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JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

Reference: Review of Australia's quarantine function

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JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

Tuesday, 3 September 2002

Members: Mr Charles (*Chair*), 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 and Scullion and Ms King 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 10.05 a.m.

ACTING CHAIR (Ms Plibersek)—The Joint Committee of Public Accounts and Audit will now resume taking evidence as provided for by the Public Accounts and Audit Committee Act 1951 for its review of Australia's quarantine function. I welcome everybody here to the committee's fourth public hearing. Today the committee will hear evidence from the Tasmanian government, the CSIRO, the Productivity Commission, the Australian Society for Parasitology and various industry groups.

It is timely that today's hearing is on the eve of a major Commonwealth and state exercise simulating a foot-and-mouth disease outbreak. The simulation, codenamed Exercise Minotaur, begins on 8 September and will involve about 1,000 people. The Productivity Commission has estimated that the cost to Australia's GDP of an actual foot-and-mouth disease outbreak would be \$2 to \$3 billion for a short outbreak rising to \$8 to \$13 billion for a 12-month outbreak.

After the hearing the committee will conduct an inspection of the equine quarantine station at Sandown Racecourse. The public hearing phase of the inquiry will conclude with a final hearing in Canberra on 20 September. Before beginning I advise witnesses that the hearings today are legal proceedings of the parliament and warrant the same respect as proceedings of the House itself. The giving of false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. The evidence given today will be recorded by Hansard and will attract parliamentary privilege.

Finally, I refer any members of the press who are present to a committee statement about the broadcasting of proceedings. In particular I draw the media's attention to the need to report fairly and accurately the proceedings of the committee. Copies of this committee statement are available from secretariat staff.

[10.07 a.m.]

PAULEY, Mr John Richard, General Manager, Food, Agriculture and Fisheries, Department of Primary Industries, Water and Environment

REARDON, Mr Daniel Leo, Manager Quarantine, Department of Primary Industries, Water and Environment

ACTING CHAIR—I welcome representatives of the Tasmanian government to today's hearing. We have received the written submission from the Tasmanian government. Are there any additional submissions that you wish to make or a brief opening statement?

Mr Pauley—I suppose I want to make sure that you have received three submissions.

ACTING CHAIR—Yes, we received all three of them.

Mr Pauley—Two from the Premier and one from the secretary of the Department of Premier and Cabinet, which removes some earlier evidence we submitted in our initial submission as a result of agreements that were achieved through the Primary Industry Ministerial Council process in Hobart earlier this year. This addressed a number of the concerns that the Tasmanian government has had for some period of time in relation to import risk assessment and the appropriate level of protection.

ACTING CHAIR—Yes, we did receive all three of those and particularly that follow-up one that addressed the matters that you have raised. Did you want to make a brief opening statement as well or can we get straight to questioning?

Mr Pauley—I think the best thing to do would be to get straight to questioning. I will assume that the submissions have been received and read.

ACTING CHAIR—In your submissions you say that Australia's appropriate level of protection should be better defined. Do you have any particular ideas about how that definition should be constructed?

Mr Pauley—From what I have read about quarantine since I have been in the position for the past eight or nine months, there has been a lot of discussion about the ALOP and the IRA processes. I suppose where the Tasmanian government has ended up is really reflected in those ministerial council statements, which are effectively picked up in the draft document from Biosecurity Australia, their 'Guidelines for Import Risk Analysis', which is a September 2001 document. In that, they clearly identify that the appropriate level of protection is not a zero risk environment but an environment where risk is minimised to the maximum possible extent. The other aspect of that is that the development of the risk estimation matrix closely follows information that was provided to Biosecurity Australia and the Commonwealth during the infamous salmon case. We are very pleased to see those principles being picked up in the approach that the Commonwealth is now taking in its import risk analysis.

ACTING CHAIR—You also mention on page 2 of one of your submissions that:

The Commonwealth no longer provides any funding for pathology, entomology or veterinary support in Tasmania.

Can you tell us a little about your concerns in that area and about the impact on your ability to protect yourselves from quarantine risks?

Mr Pauley—That is one of the key issues we wanted to raise here today. We believe that the quarantine responsibilities of the Commonwealth go beyond the barrier controls that are in place. Certainly, one of the things we have found in recent years is that the funding for a range of services we provided to support the quarantine function in relation to pathology, entomology and veterinary support has been withdrawn. Now those services, where they are needed, are provided by the Tasmanian government or they are not being provided at all. One of the real issues in the quarantine policy arena is that we see the very visible part of quarantine staff at the barrier when we travel internationally or quarantine stations and the like when we are looking at containers, but we tend to forget about the laboratory services and the professional and technical staff behind that, and about the very critical surveillance and monitoring tasks which are an essential element of quarantine, particularly as you move into a risk management framework. That is something we support, but you cannot just have a risk management framework that focuses on barrier activities; you have to have good professional backup and good surveillance and monitoring so that what does slip through is picked up before it starts to cause any significant damage to activities within Australia.

ACTING CHAIR—In your discussions with the other states, do you know if they have identified cuts in these types of professional positions as well, or is that something unique to Tasmania?

Mr Pauley—I am only aware of the situation in relation to Tasmania.

Ms KING—In your submission you seem to be arguing for a different type of Commonwealth-state relationship in relation to quarantine. Can you comment on that and perhaps expand on some of the comments that you have made in your submission?

Mr Pauley—Could you give me some examples of where you see it is different?

Ms KING—I am not saying that it is different. What you seem to be arguing for is a more transparent relationship. A stronger role for states seemed to be one of the flavours that was coming through in your submission. Certainly, Tasmania is in a unique position. You also seem to be saying that the relationship had not been particularly good in relation to Commonwealth-state relations and that there is some hope for the future of that with the new agreement. But there seemed to be a flavour coming through that Commonwealth-state relations had not been particularly terrific.

Mr Pauley—We certainly believe the only way you can get an effective quarantine policy is through a very strong partnership between the Commonwealth and the states. The very adversarial approach which was evident quite clearly in the salmon inquiry did not lead to the best outcome for anyone. Since then, we have been seeking an approach which has a much stronger partnership and which has a lot more communication in the process than has been

evident in earlier processes. As evidence of that, we had the initial draft IRA for the importation of apples from New Zealand, and what landed on the states was essentially a set of draft recommendations. My experience has been that as soon as an organisation has a set of draft recommendations, those draft recommendations have to be signed off by the secretary and have most probably been to a minister. There is an awful lot of ownership of those draft recommendations before they get out into the public arena for discussion and comment, so a lot of territory is being protected by the people who have been involved.

With the apple IRA now, we are seeing a much more transparent process. Before we are even getting involved in the draft recommendations for the importation of apples, we are looking at and reviewing the science. There is an opportunity for the states—and Tasmania is particularly interested in the apple IRA—to identify where the science might be lacking or might not be adequately picking up on the regional differences that exist across Australia. We believe that because there is much closer consultation, regardless of which way the final decision goes, there is a much better understanding as to why the decisions are being made. We certainly feel, to date, that we have had a greater opportunity to be involved in the analysis and discussion. However, we are a bit concerned that, regarding the agreements that have been agreed to by the Commonwealth—and in particular, their commitment to looking at regional differences—we have not yet seen them start to be incorporated into the processes and procedures of Biosecurity Australia. So we are concerned that the process might be somewhat ad hoc and that we might end up, at the end of the day, having to fight a rearguard action. However, to date, the process has been reasonably good. But we are still looking to see how Biosecurity Australia will incorporate regional differences in risk.

Ms KING—In the spirit of partnership, given that agreement was made in May this year, have you received any indications from Biosecurity Australia about how they are planning to do that?

Mr Pauley—We have not received any firm indications. We have had a number of conversations. Certainly, Biosecurity Australia were quite surprised at the quite complimentary comments they received from Minister Llewellyn, which were very much in contrast to his previous stance towards Biosecurity Australia. In discussions with Biosecurity Australia we have been given some indications that they will give consideration to the areas most at risk through the IRA process.

We have agreements, which they will consider, that where internal barrier controls can be put in place they become part of the process. For example, with salmon, while the decision was to permit the importation of salmon into Australia, Tasmania's response was to adopt an internal barrier—completely at our expense—to ensure that our salmon industry had the level of protection that we considered it needed. Again, that is not a zero risk; it is an acceptance of a minimal risk of disease transfer. We believe that, if we are going to develop approaches which take account of regionality and there are internal movement controls in place, they become part of the overall quarantine function of the Commonwealth in partnership with states.

ACTING CHAIR—Can you give us an update on the salmon situation at the moment? You say that you have set up internal barriers at your own expense to prevent salmon going from the mainland into Tasmania.

Mr Pauley—Yes.

ACTING CHAIR—Are you finding that a lot of people are seeking to import Canadian salmon?

Mr Pauley—We are not finding a lot of people are seeking to import it, but we are certainly having to monitor the movement of salmon across Bass Strait. We are monitoring the movement of fish products across Bass Strait because there is still an extreme awareness in Tasmania of the potential impacts of the importation of a salmon disease, as a result of permitting uncooked salmon into Australia.

ACTING CHAIR—In what sorts of scenarios are people bringing salmon to Tasmania? Are you talking about people inadvertently bringing small amounts?

Mr Reardon—There are very few commercial importations as such; it is mainly people who are inadvertently importing small consignments for their personal use. You get requests from restaurants and people like that who want to import small consignments. There is no large-scale importation but it requires continuous monitoring of all the transportation systems to ensure that none slip through the system.

Senator COLBECK—You mentioned the change in attitude and relationship in the apple case. Would you say that there have been some reasonable lessons learnt through the salmon case and put into effect during the process of determining the apple IRA?

Mr Pauley—To date I think there have been a number of lessons learnt—in that, we are laying the science out publicly before we are making any assessment as to where things fall in the risk estimation matrix, which looks at the likelihood and consequences of the importation of a pest or disease. The difficulty we see is that, when it comes down to it on a national scale, the Tasmanian apple industry is not very big so how will the consequences of a potential fire blight infestation be addressed in the IRA? For example, Tasmanian apples account for about 70 per cent of Australia's exports of apples. The rest of the industry is largely focused domestically; our industry is very much export focused. We have concerns that, with the presence of fire blight, it is really looking at the catastrophic impact on the industry; whereas, perhaps in the rest of the country, the presence of fire blight may not be catastrophic because of the nature of the markets that are being entered into.

We consider that there is a range of different vectors available in Tasmania to host fire blight. For example, the hawthorn hedges that are present throughout a lot of Tasmania are a host for fire blight. We have examples where apple cores have been thrown out of the windows of cars and have grown into apple trees up through the middle of a hawthorn hedge. It is not beyond reason for all the elements of disease transmission to be in place to a greater extent in Tasmania than perhaps might exist elsewhere in Australia. The proof of the extent of the agreements that the ministerial council adopted is really going to be tested through the apple IRA.

We have seen, in discussions with our colleagues in Western Australia, that some of the commitments of the ministerial council agreements have not been followed up in relation to the views that Western Australia have put in relation to pineapples and bananas. It is still very much a 'suck it and see' approach. We are liaising fairly regularly with Biosecurity Australia now and

we have some of our technical staff involved in the analysis. At the moment I would have to say that it is all looking very good, but there are still some risks to process that are yet to be fully explored.

Senator COLBECK—Do you believe the fact that Tasmania is 70 per cent export should be a factor that is included as a weighting in the IRA process?

Mr Pauley—I certainly do believe it should be a consideration because the attitudes of various markets to, say, the introduction of fire blight are going to be quite different. For example, if you have an industry which is just selling to a local market then the import risk assessment process automatically takes account of the impacts of the import into that local market, particularly if it is dominating the industry as a whole. I would expect in undertaking the import risk assessment that the IRA process would assess the risks to the Australian apple and pear industry and assess the risks to public health and safety. For example, the antibiotic control of fire blight which is used in New Zealand is not a permitted control process within Australia. It is obvious that the IRA process is going to have to take into account those risks to the industry and those risks to public health and safety which might flow from Australian growers having to use the same antibiotic controls that are currently used in fire blight affected countries. However, when it comes to Tasmania's position, because we are export orientated, we have an extra layer of complexity. We are accessing markets such as the Japanese market which requires fire blight freedom, and we have taken advantage of fire blight freedom and fruit fly freedom to get access to those markets, and it has been a long, difficult and expensive exercise.

Senator COLBECK—Have you made submissions to the Commonwealth government along those lines as part of this process that you are developing at the moment?

Mr Pauley—Certainly, in the apple IRA there has been the opportunity for us to present at this stage the scientific information that we feel needs to be put before the committee, and certainly through the ministerial council standing committee processes which are running virtually in parallel we are raising issues associated with incorporation of the ministerial council agreements into the processes of Biosecurity Australia in a formal as opposed to an ad hoc manner.

Senator COLBECK—Your most recent submission provides an update on the argument for a structured, regional, risk based approach and you appear to have been successful in that. How confident are you that that approach will withstand WTO scrutiny?

Mr Pauley—The approach that we have recommended all the way along about giving consideration to regional differences in risk is based on the elements of the SPS agreements which permit regionality to be addressed. It is how we actually address that. That is why we are so interested in understanding the procedures that Biosecurity Australia are tending to adopt in addressing regional risk differences, as to how they see their processes meeting what is permitted under the SPS agreements in a manner that does not compromise WTO arrangements. But, because they are permitted, we do not see any difficulties as long as the process is appropriate.

Senator COLBECK—You have mentioned the procedures that you are working to understand. Are you working to have input into the development of those?

Mr Pauley—Again, we are presuming that Biosecurity Australia would not develop a whole range of procedures to deal with regional risk assessment in isolation from regional parts of Australia and would undertake a fairly comprehensive and consultative process in doing so. But, as yet, we have not seen them starting to head down that process, other than what they are doing on a case-by-case basis with their import risk assessments.

Senator SCULLION—I congratulate you on a very comprehensive submission. It is certainly more comprehensive than some we have seen from some departments, and I am very pleased that it gives us the opportunity to delve into some areas that I am particularly interested in. In your introduction you say that Tasmania has a relationship with the Commonwealth and that you are actually delivering services under an MOU arrangement. Is that unique to Tasmania, or is there a similar situation with regard to all quarantine services?

Mr Pauley—I will again defer to Mr Reardon.

Mr Reardon—It is not unique to Tasmania. The same arrangement exists with all the other states, I believe, where the service is provided on behalf of the state.

Senator SCULLION—Thank you. There is a theme throughout the report on regionalisation and the recognition that, if you have a region, you should be able to recognise the nature of that region either because of the nature of the products or because of the nature of the market. Certainly, in Tasmania both salmon and apple exports enjoy the top two per cent of premium in the market. I understand part of the reason for the market paying the premium is that you come from a disease-free area. The report goes on to say that Australia should have that approach in a regional sense, and you will have to help me with this. Whilst I can understand, because Tasmania is an island, that you can embargo or quarantine the island and its imports, how would you do that in other regions of Australia?

Mr Pauley—In the discussions and in the agreements that were reached at ministerial council, there was explicit recognition that, through Tasmania's island status, there is the possibility to introduce effective internal quarantine barriers. It was also recognised that, with Western Australia, there were opportunities to introduce effective controls because of the expanse of the Nullarbor and the distance that particularly the south-west of Western Australia has from temperate Australia. There are also examples such as the tristate fruit fly arrangements where reasonably effective internal barrier controls are in place. But there is no doubt that, in looking at regionalisation, we see that Tasmania and Western Australia have a significantly different position from, say, the eastern seaboard.

ACTING CHAIR—We have about five minutes left, so you might want to speed up your answers. I think Senator Scullion and Ms King each have a couple more questions.

Senator SCULLION—I note that pathology, entomology and veterinary support in Tasmania is not being supported now. How do you go about doing that now?

Mr Pauley—We just do less of it, with greater risks.

Senator SCULLION—I am surprised that there is not a focus, with regard to the salmon and some of the undaria, starfish and that sort of stuff, on marine pests and the capacity for us to

maintain some sort of barrier control for those. Does Tasmania see control of marine pests as of high importance as part of border control?

Mr Pauley—We certainly do, and our input into a range of discussions being undertaken by marine and coastal committee of the NRM standing committee and NRM ministerial council illustrates that.

Senator COLBECK—All international mail coming into Australia is currently being screened, and obviously Tasmania has risk issues from the ‘north island’. Do you see a case for screening mail coming from mainland Australia to Tasmania and what do you think the implications of that might be?

Mr Pauley—I will refer that to Mr Reardon.

Mr Reardon—We currently screen mail coming from mainland Australia into Tasmania. We screen it at all the major mail centres throughout the state, and that includes courier mail as well as Australia Post mail. That screening takes place on a daily basis at all mail centres.

