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JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

Reference: Review of Australia's quarantine function

MONDAY, 5 AUGUST 2002

SYDNEY

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JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

Monday, 5 August 2002

Members: Mr Charles *(Chairman)*, Ms Plibersek *(Vice-Chair)*, Senators Colbeck, Hogg, Moore, Murray, Scullion and Watson and Mr Ciobo, Mr John Cobb, Mr Georgiou, Ms Grierson, Mr Griffin, Ms King, Mr King and Mr Somlyay

Senators and members in attendance: Senators Colbeck, Scullion and Watson and Mr Charles, Mr John Cobb, Mr Griffin and Ms Plibersek

Terms of reference for the inquiry:

To inquire into and report on:

- the coordination of AQIS with other border control agencies;
- the identification of potential risks to Australia and the application of resources to meet those risks;
- the impact of international agreements on quarantine activities, including any proposed free trade negotiations;
- the operations of AQIS that are beyond Australia's borders;
- AQIS border operations;
- monitoring and surveillance within Australia for breaches of the quarantine barrier;
- the development of import risk analyses;
- opportunities to increase public awareness of, and involvement in quarantine issues; and

any other issues raised by Audit Report 47, 2000-01, *Managing for Quarantine Effectiveness*.

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Committee met at 10.02 a.m.

BEAVER, Mr Antony James, Member, Industry Working Group on Quarantine

MORRIS, Mr Stephen John, Member, Industry Working Group on Quarantine

CHAIRMAN—The Joint Committee of Public Accounts and Audit will now resume taking evidence, as provided for in the Public Accounts and Audit Committee Act 1951, for its review of Australia's quarantine function. I welcome everyone this morning to the committee's third public hearing. Today we will hear evidence from the Industry Working Group on Quarantine which represents the majority of industry stakeholders. The committee will also receive evidence from the Australian Chicken Meat Federation, Diageo Australia Ltd and the Australian Veterinary Association. After the hearing, the committee will view, first-hand, quarantine operations in Sydney. A large number of international tourists arrive at Sydney airport each year. The air and sea ports are major gateways for the entry of cargo into Australia. The gateways therefore present the first line with regard to quarantine.

The committee will also inspect Australian Quarantine and Inspection Service operations at Australia Post's Clyde Mail Exchange, where all international mail arriving in Sydney is inspected. In early September the committee will move to Melbourne for another public hearing before a final hearing in Canberra in the middle of that month.

Welcome, Mr Beaver and Mr Morris. Thank you for your submission. Do you wish to make a brief opening statement? You know my preference is for 'brief'.

Mr Morris—We would just go with our submission and make the comment that we will be concentrating any comments on the impact on cargo issues rather than on those relating to passengers or other areas that are not part of our responsibility or charter.

CHAIRMAN—In your submission you say:

The IWGQ membership represents the majority of industry sectors that pays for the fully cost recovered Cargo Management Programs of AQIS to the tune of $65.5mil per annum currently, up from $45.4 mil in the last financial year.

Do you make that statement simply as a matter of fact, or have you some reservations about either the quantum or the fact that you fund those operations?

Mr Morris—It is a matter of fact that, based upon the government's increased quarantine intervention, there is an increase in cost and, while it might be a statement from government that it is funding these, all of these activities are fully cost recovered from industry. That is a statement of fact: the increase in funds or the increase in cost is a fact.

CHAIRMAN—Are you making a statement of complaint?

Mr Morris—No, we are making a statement that it is fully funded by industry.

CHAIRMAN—Do you have any question about the costing mechanisms of AQIS?

Mr Morris—The question in relation to the costing mechanisms of AQIS is not a complaint; we have relationships with AQIS. In the last week we have been working with them in looking at costing structures going forward. The issue is all about the post-implementation review of activities and ensuring that there are cost-effective benefits coming out of any increase in costs.

CHAIRMAN—In your submission you say:

The IWGQ generally supports closer co-operation between two main border agencies (customs and quarantine).

In saying that, are you telling us that there are some deficiencies in that relationship that need to be addressed?

Mr Morris—In any relationship there are always grounds for improvement, but I did note in the *Hansard* the statement by the Australian Customs Service representative and in the supporting statements by the executive director of AQIS that there is close cooperation and close coordination and that there are priority issues that have been determined. We did a commentary to the Sturgess report. We do see that there are different philosophical issues between the border agencies—between the Australian Customs Service and AQIS—and that while the Australian Customs Service may seek border interdiction issues and deterrence types of arrangements, AQIS has a completely different philosophy in its compliance regime. There are always areas for improvement, but we see that the relationship between the two agencies is working well.

CHAIRMAN—If you were to set out today to design a system of quarantine, a system of border protection, a system of environmental management outside our borders and a legal system outside our borders for people movement issues across our borders, do you think you would design what we have?

Mr Morris—No. But do I think I could do better design work from a greenfield site? I am not sure. The philosophies between the departments at the barrier—that is, Immigration, Quarantine and Customs—revolve around different wants and needs and different outcomes. Do I think a single border agency would be the preferred option? No, I do not think so, because of the differences in the way they operate and the differences in the philosophies they try to put forward in the community and where they sit. I think a single border agency that would still have the outcomes that we have today with the single agencies would be an extremely difficult organisation to build.

CHAIRMAN—That is helpful. Would you have a view about whether the competition between agencies that exists in the current model is healthy or unhealthy? How would you expect that competition to be different if we were to have a single border agency with those competing priorities within it?

Mr Morris—I think all regulatory agencies have different agendas. I find that difficult to answer in terms of the competitive positions in seeking government resources to carry out certain functions, but AQIS's functionality goes from pre border to border to post border. In the main, we seek to keep a quarantine risk offshore if we can or to mitigate that; some of what has been done by others is not in the same vein. For example, if we look at what Quarantine are trying to cover in terms of their requirements, we see that they look at the carriage of goods into

this country and at the vessel per se. Where the Australian Customs Service would go on board and say that the cargo has been reported, Quarantine would look at the garbage disposal and at the ballast water management for that vessel—issues that Customs are not interested in. Then they move on to the process of the goods being brought into the country. They not only worry about the goods but also look at the receptacle which carries the goods in terms of cleanliness; the Australian Customs Service are not interested in that. Quarantine then look at the packaging of the goods—the dunnage and the timber that may be used to sure up the packaging within the container itself—and that is an issue that Customs are not interested in.

There are philosophical differences between the two in terms of what they are trying to achieve so, yes, there will be competing interests. The Australian Customs Service, I think, would see themselves as a law enforcement agency. While Quarantine are enforcing the law, I do not see that they would sit as a law enforcement agency at the border in a mould similar to the ACS.

Mr Beaver—I think what Mr Morris has said is spot-on. There are different skill sets required for each part. Indeed, with food there are the additional areas of the Import Food Control Act, knowledge of the Food Standards Code and public health and safety aspects which are not concerns of Customs and which are required of the AQIS function.

Senator WATSON—What worries me in your submission is that you appear to be so cooperative and facilitative. You do have a law enforcement role, and that is not really coming through. You can cooperate and facilitate so much but, at the same time, there has to be a demand for strong enforcement in that role. Could you reassure the committee of that? People will tend to take advantage of that if we are not careful.

Mr Morris—In any organisation there is always the risk assessment concept—and, yes, we are looking to facilitate cargo movement.

Senator WATSON—This comes through very clearly in your submission but, at the same time, there is a policeman's role as well.

Mr Morris—From our point of view, in terms of the coregulatory arrangements that are in place and of what we perceive as working, there are checks and balances to ensure that there is appropriate risk assessment and appropriate quarantine intervention where required. We do not see that Quarantine have abandoned their role in this activity. What we are achieving is low risk, low level quarantine intervention or industry intervention in these quarantine activities. Quarantine have not and will not give up their ability to control the destiny of goods coming into this country.

CHAIRMAN—In mid-July, Pascal Lamy, the European Commissioner for Trade, said some fairly controversial things. He said he believed that Australia used quarantine rules and procedures as a form of non-tariff barrier. He went on to say:

> We clearly have concerns that the quarantine measures are not proportionate with the sort of risk you have to cover and don't have a significant scientific base.

How would you respond to Mr Lamy if he were in front of you making that statement?

Mr Morris—In relation to our area of interest and to the area that we have a speciality in, I would think he would be looking at issues relating to Biosecurity Australia and to the importation of certain commodities which the Australian government—through scientific assessment or otherwise—has determined will or will not come into this country. Our position on that is that that is not our area of responsibility in terms of where we are in looking at the quarantine rules and issues relating to the importation of cargo. Quarantine are facilitating the process of movement of goods into the country with appropriate risk assessment.

Ms PLIBERSEK—In your submission you make the comment:

> The current arrangements where a number of State and Territory agencies are contracted to provide AQIS services should be reviewed with a view to all export and quarantine services being carried out directly by AQIS as one Commonwealth Agency.

Do you want to expand on that view?

Mr Morris—The area of concern for us is Western Australia, where the activities are carried out by the department of primary industry on contract to AQIS. We have some difficulties with the interstate movement of containers between, say, Melbourne and Western Australia, where there is a requirement for those containers to be washed when it is an interstate movement. While that activity may be a primary industry function—trying to ensure the maintenance of standards within Western Australia—it still falls within the activities of quarantine, but not in relation to the importation of goods. The issue therefore is that Western Australia should be paying for that activity to be undertaken, rather than payment coming out of federal quarantine funds. In Tasmania the issue has been referenced in the past with Australia Post about their movement, but I would put most of my comments in relation to what happens in Western Australia. It is difficult for people to understand why they must pay $295 for a container to be washed when it has been moved between Melbourne and Fremantle.

Ms PLIBERSEK—In your submission you also talk about the skills needed by AQIS officers to fulfil their roles. From your industry perspective, do those AQIS staff have the necessary skills and is the level of skills they have at the moment going to be sustainable and adequate in the future?

Mr Beaver—As a general rule I think they do have the skills. AQIS has employed a lot of new inspectors as a result of the increased quarantine intervention and that has led to fairly significant training, which is taking place at the moment and is ongoing. In the area of quarantine there is always new knowledge—different assessments can be made and more information becomes available—and the training has to keep pace with that. As long as the training is ongoing and does not stop, I think there is every indication so far that it will.

Ms PLIBERSEK—Do you have anecdotal experience of the increased scrutiny that has occurred since various outbreaks of particularly nasty diseases overseas? Do your members feel that scrutiny has become tighter?

Mr Beaver—Yes, absolutely—there is no doubt. Senator Watson talked earlier about whether it is too facilitative. Our submission comes from industry's side. I think industry has followed closely Professor Nairn's report—that is, the shared responsibility—and this is our contribution to ensuring that Australia maintains its relatively pest-free status. This is what industry does, but

I can assure you that that does not mean that AQIS just opens the door and lets things in. There is no doubt that things have been much tighter. I know that the food importers I speak to have many more questions asked of them about particular commodities and the sources they come from.

Mr Morris—Industry would like to see post-implementation reviews of increased quarantine intervention to determine whether the intervention is revealing the results that were expected, and we would like to see some risk assessment being determined. In relation to what occurred as a result of the FMD outbreak we are now some 12 months into that process. Within the next six months we should be able to achieve with AQIS some post-implementation reviews to determine the effectiveness of that increased intervention. It is a significant impost on industry and they will be looking for cost-effectiveness in relation to the costs that are being paid for that increased quarantine intervention.

To come back to the education issue, in terms of some of the issues around Senator Watson's point of view: the increased facilitation process is not just based upon people in the industry achieving a level and that being it. In the coregulatory arrangements, when they have achieved a level or standard that is acceptable to Quarantine, they have to come back every two years to be reassessed to determine whether their accreditation should be renewed. That in itself, in terms of dealing with government, would be one of the few times when there is an ongoing assessment as to the ability of people to meet Quarantine's intervention levels and their risk assessment. It does not fall within many other regulatory arrangements where people are continually tested every two years.

Senator SCULLION—You spoke in your submission about dealing with some of the quarantine risks offshore. I am interested in your views about who should actually do that. We have a fair bit of intelligence and validated information that, for example, despite the methylbromiding of timber and those sorts of things, we actually end up with non-endemic insects arriving in this country. It is obvious that the treatment was not correctly conducted and was not correctly audited. In view of that, who does industry think would provide a minimum auditing standard? Would it be an independent SGS, for example, or AQIS personnel conducting operations offshore or would you accept the equivalent of our department of primary industries in whichever country? What would be your views?

Mr Morris—I suppose in real terms that would be an assessment that AQIS would have to make, because they are the final arbiter as to whether they will accept that and whether they would have a confidence level in whoever—whether it was an SGS—

Senator SCULLION—But they would no doubt look towards the industry working group for advice on that matter.

Mr Morris—Our advice would be: is it appropriate for them to give that sign-off to a third party? If they had that confidence level, we would say, 'Go with them.' We do try to mitigate some of the risks offshore. Fumigation is one which is constantly monitored as to whether or not people maintain the standard. I would probably suggest that it is still for AQIS to determine who should give that type of recommendation. Industry would certainly support whatever position AQIS would like to adopt on that. Tony might like to comment.

Mr Beaver—I think it would depend very much on the particular risk that you are looking at. I think it is an AQIS decision whether they are satisfied with the outcome achieved overseas.

Senator SCULLION—In regard to ballast water—and I note that you have mentioned it in your submission and have had comments to make in regard to it—I have had it put to me that the voluntary ballast water system has not changed a thing. We have managed to talk about it for the last decade, and we have had lots of meetings and lots of groups but nothing has happened. Some 105 million cubes of water—or whatever it is—are put into this country's waterways every years. In effect, we are still building ships that do not have any circulating systems and we have not met any of the recommendations that have been made by the steering committees. Nothing has been done. As an industry working group, what do you say to that? Do you think that is a reasonable assessment of the situation?

Mr Morris—It is a pretty hard call. While the ballast water program is held up as one of the models, I could not honestly make a comment one way or the other with any background on that particular issue, so I would probably defer that.

Senator SCULLION—Do you mind taking that question on notice?

Mr Morris—Yes, I will.

