it last time, was that the Sugar Industry Infrastructure Program commenced some time ago when there was not the same focus and the same requirement for environmental issues to be factored into projects. The consultant has made the observation—quite rightly in AFFA's view—that those environmental issues have become more important since the inception of the program and, as you are aware, some of the delays in the individual projects that we have discussed previously have, to varying degrees, been the result of delays in meeting the various environmental requirements. It would make eminent sense to look at those environmental issues upfront at the very early planning stages of projects and, certainly, one of the benefits that would immediately result from that would be a more realistic time frame for the duration of the project.

Senator O'Brien—Remind me: which particular projects were the key subjects of the report?

Dr Samson—The report looked to all of the 11 projects that were part of the program. It was an assessment of the program and all its constituent projects.

Senator O'Brien—As at February, eight projects had been completed.

Dr Samson—Correct.

Senator O'Brien—It was the same in May. Is that right?

Dr Samson—Correct.

Senator O'Brien—The projects that were not concluded were the Murray Valley infrastructure Riversdale water management project, the Herbert River Valley water management project and the Russell Mulgrave Rivers water management project.

Dr Samson—Correct.

Senator O'Brien—Can you tell us where each of those three projects is up to?

Dr Samson—Certainly. The Murray Valley infrastructure Riversdale water management project, which is by far the largest of the three remaining projects, has now progressed to a stage where the environmental assessment has been completed. The environmental assessments of the other two projects are well advanced but, as yet, not complete.

Senator O'Brien—They have a long way to go. When do they start?

Dr Samson—I would have to take the commencement date on notice. I can advise you on revised completion dates. We are now advised that the projects are expected to be completed at some time in 2002-03 and 2003-04. The reason for that, particularly in respect of the Murray Valley Riversdale project, the largest of the three, is that the project is located in one of the wettest areas of the country. In effect, in each calendar year, there are only about three months where weather conditions permit physical work to take place on the site, so any delay that gets you out of that three-month window has a disproportionately high impact on the timetable.

ACTING CHAIR—We shall take a break for a few minutes.

Proceedings suspended from 3.59 p.m. to 4.18 p.m.

ACTING CHAIR (Senator Ferris)—Senator O'Brien, I believe you were questioning Dr Samson on sugar.

Senator O'BRIEN—The eight other projects have been completed. Has some sort of final assessment been done on them?

Dr Samson—Yes, and there has a consultant's report, which we will make that available to you.

Senator O'BRIEN—Thank you for that. What is the current financial arrangement regarding the South Johnstone Mill? There was a debt that the growers were required to service.

Dr Samson—Correct. When we met last time, an outstanding issue was that the receiver had not, at that point, finalised his deliberations and we were not clear as to whether the debt of South Johnstone Mill would be totally discharged. The receiver has now finalised his deliberations, and I can say that, regarding the debts of South Johnstone Mill—which approximated \$10.3 million—the sale of associated assets that the receiver was overseeing raised \$9.1 million. So the principal debt was not discharged and the arrangements that we had previously discussed are still relevant. The debt to the Commonwealth was approximately \$2.4 million. Of that, about \$726,000 had already been repaid. There is a further \$666,000 being held in a trust account, which leaves just over \$1 million still to be collected from the growers.

Senator O'BRIEN—So when will the repayment of that part of the debt commence?

Dr Samson—Again, because the repayment is based on a percentage—five per cent of the growers' receipts from their sales—obviously the rate at which that is paid back is somewhat dependent on the price they are getting.

Senator O'BRIEN—It is not looking good then?

Dr Samson—I am afraid it is looking worse rather than better in that regard. However, best projections are that it will take another season for that \$1 million to be paid off. So it will be sometime during the 2002 season, which is the 2002-03 financial year. As I said, it is very dependent on the price.

Senator O'BRIEN—That is straight off the top of the price?

Dr Samson—That is my understanding.

Senator O'BRIEN—Can you tell me when the review of the sugar industry by Clive Hilderbrand is to be concluded?

Dr Samson—Mr Hilderbrand is due to provide his report to the minister in mid June.

Senator O'BRIEN—So the timetable has been shortened, or was that the original timetable?

Dr Samson—That was the original timetable.

Senator O'BRIEN—So there is no further consultation process—the report is in the process of being put together?

Dr Samson—I am not sure. Because it is an independent exercise from AFFA, I am not precisely sure what stage in the process Mr Hilderbrand is at. But I would be confident that he is pulling his thoughts together and, if not already commenced, the drafting process must start soon. Certainly he has confirmed recently that that time frame of mid June will be met.

Senator O'BRIEN—I have some questions about tobacco. In relation to the North Queensland tobacco industry—let me see if I understand the context correctly—on 21 June,

British American Tobacco Australasia advised the Queensland Tobacco Marketing Cooperative that they would not purchase any more leaf from North Queensland, effectively rendering the growing industry up there non-viable. Then, on 26 June, members of the federal government met with representatives of BATA and the manufacturers offered to buy North Queensland leaf in return for the government delivering on four requirements, among these being a clampdown on the chop chop trade. At this stage, the government refused all four manufacturer demands. Is that correct?

Dr Samson—Yes, with the minor variation that more be done in terms of the issue of clamping down on the chop chop trade. It is not as if nothing was done, by any stretch of imagination; it was to increase the effort in that regard.

Senator O'BRIEN—Then on 24 July, Minister Truss issued a statement saying that the BATA had agreed to buy one million kilograms of North Queensland leaf and that the industry in North Queensland appeared to have potential for on an ongoing viable industry. What was the basis for that statement?

Dr Samson—That whilst the manufacturers were indicating that they proposed to buy a smaller quantity of leaf from Far North Queensland than they historically had, it was nevertheless a reduction and that the amount of leaf they were proposing to buy could still constitute the basis for a viable industry for some tobacco growers.

Senator O'BRIEN—For some.

Dr Samson—As we discussed last time, there are some choices that the tobacco growers are faced with in that part of the country, and they are difficult choices. Their preference is for the same number of growers to grow the same amount of tobacco that they had grown in recent times and to obtain the prices for that tobacco that they had historically received. An alternative to that, faced with a reduction in amount of leaf to be purchased by the manufacturers, is either for the same number of growers to grow less tobacco or a smaller number of growers to maintain their level of production.

Senator O'BRIEN—How many?

Dr Samson—In Queensland there are 156 registered tobacco growers.

Senator O'BRIEN—Do you know how many have been growing?

Dr Samson—All 156, as far as I am aware, Senator.

Senator O'BRIEN—How many growers would remain viable if the only market they had was one million kilos?

Dr Samson—The million that you refer to was only from one of two manufacturers. Where we ended up at was BATA, I think in total, agreed to purchase 1.2 million kilograms and Philip Morris—that is the other company—had also agreed to purchase one million. So you are really talking about 2.2 million kilograms. As to what that equates to in terms of the number of growers who could be viable, that is impossible for me to say. Again, it goes back to our early discussion about emergency assistance packages. Individual growers' circumstances are so different. But *prima facie* it would be a number less than 156.

Senator O'BRIEN—At the additional estimates in February Senator McLucas asked you about the meeting held on 26 June and any subsequent meetings that may have occurred between the federal government and manufacturers. You responded, on notice:

The department did not participate in discussions between the government and manufacturers at this time.

Is it unusual in the middle of consideration of a potential buy-out or restructuring package, which presumably would be administered by the department, for the department to be excluded from what would appear to be a key meeting between key players?

Dr Samson—Not really, Senator, no, in my experience. I say that on the basis that, not just with tobacco but with sugar, as a random example, lots of discussions take place all the time—multilateral, bilateral. There are some things which industries prefer to deal directly with the department on. There are others where I think they prefer to see the government as the first point of contact. There is a third category where both the department and the government are represented at meetings. There is a mixture. So it does not surprise me.

Senator O'BRIEN—So it happens frequently.

Dr Samson—Yes.

Senator O'BRIEN—Are you aware that in the manufacture of different types of cigarettes blends of leaf from different regions are often required?

Dr Samson—Yes.

Senator O'BRIEN—In your experience of this industry, would it be fair to say that manufacturers such as BATA are aware of their blending requirements at just about any given time?

Dr Samson—I think that would be a fair comment.

Senator O'BRIEN—According to QTM, on 26 July 2001 they made contact with Minister Truss's office to try to discover why BATA had overturned their previously intractable position of not buying leaf from North Queensland. According to QTM, the minister's office advised that BATA had suddenly recalled that its Winfield brand required North Queensland leaf in its blend. That is pretty odd, isn't it?

Dr Samson—I have no knowledge of that conversation taking place.

Senator O'BRIEN—If it did, it would be pretty odd, wouldn't it?

Dr Samson—Under the normal operation of the tobacco industry that would certainly be unusual, but it is possible, I guess.

Senator O'BRIEN—That would mean BATA would be making a major strategic decision not to buy Queensland leaf, forgetting such a detail as that it was a blend requirement for one of their major brands.

Dr Samson—As I say, I preface this with the statement that I am simply not aware of that conversation or the issue that you refer to. But it could be—and this is speculation—that BATA had possibly sought to source leaf from offshore that may well have met the blending requirement. I am aware that around that time countries such as Zimbabwe, for example, which may have featured large in BATA's forward planning, for obvious reasons suddenly became a less attractive proposition as a long-term source of tobacco. There could have been several factors, but I am speculating, Senator.

Senator O'BRIEN—Suddenly in July of last year?

Dr Samson—I have no idea what BATA's decision making processes are.

Senator O'BRIEN—I guess I am suggesting that they would not suddenly recall that, particularly as I understand that the Winfield brand requires, on current formulation, about a million kilos of Queensland leaf a year.

Mr Wonder—We are indicating that BATA have not shared their thinking with us in regard to their decision making.

Senator O'BRIEN—What is the current price of a kilo of leaf—Australian?

Dr Samson—I will take that on notice. It would be in the order of just over \$6 a kilogram.

Senator O'BRIEN—What you have told us, I think, is that BATA want 1.2 million kilos and Philip Morris want one million kilos per year unconditionally.

Dr Samson—That was for one year. The contracts are renegotiated on an annual basis. Where I think we have got to, for this year, is 1.2 million from BATA and one million from Philip Morris. For this year the total purchase from Queensland will be 2.2 million kilograms.

Senator O'BRIEN—Have you any idea how many growers would be sustained at that rate of production?

Dr Samson—As I said earlier, it is impossible for me to make that judgment. It depends on individual circumstances.

Senator O'BRIEN—It would be \$75,000 to \$80,000 gross each on the rough figures you gave us, without trying to confine anyone to any numbers. That is before their input costs et cetera?

Dr Samson—Across the 156 growers, there would be small producers and larger producers. Certainly, for a significant number of those tobacco producers tobacco would not be their only source of income. Mangoes are a major complementary crop and so is tea-tree oil. A whole range of commodities is produced.

Senator O'BRIEN—I have a question on chop chop, the illegally harvested and sold tobacco, an issue that I believe was raised by many manufacturers at the task force meeting held on 17 November 2000, at which they suggested it is costing them a lot of money. Do you know how much they say they forego each year in revenue as a result of the chop-chop trade?

Dr Samson—As we indicated in the answer to one of the questions tabled by Senator McLucas, it is actually the responsibility of the ATO, Australian Taxation Office, to deal with this. AFFA is not directly involved. As we indicated in answer to the question, the ATO did advise AFFA that the manufacturers' estimate is that approximately 1.8 million kilograms of chop chop or illegal tobacco is produced.

Senator O'BRIEN—Does the department have any role in measures to stop the chop-chop trade or is that purely for Customs?

Dr Samson—The department has no role.

Senator O'BRIEN—In answer to question on notice 26 (25), you advised that you were unaware that BATA had written to QTM on 26 September 2001 advising that they would no longer purchase North Queensland leaf beyond 2002.

Dr Samson—Mr Wonder has provided that.

Senator O'BRIEN—Has the department asked BATA if that is a true indication of their intention?

Dr Samson—I am not sure if we have directly asked BATA, but certainly we accepted that as an accurate representation of the situation.

Senator O'BRIEN—One would expect that would have a dramatic effect on viability?

Dr Samson—If BATA does as it has indicated—and assuming Philip Morris maintained its commitment to North Queensland, which they have indicated they would because of blending requirements—that would appear to reduce the crop in Queensland to one million kilograms. Whilst I accept that that is the currently stated intention, these are hard-nosed commercial negotiations that take place between growers and manufacturers, as you can imagine, and, historically, it would indicate that these things are somewhat fluid.

Senator O'BRIEN—In your response to question 26(29), we are advised that the dairy industry adjustment package resulted from a recognition that a number of factors would:

Severely impact on producers and dairy communities, even though the Commonwealth had no role in making decisions that led to these severe impacts.

Given that BATA is probably not going to buy any more tobacco in North Queensland, a lot of growers are no longer viable. The minister, in his dateless letter received by QTM on 7 August last year, recognised the industry is the mainstay of the Mareeba community, and that the further exit of a number of growers may subsequently have a detrimental effect on the region. Given that, has the department been instructed to re-examine options for restructure and buyout packages?

Dr Samson—To address your comments on the dairy industry: obviously, it is unfortunate that Mr Sutton has left the table.

Senator O'BRIEN—But the minister is answerable—

Dr Samson—Actually, the information was produced with the able assistance of Mr Sutton in that regard. I think one of the differences—and there are several that come to my mind—is that when we are talking about dairy, it is an issue that transcends state boundaries. Again, I am not the dairy expert, but I think that would be one rationale. Also, the government—AFFA—accepts that there is an issue to be dealt with in Northern Queensland. It is not an issue that is restricted just to tobacco growers. I think, as we indicated at the last estimates, a major plank of the government's response to this issue is the Sustainable Regions Program that is administered by the Department of Transport and Regional Services. The answer to the final part of your question as to whether the department has been directed to re-examine the options for a buyout package for the Queensland tobacco growers is, no, we have not.

Senator O'BRIEN—You have examined one package which the industry put to you?

Dr Samson—The submission that the Queensland growers put to the government was assessed, as was the Victorian growers submission. It was on the basis of that assessment that it was decided not to offer an exit package. We have not been directed to revisit that decision.

Senator O'BRIEN—I understand that chop chop is not your responsibility, but do you know what the split is by area of origin? How much of the 1.8 million kilograms comes from Queensland and how much comes from Victoria?

Dr Samson—It is possibly literally more than my life is worth to make that call. I am sure they are equally honest in both states.

Senator O'BRIEN—Yes, I am sure they are. I understand you cannot answer the question, but I think your volunteering the last bit probably put you in more trouble than you wanted to get into.

Dr Samson—We have no basis to make that call.

Senator O'BRIEN—Do you know how much revenue the Commonwealth forgoes through chop chop?

Mr Wonder—That would be a question for the tax office.

Senator O'BRIEN—I thought they might have told you when they gave you the 1.8 million kilo figure.

Dr Samson—The revenue would be forgone in the way of excise.

Mr Wonder—We will refer your question to the tax office.

Senator O'BRIEN—It is probably easier to put a whole lot of questions on notice for them.

[4.47 p.m.]

ACTING CHAIR—We are now dealing with questions to outcome 3, Food.

Senator O'BRIEN—The Supermarket to Asia Council chaired by the PM—it is otherwise known as 'the Prime Minister's supermarket to Asia council'—is obviously winding down and will cease operation next month. When was the last formal meeting of the council?

Ms Clarke—I think the last meeting was in February this year, but I will need to check the details of that.

Senator O'BRIEN—The council comprised the Prime Minister, senior representatives of government and industry and was charged with providing leadership and drive to improve competitiveness and to increase food exports to Asia. How often has the council met over the past 12 months?

Ms Clarke—The council meets quarterly. Over the last 12 months, it has probably met three times.

Senator O'BRIEN—How many meetings of the council has the Prime Minister attended over the past 12 months?

Ms Clarke—I think he has attended all except one, if I recall correctly.

Senator O'BRIEN—Which one?

Ms Clarke—I think it is probably the more recent one held in February, but I can check the details.

Senator O'BRIEN—The council will not meet again before it is disbanded?

Ms Clarke—I do not think so.

Senator O'BRIEN—Does it have any unfinished business?

Ms Clarke—Supermarket to Asia Ltd has a number of ongoing projects which it is managing. The Supermarket to Asia Council needs to provide the department with a report at the end of this financial year, which will wrap up most of its projects. The new National Food Industry Council will need to make a decision about whether to carry any of those on.

Senator O'BRIEN—In the 1999-2000 budget, the Treasurer announced ongoing funding for the Supermarket to Asia strategy, which amounted to \$14.5 million for the following three years, culminating in \$5 million for 2001-02. Has all of that money been spent?

Ms Clarke—There is still the rest of the financial year to go, and so the Supermarket to Asia Council would probably have about \$300,000 left this financial year. They will come close to spending that amount.

Senator O'BRIEN—With the 1999 action plan, the proposed activities and outcomes for the next three years, have the expected outcomes been met?

Ms Clarke—For some projects. I have not got the 1999 action plan in front of me but I suspect most of them have.

Senator O'BRIEN—Do you recall which activities and outcomes have not been met?

Ms Clarke—Food Connect would be one of those activities which I think has ceased, and which I think would have been in the 1999 action plan. Quality Food Australia would be another activity that has closed down. That would also be in that action plan. Some of the other activities would still be ongoing.

Senator O'BRIEN—Perhaps you can give us the detail on notice, if there are more. Will they flow over to the new structure or will that start with a clean sheet?

Ms Clarke—That will be a decision for the new council.

Senator O'BRIEN—According to page 52 of the PBS, under the heading 'Planned evaluations for 2002-03', the Supermarket to Asia strategy is to come under scrutiny to test the strategy's:

- effectiveness in achieving its objectives;
- efficiency and effectiveness of its delivery; and
- value relevance and appropriateness of similar initiatives in the future.

And that evaluation is to take six months. Is that going to happen?

Ms Clarke—Yes, we are currently finalising the terms of reference for that evaluation.

Senator O'BRIEN—Who is going to do the work?

Ms Clarke—That will go out to tender.

Senator O'BRIEN—What has the department budgeted for the evaluation?

Ms Clarke—It would be something less than \$100,000.

Senator O'BRIEN—As we know, the Supermarket to Asia strategy is to be superseded by the new National Food Industry Strategy which has been some time in the planning since the National Food Industry Advisory Committee began developing an action plan announced by Minister Truss on 28 September last year. Could there be any overlap in the planned evaluation of the SDA strategy and the work already undertaken by the National Food Industry Advisory Committee?

Ms Clarke—The evaluation of the Supermarket to Asia strategy would look at how effective that strategy has been in terms of its particular objectives. I suspect there will be some lessons learnt from some of the projects that they have undertaken which will be of value to the National Food Industry Council.

Senator O'BRIEN—Would the National Food Industry Advisory Committee have considered, for example, the value, relevance and appropriateness of similar initiatives in the future to quote one of the objectives of the Supermarket to Asia evaluation?

Ms Clarke—That would be one thing they will take into account. The National Food Industry Strategy is much broader than the Supermarket to Asia strategy. It takes a global focus.

