

Chapter 3

Agriculture, Fisheries and Forestry portfolio

Department of Agriculture, Fisheries and Forestry

3.1 The committee heard evidence from the department on Wednesday 24 May and Thursday 25 May 2006. The hearing was conducted in the following order:

- Management Services
- Corporate Policy
- Food and Agriculture
 - Wheat Export Authority
 - Grains Research and Development Corporation
- Australian Bureau of Agriculture and Resource Economics
- Bureau of Rural Sciences
- Biosecurity Australia
- International
- Product Integrity, Animal (including aquatic animal) and Plant Health
- Australian Quarantine Inspection Service
- Rural Policy and Innovation
- Fisheries and Forestry
- Natural Resource Management

Management Services

3.2 The session began with a member of the committee requesting the appearance of Ms Amelia Duck, Project Assistant, Performance Monitoring for the Wheat Export Authority (WEA). The minister responded by repeating a statement he had made at additional estimates in February, that public servants would not answer questions in relation to the Australian Wheat Board (AWB) or the Cole inquiry.

3.3 Ms Duck was contacted and asked to appear, however, the minister later informed the committee that Ms Duck no longer worked for the WEA but was employed by Australian Bureau of Agriculture and Resource Economics as a public servant, and would not be answering questions about AWB and the Iraq wheat payments.

3.4 The committee noted that at the previous estimates hearing, the management of the department had made a commitment to make every effort to meet the deadline for lodgement of written answers. The Secretary responded by indicating that the

department had put in a major effort to meet the deadline, and that a very large share of the answers were lodged with the secretariat by 28 April 2006. The Secretary told the committee that there were a number of questions which related to the Cole inquiry, which were more complex and took additional time for the department to work through. The Secretary also indicated that the department would continue to make an effort to adhere to deadlines as much as possible.

3.5 The committee further tried to ascertain whether the delay occurred in the department or in the minister's office, and the department undertook to provide this information on notice.¹

3.6 The committee sought information about a specific appropriation for an amount of \$10 million. The item was described under the heading 'other decisions yet to be announced' in the department's PBS. Departmental officers argued that these were 'contingency' funds and the minister (Senator the Hon Eric Abetz) put forward the view that it was appropriate for the purpose not to be spelt out in advance.² Following further questioning, the minister agreed to seek an answer as soon as possible from the relevant minister.³

3.7 The committee also heard evidence on the funding and plans for the department's relocation to new premises.⁴

Corporate Policy

3.8 The committee asked questions about the Commonwealth Ombudsman's inquiry into the Business Ethics Security and Investigations Unit's (BESIU) handling of the Hewett compensation claim process and the report's recommendations. The committee put forward the view that there was a link between the department's response to the Ombudsman's report and the way in which the Marnic claim is being handled.⁵

3.9 The committee was told that the department had accepted the recommendations of the Ombudsman in respect of the BESIU investigation into the Hewett case. However, departmental officers also indicated that the circumstances surrounding the BESIU investigation of the Hewett case and those of Marnic were quite different. The committee was told that the implementation of Compensation for Detriment caused by Defective Administration (CDDA) guidelines in 2001, means that the department operates under a different process and the BESIU are no longer used to investigate claims under the CDDA. Departmental officers subsequently

1 *Estimates Hansard*, 24 May 2006, p. 4

2 *Estimates Hansard*, 24 May 2006, pp. 4–8

3 *Estimates Hansard*, 24 May 2006, p. 8

4 *Estimates Hansard*, 24 May 2006, pp. 9–11

5 *Estimates Hansard*, 24 May 2006, p. 11

provided the committee with an update regarding the progress being made in the Marnic case.⁶

Food and Agriculture

3.10 The committee noted that there had been no funding from the Wheat Export Levy identified in the PBS for the coming financial year. The committee also noted that the current levy is struck on exported wheat at a rate of 22c per tonne, and that there had been an agreement reached last year between the Grains Council of Australia and the WEA to cut the rate to 19c. Following further discussion, departmental officers indicated that whilst the minister had initially agreed with the recommendation to cut the levy to 19c, this decision had since been reversed – as a consequence of the Cole inquiry.⁷