ACTING CHAIR—Is that for 100 per cent of mail or do you screen a sample?

Mr Reardon—It is for 100 per cent of domestic mail.

ACTING CHAIR—Can you tell us briefly about the Victorian broccoli that was banned from Tasmania last month after a diseased shipment was discovered? Are future imports of Victorian broccoli going to be allowed into Tasmania only if it has come from a disease-free certified area?

Mr Reardon—That was in relation to white blister on broccoli; it was known to occur in Victoria. All produce going into Tasmania is subject to inspection upon arrival. When the broccoli consignment was imported, there were no visible signs of the spores on the broccoli, and the importer held it in cold storage for two or three days prior to its dispatch out to various locations. When the dispatch time came, the broccoli was showing symptoms, so the importer contacted Quarantine because he felt concerned about this having developed while the broccoli was in cold storage. It turned out to be that the broccoli was carrying the spores. As a result of that, we consulted with our colleagues in Victoria and we have put in place an interim restriction until more technical data is made available on the spread and control mechanisms associated with that particular disease.

ACTING CHAIR—You have really relied on the goodwill of the importer there, though, haven’t you? Is that a breakdown in your systems?

Mr Reardon—No. It was not visible at the time of the actual physical inspection, and our scientific people have advised us that development only occurred whilst in cold store and the signs then became visible.

Mr Pauley—I think it is very important to realise that quarantine is really everybody’s consideration. One of the things we seek to do in Tasmania is to increase the awareness in the general community about quarantine issues. Recently there was a survey in relation to grapevine

leaf rust, and in Tasmania we had a much higher response rate from private individuals asking us to come and check their grapevines for the presence of disease. That is a very important aspect; it is part of the surveillance and monitoring process I mentioned earlier.

Ms KING—As part of the other submissions we have received, we are getting some fairly strong arguments for a clearer and more precise definition of ‘appropriate level of protection’. Counter to that, we were also hearing that defining ‘appropriate level of protection’ tightly could open us up to legal challenges that could be very costly and drawn out. Would you care to comment on that?

Mr Pauley—I have to say that the Tasmanian government now lines up with the Commonwealth in relation to the definition of the ALOP and how that flows through into the risk matrix within their guidelines.

ACTING CHAIR—Thank you, Mr Pauley and Mr Reardon. We welcome your evidence and we thank you for your submissions.

Mr Pauley—May I make one final comment?

ACTING CHAIR—Sure.

Mr Pauley—In our most recent letter we noted the changes to your terms of reference to include any proposed free trade negotiations. We are certainly of the view that Australia’s quarantine responsibilities should not be traded off in a free trade negotiation. We have a number of concerns in that regard.

ACTING CHAIR—Thank you for putting that on the record. If the committee secretariat have any follow-up questions are they able to write and get a response from you?

Mr Pauley—Yes.

ACTING CHAIR—Thank you both very much for coming.

[10.40 a.m.]

FLOYD, Dr Robert Bruce, Portfolio Manager, Biosecurity and Natural Resources, CSIRO Entomology

MIDDLETON, Dr Deborah Joan, Senior Veterinary Scientist, CSIRO Livestock Industries

ACTING CHAIR—I welcome representatives of the CSIRO to today's hearing. We have received a submission from CSIRO. Is there any additional material that you wish to present or would you like to make a brief opening statement?

Dr Floyd—We would like to make a brief statement to reaffirm two points in the report. The first one is regarding the North Australian Quarantine Strategy, and Deborah will make that statement.

Dr Middleton—We would like to affirm our very strong support for the NAQS program. It engages the philosophy of managing quarantine risks through managing issues offshore. Particularly the NAQS-funded, targeted research programs have led to increased levels of sophistication in laboratory diagnosis that we then have been able to transfer to South-East Asia.

Dr Floyd—The second issue we wish to highlight is to do with the recommendations of the Nairn review of 1996, and in particular the recommendation about establishing a research centre for biosecurity risk analysis. This recommendation has been on a number of occasions further supported by the Quarantine and Exports Advisory Committee, and more recently again by the Australian Academy of Technological Sciences and Engineering, yet it still has not been established. CSIRO remain convinced that this is a very appropriate and necessary recommendation from the Nairn review and wish to continue to support that idea.

ACTING CHAIR—Thank you. We might get straight into the questioning. You say on page 1 of your submission that there are problems with increased costs and risks of deterioration because research materials need to be cleared by two agencies. Can you tell us a little bit about that? How do you see that being overcome? You later say that you would like to see a reduction in duplication of some border functions. One of the issues that has come before the committee from time to time is an amalgamation of Customs and AQIS into a single border agency. If you would like to comment on that as well I would be interested in your views.

Dr Floyd—The concern we have for efficiency is that, as you are probably aware, CSIRO brings in biological material, for biocontrol exploration and issues like that, which is only available for short times of the year. If it takes a long time to get in, we miss that opportunity and we have to wait another year and our industry clients are not very happy about that. Our critical issue is about efficiency. Together with that, I guess, we would see some harmonisation of the requirements across the various agencies—particularly, Environment Australia as well as AQIS requirements from CSIRO Entomology's point of view—is probably the most critical

area where we sometimes struggle with getting efficient passage of material more than with Customs Service.

ACTING CHAIR—So that is not an issue for the sorts of things that you are importing?

Dr Floyd—For us it is not. For the livestock area?

Dr Middleton—It is not an issue for us either. Our main problems, in coordinating these kinds of activities, are with things like CITES permits rather than Environment Australia per se or the ACS.

ACTING CHAIR—I also noticed in your submission you say that many of the new recruits, which AQIS have picked up in their recruitment drive, have no formal qualifications in any field relating to AQIS functions and that that has caused you problems in the import permits area. You have had to return a number of import permits on the basis of them containing incorrect import conditions. Firstly, we have had contradictory evidence on the level of qualifications of the new AQIS recruits so I would like to know on what basis you make that assertion. Secondly, in relation to the problems with the import permits, do you think that there has been a level of high-risk materials being imported due to the failures that you have identified?

Dr Middleton—I cannot comment specifically on the evidence for the qualifications of the AQIS officers. Certainly, there was a period—probably not within the last six months but prior to that, when this submission was being formulated—when we had a series of import permits for which the information had been incorrectly transcribed onto the permit.

ACTING CHAIR—Do you mean just a technical error?

Dr Middleton—It was to do with things like erasing the possibility of inadvertently importing foot-and-mouth disease from a South-East Asian country.

ACTING CHAIR—Can you explain to us how that might be?

Dr Middleton—For example, normally, when requesting importation of pig serum from a South-East Asian country in which foot-and-mouth disease occurs, we make it a condition of importation that that material be sterilised in our facility. That condition has been omitted from the import permit and has required correction. We have detected the error and corrected it. That is an example. However, I would certainly say that there has been a sustained improvement in this area within the last six months, at least. As a general comment, we would like to encourage AQIS to recruit staff, to encourage them to gain expertise and then to create employment opportunities that allow those staff to be retained, once they have gained that expert knowledge.

ACTING CHAIR—As an outsider looking in, do you think that is not the case at the moment?

Dr Middleton—There seemed to be a period of very rapid turnover where we found ourselves actually indicating to AQIS officers the sorts of things they should be doing and thinking about. There was a loss of corporate knowledge.

ACTING CHAIR—You have said that that frequent change in staffing has led to a loss of corporate knowledge and that it has translated into inconsistent advice provided by AQIS?

Dr Middleton—Yes.

ACTING CHAIR—In what sorts of areas? Can you give us an example of that?

Dr Middleton—I cannot give an example for the inconsistent advice only for the errors in issuing permits.

Dr Floyd—I would like to add to that particular issue. My experience has been more with the plant protection side. By and large, I would say that the recruits into AQIS, Biosecurity Australia and the Office of the Chief Plant Protection Officer have been of a good quality but what has been asked of them has sometimes been beyond their experience and their ability to effectively deliver. That is an area where I think we have to be careful that we make sure that nationally we are getting the best expertise to focus on issues. Often when a person has some level of knowledge which might be less developed they think that they are across the whole area.

I remember this at university myself. As I went through first year I thought I knew everything about biology, in second year I thought I might not and in third year I knew I did not. There is that human behaviour towards knowledge issue that I think we need to be careful about. I think the answer is about forming appropriate partnerships. It is not appropriate, I think, for all these specialists to reside within AFFA as a whole or AQIS or Biosecurity Australia specifically. I think the way to go is to have them nationally available and to form partnerships.

ACTING CHAIR—Thank you very much.

Senator SCULLION—Dr Floyd, you have said that the NAQS is a wonderful process, and I tend to agree with you, because it detects things before they actually come here. I understand from evidence taken in Cairns that there are a number of pathogens on our NAQS list of plant pathogens which we do not have the capacity to test for at the moment. In your role with CSIRO in that research area, what is the principal impediment to establishing those tests in Australia?

Dr Floyd—There is an initiative currently running through Plant Health Australia to do with establishing greater diagnostic capability, and that is linked very closely with the Office of the Chief Plant Protection Officer within AFFA. I am on that steering committee. We are seeking to identify the key pests and pathogens that we do not have the diagnostic capacity for in Australia and then develop that capacity. The problem with plants is that there are so many pathogens and there are so many pests that could affect our Australian plant industries. In citrus alone there are 600 significant pests—this is not pathogens; this is just insect pests—known worldwide.

We cannot have full preparation for all of these things so targeting is really important. That is the role of this process in place now: to identify those targets. The efficiency of delivery of diagnostic services in the country means that probably not every state should expect to have full diagnostic capability for all of the major pests and diseases. We need to take a national approach

and rationalise. We need to establish labs that we know are the key labs that can provide the diagnostic support for certain groups of organisms for the nation.

Senator SCULLION—Perhaps you can just take that question on notice. The question specifically was embargoed or quarantined to the NAQS list, which are the targeted species on the NAQS list. There are some types of pathogens which we consider are in the highest order and yet we do not have a test to establish what that is. Since you are a member of the committee, I just wondered whether you could take on notice that question about the status of those plant pathogens on the NAQS list that we do not have a test for at the moment.

Dr Floyd—Okay.

Senator SCULLION—I have another quick question. I notice that the CSIRO Centre for Research on Introduced Marine Pests in Hobart—or CRIMP—has the centre of expertise in Australia. There is no doubt about that. In your submission, whilst it was comprehensive, that was an area which I was surprised it did not centre on as much. Whilst I was speaking to the NAQS people in Cairns, they quite clearly indicated, in response to my questions on border control and marine pests, that they actually do not have the intellectual capacity or experience to deliver anything in terms of marine pests. We work from the waterline up. For everything else it is a case of, ‘Who knows.’ I spoke to them about partnerships and about increasing their capacity in house or in a partnership arrangement. Where do you think CSIRO would sit in regard to CRIMP and NAQS perhaps working together? Where would you take us there?

Dr Floyd—The response of CSIRO to partnership with NAQS would be exceedingly positive as that already exists in a number of areas, but I think it could exist in a far broader way. The science program of NAQS is limited to a small number of people. As you say, they do not have below-the-waterline expertise. CRIMP coordinates mainly with the Australian museums—not the Australian Museum specifically but the Australian museums—to provide its service. It does not have all of the taxonomical diagnostic capability itself but it provides a coordinated approach. I think the same coordinated approach and input would be required to work with NAQS for some of these marine issues. We would be very keen to explore such things.

Senator SCULLION—Briefly in terms of the experimental procedure, you touch on experience with old-world screw-worm fly and capacity. As days go on and you look at your 4,000th fly, and you know you are not going to get the capacity for people to be focused and to actually pick up ones that are down a bit, do you think that they should include—without the capacity to go overseas and have a look and be excited when they do find them—some sort of auditing process so that they are adding screw-worm flies here as we do with fruit fly to ensure that our monitoring is actually audited, that it has an in-house auditing approach? Again, it would not be an audit if AQIS did it. Do you think CSIRO can also have an auditing role in some of our border protection measures?

Dr Floyd—The broader issue is clearly about quality assurance and quality control. In the world where we are hoping never to find something it is a particular challenge, and I think we do need to be creative about the way that we stimulate the system and test the system, and CSIRO could clearly have a role in that. It is not just the surveillance; it is also the diagnostic labs. To send some positives through the diagnostic system from time to time of various sorts of pests and diseases would be a very useful thing to do. We have no evidence of the quality of

diagnostic work which is done within AQIS or elsewhere in the country at the moment. It is all based on, 'We are good enough to know what we are doing.' I would contend that is probably not good enough, and that we do need to embrace some sort of quality assurance and quality control.

Senator COLBECK—I might take up the subject you have just been talking about. You mentioned partnerships a couple of times, and I think you have established your credentials and willingness to be involved in that. You have mentioned in your submission scientific data collection and the capacity of AQIS—and you have mentioned it here again this morning—to have all the expertise to do it. If in fact the partnership process could be expanded to include bodies such as yourselves and perhaps some state departments, what impact do you think that would have on the overall IRA process, timeliness et cetera?

Dr Floyd—It would depend on how those partnerships were constructed and what roles were going to be shared with other agencies. I am aware from my state departmental colleagues that the need to provide information for the IRA process can be quite onerous under the current circumstances, so there is clearly a resourcing issue, and there is a need for a commitment from all parties to a partnership to make sure that they do provide what is required in a timely manner. The IRA process is one which is difficult under the best of circumstances and we do not want to confuse that and make it even worse by creating unworkable partnerships, so adequate resourcing and an adequate commitment of all parties to deliver in a timely manner would be fundamental to such a partnership, but in principle I think it is entirely doable and should be explored.

Senator COLBECK—You might have heard earlier evidence from the Tasmanian government with respect to regionality in IRAs. How do you think that would fit in with the concept of involving state departments in this process in that form?

Dr Floyd—I am sorry; I did not hear the Tasmanian government input. I was not in the room then.

Senator COLBECK—The discussion was, and I think it has been confirmed through some federal agreements now, that there is capacity for regional differences in the IRA process and for regional elements to be accepted. I could quote one infamous case, I suppose, the salmon imports into Tasmania, and the current one going around at this point in time with respect to apples. It is really reflecting on the impacts on the IRA process of having specific state government agencies involved in the process.

Dr Floyd—I think local state level involvement is certainly required to be able to engage with some of the details and intricacies of local context. Further to that, I am not sure whether the Tasmanians were talking about area freedom definition and being able to have areas declared as free of a pest or disease. That is another angle where we do need that local involvement and we have to have adequate local data to demonstrate these areas are free to maintain our market access. I do not think the system can work without close state involvement.

Senator COLBECK—There has been some discussion and perhaps some criticism from industry participants at a very local level. Again, I am aware of that occurring in Tasmania with salmon and there is also discussion about it in Tasmania with respect to apples at the moment.

The process of gathering the science is obviously extremely onerous and not necessarily something that the industry participants would understand on an intimate basis. What processes in your view could be put in place or implemented to ensure that they are actively involved in the entire process and perhaps some of their assertions are tested?

Dr Floyd—I think that is a very important question. I am involved in one of the import risk analysis panels at the moment to do with pests of ornamental bulbs and there is a critical communication process which has to take place with industry so that they do understand some of the problems and the issues from a technical and scientific perspective as well as from a regulatory perspective. If anything I would suggest that communication needs to be more open and more transparent than what it has been and maybe less measured in the amount of information which is provided. I think if we do that then we can build greater trust. There is another side to this and that is that there has been very little research done to look at how people form risk perception and how risk itself is communicated. I think if we understood that we could then engage various target publics much better in the whole risk analysis process. I do not think we understand this well at all.

Senator COLBECK—Thank you.

Ms KING—You have recommended in your submission that there be established a centre for biosecurity risk analysis. Could you perhaps elaborate on that proposal a little more and tell me how it would be different to what Biosecurity Australia currently does?

Dr Floyd—We concur with the recommendation made by others that such a centre should be established and the focus of the centre should be on the science, the research of risk analysis as it applies to biosecurity. Biosecurity Australia's role is very much at the operations research end of the research spectrum. They have done some good work on refining their import risk analysis process and issues like that but due to the huge pressure of the IRA juggernaut, they do find it very difficult to put much of their resources into some of the blue sky, more innovative approaches, such as exploring if we really do have better ways of doing hazard identification as an example or many of the other processes. That is where a centre could come in. The other critical issue is one about independence. This is a vexed issue because total independence in the research centre from Biosecurity Australia I do not think is necessarily the best model, because Biosecurity Australia is the main client for a lot of this research output so they need to be involved. However, there is great benefit in the eyes of industry in having some independent centre to be able to turn to for an opinion or some input.