Senator O'BRIEN—Will there eventually be a final report card or something on Supermarket to Asia's work?

Ms Clarke—Yes, there will be a evaluation report.

Senator O'BRIEN—Will it be publicly released?

Ms Clarke—I would think so, in the normal way that evaluation reports are.

Senator O'BRIEN—What about Supermarket to Asia Ltd? Will it be wound up?

Ms Clarke—There are two options. It is really up to the company itself whether it is wound up or changes its name to accommodate the new strategy. It might be called National Food Strategy Ltd but that is really up to the shareholders in the company itself.

Senator O'BRIEN—So to date there has been a smooth changeover progressing towards the National Food Industry Council?

Ms Clarke—Yes. At the moment the department is working very closely with Supermarket to Asia Ltd in developing the new initiatives under the food strategy. The changeover will occur on 1 July.

Senator O'BRIEN—As I said earlier, it is often referred to as the Prime Minister's Supermarket to Asia Council but, as I understand it, the Prime Minister will not chair the new National Food Industry Council as he did its predecessor. Is that right?

Ms Clarke—That is correct. It will be chaired by Minister Truss.

Senator O'BRIEN—Given that the Prime Minister will not be heading the new body, do you think the National Food Industry Council will have the same status—without the Prime Minister at the helm—as Supermarket to Asia?

Ms Clarke—I think it is going to be just as fundamentally important to setting directions for the industry.

Senator O'BRIEN—So you do not think it will have the same status?

Ms Clarke—I think it will be just as important to the industry. It is a bit difficult to comment on status.

Mr Wonder—That is not a question we can answer, Senator. It is not for us to judge that.

Ms Clarke—Certainly the industry regards it as just as important in its future directions.

Senator O'BRIEN—It is receiving a lesser focus in government.

Ms Clarke—It is receiving substantial extra funding, which suggests quite a high priority. The National Food Industry Strategy—

Senator O'BRIEN—That is to cover a much larger area, isn't it?

Ms Clarke—It has a global focus but it certainly has more substantial program funding than existed under the Supermarket to Asia strategy. There are a number of broader initiatives which are quite well funded.

Senator O'BRIEN—So the feedback from the industry is that it is a good thing that it is now being chaired by Minister Truss?

Ms Clarke—We have had very positive feedback from the industry on the strategy.

Senator O'BRIEN—You might have, but that was not quite my question.

Ms Clarke—You might have to repeat that question, Senator.

Senator O'BRIEN—Is the feedback from the industry that it is a good thing that this council is being chaired by Minister Truss and not the Prime Minister?

Ms Clarke—That has been positive; I have not heard anything to the contrary.

Senator O'BRIEN—Will the Prime Minister or his department have any direct input into the National Food Industry Council?

Ms Clarke—Not to the extent that they do now. Most of it will be run from the agriculture portfolio, but there may be issues from time to time that require a whole-of-government approach. I cannot predict what they will be, though.

Senator O'BRIEN—Could you explain what the administrative framework of the National Food Industry Strategy will be: how the new food strategy will be administered?

Mr Mortimer—There will be a number of elements to the framework in an administrative sense. There will be the National Food Industry Council created to provide advice to the government on strategy for the industry, including oversighting advice on the implementation of the strategy. Our minister will chair that. The government has indicated that the secretariat service and administration of a number of the programs will be done by an independent secretariat which will support the council. The funding for the programs will be provided from the government and that will be managed through a contract between this portfolio and the secretariat.

Senator O'BRIEN—When does the preparation of that contract commence?

Mr Mortimer—It has already commenced, Senator. A draft is currently being discussed.

Senator O'BRIEN—Who is discussing it?

Mr Mortimer—AFFA are discussing it with the existing Supermarket to Asia Ltd secretariat. As Ms Clarke indicated a minute ago, that is going to be transformed to become the secretariat for the new council.

Senator O'BRIEN—So what will happen? The new council will be formed and they will have laid before them a contract?

Mr Mortimer—No, the contract is not a matter for the council; the contract is between the government and the secretariat for delivery of programs. The council can comment on the shape and nature of programs, but the government needs to administer the programs directly with a service deliverer.

Senator O'BRIEN—The secretariat for Supermarket to Asia will be the secretariat for—

Mr Mortimer—It will be expanded and revamped to undertake similar purposes.

Senator O'BRIEN—Who appoints this secretariat?

Mr Mortimer—The secretariat is being established through an independent company. Presently, the secretariat is effectively owned by a company which is owned by a number of key players in the food industry, and the government has established a contract with that company.

Senator O'BRIEN—What is the name of that company?

Mr Mortimer—It is currently called Supermarket to Asia Ltd. It holds the contract for delivering services for the Supermarket to Asia Council.

Senator O'BRIEN—Who holds the shares in the company?

Mr Mortimer—It is a company limited by guarantee, so there are no shares. There are a number of members.

Senator O'BRIEN—How does one become a member?

Mr Mortimer—One becomes a member by dealing with the other members; in other words, by indicating that one shares an affiliation with the objectives and activities of the company.

Senator O'BRIEN—Who decides whether you are in or out?

Mr Mortimer—The members of the company.

Senator O'BRIEN—Do you expect that this company will continue, perhaps with another name, to be the secretariat? Having been the secretariat for Supermarket to Asia Ltd, it will be the secretariat for the National Food Industry Strategy?

Mr Mortimer—That is right.

Senator O'BRIEN—That indicates that there is complete satisfaction. There is no need to review that arrangement in any way?

Mr Mortimer—Ms Clarke indicated a minute ago that there will be a full evaluation of Supermarket to Asia programs, but, broadly speaking, the government is comfortable with the model that is represented here; namely, that an industry owned secretariat is well-positioned to deliver these services under contract to the Commonwealth.

Senator O'BRIEN—I now go to the funding of \$102.4 million for the National Food Industry Strategy. It appears that most, if not all, funding for the NFIS is to be sourced from existing allocations or forward estimates. That is correct, is it not?

Ms Clarke—Yes.

Mr Mortimer—Yes, that is a fair comment, Senator.

Senator O'BRIEN—One could expect the funding formula for NFIS to have some impact on areas from which money has been redirected or reprioritised. How is that being managed by AFFA?

Ms Clarke—I can only answer for the New Industries Development Program. It is a \$21.7 million program over five years. Next financial year, and for the three subsequent financial years, \$300,000 has come off that program, which is relatively easy to manage. It will probably mean about three fewer projects a year: where we normally would have funded 30, we will now fund 27.

Mr Wonder—I can provide a little more commentary. Indeed, you may wish to return to this in further detail under the rural policy item on our agenda. The reason I say this is that

right at the start of the hearing I referred to the budget measures at pages 16 and 17 of the PBS. You will see in the PBS that, I think, a total of \$9.3 million was made available from the FarmBIS program for deployment under the National Food Industry Strategy.

In general terms, the answer to your question is that we do not believe that the transfer of those funds will impact adversely on the Commonwealth-state FarmBIS Program. Essentially we have been able to maintain the activity level of the program because we are matching as much as the states are willing to engage with us on and we have reached that level and satisfied that. In fact, this deployment of funds for the National Food Industry Strategy has been made possible by the fact that we have taken the states to the maximum possible level for FarmBIS and still found that we have been able to deploy this \$9.3 million for the National Food Industry Strategy without losing anything from the application of the FarmBIS Program itself.

Senator O'BRIEN—So the FarmBIS Program was well and truly over allocated?

Mr Wonder—As to the FarmBIS Program, when we initially allocated the money for the AAA a few years ago, we certainly had ambitions of applying it at a certain level. We went to the states. We made it clear as to what we could deploy for the FarmBIS Program and by any measure it has been very successful with something like 70,000 participants having been through the FarmBIS Program by now.

But having said that, we still have a very active program indeed, as reflected in the estimates on pages 96-99 where there is a very sizeable increase in the funding for FarmBIS in 2002-03, as I think I indicated at the start of the hearing. But notwithstanding that, we have not been able to attract any additional matching funding, as the program requires, from the states. So that has resulted in our aspirations for operating at perhaps a higher level, with the states being unprepared to—

Senator O'BRIEN—How many participants were you expecting?

Mr Wonder—I would have to leave that question, Senator, to later in the hearing under the rural policy area. I am happy for my colleagues to pursue it there, but I thought those comments were at least useful to give you an insight into how FarmBIS funding fitted into the National Food Industry Strategy.

Senator O'BRIEN—Yes. Ms Clarke, did you say \$300,000 was reprioritised from the New Industries Development Program? Is that \$300,000 per year?

Ms Clarke—Yes, over four years.

Senator O'BRIEN—Yes. And also from AFFA's additional estimates earlier this year, 2001-02, \$15 million from Supermarket to Asia?

Ms Clarke—That is just based on the assumption that that program would have continued in some form. We were able to use those forward estimates to offset the new program.

Senator O'BRIEN—But that is money for the current financial year which has been transferred to the next?

Ms Clarke—No. From 2002-03. Continuation of Supermarket to Asia was obviously built into the department's forward estimates and we were able to offer that as a savings.

Senator O'BRIEN—Yes, \$15 million. On page 51 of the PBS there is reference to a performance indicator for the National Food Industry Strategy: Food safety and quality initiative. The indicator is the substantial removal of duplication and inconsistency of

commercial and regulatory food safety and quality systems. That was a key objective of Supermarket to Asia as well, was it not?

Ms Clarke—This has been an ongoing project, yes.

Senator O'BRIEN—What processes were put in place by Supermarket to Asia to achieve that objective?

Ms Clarke—It was originally managed by a working group under the Supermarket to Asia strategy. Two or maybe three years ago, responsibility transferred back to the department.

Senator O'BRIEN—So, two or three years ago, it ceased to be the responsibility of Supermarket to Asia?

Ms Clarke—It was no longer a working group established under the Supermarket to Asia strategy. The department has been working on this initiative.

Senator O'BRIEN—Now it is going back to the National Food Industry Strategy?

Ms Clarke—This particular initiative will continue to be run within the department because it involves government to government business.

Senator O'BRIEN—Will they pay you to do the work out of their budget?

Ms Clarke—That would be one way of doing it, but we would just retain the money for that component of the strategy.

Senator O'BRIEN—Same result, just without two cheques?

Ms Clarke—Yes.

Senator O'BRIEN—What progress did the department make on that?

Ms Clarke—We have made substantial progress in terms of identifying a way forward. It is a very complex issue in terms of working out how to address it. We ran a workshop in June last year where we got industry sign-off. There were about 50 industry stakeholders at that workshop and we got industry sign-off on a strategy to take it forward, and we are currently working through implementing that strategy. It is a long-term project because it involves establishing training standards and training and accreditation frameworks for food safety auditors, so we need to get all the states involved and get them to sign off.

Senator O'BRIEN—How much was Supermarket to Asia paying the department to do that work? They were not paying you; how much were you keeping back out of their allocation?

Ms Clarke—There was no money allocated under the Supermarket to Asia strategy. It came out of departmental resources.

Senator O'BRIEN—So it was their objective; you were doing it and you were paying for it.

Ms Clarke—Yes, there was no specific resource allocated to it.

Senator O'BRIEN—And that is how it will continue under the new structure?.

Ms Clarke—Yes. Some of the initiatives under the Supermarket to Asia strategy are managed by departments and not just AFFA, so all of the funding is not encompassed by Supermarket to Asia's budget.

Mr Wonder—In fact, our relationship has been one of purchaser-provider: AFFA being the purchaser, the company being the provider and providing services to meet an important part—but by no means the entirety—of what the overall initiative is about.

Senator O'BRIEN—Ms Clarke, in February at additional estimates, you referred to the fact that the Supermarket to Asia Council had identified that a number of European retailers had moved into Asian markets. That means that Australia must look at its global position, not just a position in Asia. The government has decided to transfer the administration of the National Food Industry Strategy to Supermarket to Asia Ltd which, I presume, will start in July.

Ms Clarke—It will start in July. Supermarket to Asia Ltd will need to change its name to reflect the broader focus that that company needs to take on.

Senator O'BRIEN—How does the funding move between the Commonwealth and Supermarket to Asia Ltd?

Ms Clarke—We have a contract and we pay quarterly. We ask for quarterly reports. We pay some in advance and we need to see that acquitted, based on work done each quarter.

Senator O'BRIEN—Is there any need for a probity check on the company—given that you are dealing with a company run by people in the industry—to see whether there may be conflicts of interest or actions against competitors? How do you check that?

Ms Clarke—The company is actually established under Corporations Law and the directors or members of that company are responsible for looking at conflicts, putting conflict of interest procedures in place and managing that issue.

Senator O'BRIEN—So there is no investigation by the Commonwealth of that issue? This company is spending Commonwealth funds.

Ms Clarke—No, because it is a corporations issue. In terms of the new contract, we will be looking at whether we need to have additional conflict of interest procedures put in place.

Senator O'BRIEN—So will you be looking at it in relation to the Supermarket to Asia contract that is expiring?

Ms Clarke—No, the new contract.

Senator O'BRIEN—Will you be reviewing the processes of the company in relation to the previous program—or the soon to-be previous program, the Supermarket to Asia program?

Ms Clarke—Other than evaluating the effectiveness and efficiency, no, we had not planned to review that.

Senator O'BRIEN—Can you give me an update on how the inland marketing authority project is progressing?

Mr Wonder—We will take that question in the rural policy and innovation part of the program, if you don't mind. My colleagues will be ready to address that then.

Senator O'BRIEN—What letter of the alphabet is that again?

Mr Wonder—It is in the list. It is at item F, innovation and rural policy and programs.

Senator O'BRIEN—Okay, we will come to that later. I want to ask some questions about the inquiry into the citrus industry conducted by the Productivity Commission. Reference was given last September, the work is completed and it is with the Treasurer. What is the timetable for a response from the government to this report?

Ms Clarke—The government has to provide an interim response within two months at the maximum or 25 sitting days since the government received the report, and I understand the report was received on 30 April.

Senator O'BRIEN—Whichever is the later, or whichever occurs first?

Ms Clarke—Two months is the maximum time.

Senator O'BRIEN—I was going to say that otherwise, it could be nearly a year under these circumstances. On page 96 of this year's PBS, in appendix 2, funding for the citrus industry market diversification program is estimated at \$699,000.

Ms Clarke—That is correct.

Senator O'BRIEN—Last year, the estimated expenditure for this financial year was set at \$20,000. Why has that number jumped so dramatically?

Ms Clarke—I suspect that that is because a number of projects were not finished and have carried over into the new financial year. That would have been our estimate at the time.

Senator O'BRIEN—Under output 3 in Appropriation Bill (No.1)—Citrus Industry Market Diversification Grant—the estimated actual expenditure for 2000-01 was \$1.104 million. The budget estimate for 2001-02 was \$20,000. This year it is \$699,000. I am struggling to understand how this money is moved over from a \$20,000 allocation to build up to one of \$699,000.

Ms Clarke—A number of contracts were not completed. We were obviously a bit more optimistic than we should have been in terms of some of these projects actually finishing up. So the money has simply been rolled over into the next financial year. They will need to finish this financial year because there is no more money.

Senator O'BRIEN—It seems to have jumped around all over the place. Last year's PBS said, 'Expect \$20,000.' I have the wrong one—that's why it doesn't work. I will withdraw that and look at the correct PBS.

Mr Wonder—The explanation is that we were clearly expecting to spend only a minor amount in 2001-02 because the projects would have been completed prior to that year. As things have turned out, there has been a need to complete much of the work in 2001-02 because those projects were running a little later than we expected. As a result, we expect to spend nearly \$700,000 in 2001-02, which, as Ms Clarke indicated, would bring the program to an end, because the budget estimate for 2002-03 is zero.

Senator O'BRIEN—What are we estimating we will spend in 2001-02?

Ms Clarke—We estimate we will spend \$699,000 in 2001-02.

Mr Wonder—As on page 96 of the 2002-03 PBS.

Senator O'BRIEN—Thank you very much, Ms Clarke and Mr Mortimer.

[5.25 p.m.]

CHAIR—We now move to output 4, Market access and biosecurity.

Senator O'BRIEN—In the additional estimates there was additional funding of \$17.1 million over five years. This is about not only getting increased access but also ensuring that Australian exporters maintain appropriate standards in relation to the product they export. Is that right?

Dr Hearn—It is a wide ranging brief in the sense that it is about interchange with those countries, ensuring market access, helping to facilitate market access and looking at all that goes into it, which would include standards and discussing those standards with the relevant authorities in those countries and explaining and interchanging with them. It is a broad ranging brief in those countries.

Ms O'BYRNE—Are the numbers in the additional estimates documents still the same—that is, \$3.3 million for 2002-03, \$3.3 million for 2003-04, and \$3.4 million for the year after?

Dr Hearn—Yes, those are still applicable.

Senator O'BRIEN—Is this an extension of funding in the sense of timing of the out years? It is not about increasing funding, is it?

Dr Hearn—It certainly has the out years there up to five years. There is some increase in funding for the existing posts, but the majority of the new funding is for the establishment of the post in Beijing that you are aware of.

Senator O'BRIEN—To get a clear picture on what will be spent by AFFA on addressing technical access over the next four years and how it will be spent, I go to the new post in Beijing. How far have we proceeded towards establishing that new post?

Dr Hearn—The position has been advertised. It is in the position now where the department has a short list and is very close to a point where the relevant authority in the department—that is the secretary—can make a decision about an appointment. I would expect that to be made fairly soon.

Senator O'BRIEN—So what is the estimated budget for this post and the estimated budget for the two existing posts in Tokyo and Seoul?

Dr Hearn—In terms of 2002-03, for Seoul the budget is \$583,000. For Tokyo it is \$933,000 and for Beijing \$761,000.

Senator O'BRIEN—So it is in the order of \$2 ¼ million a year to operate those three posts.

Dr Hearn—That is correct. That is purely for the posts themselves. Then there is some funding for support for those posts in the central department here in Canberra which will give some back-up for them.

Senator O'BRIEN—The cost of employing domestic technical experts might be a way of putting it.

Dr Hearn—That type of issue management and some of the overheads et cetera. So there are some domestic costs attached—money that would be expended in Australia to provide support to those posts overseas.

Senator O'BRIEN—How many experts do we get for a bit over a million dollars a year?

Dr Hearn—In terms of being posted there, if that is what you mean—

Senator O'BRIEN—This is the domestic component that is left over.

Dr Hearn—It will be spread across the totality of the department providing support, but it would primarily be in plant market access and animal market access areas. It will not just be a matter of individuals; it will be a number of functions performed.

Senator O'BRIEN—So it will go back into existing budget?

Dr Hearn—Yes. It will be part of the budget of Market Access and Biosecurity, but it will be relocated in the plant market access area and the animal market access area.

Senator O'BRIEN—How much will Market Access get? How much will Biosecurity get?

Dr Hearn—In 2002-03, the subtotal for plant will be \$435,000—this is not all extra money; some of this is ongoing from before—and in animal it will be \$328,000.

Senator O'BRIEN—How much of it is extra money?