3.11 Other issues raised by the committee included:

- Funding for the HomeGrown campaign (*Estimates Hansard*, 24 May 2006, pp. 22–23).
- Progress in relation to the sugar levy and the sugar industry restructuring package (pp. 24–31).
- Country of origin labelling requirements for packaged products (pp. 31–33).
- Progress in relation to the horticulture code of practice (pp. 33–34).
- Australian Meat and Livestock Corporation Act – funding for research and marketing (p. 34).
- Wool levy and export charge (p. 35).
- Australian Wool Innovation (AWI)– funding (p. 35).
- Australian Wool Research and Promotion Organisation – pension liability (pp. 35–36).
- Importation of bottled water from China and rules governing labelling of food and drink imports (pp. 36–37).
- Statutory funding agreement for AWI (pp. 37–38).
- Summit meeting to address the wine grape glut (pp. 38–39).
- Proposal to institute a research and development levy for Australian turf production, and the legitimacy of the consequent ballot (pp. 39–40 and 109–112).
- Work undertaken to analyse current wheat export marketing arrangements (p. 109).

6 *Estimates Hansard*, 24 May 2006, pp. 13–21

7 *Estimates Hansard*, 24 May 2006, p. 23

- Progress of tender processes for Q fever vaccine suppliers (p. 112).

Wheat Export Authority

3.12 The committee began by asking a number of questions about the remuneration package provided for the WEA's Chief Executive Officer (CEO). Officers from the WEA did not answer the questions to the complete satisfaction of the committee because several elements that are normally included in remuneration packages (such as FBT, employer contributions to superannuation etc) appeared to be outside the quoted figure of \$260,000. Initially, Mr Besley offered to table the CEO's performance review to clarify for the committee how the bonuses were arrived at. However, Mr Besley later indicated that because of privacy considerations he would not be tabling that document.

3.13 The committee questioned WEA extensively on the organisation's understanding of what its monitoring role entails. There were several reminders issued by the Chair and the minister during questioning that officers were not to answer questions that impinged on the issues before the Cole Commission. The outcome of the questioning was an admission on the part of WEA officers that the agency would not continue in its present form after the Cole Commission had published its findings.

3.14 The committee also questioned officers from the WEA about the following:

- The process by which AWB determine that profits will accumulate to the shareholders and not to the pool on a third party sale (*Estimates Hansard*, 24 May 2006, pp. 44–45).
- The process by which AWB operate the pool, distribute profits from freight arrangements and determine that any demurrage is charged to the pool (pp. 45–46).
- The legislative delegation (and the role) of the WEA (pp. 46–47 and 56–61).
- Consultation with the Grains Council of Australia regarding the setting of the industry levy (p. 51).
- Whether the CEO of the WEA had knowledge of how contracts between AWB and the Iraqi Grains Board were constructed (pp. 51–53).
- The date WEA became aware of 'kickbacks' being provided as part of wheat contracts with Iraq (pp. 53–56 and 70).
- An internal report prepared by AWB regarding the wheat industry benchmark (provided on a confidential basis to WEA) (p. 61).
- The construction of previous reports the WEA has prepared in relation to its assessment of the wheat industry benchmark (pp. 61–62).
- Performance Measurement and Review (PMR) reports provided to the minister by WEA (pp. 62–63).
- Discussions between WEA and AWB (International) (p. 63).

- AWB's and AWB(I)'s provision of information and documentation to WEA (pp. 65–67, 69–70 and 76–77).
- Details of a file note attached to the PMR report provided to the minister's office on 15 October 2004 (pp. 67–68).
- Changes to WEA's procedures to ensure that information provided by AWB(I) (and passed on to growers) is accurate (pp. 70–71).
- WEA's response to criticisms, advice and observations made by shareholders (p.71).
- WEA's knowledge of, and access to, a United States Defence Contract Audit Agency report (pp. 71–73).
- Whether there was a specific brief or report made available to the WEA board on the outcomes of a review of the AWB(I) contracts (the review took place at a meeting in Melbourne) (pp. 73–74).
- Whether the Chair and the CEO of the WEA have recently read, and are familiar with, the contents of the minutes of WEA board meetings for 2004 (pp. 74–76).
- Status and independence of AWB Limited and AWB(I) meetings (p. 76).
- Details of travel undertaken by WEA officers (p. 77).
- Details of staff turnover – WEA (p. 78).