Ms KING—I could be reading it incorrectly but there seems to be a bit of a contradiction in your submission. On the one hand you have been highly critical of AQIS. I understand there has been an improvement, but you have been critical of AQIS's loss of corporate knowledge and lack of qualified staff. On the other hand you are recommending or suggesting that Biosecurity Australia contract out its scientific expertise to other organisations and concentrate more on policy development. Am I wrong in thinking there is a bit of a contradiction in that argument?

Dr Floyd—What you have picked up are two different parts of our submission: one which is actually focusing more on the animal industry and the other one which is focusing more on plant industry issues. There superficially appears to be some conflict there between those statements. I think both of them are true and they are focusing on different parts and functions

within the organisation. Our comments about, say, the scientific processes within Biosecurity Australia and import risk analysis are certainly looking from a plant pathogen-pest point of view. The other comment was more about the animal industry in AQIS.

Ms KING—Are there risks, though, with contracting out scientific expertise from Biosecurity Australia that you lose corporate knowledge, whether it be in plant or animal, and does that not make it a different type of agency to what you currently have?

Dr Floyd—I think it would make us a different kind of agency to what you currently have. Knowledge management is critical now and, if you had some of these activities conducted at arm's length, knowledge management would be even more critical. I do not think we can escape that.

ACTING CHAIR—You mentioned the possibility of offshore surveillance activities with our regional neighbours. Do you see that CSIRO might have a role in that, and are you aware of any pre-emptive research into potential control measures for some of the plant and animal pests that are evident in those near neighbours?

Dr Middleton—CSIRO has a role already in conducting a large amount of the laboratory testing for disease surveillance, not only along the northern Australian border but also from material collected in South-East Asia. We also have a role already in running training programs for veterinarians from Indonesia, and including East Timor, in disease recognition—that is, recognition of foreign animal diseases.

ACTING CHAIR—With East Timor, is that a fairly recent program?

Dr Middleton—Yes, it is.

ACTING CHAIR—I also want to ask whether you, Dr Middleton, have any views about the upcoming Operation Minotaur. How do you think we will perform?

Dr Middleton—We were talking about this out in the foyer. I am looking at it very much from a laboratory perspective, and I suppose I feel that lots of the lessons that we usefully learned we have possibly learned already from very close interaction with the laboratories in the United Kingdom. I think the real value of this exercise might prove to be in information management between state and Commonwealth, and how the reporting framework and the emergency disease management framework operates on the ground, rather than so much from the laboratory perspective.

ACTING CHAIR—Did you have many CSIRO scientists go to Britain during the outbreak?

Dr Middleton—Two of our own veterinary staff went to be involved in field work, and we have also had four laboratory staff visit the United Kingdom laboratories to learn the take-home messages.

ACTING CHAIR—In a sentence, what would you say those messages were?

Dr Middleton—There were two very clear messages in terms of the things that limited the effective management of the outbreak from the laboratory disease diagnosis point of view. One was the limitations of the laboratory software, and that was seen as a huge problem.

ACTING CHAIR—Has that been addressed?

Dr Middleton—In the UK?

ACTING CHAIR—Yes.

Dr Middleton—Yes, but it took, if you want the details, seven weeks to bring the Foot and Mouth Disease Reference Laboratory in line in an IT sense with the rest of the diagnostic laboratories within the UK. The other limiting thing was the need to gear up laboratories for automation of testing sera. That was the other single most important event that limited the management of the outbreak from the laboratory point of view.

ACTING CHAIR—I know it is guesswork, but how do you think Australia will deal with those two issues?

Dr Middleton—There are two kinds of outbreaks. There is one that you can manage as an acute event—that is, it is localised and you deal with it. From the Australian Animal Health Laboratory point of view, we would already be well positioned to deal with an outbreak like that and, with increased funding from AFFA, we are also developing the appropriate laboratory software and the ability to automate. That will give us an increased level of capability. The other is a very large outbreak. I think we have to confront the fact that we will need to engage the services of the state veterinary laboratories in the same sort of activity that we would undertake in a smaller outbreak. It is not clear to me that those infrastructure issues are being addressed.

ACTING CHAIR—Is there a variation between the states in their capabilities?

Dr Middleton—Yes—but to my knowledge none of them, for example, would have an automated system for dealing with serological testing.

Senator SCULLION—I spoke to Environment Australia about this, and I put to them the issue you have touched on: in Australia we have the application of a precautionary principle in almost everything we do and we now have the Environment Protection and Biodiversity Conservation Act, which takes a very precautionary approach to many of our primary producers. In import risk assessment, you indicate that the biosafety protocol as part of the Convention on Biological Diversity is inconsistent with the general thrust of the precautionary principle. Could you go to how we would start moving away from the SPS principles we are operating under and towards a precautionary principle? The position of EA is that that would give us better biodiversity security than the general approach in terms of disease does. What do think about that?

Dr Floyd—I think the key issue in trying to bring together these two sets of principles is to have more rigorous scientific methods of dealing with uncertainty. We are always going to be left with large amounts of uncertainty when it comes to risk analysis around the environmental implications of an incursion. It is difficult enough to try to reduce uncertainty in terms of our

agricultural industries; the magnitude of the environment means it so much more difficult. There are researchers around the world who are starting to do work on mathematical methods and on developing approaches and methodologies which would help us deal with uncertainty. That is where I think the precautionary principle and some of the Sanitary and Phytosanitary Agreement things can come together—that is, it is scientifically justified but it is recognising that uncertainty is there. We need to have the methods developed and refined which would help us to integrate uncertainty into a risk analysis framework.

Senator SCULLION—If you think there is uncertainty or ambiguity within an issue, do you think we should apply the precautionary principle?

Dr Floyd—It is difficult to apply the precautionary principle within the context of the SPS agreement because it is said that it must be scientifically justifiable.

Senator SCULLION—Within the general constraints on IRA and in terms of whether we take it in a very more simplistic sense, say we were doing an assessment on whether or not a product should be imported and there was some ambiguity in terms of the scientific rigour. At that stage, should we say, ‘Do we take this or this? Should we apply the precautionary principle because it is going to give us a better outcome?’ Is it reasonable to say that that would be, in the scientific sense, a reasonable step to take?

Dr Floyd—In the context of limited knowledge and wide uncertainty, I think we have very little choice but to take the precautionary principle. We need to develop more rigorous methods of dealing with that uncertainty so that we can be confident of and be able to defend it. It is okay if we convince ourselves but, when it comes to a trade issue, we have to convince someone else, and if they are not prepared to accept a precautionary principle approach then we are still in a bind.

ACTING CHAIR—Following on from that point, we had the European Trade Commissioner saying that, if Australia wants concessions in agriculture, it will have to give ground in other areas. He said:

It is no secret to anyone on this planet that Australia has strong and constant non-trade tariff barriers ...

That is really what you are saying, isn't it, that we are perceived overseas as using science as an excuse?

Dr Floyd—I think there are several perceptions of Australia overseas. One is that Australia has had a leading role in developing the whole science behind biosecurity. We were the leader; we are no longer the leader, but we are still in the upper group.

ACTING CHAIR—Why are we no longer the leader? Who is the leader now?

Dr Floyd—I would say the US and New Zealand. I would probably even put New Zealand as No. 1. The US is certainly ahead of us, in terms of developing the theory, the frameworks and the methodologies for doing risk analysis around biosecurity and the underpinning science. I think those two are ahead of us, and we are probably somewhere with Canada.

ACTING CHAIR—Why have we lost our advantage in that area?

Dr Floyd—I think it is down to priorities and resourcing those priorities. We have not put as much effort and resourcing into those areas as we did in the past. It is a really valuable position to hold—it is not science for science’s sake or world leadership for world leadership’s sake—in terms of being able to influence the World Trade Organisation and to influence the way that agreements, and even the issue that Senator Scullion just raised, are written. If we are up there and leading the theory and the methodological development, we can have more influence over the international agreements that we as a nation have to operate under.

ACTING CHAIR—Are you saying that this has come about because of a cut to our funding for organisations such as your own?

Dr Floyd—Actually, I am quoting largely from a report which came out from within AFFA. It was probably looking nationally at the capacity and the investment, but it certainly was having a very strong look at where AFFA was positioned—so, no, it is not a cry for poor CSIRO.

ACTING CHAIR—You just missed a great opportunity then. I gave you that one!

Dr Floyd—That was a free kick, wasn’t it? Clearly, there is the broader issue about resourcing, but the report I am thinking of was a broader one about Australia’s national capacity. I do not want to be self-serving, because I am convinced of the national need and the need for this national centre and coordination, because CSIRO would never have the skills to do all of the things that are required. Biosecurity Australia and the Office of the Chief Veterinary Officer and the Office of the Plant Protection Officer have a whole bunch of skills that need to be integrated and maybe set free into some of this research area as well.

ACTING CHAIR—Isn’t there a danger of just setting up another bureaucracy, though?

Dr Floyd—That, we would not want to do. This has to be worked through and thought through carefully as to what the best model is. We went down the track of looking to establish a cooperative research centre for biosecurity risk analysis, but we decided not to proceed with that at about the end of April. The reason we did that was twofold. One of the reasons was that a CRC requires significant skill in-country to build the research centre around. We actually do not have that in Australia, so we did not then have the leverage to put into that to put up a really compelling case. The second issue was that we found there was a fair degree of tension between the research goals of our client groups—government and private industry—and some of the parties were saying, ‘We don’t want to see certain bits of research done,’ and they were the same bits of research that other parties wanted done. So the model of a cooperative research centre was not going to work.

I see an independent researching body, which is not a part of the bureaucracy and which sits apart from that, as a resource. The way the Productivity Commission operates—and this is my superficial understanding of it—is as a model which is the sort of thing which could be quite useful, where it is independent to an extent from government, can provide independent advice and does not get locked up in the process of IRA. I think that AFFA is the body that has got to

manage the IRA process, but there may be inputs to that process which an independent body could provide.

ACTING CHAIR—If there is an independent body—and you have mentioned that we have a limited number of people with expertise in this area—don't you endanger the existing organisations by taking experts out of them and putting them into a separate organisation? Is that a concern?

Dr Floyd—I think a part of the CRC model which is good is that you do not actually take people out of their other organisations; they remain in those organisations but for a percentage of their time they are focusing on this research activity. That is the model I would look at. Ideally, I would like to see involved in this percentages of a number of key staff from AFFA, some state departments, CSIRO and some universities. But then we need key linkages; we have to do this internationally. If we are going to really force that agenda I was talking about before—about international agreements and influencing those—we then form the linkages with the agencies, such as the Plant Protection and Quarantine group in the US and the agencies in New Zealand. They are actually very keen to work with us on some of these issues. The opportunity is there but, no, we do not decimate the other organisations in the process.

Senator COLBECK—Given that we were at the top of the pile, so to speak, and we are perhaps sitting third now, what have been the drivers for the others overtaking us? Has it been a matter of them overtaking us or us slipping?

Dr Floyd—Probably a little of both. In the case of New Zealand, they proportionally seem to invest very heavily in biosecurity. It may be due to size and reliance on trade and all sorts of issues like that—I am not sure. The US also has picked up its commitment to biosecurity. In the last 12 months—in the agricultural biosecurity sense rather than human health and welfare—the US has ramped up even more its commitment to these areas, so it has moved ahead quite substantially. We have probably marked time. In most of these advancing fronts, if you mark time, you actually lose ground.

ACTING CHAIR—Thank you, Dr Middleton and Dr Floyd. Did you have any final comments you wanted to make?

Dr Floyd—No, I do not.

ACTING CHAIR—We thank you very much for your evidence today and for the CSIRO's submission. We hope that if we come up with any questions after you have gone then the secretariat will be able to write to you and get further information if we should need it.

Proceedings suspended from 11.22 a.m. to 11.29 a.m.

KERR, Mr Robert, Head of Office, Productivity Commission**PITKETHLY, Mr Garth, First Assistant Commissioner, Canberra Office, Productivity Commission**

ACTING CHAIR—Welcome to this hearing. We have received a couple of exhibits from the Productivity Commission. Do you want to present us with any additional material, or would you like to make a brief opening statement?

Mr R. Kerr—I have some brief opening remarks. Thank you for inviting us to contribute. As you are probably aware, the commission's public inquiry and research responsibilities cover a very wide range of economic, social and environmental policy issues. While we have no specific functions relating to quarantine decisions, through our inquiries and research we do report on some relevant aspects. Inquiries into the citrus industry and cost recovery by government agencies are a couple of recent examples. I thought it might help you if I spend a couple of minutes pointing to two publications by the commission that we believe have some relevance to your terms of reference, and then we would be happy to discuss those or other things that we have done.

The publication that is perhaps most closely related to your terms of reference is one of our staff research papers, *The role of risk and cost-benefit analysis in determining quarantine measures*, which I think we sent to you. This study revisits an issue which has been subject to sporadic debate for some years. More specifically, it explores whether a cost-benefit approach to import risk analysis would be superior to the import risk assessment procedure presently used by Biosecurity Australia, AQIS and their counterparts in other countries. The study identifies some advantages and some limitations to a cost-benefit approach. It does not conclude which is the superior approach; it was mainly intended to discuss the issues and trying to inform debate.

The second publication, *The impact of a foot-and-mouth disease outbreak in Australia*, is one that the government commissioned from us. This estimated that a major outbreak would result in very substantial economic losses to Australia—between \$8 billion and \$13 billion under one of the scenarios that we used in the report. The report's findings emphasised the need for Australia to have a whole of government approach to prevent or, if needed, to manage a major animal disease outbreak such as FMD. We would be happy to discuss those or any others of our reports that you find useful.

ACTING CHAIR—We did receive both of those papers, and we thank you for them. I am sure that my colleagues will also have some questions arising from them. It seems that what you are saying in *The role of risk and cost-benefit analysis in determining quarantine measure* is that if we could get cost-benefit analysis right it would be a better tool, but at this stage we do not have the ability to get it right. Is that how it boils down?

Mr R. Kerr—I do not think we were quite as conclusive as that. We could see some merit in bringing a cost-benefit perspective to these issues by looking at, for example, the benefits to consumers in Australia of particular import outcomes, and we could also see some merit in having some more formal frameworks for looking at cost-effectiveness ways of handling import

risk. Limitations were practical with respect to estimating costs but they were also related to the status of cost-benefit approach in the context of the WTO. We were not at all sure whether that sort of approach, as a generic approach, would fly in that sort of context. We did our best to lay that out.

ACTING CHAIR—You have argued that incorporating a broad economic perspective would lead to breaches of the SPS agreement. Do you think there is any way of resolving that issue?

Mr Pitkethly—It was not our intention to say that it did actually lead to a breach. I think that was an issue that we could not resolve, and one of the reasons is that there is very little case history on this agreement. We were picking up on the view espoused by some who questioned whether it goes beyond the agreement. Once again I think we are standing back and saying that we have a set of people who are supporters of the CBA approach and there are other people who point to shortcomings, and one of those shortcomings is that there is a possibility that it actually is in breach of the agreement. We did not actually sit in judgment on that latter point.

ACTING CHAIR—I suppose there are industries that are lobbying for particular approaches. For example, the dairy industry have made a submission to us which says that when we put values on risks associated with freeing up our imports restrictions we need to also factor in that other countries will respond favourably to our freeing up, and that that is of potential benefit to industries such as the dairy industry, which is a huge exporter. Did you have people making arguments to you that when you are doing a cost-benefit analysis you should be weighing up the industry-versus-industry effects in some cases?

Mr R. Kerr—There are two points to make. We have received a recent approach from the consultant who I think was working with the dairy industry on this issue. Ironically, the approach was made after we had completed our report, and we were simply able to point to it as our view. More generally, from time to time the government has asked us to look at industries and try to weigh up either costs or costs and benefits with respect to changes in input regimes. This goes back some years, including involving our predecessor organisation, the Industry Commission. For example, we touched on salmon in Tasmania, pig meat imports and the foot-and-mouth case most recently. In those contexts we have some consultative processes, and through the consultative processes industries may put arguments to us that they think have merit. They are the two occasions that come to mind.

Mr Pitkethly—Perhaps I could elaborate on that. We did not have extensive consultations with industry; it was more a conceptual piece in some ways. From an individual view, I think it is difficult to second-guess the reactions of some countries. I can conceive that some countries would react in the way that you identified, and there could be some retaliatory measures. On the other hand, I could also conceive of a situation where other countries would see it as a means of Australia preserving its diseased-free, clean, green label, so it could assist trade. So it is a bit of a balancing act for me.

ACTING CHAIR—Can you run us through what a cost-benefit analysis framework would look like in this area?