Dr Hearn—I can give you that by comparison. The actual budget in 2001-02 for plant was \$217,000, and for animal it was \$139,000—say \$140,000 to round numbers. Just to remind you, the differential is \$435,000 and \$328,000. That will be to provide some extra money for some extra backing to Seoul and to Tokyo and also to pick up backing for the new post in Beijing.

Senator O'BRIEN—That is about \$400,000 extra?

Dr Hearn—Yes.

Senator O'BRIEN—Where is the other \$600,000?

Dr Hearn—That would be with the food. Maybe I could defer to Mary Harwood on this.

Ms Harwood—There is another component of the Canberra based expenditure which is in the food program—supporting meat exports and issues of that sort. That is \$260,000.

Senator O'BRIEN—Is the \$260,000 new?

Ms Harwood—No, that is existing money. The additional money has gone to animal and plant market access.

Senator O'BRIEN—Of the \$3.3 million budgeted for next year, the new money is for the Beijing post, and \$400,000 is for plant and biosecurity.

Ms Harwood—And animal biosecurity.

Senator O'BRIEN—Is that in addition to the \$400,000?

Ms Harwood—The \$400,000 is for both.

Senator O'BRIEN—The \$400,000 is right but the names are wrong.

Ms Harwood—It covers both plant and animal.

Senator O'BRIEN—Is \$1.16 million the new money in the \$3.3 million? Is that pretty similar for the out years?

Dr Hearn—Yes, that is very similar to the outyears.

Senator O'BRIEN—Over the last couple of years, what priority has been given to the development of export protocols with China?

Dr Hearn—I will start the answer. I might also ask if anybody else would like to comment on this. There has been ongoing work with China. One of the more recent ones has been in the area of wheat. A lot of work has been done in relation to wheat issues, both in terms of maintenance of current access to China and of looking to the future for new opportunities for market access. I do not have a precise number at my fingertips on what has been spent on China—we could try to get that, if you would like us to—but considerable work has been going on continuously with China over the last two years. It has been increasing over the last

two years as things have moved forward with that country and as the markets have become slightly more open.

I should add, while I am talking to that, that there has been a number of technical exchanges in terms of some capacity-building type work with the Chinese, in terms of some of their technical people coming to Australia to get a better understanding, a better backgrounding and better exchanges. So there is a whole range of operations that take place with China.

Senator O'BRIEN—Are there discrete projects that are being completed: technical, protocol development and the like?

Ms Harwood—An example would be the work on wheat and barley. I will ask Dr Stynes to describe it.

Dr Stynes—For a range of products, we have access to mainland China through Hong Kong. In response to our market access committees, we have been working to improve access for barley and wheat, which the Chinese have recently completed a risk analysis on. They have questioned the presence of a disease in Australia. We have been working with them. It has not interrupted trade at this stage, but there is some work being done to maintain that trade of wheat and barley. A number of horticultural crops have been worked on as well, in response to the Horticulture Market Access Committee, which prioritised access. Bananas is one of the crops; as are mangoes, citrus, and apples from mainland Australia.

Senator O'BRIEN—Why have we prioritised bananas?

Dr Stynes—That was in response to the market access committee. They have prioritised it, so we have worked on it as one of their priorities.

Senator O'BRIEN—I note that late last year the Minister for Trade, Mr Vaile, claimed that Australia was one of the first countries to engage China in market access negotiations. When did that work commence, and what was its focus? What commodities did we focus on? You have touched on some of them. Can you give me a complete list?

Dr Stynes—In 1998, we gained access for apples from Tasmania; in August 2000, we provided information to China for citrus; we have had negotiations going for the last two years about access for grain—wheat and barley; in August 2001, we provided information to China to initiate a risk analysis on bananas; in March 2000, we provided information on mangoes, following bilateral discussions. That is the full list that I have before me.

Mr Wonder—I just checked with Dr Banks about whether he wanted to comment, but I think it will probably be more appropriate for AQIS to add to that list with respect to meat.

Senator O'BRIEN—How long have we known that China would get into the World Trade Organisation?

Dr Gebbie—Mr Vaile was probably referring to the market access side of the accession negotiations. I have forgotten which year China first decided to join the WTO, but it was back some time. There are two parts to that. One is a multilateral part conducted in Geneva, whereby China commits to sign on to various WTO commitments of a multilateral nature. In the second, each existing WTO member negotiates with China on market access. Australia commenced that process with China quite a few years ago, and concluded its market access package with China in, I think, May 1999. China became a fully-fledged member of the WTO in, I think, January. So there were quite a few years of access negotiations with China, but they did not really get to the serious end until close to the 1999 period.

Senator O'BRIEN—Given that there is going to be a tariff reduction by 2004 of about one-third of the tariff regime, and there is fairly good access opportunity, what has been done in relation to protocols for beef exports into China? I understand that they are still fairly restrictive.

Dr Gebbie—I understand we are very close to reaching agreement with China on their recognition of our meat certification arrangements. I think that is quite close. The problem you run into, of course, with tariffs as compared with the relevant quarantine protocol is that the tariff can be reduced at the stroke of a pen, whereas the quarantine protocol can take, at times, two or three years of scientific assessment. So it is an almost impossible process to keep the tariff negotiations in sync with the quarantine protocols.

Senator O'BRIEN—What is the tariff on beef?

Dr Gebbie—It is 45 per cent on accession, reducing to 12 per cent in 2004, according to the information I have here. That is chilled or frozen beef cuts. Beef carcasses and so forth are slightly different. There are slight differences between chilled and frozen as well. But basically we are reducing across the various beef products from 45 per cent to somewhere between 12 and 25 per cent by 2004.

Senator O'BRIEN—Who is dealing with China on the export protocols for Australian beef into China?

Dr Gebbie—AQIS.

Senator O'BRIEN—Did that stay with AQIS when other things moved to Biosecurity, or did this program start after the separation?

Dr Hearn—That has stayed with AQIS. That is exactly how it is. But they obviously worked very closely with Market Access and Biosecurity.

Senator O'BRIEN—So apart from the apples, citrus, wheat and barley, are there any other horticultural products that are subject to proper export protocols to China?

Dr Stynes—We have put in a submission for recognition of area freedom from fruit fly in Australia.

Senator O'BRIEN—But it is not approved?

Dr Stynes—No. That could open the market for a range of other crops if they recognise area freedom.

Senator O'BRIEN—Can you provide the committee with a statement of which agricultural and horticultural products exported to China have export protocols? And if you supply such a list, would I assume that in the absence of it being specified on the list, we cannot export it China? You have to have an export protocol, don't you?

Dr Hearn—That is correct. We can provide a list. I would also like to add that in addition to that list, a lot of work goes on in maintaining those lists as well. You are asking questions as to the range of interchange with the Chinese across the board. With the protocols that exist, a lot of maintenance work gets done on those protocols as well to make sure that even existing protocols are refined and streamlined wherever we can.

Senator O'BRIEN—Do we keep track of the access that the products of other nations have into China?

Dr Gebbie—We do on the tariff side because of the most favoured nation clause; whatever any other country gets, we get, so it is pretty clear-cut on tariffs. Of course, the quarantine

protocols depend on the pest and disease status of a particular country, so they would, in principle, differ across trading partners. Occasionally, you get to know—from rumours or discussions with other countries—what they have, but by and large, we do not have a systematic record of those in the same way you would for tariffs.

Senator O'BRIEN—Last week I was being told that the Kiwis had stolen the march on us in getting into the Chinese market.

Dr Gebbie—For which product?

Senator O'BRIEN—I think it was for meat products, for one.

Dr Gebbie—My understanding on meat is that they are virtually in the same position as we are at the moment: close to the end, but not quite there yet.

Senator O'BRIEN—Have they established protocols in areas that we have not?

Dr Gebbie—I cannot answer that. They have a much narrower range of interests than we have, of course, but I am not aware of other areas where they may have finalised agreements.

Senator O'BRIEN—What about dairy products?

Dr Gebbie—I do not know.

Dr Hearn—We try to keep fairly close to what is happening, but we cannot always know exactly what every other country is doing in terms of those protocols. The other point I would add is that, from time to time, the Chinese may choose to give particular priority to people in other countries in terms of how they look at import risk assessments—much as we do. We cannot pick up every import risk assessment from every country at the same time. From time to time we have to prioritise. I am sure it is the same for other countries doing that with our products and those of other countries trying to get in.

Senator O'BRIEN—Is the department aware of the Phillipine/Australia Agricultural Forum? If so, when was it established and what is its purpose?

Dr Hearn—It was established and agreed as a result of Minister Truss's visit in January this year to Korea, Japan and the Philippines. In the Philippines, it was agreed that there would be a forum of officials that would be chaired on the Australian side by the secretary of AFFA, Mr Mike Taylor. It is a high-level forum established to further progress the whole range of bilateral issues on agriculture—and, indeed, multilateral issues, should they arise—between Australia and the Philippines ranging from market issues, to technical issues and to research and development cooperation—the whole range—with a view to having an open exchange at reasonably frequent intervals at the highest official level. The Philippines were pleased to engage in that. That forum has not yet met, but we are working towards the first meeting as soon as possible.

Senator O'BRIEN—Is there a detailed work program or agenda?

Dr Hearn—That is being developed. As with other forums we have bilaterally with other countries, prior to a meeting each country would submit what they consider to be priority matters to be discussed under the different main headings of the forum. They will be picked up and agreed, and the forum will progress them. We are rather at that stage right now. We are actually in the process of developing the first meeting. We will be inviting the Philippines to suggest what their priorities are, and we will certainly be saying what ours are for discussion.

Senator O'BRIEN—Is AFFA the only Australian government department represented?

Dr Hearn—We have not had a meeting yet, but, if other departments wished to be represented there, of course they would be within reason. I would imagine that the Department of Foreign Affairs and Trade might well be a copartner in a forum of that nature, just as we are with a number of forums that they have on certain matters, depending on the subject matters being addressed. So I would certainly think that the Department of Foreign Affairs and Trade would be a likely participant.

Senator O'BRIEN—I want to go to the role of the department and Minister Truss in pressuring the US administration to at least modify the US farm bill, which has just been signed off. Mr Truss met with the then agriculture secretary Dan Glickman in late 1999 in Washington, and again in Canada at a meeting of agriculture ministers at around the same time. That is right, isn't it?

Dr Hearn—That is correct.

Senator O'BRIEN—It was not until the end of August last year that Mr Truss then made contact with US agriculture secretary Ann Veneman by way of letter. Is that correct?

Dr Hearn—Correct.

Senator O'BRIEN—He then met with Secretary Veneman on 10 December last year and also with Mr Connor, special assistant to the President on agriculture, the following day, and then he wrote to Mr Connor on 18 December. The last advice I received was that there has been no response from Mr Connor. Is that still the case?

Dr Hearn Yes, I think that is still the case.

Senator O'BRIEN—Mr Truss was to meet with Secretary Veneman in Japan in January but she cancelled that meeting as I understand it.

Dr Hearn—It was a Quint meeting of five agriculture ministers at which there would have been a bilateral with her. Due to the illness of the European Union Commissioner, that Quint meeting was cancelled by the Japanese, and so the opportunity was not available.

Senator O'BRIEN—So in terms of the efforts of Mr Truss in relation to the farm bill, we had a meeting with the former agriculture secretary at the end of 1999; plus a second meeting but as part of a wider forum that was considering broader issues. We had one letter to the current agriculture secretary at the end of August last year. We had a meeting with Secretary Veneman on 10 December and a meeting with the White House aide the following day.

I am aware of the role this department plays in the Australian trade consultative group but it is pretty clear that there has been an alarming lack of commitment by the minister to put the case on behalf of Australian farmers to the US Administration. I would have thought, given the devastating impact that the progress of the farm bill would have on the welfare of the Australian farm community, that Mr Truss would have been on this case in a big way. How long has it been known that this area was up for review in 2001-02?

Dr Hearn—The farm bill?

Senator O'BRIEN—Yes.

Dr Hearn—It was certainly known that the previous bill would end in September 2002 which is when it will end and the new bill will come in—the one that has now been signed by the President. And it has always been known that that would be the time line for the end of the previous FAIR Act, which is the applicable act in the United States at present. In addition to the actions that were taken by Minister Truss, Minister Vaile has also been very closely

involved in this matter. There would also be a long itinerary of exchanges between Minister Vaile and his counterparts, including Secretary Veneman and also Secretary Zoellick, the Trade USTR Secretary. So in the totality, there has been further action than just the list that you have here at ministerial level. I will refrain from talking about official level contacts, unless you wish to ask about that.

Senator O'BRIEN—So in terms of the agriculture portfolio, as distinct from the trade portfolio, we know that, in a direct sense, there were a couple of meetings and a couple of letters over a two and a half-year period. This is probably when the US farm bill, which is now law and impacting on sugar and cotton farmers, was being developed. But I note the minister claims the first time he became aware of a 'concrete' proposal for increased financial assistance was 5 October last year. I take it that was a pretty careful response to my question. So I think it is pretty clear everyone knew this was on the agenda for a period prior to October last year.

Dr Hearn—Everyone knew that there would be a new farm bill, but any concrete proposals—and they were proposals—from the House of Representatives came forward in October. That was the first time anybody would have had what you might call public information as to what exactly were the parameters that the House of Representatives—which is only one part of the deliberations—was presenting. I think it would be fair to say that, over several years now, the House of Representatives and the whole Congress—indeed, the US administration—would be very knowledgeable and clear about what Australia's position is on domestic support and trade protectionism. It was difficult to comment on the farm bill until such time as some—to use a better term—drafts were put forward which could then be picked up. That was on 5 October in the case of presenting a preliminary bill in the House of Representatives which could then be homed in on, analysed and worked on. Prior to that, it was all hearsay rather than concrete evidence but, in my judgment, the Americans could have had no misunderstanding about what Australia's general position has been on all these subject matters over several years now, let alone most recently. They would most certainly have understood our position. We then commented very precisely on individual items once we saw something in print.

Senator O'BRIEN—I take it, however, that the department was keeping the minister up to date on what was taking place and what the potential for action was under the renewal of the farm bill?

Dr Hearn—As much as we could. It was not just the department: we certainly depended on the embassy in Washington, which was very active in terms of gathering intelligence as best they could. So, yes, we were reflecting formally and informally at certain times as to how things were developing. But, as I say, the first real milestone was 5 October, when we actually saw some written material on the table. Before that it was hearsay and discussion. As you would be aware, in Washington an awful lot of machinations, rumours, preliminary discussions et cetera go on. But we were certainly trying to keep as close as we could to that, and our embassy there was very active in doing that as well.

Dr Gebbie—I think you also have to realise that the dynamics of the bill changed considerably over time, particularly after September 11. After that time, because of the at least perceived fast disappearing budget money in Washington, there was a mad scramble by Congress to get in and grab their share. That changed both the timing and, I think, some of the substance of what eventually ended up in the bill from what might have been perceived prior to September 11. The other thing that occurred that changed the dynamics was the change of

leadership in the US Senate. When the Democrats got control of the Senate, that considerably changed the political dynamics of the farm bill as well. So we were not dealing with a constant sort of process over that time.

Senator O'BRIEN—The Senate changed the year before, didn't it?

Dr Gebbie—Whenever it was, there was a change. I do not recall the date, but the politics—

Senator O'BRIEN—It was the same day as the presidential election, wasn't it?

Dr Gebbie—No, I think it was a bit after that. However, it did change the political outlook as we neared the election.

Dr Hearn—It did change afterwards, because there was a defection. One of the senators moved.

Dr Gebbie—Yes, it was the defection I was referring to.

Senator O'BRIEN—When the minister visited the United States in December last year, when did the delegation leave for the US?

Dr Hearn—We were in the US from 10 to 13 December. As I think you know, the delegation led by Minister Truss included some industry leaders from Australia as well. Mr Corish, now the President elect of the National Farmers Federation, was there, as were industry leaders from sugar, from dairy and from the NFF itself.

Senator O'BRIEN—I understand the final decision to make the trip was only made on 5 December.

Dr Hearn—There were discussions about the best time to make the trip well before that. But the decision was made in terms of the availability of industry leaders, getting the best possible partnerships and delegation up, and also looking at the developments in the United States as to who might be available for discussions et cetera. So, yes, there were discussions before that, but that was seen as an optimal date in terms of the developments of the farm bill.

Senator Troeth—Senator O'Brien, I am sure that it cannot have escaped your notice that in that time there was also an election campaign, during which time the government was in caretaker mode. It would have been inappropriate to undertake such an important mission to the US at that time.

Senator O'BRIEN—From between election day and, I think, 8 December, when it left.

Senator Troeth—That is about a month.

Senator O'BRIEN—But the decision, as I understand it, was made on 5 December.

Dr Hearn—Yes, a final decision to go. But we looked at the developments of the farm bill and, indeed, the availability of key people from industry and in Washington. We have to look at availabilities. We also looked at some of the key dates, when the Senate bill and the House of Representatives bill were up and when they were being discussed, and what might be a good opportunity to go there. We did actually talk to a number of people in the United States with inside information as to how these things were moving, to get advice as to what might be the best time to take a delegation. It is always debatable what is the best time, obviously, but that was judged to be a very critical time, particularly since there was a chance that this could have been fast-tracked in early January, as well. So we had a look at all the different machinations that were there and made a best judgment at the time.

Senator O'BRIEN—Did the minister consider asking the opposition about going during the election campaign, as he would have been quite able to do in caretaker mode?

Dr Hearn—I am not aware of that having happened.

Mr Wonder—We would have to refer that to the minister.

Senator O'BRIEN—When was the itinerary established, and when were the appointments made?

Dr Hearn—I cannot give the precise date of that, but, from memory, the work up on this would probably have been towards the end of November, looking at availabilities of individuals. Bear in mind that the minister was not only meeting with key administration people, he was also meeting with key people from Congress—many of whom, as in any legislature, are not always in the capital city; they are often in their home territories. It also had to look at the availability of senators and congressmen generally in Washington, to get people from the key committees who were to be met. It is always quite a complex mission to get them together at the same time.

Dr Gebbie—I think the key problem there is the US Senate, which was actually debating the farm bill at the time. While we had a list of optimum people we wanted to see, it was always problematic getting some of the Senate leadership because of the ongoing debate at the time of the visit. So, by definition, some of it had to be left to a very late stage.

Senator O'BRIEN—So some of the meetings were established when the delegation got to Washington?

Dr Gebbie—Some were certainly confirmed only at a very late date.

Senator O'BRIEN—So you did not have meetings with certain people confirmed until you got to the US?

Dr Hearn—A clear majority of the meetings were reasonably well confirmed. It is necessary to do that before a delegation leaves, but sometimes there will be some adjustments to a program, typically at the other end. But there were not massive adjustments to that program. There were one or two small adjustments.

Senator O'BRIEN—On 10 December there were four meetings. The first was with the industry delegation the minister was with. Then there was a working lunch with Washington based Cairns Group ambassadors. Which countries were actually represented at that lunch?

Dr Hearn—I would have to get you a list of the countries, but there was a large percentage of the Cairns Group countries. Their ambassadors, or close to ambassador level diplomats, attended that luncheon. I do not have at my fingertips the totality of that, but if you would like us to give that to you, we can get you a list of who attended the luncheon.