Grains Research and Development Corporation

3.15 The committee called the Grains Research and Development Corporation (GRDC) for the first time, and asked about the source and expenditure of GRDC's funding. GRDC explained that it takes a levy from grain growers, which is matched by the government. GRDC's funds are spent on researching farming practices, new products, capacity building and communication. The majority (60 per cent) of their funds are invested in research on new varieties, basically, pre-breeding, breeding and variety testing.⁸

3.16 Senators expressed some concern that as wheat programs are slowly changing from public to private enterprises, the grower levy charged by GRDC is funding private enterprise research for the development of seed that growers then have to purchase. GRDC's CEO conceded that 'double-dipping' is a significant concern for many growers, who are upset that they are paying a levy for research and development, and then paying royalties for the resultant seed variety. However, he pointed out that although wheat breeding programs are becoming privatised, GRDC cannot at this stage stop charging the levy as its funds for breeding would dry up. He further explained that GRDC is gradually trying to move out of breeding and into pre-

8 *Estimates Hansard*, 24 May 2006, p. 79

breeding, where the corporation believe there is potential for genetic gain. It is expecting the transition to be complete in the next three years.⁹

3.17 The committee showed considerable interest in Single Vision Grains Australia (SVGA), and its relationship with GRDC. GRDC told the committee that SVGA is a two-year interim arrangement, with the aim of implementing changes in industry consistent with the Single Vision document. At the end of this two year period, SVGA must consult with industry to determine if any work remains to be done, and if so, the structure of and funding for, any organisation that is to be put in place. Consequently, SVGA does not have a corporate structure; it has instead an interim board, whose members have individual contracts with GRDC.¹⁰

3.18 The committee asked about the funding arrangements for SVGA, and were informed that GRDC has committed to pay up to \$1 million per year for the two years, under strict reporting arrangements, which effectively means that GRDC pays SVGA's bills.¹¹

3.19 The committee noted that an incorporated entity, by the name of Single Vision Grains Australia Ltd exists in parallel to the unincorporated SVGA, and that in fact the two entities have the same Executive Director. The committee was told that upon the creation of the interim unincorporated body by GRDC, the interim board had come to an arrangement with the Grains Council of Australia (GCA) to use the name of their registered company, Single Vision Grains Australia Ltd. However, the Chair of GRDC assured the committee that GRDC is not funding an incorporated entity by the name of Single Vision Grains Australia Ltd.¹²

3.20 The committee later established that the GCA sold the incorporated body Single Vision Grains Australia Ltd in January 2006 for \$14,000. Senators expressed concern that this \$14,000 for the purchase of an incorporated entity may have been billed to the GRDC, under its funding arrangements with SVGA. GRDC undertook to provide the committee with further information regarding this issue on notice. The committee voiced significant unease about the arrangements that were in place.¹³

3.21 The committee also expressed concern about a study undertaken by SVGA into wheat export marketing arrangements and alternatives to the Wheat Export Authority, questioning the appropriateness of one statutory authority funding an inquiry into the adequacy of another statutory authority. The department responded that SVGA is independent, and consequently their decision to analyse marketing

9 *Estimates Hansard*, 24 May 2006, p. 80

10 *Estimates Hansard*, 24 May 2006, p. 85–86

11 *Estimates Hansard*, 24 May 2006, p. 86, see also pp. 91–92 and 100–103

12 *Estimates Hansard*, 24 May 2006, pp. 87–88 and 90

13 *Estimates Hansard*, 24 May 2006, pp. 101 and 104–105

arrangements was their own, and that the GRDC has simply provided the funding for a project, nothing more.¹⁴

3.22 The committee also pursued the following matters:

- Wheat breeding programs (*Estimates Hansard*, 24 May 2006, p. 79).
- The impact of plant breeder's right (PBR) on grain grower's viability (p. 80–81).
- GRDC's staffing levels (p. 82).
- Expenditure on travel and travel guidelines (p. 83).
- Expenditure on corporate hospitality (pp. 83–84).
- Contracting of the GCA (pp. 84–85).
- The board of SVGA (pp. 87, 90–91 and 102).
- Possible economic analysis of the fertiliser market (pp. 88–89).
- The impact of issues of oil supply and increasing oil prices on agriculture and grain production. Particularly the potential use of biofuels as an alternative (pp. 107–109).