Mr Pitkethly—Yes, I will have a go at doing it. The framework will depend on the situation you are looking at, but in my mind I see it differing to the extent that it is considerably broader

than what we would have in an IRA. In particular, as the paper points out, the areas where we would get into in a cost-benefit framework are typically the community-wide effects. The best example is the effect on using industries, and because of that there is a more extensive data gathering process and calculations implied. So in some ways I see the two as overlapping, but the CBA is going beyond it by bringing in extra factors which can impact on the community at large rather than the industry in question.

Mr R. Kerr—There is quite a useful little summary in box 1 on page XIII of *The role of risk and cost-benefit analysis in determining quarantine measures: staff research paper*. It sets out the CBA approach.

ACTING CHAIR—Unemployment is the thing that most of the industries have raised with us as a potential threat. The chicken producers, for example, have told us that they are worried they will lose about 35,000 jobs if we reduce our restrictions on Thai chicken imports. Do you believe that we should take those things into consideration?

Mr R. Kerr—Yes is the answer. Handling employment issues as a result of a policy change is always a bit of a challenge, because the art of economic analysis is to look at not only the direct effects but also all of the indirect and knock-on effects. Depending on the way the economy is going, if there is an employment change in one sector, it is not necessarily to be assumed that there will not be some other compensating changes elsewhere in due course. It depends on the circumstances as to where those jobs might be generated. It is easy conceptually to say that it should be done and it is quite hard to do in practice.

ACTING CHAIR—Did either of you work directly on the foot-and-mouth disease reports?

Mr R. Kerr—My colleague Garth Pitkethly supervised the teams working on both of those. I had some involvement in their inception.

ACTING CHAIR—You know Operation Minotaur is coming up on 8 September. How well do you think we are prepared to handle, firstly, Operation Minotaur and, secondly, a real outbreak of foot-and-mouth disease?

Mr Pitkethly—I would like to think I was informed enough to have an opinion on that, but actually I am not. Our contribution to foot-and-mouth disease has been to illustrate the potential magnitude and breadth of the problem, and we did not get into the AUSTVET Plan or anything like that. We were there, if you like, as the number-crunchers. We were there to try to paint the picture, to try to illustrate that, if we were unfortunate enough to have an outbreak, the consequences can be frightening.

Mr R. Kerr—The government discussed with us its preparations for this contingency planning and, as a result of that, we got this piece of work as a component input to the exercise. We do not expect to have any further direct influence.

Senator SCULLION—I would be interested in your view on our appropriate level of protection for Australia, the ALOP. We have a polarised view at the moment. Many submissions have said that it is far too broad and very vague and that it does not offer the sort of prescriptive nature that we need. AFFA have said to us, 'If we have a very prescriptive nature, there will be

people who will be able to find loopholes and will be able to import products that we are currently trying to prohibit.’ They are the two polarised views. Could you give us some of your views on that situation?

Mr R. Kerr—To the extent that we have a view on most policy issues, it is to do with process rather than with defining a solution at that level. Our interest is in the analytic tools that are brought to bear and in the transparency and costs and in the way the costs are handled. Those are the sorts of areas where we have made a contribution. That is probably all I could say. It does not provide much help in answer to your question but, as I said, we do not have direct responsibilities in the area.

Mr Pitkethly—Perhaps I could add to what my colleague has said. We have touched on transparency in the report. I understand the position that AFFA is advocating, but perhaps there is some middle ground there. Perhaps, within individual assessments, there is scope for being more transparent in explaining how the appropriate level of risk was arrived at. So perhaps there is a bit of middle ground without losing what I understand AFFA want to protect.

Senator SCULLION—I will ask one other question on a technical aspect you went to in the report—the capacity for vaccination. If you have a widely vaccinated herd, particularly in uncontrolled areas where there are very large paddocks or where I come from, the Northern Territory, where there are none, it takes away our capacity to test for a disease because they have been inoculated with the disease. What are the pros and cons of vaccination versus culling?

Mr Pitkethly—We are by no means experts in this. However, it was a component of our modelling exercise. We probably came out in support of the official line—that is, vaccination is not the best thing since sliced bread. In our simple world, we got ourselves into a situation where we said that, if you have an outbreak and there is a very high risk of it spreading very quickly and getting away from you, that could be an occasion where you would vaccinate as a holding operation—to buy time, if you like—so you could catch up with your slaughter and disposal. However, as you people would be aware, there are some catches with vaccination, because you have to chase them down and, in the end, you have to slaughter them. We tend to take the view—and it was reflected in our modelling—that vaccination would only be useful in a situation where it was running out of control and it would be a holding operation so you could get on with the stamping out procedure.

Senator SCULLION—Could I ask a supplementary in that same area? How do you think that would impact upon our disease-free status? In the WTO environment where not everybody is as forthright as Australia, they may say, ‘How can you demonstrate that that animal has a positive titre to foot-and-mouth disease because of a vaccination and not a positive titre to food and mouth disease because it has the disease and has caught it from some other area?’ Establishing our bona fides must be somewhat difficult in that environment. What do you say to that?

Mr Pitkethly—I think you are right. You are stretching my information limits to the boundaries but the approach that we were taking was that in this instance if you vaccinate you have then got to slaughter to try to overcome the problem although, at the end of the day,

whether you can say you have caught up with all the animals you have vaccinated, especially in your part of the world, is obviously not easy.

Ms KING—What sort of reaction have you had to this paper that came out in February, particularly from Biodiversity Australia? Are they pleased with it? Are they thinking of adopting it? Do they think it is terrible?

Mr Pitkethly—We are fortunate in that we worked with AQIS when we first started thinking about this and later on we are not quite sure who it was—we shall say AFFA to cover all bases—and they gave us feedback on drafts all the way through. My version is that, at the end of the day, I think both parties thought it was a reasonable issue to put on the table. I could not say whether they believed it should be adopted but I believe it is true to say that the appropriate authorities thought that it was a fair description of the policy option.

Mr R. Kerr—We would have explained to them the status of staff research papers is not to recommend policy changes but to provide information and analysis. They treated it in that sort of context.

Mr Pitkethly—You will notice in the acknowledgments we do pick out one particular individual who is helpful—

Ms KING—I did note that. I guess I was wondering if it was sitting on a shelf somewhere as if people thought it was a great thing and now it has been popped away somewhere. Whilst it is a research paper, what sort of follow-up is there?

Mr R. Kerr—We are not intending any specific follow-up although it would give us some intellectual capital were we to be asked to do some further work in this area.

Ms KING—Thanks.

Senator COLBECK—You mentioned the potential demand for data that cost benefit analysis would bring with it. I also note that it could require some judgment to come into play as well. How do you expect that the impact of the data demand could be managed with respect to things like cost and who applies the judgment to the process?

Mr R. Kerr—I will give a general response to that because those sorts of issues come up in quite a lot of our work, not just in this sort of area. Developing data depends very much on the subject matter. We are used to working in areas where there is not much, for example gambling, or where there is lots, for example the automotive industry. In this area I think the data would be sometimes quite hard to get. I am basing that on my references in the past to salmon and pigs in trying to develop analysis in that area.

One well-worn principle we use is an iterative process. We lay out what we think is required, we start to gather data, then we exhibit it and try to get people to contribute to it and test the data against each other's views. Transparency has a role to play in developing data in this area. The same sort of principle helps in the judgment process. We are not worried about making judgments as long as we can explain how we came to the judgments. Others can then differ if they have an alternative judgment, although we have tried to set an analytic hurdle so that they

cannot just say they do not like it; they would have to say why and substitute their own assumptions. In all this sort of work assumptions do loom. The key to that is to make clear what they are and, where people differ with them, to ask them to explain why they think other assumptions might be the case. But my guess is, depending on the particular area, the data may be harder or easier to come by. Do you have anything to add on that?

Mr Pitkethly—No, I do not.

Senator COLBECK—Do you have any views on how the costs of the gathering of that might be met?

Mr R. Kerr—Do you mean the administrative costs or the estimation of costs in a cost benefit analysis?

Senator COLBECK—The cost of gathering the data.

Mr R. Kerr—No, we do not have any particular views on that. We are budget funded and we use those resources to do the work that the government has asked us to do. Holding inquiries — as you would know from your own experience; no doubt you have your own estimates of the costs of your own inquiries—is not necessarily a cheap business. It is proper to ask before the event whether it is worth it. There are some fairly well-worn tracks to follow to try to contain the costs, including using the expertise of others. Of course, some may argue that that is simply a transfer of the costs, but usually people who are interested in a particular topic are willing to put forward their views or information that they have.

ACTING CHAIR—I want to go back to something we touched on a little earlier—the appropriate level of protection. You have commented that greater transparency and consistency would lead to greater precision and you think that that would impose greater transparency and consistency on quarantine decision making. What do you think could be done to improve precision? One of the concerns is that greater precision might lead to people searching out loopholes and opening up rather than closing down the potential for risky material to be brought into the country because you would have people taking an overly legalistic approach. Do you want to make any comments about that?

Mr Pitkethly—With greater precision you might leave yourself open to criticism. It is a bit of a luxury, making broad generalisations when you have a bit of room to move and swerve. One area we identified in the report where perhaps there could be greater precision is in the greater use of quantitative data rather than qualitative. Having said that, I think that the issue you raise could be pertinent.

ACTING CHAIR—You also say in the report that there are dangers with poor quantitative data. I think you identify that as a significant risk too.

Mr Pitkethly—You are correct. When we put our pointed hat on and look at what is wrong with cost benefit analysis, we think that you can make cost benefit analysis pretty complex and perhaps people could misuse it. If it became a global practice perhaps it could be misused and, because it is a complex model, perhaps it would be hard to unpick it to see how it was being misused. This is why we find ourselves saying, ‘On the one hand’ and ‘But on the other hand’.

Senator SCULLION—I have one last question. In terms of the consequence of a foot-and-mouth outbreak in another part of the world, particularly somewhere like Argentina, it is very interesting that, suddenly, Argentines have this patriotic fervour for eating beef. They each eat 65 kilograms a year to help make up the shortfall domestically. Do you think Australians have the capacity to eat the shortfall—to have a big barbecue?

Mr R. Kerr—I hesitate to point out that consumption habits in Argentina may be driven by quite different circumstances, and I am not sure they have much spending power to hold any sort of a barbecue at the moment. No, I do not think we have a view on consumption. No doubt people more expert than we are can point to changes in consumption levels and substitution between them. I think our analytic framework would assume that people only ingest a certain amount of protein in food so, if they increase their consumption of beef at a Northern Territory barbecue, no doubt the chicken farmers and some others would then become rather unhappy. It is an example of the indirect knock-on effects of analytic process.

Senator SCULLION—I guess my question was a little flippant, but the tie-in with Argentina is that the fact that they lost their disease-free status again is what led to them almost doubling their consumption of beef. It was not just something that they did because they like big barbecues; it was a direct consequence of losing their disease-free status.

Mr R. Kerr—Garth will confirm my presumption but I think you will find in our report that the domestic price consequences of a potential outbreak of foot-and-mouth would of course have an effect on domestic consumption. So, yes, prices would collapse, although we probably have not used a word as dramatic as that. They would certainly fall very sharply. Depending on people's perceptions—because, although there are certainly no direct human health consequences known from foot-and-mouth, people may well have an antipathy towards increasing their consumption of beef were the disease to break out in Australia—and depending on how that is handled, yes, the domestic price consequences would have a significant consumption effect.

Mr Pitkethly—Putting a twist on that, if beef prices fall, they will not fall in isolation. We know beef competes with poultry, fish and things like that, so it is a little bit like 'follow the leader'. The actual price relativities may not be quite as dramatic as you would think if you were just thinking of beef alone.

ACTING CHAIR—Going back to foot-and-mouth again, you give three possible outbreak scenarios: a small outbreak in south-west Western Australia, a medium one beginning in Charters Towers and a large one in the south-eastern states. Why did you pick those three scenarios? Are they the most likely, or did you just want to have a go at three different ones? Is it more likely that there would be an incursion into Cape York via the Torres Strait? Did you model the likely spread of foot-and-mouth disease into feral animals like pigs, deer and goats? Did you include the costs of eradication of those feral animals in your report?

Mr R. Kerr—I might give an initial answer on the process side. When we were discussing this prospective study with the government, we made it clear that we did not want to take upon ourselves the scientific judgments involved and, therefore, the way the terms of reference were agreed were that we would be given three scenarios to factor into our exercise. In that sense they were chosen for us. On the greater points of detail, did you want to add anything, Garth?

Mr Pitkethly—No, you are correct, including some of the details. AFFA and state governments contributed to the design of the scenarios, so we plead innocent to that.

ACTING CHAIR—Okay. I have one final question. You comment that establishing foot-and-mouth disease-free trade zones could reduce the costs of an outbreak by up to two-thirds. How would you suggest that those foot-and-mouth disease-free trade zones be established? How would they be controlled and enforced? Have you had any positive response to your suggestion?

Mr Pitkethly—Zoning is a common strategy that is used to divide a country so that you can differentiate between areas which are FMD free and areas which are affected by the disease. Our understanding is that this technique has been used before. Not every country to which we export might accept it, but our expectation, based on looking at previous examples, is that it would work. As to the mechanics of how you would maintain the zone, once again we took it that it is possible and we did not go into the actual mechanics by which the animals in the zone would be quarantined. Presumably it would involve movement restrictions on both animals and people, but we did not go into the nitty-gritty of how the zone would be preserved.

Mr R. Kerr—We expect that that sort of thing would be taken up by the other components of the contingency planning exercise.

ACTING CHAIR—It is my fault for asking you so many questions, but you did not mention whether you included in your model the possible costs of eradication if foot-and-mouth disease spread into the feral animal populations.

Mr Pitkethly—I do not believe we did. The animals that we modelled varied between the three scenarios. The small outbreak was, in essence, sheep, and the medium outbreak was cattle, whereas we modelled the large one as affecting cattle, dairy, pigs and sheep. I do not believe we included the knock-on effects into feral animals, although I think we mentioned it in the report as a complicating factor.

Senator COLBECK—I have one final question with respect to the FMD report. Did you take into account in your spread rates and controls any of the modelling that would be applied by state and federal authorities in the process of putting this report together?

Mr Pitkethly—We liaised quite extensively with state government authorities. When we had the modelling at a stage where we thought it was fairly complete we held a workshop to which they were party. They made suggestions and we incorporated some of those suggestions. It was an exercise where there was a common interest, and the Commonwealth and the states worked fairly closely together.

Senator COLBECK—Thank you.

ACTING CHAIR—Thank you very much for your presentations and papers. If the committee thinks of any more questions down the track, can we ask the secretariat to write to you and get your responses?

Mr R. Kerr—Of course.

ACTING CHAIR—Thank you very much for appearing before us today.

Mr R. Kerr—Thank you.

[12.04 p.m.]

SANDEMAN, Dr Richard Mark, Vice-President, Australian Society for Parasitology

ACTING CHAIR—Thank you for coming today. We have received a written submission from your society. Do you want to present to us any other written material or would you like to make a brief opening statement?

Dr Sandeman—I would like to check to see whether you have the paper we put out through FASTS earlier this year.

ACTING CHAIR—We certainly do not have it before us in the papers today, so we would appreciate a copy being tabled today so the committee can circulate it at a later date.

Dr Sandeman—That was released in February this year to the parliament. It details our concerns in a range of parasitic diseases in Australia, and quarantine certainly includes that area. As opposed to the submission, perhaps I can briefly detail a couple of things. Our concerns come under three main headings: pre-border surveillance, the impact that our wildlife might have as a reservoir of disease, and the state of education and training, particularly in parasitology but generally in exotic diseases in Australia. We are particularly concerned that there should be some forward defence component in AQIS, and of course they are doing that in the northern Australian quarantine approach, but we believe that should be extended on the research side to try to prepare us for the diseases that will come. We believe there is an increasing likelihood of disease entering Australia in the next 20, 30 or so years. That comes about because of the well-publicised climate change, because of the increased transportation and increased movement of people and goods, and because of—which is not so well publicised—an increased susceptibility in the population, especially the human population, to disease. Our increasing age structure and the existence of AIDS, especially, and also the existence of larger numbers of people who are on long-term drug treatments which actually suppress immune systems means that there are more susceptible people around to carry disease. As a society we believe we have to be in a position to anticipate disease entry to Australia and very quickly quarantine that if and when it arrives. The problem there, we believe, is partly the amount of research going on, especially in countries to our north—in the Torres Strait and Papua New Guinea and Indonesia especially—and also the level of education and training in this country which has been going down for some years and is still going backwards as far as training in these specific areas is concerned.

ACTING CHAIR—When you say training is going down in these specific areas, are you talking about graduate training, are you talking about scientists with these specialities, or are you talking about the level of training of, say, AQIS staff?