Senator O'BRIEN—Thanks, that would be good. I understand they would be from countries adversely affected by the passage of the farm bill.

Dr Hearn—Certainly, and there was vigorous discussion around that lunch as to the general dissatisfaction amongst Cairns Group countries—including us, of course—as to the developments that were taking place and how best we could work to get the Americans to get over their inward looking attitude to agricultural policies that we are all experiencing.

Dr Gebbie—The Cairns Group has systemic interests in agricultural trade policy issues. So it was not necessarily those countries that were likely to be impacted strongly by the farm bill

but rather in addition to those there would certainly be countries that had a systemic interest in what the farm bill might do in the multilateral arena.

Senator O'BRIEN—Then the minister met with Mr Mario Castillo, a representative of the US Dairy Trade Coalition, an organisation, as I understand it, which works to protect US dairy farmers from imports.

Dr Gebbie—He is also a representative of some Australian dairy exporters, so he has a mixed role. It was in the context of him as a representative for certain Australian interests that we met with him.

Senator O'BRIEN—The other hat.

Dr Gebbie—Yes, exactly.

Senator O'BRIEN—Then there was the meeting with the Secretary for Agriculture. Was that confirmed before you went there or was that confirmed on the day?

Dr Gebbie—Before we went.

Senator O'BRIEN—You met with two members of Congress. I think one was Ron Kind, who is from a dairy region in Wisconsin and is a strong supporter of the farm bill in general but not about where all the money went in terms of domestic arrangements in the US. Do I presume correctly that you met with him to persuade him to vote against the farm bill?

Dr Hearn—There was a range of discussions at that meeting concerning the farm bill and some commodity matters, as I recall it, but clearly in all those meetings the overarching issue was developments in the farm bill and where the disposition of these particular individual senators and members lay. Clearly, some of them were sympathetic to the farm bill and some had their doubts about it, but both were worth meeting.

Senator O'BRIEN—How many meetings did you have on 12 December?

Dr Hearn—At this stage, according to the list that I have in front of me—I would like to look further than that—we had one meeting on 12 December.

Senator O'BRIEN—I had heard that. I understand it was with Charles Stenholm from Texas, who was one of the drivers to get the bill through as quickly as possible.

Dr Hearn—Yes, he is sympathetic to the bill. He is a Democrat.

Senator O'BRIEN—In a very big way. What was the purpose of meeting with him? Were you trying to change his mind?

Dr Hearn—Sometimes it is better to meet with the unconvinced than with the convinced.

Senator O'BRIEN—Unconvinced?

Dr Hearn—You know, the unconverted are the ones that need to be met and there are plenty of them in Washington at present. He happens to be one of the figureheads, so I think it was worth it. I am not suggesting that he has changed his mind; I am saying that there certainly were discussions.

Senator O'BRIEN—He was attending the signing off of the bill by the President, so I do not think he did change his mind.

Dr Hearn—I am sure he did not.

Dr Gebbie—He is generally a very good source of insight into processes that are going on there in agriculture, and I think that as much as anything was a worthwhile part of meeting with him.

Senator O'BRIEN—A good background meeting. The following day, did you have only one meeting again?

Dr Hearn—That was in a different city.

Senator O'BRIEN—In Chicago.

Dr Hearn—That was on the way back, going to Chicago and then across. It was important to see Bob Stallman, the president of the American Farm Bureau Federation, because, as you are probably aware, the American Farm Bureau Federation has taken a right-hand turn on farm policy under Mr Stallman. He has been much less sympathetic to the arguments of Australian industry and Australian government than his predecessor, Dean Kleckner, might have been. Again, it was a matter of meeting the head of that industry body. It was one meeting, because it was on the way back, going to Chicago and then across to the west coast.

Senator O'BRIEN—What did you expect to get out of that meeting that would advance the interests of Australian farmers?

Dr Hearn—Again, I think it is very important to meet the industry players as well as the political influences. He is in a box seat, as the head of the farm bureau, in terms of the industry push in the United States. So, again, it is a question of having the advantage of meeting people whom we do not agree with and of letting them know what Australia's views are. I think it is important that he hears it first-hand from a minister.

Senator O'BRIEN—How many senators did you meet on your trip?

Dr Hearn—There were three separate meetings with senators, as well as Charles Connor, who is not a senator, as you know, but who is an influential adviser, and Secretary Veneman.

Senator O'BRIEN—My understanding, at least in part, of the government's strategy was to build on the free trade sentiment in both houses of the US Congress—more so in the Senate, however—in order to alter the form of the bill, reduce its life, lower its support and to try to decouple it from prices. I took it that that was very much the view of all the delegates at the NFF conference last week in Western Australia, which I note the minister did not attend. I cannot take from the schedule of meetings during December in the US that Minister Truss's strategy was to try to focus on that Senate strategy so as to affect the outcome in the Senate. You were not going to affect it with any of the senators you met with, were you?

Dr Hearn—It was always going to be a very difficult task. The fact that some of these senators have their views firmly set in their mind and they are driven by a domestic political agenda is something that they have established.

Senator O'BRIEN—The trip was too late then?

Dr Hearn—Whether the trip was too late is not the issue. There was a lot of official level contact prior to that. As I said earlier, I believe that the United States administration and Congress would have been well aware. I think a minister expressing it face to face has more effect, if there is going to be any effect, than by simply not having those meetings—and I believe they do help. If people have made up their minds and if the domestic political agenda is as it is in the United States, of course it is very frustrating to try to turn them around. It is a frustration that we have; it is a frustration that like-minded countries around the world have with the United States. The criticism that the United States have received since the farm bill

was signed by the President, including—can you believe it?—from the European Union, also shows that many parts of the world are extremely frustrated by the inward, introspective attitude taken by the US. It is frustrating and very disappointing, and we have all expressed that at ministerial level.

Senator O'BRIEN—How many meetings were attempted to be made during that visit that could not be arranged?

Dr Hearn—I cannot answer that off the cuff.

Senator O'BRIEN—The program seems pretty light on, so I am presuming you tried to do a whole lot more before you went there and could not set them up.

Dr Hearn—A lot of key players were involved at that time in the United States. As Dennis Gebbie has pointed out, the Senate was debating the farm bill. There was also an energy bill, which was a highly important bill. It went much wider than the ordinary everyday issues of energy: it went into conservation and other matters. It was also high profile in Washington that week. So there were a lot of issues on, and a lot of people were very heavily tied up. I think the issue was to get the key people.

Senator O'BRIEN—So you got a lot of knock-backs—is that what you were saying?

Dr Hearn—I do not think there were a lot of knock-backs. I think there were some people who were not available, but I think some of the key people were there, and the names are there. It was often the unconvinced people, as I said, and that is important.

Dr Gebbie—We did seek to see the Senate leadership but that was not possible because of the debate. Even Senator Lugar, who is very sympathetic to Australian views and normally would have seen an Australian minister, was unavailable because of the critical stage of the debate. So there were a couple of key people, at least, for whom the ongoing processes constrained the possibilities.

Senator O'BRIEN—Was it known when the delegation left Australia, that that would be the situation?

Dr Gebbie—No, not confirmed. We were still hopeful of getting the Senate leadership and Senator Lugar.

Senator O'BRIEN—I am now going to ask about the matter that was referred to you earlier today, Dr Hearn, the issue of beef exports to Japan.

Dr Hearn—Yes, I heard that came up.

Senator O'BRIEN—There was a story on the AAP wire on 14 May in which the minister, Mr Truss, said he had taken a number of actions while he was in Japan in January to promote our beef exports. He said he had encouraged the Japanese government to import more Australian products. Can you tell me who Mr Truss actually met and how he went about trying to open up the market?

Dr Hearn—He had a range of discussions in Osaka and in Tokyo, and the discussions ranged from commercial industry leaders in trade in Japan. It included people from the cotton industry, the textile industry—users of Australian wool and cotton, that is—to meat importers and manufacturers, Nippon and other companies. He met chief executive officers and senior representatives of those companies. He also met with dairy industry leaders in Japan. He met with the Australian business community in Japan who, through the Australia New Zealand Chamber of Commerce there, are involved in trading with Japan in agricultural and other

commodities. He also had a meeting with a range of high-level government people, including the minister for agriculture—his counterpart—and the minister for health and welfare in Japan. I could give you the whole list in writing later if you want them, but those were the main meetings that took place.

He also addressed the Australia New Zealand Chamber of Commerce and he met with a number of Japanese parliamentarians privately. In the course of those discussions with ministers, industry leaders and parliamentarians, one of the central themes was the capacity for Australia to provide more produce to Japan if Japan could see fit to opening up its markets further. We were there at a time, which unfortunately still prevails, where BSE is a very big worry to the Japanese. The minister was there at an opportune moment in being able to express our sympathy to them for the outbreak of that dreadful disease and to stress the very high, reputable status that Australia has, among a block of 13 countries, of having the safest rating for BSE in the world. These matters were stressed, as well as our capacity to supply more, right across the range of products.

I omitted to mention one other product and that is pork. We have a small trade in pork at present with Japan but we would hope to see a bigger trade in the future. It is still a very small trade with Japan; it is a bigger trade with Singapore. The minister met with the pork industry, both the importers and manufacturers, and stressed that Australia has a capacity and a developing pork industry that also has a very good safety and cleanliness record. He pushed the need to look at those matters as well. So there were some very wide-ranging discussions but that is a summary of where it went.

Senator O'BRIEN—When he was talking to the Japanese government, presumably the minister for agriculture and perhaps the minister for health, which products was he trying to encourage the Japanese government to import more of?

Dr Hearn—Right across the range. At that time in Japan, beef was a very topical issue for the Japanese because of the recently discovered case of BSE in one of their dairy cows. So beef was very much an issue that they obviously had on their mind. Beef was predominant, but I would not say that beef was the only commodity by a long shot—it went right across the range of commodities in which we have trade with that country. Take for example dairy: the minister met with dairy industry people and discussions took place on Australia's dairy capacities. He met importers and manufacturers and, as I said before, cotton, wool and fisheries were also raised. The scope for fisheries cooperation and matters like that were raised, so they were very wide-ranging discussions.

Senator O'BRIEN—Was he talking about products for which there were no trade barriers in Japan? He was not talking about a reduction in barriers but rather he was talking about promoting our product—is that how I should understand you?

Dr Hearn—Both of those: promoting the product and promoting Australia's capacities, including our clean, green capacities, and also raising the issue that Japan, although it is a big importer, is still a very protectionist country. I recall also that wheat and rice came up in that capacity. We do export wheat and rice to Japan but we could get freer trade and we have ambitions for freer trade. In the sense that the WTO round, the Doha round, had commenced in a formal sense in November, it was also opportune to mention that we have expectations in the new round in terms of a more liberal attitude to trade by the Japanese. That was part of the discussions but it certainly was not necessarily a focal point since the new round had just commenced.

Senator O'BRIEN—What close discussions were held with DFAT prior to Minister Truss's visit to Japan on a trade promotion?

Dr Hearn—There were daily discussions and our embassy in Tokyo was instrumental in helping to arrange the trip. So Foreign Affairs and Trade would have been very closely involved, not only on information but also in terms of some of the management parts of it. Our ambassador in Tokyo was very active in facilitating and hosting one or two functions while the minister was there. So they were very closely involved.

Senator O'BRIEN—So was there a visit plan prepared by the embassy?

Dr Hearn—Yes, in conjunction with the department. It is quite usual when we do ministerial visits and delegations that the department takes the initiative with instructions from the minister, and of course our embassies overseas help to facilitate the visit—it is very usual for Australian ministers visiting overseas that the embassy has a critical role.

Senator O'BRIEN—What precisely was Mr Truss's strategy in relation to reassuring Japanese consumers that Australian beef was safe?

Dr Hearn—We have ratings, which are international and which show Australia's very safe status. That is a very good starting point to be able to project the fact to the Japanese that, not just because we say that we are safe and we know that we have a very good safety record but we are also able to show that third parties—in this case the European Union—have Australia rated as amongst the safest in the world.

Senator O'BRIEN—Sure, but how did he strategise the use of that information? That is information not a strategy.

Dr Hearn—In terms of discussions of advising the types of precautions and measures we have taken in the past in Australia, there is a long history of measures being taken in Australia in terms of animal diseases. In this case we are talking about livestock diseases where we have a long history which could be projected to the Japanese showing the record that we have in taking action. It fortunately shows that those cautionary measures that we have taken over many years have helped us now to be in a situation where we have the good fortune to be a country that has the best status in the world. So that was projected.

The other point that has to be made and was part of the strategy was that typically in countries where BSE breaks out—and this is particularly the case in Japan, but it was also the case when it first broke out in the United Kingdom—consumers tend to flee from beef. We saw this in the United Kingdom earlier on, although we do not have nearly such a big market in the United Kingdom for obvious reasons, that there was a movement in terms of people just leaving beef. Part of the strategy was to say to the Japanese consumers—through the press and press conferences, through meetings with importers, senior industry people and government people—that beef, as a total product, should not be condemned because some countries have unfortunately incurred BSE, that there are still some very safe sources of beef and that beef is still a very safe product. There was a strategy to deal with that.

Frequently, when diseases break out, as I said before, consumers leave en masse from that product, and it is a matter of winding them back. It takes time and our experience in terms of monitoring what happened in the United Kingdom was that the United Kingdom fled beef and then came back to it. Gradually they got confidence back in the product. So the minister's strategy was to get confidence in the product, but particularly confidence in the Australian product because of our record that I mentioned, and the management that we have taken over many years.

Senator O'BRIEN—The industry was spending between \$9 million and \$11 million to promote the fact that we had a clean product. This was the minister's contribution to that campaign, was it?

Dr Hearn—Yes, part of the contribution was to go to Japan at a very important time, to head a delegation up there and to meet with people that others do not always get to meet. Obviously ministers get access to key decision makers that others do not get access to so readily.

Senator O'BRIEN—What publicity did the minister's message receive in Japan?

Dr Hearn—It certainly got press coverage. The issue of influencing people is not only via the press. It is one medium of influence, not the only one. It got press coverage. He got good attendance at a press conference that he gave. He also got good attendance at a chamber speech to the Australia New Zealand Chamber of Commerce which also had Japanese participants in it.

Senator O'BRIEN—Presumably, the embassy sent details of the media coverage that the minister received in Japan.

Dr Hearn—There will be a record of minister's events in any overseas visit, including Japan on that occasion.

Senator O'BRIEN—In how many of those media mentions that the minister got was his message also mentioned on the question of the safety of Australian beef?

Dr Hearn—I do not know how many times it was mentioned. All I know is, he got press coverage. I do not know how many newspapers or—

Senator O'BRIEN—Can you take that on notice?

Dr Hearn—Yes, we will see what we can do on that, as to what coverage we can uncover.

Senator O'BRIEN—I assume the embassy has already done that.

Dr Hearn—I am sure some monitoring would have been done but whether people know exactly how many newspapers, I do not know. Certainly, there would have been some monitoring done. We can take that on notice, in terms of what was monitored, and we can come back to you.

Mr Wonder—You would also have to consult the minister as well because we are not totally aware either of every interview the minister may have conducted. So I think we would want to refer the question to the minister as well.

Senator O'BRIEN—If the minister has something to add, that would be fine. I am sure the embassy would have already supplied this information to the department.

Mr Wonder—Quite possibly.

Senator O'BRIEN—That was my assumption but certainly there would be some follow-up, wouldn't there?

Dr Hearn—There would be some information available for sure.

Proceedings suspended from 6.29 p.m. to 8.00 p.m.

Senator O'BRIEN—I have some questions about imported inputs for fertilisers. I am not sure whether it comes under this area. I assume there is some scrutiny on what comes in for this purpose. Is it by security, is it AQIS or none of the above?

Mr Wonder—Depending on the question, it would probably be in the product integrity area. It is probably related to food safety.

Senator O'BRIEN—It is to do with the importation of toxic waste as part of fertilisers from China.

Mr Wonder—It would be in the product integrity area at the item immediately after this one.

Senator O'BRIEN—Thanks for that. Let us go to Philippine bananas. I believe AQIS wrote to the Philippine Bureau of Plant Industry some time after May 1999 requesting information as outlined in annexure 3 of the *Import Risk Assessment Handbook* on pests and diseases of bananas, and that request was for scientific data from the Philippines National Quarantine Service on the distribution records of pests and disease in relation to bananas and, according to the handbook, if there were no such records, the data would have to be collected by way of survey and monitoring. Can you tell me what response has been received from that request?

Ms Harwood—In essence, a market access submission was put in by the Philippines in 2000, which contained sufficient information for us to initiate the IRA process, Senator.

Senator O'BRIEN—When in 2000 was it?

Ms Harwood—From memory, it was around May, but I can check that.

Senator O'BRIEN—So it contained the necessary data? You did not need to do any work to get the data?

Ms Harwood—Then the process ensues which involves the collection as part of the IRA process of a great deal of information pertaining to the pest and disease risks associated with the commodity, including seeking information from the Philippines.

Senator O'BRIEN—So the request that you received was adequate to initiate an import risk assessment?

Ms Harwood—Yes.

Senator O'BRIEN—And in accordance with annexure 3 of the *Import Risk Assessment Handbook*.

Ms Harwood—Yes, in accordance with the handbook.

Senator O'BRIEN—And you would not start an import risk assessment process without that information?

Ms Harwood—Yes. There normally is a submission from the country seeking to have market access.

Senator O'BRIEN—So the seven points of information were addressed by the Philippines?

Ms Harwood—Their submission did address the matters sufficient for us to initiate the IRA.

Senator O'BRIEN—There was a full pest list supplied?

Ms Harwood—There was initial documentation from them with a pest list.

Senator O'BRIEN—What sort of initial documentation?

Ms Harwood—I believe we could provide a copy of their initial market access submission if you wish, Senator. It is on the public file for the IRA.

Senator O'BRIEN—Thank you for that. You then sought comment as to the type of import risk assessment process in June 2000, settled on a non-routine path in August 2000, and the import risk assessment process was then commenced. Is that correct?

Ms Harwood—Yes. The risk analysis panel was not assembled until early in 2001.

Senator O'BRIEN—And it established three technical working groups, looking at the pathogens, arthropods and horticulture environment and operations.

Ms Harwood—That is right.

Senator O'BRIEN—And in May last year you issued an issues paper?

Ms Harwood—Yes.

Senator O'BRIEN—A tentative date for completion of the import risk assessment process was mid-2002. I assume that is not going to occur?

Ms Harwood—No. We are aiming to produce a draft import risk analysis document by midyear.

Senator O'BRIEN—June, July, August?

Ms Harwood—30 June.

Senator O'BRIEN—Are we talking about a qualitative and quantitative risk assessment or just a qualitative assessment?

Ms Harwood—There will be some quantitative aspects, as I understand it, but for some aspects it will be qualitative.

Senator O'BRIEN—Dr Stynes told us at the last hearing that these working groups had been seeking information from the Philippines and told us the responses from the Philippines were fairly mixed, to quote him. Who in the Philippines were these questions put to?