Australian Bureau of Agriculture and Resource Economics

3.23 The committee pursued the following issues with officers from the Australian Bureau of Agriculture and Resource Economics:

- Coal-to-liquid technology and possibilities for modelling the impact of the technology on prices across various sectors and on agriculture in general (*Estimates Hansard*, 24 May 2006, pp. 92–94).
- The outlook for a series of commodity groups, including minerals (pp. 94–96).
- Alternatives in nuclear energy, particularly thorium and uranium (pp. 96–97).
- Possibilities for, and implications of, manufacturing biofuels (pp. 97–98).
- Prices for plastic bags (pp. 98–99).
- Research undertaken on renewable energies (pp. 99–100).

Bureau of Rural Sciences

3.24 The committee held a brief discussion with officers of the Bureau of Rural Sciences on the following matters:

- Research on biofuels (*Estimates Hansard*, 24 May 2006, pp. 113–114).

¹⁴ *Estimates Hansard*, 24 May 2006, pp. 105–106

- Funding for, and progress of, the Centre of Excellence for Biosecurity Risk Analysis and Research (pp. 114–115).
- Progress on the national agricultural monitoring system (pp. 115–116).
- Progress on the Water 2010 project (pp. 116–117).
- Work underway in fisheries and forestry (p. 118).

Biosecurity Australia

3.25 The committee sought updates on the progress of Import Risk Analyses (IRA) for the following products:

- Uncooked chicken meat (*Estimates Hansard*, 25 May 2006, pp. 5–7).
- Bananas (pp. 7–8).
- Apples (pp. 8–10).
- Prawns (p. 15).

3.26 The committee also asked about the progress of policy reviews on the importation of:

- Mangoes (*Estimates Hansard*, 25 May 2006, pp. 10–11).
- Brazilian beef (pp. 11–12).
- Taro (p. 12).

3.27 The committee asked about the impact on Australian growers, of Taiwan's decision to only accept fruit from the fruit fly free regions of Tasmania and the Riverland in South Australia. Senators also requested an update on the progress of attempts to put a new export protocol in place between the two countries. The department informed the committee that two draft protocols had been sent to Taiwan, and these were closely followed by a delegation to the country earlier this year. As a result of the visit, Biosecurity have determined Taiwan's requirements, and have subsequently undertaken research in order to provide Taiwan with the information they have requested.¹⁵

3.28 Other issues raised by the committee included:

- Biosecurity's internal budget and staffing levels (*Estimates Hansard*, 25 May 2006, pp.3–5).
- Whether regional freedom issues are adequately covered by existing consultation processes with states (pp. 15–16).

15 *Estimates Hansard*, 25 May 2006, pp. 12–15

International

3.29 The committee had a brief discussion with officers from the International division about the following:

- Possible implications of a Free Trade Agreement with China for the agriculture industry (*Estimates Hansard*, 25 May 2006, p. 16).
- The consultative process with industry regarding the Free Trade Agreement (pp. 16–19).
- Funding for the technical agricultural cooperation program with China (pp. 19–20).

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

3.30 The committee pursued information arising out of the *Exercise Eleusis '05 evaluation report key findings* and whether various recommendations have been implemented.¹⁶

3.31 The department briefed the committee on the monitoring of avian influenza and surveillance work undertaken by the division. The division is working closely with both Indonesia and Papua New Guinea, assisting them to build their capacity to identify, communicate and manage risks, and to effectively manage and deploy their resources.¹⁷

3.32 The department is also undertaking significant public awareness programs and is cooperating with Indigenous communities in northern Australia's coastal areas to help ensure early identification of any changes in bird health.¹⁸

3.33 The committee also sought an update on the progress of the national livestock identification scheme (NLIS).¹⁹

Australian Quarantine and Inspection Service

3.34 The committee pursued the issue of import permit applications. The following matters were raised:

- The review of processes for assessing applications. This has led to a documentation of the processes that need to be followed when assessing an application (*Estimates Hansard*, 25 May 2006, pp. 29–30).
- The consultation process between the Australian Quarantine and Inspection Service (AQIS) and Biosecurity Australia (pp. 30–31).

16 *Estimates Hansard*, 25 May 2006, pp. 21–22 and 25–28

17 *Estimates Hansard*, 25 May 2006, pp. 22–23

18 *Estimates Hansard*, 25 May 2006, pp. 23–25 and 27

19 *Estimates Hansard*, 25 May 2006, p. 21

- The review of permits issued before April 2004, which were "out of the ordinary" and did not have existing IRA's or fixed conditions (pp. 31–36).
- The Marnic Worldwide case and the review process (pp. 29–36).
- Legal advice sought by AQIS in relation to the administration of permit applications (p. 37).