Dr Sandeman—AQIS staff are pretty well trained and certainly are doing a very good job. We have no real criticism of AQIS. The training we are thinking of starts with science education in schools and goes right through to postgraduate education in universities and CSIRO and places like that. Particularly the level of training in parasitology and those areas in our medical schools is dropping, decreasing, and has been for a number of years and will decrease further

because of the changing approach to teaching in those places. They are doing case study based teaching, which is a very good method of teaching but means that you select specific things to learn—and parasites are unlikely to be selected, except perhaps malaria—and also the fall-off in postgraduate education in the area means that we are training very few people. Those that we do train tend to go overseas once they have finished.

ACTING CHAIR—Why has there been a fall-off in postgraduate training in this area?

Dr Sandeman—It is mainly because of the amalgamation of departments and loss of people from our universities. There is no department of parasitology left now in this country. That has become a department of microbiology, and I believe from next year there will be two people who are parasitologists left in that place. That is at Queensland University. ANU used to have a fairly strong parasitology component but there is one person left. There are very few people—of any critical mass certainly—around the country in universities now. Veterinary teaching departments still have parasitologists. Notably here at Melbourne University the parasitology section has been dropped. There are a few in state departments of agriculture but apart from that we are a decreasing expertise.

ACTING CHAIR—So we do not have experts left in universities. Do we have those experts in other organisations, like the CSIRO and so on, or are they going overseas?

Dr Sandeman—Yes, there are still some. CSIRO have cut back extensively on their parasite area as part of their cutback in the whole of the agricultural research area. They have people left in Brisbane and Armidale. As far as I know, that is about it.

ACTING CHAIR—Do AQIS have parasitologists working for them?

Dr Sandeman—They do have parasite experts working for them, yes.

ACTING CHAIR—Have they increased their number or decreased their number recently?

Dr Sandeman—They might have taken a few people on recently with the expansion, maybe at the junior levels at the moment. I am not sure that they would be trained parasitologists. They may be working in the area, but they may be veterinarians or people like that.

ACTING CHAIR—You say in your submission that it is in Australia's best interests to improve the development of regional quarantine capability. How might that quarantine capability be improved in the region, and do you have any ideas of how the cost should be met?

Dr Sandeman—Costs are more difficult. The improvement should be, we believe, through a targeted approach to look at, perhaps, research grants or research projects which are set up across a number of agencies in places where we can look at some sort of forward defence against the diseases that we are under threat from, mainly in the north—places such as Indonesia, Papua New Guinea and now particularly East Timor, which at this time of massive change and disruption in the country has a very high chance of disease entry and disease transfer, and we are particularly worried about that at the moment. We believe that there should be some specific government funding for this type of research. AQIS are on a hiding to nothing. Sooner or later, diseases enter, and at that stage we have to be prepared. The only way to be

prepared is to know more or less what is going to happen when they come in here. That is the difficulty.

ACTING CHAIR—Are you aware of particular research that is going on in our near neighbours that would allow us to prepare for those sorts of disease incursions?

Dr Sandeman—There is a range of research funded partly through AQIS and partly through ACR and other government agencies. An example would be the research on surra—which is a protozoan disease in Papua New Guinea—which has shown that marsupials are carriers and can act as reservoirs for surra. That is bad news, because if it gets in then that is a huge reservoir of animals. For a range of other diseases there are specific targeted programs, but we believe that those sorts of programs should be extended.

ACTING CHAIR—You paint a fairly worrying picture, that with climate change, increased transport and so on we are threatened with all sorts of waves of diseases. Do you think that our level of protection at the moment is totally inadequate? It is a pretty grim picture.

Dr Sandeman—No, I do not think the level is totally inadequate. We are doing a good job, there is no doubt about that. AQIS has been improved recently and is extending its protection. Recently we have picked up a number of things that have almost got in—Japanese encephalitis and things like this. Unfortunately, it is a total vigilance system, and I believe that that vigilance will be tested more in the next few decades than it has been in the past.

ACTING CHAIR—CSIRO appeared before us earlier today. I think in their evidence they seemed to suggest that there had been a big increase in surveillance at the border. Indeed, the committee saw the evidence of that at Sydney airport, for example, where almost 100 per cent of passengers were being screened. They were implying, it seemed, that while resources have gone into that front-line border protection there had been a simultaneous decline in the research and the science behind the quarantine functions. Is that your view also?

Dr Sandeman—Absolutely. We would concur with that view. There is no doubt that front-line surveillance has increased both at entry points and generally with sentinel herds and those sorts of things. They have been increased over the last few years. Hence we picked up the encephalitis when it came into the country and we have picked up some other things that have come into the country. But things are still getting in. Babesiaceanis just appeared in dogs in the middle of Victoria, and that was not here before.

ACTING CHAIR—Can you tell us a little bit about that? We noticed that in your submission, but I am not aware of what it is.

Dr Sandeman—It is another protozoan disease of the bloodstream. It is transmitted in this case by ticks—common dog ticks—and can be fatal. It usually causes a malaria-like disease.

ACTING CHAIR—Fatal to dogs or to humans?

Dr Sandeman—It is fatal to dogs and not infective to humans.

ACTING CHAIR—How would you suggest that that turned up in Victoria?

Dr Sandeman—We are not sure. We believe it might have been through an import of a dog, which would be the sensible way for it to get in, or possibly a tick, but that is less likely.

ACTING CHAIR—What about the quarantine function? When dogs are brought here, they are usually—

Dr Sandeman—They are in quarantine for some time. One might suppose that it would come in in the dog and be at a low, non-detectable level for some time before it became extant, or perhaps the dog was just lucky and kept it under control for a while or was a carrier. All of those things are possibilities. These diseases, if they are at a low level, are very hard to detect.

ACTING CHAIR—You also mention that Australian quarantine should play a more active role in monitoring the disease-free status of Australian wildlife. Would you expand a little bit on that and tell us whether you think the Department of Agriculture, Fisheries and Forestry or Environment Australia should take responsibility for that—or whether you do not care?

Dr Sandeman—I would not like to say who should. I suspect it would be the state department or some similar instrumentality. The point is that Australian wildlife, although they are unique, are certainly susceptible to a range of diseases that are common overseas, and they are the biggest potential reservoir for disease in Australia. If something gets into that reservoir then it will be extremely difficult to eradicate and we will have to take the sort of action against our native wildlife that we are taking against feral animals, which would not be popular. There is a range of problems in that situation. We do need to know a lot more about marsupial susceptibility to a range of diseases. We just do not have any idea at the moment.

Senator COLBECK—You mentioned before the extension of our programs. Do you think that should be targeted in any respect and, if you do, where? Should it be, for example, targeted at diseases that might be likely to get into, say, the marsupial population of the country? How do you see the program should be targeted, basically?

Dr Sandeman—We have not looked at specific diseases and gone through and decided whether or not they should be targeted but, yes, there should be a targeted program and there needs to be a review of various diseases and at least an initial judgment of their threat in terms of the human or wildlife populations or the feral or domestic populations of animals. Obviously, we cannot afford to work on everything at once, so yes, it has to be a targeted approach.

Senator COLBECK—A prelude to that obviously is perhaps a reworking or a review of what is being worked on at the moment—I suppose an overall risk analysis—to see what you hit and where and when?

Dr Sandeman—Exactly. AQIS reviews their threats on a fairly regular basis, and perhaps there should be a widening of the threat focus rather than just domestic and human. They are aware of surra and are doing some work in that area, so they are not unaware of these things. But our view is that, in terms of future disease, it is a fairly limited approach.

Senator COLBECK—You mention pre-border surveillance a couple of times in your submission. You say:

... pre-border surveillance activities must be structured in the most optimal way and be sufficiently comprehensive to produce quantifiable data that can be subjected to appropriate analysis and interpretation.

How do you say that should be done?

Dr Sandeman—It needs a research focus. It needs research scientists on board who can carry out that sort of analysis and the statistical analysis. The choice of programs is more difficult but, again, I think that can be done. Regarding the focus on geographic areas, there are programs going on in Indonesia and Papua New Guinea which might be extended to other species, but we would see an immediate problem with East Timor.

Senator COLBECK—Would you like to expand on the issues with respect to East Timor?

Dr Sandeman—Of our INTERFET force in Timor, I think 257 came back with malaria. They were taking the antimalarial drug, but they brought it back because the antimalarial drug is not very effective against the main malarial species these days. It is resistant to all the major drugs and you virtually require hospitalisation to be treated with some of the other drugs that will be effective. That alone shows the potential of one disease to transport itself across that distance. The bigger threat from East Timor is the disruption to the society. The need for those people to find alternative ways of finding food and income might drive them to do various things such as extending fishing areas, pushing out in their boats and contacting Australia more, plus contacting the Indonesian archipelago or Papua as well. That might allow an easier transport focus for various diseases. The disruption in the country alone might also allow diseases to flourish in East Timor that might not have previously.

Senator SCULLION—I am very interested, Dr Sandeman, in your approach to border control, including Australian wildlife—because it is unique. I am sure you know Andrew Moss, who does a lot of veterinary work in the Northern Territory. He gave a bit of a presentation about three years ago. He is the only other person who has spoken about this and done any work on this. I am interested in a couple of technical aspects, so that I can get an understanding. Is the trichinella that you find in the Tasmanian marsupials the same trichinella that you look for in the diaphragm of *Sus scrofa*?

Dr Sandeman—No, it is not exactly the same. It is a variant species.

Senator SCULLION—Is there a possibility of an endemic species?

Dr Sandeman—We know very little about pseudospiralis. A paper is to be presented at our conference in Hobart this year which will review pseudospiralis, which is the species in Tasmania. We do not know really whether it will go into pigs.

Senator SCULLION—What about its effect on us?

Dr Sandeman—We do not know much about that.

Senator SCULLION—That would be a far more serious concern.

Dr Sandeman—Yes.

Senator SCULLION—Leishmania—that is what my dog does when it is going for a walk! Can you explain what it is? I have no idea.

Dr Sandeman—Leishmania and trypanosomes are very similar organisms. They are small flagellate organisms—they have flagella—that live in the bloodstream. Leishmania causes a complex of diseases, from facial tropical sores and ulcers through to visceral Leishmaniasis, where death is the usual result.

Senator SCULLION—In your submission, you talk about surra and the impact of surra here. I understand it is principally in horses?

Dr Sandeman—It goes in horses, dogs and marsupials. It is not selective; it would probably go in man. Whether or not it would cause a problem there, I am not sure, but it is a sleeping sickness type of disease.

Senator SCULLION—There is evidence that we have tabanids here that could be the normal vector for all that.

Dr Sandeman—It could definitely be vectored, yes.

Senator SCULLION—Obviously, we do not know enough in terms of a whole range of things. Our acting chair went to the issue of who should be responsible for taking this on. A bunch of people do this already in NAQS. We have talked about expanding their role in a maritime sense. What do you think about trying to make some sort of recommendation that NAQS expand their testing area—currently, the NAQS list targets feral species, principally because we are trying to protect the commercialisation of feral species—to marsupials and other native species that we think might be vectors?

Dr Sandeman—That is an entirely sensible suggestion.

Senator SCULLION—Would you then have to make an adjustment to the NAQS list of parasites and pathogens to reflect whether or not they were commensal and endemic?

Dr Sandeman—Yes.

Senator SCULLION—So, basically, we would be developing that?

Dr Sandeman—You would have to develop that list further.

Senator SCULLION—It is probably a bit beyond NAQS itself, in that they are effectively border patrol.

Dr Sandeman—I think they would need to seek advice and I think that is where we, and others, would come in.

Senator SCULLION—I think you have raised more questions—which is very valuable—that need to be answered, and we all need to go away and look further at some of those questions. On wildlife, we still keep focusing on the stuff that trots around the place. What

On wildlife, we still keep focusing on the stuff that trots around the place. What about in a marine sense, even in parasitology, with things like bilharzia: should we be looking at flukes in snails, bilharzia snails and that sort of stuff?

Dr Sandeman—We certainly should keep an eye on them. Snails are some of the most commonly imported contaminants of aquarium supplies.

Senator SCULLION—We do not look at any of that either, so do you think we should be expanding this role?

Dr Sandeman—The person who is the most expert in Australia at snail and fluke identification is retired and getting older, and there is no-one to replace him. This is what I mean by training. We are at the point now where we have had a reasonably good surveillance system over many years, but these people are disappearing. For example, there is virtually no-one in Australia who is an expert in plant nematodes—and you can go on: all of us are well over 45 and getting near retirement, and there are not that many people coming up behind us.

Senator SCULLION—You talked about the people from INTERFET who came over here. What happened to those people?

Dr Sandeman—They were treated with one of the newer drugs and some of them had recurrences even after that.

Senator SCULLION—Would they be living in areas that have high populations of vectors?

Dr Sandeman—I do not know. If they are North Australian based they would be around vectors, yes. But I imagine they would also be pretty closely treated. I do not think the soldiers would be left too long.

Ms KING—I want to pick up on your comments about the decline in research and science and also in education and training. I guess that, whilst you are saying that we are doing okay now, the future is pretty bleak if we do not take action pretty soon. What sort of action do you think government needs to take to improve the investment in science and to look at what sorts of skills we are going to have in the future to combat some of the issues you have raised?

Dr Sandeman—I think there need to be some targeted approaches that would look at university programs and encourage undergraduate and postgraduate programs in areas of importance. The parasite education area in veterinary science could be improved; in medical science it could certainly be improved, and it needs to be. In relation to other areas, even in agricultural areas there is only one agriculture science course taught in Australia which has a parasitology component and that is at La Trobe. So we are in a situation where the only solution is for specific funds to be targeted at specific programs. How we do that—bursar scholarships or encouragement of chairs—is open for a bit of debate, but something does need to be done in that area.

Ms KING—What has contributed to the decline? Why has it happened?

Dr Sandeman—The squeeze on university funding is an obvious answer to that. Plus, research in Australia has changed over the last 20 years and has gone from a focus on agricultural, veterinary, medical to medical, biotechnological, and there has been a move away from basic agricultural research. The biotechnology side of it is still pushing ahead because of the obvious advantages in doing that, but there is a lack of training in the basic disciplines that underpin that sort of thing, and that will tell eventually—even biotechnology has to be applied in the field and you have to have people who can do that, and they are not biotechnologists usually. That will swing about, I guess, and it is starting to—for example, there is a shortage of soil scientists, agronomists and a range of other people. Really, we are in a situation where there has been a slow decline over 30 years and it is now starting to bite.

ACTING CHAIR—As there are no further questions, thank you for your society's original submission and for your presentation today. If we have any further questions, would you mind if our secretariat follows up on those with you?

Dr Sandeman—No.

ACTING CHAIR—Thank you very much.

[12.31 p.m.]

KERR, Mr Paul Brent, General Manager, Operations, Murray Goulburn Cooperative Co. Ltd

ACTING CHAIR—Welcome. We have received a written submission from Inquit. Are you representing Inquit today or just Murray Goulburn?

Mr P. Kerr—I am representing Murray Goulburn Cooperative.

ACTING CHAIR—Do you wish to present any additional material at this stage?

Mr P. Kerr—No.

ACTING CHAIR—Would you like to make an opening statement?

Mr P. Kerr—I would like to make a brief opening statement. Thanks for the opportunity to appear before the committee. I would like to make it very clear from the start that the Australian dairy industry is not at all questioning the need for quarantine and the protection that it gives our agricultural industries. The dairy industry is the largest food industry in Australia. It is Australia's largest exporter of processed foods, exporting some \$3.2 billion worth of exports last year, and has the potential to double those exports by the year 2010. So Australia must have strict quarantine rules and the protection that that gives us—we are not at all questioning that.

What we are saying, though, is that the 'appropriate level of protection' standard that guides decisions on whether to impose a quarantine import barrier should take account of the economic impact of quarantine barriers on the Australian community as a whole and on the Australian export industries in particular. The current IRA procedures, by focusing only on the benefits of a phytosanitary protection measure to the protected industry, do not result in a full accounting of the full costs and benefits of quarantine. The costs of some quarantine measures outweigh the benefits and reduce, rather than add to, Australia's economic welfare.

We are recommending that the Australian government should urgently develop a more formal and complete ALOP that takes into account the broader economic impact of quarantine and that it should implement procedures for assessing these impacts before it imposes quarantine. We are not saying this needs to happen in every case, but in some cases it should be a consideration.