Ms Harwood—Exchanges with the Philippines have been with the Bureau of Plant Industry and also with scientists from the banana industry groups seeking access. But the requests are channelled through BPI and they coordinate the responses. The Philippines Bureau of Plant Industry is a government body in their agricultural portfolio.

Senator O'BRIEN—Do they receive the requests and send them to someone to get them answered and then it comes back through them to Biosecurity?

Ms Harwood—Yes.

Senator O'BRIEN—Were the answers received attributed to the people who gave them or were they attributed—on the face of it, at least—to the department?

Ms Harwood—Some of the information collated identifies the Philippine Banana Growers and Exporters Association as the author for some parts.

Senator O'BRIEN—Can you provide the committee with details of why you would describe the responses as fairly mixed?

Ms Harwood—My understanding is that some of the questions that the panel originally put—the members of the panel who were the working group chairs—in the first wave of responses received on that, there were some matters that they wanted further information on.

They did not consider they had had as full an account as they would like, and so they went back and sought additional information on those questions.

Senator O'BRIEN—So fairly mixed in terms of whether they addressed the question: is that how I should understand it?

Ms Harwood—Yes.

Senator O'BRIEN—Are the questions referred to by Dr Stynes the ones listed in the document headed 'Import risk assessment on fresh banana fruit from the Philippines', report of visit of chair to technical working group to the Philippines in August 2001?

Ms Harwood—I believe the first set of questions is attached to that report.

Senator O'BRIEN—The first set of questions?

Ms Harwood—There was an initial set of questions.

Senator O'BRIEN—This is attachment 3?

Ms Harwood—Put forward by the chairs of the RAP—80 questions.

Senator O'BRIEN—Why did it take so long to produce this document which was released in April this year?

Ms Harwood—Which document is that?

Senator O'BRIEN—This document I am just quoting from, the report of the visiting chairs which has the 80 questions attached.

Ms Harwood—I think it was a process of clearing the final report with all the people who had participated in the trip. That is, the RAP panel members who had been on the trip.

Senator O'BRIEN—Was it just a matter of getting people up to speed on what they were supposed to do arising from the trip?

Ms Harwood—It was just getting the document finalised to the agreement of all the people who had participated in the delegation.

Senator O'BRIEN—While the chairs of the technical working groups were in the Philippines, what contact did they have with the banana industry in the Philippines?

Ms Harwood—When the delegation went to the Philippines it was the three members of the risk analysis panel who were themselves chairs of the three technical working groups. They did some fairly extensive visits to different parts of the banana industry in the area from which exports are proposed.

Senator O'BRIEN—Which area is that?

Ms Harwood—Mindanao.

Senator O'BRIEN—When did the report of the visiting chairs go to the Australian industry?

Ms Harwood—At the same time as all the stakeholders, when that memorandum was issued.

Senator O'BRIEN—In addition to the 80 questions in this document, what additional questions was Dr Stynes referring to that I asked about earlier?

Ms Harwood—There was a follow-up list of questions that were passed to the Philippines in February of this year.

Senator O'BRIEN—How many?

Ms Harwood—I cannot remember, but they too were sent attached to a memorandum that went out soon after that. I will get back to you with the precise number.

Senator O'BRIEN—There was something on the web site.

Ms Harwood—There were 75 questions in the first suite. Then there was a follow-up document seeking information on particular pests and diseases in a second list. It was sent out on 4 March 2002.

Senator O'BRIEN—2002 (8) attachment 1.

Ms Harwood—That is right.

Senator O'BRIEN—And attachment 2, which has 44 more questions in it in total effect.

Ms Harwood—Yes, then they cross-reference back to the original suite of questions.

Senator O'BRIEN—I take it that these additional questions that we have just referred to were put by Biosecurity officers to their counterparts in the Philippine banana industry during the visit to the Philippines on 18 and 19 February, if I read the document correctly.

Ms Harwood—Yes, we passed a copy of the supplementary questions over at that meeting and talked to them during the meeting.

Senator O'BRIEN—The Philippines Bureau of Plant Industry was to respond as soon as possible. Has that happened?

Ms Harwood—Yes, they sent a follow-up document sometime after that, presenting an additional set of information.

Senator O'BRIEN—How long after that?

Ms Harwood—It is dated 20 March 2002.

Senator O'BRIEN—Did they answer all of the outstanding questions?

Ms Harwood—There were some matters that were followed up further when a Philippines return delegation came to Canberra in April.

Senator O'BRIEN—What was the nature of their responses? Were they adequate?

Ms Harwood—I have a copy here, if you would like that.

Senator O'BRIEN—It would be good to table it before the committee. It has the answers to the 80 questions in it.

Ms Harwood—The second set of questions was cross-referenced back to the first 80 questions, so the answers were follow-ups to those original questions.

Senator O'BRIEN—All the material is *US Scientist* material. Is there some special relationship with the US or is that just the home of a lot of information about banana diseases?

Ms Harwood—I do not know, Senator.

Senator O'BRIEN—Okay. Thanks for that. Obviously I have not had a chance to study the document you have just tendered. It seemed that a lot of the questions were very basic questions in relation to bananas and banana disease for the Philippines. They were commenced 18 months into the import risk assessment process. What happened? Why did it take so long to start the process?

Ms Harwood—The questions have been developed by the panel as they go. Then they have continued to follow up on ones in which they considered they needed more information.

Senator O'BRIEN—So it took from the commencement of the process until the second half of 2001 to develop the first 80 questions?

Ms Harwood—The panel assembled only in January and its first job was to produce the technical issues paper.

Senator O'BRIEN—So part of the delay was due to the time taken to establish a panel?

Ms Harwood—It is a stepwise process, then they basically follow through a process, assembling information as they go. The first set of questions were developed at the time of the RAP chair's visit to the Philippines.

Senator O'BRIEN—Are these the normal range of questions you would ask in relation to an import risk assessment of a fruit—for example, 'What are the cultural methods of managing pest diseases and weeds?'

Ms Harwood—They would be normal questions because you need to know what the basic production methods are and how diseases are controlled in the area which is planning to export.

Senator O'BRIEN—I have looked at annexure 3 of the handbook. You are supposed to have been given a pest list with scientific names, classifications, distribution, plant part attacked, prevalence, control measures, cultural, biological, physical, chemical active et cetera, before the import risk assessment started.

Ms Harwood—For all IRAs it is an iterative process, both for our market access requests to other countries and theirs to us, where the process starts with the submission of an initial market access request. Then there is an iterative process by which the country doing the assessment—in this case Australia—makes sure that all the areas of potential concern to it are covered. It is one of continuing information exchange with the trading partner to build up that information base for the risk analysis.

Senator O'BRIEN—Does it follow then that you did not already have the information or should I understand you to be saying that it is normal to seek that information again, even though it may have been supplied earlier?

Ms Harwood—It is a natural part of the process for there to be ongoing exchange and clarification of information and also clarification on issues where there is information from other sources as well.

Senator O'BRIEN—Question 13 on the list states that 'BPI has indicated that pesticide residues are of concern and require monitoring to meet maximum residue limit standards.' Should we be alarmed that the Philippine authorities are concerned about pesticide residues in their banana industry?

Ms Harwood—I presume by that statement they mean that it is matter of concern to them that they seek to regulate, and that is the intent with which that is written.

Senator O'BRIEN—Do we know which pesticides in particular are of concern in the Philippines?

Ms Harwood—I do not know immediately here, Senator, no.

Senator O'BRIEN—Would that detail have been supplied to Biosecurity, or are you still seeking that answer?

Ms Harwood—I would have to follow up on that.

Senator O'BRIEN—Another question asked is:

What pesticides have exceeded MRL stipulated in Codex alimentarius in any export shipment, and what levels of pesticide residues were detected?

Ms Harwood—I would have to take that on notice, Senator. But the fact is that if there were any exports to Australia they would have to comply with Australian residue limits. They are not part of the IRA process but by law the commodity entering Australia would have to comply with the residue limits set by Australia.

Senator O'BRIEN—What is the purpose of the question about pesticide residues in the import risk assessment?

Ms Harwood—I presume the panel was looking at what pesticide regimes are used in the Philippines.

Senator O'BRIEN—It is otherwise irrelevant, is what you have just told us?

Ms Harwood—It is not a central question to the import risk analysis, which is about quarantine pests and diseases.

Senator O'BRIEN—In the process of an import risk assessment, if a disease were discovered which was being treated successfully with a pesticide, the use of which was not permitted here, how would that impact on the import risk assessment?

Ms Harwood—That is a matter that can be considered—and is a valid consideration—by the panel, because in looking at the consequences of a disease outbreak in Australia they can look at what regimes are available to Australian farmers to control such a disease.

Senator O'BRIEN—Question 31 reads:

Are the Philippine banana growers/ plantation managers required to keep records of pest and disease occurrences and pesticide applications?

And you are then asked whether BPI have access to these records and can Biosecurity access them. It seems a very basic question. Do we have copies of that document yet that was just tabled or can I get it back? I see the answer is effectively that no records are kept.

Ms Harwood—I would have to check that, because in the discussions in April that was not the impression that I gained from the Philippines delegation.

Senator O'BRIEN—On page 16 of 26 in this document it says:

To date, no regulatory law requires growers/ plantation managers to keep records of pest and disease occurrences and pesticide applications. However, corporate pest and disease control practices require them to keep records of pest and disease incidences and pesticide applications.

There a bit of a contradiction there—there is no law but there is some sort of corporate practice.

Ms Harwood—And it is also feasible for us to demand that as a condition for registered plantations.

Senator O'BRIEN—Question 32 asks:

Are there any environmental concerns in the Philippines associated with the production and consumption of bananas and, if so, what measures are used to address such concerns?

The answer is:

Yes, there are concerns on pesticide residues on/in fruits and contamination of the environment by production wastes.

And then it lists some of the precautionary measures which are practised by banana plantations. Presumably, inquiry will be made as to what particular pesticide residues are present. Has that been completely dealt with in this process to date?

Ms Harwood—As I mentioned before, it is the use of pesticides and understanding what the control regimes in the Philippines are which is the issue of main interest to the panel, and looking at how those relate to what is available and used in Australia. The actual residue issue, as I mentioned, of any export would need to comply with Australian law on residues.

Senator O'BRIEN—Has this document been placed on the web site?

Ms Harwood—It is on the public file. Parts of it are on the web site, as I understand it, but I think some aspects we still have to convert, because for some of it we did not have an electronic form. It is still being loaded, so to speak, so that it is available on the web site.

Senator O'BRIEN—So all of the outstanding questions have now been answered?

Ms Harwood—There are still some matters of information exchange between the risk analysis panel and the Philippines authorities, as I understand it—that is, there were some issues of follow-up following the April meeting.

Senator O'BRIEN—How extensive is the list of issues of follow-up?

Ms Harwood—It covers a range of matters pertinent to the risk analysis. I would have to take that on notice in terms of what the nature and extent of those matters is.

Senator O'BRIEN—If you could, I would appreciate that. In relation to the technical groups that are being or have been meeting and the technical reports that are under preparation, I understand that on 6 May a technical information paper was released which covers the reports from the three technical working groups. That is correct, is it?

Ms Harwood—Yes.

Senator O'BRIEN—Does this report cover all the information the technical working groups were required to include in their reports, as outlined in the Plant Biosecurity policy memorandum 2001-10?

Ms Harwood—It does not cover the full suite originally envisaged for the technical working groups but it does cover all the information which the risk analysis panel wanted from the technical working groups. Originally they had mooted some additional terms of reference for the technical working groups but the panel has decided that some matters are for it to consider and to work on, namely, the assessment of risk and the consideration of risk management measures. So the technical information paper includes all the information assembled by the technical working groups that the panel wishes to have.

Senator O'BRIEN—Whether it was required to be included in their reports as outlined in PBPM 2001-10?

Ms Harwood—Originally there were terms of reference mooted for the technical working groups in the issues paper that came out in May 2001. What I am referring to is the fact that for some of the matters originally envisaged for the technical working groups the panel has decided that it does not require that work to be done by the technical working groups. It will do that work itself. So the panel has the information from the technical working groups, and

that paper defined the role of the technical working groups to be collating relevant scientific and technical reference material to be considered by the RAP.

Senator O'BRIEN—So to the extent they have not done it, the panel will do it themselves?

Ms Harwood—Yes. The panel does not require the technical working groups to do that additional work.

Senator O'BRIEN—If the technical information paper which was asked to address the possible risk management measures for quarantine pests and diseases does not do that, will the panel do it themselves?

Ms Harwood—Yes. The technical information paper includes all of the information assembled by the technical working groups but it does not go to the matter of risk estimation or risk mitigation.

Senator O'BRIEN—Or risk identification?

Ms Harwood—It identifies risk. It has a very detailed account of the quarantine pests and diseases of concern.

Senator O'BRIEN—But not risk management?

Ms Harwood—That is correct.

Senator O'BRIEN—Will there be no addressing of that issue in a public sense until we see the draft import risk assessment?

Ms Harwood—There are two stakeholder consultation meetings coming up. One is in Coffs Harbour on 7 June and one is in Innisfail on 11 June. At those meetings it is quite feasible that issues relating to risk management and options being considered by the panel could be discussed. It is possible that there can be an airing of views or ideas on the matter of risk mitigation before the draft IRA report is published.

Senator O'BRIEN—Is that a change in the process where you have decided that some matters which were to be fleshed out by technical information papers now will not be done in that way but might or might not be dealt with in the consultation process?

Ms Harwood—Firstly, the whole publishing of the technical information paper is an entirely additional step not contained within the IRA handbook. That is, it was an extra action by the panel to assist in the transparency of the risk analysis and to aid consultation. To compile and publish all the information gathered by technical working groups is essentially not a requirement of the IRA process; it is an extra step, an extra opportunity provided by the panel. There has been no conflict with the IRA process in what they have done; there has been an addition in terms of additional consultation opportunity.

Senator O'BRIEN—What happens now that the technical information has gone to the panel and the panel is satisfied with that? Are they going to do whatever else themselves?

Ms Harwood—Their job now, for each of the pests and diseases of quarantine concern, is to make as comprehensive an assessment of risk as they can on the basis of all the information they have available to them and their own professional expertise. Then, where there are quarantine risks higher than Australia is prepared to accept, to identify what risk mitigation measures, if any, will deal with those risks, and then to publish those findings in a report which will be the draft IRA report.

Senator O'BRIEN—In relation to the release of the technical information papers, do stakeholders have a specific right to comment on those?

Ms Harwood—They have been invited to comment, if they wish, on the information included in the technical information paper. They have until 5 June to provide those comments.

Senator O'BRIEN—So they have 30 days, basically.

Ms Harwood—That is right, 30 days from when it was published on 6 May.

Senator O'BRIEN—How long has it taken to get the information together?

Ms Harwood—This represents the complete assembled information by the technical working groups, so it is a substantial body of work.

Senator O'BRIEN—I am just thinking it would take a lot more than 30 days to put it together but they have 30 days to comment on it.

Ms Harwood—That is true, although many of the matters at hand have been discussed in prior consultation rounds. If the stakeholders have information of relevance to the panel, they have had all that time to contribute it to the panel. The intent of this document was for people to see, from their point of view, if there was any information missing which the panel should know in assessing risk and to advise the panel of that information.

Senator O'BRIEN—With these sorts of things we have seen, on a number of occasions, industry groups request more time and be knocked back even though, in the scheme of things, it would not have mattered if they were given another two weeks. How will Biosecurity respond if, in the context of the time that this has taken and the breadth of information involved, the industry were to say, 'We need a short extension to finalise our response'?

Ms Harwood—The response to the start of that question is that there may have been a couple of occasions when there has been an extension to the comment period—apples being a case in point—but for many of our other IRAs the process travels through with the comment periods as agreed in the handbook. I would say again that this process with this technical information paper is entirely additional to the IRA process. It is not part of the normal consultative process required by the IRA handbook.

Senator O'BRIEN—I cannot recall the examples but I am certain there is more than one. The only point I am making is that, in the interests of making sure that bodies that are not as well resourced as Biosecurity have adequate opportunity, considering those requests favourably would probably be helpful if they occur; they may not. I am only speculating; nothing turns on it. The minister put out a media statement at the end of March in which he stated:

Biosecurity Australia will shortly release the Technical Working Group reports of the Banana Risk Assessment Panel.

Banana producers, and other industry stakeholders, will have the opportunity to provide feedback and further information to the panel before the draft import risk assessment is completed.

Senator Troeth, can you give the committee an assurance that all stakeholders will be given adequate time to consider and respond to what is clearly a detailed and complex report of nearly 400 pages before Biosecurity embarks on the production of a draft import risk assessment?

Senator Troeth—Yes, Senator. In all of the IRAs with which I have had an association there has been adequate time for stakeholders to digest the information that is contained in any of the reports.

Senator O'BRIEN—In this case, if there is a problem with time, given the depth of information, will you ensure that extensions are favourably considered?

Senator Troeth—No, I am not saying that would necessarily be granted. I am saying that, in my opinion, in all previous IRAs there has been adequate time given. I have no reason to suppose that this one would be any different.

Senator O'BRIEN—I do not know which ones. You do not think there was a problem with the New Zealand apple situation where there was a request for more time that was refused?

Senator Troeth—There were other considerations taken into account with the New Zealand apple situation. I expect Dr Stynes would be able to give you more detail on that but that has been quite a lengthy process.

Senator O'BRIEN—Yes. I think that with hindsight everyone would agree that it would not have mattered a damn if you had given them another three months to respond. Isn't that right, Dr Stynes?

Dr Stynes—I honestly cannot recall, Senator. There was the initial one where we refused that extension of time in apples, which was later reversed, but I cannot recall another occasion when that has happened.

Senator O'BRIEN—I thought there was some in the salmon area as well.

Dr Stynes—I am sorry, I am not familiar with that case. The ones that I have been involved with—

Senator O'BRIEN—It was not just salmon, of course. It was a very broad import risk assessment for a variety of aquatic species.

Dr Banks—As I recall, that was an accelerated process where we were having to do it against a time line set by the World Trade Organisation.

Senator O'BRIEN—Yes, running up against Christmas, too, wasn't it?

Dr Banks—I think it was more the World Trade Organisation we were running up against, Senator.

Senator O'BRIEN—We were told that in February there was an Australian delegation in the Philippines at that time to try and hasten the information flow. Who went in that delegation?

Ms Harwood—I went, Senator, and Dr Sharon Singh.

Senator O'BRIEN—And were you and Dr Singh required to prepare a written report on the visit?

Ms Harwood—We prepared a report for the minister on our return from that trip and we worked through with the Philippines delegation in Manila the list of questions to which we sought additional information. The outcome of that was the submission that came back in March.

Senator O'BRIEN—Why did you report only to the minister?

Ms Harwood—I think we reported inside AFFA as well.

Senator O'BRIEN—Can the committee be supplied with a copy of that report?

Mr Wonder—We are just clarifying, Senator. If it was a report that was amongst others to the minister, then we would have to seek the minister's agreement to make the report available.

Senator O'BRIEN—I presumed it was a report on the trip which would detail to whom they spoke and what the substance of the discussion was.

Mr Wonder—Yes.