3.35 The committee also asked about the inspection regime for shipments of taro.²⁰

Rural Policy and Innovation

3.36 The committee held a brief discussion with the officers of Rural Policy and Innovation about:

- Restructuring packages for the egg industry (*Estimates Hansard*, 25 May 2006, p. 40).
- Funding for the Farm Help program (pp. 40–42).
- The minister's assessment of Dairy Australia' compliance, and tabling of the annual report and compliance report (pp. 42–44).
- Exceptional circumstances applications and declarations (p. 44).

Fisheries and Forestry

3.37 The committee showed considerable interest in measures being taken to manage illegal fishing in Australian waters. Senators sought information on:

- The numbers of illegal fishing vessels apprehended, detained or subject to confiscation and associated costs (*Estimates Hansard*, 25 May 2006, pp. 52–53 and 61–62).
- The proposed use of helicopters to aid rapid apprehension of illegal fishers (pp. 53–54).
- Provision of transitional accommodation for illegal fishers on Horn Island (pp. 55–56).
- Use of the existing AQIS program of Indigenous engagement to also help monitor any illegal fishing activity (p. 57–58).
- Status of the joint Western Australia-Northern Territory strategy on illegal fishing (pp. 59–60).
- Funding for Southern Ocean armed patrols, including the *Oceanic Viking* (pp. 62–63).
- Trade certification processes which require documentation for products (p. 69).

20 *Estimates Hansard*, 25 May 2006, pp. 38–39

3.38 The committee requested an update on the fisheries structural adjustment package, and raised the following issues:

- Proposed expenditure for this financial year and the tender process to allocate funds (*Estimates Hansard*, 25 May 2006, p. 63).
- Exit grants for fishers affected by the announcement of marine protected areas (pp. 64–65).
- Various other grants associated with the package (pp. 64–65).

3.39 The committee asked a series of questions on the regulation of deep sea trawling. The department indicated that Australia believes a focus on improving governance of the world's oceans will be much more effective than a moratorium on deep sea trawling, which will only serve to penalise responsible nations.²¹ The department also outlined Australia's work with a number of other countries to develop a regional fisheries management arrangement for the south-west Pacific Ocean.²²

3.40 The committee also heard evidence about:

- The internal budget of the division, especially funding for vessel destruction (*Estimates Hansard*, 25 May 2006, pp. 45–49).
- Funding for the Recreational Fishing Community Grants program and progress on the assessment of applications (pp. 50).
- Funding for, and management of, the Commission for the Conservation of Southern Bluefin Tuna's research program (p. 51).
- The impact of illegal fishing on the sustainability of various Australian fisheries, and the consequences of this for Australian fishers (pp. 60–61).
- Progress on a bilateral fisheries forum with Indonesia and on a joint study into illegal fishing in our region (p. 66).
- Progress on the evaluation of the Eden adjustment package (p. 66).
- Studies of species threatened by illegal fishing (pp. 68–69).
- Sharing of striped marlin, tuna and billfish stocks (pp. 73–74).
- The difficulties in monitoring fish stocks (p. 75).

Natural Resource Management

3.41 The committee sought an update on the Living Murray initiative, and heard evidence on the following matters:

- Funding for the initiative (*Estimates Hansard*, 25 May 2006, pp. 76–77).
- The four Living Murray projects (p. 77).

21 *Estimates Hansard*, 25 May 2006, pp. 70–72

22 *Estimates Hansard*, 25 May 2006, pp. 72–73

- An assessment of the first three years of the initiative (pp. 78–79).

3.42 The committee also requested an update on the National Action Plan for Salinity and Water Quality. Funding for the program was discussed, and senators showed a particular interest in evaluations conducted on the 21 priority regions.²³

3.43 Other matters pursued by the committee included:

- Natural Resource Management's internal budget (*Estimates Hansard*, 25 May 2006, pp. 75–76).
- Funding for the Murray–Darling Basin Commission (pp. 77–78) *and*
- Strategic reserve funding (p. 84).

23 *Estimates Hansard*, 25 May 2006, pp. 79–84