Senator SCULLION—On the same area, in the industry working group what levels of discussion do you have? It has been put to us in evidence by the Environmental Protection Agency in Queensland that 100 per cent of the biofouling that comes in on the hulls of vessels is in fact undetected, because the quarantine barrier appears to end at the waterline. What levels of discussion has your industry group had in regard to that concern?

Mr Morris—I have not been involved in any such discussions so I would probably have to take that one on notice also.

Senator SCULLION—Indeed. Thank you.

Senator COLBECK—You mentioned in your submission that continued attention should be given to communication of Australia's import protocols and compliance obligations to overseas exporters and cargo management utilities. Could you give us an idea of how you perceive the level of knowledge of those requirements overseas from our major trading partners and others and what your perception of the compliance levels might be?

Mr Morris—In relation to FCL container fumigation and those types of activities, it is from service provider to service provider overseas where the information has to be provided. It is probably better coming from an industry point of view rather than a regulator's point of view to get that information into the marketplace. We have, through the Industry Working Group on Quarantine, prepared a CD-ROM from a cargo logistics point that we provide to our members, which they provide to their service providers overseas. In forums such as the World Customs Organisation, we have made presentations and submissions. So the industry is quite active on this process, but we have, over and above what the regulatory agency has, the contacts with the parties who are responsible for those overseas arrangements in terms of fumigation or whatever the case may be. Could it be done better? Yes, it could, in terms of the resources that we need,

but I think we are working extremely well in getting that information to third party providers overseas.

Senator COLBECK—So would you say that the levels of compliance are reasonable?

Mr Morris—I do not think statistics would show that they are unreasonable, but I would refer to AQIS the question whether the levels of compliance are reasonable. On the issues where we have coregulatory arrangements there has been nothing in the discussions between the parties that show that there has been a diminution of compliance or that the compliance level is unacceptable.

Senator COLBECK—You mentioned earlier current arrangements with respect to states and territories and you made particular mention of Western Australia. In their submission, the Tasmanian government mentioned that regional circumstances should be taken into account when quarantine measures are determined. What is your view on that?

Mr Morris—That is a policy issue that would be outside the scope of the Industry Working Group on Quarantine.

Senator COLBECK—It still would have practical implications for the group and for industry, wouldn't it?

Mr Morris—It certainly would, bearing in mind the context that goods that come into circulation within Australia can come through a variety of ports. While I make the comment about quarantine issues with containers on vessels between Melbourne and the port of Fremantle, if those containers are sent by rail or by road, there is no quarantine intervention when they come into the state of Western Australia. So when it comes to free circulation within this country, a decision has to be made as to whether there are going to be further interstate biases or requirements, and that would be a federal and state government decision.

Senator COLBECK—So you would suggest that any additional protocols should be known and applied at the original point of entry, if they were to be applied at all?

Mr Morris—That would be more cost-effective than moving products around and then having to apply another protocol when they arrive at the stated destination.

Senator WATSON—A number of questions from our colleague Senator Scullion were taken on notice. Regarding the same theme, you say we are world leaders in the development and management of protocols for the handling of ballast water. Can Australia really act alone on ballast water discharge? For example, can we require ballast water to go into special discharge tanks for treatment? Is that practical?

Mr Beaver—I do not know much about the ballast water issue and that is why we have said that we would take it on notice. We are more than happy to take any ballast water issue on notice and come back to the committee, but I would tend to be guessing in answering a question like that.

Senator WATSON—I know we have to have international protocols, but, as Senator Scullion said, because they are so slow, can Australia do something by itself to mitigate the problem of the spread of marine diseases and pests?

Mr Morris—In relation to those activities, we are not alone in terms of those types of incursions: Canada and the United States suffer them. If you have a best-practice option and other countries see that it works in a cost-effective manner and meets their agendas, I can see no reason why that best practice may not be taken up—someone has to start the position somewhere. But in real terms, the Australian government, through its quarantine intervention has said, 'For all vessels coming into our country to operate, these are the requirements.' I do not think that is a barrier to trade; it is just about—

Senator WATSON—Would it be cost-prohibitive to require ballast water to go into special tanks on land?

Mr Morris—It would be quite expensive. Where that water will go, how it will be treated and where it will be put back would have to be considered in terms of any activity.

Senator WATSON—We might take that up with another agency. Can you assure the committee that in the free trade negotiations that have been happening insofar as Australia is concerned—and we are certainly world leaders—there is no possibility of a trade-off of quarantine protection for freer trade? Are you aware whether that issue has ever been raised?

Mr Morris—It has certainly not been raised in the Industry Working Group on Quarantine that I have been involved in or in our activities with Quarantine.

Senator WATSON—Can you assure the committee of that from your perspective?

Mr Morris—Yes.

Mr Beaver—From my perspective it is the same. It is not an issue that really gets raised.

CHAIRMAN—Following up on that, by any stretch of the imagination do you imagine that it will not become an issue when we deal with Thailand and the Yanks, which we are now in the process of doing?

Mr Beaver—They are issues now with Quarantine, and I presume they will continue. They are issues that are now raised on the import risk analysis, and I imagine that those discussions will continue through any other normal trade—

CHAIRMAN—Do you think that they will ramp up?

Mr Beaver—It may well be the case that they will.

CHAIRMAN—Both potential free trade agreements would represent huge breakthroughs for Australian industry—for the people you represent, as well as the manufacturers and the suppliers of services.

Mr Morris—In relation to our area of interest and our area of dealing with Quarantine, it is about a process of looking at mitigating risk. We do not want to get into the argument about biosecurity and products on markets. We are talking about FMD risks that can be mitigated based upon certain activities being freed up from Quarantine, about low risk issues that can be handled by industry to allow Quarantine to undertake the areas that it sees as being more appropriate and about better risk assessment. I do not want to get into the fire blight on apples, the pork meat and the salmon cases because they are not areas that we have any expertise in.

CHAIRMAN—Senator Scullion asked you a question about ballast water, which you took on notice, and in answer to another question you talked about additional protocols after port of entry. In particular, you talked about containers in Western Australia. I am going to ask you to take on notice another question about ballast water. I do not know why you do not know the answers to these questions since you mentioned the issue in your submission. It is my understanding that there are current protocols that deal with ballast water at port of entry and when vessels are in transit—that is, outside the 200-mile limit, or whatever. It is our understanding that, once you clear port of entry, vessels can then jurisdiction hop or port hop as many times as they like, and nobody checks to see whether or not anything happens to the ballast water in between the various cities or ports. Is that your understanding?

Mr Morris—Yes, it is. But I will defer my answer to make sure that that comment is correct.

CHAIRMAN—If that is the case, do you think that represents state-of-the-art, state-of-industry or world's best practice?

Mr Morris—As long as it met the protocols that were originally set up and it was cleared at the first port of arrival.

CHAIRMAN—Do you think that perhaps we should have a look at those protocols?

Mr Morris—I see no reason why we should not revisit them.

CHAIRMAN—You talked about foot-and-mouth disease, Mr Morris, and you said that there is going to be a review—

Mr Morris—Industry would seek that there would be a review.

CHAIRMAN—Fair enough: industry would seek that there would be a review. Is industry aware of any findings by AQIS that indicate that the protocols that we have put in place detected possible incursions and prevented those incursions from happening as a result of the extra expenditure of funds?

Mr Morris—We have been waiting for the statistical assessment to arrive. It would be very difficult, after a very short period of time of having this increased intervention in place, to determine objectively whether we are meeting those. Therefore, we would need at least 12 to 18 months to really give the statistical assessment—

CHAIRMAN—I think you misunderstood me. I did not ask for a statistical analysis; I am talking about anecdotal evidence. Surely you have heard stories. If anything positive has happened, you ought to know about it.

Mr Morris—From the increased intervention? At this stage, we are not aware that Quarantine has noted significant incursions.

CHAIRMAN—When you were talking about the Western Australian container issue, you also mentioned something about Tasmania and mail.

Mr Morris—I just noted that out of *Hansard*, when Australia Post people were here talking about transferring mail between what may have been cleared through an international mail centre in, say, Sydney and the post then having moved on. The Australia Post people were asked whether that was a restriction on trade in terms of free interstate movement of goods; they raised the issue and referred to it. I raise it in terms of quarantine intervention in Western Australia. On 16 July, Mr Grosser from Australia Post gave evidence to the committee. On page 47, it is stated that:

Quarantine at a state level does attempt to prevent the movement of plants or diseases associated with them.

The Chairman then asked whether we have free trade between the states. I just asked the same question in relation to containers that are on a domestic trip between Melbourne and Fremantle.

CHAIRMAN—Now it all becomes clearer. In your submission, you said:

The current arrangements where a number of State and Territory agencies are contracted to provide AQIS services—

and we can have a debate about whether it is pronounced 'AQIS' or 'AQIS' but I notice that there is no unanimity of view amongst the community—

should be reviewed with a view to all export and quarantine services being carried out directly by AQIS as one Commonwealth Agency.

What is the matter with contracting out? Should we go back to the government providing all the services that are required in Australia? Is that what you are proposing?

Mr Morris—No. I think AQIS went from being an agency that was contracted out to taking up the role as a single agency in terms of AQIS being a Commonwealth department, except in some areas—particularly in Western Australia—where it is subcontracted out.

CHAIRMAN—Are you saying that needs to be reviewed?

Mr Morris—That is correct.

CHAIRMAN—What are you telling us—that Western Australia, as an agency, does not meet your sort of standards or it gives you a rough time?

Mr Morris—No, it certainly meets the standards, but there are some issues that are being carried out on behalf of a state that fall within a federally funded activity which would—

CHAIRMAN—Are we back on to containers again?

Mr Morris—Correct.

CHAIRMAN—Okay. Does anyone else have a question?

Senator SCULLION—I would like to briefly touch on single border agencies. It was put to us in an earlier submission that there is some merit in stripping the enforcement sections from the first line of border control—principally Immigration, Quarantine and Customs—and putting them under some single agency other than Customs or the existing ones. The benefits and efficiencies that come from cross-cultural training and better sharing of information all seem to make a lot of sense. What do you think about that, Mr Morris?

Mr Morris—Is that a passenger orientated activity or cargo orientated activity?

Senator SCULLION—All the above. The people who provide the functions for the first stage of border control should effectively come under the same agency. You can imagine them wearing the same shirts. When you come to Australia, whether you are importing products or whether you are a passenger, that first line is actually the same people. It would be a similar agency of people who share the skills of Quarantine, Immigration and Customs.

Mr Morris—I think that type of process has merit in terms of passengers. In terms of other activities that fall within Quarantine, I think that is a little bit different. The activities in terms of passengers can be quite easily determined and quite easily referenced; the activities in terms of cargo are a lot more diverse.

Senator SCULLION—So you could not see any efficiencies in one guy or one girl arriving and doing the stuff rather than having the situation of 'Customs will be here in a minute and Quarantine will be here shortly'? Don't you think there are some efficiencies in having one person with the skills to be able to triage the particular cargo under a protocol, rather than two or three agencies coming separately? Because we are going towards a system of on-costs, I would have thought that you, as an industry group, would have thought that would be of benefit.

Mr Morris—As I said, I can see significant benefits for passenger processing. I do not see the same level of benefits being achieved with cargo and those types of arrangements, because of the difference between the two organisations: one is a deterrent organisation that uses deterrence —that is, the stick—as its activity and the other is an organisation that seeks to ensure informed compliance by working with organisations or with industry to achieve their outcomes for them. There are different philosophies.

Senator SCULLION—I take your point: you are basically referring to things like NAQS. It is an educational program for which we need to have a very close and pleasant relationship, and if you arrive on a grey boat and arrest your brother then that is perhaps not assisting in that relationship. Outside of that, which is a very specific and very small part of the program, what

about the remainder of it? Excise that and talk about containers: there is no relationship; they are just stuff.

Mr Morris—It is not just stuff. The activities that are carried out between the two parties are completely different in relation to the skill sets that are necessary, but there is no reason why we cannot have the whole person and go through that whole arrangement. But at the moment it would be difficult to determine if there would be significant benefits from a cargo point of view. If the models could be developed and if it could all be put together, that would be wonderful. It would be wonderful for that to occur but it would be horrible for that to be delivered to industry and then, a year later, for someone to say, 'We have made a great mistake here and now we need to dismantle the process.' Of course, we would not dismantle it; we would just continue on and hope for the best at the end of the day.

Senator SCULLION—If I can paraphrase that, you are saying, 'We would be happy to look at it as long as you do some cost-benefit analysis before putting it in place'?

Mr Morris—I think that is an appropriate summation.

Senator SCULLION—Thank you, Mr Morris.

CHAIRMAN—Thank you very much, gentlemen. We would appreciate your responses to the questions that we have left on notice, and I assume that if we have any further questions you will not mind if we put them to you in writing.

Mr Morris—Absolutely.

CHAIRMAN—Thank you very much.

Mr Morris—In relation to what we discussed, I would like to pass up to you material on the offshore information process relating to cargo issues and how we go about disseminating that information between service providers. You might like to add that to the information that we have provided to you.

CHAIRMAN—We will take that as an exhibit if you do not mind.

Mr Morris—Thank you.

[10.44 a.m.]

FAIRBROTHER, Dr Jeffory Graham, Executive Director, Australian Chicken Meat Federation Inc.

CHAIRMAN—Thank you very much for your submission and for coming to today's hearing. Would you like to make a brief opening statement? We have a penchant for 'very brief'.

Dr Fairbrother—Our submission comments on two specific aspects of the terms of reference: 'the impact of international agreements on quarantine activities, including any proposed free trade negotiations', and 'the development of import risk analyses'. 'The operations of AQIS that are beyond Australia's borders' is of considerable importance, as it is an inherent part of the risk assessment process.

I do offer an apology for the misspelt acronyms. Please assume that 'ANOA' and 'ANOP' mean 'ANAO'. The general thrust of the chicken meat industry submission is quite transparent. We do not want our industry's quarantine protection traded off for commercial trade advantages in other areas. Australia should not agree to any relaxation through the SPS agreement in the WTO round. Australia has the right to set its own level of quarantine protection, and we support the strengthening of the import risk assessment process as recommended in that ANAO report. I should just add that we have received assurances from both the trade and agriculture ministers that they would not see us traded off under any circumstances, but it is good to have these comments noted widely.