Senator O'BRIEN—And I guess it may be sensitive but I am asking if the committee can be supplied with a copy or, if not, if we can be told why that is not appropriate.

Mr Wonder—Yes, I answered the question, Senator.

Senator O'BRIEN—Were there functions organised by the Australian embassy as part of that visit?

Ms Harwood—On the second day we held the meeting itself in the conference room at the embassy and they provided lunch on the second day, as a working lunch for those of us participating in the discussions.

Senator O'BRIEN—So it was with the Philippine banana industry representatives?

Ms Harwood—Also with the people from the bureau of plant industry, and there were also representatives from the pineapple industry, the mango industry and the coir peat industry who had raised matters with us during the day.

Senator O'BRIEN—And that was the only function?

Ms Harwood—On the embassy's part, yes.

Senator O'BRIEN—Were other functions not provided?

Ms Harwood—In the evening Dr Adiong, who is the director of the bureau of plant industry, took a small group of us to dinner.

Senator O'BRIEN—You and Dr Singh and people from the industry, I take it?

Ms Harwood—No. It was just, from memory, one other person from the bureau of plant industry and Dr Singh and me and Dr Adiong's son—and I believe a person from our embassy was there as well.

Senator O'BRIEN—There was an article in the *Manila Standard* on 22 March, which seems only able to be related to a visit to the Philippines by you and Dr Singh, which says:

Bureau of Plant Industry director Blo Umpar Adiong said Australia has already agreed in principle to accommodate the Philippine request for market access for its bananas and pineapples. 'We have already agreed that Australia will approve the import risk analysis by June ...'

Ms Harwood—That article was brought to my attention by the banana industry here, and when I saw it it bears no relation to the discussions that we had in Manila. No such assurances were given. When I saw it I wrote to Dr Adiong expressing my strong concern and trusting that in fact he had been misquoted and that it was a mistake in reporting, because no such conversations took place whilst we were in the Philippines.

Senator O'BRIEN—Has Dr Adiong responded to your letter?

Ms Harwood—No, he has not.

Senator O'BRIEN—When did you send that? Contemporaneous with this article?

Ms Harwood—Yes.

Senator O'BRIEN—When did the group of technical experts from the Philippines come to Australia?

Ms Harwood—On 10 and 11 April.

Proceedings suspended from 8.59 p.m. to 9.16 p.m.

Senator O'BRIEN—When I was discussing with Senator Troeth the assurance that the industry could get an extension of time, if necessary, to respond to the technical information papers, I think it would have been more appropriate to have asked this question. Senator, would you ask Minister Truss if he will give that assurance to the industry—that is, if they require an extension of time to respond to technical information papers and the report from the technical working group beyond the 30 days, that the minister will facilitate that?

Senator Troeth—I will pass that request to Minister Truss, Senator O'Brien.

Senator O'BRIEN—Thank you for that. Ms Harwood, the *Manila Standard* reported the director as saying:

... Australia has no problem with the vapor heat treatment (VHT) method as this has been already demonstrated to the group during the technical visit.

Did you in fact receive a demonstration of the vapour heat treatment?

Ms Harwood—Again, that element of that press report is one that is alien to the discussions that took place in Manila. I did not raise that matter with Dr Adiong in my letter because I was more concerned about the matters relating to bananas, but we did not discuss vapour heat treatment nor did we have a demonstration of it.

Senator O'BRIEN—Do you know what it actually does, or allegedly does?

Ms Harwood—It is a quarantine treatment.

Dr Stynes—It is a treatment that is not necessarily appropriate to bananas. It is one of the alternative control measures for fruit fly.

Senator O'BRIEN—What actually took place in the Philippines while you were there?

Ms Harwood—We discussed sequentially the list of additional questions that were in the letter that Dr Stynes had prepared prior to our visit and talked through many of those issues in terms of clarifying for the Philippines' delegation what the nature of the information was that we were seeking. There was some discussion around particular ones and sometimes they would say that they would provide it and we would move on. We also discussed briefly their market access requests relating to pineapples. The Philippines is one of the countries that is part of our generic pineapple IRA. They also discussed their desire to extend beyond Guimaras their market access request for mangoes. There were also representatives from the coir peat industry who were seeking to resolve some matters of concern more of an AQIS nature in terms of the controls applying to importation of coir peat to Australia on existing trade.

Senator O'BRIEN—Coir?

Ms Harwood—It is coconut fibre which is used in potting mix and things of that sort.

Senator O'BRIEN—Basically, you were there for a meeting.

Ms Harwood—Yes. It was technical discussions on matters pertaining to the banana—

Senator O'BRIEN—All in Manila?

Ms Harwood—In Manila. The first day was in the bureau of plant industry and the second at the Australian embassy.

Senator O'BRIEN—There was another technical visit this year, wasn't there?

Ms Harwood—Only the return visit by the Philippines delegation to Canberra.

Senator O'BRIEN—Then the only visit by an Australian departmental or technical group was the visit that you were involved in this year?

Ms Harwood—This year?

Senator O'BRIEN—Yes.

Ms Harwood—Yes.

Senator O'BRIEN—When was the previous visit by an Australian departmental or technical group?

Ms Harwood—Dr Singh, Bob Paton and David Peasley went in August 2001.

Senator O'BRIEN—They are the only two occasions?

Ms Harwood—Yes.

Senator O'BRIEN—Are the visit arrangements with this import risk assessment comparable with, for example, those associated with New Zealand apples or the salmon import risk assessment or cooked chicken meat from Thailand?

Ms Harwood—As I understand, there would normally be visits of this sort during an IRA process.

Senator O'BRIEN—Can you get me some detail of the number of visits to countries seeking access to Australian markets over the last two years?

Ms Harwood—We could do that. Do you mean across all—

Senator O'BRIEN—Yes, across all import risk assessments.

Ms Harwood—Yes, we will take it on notice.

Senator O'BRIEN—Thank you.

Ms Harwood—Do you mean visits to those countries?

Senator O'BRIEN—And vice versa.

Ms Harwood—Or visits by them to us?

Senator O'BRIEN—Both. I am interested in the level of engagement with the countries seeking access and the extent to which a country becomes a part of the import risk assessment process.

Ms Harwood—Okay.

Senator O'BRIEN—It seems that we should be doing the assessment and, if required, we would seek technical information from them. But there should be a limited role for the countries seeking access.

Ms Harwood—Yes, but often the people doing the risk analysis in Australia will wish to see the production systems in the country of origin.

Senator O'BRIEN—Yes, I am not quibbling necessarily with that per se. This committee has seven recommendations on salmon import risk assessment. Recommendation 7 was:

- a) The publication of documentation be limited to the requirements of our international obligations; and
- b) Discussion papers or draft documents should have limited distribution on a strictly confidential basis and be restricted to domestic stakeholders and the seeking of expert opinion.

That was tabled in June 2000, nearly two years ago. Can you tell me if Minister Truss has been provided with a draft response to the recommendations contained in that report?

Ms Harwood—The draft response is being reworked in the light of the proposed changes to the IRA process and also at the same time we are working on the response to the apple inquiry. There are some issues which cut across both, so essentially both are in preparation.

Senator O'BRIEN—There is a time limit for a response. When was the draft provided to the minister?

Ms Harwood—The draft is with the department at the moment.

Senator O'BRIEN—It has not been provided to the minister at all yet?

Ms Harwood—A previous draft has been, but it has been necessary to review it in the light of the changes to the IRA process.

Senator O'BRIEN—When was that supplied to the minister?

Ms Harwood—It is still in preparation.

Senator O'BRIEN—No, the previous draft.

Ms Harwood—I do not know, Senator.

Senator O'BRIEN—I believe there is an obligation on the government to respond to such reports within three months of them being tabled.

Ms Harwood—That is correct.

Senator O'BRIEN—But we are nearly two years down the track with no response. There are several drafts. Senator Troeth, could you seek advice from Mr Truss as to why he has chosen to ignore the obligation to respond to this unanimous report.

Senator Troeth—I will pass on your request, Senator.

Mr Wonder—We certainly did not indicate that he has ignored it, Senator. I would like to indicate that.

Senator O'BRIEN—The *Hansard* will show what has been indicated. It is pretty clear what is happening.

Senator Troeth—I should clarify, Senator: I will pass on your request but not in the terms in which you have couched it.

Senator O'BRIEN—If you pass on my request, I am not sure how else you can couch it. Recommendation 6 says:

That draft Import Risk Analysis documents and other like documentation not contain any proposed or indicative conclusions.

Does that pose any technical problems in the import risk assessment process, Ms Harwood?

Ms Harwood—My understanding of the purpose of a draft import risk analysis is to give all stakeholders the opportunity to comment on the assessment of risk and the proposed

quarantine regime, so draft recommendations on those matters are included in the draft IRA report. It gives people the chance to provide comment on that, and also to provide technical input on matters that they consider relevant, before the final IRA report is prepared. It is a means of sharing the proposed draft regime with people and to provide comment.

Senator O'BRIEN—In practice, doesn't that make it difficult for Biosecurity to adopt another measure, having published that to the world?

Ms Harwood—Not necessarily. If there is valid input and relevant information which brings new light or new science to the matters at hand, then Biosecurity Australia would take that on board and deal with it in the final report.

Senator O'BRIEN—If a draft contained a recital of the findings on the science of the matter in terms of what the risks were, and proposals on protocols, without being definitive—in other words, options—wouldn't that equally be a way of seeking comment?

Ms Harwood—But what is in the draft report is the assessment of risk and some proposed quarantine measures for dealing with this.

Senator O'BRIEN—That is right—a proposed one, rather than, 'Options available are'.

Ms Harwood—The draft IRA report is intended to present the assessment of what the least trade-restrictive regime is that will deal with the quarantine risks identified.

Senator O'BRIEN—Yes, that is what the import risk assessments define.

Ms Harwood—It can contemplate different options for treatment.

Senator O'BRIEN—It could contemplate options, and the options findings are that, 'The risks are so great that' or 'These protocols would minimise the risk to the extent that' et cetera, as a number of alternatives. In taking your response to recommendation 6, I was wondering how it had been considered by the department, given that there is no response on the record at this stage.

Ms Harwood—At the moment we operate with the handbook as it stands, which specifies in some detail the matters that will be presented in the draft IRA report.

Senator O'BRIEN—Yes. It is regrettable that I am the only member of the committee who is here at this time who participated in that report. I am sure there are other points of view. I am certain Senator Crane holds a similar view. Recommendation 7 says:

The publication of documentation be limited to the requirements of our international obligations; and Discussion papers or draft documents should have limited distribution on a strictly confidential basis and be restricted to domestic stakeholders and the seeking of expert opinion.

In terms of that, can you tell me what our international obligations are in relation to the publication of documentation associated with an import risk assessment process?

Ms Harwood—In essence, a transparent process, where the scientific path and argument used to justify quarantine measures are accessible to and understandable by those wishing to read and comment on the process. Essentially, it is a transparent, science based decision-making process.

Senator O'BRIEN—Who do we have to show discussion papers or draft documents to?

Ms Harwood—As I understand it, when we produce draft IRAs we notify the measures contained therein to the World Trade Organisation. As part of our fulfilment of obligations

under the SPS agreement, we notify the regime that is proposed in the draft IRA, just as we require other trading partners to be transparent with us.

Dr Gebbie—Also, if we were discriminating against a party, a stakeholder, there may be WTO concerns about that.

Senator O'BRIEN—My recollection is that, excluding the draft import risk assessment document, we did not have an obligation to share discussion papers or other draft documents.

Dr Gebbie—If it could be shown that discrimination was involved, I think we might have to answer for that one. I do not know how the WTO would view any distinction made between a draft and more formal papers. It is certainly an area that you would not want to ignore.

Senator O'BRIEN—No, certainly. There is no point in engaging in a process which, although designed not to advantage other interests over our own, whilst conducting a fair process, does not breach our obligations at the same time. That is clearly what the recommendation says. Has some response been drafted to that recommendation?

Ms Harwood—It would be included in the draft that is in preparation at the moment, Senator.

Senator O'BRIEN—Again, going back to the *Manila Standard*, the article says, 'Australia has invited a group of technical experts from the Philippines to help them finalise the import risk evaluation.' Is that correct?

Ms Harwood—We invited the Philippines technical experts to come and work further on the technical issues at the heart of the IRA. It was not couched in terms of finalising the risk analysis. Again, those words are as they appear in the Philippines media. They are not an accurate reflection of the tone or content of the discussions that actually took place in Manila.

Senator O'BRIEN—Yes. The tone of the article is that the two countries are working together to facilitate the trade and our local industry is an impediment to that process. I hear what you say about the article and the basis of it. I have a question about the funding provided to the Philippines to upgrade their quarantine standards. Mr Truss referred to the funding in an article that appeared in the *Philippines Business World* dated 6 February. He is quoted as saying:

We will provide quarantine assistance and support the building of technical expertise.

What is the nature of the funding that Australia is providing to the Philippines to upgrade its quarantine standards?

Dr Hearn—I will talk to that, Senator. What the minister is referring to there is ongoing, following his visit to the Philippines. One of the issues that came up was capacity building or training, which is a very topical matter under the SPS agreement and elsewhere, and the minister did discuss with counterparts how Australia might be able to pick up enhanced capacity building in terms of technical knowledge for the Philippines. There is a gain both ways in this training and capacity building exercise. Firstly, countries with which we trade could get a better understanding of the technical nature of both import risk assessments and market access requests and a better understanding of our system and, secondly, it is part of the WTO that developed countries will endeavour generally to provide capacity building exercises for developing countries where they can. So it is picking up the tenor of that that the minister is referring to. Your question about the amount of funding I would have to take on notice because it comes from various sources, including AusAID.

[9.40 p.m.]

Senator O'BRIEN—I know that people in the banana industry are seeing it as somewhat ironic that we seem to be facilitating Philippine imports into Australia by funding the ability of that country to meet the standards required to import bananas into Australia.

Dr Hearn—I think that is a fairly narrow perspective on it and I think a better perspective is to look on it as helping the Philippines to be active participants in the SPS agreement and also assisting a developing country to protect their own system from pests and diseases. I would look at it more in terms of a totality of an aid package rather than that we are trying to get product into the country or anything like that. That is a very narrow perspective. It is more about training and aid. As I said earlier, one of the reasons I do not have the numbers at my fingertips is that much of the funding for capacity building, not only in the Philippines but around the world, comes out of AusAID funding. It is one of many areas that they get engaged in, and which we participate in, because we have the expertise in the department.

Senator O'BRIEN—On how many occasions have there been discussions between Australian officials and the Philippine authorities or industry representatives about risk mitigation measures that the Philippines might implement? Have there been any general discussions about risk mitigation measures in the context of bananas?

Ms Harwood—The discussions in Manila were focused much more on the analysis of disease and pest transmission issues and pathway issues. I did not attend the whole of the discussions in April and, again, those discussions were focused on the pest and disease risks. I am uncertain as to how much discussion there has been on risk mitigation measures, but the bulk of the discussion has focused on things earlier in the process, essentially, relating to technical information to aid the panel in its assessment of quarantine risk.

Senator O'BRIEN—Perhaps you can just take it on notice and check that for us.

Ms Harwood—Yes.

Senator O'BRIEN—Specifically, I am interested in any discussions about risk mitigation measures that may have taken place at meetings held in Canberra on 10 or 11 April this year or at functions associated with those meetings.

Ms Harwood—One aspect that was discussed, to my knowledge, was the efficacy of standard practice in the Philippines, like the dips that are used in the packing sheds and what those might be expected to mitigate. That would be an example of the type of issue that might have been discussed.

Senator O'BRIEN—Is it possible to ascertain exactly what was discussed in that regard?

Ms Harwood—Yes, I can check with the panel.

Senator O'BRIEN—Can you provide the committee with a list of the attendees at those meetings and explanations as to why they were there. It may be self-evident if they are a member of the panel, et cetera.

Ms Harwood—From both sides?

Senator O'BRIEN—Yes.

Ms Harwood—Yes, we can.

Senator O'BRIEN—Thank you. If there was a written agenda for the meeting, a copy of that would be helpful, and if there were changes to the program or the agenda what they were and why they were made. There would be a detailed record of those discussions, I take it.

Ms Harwood—There is a summary record of that meeting which has yet to be cleared by both sides. Basically, an agreed record of the meeting is in preparation, but it has not yet been finalised between the two delegations.

Senator O'BRIEN—Has the department its own record separate from an agreed record?

Ms Harwood—That is the record of the meeting. It contains lists of action items and matters that either side was going to follow up and it is essentially a sequential track through the issues discussed.

Senator O'BRIEN—Can the committee be supplied with a copy of that?

Ms Harwood—When it is finalised, we would be happy to do that.

Senator O'BRIEN—Is it true that Dr Singh has been replaced as chair of the risk assessment panel?

Ms Harwood—Yes.

Senator O'BRIEN—Why has that occurred?

Ms Harwood—It is a very complex scientific assessment. Dr Singh, now that we have had an additional person join the panel as chair, is able to focus more closely on the issues pertaining to pathogens and his areas of expertise that he brings to the panel. So, rather than carrying the load of chairing as well as doing that technical work, he is able to devote his full attention to the scientific matters at the heart of the analysis.

[9.47 p.m.]

Senator O'BRIEN—Is that change in the structure of the panel relevant to the extent the stakeholders should be advised?

Ms Harwood—The stakeholders were advised of that change.

Senator O'BRIEN—Who has taken his place?

Ms Harwood—Dr Cheryl McRae has joined the panel and she is the new chair.

Senator O'BRIEN—What is Dr McRae's background? What process was followed in the selection?

Ms Harwood—Dr McRae has a background in both plant pathology and in law. She was judged by me, as executive manager of Biosecurity Australia, to be very qualified for the position and meets the requirement in the handbook that the chair of the panel come from within AFFA.

Senator O'BRIEN—That is the appropriate process; it is a matter simply for you to make the appointment?

Ms Harwood—As I understand it from the handbook in the case of a change to the panel, I advised the stakeholders that I considered that necessary. I did that and advised them of who it was that I was adding to the panel to deal with that need.

Senator O'BRIEN—Thanks a lot for that information about bananas. What is happening with the import risk assessment process for pineapples?

Ms Harwood—A little while ago we issued a draft import risk analysis. It is a generic risk analysis covering imports from several countries. That document is out for its consultation period which closes—I cannot remember the precise date—in June.

Senator O'BRIEN—The deadline is some time in June. Has there been a significant number of responses to date?

Ms Harwood—Nothing to date, Senator.

Senator O'BRIEN—There is no submission from the federal Minister for Employment Services, Mr Brough?

Ms Harwood—Not to my knowledge, Senator, no.

Senator O'BRIEN—The reason I asked that question is because of comments that Mr Brough made in a recent media article. He said he had concerns about pests and disease that might be accidentally imported with pineapples proposed to come from Sri Lanka, Solomon Islands, Thailand and the Philippines. Has there been any communication from Mr Brough?

Ms Harwood—Not that I am aware of, Senator.

Senator O'BRIEN—Thank you for that.

Senator FERRIS—Senator O'Brien, do you have a questions on apples?