ACTING CHAIR—Thank you. We have had evidence from the chicken producers association in New South Wales. Frankly, they would argue exactly what you have argued, but from a completely different perspective. You are saying that we should be taking economic factors into account when making these decisions, and I suppose you think that if we did that we would probably have a freer agreement when it comes to Thailand's chicken meat exports, the Philippines's banana exports and the other areas you have mentioned in your submission. The chicken growers would probably put exactly the opposite view: that if we took economic matters into consideration we would absolutely refuse to have Thai chicken meat imports because of 35,000 jobs in their industry. So, firstly, what makes you so confident that if we took

economic matters into consideration the result would be favourable for you? Secondly, we have an issue that we might be in breach of our WTO agreements if we do what you suggest. Isn't that a problem for you?

Mr P. Kerr—Our submission covers those issues on the WTO and we would, with respect, suggest that it is not an issue for the WTO. If we are looking at specific issues—and you were referring to the current banana issue—all we are saying is that the Australian dairy industry is a very large industry, it is a large employer, it has a large potential for growth, and we should take those considerations into account. There is no bigger food industry in Australia, particularly in Victoria and southern New South Wales, than the dairy industry. We are not saying that that would result in a favourable response; we are just saying that it needs to be considered when these decisions are imposed. That is where we are coming from. I am not saying it will be favourable; it might not be.

Ms KING—Part of what you are proposing is that we balance economic measures, benefits and costs for one industry group versus another. How do you propose we do that? The chicken industry are saying that it would be a disaster for them if we followed your model.

Mr P. Kerr—We could use independent people to do an assessment of it. The Productivity Commission could do some work on it. We are not balancing one industry against the other; we are balancing the good for the Australian economy overall.

Ms KING—But the end result may be that one industry benefits more than another.

Mr P. Kerr—That may be the result, but what we are looking for is a net benefit to the Australian economy.

Senator COLBECK—I would say that, as an overall impression, there is a very positive perception overseas of Australia as clean, fresh and pure as a country and with respect to the product that it exports to the world. That is obviously worth a premium to this country in the integrity of the product that it sends out and in its capacity to move into markets around the world. You would agree with that?

Mr P. Kerr—As a general statement, that is true, but the Australian dairy industry operates in the global market and competes against some of the most heavily protected, tariff and quota systems anywhere in the world.

Senator COLBECK—I understand that.

Mr P. Kerr—Basically we are selling a commodity product, so the fact that it is clean and green is extremely important, but, at the end of the day, it does not necessarily deliver a premium for that product.

Senator COLBECK—Recognising that it is an important factor, if we were to compromise that image by taking an economic view of some other industries that would remove that overall perception, what impact would you see that as having? I understand the context that you are talking about with respect to protectionism and tariffs, but that really is a separate argument from what we are talking about. Essentially, what we are talking about is supposed to be based

on science, which can be agreed. I understand that you are bringing the overall economics of it into it. But, if that has a negative impact on the perception of the quality and integrity of Australian product, that must have an impact as well.

Mr P. Kerr—It may have an impact, but there is also a perception in the world markets that Australia's quarantine barriers are a measure of protection anyway. We have to deal with that perception. All we are saying is that the dairy industry, along with some other industries, is a large industry and that we need to keep everything in perspective. If we are talking about an industry that is worth less than \$100 million—and the dairy industry is worth nearly \$10 billion, for example—we need to understand the consequences of our quarantine decisions. That is all.

Ms KING—We heard evidence this morning from the Tasmanian government. In particular, we heard about the Primary Industries Ministerial Council agreement in May 2002, where they have reached agreement in relation to regional differences. I will not go through each of the points that were agreed, but the Tasmanian government has obviously welcomed those agreements at the ministerial council level. That would appear to be fairly directly in conflict with what you are proposing. Are you able to comment on that at all?

Mr P. Kerr—Sorry, I am unable to comment on that; I do not have enough information.

ACTING CHAIR—You mention in your submission that our acceptable level of protection policy is based on inferences that lead in every case to the conclusion that the ALOP should be at a very conservative level of protection from risk. What are the inferences that you are referring to? Do you think that there should be different acceptable levels of protection for different categories of imports? Aren't you worried that, if we had different categories or stricter definitions, we would get caught up in the legalities of definitions rather than in looking more broadly at the benefit?

Mr P. Kerr—Our system already enables us to get carried up in the legalities when doing IRAs, in any case. Again, it is about looking at each case on its merits. In some cases, it is clear-cut; there is no need to do an assessment. In other cases, it is not so clear-cut. When we look at some of the IRAs that have been done in the past, the risk has not been substantiated well enough, from our perspective.

ACTING CHAIR—Can you give us an example of those?

Mr P. Kerr—In the current case with bananas there are a lot of statements in the IRA, but there is no substantiation backing up some of the analysis that has been done. Again, I have to make it clear that the dairy industry is not focusing on this banana IRA; this is just an example of a current issue. This is not an issue where the dairy industry is taking on horticulture at all; it is just raising issues from its side of the fence.

ACTING CHAIR—Have your members, when they have been overseas looking for business, had people overseas say to them, 'If we got better access to your banana market, maybe we'd buy more of your cheese'?

Mr P. Kerr—That is the case currently with the Philippines.

ACTING CHAIR—They have said that to you as openly as that?

Mr P. Kerr—The Philippines government is saying that there are opportunities to sell more products in those markets if you address these issues with bananas. But we are not saying that we should break away from the science, that we should not go through the process. We need to be very careful what we are saying here. This is not pure economics.

ACTING CHAIR—What about in other instances? Did you experience that with the Thai government and the chicken meat? Have you experienced it with the Canadians and salmon? Is this a widespread thing in your experience?

Mr P. Kerr—We have experienced it with the Thai government; we have experienced it with the US government, one of the largest markets in the world.

ACTING CHAIR—The home of free trade!

Mr P. Kerr—It is an issue for us. We did export \$3.2 billion of exports last year, and we expect to double that in the next five to six years—despite all these barriers and issues.

ACTING CHAIR—When people are making that statement to you—you say that negotiators from governments overseas say, ‘If we had better access to your banana market, you could sell more cheese here’—do they not regard our approach as science based?

Mr P. Kerr—They believe that quarantine is important as well, but they think sometimes we apply it too strictly. You are focusing on the banana case, and that is just one example.

ACTING CHAIR—Yes, I am sorry, I am just using that as an example for convenience.

Mr P. Kerr—I do not particularly want to be reported as just focusing on the banana case.

ACTING CHAIR—All right; I will use salmon next time then.

Mr P. Kerr—You could use apples, if you like.

ACTING CHAIR—Apples from New Zealand. I suppose they have their own pretty strong dairy industry. Is that a major export destination for you?

Mr P. Kerr—No, it is not, but Australia is a major import destination for New Zealand dairy products.

Senator SCULLION—Mr Kerr, I personally am outraged by your position, so I am giving you the opportunity to change my mind on it. I am outraged principally because the only way the quarantine situation as it is set out at the moment can continue is if we only deal with the blocks of science. If it is a disease that is harmful to Australia, we do not bring it in; if it is not harmful, or we can recognise that it is a very low level risk, then we can bring it in. As soon as we take another layer of processes, this throws—for me, anyway—a great deal of doubt on this. Perhaps you can help me on this if I give you a scenario.

If we are going to suddenly say, 'Big is great,' then obviously we would need to factor that in and say that big business is more important than small business. So imagine that the Chinese said to me, 'Senator Scullion, we are very keen to introduce Chinese beaver cheese to Australia. We know it carries this virus which might infect the dairy industry in Australia and prevent any exports at all, but we do have a large number of tourists, much bigger than the dairy industry, and we would really like to come to Australia. We would like to talk to you about that.' Would you see that as a reasonable approach? You can see the scenario if it is changed around to say that bigger is best: it is tourism out of China, surely—forget about the dairy industry.

Mr P. Kerr—Again, you are taking it in the wrong perspective and taking it out of context. I am saying that we need to look at the risk, we need to manage the risk and take things in their context. We have not suggested at any stage that we should open our quarantine barriers on pure economic grounds. That statement has never been made by the Australian dairy industry and will never be made by the Australian dairy industry. We are at risk in terms of quarantine as much as anybody else. I am saying that we need to look at the risk and make a judgment, an independent assessment of each case on its merits, as to whether we should impose a quarantine, what impact it is going to have on our economy and what impact it is going to have on our potential to grow our economy. We are not questioning the quarantine barriers whatsoever.

Senator SCULLION—I will go back to the example of bananas. I have had some very interesting discussions with businessmen from the Philippines about how many of the Northern Territory's live cattle they are happy to take. The discussion was more about bananas than anything else. It was a very interesting discussion. I explained to them that, should they be concerned about that, we have got some very rigorous processes through the WTO and this government will take you to WTO to protest those. Our live cattle exports are still alive and well—they are still taking the same number of cattle. Can you indicate where, with any of those countries—whether it be the Thai government, the New Zealand government or the US government—the amount of access to markets has in fact declined as a consequence of the leverage they have been able to put on you?

Mr P. Kerr—There are no specific examples at this point in time. You mentioned the specific case in the Philippines. The Philippines is Australia's second largest export market for dairy products outside Japan. Japan is the number one market; the Philippines is number two. Our product is completely substitutable for product from, say, New Zealand. If the Philippines government were to say, 'We will ban dairy imports from Australia,' Australia may take it to the WTO, and that is fine—

Senator SCULLION—We would.

Mr P. Kerr—In the lamb case, as we said, the US lost that case some 18 months later. So it would mean that for the next 18 months we are not selling any dairy products—tomorrow they would just ring up New Zealand and replace our products. That is the economic situation in that particular case.

Senator SCULLION—It is very hard, as you can imagine, to speak to the banana growers in an area where they are totally relying on bananas. I can understand the feelings in the communities which supply the milk to your companies. But if you speak to the people in

Queensland about the impact of black sigatoka or panama disease or any of those viruses that may come in that have been identified in the IRA and through a very rigorous scientific process. The Philippines have had opportunities to have input into that as well. It has been demonstrated that the levels of risk under WTO are too high. What do we say to those people about adjusting that or taking some other consideration?

Mr P. Kerr—My understanding of our IRA is that there were a number of diseases identified and there was only one disease which posed a risk: the moko disease. That was the only one identified as posing any significant risk and, again, in this particular case—we seem to be focusing on bananas—there was no substantiation as to what that risk is. The IRA says that it poses a significant risk. What is that risk in this particular case? Our submission is saying that we should look at this. We should do an assessment and see what the risk is—it should be done independently, not by the dairy industry, not by the banana industry. Then we can make some decisions. The decision may still be the same. That is fine. We are just saying that we need to look at it from the total perspective. We are not saying that we need to change the decision. We are just saying that we need to understand the consequences of our decision. We may still make the same decision.

Ms KING—Senator Scullion asked you a little bit about this before, but I want to give an example. There are some specific protections for your industry built into our quarantine process at the moment. I had an example of that in my electorate recently of an importer who wanted to import a raw milk product from Spain. Our quarantine protection stopped it at the border and was extremely concerned about the product because there was not enough evidence provided by the importer as to how it had been processed—it had not been at all, apparently, which emerged at the end of the case, so it got flicked. It did not come into Australia because of concerns about what it might do to your industry. How do you balance that against what you are saying?

Mr P. Kerr—That is a very good example. In Australia our health regulations prevent us from processing unpasteurised milk into finished product. I think the exception is South Australia—I stand to be corrected on that. It is not only a quarantine issue, it is a health issue. All our health authorities do not allow us to sell unpasteurised milk. In that particular case you were talking about bringing in a product that was made out of unpasteurised milk.

Ms KING—Many of them are linked in exactly that way.

Mr P. Kerr—That is right, but I am saying we are confusing the issue. In that particular case it is not only a quarantine issue, it is a public health issue.

Senator COLBECK—What sort of weighting do you see the economic benefits being given in the overall process?

Mr P. Kerr—That is something that we need to consider. We are not saying it needs 100 per cent weighting. Our submission does not really address the issue of what weighting it is. That is something we would have to consider. I am not sure what that weighting should be. Maybe it should be 20 or 30 per cent, something along those lines, but not total weighting—not at all.

Senator COLBECK—I think that is something that we are all having difficulties coming to grips with. We heard some evidence earlier this morning that New Zealand and the US have

gone past us and Canada is now equal to us in the science of quarantine, where some years ago we were world leaders. In the context of your discussion on cost-benefit analysis—and as it appears that the rest of the world is raging up behind us with respect to the science—I am interested in how you would assess that development. Perhaps other countries are realising the benefit of the science that we might be applying.

Mr P. Kerr—One of the frustrations of the whole IRA process, which is outside our submission, is the science and the time it has taken to achieve the results in the number of IRAs that are outstanding. One could argue that we are potentially falling behind in that area and that is something we need to address.

Senator COLBECK—Do you have any suggestions for an approach to that?

Mr P. Kerr—Again, it was not part of our submission to make that suggestion. But it is an issue.

Senator COLBECK—It is something that others have given us some—

ACTING CHAIR—Others have raised it, yes. As there are no further questions, thank you, Mr Kerr, for your submission and for appearing before us today. I hope that if the committee has any further questions we can ask the secretariat to write to you and get follow-up information.

Mr P. Kerr—That is fine.

Proceedings suspended from 12.54 p.m. to 2.05 p.m.

GOODE, Mr Phillip Daniel, Manager, International Policy, Australian Dairy Corporation

ACTING CHAIR—The committee will now resume the public hearing. Before beginning, I advise witnesses that the hearings are legal proceedings of the parliament and warrant the same respect as proceedings of the House itself. The giving of false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. The evidence given today will be recorded by Hansard and will attract parliamentary privilege. Finally, I refer any members of the press who are present to a committee statement about the broadcasting of proceedings. In particular, I draw the media's attention to the need to report fairly and accurately the proceedings of the committee. Copies of this committee statement are available from the secretariat staff.

I welcome the representative of the Australian Dairy Corporation to today's hearing. We have received a written submission from the Australian Dairy Corporation. Would you like to present any additional written information or would you like to make a brief opening statement?

Mr Goode—I would like to make a brief opening statement, if I may. First of all, I would like to distance myself and the Australian Dairy Corporation from the comments in yesterday's *Sydney Morning Herald*. We were not interviewed for that column. It was based entirely on the information provided on your web site. We do not support the view that quarantine should be relaxed, so we would like to note that we had nothing to do with that.

Our submission covers five points. The first of those is that we believe quarantine is important. We need to protect ourselves from exotic diseases. As a rural industry worth more than \$6 billion, we have a lot to protect, so we want to make sure that quarantine is up to scratch and keeps out diseases that could threaten us and, for that matter, any other agricultural industries in Australia. However, of that \$6 billion, \$3 billion is made from export income, so we also rely very heavily on the attitudes that overseas markets have towards Australia. With that in mind, we need to make sure that the system is absolutely clean, honest and transparent. The current system, I believe, does leave us open to some criticism for being a little bit too slow, sometimes a little unscientific and, dare I say, sometimes even political. This is nothing to do with protecting industries from disease; it is to do with whether or not we are protecting industries from competition overseas from cheaper products. Whether or not it is true, this is a perception that is out there in South-East Asian countries in particular. We need to make sure that we are covered in that we cannot be accused of that.

There are two more items I would like to mention that are covered in my submission. The first is transparency. It is extremely difficult to get advice from Biosecurity Australia on how to import products which may be a risk into Australia. I have had some experience of this, trying to find out how you bring some dairy products in from South-East Asia. It is a real nightmare. You phone AQIS; they say, 'Look on the web.' You look on the web; it says, 'Put in a submission.' You phone AQIS again. Eventually, on this particular occasion, I was only able to get an answer because I know people in the system. If I was an overseas person trying to get into Australia, I would have very good grounds to be pretty angry. I think that has to be addressed just to make us look a little bit cleaner.

The second item relates to consistency. I have had experiences at airports in Australia where, on one day, you are treated one way and, on another day, you are treated another way. For example, after when I visited a rice farm in Japan, because there happened to be a foot-and-mouth disease concern at the time and I had been to a farm, I had my shoes wiped clean. Slightly before that, I had been to dairy farms in China which I knew had foot-and-mouth disease. Some of the people I was with left their shoes in China because of that and others cleaned them with methylated spirits in Shanghai, but the response from the Quarantine person at the airport in Melbourne was, 'Oh well, you work for an agricultural industry so you're probably okay; go through.' That is not good enough. You have to be consistent. You have to have a set of rules which are clear, which everybody understands and which really protect us from something.

ACTING CHAIR—Thank you. As I said, we received your submission, and I want to ask you a couple of questions about it. In your submission, you say:

The Australian dairy industry recognises that in negotiating free trade agreements with countries such as Thailand and USA, the rigidity of Australia's quarantine and import risk assessment procedures can be an impediment to negotiating agricultural market access to those countries.