CHAIRMAN—I will start with questions on your last comments. You said in your submission:

> It is important, as the Treasurer and other Ministers above have pointed out, to distinguish between a nation's quarantine protection—which is quite legitimate under WTO Agreements—and economic protection such as subsidies, tariffs, non-tariff barriers and domestic support.

But, later in your submission, when you talk about the cost of quarantine relaxation, you said:

> Relaxation of Australia's quarantine restrictions on chicken meat would have a high economic cost estimated conservatively at $1.8 billion GDP lost, $450 million household income lost and 17,700 job losses. These estimates do not include the substantial cost to Australia's environment and other industries.

Are you telling us, Dr Fairbrother, that we should take into account economic considerations when, through our risk assessment procedures, we set the quarantine levels in place?

Dr Fairbrother—No, not really. The quarantine levels surely have to be based on science, as we are continually told. Some of my concerns are that, even though I would suggest that I have a fairly good scientific background, science does not give you all the answers. You can look at economic parameters in the risk assessment process. We are saying that, if we lose our quarantine totally, we will have a serious problem economically. We are just pointing that out.

CHAIRMAN—Your submission reads that your industry would like to have zero risk, whereas Australia has signed off on something more pragmatic than that.

Dr Fairbrother—I agree with that. When I first joined the industry—it seems like 1,000 years ago!—we had a situation in Australia where there was no risk.

Ms PLIBERSEK—It's all that healthy chicken meat. It keeps them young!

Dr Fairbrother—Absolutely! Quarantine in those days was with the Commonwealth department of health. In those days, the attitude to quarantine in the Commonwealth department of health was that you do not take any risk on anything so as not to bring anything into the country. We worked on that premise until it was changed. Certainly we understand that you cannot have a no risk policy as that would mean you could not have anyone coming into the country as a starter, let alone anything else. So, no, we do not think that. We maintain that the level of quarantine that we have at present should not be jeopardised, so the science and the quarantine have to be right.

About five years ago there was a suggestion that we should import cooked chicken meat into Australia. That was before the days of the newly vamped risk assessment process. It was done on a pretty ad hoc sort of basis. In those days, the risk assessments were done by AQIS. Now, of course, Biosecurity Australia does the risk assessments. There was no doubt that, at that stage, we were prepared to say, 'If you relax this and give us the chance of bringing a disease into the country, the effect that it is going to have on us economically as well as through the disease will be this.' We would go along with the full science. The situation then, though, was that the risk assessments were not done properly. I think this has changed considerably. A decision was made by AQIS that you could bring cooked chicken meat into the country under certain conditions. This related to the length of time of cooking and the temperature of cooking. We said that that whole process was flawed and product that was a danger to us would be coming into the country. Subsequently, we forced the issue and there was some work done at the Central Veterinary Laboratory at Weybridge. The end result of that was that the time of cooking at a certain temperature—which was 80 degrees Celsius—was extended by about 100 minutes. Needless to say, nobody has been able to bring anything into the country under that protocol.

We now have the situation where we are going through a normal risk assessment on raw product and we are concerned that there will be no comment whatsoever about the economic situation—and yet it is built into a risk assessment that you can look at the economics as part of the overall thing. It is a question of whether that is actually part of the risk assessment or a government decision after the risk assessment. You might chop it off there and say that then we will go to the government and say, 'You have said they can come in. We still do not agree—or we do agree—that scientifically that is sound. Now we are going to tell you the problem that is going to happen if this product comes into the country.' I am talking about raw chicken meat now. We wanted to point out in this submission that there are two issues. There is the scientific quarantine point of view—and if that is relaxed to any great extent the economic result will be this. That is the point we are getting across. We certainly do not believe in a no risk policy, because obviously it will not work.

CHAIRMAN—If we are going to take the economics into account, then why would it not be valid for Thailand or the United States, in negotiating free trade agreements with Australia, to

take economics into account and put that on the table when making trades for products and services that they want to sell to us?

Dr Fairbrother—Of course that would be reasonable. As far as our industry is concerned, our biggest problem—if you want to talk about Thailand—is that Thailand's cost of production is less than Australia's cost of production. They are a so-called developing country that has an industry more than double the size of our industry, and they are huge exporters of chicken meat. They have not been able to get into the country at this stage, because of quarantine. If they want to argue economics with us on chicken meat, we will win, because we cannot meet their prices. Not only that, they are heavily subsidised. That is the Thailand situation.

The United States, on the other hand, has had the attitude for a long time, in bilateral agreements and other things, that they want to get chicken into Australia. You have to wonder why they would want to get chicken into Australia. We produce 450 million chickens a year in Australia. The United States produces 13½ billion chickens a year. They export five times our total production. You wonder why they would want to bring chicken into Australia. I do not think it is just because they lost their business to Russia and they are losing business to Brazil. From an economic point of view, the studies we have done show they have about a 57c a kilo break on us, so they will not argue economics. They have no economic argument, because they are heavily subsidised as well. Their cost of production is lower and they are so big.

I would be happy to get into an economic argument with those two countries. That is a very selfish point of view from our industry, and I can see the ramifications for other industries. This is why we say we do not want to be traded off. We are not a big export industry; in fact, we export about $20 million or $30 million worth of chicken a year—and that is if we are not in the middle of a newcastle disease outbreak, when we do not export anything. That was a home-grown newcastle disease, as opposed to an incursion from overseas. We are a small country chicken-meat wise, and we have countries like Thailand, China, the United States and Brazil that are huge in chicken. If they got into our country—and we have kept them out on a quarantine basis up until now—we are going to have a huge problem. We will argue economics with them, if that is what we have to do.

Ms PLIBERSEK—I have a couple of questions. Firstly, you talk about a home-grown newcastle disease outbreak. There are occasional outbreaks of these quite serious diseases, and they are not due, necessarily, to problems in the quarantine service. So, if the restrictions that you are trying to keep in place in fact are not really protecting your industry from the sorts of diseases that you are worried about, what is the point of the restrictions?

Dr Fairbrother—They are, in fact, protecting our industry. Let me just backtrack a little before we talk about newcastle disease. There is a disease called infectious bursal disease and there are levels of this disease: you can have the disease and it does not cause problems and you can have more serious levels of the disease. There is a very infectious form called VVIBD which is around the world. The reason we won the quarantine issue on cooked chicken meat was that no-one could meet the quarantine requirements to kill that virus—if that virus were in a product that came into the country, it could not be killed. They could not meet that requirement. That is infectious bursal disease.

As far as newcastle disease is concerned, the problems that we have had now over about four years is from a newcastle disease virus in Australia that has mutated into a virulent virus that would cause a disease. The difference between that virus and the type of viruses that we are concerned with in the United States and, particularly, in China and to some extent in some European countries, is that they are much more virulent viruses. The difference between them is that the Australian virus does not spread rapidly. It tends to get into a flock and it will stay there. We had a recent outbreak in Victoria in a 250,000-bird egg-laying farm with quite good biosecurity and the virus was isolated. It was a newcastle disease virus of the same type that caused the problem we had the New South Wales about three years ago. That virus does not spread—by stamping it out on that farm by killing all the birds and disinfecting the farm, the virus has not spread at all. The types of viruses that you see in the United States—California in 1970 is the prime example—are ones that are still there, although under control by vaccination. That virus was terribly contagious and spread very rapidly, going from farm to farm. That is the difference.

Ms PLIBERSEK—You were talking about how contagious the diseases are. In the past your industry has made arguments about the spread from flocks of chickens to wild birds. Do you want to comment on that?

Dr Fairbrother—This is the situation that they have had in Canada, in the United States and in Europe where local birds other than chickens can be infected. newcastle disease has the ability to infect the whole range of avian species, even ostriches and emus. We have found that we have not had this spread of the Australian virus to native birds. It is the same virus that has caused the problems in New South Wales and Victoria. There has been no evidence of any spread to the wild bird population and there has been lots of very thorough testing done on it. That does make a difference. As to whether Australian native birds are susceptible to the American or the Thailand type of newcastle disease, we will not know that unless this testing is done. I do not know that it is being done anywhere.

Ms PLIBERSEK—I also wanted to ask you about something that you said in your submission about the integrity of the current IRA on chicken meat imports and the negotiations with Thailand. You said that the IRA is being compromised by simultaneous bilateral dealings and understandings on quarantine between Australian and Thailand officials. You have alluded to those concerns briefly. Do you have any actual evidence that the IRA process is being compromised?

Dr Fairbrother—No, I do not think we have. What we are saying is there is that possibility, and we believe that is the case. If the government is trying to negotiate a bilateral agreement with Thailand, we know that the Thais are dead set keen to get chicken into Australia. Probably the main reason for that is that we knocked them back last time. As part of the risk assessment on the cooked product AQIS sent a couple of veterinary officers and an industry observer to Thailand to look through the processing plants. A whole range of things came up which meant that those plants did not meet the Australian standard because of this, this, this and this. The Thais were told, 'Let us know when you have sorted these particular things out'—and this was to do with quality control issues more than anything else—'and come back and see as.' They never came back. About a year ago they applied for a permit to import cooked chicken meat. AQIS said, 'Have you done all these things?' and it sort of fell in a heap and they did not come back.

When you get on to a trade agreement the first thing the Thais say when our trade people go there is, 'When are you going to sort this chicken thing out?' There is pressure on our trade people from them for trade and there is this possibility that it could be compromised. There is no direct evidence that it has been compromised. One would hope that the Biosecurity Australia program would not be compromised. Given the people that you see there you would think that would not happen. But it does not necessarily mean that a political decision could not be made. I am not saying they would pressure the Biosecurity people but we still believe that it could compromise it to some extent.

Ms PLIBERSEK—But you say you have been given assurances that politically that will not happen?

Dr Fairbrother—Yes. We write to Minister Vaile and Minister Truss on a regular basis and they give us assurances.

Ms PLIBERSEK—I think you write to all of us on a regular basis, actually. I recall a few letters myself.

Dr Fairbrother—It is probably not a bad idea that more people realise that we have an industry here that is terribly important to this country. If we were not devastated by one of their diseases through a relaxation of quarantine, I cannot help but come back to this economic thing. We would lose 20 per cent of our business without any trouble at all. That is another reason why we make a submission to this group. The more people who know what we are talking about the better—not that everyone will necessarily agree with us. But we think we have a reasonable case.

Ms PLIBERSEK—Thank you.

Senator COLBECK—You mentioned in your submission issues relating to countries that wish to import into Australia and their quarantine regimes. How would you compare the regimes in, say, the US, Thailand, the EU and Brazil?

Dr Fairbrother—Is this going into the country or coming out?

Senator COLBECK—You are saying that these same countries administer strict quarantine regimes to protect their own industries. I am asking for a comparison.

Dr Fairbrother—The United States have a good thing. They do not want Brazil to import chicken into their country so they just say no. It is as simple as that. The reason we cannot get chicken into the United States if we wanted to is based on the fact that we do not have a veterinarian in the processing plant at all times when the birds are being inspected. This is individual on-line bird inspection. The birds are going past at 8,000 an hour and you have a guy who is supposed to be looking at each bird. We have been down that track at Senate inquiries. If you want to get into the US, the US system locks you out simply on the basis that you do not have individual on-line bird inspection, which is a meaningless type of inspection. It is all right for the red meat industry, where someone can look at a lymph node. But chickens do not have lymph nodes, so what are you looking at? The problem is to do with salmonella and other bacteriological problems. You cannot look at them, but that is the clue. That is the US system of

quarantine. Brazil just will not have anything in. We have not tried to get any into Brazil. Brazil's quarantine situation is probably not terribly different from ours, but it is interesting when you see that the Europeans have knocked back Brazilian chicken because they have found traces of some synthetic hormone in it.

It is a game. The whole chicken meat industry internationally is so corrupt that it is just one big game. In Europe, for example, the Americans won some deal regarding hormonal implants into beef. The Europeans lost that one at the WTO, so they said: 'We are not having American chicken in here because they use chlorinated water in their processing plants.' Everybody in the world uses chlorinated water in their processing plants—that is, if they have got any sort of decent water supply—because all the water is chlorinated. So, on a quarantine issue in Europe they just said, 'If you are using chlorine in the water, you cannot get your stuff in.'

Regarding their actual regimes, the United States in particular have a pretty good poultry health system. They vaccinate all the time against a range of diseases that we do not vaccinate against. If something was to fall over there, you could have a problem. They certainly have the bursal disease problem—although they will say they do not. Then again, how strongly are they looking for it? It is very difficult to tell the difference. We are very fortunate in this country that, through research, the Australian Animal Health Laboratory have come up with a method whereby you can tell very quickly, if you have an outbreak of infectious bursal disease, whether or not it is a serious disease. Other countries do not have this technology at present. I do not know whether they are interested in looking at it.

On the issue of newcastle disease, the Americans criticise Australia—again, in bilateral talks—and they have done so for ages. They say: 'Let's sort out this chicken thing and then let us talk about other things.' Again, you have to ask why, when they are so big and our market is so small. They got to the situation where they said that we were not transparent in our risk assessment methods and that we took too long. Thailand says we take too long. I think that we are probably more conservative than most people. The Americans said they did not agree with the cooking times and temperatures. We asked them, 'Have you ever done this testing?' They said no, they had never done it. We asked, 'Have you ever been to a third country to test the validity of your risk assessment?' They said, 'No, we have never done that.' So we said, 'When you have done that, you come back and talk to us.' The quarantine situation is that there are outbreaks of numerous diseases around the world that are controlled in one way or the other. Certainly the very virulent newcastle disease, the very virulent bursal disease and the avian influenza of the type that caused deaths in humans in Hong Kong are three things we do not want in this country.

Senator COLBECK—You are almost saying that, although everybody says that it is so, in quite a few circumstances none of it is based on science, it is based on an appropriate excuse?