Senator O'BRIEN—Perhaps a couple of questions on the New Zealand apple import risk assessment process, but if you want to have a crack at them, have a crack at them by all means.

Senator FERRIS—I know Dr Stynes would be disappointed if I did not ask questions about New Zealand apples! Dr Stynes, can you tell me where we are with the question of apples from New Zealand?

Dr Stynes—I can.

Senator FERRIS—I know the industry in South Australia are going to be very interested in your messages.

Dr Stynes—Okay.

Senator FERRIS—And probably in other states, as well.

Dr Stynes—I think at the last hearing, Senator, we had just appointed a risk analysis panel. An inventory of the issues that were raised in response to the draft IRA was published as well. Since that time the risk analysis panel has met four times. The fourth meeting was held last week. They have been working on a scientific review paper which will provide responses to the issues that have been raised. The scientific review paper is almost finalised and it will be released shortly. After that the risk analysis panel is arranging workshops with industry and, beyond that, the risk analysis panel will prepare a draft IRA.

Senator FERRIS—Whereabouts are these meetings taking place? Are they in Canberra or are they in different states?

Dr Stynes—It has not been set yet. There have been discussions with industry and it will be based on those discussions.

Senator FERRIS—At what point will the industry have an input into this IRA?

Dr Stynes—The process of input will be through a response now to the scientific review paper and then through the workshop process and we do continue to invite input from industry at any time if they have any information they can offer at all.

Senator FERRIS—Who is doing the work on the scientific review paper? How were those people selected?

Dr Stynes—The risk analysis panel has done the work on the scientific review paper.

Senator FERRIS—Have international scientists been involved?

Dr Stynes—No, not at this stage. The risk analysis panel has been doing that work, but some of the responses are of a preliminary nature and will provide a basis for further discussion at the workshop. Beyond that there will be some focusing on some of the remaining, outstanding issues. It will be at the discretion of the risk analysis panel how they will involve international experts; who they might be and how they will become involved.

Senator FERRIS—Because you would recall that we had, I think, two quite eminent scientists who gave us evidence from the United States.

Dr Stynes—Yes.

Senator FERRIS—I am just wondering if there is any plan to involve people such as those two.

Dr Stynes—I am a member of the risk analysis panel and we have not had discussion at that depth at this stage. My feeling is it will depend very much on what the issues are that need to be pursued at that level.

Senator FERRIS—Have there been any further approaches from the New Zealand government? I notice that the Prime Minister and some ministers are coming over this week. Is this on the agenda? I know that the New Zealanders still feel very strongly about this issue.

Dr Stynes—I have no knowledge of that, Senator.

Senator FERRIS—Mr Wonder, are you aware of—

Mr Wonder—I have no knowledge of it, Senator.

Senator FERRIS—I think it is pretty well known the New Zealanders feel fairly strongly about it. I guess the fact that they are now going to accept our tomatoes makes it even more important to them that there is a quid pro quo. Do you have any indication of when this paper might be available, Dr Stynes?

Dr Stynes—The scientific review paper?

Senator FERRIS—Yes.

Dr Stynes—There will be another meeting of the risk analysis panel on the 17th and 18th. The format and most of the content has been discussed at our recent meeting, but it will be at that meeting it will be signed off. That was the position we reached. It will be shortly after that meeting on 17, 18 June.

Senator FERRIS—So towards the end of June the industry could expect to get a copy of it.

Dr Stynes—Yes.

Senator FERRIS—How long is the process for input into that?

Dr Stynes—I think it is probably a 30-day period for input, but input will be—and it has been in policy memorandums—we have continued to seek input at any stage.

Senator FERRIS—I am very pleased to hear that, Dr Stynes. The 30-day opportunity for comment is when you are going to be doing the workshopping.

Dr Stynes—Yes.

Senator FERRIS—Or does that come after that?

Dr Stynes—The workshop date has been set for, I think, 22 and 23 July. The timing has been discussed with the apple industry and that was the agreed date. The 17 and 18 June is the next RAP meeting, so approximately five weeks after that the workshop will be held.

Senator FERRIS—Where does the process go from there? Assuming that the industry has its input, then you go back to make any adjustments to that paper and then a new draft IRA is released? Is that the process?

Dr Stynes—That is correct.

Senator FERRIS—Have you any idea when that is likely to be?

Dr Stynes—No, I have not.

Senator FERRIS—Three months? Towards the end of the year or next year?

Dr Stynes—It should not be longer than two to three months, certainly after the workshop is held.

Senator FERRIS—I know you are aware that this is going to take this industry into I think its fourth year of inquiry into the input of New Zealand apples. I am sure you understand how difficult it is for this industry because it is very unstable for them to carry out any future planning. The fact that we are going to go into the fourth year is a pretty hard ask for that industry.

Dr Stynes—The risk analysis panel is very mindful of that issue you have just raised. There is certainly no intention to delay any of the work. I am perhaps being conservative in my estimation, and I certainly would not want to prejudge the rate it might travel as determined by the risk analysis panel, but it will depend very much on the results of the workshop and the consultation process.

Senator FERRIS—Perhaps when we come back in November we will be reaching some sort of natural conclusion to this issue.

Dr Stynes—I would hope so, Senator.

Senator FERRIS—So would I. Thank you.

[9.59 p.m.]

ACTING CHAIR (Senator Buckland)—Senator Colbeck, do you have any questions?

Senator COLBECK—No.

ACTING CHAIR—Back to Senator O'Brien and pineapples.

Senator FERRIS—Or apples as the case may be.

Senator O'BRIEN—No, you have asked any questions that I was going to ask about apples, Senator Ferris. I have questions on chicken meat. According to Dr Banks at the last hearing, this import risk assessment process commenced in December 1998. There was an issues paper released in July 2001. There were nine stakeholders who responded to that paper and, in general terms, I want to know the nature of the responses.

Dr Banks—We received 10 responses, Senator. They came from two main groups: firstly, industry based groups and, secondly, from state governments. I can deal with the state governments fairly simply. With the exception of Tasmania, they were all supportive.

Tasmania was not against it, just that it did not have any resources to look at the issues paper. With the industry based associations the Australian Chicken Meat Federation made a strong case. They are concerned that the IRA may not be consistent with the SPS agreement in that we are not considering the competitive effects of imports. We are only looking at the economic effects of disease outbreaks and control, which we believe we are obliged to do under the SPS agreement. The Chicken Meat Federation disagrees with that. They are also concerned that we might not consider the flow—on effects of disease outbreaks to the rest of the community. However, the consequence analysis that we undertake automatically takes the whole community into consideration, so that is covered.

The Chicken Meat Federation was particularly concerned about the description of the industry, which they said was inadequate and demeaning. We are surprised at that because most of that data came from the industry itself. In fact, we provided the industry with a draft copy of what we were going to say well ahead of time so that they had the opportunity for input. The third point that they made was that the paper indicated that their environmental performance was not up to scratch and that they do not meet the environmental guidelines. If that is the conclusion they drew from that, then we are quite happy to change that because it was not the intent of the paper.

The Australian Egg Industry Association wanted us to look at vaccine strains that might come through on carcasses, which is a fair point. The Australian Chicken Growers Council felt that the scope was a little too broad and that we should just look specifically at what countries had asked to import, and that we should not look at products that might be processed. However, as that processing is largely risk mitigation measures, I do not think we have any alternative but to look at those. They felt that the technical working groups or the risk analysis panel members may not be knowledgeable of the day—to—day operations of poultry units. They wanted to suggest some consultants to assist with that and also with the review of wildlife diseases. In fact, we have a number of industry people on the technical working groups which support the risk analysis panel, which is how we have handled that. That has been in place for some time.

They felt that we might need to look at other assessments, such as an economic assessment of disease outbreaks in the poultry industry, and also that we should look at the possibility of doing research on other diseases other than infectious bursal disease virus, particularly the genetic recombination of exotic and endemic strains of Newcastle disease. They felt that we had not identified the added biosecurity risks of the fact that the poultry industry was concentrated around the main city areas and they felt that Australia was possibly in a unique situation of having a variety of native birds which resided in an urban setting. We will look at that and see whether other countries are different but we are not aware that we are unique in that way. One of the most detailed reports came from the Australian Veterinary Poultry Association, which was a very good critique in fact. It is largely technical. We have not accepted all of their recommendations, because we felt that some of them were invalid, but quite a few of them were good and we have taken them on board.

Senator O'BRIEN—Is the import risk assessment panel now working on discussion papers?

Dr Banks—Yes. We have feedback from this and a number of industries, much as my plant colleagues have, that after receiving the technical issues paper there is very often a very long gap between that and the draft import risk analysis, which they sometimes find a little indigestible getting it all in the one chunk. What we have decided to do is produce a methods

paper. We have had three meetings since this committee last sat and there is a lot of pathway analysis and various other bits and pieces that we can put in a methods paper so that it does not all come in one hit at the end of the process with the publication of the draft import risk analysis.

Senator O'BRIEN—When would your panel be in a position to release a draft import risk assessment on uncooked chicken meat?

Dr Banks—The panel has made the conscious decision not to issue or offer deadlines, largely because those deadlines are frequently outside the control of the panel; for example, the results of research or having to investigate elements of the IRA that they encounter along the way, which sometimes are difficult to investigate. The panel is particularly keen not to set strict deadlines that due to external forces they find they cannot meet.

Senator O'BRIEN—Has any thought been given to the establishment of working groups that have been done with the banana import risk assessment?

Dr Banks—It has already been done, Senator.

Senator O'BRIEN—Has it covered the same sort of area as the third of the TWGs in the banana import risk assessment process, the horticulture, environment and operations working group, or is that unnecessary? Horticulture is unnecessary, but environment operations working group?

Dr Banks—No, Senator, these are different. They are set up for three types of diseases. The first is for newcastle disease, the second for infectious bursal disease, and a third one is for food borne pathogens. They are the main areas where the risk analysis panel felt that they needed the support of extra expertise which was available in the industry.

Senator O'BRIEN—Food borne pathogens, such as—

Dr Banks—Salmonella, things like that.

Senator O'BRIEN—How relevant is the economy of the Australian chicken industry as part of the import risk assessment process?

Dr Banks—It is relevant insofar as the effects of a disease outbreak. It gives an order of magnitude. If an outbreak took place, it provides the ability to assess the economic damage to the industry as a whole.

Senator O'BRIEN—What work is being done on that as part of your process?

Dr Banks—The consequence analysis looks at the effect on the community at large—at the local level, the district level or shire perhaps, the regional level, and also the national level. At this stage it is a qualitative assessment as to the amount of damage that would be done by a disease outbreak. The panel is assessing whether quantifying that has value or not, whether to say that the effect would be severe or whether it is worth X million dollars, as to how much extra that adds to the argument, and they are debating that at present.

Senator O'BRIEN—To be continued. Thanks. I wanted to ask about imported fish. There has been a problem with a virus found in pilchards and mackerel off California, which I understand is a virus, viral haemorrhagic septicaemia, which would present a serious problem if it made its way into Australian fish stocks. I understand you are currently reviewing import policies to ensure our fish stocks are protected. This particular virus requires cool water to activate it. Does that mean there is no real threat here until the sea temperature drops?

Dr Banks—In waters where this virus has caused heavy mortalities, in the large majority of cases it has occurred in very cold waters. Whether that is a feature of the temperature of the water or the effect that that has on the fish immune system is not quite certain at this stage, but outbreaks of disease in warm waters are almost unknown.

Senator O'BRIEN—What do you mean warm? Do you categorise as warm all of the waters around the Australian continent, including Tasmania?

Dr Banks—We are not absolutely clear what temperatures trigger this, Senator. Certainly, though, in places where the temperatures have been warmer than 15 to 20 degrees centigrade—as far as I am aware—there have not been any significant disease outbreaks. In very cold water, on the other hand, down in the single figures, you definitely have quite severe die-off as a result of viral haemorrhagic septicaemia.

Senator O'BRIEN—Is there any interim action which has to be taken in relation to this matter, given the disease outbreak off California?

Dr Banks—It has been taken, Senator.

Senator O'BRIEN—What action was that?

Dr Banks—We have imposed interim conditions which essentially ban the importation of pilchards and other related species for use as bait or fish feed, unless a very compelling argument can be provided that the use is strictly controlled and essentially addresses the risk.

Senator O'BRIEN—How would use be strictly controlled? What does that mean?

Dr Banks—We have put that to the industry, because it is far better for the industry to put to us the methods or the techniques they can use which are practical for, in this particular case, feeding tuna, which is the main reason for it. That would reduce the risk. The possibilities could include freeze thawing, a control of thaw water, controlled feeding so that there is no wastage—in other words, it is all consumed by tuna. There are other things that can be done as well. We have asked the industry to provide us with suggestions on how they might bring these risks down to an acceptable level.

Senator O'BRIEN—So that is still the subject of debate with the industry, I take it?

Dr Banks—No, it is not, Senator. Those conditions have been set. They are interim conditions. We are reviewing it in the longer term, but the interim conditions have been set. They came into place on 13 May.

Senator O'BRIEN—And does the tuna industry accept those conditions? Will they be importing fish under those conditions?

Dr Banks—They have already imported large amounts before these conditions were imposed, and they have submitted to AQIS for assessment a management plan.

Senator O'BRIEN—Is there any restriction on where the fish can be caught?

Dr Banks—At the moment we are looking at North American pilchards. There is a possibility in the longer term of sourcing from elsewhere. However, our concern about that is that by pushing the industry into another unknown source of bait fish, we may well be bringing in more problems than viral haemorrhagic septicaemia. That is an option but we would prefer to check those fisheries out first with regard to their disease status before just switching them over and then, as you are aware, dumping large amounts of essentially untreated fish into our marine environment.

Senator O'BRIEN—How does the tuna industry propose to ensure that pilchards delivered to their fish are entirely consumed, that there is no waste?

Dr Banks—There are techniques, I believe, in terms of how and when, the timing, the feeding, and the way that you feed, that you can make sure you get absolutely maximum utilisation and minimise the waste.

Senator O'BRIEN—You cannot be sure there is no waste, can you?

Dr Banks—No, that is true.

Senator O'BRIEN—Are there any instances of viral haemorrhagic septicaemia in our waters at present?

Dr Banks—There is no evidence that the virus is established in our waters.

Senator O'BRIEN—Will it be fair to assume if it appears that it has been brought in with the pilchards that have been imported?

Dr Banks—Considering over the last five years about 250,000 tonnes have been put in there that would be a major pathway, but there are others—bait fishing, for example, pilchards brought in for recreational fishing, lobster feeding and various other aquatic baits and feeds.

[10.16 p.m.]

Senator O'BRIEN—Thank you for that. On import risk assessment process for California table grapes, I understand that in February last year following an import risk assessment Minister Truss issued a statement that due to the threat of Pierce's disease imported Californian table grapes would not be allowed. The CSIRO report recommended further research into the effectiveness of quarantine risk mitigation. In February of this year imports were approved to proceed with review and evaluation of quarantine measures after one year of trade. Have imports actually commenced?

Ms Harwood—No, Senator.

Senator O'BRIEN—Is there a reason they have not commenced? I am not sure what the season—

Ms Harwood—There has been work to finalise the operational arrangements for the implementation of the quarantine protocol. Very recently—in fact, today or yesterday—the California Table Grape Commission applied to commence that export program and that means AQIS inspectors will travel to California to start the process, set up the instruction and registration of fumigation facilities, et cetera, so exports may start in July if product is air freighted.

Senator O'BRIEN—In 2000 both Pierce's disease and the glassy-winged sharpshooter, I think, were supposed to spread—were rampant in California and this led to initial concerns. Can you advise the committee as to the current status of the disease and the vector in California?

Ms Harwood—The last direct briefing we had on that was in October, from US authorities, at a meeting to discuss this issue and they presented information on the distribution and spread of glassy-winged sharpshooter and indicated, at that time, their control programs were starting to work for that pest.

Senator O'BRIEN—That is the vector.

Ms Harwood—Yes.

Senator O'BRIEN—What about the disease itself, the spread in California?

Ms Harwood—We could provide you with current maps from California of the distribution of that disease.

Senator O'BRIEN—Has there been a substantial change since early 2000 with regard to the spread of the disease?

Ms Harwood—Just referring to your comment in relation to the concerns about the sharpshooter and Pierce's disease, the reason that a quarantine protocol was resolved was that the US proposed a regime of quarantine measures specifically designed to address Australia's concern about the glassy-winged sharpshooter as the vector. That protocol was then checked back here with CSIRO experts who were of the opinion that it was in fact strong enough to deal with Australia's quarantine concerns and provided sufficient quarantine security and that was the basis for it being implemented as the protocol.

Senator O'BRIEN—Irrespective of the status of the disease in California, the vector is the issue which is critical for our quarantine.

Ms Harwood—The issue was whether there was sufficient mitigation to address concerns about the possible entry of glassy-winged sharpshooters. The protocol that was put in place is strong enough to deal with that issue.

Senator O'BRIEN—I understand that those treatments are methyl bromide and cold applications.

Ms Harwood—There is a range of measures but, yes, they include methyl bromide fumigation.

Senator O'BRIEN—There has been a consultation process with the CSIRO stakeholders and the US agencies, but there is documentation about that consultation process?

Ms Harwood—Yes, there was consultation with the state agencies on the original proposed shape of the protocol and then the actual detail of the quarantine protocol and the work program for its implementation was circulated to state plant quarantine authorities for their comment and input and we took on board their comments in finalising that program. Similarly, the elements of the proposed protocol were shared with the national industry body for table grapes.

Senator O'BRIEN—Was it the CSIRO recommendations that led to the policy determination?

Ms Harwood—It was the validation by CSIRO that the protocol was robust enough to address the remaining concerns. The remaining concerns that Australia had underpinned the decision to go ahead with the quarantine policy.

Senator O'BRIEN—Has all of this documentation been circulated to stakeholders?

Ms Harwood—The documentation from CSIRO indicating their satisfaction with the protocol was circulated as was—as I mentioned—the detail of the work program that went out to the state authorities and a summary of the actual quarantine conditions proposed. There was also a teleconference involving a range of people from the grape industry early on to talk through the elements of the protocol, so people could get a picture of what was proposed.

Senator O'BRIEN—Could the committee be supplied with that material?

Ms Harwood—Yes.

Senator O'BRIEN—Are there recommendations which were borne out of the consultation process that have not been implemented?

Ms Harwood—Not to my knowledge. All the technical issues raised in relation to the protocol were worked into the final version of the work program.

Senator O'BRIEN—I understand that the quarantine issues on the importation of Californian table grapes will be reviewed in the first year. Exactly when?

Ms Harwood—It is a normal process of a new protocol coming into play to review in the light of a year's trade and how the protocol has worked and the practical implementation of it and to tune it in the light of information drawn from that trade. If trade were to commence in July it would be reviewed after a year's trade, but the extent of that review would depend on the volume of trade, because that would determine the amount of information you have about the operation of the protocol.

Senator O'BRIEN—And the purpose of the review is to assess whether it was the right decision, I take it?

Ms Harwood—It is to assess, yes, whether any finetuning is needed; just how the protocol has worked in practice.