We heard evidence from the previous witness that that was his perception and the perception of the dairy industry members that he represents. But, surely, this is just a perception; I am very interested if it is more than that. Have you been spoken to by trade negotiators from other countries or representatives of various governments? Have you had things put to you such as, 'If you let us export more bananas to you, we'll take more of your cheese,' or, 'If you take more of our salmon, we'll take more of your cheese'? Is it said to you directly?

Mr Goode—It is not quite as blunt as that. I cannot think of many occasions in the last six years when I have spoken to somebody from the Thai government where they have not raised the issue of chicken meat. If I start talking about wanting to improve access for cheese, lowering the tariff, they will say, 'Yes, we understand all of your arguments—we even agree with you—but until you solve that chicken meat problem I am not going to listen to you.'

ACTING CHAIR—But, when they say 'until you solve that chicken meat problem', they essentially mean 'until you open your market to our chicken meat exports'. They do not mean 'until you improve your science', do they?

Mr Goode—There are two sides to that. The first is, yes, that is what they want. They want access to the market. Obviously, my answer is that I have no say in this, anyway; that they are talking to the wrong person. The second is that they want me to bring to your attention the fact that this argument has been going on for a very long time—seven or eight years at least. The mangoes IRA for the Philippines took nine years. Whether or not the science is right, whether or not the decision is correct, it is very hard to argue against the perception that there is something wrong when it takes that long to get there. Yes, they want access to the market the same as we want access to theirs, but the reality is that we need to at least be seen to be working with them. My comment about free trade agreements is not that, in negotiating a free trade agreement, we should allow Thai chicken meat into Australia; it is that we should have on the table a possibility of fast-tracking some of the things that can be fast-tracked without any damage to Australia's biosecurity integrity.

ACTING CHAIR—What if we fast-track it and the result is that the threats are too great to allow, that it is not an acceptable level of risk? That still damages your business, doesn't it, according to your argument?

Mr Goode—No; nowhere near as much as the uncertainty that we have when people say, 'We've put in submissions and we haven't had responses.' I know that a lot of what I am hearing is not necessarily the truth—when I hear from some overseas governments that they have had this problem and that problem—but you hear it so often that there must be a grain of truth in it, because there is a thread that goes all the way through that, 'I am not getting an answer quickly enough; it is taking too long'. A bad outcome is often better than no outcome at all.

ACTING CHAIR—We heard from our last witness that economic impacts of these decisions should be considered when the decisions are being made. The example was given for the dairy industry that, if we are going to ban imports of Filipino bananas, Thai chicken meat, Canadian salmon or whatever, we should understand that there are economic consequences for your industry. Firstly, do you think that is really true or do you think that it is a negotiating tool that other governments use to try and crack open our markets? Secondly, if it is true, do you think that we should weigh the consequences for your industry and give those economic consequences greater weight because your industry is a big exporter, and basically that, if we get Newcastle disease in our chicken farms, it is just a cost of doing business?

Mr Goode—To answer your first question—do I believe that it is real—during the last tropical fruit argument with the Philippines in 2000, Australia lost about \$4 million worth of trade over a four-month period, so yes, it is real. Will they go through with it again this time? It depends on the political situation in the Philippines and various other things; it is not just to do with this. But that is a good enough reason to take it seriously. I think that we did fare much better than some industries, in fact. So yes, I do believe it is real and I do believe that they are serious. In answer to your second question—do I believe that we are more important than somebody else—I submit that the proposal that has been put forward is that you have to look at the whole picture and not just one part of it. No, I do not believe that we should allow Newcastle disease in here and destroy the local chicken meat industry. What I do believe, however, is that, when you make a decision on the level of risk, you have to weigh that up against the level of risk in other areas as well; you have to put the whole picture together and not just part of it. I believe that is what Paul Kerr was saying this morning on behalf of the manufacturers.

ACTING CHAIR—Have you had a look at the Productivity Commission report *The role of risk and cost-benefit analysis in determining quarantine measures*? It is pretty specialised reading, so I would not expect you to have.

Mr Goode—I have not read that one, no.

ACTING CHAIR—Then perhaps the question is a bit hard for you to answer. They explore whether a cost-benefit analysis approach would be better than the IRA approach, because it would take in issues other than just the science of disease threats and so on—it would take in issues like job losses and so on. Is that what you are recommending?

Mr Goode—That is what the Australian dairy industry is recommending, on the basis that you have to take all of the costs and all of the benefits into account.

ACTING CHAIR—The European Trade Commissioner said recently that, if Australia wants concessions on agriculture, it will have to give ground on other areas. He said, ‘It is no secret to anyone on this planet that Australia has strong and constant non-trade tariff barriers.’ How do you respond to that statement? Do you think that we intentionally have non-trade tariff barriers or do you think this is a perception of us?

Mr Goode—That is clearly a perception of us. Whether or not the outcome on salmon was correct, there have been a lot of criticisms around the edges of that, and those sorts of criticisms have to be properly addressed to make sure that we do not have to face that. There is a perception out there. I would suggest that the EU Commissioner was grandstanding somewhat, and what he said is not quite true. It is on very rare occasions, I would suggest, that we do actually put ourselves in a position where we are subject to that sort of criticism—maybe three or four times in the last five years, so it is not our regular practice. But we need to make sure that we are as clean as we would like everyone else to be.

Senator COLBECK—You have mentioned several times in your submission the time taken to complete an IRA. I think you said somewhere in there that the average time is about 30 months, but that there are some that take several years—a significant number of years in certain cases. Do you think that this is actually one of the elements that leads to the perception of the use of quarantine as a trade barrier?

Mr Goode—That plus the waiting list, which takes up part of the time. There are so many countries which are waiting to get onto the list for an IRA to even be commenced. That, according to Biosecurity, it takes 30 months is clearly a reason, in the eyes of the people who are wanting to export today. I know that when Australian dairy manufacturers have a product and they have identified a market, they want to do it now—they do not want to do it in 30 months time. Looking at it from the point of view of an exporter, I can understand their anger. The longer it takes, the more that is going to grow, the more political it becomes in the country that we are talking about. So, yes.

Senator COLBECK—Do you think there needs to be a review of the prioritisation process or an increase in resources?

Mr Goode—I would suggest both. I think this is a sufficiently important area that we do need to make sure that the resources are available to do it properly. Let us face it: once we get through the next World Trade Organisation round, non-tariff barriers will be everybody’s focus. We need to be clear that our track record is pretty good before the next round finishes and, certainly, after it. So, yes, we do need more resources. With regard to the prioritisation process: I do not know how it works, but I know that people have to wait a very long time to get to the top. So one would suggest that maybe there is something wrong with it.

Senator COLBECK—Do you have any perception of how that might be prioritised? What elements should form part of that prioritisation?

Mr Goode—Part of it should include the kinds of things that were raised this morning by Paul Kerr. I did not hear his statement but, having read the submission, I know the sorts of things he would have said. That relates to looking at the overall risk. There are some areas where, when looking at the overall risk, you have to consider what holding this up will do to our trade with that country. If it is a country that is important to us, maybe we should think a little about that. On the other hand, we also want to make sure that everyone has a fair go—for example, that you do not keep pushing Fiji to the bottom just because they are not a big enough trade partner.

Senator COLBECK—In your opening statement, you mentioned that knowing where to find information assisted you. That again goes to the transparency. Do you perceive that that is another element in the perception generator of how Australia uses its biosecurity and quarantine?

Mr Goode—It makes it look like we are trying to use quarantine as a way of keeping product out, not as a way of protecting our biosecurity. So that is definitely the case.

Ms KING—Let me follow up with a question on that. Is Australia the only country that suffers from this perception of a lack of transparency and of difficulty in accessing information for people who want to import?

Mr Goode—From a quarantine perspective, I would say that we are definitely one of the hardest.

Ms KING—What about Japan?

Mr Goode—Other countries have different non-tariff barriers. I have spent all of this morning arguing over a particular issue we have with Japan—their definition of ‘product’—which keeps things out. Yes, other countries do it, but if I go to the Japanese and say, ‘This isn’t fair; you’re not treating us the same as you treat people locally,’ I do not want them to come back to me and say, ‘Yes, but you haven’t allowed us anything either.’ From my experience of the dairy industry, I would say that there are very few occasions where quarantine is a problem for us. Maybe that is because we are exporting from Australia, where we have such a clean record anyway.

Senator SCULLION—In evidence given to this committee in Canberra a couple of weeks ago, Environment Australia were asked to explain the precautionary principle, how it might apply and whether they thought it was appropriate to apply it. You have mentioned five or six occasions where the perception might have been that we erred on the side of caution. Environment Australia urged us to employ the precautionary principle to our IRAs. What would you say to that?

Mr Goode—I would say that precaution is a good idea up to a point, but you should consider the extent to which you apply that principle. Yes, you have to take care. In the first instance, no is probably a good answer, but that does not mean you have to stick by your guns forever and keep saying no. I think that precaution is a short-term response. For example, during the foot-and-mouth disease outbreak in Europe a year or two ago, the precautionary principle was brought into play, and we banned all dairy products from Europe. That was clearly an excessive

response. A lot of dairy products were going to come from parts of Europe that were not affected, because of the nature of the pasteurisation and the treatment of the product when making it. In the short term, that was an appropriate response, but we did not look at the issue quickly enough and then remove things that were clearly going to be a problem. That took a number of months, which can cause us problems if we just use the precautionary principle. Yes, use it in the first instance, but then stand back and look at what you have done and make sure that you are only applying it where there is a good reason to do so.

Senator SCULLION—You would not want to get it wrong though, would you?

Mr Goode—No.

Senator SCULLION—In a general sense, do you think Australia uses our quarantine regulations as a non-tariff trade barrier?

Mr Goode—That is clearly the perception of the people I talk to in overseas markets.

Senator SCULLION—What do you think, Mr Goode?

Mr Goode—Personally?

Senator SCULLION—What does the Dairy Corporation think?

Mr Goode—We have seen some evidence where people have been told things in overseas markets that make them think: ‘This looks very political rather than scientific.’ People are concerned about the time that it takes, which makes it look political rather than scientific. Whether or not it is a barrier is really not the point because, if it does happen, it happens rarely. The real issue here is that the system makes it look like it happens.

Senator SCULLION—You mentioned also that there is a perception over there. If it is not correct, then that perception should be changed. It is all about education. How do you go about that? On the side of the packaging of every banana milkshake that we sell to the Philippines, do we have a little story about how politically correct our process is? You talk to these people in the political and diplomatic sense and you are aware of this perception. Do you have opportunities to say, ‘No, that’s just not the case’?

Mr Goode—Whenever I am talking to someone from an overseas country of course I will tell them that is not the case.

Senator SCULLION—What other areas do you think we may pursue to change that perception?

Mr Goode—We have a real PR problem in the Philippines in particular, but also in other South-East Asian countries. We are seen to be large exporters of various commodities to those countries. They focus on the trade imbalance issue and they attack us on that. Then they say, ‘And the reason for the trade imbalance is the quarantine regulations,’ and it all builds up. There

is a whole PR thing about the overall relationship with some of these countries which goes to a lot more than whether or not we allow their bananas in or they allow our milk in.

Senator SCULLION—I know from my travels in Asia that the ‘clean green’ image—the disease-free status—of Australia—has a very positive impact. Would that have a very important impact on your market? Is that important for your industry?

Mr Goode—It is important not only from a marketing point of view but also from the point of view of maintaining access to markets on the basis of the fact that we are disease free.

Senator SCULLION—Can you recall a time that any of your constituency have been denied access to a market? You mentioned the \$4 million loss during a negotiation period as an example that you can actually point to where you were denied access to a market during a period of time because people made certain decisions. Could you share that with us?

Mr Goode—Obviously that is the one that is clearly in our minds.

Senator SCULLION—Was that \$4 million of dairy products?

Mr Goode—That was \$4 million of liquid milk. Other dairy products were exported to the Philippines at the time, and we cannot measure what the loss was. I do not think it was anywhere near as big, because we were able to keep ourselves away from the public limelight.

Senator SCULLION—How were you able to discern that the liquid milk suddenly was not imported as a direct consequence of the fact that you were negotiating with the Australian government on some issues? How are you sure that we lost that market because we were—

Mr Goode—Because the two companies concerned were not able to get veterinary quarantine certificates from the department of agriculture, because they were only available if they were signed by the secretary at the time. Those two companies only suffered that problem while there was a loud argument in the press over this particular issue. It started as soon as that started and it stopped as soon as the argument was over, and the decisions on how the process was going to go were then publicly announced. I do not think there was any doubt that it was the secretary of agriculture in the Philippines that stopped that trade.

Senator SCULLION—When you speak to people about the perception that Australia is using our quarantine regulations as non-tariff trade barriers, are they aware that they can take us to the WTO and challenge those regulations if that is the case?

Mr Goode—I am sure they are aware of it. It is a very much publicised part of their rhetoric.

Senator SCULLION—I notice that has not been the case. We have not been taken to the WTO by any of the countries you have mentioned on any of the issues that you are speaking about. Do you have any explanation for that?

Mr Goode—We are talking about developing countries, in most cases, which are not very sophisticated in the way that they deal with the WTO. I am sure that if they could rally behind

Japan, or the EU or something like that, they would do it. That is one possible reason. The other one, that I am sure is the one that you are fishing for, is that they think they are going to lose, therefore they do not want to fight us. I do not believe that is the case, because the level of indignation in these countries is such that they do believe that there is a barrier, whether it is there or not.

Senator COLBECK—You mentioned in your submission the early alert mechanisms that the government uses through diplomatic missions. ADC make the statement:

We are concerned, however, that this system places a heavy reliance on official notifications and public statements. This could lead, for example, to an acceptance of China as being foot and mouth disease free when it is clear to industry people visiting farms in China's north that this is not the case.

Have you a suggestion to make about a process to counter that?

Mr Goode—If what I am saying is that the problem with the formal processes is that they are too formal, then a formal answer is not going to solve it. It is really just a matter of greater on-the-ground contact between industry, the people who are out there seeing things and the people here. As I said earlier, when I came back from China, they said, 'It doesn't matter; it's not a foot-and-mouth disease area.' I had seen some very sick cows there. It should be recorded somewhere that somebody has said that. Somebody should check up on it so that, in future, when people come from rural parts of China, we know to do something about the risk those travellers pose.

ACTING CHAIR—We are approaching the time when we need to draw to a close with your submission. Do you have any further comments that you want to make? Any last questions?

Mr Goode—No, thank you.

ACTING CHAIR—We very much appreciate your written submission and the evidence that you have given to us today. If we should have further questions, I hope you will not mind if the committee secretariat writes to you and asks for follow-up information.

Mr Goode—Certainly.

ACTING CHAIR—Thank you very much, Mr Goode.

[2.33 p.m.]

FERRIS, Mr Robert Douglas Allen, Member, Independent Paper Group (and Managing Director, Chase Pulp and Paper Pty Ltd)

WOOD, Mr Anthony Stephen, President, Independent Paper Group (and Managing Director, DaiEi Australasia Pty Ltd)

ACTING CHAIR—I now welcome representatives of the Independent Paper Group to today's hearing. We have received a written submission from you. Do you have any more written material you want to give us today or do either of you have a brief opening statement that you want to make?

Mr Wood—Yes. Firstly, I would make it very clear that the Independent Paper Group are very supportive of the quarantine function and we are certainly very supportive of the need for strict quarantine rules relating to Australia. The Independent Paper Group represents approximately 60 per cent of the paper usage in Australia coming from imports. In that respect you will appreciate that we have a fair degree of interest in the timely, efficient manner in which those containers pass across the wharves in Australia and in ensuring that the cost impact of that is kept to a minimum for our members. IPG represents approximately 18 mills, mill agents and paper merchants within Australia and from around the world, and from that angle, obviously, there is a very large interest in this particular matter.

The concern we have is less to do with the fact that there is a quarantine function and a strict rule and more to do with the fact that it is not uniform across all the wharves around Australia. We are also concerned with the consideration given to the adjudication of the rules, depending on which port the product is coming across. We can give examples where there is quite a deal of difference between how product is treated, for example, in containers coming across the Sydney wharf compared with how they are treated coming across the Melbourne wharf. We would like to raise the issue of the cost differences in product coming across the Sydney wharf and the Melbourne wharf, and also the timeliness of those containers passing across the wharves.

Our main interest today is to bring to the committee's attention some of those examples. We would also like to raise the issue of the differentiation between what constitutes low-level contamination and what constitutes high-level contamination. There are some issues to do with that that are a little bit odd for us to follow which we would like to raise. For example, what happens to containers being taken off the wharf if they have to be treated; what happens to containers that are contaminated that have to pass on a public road; and what happens if containers have mud on them and that mud spills to the road and is then transported around suburban or country areas by trucks et cetera? There seems to be quite a difference in approach. In the main, they are our concerns.