Dr Fairbrother—Those are your words and I am not going to disagree with them because I think that is the case. It is pretty disappointing, really. When the cook protocol was going on and there was the possible problem of chicken coming in from the United States, we said to AQIS, 'We would expect that you would have inspectors go and look at processing plants in the United States because we have never, ever accepted anything from the United States, on a quarantine basis.' This was before Biosecurity Australia took over and the attitude was, 'We trust the United States and we believe that they have got a good system in place.' We said, 'Have you

ever seen their system?' They said, 'No, we have never seen it.' We said, 'How can you know?' They said, 'Because they tell us how good it is and we have these bilateral agreements.' But the Yanks send people in to look at our red meat industry and audit it all the time so why is it not good enough for us to do the same thing to the United States for poultry when it has never come into the country before? This is why I think you have to wonder a little bit about this whole system. I am not saying that is right across the whole of the livestock industries, but it certainly is in the chicken meat industry.

Senator COLBECK—How closely do you interact with Biosecurity Australia on the development of protocols and how do you see that process? Is it satisfactory?

Dr Fairbrother—I think it is a lot better than it used to be. The system they have in place is quite good but it never fails to amaze me that when an IRA panel is set up—and Biosecurity Australia goes out there with the panel—there is no industry representation on that panel. However, the greatest expertise in the poultry industry in Australia rests with the industry not with the people they put on panels. We get our chance to comment through the normal process and, so far on this current one, it has been reasonable.

The cooked chicken meat one was a total disaster because we would be sent something to comment on and AQIS would say, 'We want your comments in by a certain date,' which was usually a month before the meeting. You would do that and then you would walk into the meeting and they would say, 'This is what we think. Make up your mind.' They would want you to make up your mind on the spot. This was supposed to be liaison between industry and government and being cooperative in looking at things and it was just a joke. The revised system certainly gives you time to comment—not to be specifically involved but to have time to put your arguments in writing to a risk assessment panel. I imagine that, as this progresses, we will have the chance to talk to them personally. It is much better than it was.

Senator COLBECK—I take it from what you are saying that you believe that the absence of an industry representative on a risk assessment panel would be a weakness in the process.

Dr Fairbrother—I think it is, and I am talking about a technical representative. I am not talking about someone who has got more of a political axe to grind like I am sure people think I have—I do not know why. I think that it could be strengthened by including a senior industry veterinarian with years of experience in the industry and particularly with experience in the diseases that we are concerned with.

Senator COLBECK—You mentioned something about a $20 million export industry. Is that about the figure?

Dr Fairbrother—Yes.

Senator COLBECK—What do you see is your potential to grow that? About four or five years ago the pork industry was in a similar situation to you and it was railing against any change in quarantine. It has since developed a reasonable and growing pork export industry. How do you see the comparisons?

Dr Fairbrother—They were deadset lucky that the Malaysians had a nipah virus. That is where they got their growth from. If we could come up with something like that we would be in like Flynn, I tell you. We find it extremely difficult because with the size of our industry we certainly have the potential to export in value-added product—ready to heat and serve. Prior to the newcastle disease outbreak on Mangrove Mountain, one company had secured contracts with both McDonalds and Kentucky Fried Chicken to supply raw material for a lot of South-East Asian countries. Of course, when you get landed with a newcastle disease outbreak, that sort of stops that. We certainly have a possibility of getting value-added products into Japan. If we had four-legged chickens we would be better off because you can sell all the chicken feet you like to China. They are falling over themselves to get chicken feet—I think that is extraordinary—and we have a good export market in that. Trouble is, it is not worth much but there is lots of it.

We export to the Philippines and to South-East Asia. It really is difficult. Back in the 1970s, we exported a lot of chicken into New Guinea. We probably had about 80 per cent of the market. However, the New Guinea government decided that they would set up their own industry. It is deadset easy to set up a chicken meat industry; it does not necessarily have to be efficient. You can set it up by getting some breeding stock and a whole lot of farmers. New Guinea would use a farmer who would farm a thousand birds. It was terribly inefficient, but it gave them a lot of employment. The market over there fell off over time because they were building their own industry, which to them made good sense. It is totally inefficient but for them it is not. You see farms down here where there are 240,000, 300,000 or 400,000 birds looked after by two people, so our industry is quite efficient. But we do not have the potential to interact with the heavyweights with respect to what is normally sent around the world, which is fresh frozen chicken, and from the United States, it is mainly the back half of the chicken, not the breast meat. We do have a potential there. We can see growth in that area but, unless we have a nipah outbreak, it is going to be really hard.

Ms PLIBERSEK—If something nasty happens to the Thai industry, we know where to look, don't we?

CHAIRMAN—Dr Fairbrother, without being rude, could you please shorten the length of your answers. We are running out of time and we may not get lunch or we may miss the mail exchange or something else.

Dr Fairbrother—That is why I started with such a short introduction.

Senator WATSON—It has been put to me that the whole process of risk assessment in the long term is flawed because ultimately something virulent will get through. Because of the increasing trade that is occurring—and as we go more and more towards globalisation, and with the quanta coming in—while the theory and the science might be right, the practical application will mean that in the long term Australia is going to be in trouble, whether it takes five or 10 years. Would you like to respond to that?

Dr Fairbrother—I think probably the risk assessment process is not flawed because, as a result of the risk assessment process, protocols are established. It is the absolute policing of the protocols that is going to be vital. That is your backdrop to the whole process. The risk assessment says: they are the risks, and your management is through the series of protocols.

Senator WATSON—While that can be quite relevant for small or medium quantities coming in, oversight in terms of mass importation becomes more and more critical. Therefore, there is probably more chance of something slipping through in the long term.

Dr Fairbrother—I would not disagree with that. I do not know how you handle that. You either go back to the old policy of absolutely no risk or you have a managed risk. I think in this day and age we have to live with a managed risk. But I agree with what you are saying in relation to large quantities.

Senator WATSON—Do you recognise that in the long term, we are going to get some of these exotic diseases?

Dr Fairbrother—There is always that possibility, but there is also the possibility of, say, salmonella enteritidis—which is a real problem from a public health point of view—coming into Australia via humans. Because if you look at the statistics, 90 per cent of the outbreaks of salmonella enteritidis are as a result of people coming back from Bali. That could get into the industry if it is not—

Senator WATSON—This comes back to risk assessment, doesn't it? And the protocols that are established are protocols in relation to what people bring in. Are they strong enough?

Dr Fairbrother—I am not talking about people bringing stuff in; I am talking about people coming in who are carrying the virus in their bodies.

Senator WATSON—You have talked about all birds in the United States and some other places being vaccinated: in terms of human health, can some of these vaccines build up immunities within people who eat these products?

Dr Fairbrother—No, they cannot. Vaccines are extremely safe and, to my knowledge, there has never been a problem with a human becoming ill or being affected in any way from eating poultry product that has been vaccinated against any of the range of diseases they are vaccinated against. We vaccinate so that we do not have to use medication if birds get sick: it is then that you come to the problem of antibiotics and antibiotic resistance.

Senator WATSON—I understand there is some antibiotic in the food that chickens eat and that this can build up an immunity in the human body, if we eat too much chicken meat. Is that correct, or is that a furphy?

Dr Fairbrother—No, I do not think that is correct at all. The first thing to know about antibiotics is that there are no antibiotic residues found in chicken in Australia. You have only to check the National Residue Survey to find out that what I am saying is right. The argument now is about the possibility of antibiotic resistance building up, but I do not see that as a problem either. If you eat chicken or any meat when it is raw you can get sick but, whether you have antibiotic resistant bacteria or ordinary bacteria on a bird, that bacteria is totally destroyed if you cook the bird. I do not go along with the current information going around about antibiotic resistance being a problem arising from the intensive livestock or other industries that use antibiotics. I just do not agree with that.

Senator WATSON—You say meat should be cooked: how long does it have to be cooked for?

Dr Fairbrother—I suppose a couple of minutes at the most—just normal cooking. If you pan-fry a piece of chicken, any bacteria on it will be destroyed.

Senator WATSON—That is very reassuring, thank you.

Senator SCULLION—Dr Fairbrother, on a point of clarification, you mentioned that a party of people, made up of an industry person and AQIS, visited the processing facilities in Thailand and that, effectively, they were told they would not be able to import until such time as they met some food safety standards rather than quarantine standards. Is that right?

Dr Fairbrother—Yes. That was related to food safety as the birds were being processed in the plant.

Senator SCULLION—Is the reason that you could only come up with food safety issues that you could not actually test the birds? When a bird is going down the line, when the bird is dead, is there any test for avian influenza, newcastle disease or anything like that?

Dr Fairbrother—What they were concerned about was not in the processing plant side; it was to do with public health issues related to salmonella, campylobacter and others. This team were not looking at the field situation; they were looking only from the time the birds arrived at the processing plant until they went out, and there were faults in that, which is virtually the last line of defence.

Senator SCULLION—I note some of your concerns about the level of involvement of the industry, and not only with the IRAs. Also in your submission you speak of trade-offs, but you have not alluded to any evidence, so you cannot give us specific examples. Do you think that would perhaps change if industry were leaning over the shoulder of the bureaucrats when all of this was happening? Would you like to see the industry here actively participate in those negotiations, in the same way that the United States industry does?

Dr Fairbrother—I think we would have a chance to have a say, which we do not have at this stage, other than talking to DFAT, who say, 'Yes, we're going to look after your interests,'—and I think they say that in good faith.

Senator SCULLION—You allude to non-tariff trade barriers, and you talk about how in Europe they say, 'If your bird has been treated at all with chlorinated water, that is an issue, and we can develop that.' You also talk about the other associated issues that people are putting up, and you say that this becomes a game. Why doesn't the chicken industry ask AQIS to implement constraints—bird line inspections, restrictions regarding chlorinated water—which are similar to those imposed by the countries we export to, so that you have some sort of parity? What do they say to that?

Dr Fairbrother—In regard to the countries which we are currently exporting to, we do not have that problem. If we wanted to export to the United States, we would have that problem. If we wanted to export anything other than chicken feet to China, we would probably have that

problem. We are not interested in trying to get into the European market, because of the size of the industry there.

Senator SCULLION—Obviously, you are somebody who is pretty straightforward about this, and I would say that your industry would not have too many troubles with your developing non-tariff trade barriers. If you are going down that line and putting that forward as an advocate, if it is good enough for the United States, why doesn't Australia implement regulation in regard to chlorinated water and chickens?

Dr Fairbrother—With regard to chlorinated water, we cannot, because we use chlorinated water.

Senator SCULLION—Do we have anything in place at the moment that says that if any country wishes to import they need to demonstrate that their product comes from an unchlorinated water source?

Dr Fairbrother—No.

Senator SCULLION—So, as an industry, you do not pursue those sorts of issues?

Dr Fairbrother—We could not say, 'If you chlorinate, you cannot bring it in.' We could not say that.

Senator SCULLION—In terms of cost recovery, the IRA process is obviously a process that costs a fair bit of money: a lot of bureaucrats are hanging around and doing things; there is a lot of consultation here and there. That takes quite a lot of money. It is for importers, and we pay for it. Who do you think should pay for that IRA process? Do you think there should be full cost recovery to importers? Who do you think should pay for it?

Dr Fairbrother—I have not really given that a lot of thought. In fact, I have not given it any thought. Currently, as you say, it is paid for by the government. If some people are keen to get something into the country, I do not know whether they should be penalised for that. We want to keep stuff out, but I do not think that is the case. I would like to support it, but I just could not.

CHAIRMAN—Dr Fairbrother, when you were answering a question some time ago, you said something like: the entire international industry is corrupt and it is just a joke. Do you include Australia in that?

Dr Fairbrother—In the chicken meat industry?

CHAIRMAN—Yes.

Dr Fairbrother—No, we are not in the export business.

CHAIRMAN—Thank you very much for your submission and for appearing before the committee today to answer our questions. Would you mind answering further questions if we put them to you in writing?

Dr Fairbrother—No, of course not.

[11.34 a.m.]

DOYLE, Dr Kevin Adrian, National Veterinarian, Australian Veterinary Association

SILLINCE, Dr Joanne, Board Member and President-Elect, Australian Veterinary Association

CHAIRMAN—Thank you very much for your submission, which I thought was excellent. Thank you for coming today. Do you by any chance have a brief—and I emphasise the word 'brief'—opening statement?

Dr Doyle—Yes, Mr Chairman, if you want us to say who we are rather than make any of the points that have been made in the submission.

CHAIRMAN—That would be helpful. We have the submission; it is already on the public record.

Dr Doyle—We are the national body representing the veterinary profession in Australia. There are over 6,800 registered veterinarians, and we have somewhere in excess of 4,700 members. There is no compulsory membership, of course. At moments like this we like to bring out the enormous diversity of the issues the profession deals with. They range from issues relating to laboratory animals right through to those relating to cattle and even the agents that affect them—we are interested in all of these things. This is reflected in the 22 special interest groups we have, which cover everything from acupuncturists and people interested in holistic medicine to people who transfer embryos and people who are interested in cattle and camelids and so on. The other thing that is important is that we represent private practitioners as well as government veterinarians, academics and others.

We have made most of the points we want to make in our executive summary. However, there are a couple of points at this moment in history that need to be recognised. We applaud the fact that there has been the ANAO review, which checks the progress of quarantine. We are cognisant of the fact that this covers a period of time. A number of incidents in the world have made this a particular moment when we need to reflect on quarantine. We recognise the fact that the government has put about half a billion dollars into border issues. We believe that there are many diseases which enter naturally—either by migratory birds, or by migratory insects in the north—or inadvertently, but we also recognise that this is a moment when people who are unpleasant may wish to introduce things deliberately. We can think of a number of animal diseases which are transmissible to humans and can have a profound effect. We also recognise that the role the profession at large will play in emergencies in Australia is more significant than at any time in the past, as witnessed by the role that private practitioners had in the UK, including the large number that we sent.

We are calling for a number of measures which we think will protect Australia's quarantine security and our postborder success in combating potential outbreaks of disease, as well as a number of more mundane measures which address Australia's animal health status in commonplace terms—prevalence of diseases—which give us access to foreign markets. These

are mundane things like veterinary laboratories which do the day-to-day tests. We are also calling for a veterinary reserve of people who are ready, in the same way as the citizen military forces and others that are trained and ready to respond to disease. Dr Sillince may wish to add to that at this point.