Senator O'BRIEN—And will the findings of that review be made public?

Ms Harwood—I see no reason why not.

Senator O'BRIEN—One measure I note from the publication *Biosecurity News* of March 2002 is the 'increased methyl bromide fumigation' to combat Pierce's disease. Presumably that acts on the vector.

Ms Harwood—Yes.

Senator O'BRIEN—And not on the fruit?

Ms Harwood—No. Its aim is to kill the vector.

Senator O'BRIEN—Is methyl bromide something we use regularly in Australia?

Ms Harwood—Yes. It is a widely used fumigant for dealing with horticultural and timber products, both in and out of Australia.

Senator O'BRIEN—Are there sets of published standards as to safe levels of human consumption?

Ms Harwood—There are standard schedules for use of methyl bromide in different quarantine circumstances for Australia, but overseas countries have schedules as well. The US is using a particular schedule in this case.

Senator O'BRIEN—Does the term 'increased' as quoted in the *Biosecurity News* relate to frequency of application to Californian grapes or the dosage used?

Ms Harwood—It is the dosage rate and it is increased above that proposed in the original IRA.

Senator O'BRIEN—Is the department certain that the proposed use of methyl bromide to combat Pierce's disease will adhere to Australia's food safety standards?

Ms Harwood—The exporter bringing the produce to Australia is obliged to ensure that it meets our MRLs, including for residues in this case, so that is a matter for the US.

Senator O'BRIEN—When they come here do they have to be tested again?

Ms Harwood—They can be tested and they must meet our standards.

Senator O'BRIEN—Who would do that testing? State food authorities?

Ms Harwood—The matter is under the regulation of ANZFA, the Australia New Zealand Food Authority, not AFFA.

Senator O'BRIEN—I presumed it would have to be state bodies that would do the testing.

Ms Harwood—You would have to ask ANZFA about their methods.

Senator O'BRIEN—That is all I have for this output.

[10.28 p.m.]

CHAIR—We invite officers for product integrity, animal and plant health to the table.

Senator O'BRIEN—We heard about imported inputs for fertilisers with regard to the scrutiny of what comes in for this purpose, particularly with regard to media reports that appeared on 8 May, which reported that toxic waste was being imported from China and other countries and used as an ingredient by some fertiliser manufacturers. The waste was coming from steelworks, electric arc furnaces and zinc smelters. The fertilisers have been sold in Western Australia and in Queensland. The report said that Environment Australia discovered the practice, the department tested the material and declared it to be hazardous waste. According to a spokesperson from EA, the problem is that the waste has not been properly treated before it is used to make fertiliser. According to the article, EA became aware of the problem early last year. What I wanted to know was when did this department become aware of this practice and how did it become aware?

Mr McCutcheon—Senator, we first became aware of the issue at around about the same time as the media reports came out. We were in close consultation with Environment Australia in terms of getting further information on the extent of the problem and they duly provided that information to us. As you said, Environment Australia have responsibility for administering the legislation on the imports of hazardous waste and they did pick up two separate shipments where there were contaminants, particularly in regard to cadmium, that were higher than acceptable levels. Once that leaves EA's jurisdiction, however, it is then a matter of state and territory governments in terms of their control of use arrangements for fertilisers. In this case it would have been the Western Australian and Queensland governments that would have had to deal with that.

Senator O'BRIEN—As I recall it, this had been at least potentially a practice that had been going on for some time. I take it from your answer that AFFA has no responsibility in the area.

Mr McCutcheon—Not directly, no. However, we do have a role in terms of getting states and territories together to deal with this issue on a national basis. That was done through state and territory CEOs under the primary industries standing committee exchanging information on this issue and looking at the general issue of standards in Australia for fertiliser use.

Senator O'BRIEN—That is the extent of any action that has been taken or planned to be taken to ensure that toxic waste is not going to get into agricultural systems via fertiliser?

Mr McCutcheon—Yes. We certainly intend to work with the states on this one. A working group has been set up, involving representatives from three state governments, AFFA, Environment Australia and the Fertiliser Industry Federation of Australia.

Senator O'BRIEN—During the last hearings Dr Murray advised that there was a review of the national residue survey. That review was to look at the objectives of the program and how it might be repositioned to meet changing circumstances. I would like some more detail on how that review has progressed, how it is being undertaken and who is doing the work.

Mr McCutcheon—The review that was being conducted was an internal review by an officer within AFFA. Its basic objective was to examine the objectives of the national residue survey and to determine whether those objectives are still being met in terms of the survey's primary purpose of providing residue data for market access purposes. That review has not been completed as yet.

Senator O'BRIEN—Are there any findings to date?

Mr McCutcheon—The findings that have come to light so far basically reconfirm the high regard and international renown of the NRS as a program monitoring residues in agriculture commodities, but beyond that nothing of substantial nature.

Senator O'BRIEN—Has any consideration been given to varying the current funding arrangements in relation to NRS?

Mr McCutcheon—Not to my knowledge, Senator. The funding arrangements for the NRS are essentially in the hands of the individual industries that contribute levies to it and they have the final say in terms of what amount they want to contribute. I understand there is a proposal that the cattle industry, through the Cattle Council of Australia and the Lot Feeders Association, is looking at varying the levy but I understand that proposal is still being worked through their internal industry processes.

Senator O'BRIEN—That is a matter for them?

Mr McCutcheon—Yes.

Senator O'BRIEN—During the last hearing Dr Murray also told us that the government had allocated \$10,000 to the Cattle Council and the Australian Veterinary Association to organise a meeting to determine the way forward on the rural veterinary crisis. That happened on 14 February. According to media reports, Mr Truss told that workshop that if there was a serious disease outbreak in Australia, such as foot-and-mouth disease, then vets would have to be brought in from overseas. Would it be fair to say that, if there was a major outbreak of foot-and-mouth disease in Australia, the time available to get the outbreak under control would be very short indeed?

Dr Biddle—Senator, certainly time is of the essence in responding to an occurrence of an emergency animal disease. The initial steps in the planned response would be taken and, to the extent that additional specialist manpower might be required, then that would be attempted to be obtained domestically within Australia in the first instance, either through government resources or through recourse to the private sector. In a larger scale event, consideration would be given to accessing the International Veterinary Reserve to assist in the response process. So that there would be a staged approach and, hopefully, the combination of those sources of specialist manpower would be adequate to deal with the event. If not, then other strategies would be envisaged, depending on the nature of the disease, and different approaches to its control and containment, but that would be on a circumstance by circumstance basis.

CHAIR—I want to go back momentarily to the national residue survey inquiry which you mentioned. Is the officer dealing with that present?

Mr McCutcheon—No.

CHAIR—Who are the stakeholders or the people who are being contacted or interviewed, or whatever the process is, to formulate or come to a conclusion on that inquiry?

Mr McCutcheon—I understand the Australian Lot Feeders Association has been consulted, the Cattle Council of Australia has been consulted and the Grains Council of Australia. There may be others, but I am certainly aware that those three organisations have been consulted.

CHAIR—What about contact with individual producers and commercial people involved in the supply of chemicals to the industry?

Mr McCutcheon—Sorry, Senator, in terms of chemicals?

CHAIR—The national residue survey impacts on the industry across the board. Bureaucratic organisations often have what I would term a somewhat clouded view of what people may think or what they may not think. I am asking you about two components of it—the producers that it impacts on and the commercial suppliers of the product. I particularly refer to a company in Western Australia of which I am sure you are well aware. What communication is being made with them, because there has been an extensive amount of criticism—certainly to me and also in the press—with regard to chemical residue and chemicals that go out of date, vis-a-vis the new chemicals coming on, and the period in which they have to quit the old chemical and market the new chemical.

Mr McCutcheon—As I said, there was certainly consultation with the producers, the users. I am not aware of the details of the consultation with the chemical providers or the company, but I can certainly take that on notice and provide that information to you.

CHAIR—Thank you for that. When you say ‘the users’, are you talking about the industry organisations? Did it get down to that level?

Mr McCutcheon—As far as I know they just consulted with the industry organisations, not individual cattle producers or grain producers.

CHAIR—Grain producers or wool producers or whatever—chicken producers?

Mr McCutcheon—Yes.

CHAIR—It goes across the full spectrum of every industry in the land and it impacts on them quite dramatically commercially, in the sense of the decisions they make going into the next year or two. Can you find out for me what the across-the-board consultation was and the intensity of that consultation, as against the industry organisations?

Mr McCutcheon—Yes, I certainly can do that.

CHAIR—Thank you. Senator O’Brien.

Senator O’Brien—On the basis of what you were saying about my question on a major outbreak of foot-and-mouth disease, there is a plan in place to get our vet numbers up to the critical mass needed to deal with an outbreak in a timely fashion?

Dr Biddle—Senator, my answer before indicated that there would be a staged approach to address the manpower implications and that that in itself would also be integrated with a critical review of the response options as the disease event unfolded, so that the strategy matched the available resources and was optimised towards containment and eradication of the disease outbreak.

Senator O'BRIEN—How many vets are there in Australia that would be ready and capable of acting to deal with foot-and-mouth disease?

Dr Biddle—The present veterinary establishment in the country, according to the 2001 yearbook, which I have with me, is approximately 7,500. Just over 6,000 of those are private practitioners, 600 are government veterinarians in state government or Commonwealth employment, with about 400 or thereabouts in the laboratory and university sector. It is a little hard to answer precisely about the numbers out of each of those segments who would be available. It would be related to the scale of the emergency and the ability and the need to deploy individuals in the field and other elements of the response.

Senator O'BRIEN—Do we have any idea at all how many vets we would need to fly in from overseas to get the numbers required to deal with a major outbreak in an effective and planned way?

Dr Biddle—Senator, I guess we could be guided by the UK experiences recently when they had to increase their national veterinary establishment about tenfold to deal with their very large-scale outbreak. Their establishment was roughly 200, so 200 by 10 approaches 2,000. But that is not at any one point in time; that is over a period of time.

Senator O'BRIEN—Have we had consultation with other countries who might be the source of those vets? Is there ongoing dialogue?

Dr Biddle—Yes, Senator, there is ongoing dialogue. There is a process involving the United Kingdom, Ireland, United States, Canada and New Zealand, who are the principal members of the International Veterinary Reserve and, in the light of the UK experiences arrangements pertaining to the International Veterinary Reserve are being refined and worked over.

Senator O'BRIEN—It is government to government consultation?

Dr Biddle—Yes.

Senator O'BRIEN—What sort of assessment process is in place to ensure we get vets who have the necessary skills to contribute to the control effort?

Dr Biddle—Broadly speaking, Senator, under the AusVet plan the strategy is to accredit individuals to relevant competencies that attach to different elements of the response plans. We have disease centre controllers, for example, who have a particular set of competencies. We have field investigation veterinarians, who do epidemiological and related work. The plan is to build up the numbers of accredited personnel so that they are accessible into the future. Those persons would come not only from the government sector but from the private sector as well.

Senator O'BRIEN—What about the ones that come from overseas? They will be accredited overseas, will they?

Dr Biddle—They would be competent government personnel but also the opportunity would be available, as occurred in the UK circumstance, to employ private sector veterinarians with the requisite qualifications and experience.

Senator O'BRIEN—How many vets will we need?

Dr Biddle—How big is the outbreak? I believe that was the essence of the question you asked before, when I gave an indicative answer of tenfold the normal establishment for a very large outbreak.

Senator O'BRIEN—Mr Truss also suggested that universities introduce a two-stream program, with one stream for livestock services and the other for domestic animals. What level of consultation has there been with universities and the department of education about how this might work, or is it just an idea that was floated by the minister at the time, for which there has been no follow-up work?

Dr Biddle—I believe the major activity has been directed towards some announcements in this current budget about inquiry workshop processes to help define some of these issues in a broader sense. Perhaps Mr Merrilees would like to flesh that out.

Mr Merrilees—The workshop you referred to was held to establish the major themes for a review of rural veterinary services. That review, the terms of reference and the reviewer, will be announced by the government very shortly. We would expect that it will be starting within a matter of weeks, with an aim to finish in October. That review will consider analysis of the current situation and also, of course, various demand and supply issues associated with vets, including the issue of how vets are currently streamed through our educational institutions and whether there might be any need to vary those arrangements. In short, those issues will be considered in the review and the outcomes of that review will then be considered by the government. At this stage there has been no substantive work on the proposal put forward at the workshop.

Senator O'BRIEN—Mr Truss's reported suggestion is just floating there in the ether? There is nothing concrete behind it?

Mr Merrilees—There will be a range of issues considered on the supply side. Also, equally, we will be looking at the demand side in terms of the need for vets in animal health services in the future.

Senator O'BRIEN—Dr Murray referred to the training at AAHL of diagnosticians and what he described as a small fund for practitioner training. He also referred to the funding from the Commonwealth to Australian Animal Health to relook at foot-and-mouth disease rapid diagnostic testing and engage in technology transfer to state laboratories. What actions have flowed from the vet workshop?

Mr Merrilees—I think you are referring to an announcement last year around July where the Commonwealth agreed to provide the Australian Animal Health Laboratory at Geelong with \$500,000 to improve Australia's diagnostic capacity on FMD. One of the actions that AAHL was requested to undertake was some technology transfer of some of the rapid screening tests to state laboratories. My understanding is that that workshop was held in November last year. I am not a hundred per cent sure but I think there is going to be a follow-up workshop in a little while to come. Certainly the first workshop was held in November.

Senator O'BRIEN—Is there a timetable for actions, a budget for costings, arising from that process?

Mr Merrilees—The major actions under that proposal included increasing the number of reagents on hand in Australia so that in the event of an outbreak we would be able to rapidly screen a large number of tests immediately without having the delay of the import of reagents; improving AAHL's capacity on a range of existing and new tests under Australian conditions; participating in work that is flowing from the UK outbreak; and, looking into the capacity to have tests that can differentiate between infected and vaccinated animals. With the exception of the latter, most of that work is either completed or is due to be completed by the middle of this calendar year. The work on the testing for infected and vaccinated animals will be an

international collaboration and I think was the subject of our initial workshop held at AAHL in March this year.

Senator O'BRIEN—Can you again run through exactly what the timetable is? That was fairly general; I did not discern that there was a precise timetable for actions.

Mr Merrilees—The majority of the work is due to be completed by the middle of this year, by the end of June, but the work to develop a test that will differentiate between infected and vaccinated animals, which will be an international collaboration, will be a longer-term project. Clearly, there are technology issues there in terms of further R&D to achieve that desired outcome. AAHL's role is as a collaborator in that process rather than being the prime driver.

Senator O'BRIEN—What Commonwealth funding has been committed to this process to date?

Mr Merrilees—It has come from within that additional grant of \$500,000 and will also be, as I understand it, partly funded from the funding that is provided through CSIRO and AFFA to the ongoing operation of AAHL.

Senator O'BRIEN—Who is managing the process?

Mr Merrilees—AAHL is managing it. The project leader, as I recall, is Dr Harvey Westbury at AAHL.

Senator O'BRIEN—And what is happening with diagnostic training and practitioner training?

Mr Merrilees—The major issue that AAHL was asked to deal with was technology transfer to laboratories. They also run one to two courses annually, diagnostic courses for either laboratory technicians or vets, and those are part of their ongoing process in terms of AAHL. There is also work being developed through Animal Health Australia, which is part of the material that Dr Biddle referred to in terms of some of the training that is going into government and private vets through APEC.

Dr Biddle—Senator, in the general theme of your question, I think it is important to highlight that the current budget contains a provision for the next four years of supplementary funding annually to the tune of \$2.5 million and that the purpose of that funding is to enhance epidemiological resources and diagnostic capacity. Those programs will be ongoing for the next four years, with that intensity of new money, so that is a significant addition to capacity building in this area.

Senator O'BRIEN—In February Dr Murray said:

At AAHL we train diagnosticians, we fund diagnostic training and there is also a small fund for practitioner training.

That is what I wanted an update on. What is happening there?

Mr Merrilees—This week they are running one of those practitioner courses. They are generally run for 20 vets, where vets get an opportunity in a secure area to examine live virus in animals and undertake some of the diagnostic work there. That is one of two courses that, typically, AAHL funds. As I mentioned, the other one is normally for laboratory diagnosticians.

Dr Biddle—Senator, there is another general element of practitioner training conducted through Animal Health Australia, where there is an outreach program to raise awareness

about specific emergency animal disease aspects and to promote familiarity with response elements defined under the AusVet plan. This is an ongoing program, and I believe that Dr Murray was referring in part in his comments to that ongoing work.

Senator O'BRIEN—On page 57 of the PBS, total funding for 2002-03 to boost rural vet services was set at \$300,000. What will that be spent on?

Mr Merrilees—That is the first year of what will be a five-year program to provide \$2 million towards addressing the outcomes of that rural veterinary review. In addition, it says on page 57 that AQIS will also be providing five bonded scholarships to vets to encourage vets into large animal practice.

Senator O'BRIEN—There are five scholarships at \$25,000 a year, aren't there?

Mr Merrilees—That is correct. It would be \$125,000. The precise measures of the remainder of the funds of that \$2 million package will be determined on the outcomes of the review which is due to be completed by October.

Senator O'BRIEN—So in each of those years there will be a \$25,000 scholarship for five vets?

Mr Merrilees—Five scholarships at \$25,000 each year, yes.

Senator O'BRIEN—Yes, and how long does this scholarship run?

Mr Merrilees—The precise details of the scholarship arrangements are still being developed by AQIS.

Senator O'BRIEN—How long is the vet course? It is five years, isn't it?

Mr Merrilees—It is a five-year course, that is correct.

Senator O'BRIEN—So if it were to run for the period of the course, it is \$125,000 per student?

Mr Merrilees—If it is offered for each student for five years. I think the precise details of that are still to be developed with AQIS, and the question will be whether it is offered to first year or to fifth year or immediate graduates to encourage them in to work in the quarantine service. Those details are still to be developed.

Senator O'BRIEN—When will they be developed?

Mr Merrilees—I think they are under active development by AQIS now.

Senator O'BRIEN—There is a cap on the funding of \$2 million?

Mr Merrilees—The initiative, yes, announced in the budget was \$2 million over five years.

Senator O'BRIEN—If they are fully funded, that is eight vets. That is \$125,000 a vet. Sorry, no, it is not eight vets; it is 16 vets.

Mr Wonder—AQIS has indicated that the details of the funding were still being sorted out, so we cannot indicate how many vets would be funded at this point, Senator.

CHAIR—It is time to adjourn, and I just have one question. Can you give the committee the selection criteria for those scholarships.

Mr Merrilees—The actual details of that scheme, Senator, are still being developed.

CHAIR—In terms of the selection criteria as well?

Mr Merrilees—Yes, that is part of the process.

CHAIR—When it is developed, can you table it to the committee, please.

Mr Merrilees—Certainly. I think it is probably better directed to AQIS, though, which is responsible for developing the details of that arrangement.

CHAIR—I just imagine there would be significant demand. I have had quite a number of inquiries myself from budding students, which is good. I thank you for being here with us today, Senator Troeth, Mr Wonder and the officers.

Committee adjourned at 11.01 p.m.