Dr Sillince—There has been an awful lot of work done on preborder and at border quarantine. We have some specific concerns in relation to postborder. Things like X-ray machines and sniffer dogs, for example, have difficulty against biological agents. They will detect the obvious—the actual sausages and all the rest of it—but people who are determined to get through the system are still able to get through the system. The efficiency or the performance of some of the quarantine based services is still not clear. For example, you can look for statistical isolated analyses of Australia's quarantine performance at any given moment, but it is incredibly difficult to track trends over time.

AVA believes that the current levels of detection, whilst laudable, should certainly not be relaxed and could very well be improved. The Australian Veterinary Association is calling for an active surveillance program for diseases like anthrax, for example, which can go through letter-sized mail, but also for a better surveillance system for those diseases that can occur naturally but are not currently covered by a surveillance program. A classic example of those would be influenza. Whilst Australia has another virus surveillance program in the Northern Territory and Northern Australia, it is very difficult to detect any incursions of influenza. In human disease terms, such an incursion could produce a major Australian pandemic.

Biosecurity Australia has gone a hell of a long way so far in making inroads into the scientific assessment of importation requests, and the quality of the science involved in those importation requests has improved immeasurably, we believe. However, there is a gap in the area of risk analysis, which is an interesting combination of statistics and farm knowledge—as strange as that seems—and we are very short on that training in Australia. There are no training courses available for it—we tend to produce either scientists or statisticians but rarely both—and there are certainly no backup systems in place. We are skill short in that area. There was a proposal for a CRC into funding for a statistical risk assessment group, but I gather that did not even get to the final analysis. The other issue that the AVA is interested in is the human face of quarantine. We tend to be very left brained in terms of pushing a message, and we believe that a human face in terms of education would be quite useful.

CHAIRMAN—Thank you for that. Dr Doyle, in your bit of the opening statement you talked about having a trained veterinary reserve, and that is in your submission. In case of a serious outbreak of foot-and-mouth disease, for instance, do we have enough vets?

Dr Doyle—I guess that is a comparative term. AFFA has very carefully modelled three outbreaks—one in Western Australia, one in Queensland and one in the Victoria-South Australia-New South Wales continuum—and we might well have enough vets to get on top of something extremely quickly. If we had to go for any length of time, government veterinarians would be most unlikely to be able to sustain the situation in the field, as happened in the UK.

Australia's demand for people in this particular context is slightly different from anywhere else insofar as our first imperative and our greatest cost would probably be lost export markets. The current planning, which we endorse, is that the state in which an outbreak, or indexed case,

if you will, is first detected would be stopped; there would be a standstill—and the whole community would be involved in the negotiations on what a standstill means—to prevent movement and the spread of the disease, as happened in the UK. We would have a standstill and the whole state would be closed off. Unlike other parts of the world, a critical issue for us that goes far beyond the containment, the ring vaccination, if necessary, the movement controls and the disciplines over transport and product, is the fact that we have to demonstrate that the rest of the country is free from the disease if we are to get back into exports very quickly. Because you are statistically trying to prove a negative, surveillance techniques and statistical sampling techniques to demonstrate freedom are difficult to establish, especially if the populations are broken up, in which case you have to do cluster sampling. So we have a greater demand in that context, but we believe—and I think everybody in Australia believes—that we simply do not have enough people on the ground to do this.

What we are putting forward and calling for—and this emerged from a meeting of the veterinarians the AVA assembled and sent to the UK—is a trained reserve rather like a military reserve, something about the size of an infantry company. People would take time off work and would be paid to train. This would replace the current system of sending randomly chosen individuals to the lab at Geelong to be trained in the recognition of disease signs; It is extremely laudable but, with costing, provides very little opportunity for reinforcement.

But it is not only the recognition of clinical science; it is also the way a program fits together, with all the stresses on the people, the control programs and understanding of how a control program works, which is what we have sought to learn out of the UK. Those people need to be trained in that way. They would have to take a week—or something like that—off, to train, and then have reinforcement. I know that a large number of people have been reinforced—trained—by video and so on. We are talking about people who are ready to go to an outbreak site anywhere in Australia.

CHAIRMAN—That was a very long answer to a very short question, but you did not answer it. Do we have enough vets?

Dr Sillince—In 10 words or less: there are enough veterinarians in Australia. There are probably not enough currently trained veterinarians on the specific issues related to emergency disease outbreaks.

CHAIRMAN—Let us talk about the postborder issue, which is of concern to this committee as well. If we have the outbreak of a disease—an incursion—that results in animal death somewhere in remote Australia, is it likely that the owner of that property, pastoral lease or whatever is going to be able to find and afford a vet to come to check out the animals and find out what is wrong, or could a disease remain undetected for a very long period?

Dr Doyle—Recognition by the owner is critical. If the owner sees it as suspicious enough to call a veterinarian, I believe a veterinarian would be available. A general practitioner—not someone specifically trained as an exotic specialist—would be available and, if necessary, by aircraft.

CHAIRMAN—In your submission, you said:

Treatment overseas can provide additional security in that untreated material does not enter Australian soil. The recent crash of a truck carrying imported uncooked Canadian pig meat is an example of the risks of requiring treatment here.

Can you tell us about that? I do not think we have heard about this.

Dr Doyle—There are two ways you can go about importing a product.

CHAIRMAN—No. Can you tell us about the incident?

Dr Doyle—The incident emerges from the fact that there are a number of diseases in pig meat which require it to be heated before it is released in Australia.

CHAIRMAN—But what about the recent crash of a truck?

Dr Doyle—The truck was carrying the product before it was heated to inactivate any organisms it might be carrying. The truck crashed and turned over and, apparently, product spilled out into open countryside near a river bank.

CHAIRMAN—Where was this?

Dr Doyle—I believe it was in the central west of New South Wales.

CHAIRMAN—Could you come back to us and give us chapter and verse on this incident?

Dr Doyle—Certainly. AQIS have it all available and they made it public at the time.

Dr Sillince—I remember seeing press releases but not the details.

CHAIRMAN—In talking about border quarantine operations, you said:

Red Channel leakage till now seems high and would seem to be an area requiring attention. Low interception rates for mail is a concern given the size of 'letter class' allows quite large items to come to Australia. It is accepted that the enhanced measures may have improved the low 11% interception figure. This area needs monitoring and ongoing risk analysis ...

What leads you to conclude that the red channel leakage is high?

Dr Doyle—We draw that from the figures in the ANAO report, which give the level of interception and the anticipated level of leakage.

CHAIRMAN—That is, what, a year and a half or two years old?

Dr Doyle—Yes, that is right.

CHAIRMAN—Are you submitting that that is the fact today?

Dr Doyle—Not necessarily. We recognise that the enhanced procedures will address that very significantly. But what I think we are trying to say is that you need trend lines to monitor that over a period and to see whether or not it is improving. I cannot see any other country in the

world which carries things to the degree that we do. I do not want to get this out of context, but we are saying that that level of interception, which is the only figure we have, requires addressing.

CHAIRMAN—In your submission you said:

AVA believes that the Commonwealth needs to engage the States and Territories in quarantine and post border activities.

Do you believe that they do not?

Dr Doyle—No, I think it is a matter of degree. The states and territories have the national information, the national expertise and the experience that relates to the on farm situation—inside the farm gate. The Commonwealth does things excellently, but it tends to begin once a product reaches a factory, an abattoir or something of that kind. The disease status is established by what happens inside the farm gate. The early recognition is what happens inside the farm gate. From Federation until recent years, the states played a very significant part in the development of quarantine policy.

CHAIRMAN—There has been some argument to this committee that the Commonwealth has gone too far in subcontracting AQIS or quarantine responsibilities to the states. But you argue that we should do more?

Dr Doyle—I think at a policy level, yes, but I do not think that we would argue in any way that there has been too much subcontracting to the states. In fact, until recent times, the states quite adequately did much of that field quarantine under an agency arrangement. The Commonwealth, for its own reasons—and for good reasons, no doubt—decided to federalise it.

Ms PLIBERSEK—I think Dr Doyle made the comment that animal to human disease transmission might intentionally be introduced into the country, and then Dr Sillince said something about biological agents not being readily detectable by sniffer dogs if people are determined to get them through. Would you expand a little on those comments? In your view, what diseases would be brought in and how would they be brought in?

Dr Sillince—From the public's perspective, clearly the disease of most interest is anthrax. While that is not particularly transmittable as a disease, it is relatively easily transported through a system. I will use it as an example of a disease that might be deliberately brought through. It is a disease that will affect animals and humans. Partly because of the way the funding arrangements for laboratories have changed over the last few years, we do not necessarily have good postborder surveillance of that type of thing. We used to have active surveillance programs similar to the programs they have relating to arbovirus up in the north of Australia; we used to have active surveillance programs on a number of diseases. Nowadays, because you have to pay for service at a laboratory and there are no structured surveillance programs for a number of diseases, it is much more difficult to detect a small outbreak of that kind of thing until the outbreak has got some legs on it.

A good example of a naturally occurring case is the influenza virus, which is quite readily carried by wild birds in the form of avian or bird based influenza. The influenza virus is very genetically mobile and can recombine with other influenza viruses to produce something quite

new and wonderful. While the public health people do some quite good sampling of the influenza virus in the human community, we are not aware of any structured postborder surveillance programs to look at those kinds of thing. I have simply selected examples from both camps, but that is the essence of it. The issue behind it is that there are diseases out there that we are not currently detecting postborder in a structured fashion, at animal level, which can be a good indicator.

Ms PLIBERSEK—Are you saying that the search for those diseases has actually reduced in recent times?

Dr Sillince—It has happened largely accidentally. I will use New South Wales as an example because I am here: laboratories in New South Wales basically used to take samples from any veterinarian or farm for no cost, and that provided a very effective passive surveillance system for all sorts of animal diseases. We had a very good handle on the epidemiology of those diseases around the state. In other states, there were similar—but not quite identical—systems. In more recent times, they have introduced fee-for-service laboratory services. As a consequence, bearing in mind that an individual animal has little value, the only samples that tend to get sent in are very bad or very unusual, and you have lost all that passive surveillance. The department in New South Wales can certainly identify a drop in the number of samples received and a reduction in their ability to track disease movement. That is well reported in the public press..

Ms PLIBERSEK—Is that what you mean when you say in your submission:

Some costs need to be socialised to ensure essential data are collected.

Dr Sillince—Yes, that is certainly part of it.

Ms PLIBERSEK—Are there any other areas where you believe data collection has dropped off because of that fee-for-service arrangement or other changes?

Dr Sillince—That would be the major one.

Dr Doyle—I do not think there are any other areas. We should say that there are some very good and structured surveillance programs, like those for the spongiform encephalopathies and insect borne viral diseases. We are talking about a balance here. The laboratory accession issue is one that is really worrying for the farming community and the veterinary community.

Ms PLIBERSEK—How much did that program cost?

Dr Doyle—I could not give you a dollar figure, government by government. The laboratories are run by states, and governments decided that fees should be charged for laboratory services. That is a government decision.

Ms PLIBERSEK—Do you think that the costs of not detecting those diseases would be more or less than the costs of providing the service free of fee, as it used to be? Can you estimate that?

Dr Doyle—It would only take one major outbreak of an exotic disease to answer that question in one go. There is another setting too, in that we are not totally disease free and we have quite a large number of diseases that we need to keep a handle on. Even looking at common diseases, this is true. For example, there is a respiratory disease of cattle; once upon a time, we had a fairly good idea of where that was and so on. From bulls that were being tested, say, to go into an artificial breeding centre, we had a fairly good picture of where it was and the probabilities of success or otherwise. We do not really have that sort of information today.

Dr Sillince—I can give you another, more immediate, example: newcastle disease in chickens. There are strains that occur in Australia and strains that occur overseas. It is another fairly genetically mobile organism, and if it had not been for the fact that we had the outbreak and some rural research money was put forward to try to track which disease was where, we would basically have had no information at all.

Ms PLIBERSEK—You would have had no information about where it occurred, or about what strains occur in Australia?

Dr Sillince—Yes, both.

Dr Doyle—There was some very clever, perceptive thinking done in research on the endemic viruses, which worked out ones which were close to mutating and becoming highly virulent, and that gave us some advantage in relation to the outbreaks in New South Wales in recent years, even though they caused huge problems—for example in Mangrove Mountain. There was a bit of serendipitous research which had figured that this might happen.

Ms PLIBERSEK—Having that research, were you able to contain the disease? What effect did that research have for you?

Dr Doyle—Dr Sillince could answer that. She was involved in the program.

Dr Sillince—It certainly helped, and it also complicated matters from a bureaucratic perspective; but importantly the research did allow us, relatively early in the outbreak, to identify that the disease was of Australian origin and not of exotic origin, and that had some reasonable significance for our trading partners. Whilst we were still removed temporarily from trading with these people, our ability to get back onto trading terms was certainly improved by the fact that we could demonstrate quite clearly that it was of Australian origin.

Dr Doyle—It also has an implication in the two-way context of trade in risk analysis within Australia in terms of what our local disease status is in relation to what we are trying to protect Australia against. And that risk analysis obviously has flow-over into the legalities of trade.

Dr Sillince—To take that same example, the fact that we could demonstrate that the newcastle disease was of Australian origin and not of exotic origin basically told our trading partners that our quarantine was intact and that our borders were intact. I had been told by a member of AFFA in Canberra that there had already been some questions raised about blue tongue, as a result of the newcastle disease.

Ms PLIBERSEK—I am sorry; you have to tell me what blue tongue is.

Dr Sillince—It is a disease of sheep. Again we have a non-damaging Australian strain that exists in the northern part of Australia, and there are quite damaging overseas strains that we try to keep out. When our trading partners saw that we had virulent newcastle disease, they were saying, 'No quarantine, huh?' Then, of course, they bundled back with questions. They said, 'You told us you did not have virulent newcastle disease; now prove to us that you do not have virulent blue tongue.' What happens in one primary industry can tend to have trade ramifications for other primary industries. Does that make more sense?

Ms PLIBERSEK—Yes, thank you.

Senator COLBECK—Ms Plibersek just touched on the need to socialise some of the pathology. Could you expand on that and perhaps give us an idea of potential measures that you could see?

Dr Doyle—The classic example, which is derived from a case which is happening now, is that the mad cow group of diseases have had a profound effect, as you would know, on world trade. Just a couple of cases in Japan have reduced beef consumption by at least 40 per cent—possibly up to 50 per cent—and we are free of this group of diseases, by virtue of very strict quarantine. The international rules, through the OIE in Paris—the international animal health organisation, effectively—require that a country which claims freedom, and has enormously significant trading benefits from that, must demonstrate it. A certain number of specimens have to be collected to demonstrate freedom. We can reduce the number of specimens to about 400 instead of 40,000 by examining the brains of cattle—there is a cattle one and a sheep one—which have central nervous system disturbances which might fit into the clinical science manifested by cattle with mad cow disease. If these diseases are reported and a veterinarian examines them, the veterinarian can take the brain out and take it back for examination to demonstrate our freedom.

For a farmer with a single beast, especially beef cattle, in remote areas, it simply would not pay them to have someone come and do that. They probably would not even report the case in the first place unless it involved a large number of animals, which BSE does not. For the veterinarian to go the distance, take the brain out—which is quite a difficult operation—and then send it off to the laboratory, it does not benefit that farmer in any way. Currently the cost of that is shared through Animal Health Australia, the company which coordinates these matters. The veterinarians are paid to do that, because there is no significant benefit for the farmer.

There are several other diseases which OIE specifies in a similar way and which I could go through, but that sort of program and the demands by the OIE and the World Trade Organisation for demonstration as to freedom are increasing day by day. I could mention one particular pig disease that we have looked at, for example. We are one of the few countries in the world free of it. The survey was very beneficial to us, but it was socialised. The demand for this and the demand to demonstrate that you are free are getting greater and greater.

Senator COLBECK—Was it that fortuitous pig disease?

Dr Doyle—Which one was that?

Senator COLBECK—We heard about it in previous evidence this morning.

Dr Doyle—That is a classic example. Look at the commercial advantage Australia got out of that: access to the Singaporean market and other overseas markets, which almost of itself converted what was essentially a niche local trade into an export trade.

Senator COLBECK—You have spoken about engagement with states and territories, and the chairman has also raised that. In your submission you mention records of diseases and activities occurring within the farm gate. What level of sharing of information exists between the states and Commonwealth? What capacity is there to improve that through a national database, through improved interstate access or through Commonwealth access to state records?

Dr Doyle—At the outset you have to say that the relationships between the states and the Commonwealth are excellent. I think that the meeting of chief veterinary officers—through the veterinary committee—is excellent, so there is no effort whatever not to make all of that available. At the same time there is a particular interface in terms of differing data collection systems, differing computer systems and so on, and much of this information has to be collected and manually changed into data for what is known as the National Animal Health Information System to bring these sorts of things together; they are not readily available.

The other thing is that at one time, when the farm community occupied a more important place in the scheme of things, virtually all of the states and territories were divided into regions which had either a veterinarian or a stock inspector—several of those regions were aggregated into a zone or something like that—and there was a file kept on every farm. That is not quite as good today as it once was. Some states are gradually taking this over with computer based systems, and others less so. Early recognition and early response would suggest that it is best to have an understanding of that. It goes to the heart of export certification as well: to get access for animals or genetic material into some markets they have to come from a disease-free property or whatever. You have seen the problems recently with ovine Johne's disease and so on, and so there are property freedom certifications which are important to the Commonwealth as well as to the states.

Senator COLBECK—We heard last week from the Queensland government that they believe veterinary professionals who practise in large animal services, rather than those providing city based, small-animal services, have a fairly high level of knowledge of the requirements of dealing with an FMD outbreak. Would you share that belief?

Dr Doyle—I think experienced large-animal practitioners have recognition to a certain level, and they are certainly extremely capable of differentiating the exotic from the domestic. The consequences of a decision—such as those of a wrong decision—are enormous, and there are a number of diseases for which the clinical symptoms themselves are quite similar and need differentiation. Other diseases present blisters just like foot-and-mouth disease, for example. I am not saying that a practitioner should differentiate those on sight, but I think there is an important level of recognition which most people would have as to when to call in outside assistance. Where we see the training playing a more important part is as to how that all fits into a program. An organised disease control program is a different objective altogether: it is like training a solider to play a part in an exercise.

Senator COLBECK—So you would suggest there is perhaps more work to be done in that area?

Dr Doyle—I think everybody believes that.

Dr Sillince—That is the essence of the idea of the veterinary reserve type of force because, while it is one thing to be able to identify a disease, it is another thing altogether to know how to implement a livestock standstill, which is absolutely critical to killing off a disease in its early stages.

Dr Doyle—One of the critical things we said when the blokes were going to the UK was: 'You are not just going there to see cattle with foot-and-mouth disease and to recognise the signs; you are seeking to recognise how that affects the farm and how the program fits together—disinfecting trucks leaving farms and all these sorts of things.'

Dr Sillince—The AVA sent nearly 40 veterinarians over to the UK and helped develop the program to send a number of others over as well to assist in the foot-and-mouth outbreak. This idea of a veterinary reserve actually comes from that group of people who have seen it first-hand and have recognised the difference between diagnosing a disease and the veterinary management of a disaster. There is a huge gap. It is a combination of science based training and command and control structure based disaster management. It is a very different set of skills. To the point made by Queensland: because a number of the private practitioners that we sent to the UK were in fact Queenslanders, the sum total of knowledge and understanding has jumped in Queensland quite dramatically—as it has in other states. But I would really hesitate to say that we were well placed to go the whole way in terms of managing a disaster at this stage. September will tell. There is an exercise coming.

Dr Doyle—This is to supplement the government veterinarians, of course.

CHAIRMAN—It would assist me if the answers could be a little more brief because we want to go out and have a look at our borders again this afternoon.

Senator SCULLION—The common thread running through your evidence seems to be that it is very important to ensure that we have the capacity to tell whether something is a disease or not a disease early in the piece. I come from the Northern Territory, and I can lean out my window and shoot 100 magpie geese and take the blood out of them, and there will always be between 10 and 20 per cent which are titre positive for avian influenza and newcastle disease. But is it correct that that will tell me nothing?

Dr Doyle—That is right.

Senator SCULLION—Exactly. Since you agree with that fact, what can Australia—which is clearly still a world leader in this area—do to increase its capacity to ensure that we are testing in the best way? How do we ensure, for example, that the testing we do to find out what sort of a blue tongue disease something may be is effective? These are always the challenges we come up with, so what sorts of suggestions can you give, in terms of our resources and what we do? Are we actually putting enough resources into ensuring that we test in the best way for pathogens and other things we have identified as bad things for Australia? How are we going with all that? Can you give us some comments generally.

Dr Sillince—There are three parts to that equation. The first part is to run good surveys on where the disease is getting to and why—zonal mapping of where diseases are getting to and why. The second part of it is analysis of the genetic structure of the disease that you are dealing with so you know, for example, which are the exotic versus the local strains. The third part of it relates to research on what we like to call bedside testing—in other words, rapid testing—so that when you shoot your magpie goose, you can drop its blood. That is an area where Australia has a good record that could be improved. With that comes the transfer of the technology. To use newcastle disease as an example, we had superb technology and absolutely magnificent testing at AAHL in Geelong, but we had difficulty transferring that technology on the fly to the state labs. That is a structured program that we could probably improve on.

Senator SCULLION—Okay. In the same vein, you have said that the privatisation of the labs has had an effect because of the cost implication. In the normal flow, for the farmer who found something wrong there was no real drama to send it off; it gave him a bit more information about what he was doing. Now, he would give it the flick because it would be going to cost him something, so there is that implication. You are no doubt aware of the NAQS program where they still do a fair bit of testing. It is pretty much in north Australia; that is pretty evident. What about an extension of that, with the government taking some role, saying, 'Right across Australia, in a domestic sense, we will just do some random sampling and that will be our responsibility. We will just give those samples to the lab.' The outcome is going to be the same; if we change our direction, rather than relying on the farmers, that might work. We thought that was a good thing; why aren't we just out doing it? Why don't we just go and take the samples, if we want to go and do that and get the labs to pay for it?

Dr Sillince—That is actually the easy part.

Senator SCULLION—So what is the difficult part?

Dr Sillince—Getting the people to do the work in a laboratory using the right technology at a reasonable price and then analysing that data and turning it into a deliverable.

Senator SCULLION—They can do that now at AAHL and in Queensland. There is still that same sticking point?

Dr Sillince—Again, you get back to technology transfer. Do you want to have all the proverbial eggs in AAHL or should they be spread right around the country? I can assure you, from management of one very tiny exotic emergency disease in this country, that you do not want all your eggs in AAHL. The more broadly spread the technology transfer, the better off you are.

Dr Doyle—The question asked whether taking small random samples would do the trick. There is value in random samples, sure. But they really have to be structured in a way that will give you a meaningful answer.

Senator SCULLION—You have also talked in your submission about the level of detection, and you have said that we actually want to lower the number of things we discover in Australia. While that is a very laudable goal, I put to you that the level of detection is probably a function of the level of resources we put into compliance. In other words, if we want to make sure there

are no diseases out there next year, just do not leave the office. It is easy. Given the difficulties about that sort of process, what other ideas can you put towards better measuring our effectiveness in terms of quarantine control?

Dr Doyle—The process taken in the ANAO report seems to be an excellent one. We believe that that should be maintained and trend lines looked at over time. As the chairman said, we do not really know what has happened since that report, but a great amount of resource has been put there and, clearly, a wonderful job has been done. There is no country in the world that I know of that could look at the level of containers, letters and so on that we do, and we do not know the outcome of all that at this point.

Senator SCULLION—I have one last question: I was giving a keynote speech to a group of people who run conservation and pest management for the Sporting Shooters Association of Australia, and they were very keen to ask how they could further value-add the good works they do in feral pest control in terms of autopsies, bloods and all the stuff that they have capacity for. When you are talk about your veterinary reserve, are you talking about reskilling some vets who already have a specific capacity or are you also considering much further down the line having some basic skills in autopsy, disease and pathology recognition?

Dr Sillince—For the moment, we have been thinking solely along the lines of getting vets to that next step, which is a fairly significant one. They tend to be our membership, so we concentrate on them. But you raise an extremely good point: the management of feral animals in this country is incredibly patchy in some areas. The single feral animal that does the most environmental damage is the feral pig, and it has almost no coordinated control program. It could be a major transmitter of disease—a major mechanical carrier as well as a vector in its own right. I cannot find any federal government program coordinating it and the state government programs are patchy. The role of feral animals in disease transmission and emergency disease transmission in this country is a can of worms.

Senator WATSON—In your submission, you state that the Australian Veterinary Association suggests 'caution with generic protocols' and you go on to state:

> Profiling and risk analysis for operations should be directed to the level of disease risk rather than the level of interception/leakage alone.

That is a bit of a worry. Could you elaborate on that?

Dr Doyle—The first issue is generic protocols. In effect, if you want to bring in a product such as pig meat, you can develop a protocol which will allow you to bring it in from every part of the world. That is theoretically possible: you can think about every conceivable disease, every conceivable type of inspection and certification system and countries of every conceivable disease status in respect of all of the diseases that might be carried in pig meat and come through viable in pig meat at the other end, and you can put that into a program. This involves a multitude of variables.

Senator WATSON—Why has your association allowed it to continue?

Dr Doyle—We are consulted on the development of each of these protocols—very well by AFFA, we have to say—and we provide comment on them as we see appropriate. In many cases you have to do a risk analysis in relation to a particular country, the level of its veterinary service and so on.

Senator WATSON—Could you elaborate on the second question about 'interception/leakage alone'?

Dr Doyle—We were saying that you need to look a little bit past the numbers. The number of interceptions has to be broken down according to the level of risk of each of those interceptions. For example, some canned meats would have to be seized because they have not been treated at the right temperature and pressure, they are not from a certified plant or some other reason like that. But the probability of introducing disease through one of those—even pig meat which may have to be refrigerated in the can—is very low. If you had a hundred interceptions of that, that would be of very little risk compared with, say, fresh meat coming through. The British say that there are 100 kilograms of fresh meat on every flight and it only takes a bit of that to leak to a piggery or to a feral pig to cause a problem.

Ms PLIBERSEK—Could you repeat that: 100 kilos of fresh meat on every flight?

Dr Doyle—That has been reported from the British investigations. I find it very difficult to believe but that is the number they are suggesting that people bring in on each flight.

Ms PLIBERSEK—Intentionally secreted in their luggage?

Dr Doyle—Not necessarily intentionally; a huge amount of this is inadvertent. That is why Australia has a publicity program.

Dr Sillince—It is people who just do not think. 'My cousin likes pressed tongue; I will take them the brand that they really like.' It is no different from shipping Vegemite overseas.

Dr Doyle—Culturally, a lot of people bring food with them. It is part of their hospitality, part of their culture and so on.

Ms PLIBERSEK—It is a huge amount.

Dr Doyle—It seems a huge figure, doesn't it?

Dr Sillince—It is a scary number.

Senator WATSON—Does Australia always know best? You suggest that Australia should benchmark with at least other like-minded countries.

Dr Doyle—We are suggesting the opposite, actually, to see how we travel with some of the really good ones.

Senator WATSON—Why aren't we benchmarking with other like-minded countries?

Dr Sillince—We cannot answer that question. You would have to ask AFFA that question.

Senator WATSON—Do you find it strange that we have not done that until now?

Dr Doyle—I think it is a matter of development. These things occur over a period of time.

Dr Sillince—Benchmarking as a management tool and as a commercial tool in major companies has really only developed over the last 10 to 15 years, and not-for-profit benchmarking has really only taken off in the last six or seven. So it is more an evolutionary issue, but one that can be very valuable.

Senator WATSON—Given the developments in the last five or so years, why aren't we moving down that track more expeditiously?

Dr Sillince—We are suggesting that we should be.

Senator WATSON—We will take note of that.

Dr Doyle—I understand that AQIS does not see itself necessarily as a record keeping organisation. It really collects statistics to ensure that it allocates its resources to the right places. But it is very important to ensure that we keep trend lines and statistics to note how we compare and whether we can do things better. That is all we are saying.

Senator WATSON—So you are suggesting that the AQIS statistics could be improved in terms of developing trend lines?

Dr Sillince—Yes.

Dr Doyle—We would like to see that happen, yes.

Senator WATSON—We will take that on board. On page 8 of your submission you say:

The wind down in State veterinary services and privatisation of laboratories has changed Australia's passive surveillance and our capacity to detect the disease early ...

How widespread is this wind-down in state veterinary services? What impacts can it have?

Dr Doyle—Professor Heath, a former Dean of the University of Queensland, has taken out figures on this. We notice that it has been turned around in the last year or two, but the leaching away has been quite extensive. It has been a worldwide trend—in fact the Brits got down to 253 government veterinary officers before the outbreak, and that was inadequate.

Senator WATSON—How many do we have?

Dr Doyle—Practitioners generally, or government veterinarians?

Senator WATSON—Government veterinarians.

Dr Doyle—I cannot tell you that off the top of my head, but we could send you some material by Professor Heath that has been published in refereed journals.

Senator WATSON—Thank you.

Dr Sillince—The other issue is veterinarians on the ground—government veterinarians out there in the real world are of significance too. There are a lot of veterinarians in very important roles in making policy and quarantine assessments and that kind of stuff, but we are talking about coalface people: government veterinarians who are interfacing day-to-day with farmers.

Senator WATSON—So with a lack of these people disease can spread without detection?

Dr Doyle—There are government veterinarians and stock inspectors. I think South Australia, for example, got down to one or two in the field at one point. They are turning that around now and increasing their force and will have 14, I think, very shortly.

Dr Sillince—New South Wales is very privileged because it has the system of rural lands protection boards, which tend to employ their own veterinarians, although they are not truly in practice. But looking at Victoria, for example, you can map the run-down of government veterinary services quite significantly over 15 years.

Senator WATSON—Could you give us a state-by-state breakdown of the run-down?

Dr Doyle—We can do that.

Dr Sillince—It is a little difficult to tease out desk vets versus field vets, but we can give you some idea.

Dr Doyle—This would be just giving you a scientific paper put together by Professor Heath detailing the movement over the last 10 or 20 years.

Senator WATSON—Thank you very much.

Mr JOHN COBB—I do not know to what extent you have spoken about post-mortem surveillance and whether or not we have sufficient vets. Dr Sillince and Dr Doyle, do you believe that the surveillance is adequate in New South Wales, given that it almost has to be an exotic disease to prevent farmers from having to pay the cost of a post-mortem now? I am not sure that that is true in every other state. Is there enough cooperation between those who plan for outbreaks and private vets out in the field?

Dr Doyle—You are putting us at risk here, because that is not a yes or no question.

Mr JOHN COBB—I was not asking for a yes or no; I was asking for your opinion.

Dr Sillince—That is something we have addressed in some of the other questions. Essentially, I know where you are coming from. You, like us, have identified that passive surveillance has disappeared, largely, as the laboratories have moved to fee-for-service. We

have also identified that there are probably enough veterinarians in Australia, but veterinarians who can mix that diagnosis of exotic disease with the machinations required to cope with disaster are probably a bit thin. The ability to turn passive surveillance into meaningful data, even if you still had that passive surveillance, is looking thinner and thinner.

Mr JOHN COBB—Apart from the number of vets, the biggest concern that I am trying to get at is this: are the various powers that be working sufficiently with private vets out in the field to have them up to speed for where it is heading so that everybody knows what they are going to do if it is needed? Do you think there is enough consultation between departments and the vets out there?

Dr Sillince—That is very much state by state. I am not aware of any structured program for government vets to work with private vets to get this training up. This is why the AVA is calling for a national veterinary reserve which would formalise that arrangement.

Mr JOHN COBB—So you are not aware of any formal process by which this is happening?

Dr Sillince—Not at this stage. That is the reason for the proposal for the veterinary reserve. Having said that, in the absence of any structured, formal program—which is what we are proposing—we find that it varies a lot by state and that it even varies a lot down to personality within states. So, within departments of agriculture, in some states you will find some fairly enlightened individuals who work very hard at keeping the state practitioners on to it. At a national level, AFFA has a very close interface with AVA to the point that we have an arrangement where they put columns in our magazine. But, no, we are not aware of any structured program for organising it and, in fact, that is what we are proposing.

CHAIRMAN—Thank you very much. We look forward to those answers that you promised us. If we have any further questions, do you mind if we put them to you on notice in writing?

Dr Sillince—No.

CHAIRMAN—Thank you.

[12.23 p.m.]

AINSBURY, Mr Ron, Director External Affairs, Diageo Australia Ltd

HALMARICK, Mr John, External Consultant, Diageo Australia Ltd

MARR, Mr David, Commercial Director, Global Duty Free, Diageo Australia Ltd

PREECE, Mr Robert Michael, External Consultant, Diageo Australia Ltd

CHAIRMAN—I now welcome representatives of Diageo Australia Ltd appearing in today's hearing. We have received your submission, for which we thank you. Do you, by any chance, have a very brief opening statement, because we are behind?

Mr Preece—Thank you. We were aware of the time and we have made a decision that we will skip our introductory remarks other than to say thank you for accepting our submission—we were a touch late with it—and for inviting us here today. We will move straight to questions, if it pleases you.

CHAIRMAN—In your submission you say that Diageo asked JCPAA about the risk to the Australian public. I have to inform you, as I informed a witness at a hearing less than a week and a half ago, that we do not answer questions; we ask them. So, in terms of procedural fairness, we have got that out of the way. Having said that, you have come to this committee with basically a single issue, and that is a labelling requirement on spirits. Evidently there is a labelling requirement which applies to the entire food industry. I understand that and my colleagues all understand that, but you are telling us that the Australian Quarantine and Inspection Service requires you to go through quarantine procedures for alcoholic beverages that are imported into Australia. Is that right?

Mr Preece—That is correct. The major part of the submission is based on the fact that Diageo imports spirits for both the domestic retail market and for the Australian duty-free market. In recent times there has been a move by AQIS to move its controls beyond the domestic retail market and into the duty-free market. Diageo and others in the industry have been trying to argue that the duty-free market is a very separate market. It probably should not be seen in the same light as the Australian domestic market, and therefore the same controls should not apply.

CHAIRMAN—Does the quarantine service test your product?

Mr Preece—Alcoholic beverages are what they call a random surveillance food. I believe there is a profile run through Customs whereby one in 20 tariff codes generates an AQIS inspection. That inspection could be merely a look at the label or it could extend to opening the bottle and looking for what they call macrocontaminations. So, yes, there are inspections.

CHAIRMAN—'Opening the bottle and looking for macrocontaminations'?

Mr Preece—Whatever that means, yes.

Ms PLIBERSEK—Poison in the alcohol—that sort of thing.

Mr Preece—I am assuming there is some sort of contaminant that they would be looking for.

CHAIRMAN—Are you happy enough with the one in 20 inspection generally, or are you not happy with it?

Mr Preece—We are behind AQIS controls and objectives. We would argue that the one in 20 discriminates against high-volume importers with fairly good reputations with AQIS over the years, such as Diageo. Such a profile is less likely to pick up the transactions of some of the high-risk importers—the smaller, one-off importers. We highlight in the submission one such incident recently where those smaller importers are in breach of the labels.

CHAIRMAN—What leads you to the conclusion that the domestic market—that is the import market—is different from the duty-free market?

Mr Marr—As Diageo look at the markets as being very distinct, the first element of it is that our domestic market obviously looks after domestic consumers going into retail stores to buy products. Between 65 and 70 per cent of all purchases of our product in duty-free shops would be by overseas people who would go back to their own countries and have mandatory labelling on their products which would not relate in any way, because virtually every country overseas has different standard drinks labelling. The products themselves are very different as well—different packaging and different sizing. The brands are similar but we have products like Johnnie Walker Blue Label, which is at the high end of our Scotch range. That is sold predominantly in duty-free shops in a different size and in different packaging. We are saying that between 60 and 65 per cent of the people who would have this labelling would not be citizens of Australia. They would be non-Australian citizens.

CHAIRMAN—Are you telling us that one in 20, or whatever number, is tested to find out whether or not the product has poison in it?

Mr Marr—This is the labelling element.

Mr Ainsbury—This is the requirement to have the number of Australian standard drinks on the product label. Our point is that most consumers of the duty-free product are not Australians. Duty-free product can be bought in downtown duty-free stores where the product has to be re-exported. At the airport you have inward and outward duty-free stores, and those outward stores do not need an Australian standard drinks measure.

CHAIRMAN—Notwithstanding that I told you that we are not going to answer your question, we will put your question to AQIS and we will get an answer, so ultimately you will get a more appropriate answer from the source rather than from us.

Mr Preece—That would be a good outcome for us.

Ms PLIBERSEK—Is the Australian labelling standard so much more onerous that you seek to be released from this extra burden? Is it really so different from the labelling standards overseas?

Mr Ainsbury—There is no standard drink around the world. There are about 18 different standards. Britain has a standard which is different from Australia's. Japan has a standard which is different from Australia's and Britain's. So, yes, it is not necessarily onerous; it is just that the standard drinks message also has different labels. For the UK market, for example, it is a unit, so it requires us to put a unit rather than a standard drink. So it is not a question of being more onerous; it is just different. Duty-free worldwide does not have any requirement like that, so duty-free is treated as a market. Our products can be sold in any duty-free store around the world at the moment.

Ms PLIBERSEK—But in the European Union they can fit 12 languages on the wrapper of a chocolate bar. I would have thought that it would not be hard to fit all that information on the back of one bottle of Scotch.

Mr Marr—It is not just a matter of putting the information on, it is the information per se. The domestic requirement is to put on the label the name and address of the importer or the distributor and how many standard drinks there are in the container. It is totally irrelevant to put that on a duty-free product or to state X number of standard drinks on the label when most of the people buying it are going away. They have no idea what that means and it is not relevant to the country where they live. As for having the name of the importer on the label, which is there in case something goes wrong and it can be traced, it is much better to have—as is the case now—the name of the producer. So, when they buy here and go back to Berlin, it is much better to know where Johnnie Walker is in Kilmarnock than it is to have 'Diageo Australia' on the label. That is what we are arguing. It is not relevant to have domestic labelling on duty-free products, and AQIS do not seem to understand the commercial reality of their decision.

Ms PLIBERSEK—It may not be relevant to have the importer's name on the label if someone is taking their bottle of Scotch to the United Arab Emirates to consume, but it is relevant to have the proper measure of alcohol content, isn't it? Are you arguing that that should not be included?

Mr Marr—No, that is different.

Mr Ainsbury—The measure of alcohol content volume is not an issue.

Mr Marr—How much alcohol is in it, the size of the container—that is fine; no problem at all. It is just the information that is not relevant to the purchaser.

Ms PLIBERSEK—Leading on from that, several months ago a story arose because of the way in which tax on alcoholic beverages is calculated. The amount of alcohol in a number of drinks—I think it was wine cooler drinks—was being understated to advantage the producers or the importers in relation to the tax that they paid on these drinks. When AQIS test your beverages, do they test for alcohol content?

Mr Marr—No. I think most of the time they would just have a look and see whether the label is appropriate. Sometimes they might test to see whether there is any imperfection. If you have 40 per cent alcohol by volume in a product, not too much is going to live in it, such as any disease.

CHAIRMAN—Should we be drinking it?

Mr Marr—In moderation it is all right. We are saying: why test one in 20 containers of products like Johnnie Walker and whatever, which are constantly labelled with the right labels, when there are people who represent a higher risk of bringing in odd bits of product that hardly are tested? I can show you in the retail market lots of products that do not have appropriate labels because they are not properly tested because they are the small operators—the fringe dwellers—who take the risks.

Ms PLIBERSEK—What percentage of your product should be tested?

Mr Marr—It is hard to say. I really cannot give you a number on that. It just seems to be a waste of AQIS's time to test all our products, because they are the same labels. They come through week after week.

Ms PLIBERSEK—There is a problem, isn't there? While your product might not have any problem, the problem might be outside the bottle. If something is being shipped from a country where insects might crawl into packaging, that is a problem that AQIS should be interested in.

Mr Marr—The packaging?

Ms PLIBERSEK—Yes, the packaging—containers, boxes and so on.

Mr Preece—Perhaps the outside of the container too. Are you suggesting the outside of the container being in—

Ms PLIBERSEK—Containers, boxes—I do not know whether they are packed in bubble wrap on top of that.

Mr Marr—No. It is just in cardboard cartons.

Mr Preece—It is cardboard cartons.

Mr Marr—It is true—no problems.

Ms PLIBERSEK—What are your feelings about how those containers and other packaging should be inspected?

Mr Preece—The one in 20 is about the product being a random food item. I am not certain it is about whether or not there are pests. I think there are other controls that AQIS has—for example, fumigation certificates and things—which deal with that risk. That might be a separate question. Perhaps we could continue to rely on the controls for the pest issue.

Senator SCULLION—Mr Preece, of all these tests that have been done—the one in 20—of the actual contents of the bottles, has there ever been a test that has come out with a result that does not meet the standards or is somehow overly contaminated, apart from the alcohol?

Mr Preece—There is no-one here from the bond store but, from the research in putting the submission together, there did not appear to be any.

Senator SCULLION—And you cannot remember any anecdotal sorts of things?

Mr Marr—I have never heard of it.

Mr Ainsbury—Do you mean in terms of testing of our product?

Senator SCULLION—Yes.

Mr Ainsbury—There has been an instance where, in the testing of parallel imports, the product has actually failed the test, but AQIS has done nothing about it.

Senator SCULLION—What sort of test would that be?

Mr Ainsbury—Sighting the label.

Senator SCULLION—So it is the label; it is not the actual contents?

Mr Ainsbury—It is a label issue, yes. It is not the contents.

Senator SCULLION—Are the principal issues when you are talking about non-compliance here normally going to be in regard to the labelling and identifying whether it is correct?

Mr Ainsbury—In the labelling, yes.

Senator SCULLION—Do you agree that it is probably a reasonable thing to ask, on behalf of Australians, that they know what they are putting in their mouths and that the labelling should be reasonable?

Mr Ainsbury—Absolutely, and all our product in Australia is so labelled.

Senator SCULLION—There is a good possibility that you will buy the product at a duty-free store in Australia, particularly if you are leaving Australia. A few Australians go overseas as well, and quite a number of the people buying the product would be Australians. Why would you then have a problem with extending this service that we provide to Australians to help them understand what they are putting on their tongues? Why wouldn't it extend to those Australians who are leaving the country who are buying this product in Australia as Australians?

Mr Marr—For the Australians who are leaving the country who are buying the product, we have the alcohol content on the bottles anyway. We are requesting that the importer be not that important. If people have bought Johnnie Walker and are going overseas, they know Johnnie

Walker is bottled and packaged in Scotland. That is on the bottle. We do not see any advantage whatsoever in an Australian going overseas and looking at a label that says, 'This product was supplied within Australia.'

Senator SCULLION—I have to say, Mr Marr, I see the argument as fairly frivolous. People may sit down and have a drink, and the labelling on the bottle may state the fact that they bought it in Australia and say that they have to come back through your organisation. That means that there is another step in tracing the product, but it is a pretty basic step. I do not know whether this is somehow going to confuse people who are just going to sit down with a bottle of Johnnie Walker and drink it. The name of the producer and those sorts of efforts effectively will protect Australians in Australia, which is actually the task of AQIS. I see that as fairly frivolous. What do you say to that?

Mr Marr—From that point of view, if you are talking about Australians—and, as I mentioned earlier, probably in the vicinity of 30 to 35 per cent of the people purchasing the product would be Australians—yes, that particular labelling would give them assistance if they had a problem. If they were going to come back to somebody, they would come back to Australia, where they are in residence. We are saying that 70 to 75 per cent of the people purchasing the product are overseas people from other nationalities, and they would not understand that labelling.

Senator SCULLION—On balance, as people working for Australia, what do we do? Do we say, 'Sorry, 35 per cent of Australians; we are going to put something else on there,' or do we simply say to the 75 per cent who are non-Australians, 'We are going to look after you'? I put it to you that under the law the principal role is to ensure that Australians have access to the same information on the bottles, whether in a domestic or an international sense. That should be our role.

Mr Halmarick—Between the name and address of the importer or the bottler it is six of one and half-a-dozen of the other. Given the commercial realities, having to change all the labels just to put on the bottle the importer's name and address rather than the producer's does not seem logical to me. The other part is the number of standard drinks. We are putting a message on a label for the 30 per cent of the population who are going to buy it duty-free. Seventy per cent do not understand what it is about because it is not relevant to where they live. The commercial reality is that it would cost our company over $1 million to relabel all our duty-free products with that one thing about standard drinks, which basically is not relevant to 70 per cent of the people who buy the products. It does not seem to be the commercial reality in terms of our obligations under world trade and the basis of international labelling.

Senator SCULLION—What percentage of your duty-free products are not sold in Australia? You can cite Blue Label; I am talking about the things that are not predominantly sold in Australia.

Mr Halmarick—Thirty-nine of our duty-free products—it may be a particular size, packaging or brand—out of a range of 78 or 79 that are not sold within the Australian domestic market.

Senator SCULLION—Embargos are the issue, aren't they? We are talking about fewer than 50 per cent of the products you deal with. For the others it does not really make a difference. You are going to label them domestically anyway, so there is not going to be much commercial impost.

Mr Halmarick—That is the point.

Mr Ainsbury—But for that small part of our business the cost of that labelling in Australia is significant.

Senator SCULLION—Indeed, but you are doing that in any event.

Mr Ainsbury—No. May I present this diagram?

CHAIRMAN—Is it the wish of the committee that the document be incorporated in the transcript of evidence? There being no objection, it is so ordered.

The diagram read as follows—

Mr Ainsbury—The point we are making is that there is a point at which product is released into the Australian market. We are finding that, depending on whether it is manufactured in Australia or imported, imported product comes into a bonded warehouse in Australia and could be re-exported. In some cases, we use Australia as a base for re-exporting so it never enters the market. It may be appropriately labelled for some other products: it could be for ships stores or it could be for the duty-free market. If we were using Australia as a base for re-exporting to, say, markets in the Pacific, under the current interpretation of AQIS, as the product enters the country we would be required to have Australian domestic labelling. We would then be required to ship it off to Australia. We would have to take off the domestic labelling and put on the appropriate labelling for the market to which we were exporting. It is an additional cost to somebody like ourselves who is using Australia as a warehouse base. We have our own operations in Australia which would be able to label within Australia for the Japanese market or for the Papua New Guinea market. They could put the labels on directly and ship the product. So the AQIS intervention at the point of importation as opposed to the point of exiting customs adds cost to someone like ourselves compared with a domestic trader.

Senator SCULLION—In relation to those issues we have discussed, how do we compare with, say, the United Kingdom or America? How do they go about addressing exactly the same issue? Does the United Kingdom insist that you put it in units, for example?

Mr Marr—No. There is a worldwide duty-free market that has generic labels.

Senator SCULLION—Are you telling me that AQIS in Australia do things uniquely and differently from the remainder of the world?

Mr Marr—Yes.

Mr Ainsbury—In this requirement. To answer your point, within the EU a duty-free label is a duty-free label.

Mr GRIFFIN—I do not think it is unusual within the EU to have a situation where labelling is the same. The whole point of the EU is commonality of approach or standardisation. But are you saying that the duty-free labelling is the same for the United States, the Pacific Islands and South America?

Mr Marr—Yes. There is one general export label for the world duty-free market, which is separate from the domestic market.

Mr GRIFFIN—Your submission mentions a figure of $1 million for the cost in this area, and you mentioned it again then. At the stage of your submission, I understand, you were still working out the exact cost. Are you still working out your exact cost?

Mr Marr—Yes.

Mr GRIFFIN—It sounds like an awful lot, that is all.

Mr Marr—We sell approximately 270,000 cases of product in Australia through Australian duty-free operators. We estimate the cost of the label at between $A3.30 and $A3.40 a case. You

have got to take into account that most of these products are not Australian size/volume products—there is an 1125 millilitre product which conforms to the Australian concession allowance of two 1125 millilitre products. Therefore, having to stop a production line with these products and put on Australian-only labelling has a significant cost.

Mr GRIFFIN—Regarding the Australian labelling requirement versus the generic, international, duty-free labelling requirement, does the Australian label provide additional information?

Mr Marr—Yes, it does.

Mr GRIFFIN—Does that then make that a problem in actually using it in overseas duty-free markets? I am not arguing this—I am just trying to work it out.

Mr Ainsbury—Yes, the first point being that, in the Australian standard, one of the requirements is the name of the importer into Australia, whereas the duty-free label requires the manufacturer's name. The second is the requirement to have standard drinks. As we pointed out previously, specifying the Australian standard drinks could be very misleading, because there are, I think, something like 15 standard drinks or units used around the world.

Mr GRIFFIN—Sure, but for example, if you were to—and I am not saying you should do this—put the Australian details on there, would that invalidate the labelling for duty-free internationally or would it provide additional information which might cause some confusion?

Mr Marr—I believe it would be confusing, because I mentioned a little earlier that the standard drink in Australia is very different to a standard drink in another country.

Mr GRIFFIN—Sure, but what I am looking at is the question of whether, if you did label a component of your product to Australian domestic standards in these circumstances and then were actually to use it for duty-free elsewhere, you would have to relabel. You might want to relabel and think it is more appropriate to relabel, but would you be required to relabel?

Mr Marr—No. Not by law.

Mr GRIFFIN—Okay. On the question of actual inspection et cetera by AQIS, I do not see anything in the submission about the cost of that. Do you see that as being a major cost on your business? Is it a problem from that end?

Mr Marr—It is not a major cost.

Mr Preece—I think it happens at the bond store—at the owner's premises. If it happened on the wharf, it would be another question.

Mr GRIFFIN—So your major argument is, in fact, not the question of the actual cost involved with complying with AQIS requirements; it is the fact that smaller producers are often not required to have the same level of inspection and that, from a risk management point of view, is where there is more likely to be a problem anyway.

Mr Marr—That is correct, yes.

Senator COLBECK—It almost appears as if there is an implication of a double standard with the hoops that you are required to jump through versus what some of the other smaller importers are required to jump through. Is that a fair assessment?

Mr Preece—We have referred to it as receiving mixed messages from AQIS as to the priority this is for them.

Senator COLBECK—So you believe that you are unfairly treated, essentially, in comparison to other smaller importers?

Mr Preece—It seems that the controls discriminate against the higher volume, lower risk importers, yes.

Mr Ainsbury—And that it is much easier, it would appear, for AQIS to try and keep somebody who is already compliant rather than to go after people who are not. I would also say that, in terms of labelling, it is often not just importers. One of the issues is: who should be responsible for adequate labelling of products for Australian consumers? It seems that AQIS is very stringent on importers and on the larger compliant importers. We could probably go into a store and pick up half-a-dozen Australian-produced products which do not meet the requirements and seem to be able to get away with it with impunity. So, to your point, we have Australian producers not providing the details that you demand for the Australian market of 20 million people and something like eight million cases, but we are required to add cost to our business to comply with the 250,000 cases which are mostly going offshore.

Senator COLBECK—Is that million dollars you are talking about an annual cost?

Mr Marr—Yes, it would be.

Senator COLBECK—Just to clarify, essentially most other countries have different standards applicable to domestic sales versus duty-free sales.

Mr Marr—That is correct. As of today, duty-free labelling worldwide is a generic label. There is no requirement for any domestic labelling on that label in any country in the world.

Mr JOHN COBB—Does five per cent mean one in 20 bottles, or does it mean one bottle in every 20 cartons?

Mr Ainsbury—No, it is containers.

Mr Preece—It is actually done by tariff classification quoted on a customs entry. So one in 20 times that tariff code appears is the one that is selected at random to be processed by Customs.

Mr JOHN COBB—So what is the current cost of that?

Mr Preece—I am not certain. I do not think it is great, because it can be done at the importer's premises.

Mr JOHN COBB—I noticed you had that—

Mr Preece—At Huntingwood, yes. It is the normal course of unpacking.

Mr Ainsbury—It is not so much a question of the cost to us as a question of the limited resources of AQIS and having that level of inspection for someone like us. We believe we are 100 per cent compliant.

Mr JOHN COBB—So you are talking very much about your own operation, not anyone else's.

Mr Halmarick—On the spirits side, four very large multinational companies, which would probably represent 85 per cent of the total volume, comply totally with labelling. We are concerned about all the little guys who bring in parallel imports, which we cite in our submission, that do not have the appropriate labelling. They are not appropriately checked all the time. If you go out into the marketplace, you can find your own products that someone else has brought in or other products—some odd-bod white rum or something—with nothing on them to do with Australian requirements. So there should be a balance between what AQIS does with the large companies that are compliant and what they do not do but should do with all the small guys.

Mr JOHN COBB—Are you talking only about spirits?

Mr Halmarick—Spirits and liqueurs.

CHAIRMAN—Gentlemen, thank you very much for coming. We look forward to your further advice. If we have any further questions we will put them to you on notice, if you do not mind. But I do have one other just now: what percentage of bottles actually get cracked?

Mr Marr—Cracked?

CHAIRMAN—The seal.

Mr Halmarick—It would be very small; I know of hardly any. Do you mean in terms of the screw cap?

CHAIRMAN—Yes.

Ms PLIBERSEK—Do you mean intentionally for checking, or do you mean by accident?

CHAIRMAN—No, I mean they crack the seal on purpose to test the contents.

Mr Halmarick—I do not know, to be honest.

CHAIRMAN—What percentage of bottles are opened by AQIS in order to test the contents?

Mr Preece—We will get back to you with information on that note.

Mr Marr—It is probably two or three bottles in a container of a thousand cases of 12 bottles.

CHAIRMAN—I will undertake to ask AQIS some questions.

Mr GRIFFIN—I have a question so that I can be clear on two issues. Firstly, you are saying that there is an issue in respect of labelling requirements not being enforced if something is produced in Australia as opposed to imported products. I do not know that that is necessarily an AQIS issue.

Mr Preece—There were some imports as well.

Mr GRIFFIN—The second issue relates to the imports. You are basically saying that AQIS is rigorous with large importers but the same level of appraisal does not occur with smaller importers. I do not want to put words into your mouth but I will anyway to see if you will cop those words. I thought that, effectively, you were suggesting that AQIS checks where it is easy to check and does not check where it is harder to check and where they may in fact find something. There is an interesting allegation there about the way AQIS is handling its role in that area. I see heads nodding—do I get a yes, a no or a maybe?

Mr Preece—I would just prefer to say that current controls discriminate against high volume importers. The controls fall on those importers.

Mr Halmarick—Briefly, the fact is that we advised Customs to advise AQIS that the products were inappropriately labelled and did not comply, but they ended up in the marketplace. I know this because the marketplace reported back to me and said, 'How come we have a product called Bailey's Irish Cream that says "for duty-free sale only" in a domestic market?' It had nothing about standard drinks, nothing about 700 millilitres; it had 70 cl. Why did it happen? What went wrong at AQIS that this little guy was able to parallel Bailey's in? He did not have the authority, if you like, but it was okay by the law in a sense. How did he get away with it? It happens over and over again when those labels are not appropriately checked.

Senator SCULLION—So these are products that are imported?

Mr Halmarick—Yes.

Mr GRIFFIN—There are some good questions there for AQIS later on.

CHAIRMAN—I want to note for the *Hansard* record that the witnesses did not provide any samples to the committee or to members of the committee! We cannot be bought! I thank the witnesses for appearing before the committee today.

Is it the wish of the committee that the CD-ROM entitled 'Quarantine awareness for the cargo industry logistic chain', presented by the Industry Working Group on Quarantine, be taken as

evidence and included in the committee's records as exhibit No. 7? There being no objection, it is so ordered.

Resolved (on motion by **Ms Plibersek**):

That this committee authorises publication, including publication on the parliamentary database, of the proof transcript of the evidence given before it at public hearing this day.

Committee adjourned at 12.56 p.m.