ACTING CHAIR—Mr Ferris, do you want to make any opening comments?

Mr Ferris—No, except to agree with what Tony has said and to say that there is certainly an amount of consistency that we do have to try to establish at the different ports and locations to

ensure compliance with AQIS regulations. I think this is the biggest problem that we are facing. Also, the accuracy of identification of materials on containers differs a lot from location to location, and even work practices differ from one shift to another.

ACTING CHAIR—I think that that is a very significant issue from our perspective. I wonder if one or both of you would mind expanding a little bit on how you see that the different practices at different ports differ. Also, you could expand on this matter that you have brought up, that there are different practices from shift to shift.

Mr Ferris—In relation to Sydney and Melbourne, we presume from our statistical information that roughly 39 per cent of our paper travels through each of those ports, so we have a tally of roughly 80 per cent of movement. We can offload in Sydney and find that a container, which AQIS identify as a contaminant, moves off from the wharf location and travels on a public road for three or four kilometres. It could be that AQIS or Australian Customs designate a perimeter of four or five kilometres around the wharf as the wharf precinct. However, in our view, it is still travelling on a public road and therefore contaminating the local area.

In Sydney, that container can be washed, can then be offloaded from the carrying truck, can be washed again, and within two hours we have the container returned. The cost is roughly \$260 for that. In Melbourne, from the same vessel and with the same documentation, two of our containers were taken off a particular ship by Patrick's and taken to the quarantine wash. One of those containers was in for five days and one was in for seven days and the cost was over \$470 per container. We cannot really justify that to our customer, let alone work out what the differential is in cost.

ACTING CHAIR—How did Patrick's justify it to you?

Mr Ferris—They do not; we have to take it or leave it. The point there is that, for us to gain control of that container, we have to look on the Internet to find out when that container is going to be available to us. If we do not check on that regularly, we can then get into further demurrage costs. This is really costing us quite a lot of money. Added to that is the possibility now, with the introduction of X-ray equipment, that if one of those containers happens to be random checked by X-ray, we could clear a container off the wharf for \$1,000. Who is going to pay for that? I think the earlier speaker mentioned that the question being asked is whether Australia is sort of saying that we do not want to trade with these sorts of countries when we have AQIS applying these regulations.

The other thing really concerning us is the level of contamination. We recognise that if there are soils, grass particles, cocoons with wasp spinnerets or things like that on the containers, that is fair enough. These things have to be quarantined and cleaned and that is fair enough. But I was at the wharf this morning—if I can digress a little—and I parked my car down at P&O. I was there for about two hours and the top of my car got coated in seagull droppings. Our containers get knocked out—because cameras show the tops—because AQIS has a look and says, 'Okay, that has to go in because it has bird droppings on it.' Really and truly, if your container stayed below decks there would be no chance of birds getting in there. I think, when we go through a quarantine check and get these containers knocked out because of seagull droppings, that is also something that has to be looked at. To reiterate on the port situation as far

as the cleaning of containers is concerned, Brisbane, of all places—which carries about 15 per cent of our paper—has four depots to clean containers.

ACTING CHAIR—So what is their average turnaround?

Mr Ferris—It is almost immediate.

ACTING CHAIR—What is the cost in Brisbane?

Mr Ferris—It is pretty much the same as Sydney, about \$260.

ACTING CHAIR—And you think that is an acceptable cost?

Mr Ferris—Under the circumstances I think it is acceptable. We all tell our principals that the regulations in Australia are such that we must make certain that containers are precleaned before loading, otherwise we reject them. In this particular instance we are cleaning containers at the ship side to make certain we comply with Australian regulations, and still we are getting knocked out. Fremantle has three depots and the same situation applies. AQIS wash containers themselves in Adelaide. In Sydney we have two depots and in Melbourne we have one. Brisbane, Fremantle and Sydney drivers wait there, and the take-off time is averaging between 30 minutes and two hours. In Melbourne there is one depot. The containers are lifted off the vessel and, as I said earlier, you have to check through the Internet. The last 13 containers we have had washed—unfortunately, they were for a government account—were detained for between three and 11 days on the wharf, just for washing. Plus there are the additional charges that we have compared with other ports.

ACTING CHAIR—What does it cost you if it is detained for 11 days?

Mr Ferris—If we did not have an arrangement with the shipping companies for detention, our payment would be about \$75 a day, I think, for a 40-foot container. So we are fortunate that we have an arrangement with the shipping companies. If we did not have that, we would pay an additional charge for detention.

ACTING CHAIR—How does that compare with overseas ports, do you know?

Mr Ferris—I cannot comment on that.

ACTING CHAIR—You do not know; okay. You cannot comment on the cost and the length of time, but do you know whether other ports take the same care with cleaning containers or do you think that this is a fairly unique situation?

Mr Ferris—The Independent Paper Group has moved quite strongly on this point. In our meeting in Canberra in June, Phil Burns and Hart Krtschil discussed the importance of meeting the requirements set down by Australian Customs and AQIS. Prior to that meeting, in our previous meeting three months earlier, we used a lot of examples of members having problems with the waterfront as far as these costs of quarantine are concerned. Subsequently we have been meeting with our clients and drawing their attention to that because a lot of people out

there do not understand the implications of compliance with these situations. In turn, we have been telling our principals exactly what compliance means and how they have to address these matters. It takes time for people to understand what the Australian regulations are. They certainly question them; there is no doubt about that. When you are moving a lot of bulk cargo, people question the possibility of not moving major movements of cargo in containers but shipping by break-bulk. Unfortunately, that does not make our customers happy because we run into the problems of damage. There is a problem with that area too.

Mr Wood—We undertook a survey of all our members to check, of the containers coming across, how many and what percentage was being affected. Irrespective of how many containers they bring in, you would expect the percentage to be fairly similar, but there was actually a very wide range. Some had very few containers being checked—it might have been to do with where they were coming from, but that did not really seem to be the reason—while others seemed to have a very large number being checked. It did depend on which port they were coming through as well. For example, there seemed to be more coming in through Melbourne that were checked and had to be washed than there were through other ports. There was quite a disparity between the various routes.

ACTING CHAIR—Where do most of the containers come from?

Mr Wood—They come from many different countries around the world. A large majority come out of Scandinavia and Europe. A large number come from South America—Brazil—and a large number come out of Indonesia, through Singapore.

Mr Ferris—Canada.

Mr Wood—And Canada, North America.

ACTING CHAIR—And you say that the point of origin did not appear to be significant in the survey?

Mr Wood—No, it did not seem to be. You could equally say that in some ports not many containers coming out of Indonesia would have been caught up, whereas in others containers coming out of Europe might have been caught up. It seemed to be quite odd that there was quite a disparity.

Ms KING—You seem to be saying that, according to the survey of your members—scientific or not—more containers were being checked in Melbourne. You also say that there is only one depot in Melbourne. Is building another depot in Melbourne going to solve your problem or is there another issue?

Mr Ferris—From the presentations of Hart Krtschil and the people from Customs, they are looking for quick movement across the wharf, not congestion. I know here in Melbourne Patrick's have 240 containers in the lockup every day. If it takes five, seven or 11 days to clear containers off that wharf, that situation should be looked into. In Sydney there is no congestion with quarantine.

Ms KING—Regarding the new X-ray facility in Melbourne that I think we are going to look at at some point, are you concerned that that will add to the delay as opposed to getting containers through more quickly?

Mr Wood—The X-ray of containers is random of course but, yes, there is general concern that that will also add to the time delays.

Ms KING—The committee heard evidence and was concerned about the lack of internal investigation or internal checking that is being done on containers, so we were welcoming the fact that the X-ray facility would be there. But, certainly, you have raised an issue in terms of delays, particularly in Melbourne, that we need to look at.

Mr Ferris—To add to your comments with respect to large movements of containers which are from one port, one manufacturer, and coming in every month, we can probably ask for special dispensation from Customs not to have those containers randomly checked. Instead we could have them at the location where we put them with the seals unbroken and invite anyone to come along and break the seals and do their inspection rather than run them through the X-ray machine. They could be at the call of Customs at any time to do their inspection. That would also break down the congestion at the wharf. I am talking about movements of 100 containers at a time and things like that.

ACTING CHAIR—When you are talking about the differences in the costs from port to port, how are you charged? Are you charged just for the number of days that the container is sitting on the dock or are you charged for the level of contamination of the container?

Mr Ferris—The charge is largely for the cleaning of the container.

ACTING CHAIR—So if it is dirty do you get charged more?

Mr Ferris—No, it is the same cost. If the container has to be cleaned it is the same charge whether it is a bird dropping on the roof or heaps of dirt and clods of soil underneath the container.

Senator SCULLION—In your submission you talk about additional costs and container clearance times, and you go on to express concerns with increased levels of inspections. Can you tell me the reasons that have been given for the increased levels of inspections?

Mr Wood—I think that simply relates to the widely varying sources that these come from—and it is a large percentage of traffic coming across the wharf. It has been explained that it is really part of the increased policing of the containers coming through.

Senator SCULLION—I would like to ask you about auditing procedures. Outside Customs and X-ray procedures, basically quarantine people see themselves as auditors. There is always a series of regulations in place and if everybody just obeyed them to the letter we would be fine. If you have a problem with quarantine—they are too slow or they do not turn up or they are government or whatever—have you any suggestions you can make? Would privatising some functions help? Is there a better way of auditing? Could SGS do an audit of a private company? Have you thought about some options if you are unhappy with the situation?

Mr Wood—We have undertaken to make sure that the level of communication between IPG and AQIS is certainly on a much higher plane. In this case Mr Ferris has been included in some of the committee meetings, and they come to our meetings and make submissions. From that, certainly, we have been raising our issues of concern. As to suggestions, we really wanted them to come along last time to explain exactly how the process works so we can understand it from all our members' perspectives. That was a very good exercise for our group. Similarly we asked the people from Customs to come along and talk about the X-ray machines. We have not—unless you have, Bob—made some comments relative to them in our meetings.

Mr Ferris—No, I have not. We have a bundle of documentation for every consignment of material coming across the wharf—bills of lading, packing slips et cetera. I do not know whether it would help the shipping company situation to suggest that there be a declaration delivered to the company forwarding the material about the right to accept or reject dirty containers. The costs involved here to clean a container are high. For example, in Vancouver or Los Angeles or somewhere like that the cost is about \$30. If we could include in our negotiable documents a declaration about pre-cleaning containers that would probably help the situation, but whether that would become acceptable at point of delivery here to get clearance through the wharf I do not know.

Senator SCULLION—We have heard evidence from people who are importing principally fertiliser, and the challenge for them is to avoid the odd handful or bucketful of grain that may have been used when the ship was carting other stuff. I understand that they are moving towards having a third-party audit that could assist them in that. Perhaps that is worth looking at. When you talk about the timeliness, there are two aspects: one is quarantine, and we are very interested in looking at the process; and the other one is external, it is Patrick's and all these other processes. Can you try to help us with the balance? In Melbourne, there are the same arrangements, I take it? The containers have to be washed to a certain specification. Is it that the people doing the service delivery are different in the nature of their delivery or is that we are asking for different levels of service?

Mr Ferris—I use my company as an example of a model for the Independent Paper Group as far as compliance with AQIS's requirements goes. At the same time as moving a large volume through the wharf, we visited the barrier for AQIS and we watched the attitude of the inspectors, how they examined it and the routine that they went through. When we come to looking at higher risk and lower risk contamination, the argument that we would propose to AQIS is that there is no consistency in what they were doing. One of our containers would go through the barrier, and we would determine it as being something that should have gone to the quarantine wash, and another one of our containers came through and went to quarantine. When we asked the inspector why it was going to quarantine, he said, 'Well, it's going to quarantine.' I asked, 'Where is the dirt on the bottom of the container?' We were there with torches and all of these sorts of things, and we could not see that—but it was going to quarantine. This is why we suspect that, in Melbourne, there is some other agenda to this matter.

Senator SCULLION—You are suggesting that, for whatever reasons, there is a cost involved with these people getting a container, that it is not just work and that someone makes an income out of it?

Mr Ferris—That is right.

Senator SCULLION—There may be some mischief in terms of how they interpret what is a clod of mud and what is not?

Mr Ferris—That is right.

Mr Wood—One of the concerns we had in the group initially—even if it was made tongue in cheek—was that this was a new cottage industry that was striking up on the wharf. It is very enterprising but it does have quite an impact, particularly in the case of Melbourne, where you only have one facility.

Senator SCULLION—Could you tell me briefly how Adelaide works? The washing facility at Adelaide, I understand, is run by AQIS.

Mr Ferris—Yes.

Senator SCULLION—So that issue would not take place. Could you give us a comparison?

Mr Ferris—I do not know anything about that.

Mr Wood—No.

Senator SCULLION—Have you had any feedback from your industry that it is pretty good? Perhaps you could take it as a question on notice. It would be an important aspect in terms of the comparison for us if you could ask your industry about their views on how that situation operates. It is clearly very different because there is no vested interest for anyone to send extra containers there.

Mr Wood—We can follow that up. Because a large portion of the product that goes into Adelaide comes into Melbourne and then is railed across, there is not such a large degree that goes directly into Adelaide. Many of the major shipping companies are not calling there directly now.

Senator SCULLION—If you wanted some consistency, the ideal thing would be to have it delivered under a specific set of standards—as we understand it is done now—but by the same people. Would you have a problem if, say, it was done by the government?

Mr Wood—Our point of argument is really consistency. If it was done by the government and it was consistent, then we would not have an issue. If it was done by the private sector and it was consistent, we would not have an issue as long as it was consistent.

Senator SCULLION—I want to get clear the two issues: the first is the timeliness and how it happens, and the second is the process to trigger that this has to be cleaned or not cleaned?

Mr Wood—Yes, that is exactly right.

Mr Ferris—Can I add one point on the collection in Melbourne. After it goes into that yard and after we know it is available, we have to line up for the collection and sit on a ramp, with

about four or five hours of waiting. When you look at the balance between Sydney and Melbourne—which I think is very important because of the use of paper in both of those capital cities—in Sydney we do not wait at all and in Melbourne we are waiting days. That adds to the problem and the cost.

Senator COLBECK—When we were in Brisbane, the Industry Working Group on Quarantine talked to us about the knowledge of our quarantine processes and requirements by people who were exporting into Australia. Yet you seem to be implying that there is a problem with that in respect of some people from whom you are bringing products into Australia; that although you are attempting to put control measures at source with your containers you are still having some problems. Do you think there is a strong enough understanding at source? Also, have you been given any examples as to the requirements for products going the other way, of what might be required with a container arriving in a different country?

Mr Wood—On the first issue, most of the suppliers have a quite long experience of sending products into Australia and they certainly know quite well what the compliance requirements are in terms of quarantine. For example, particularly in relation to the provision of wooden pallets for products, they know that there is a declaration, they know the pallets have to be treated by a certain method et cetera, so that is quite well known. On the issue of the containers, although it is broadly known that these containers obviously must be dirt free as far as possible, I think there possibly has been some mix up as to who takes responsibility for that—is it the shipping company, the forwarding company or the actual supplier themselves? Following the communication and discussions we have had with AQIS, we as a group have been taking much more interest in making sure that our suppliers are fully aware of these requirements and that the containers are free of dirt or contamination. As to the second point, I am sorry but I am not in a position to comment on that.

Mr Ferris—Adding to what Mr Wood has said, there is a certain amount of education that has to be conveyed to people offshore. There is no doubt about that; we have found that. Canada, for example, recently had similar AQIS type and Customs type presentations for their own country, so at least they are in line with what we are doing. Six months ago they said, ‘What the heck is going on in Australia? Don’t they want to do business with us?’ That was probably the comment, but now they realise that their country is looking inwardly to combat any problems with quarantine.

The other issue which I find a bit dangerous is to do with the shipping companies themselves: they are just providers of the transport and they do not realise, in some respects, that we have these quarantine problems. They do not show, on their side of things, the necessity to make certain that clean containers are loaded. We can do all we want to do with our containers to make sure they are clean, but if they are stowed below dirty containers we end up in the wash here and it costs us money. Shipping companies have been telling our principals, ‘Don’t worry about quarantine in Australia. That is not important, as far as AQIS is concerned.’ So there needs to be education of shipping companies as well as of our principals. I am probably heartened by the fact that AQIS is now putting on disk the requirements set out for people overseas to use and to understand what the quarantine regulations are all about in Australia.

ACTING CHAIR—Will you be able to distribute that disk to your trading partners, or will you rely on AQIS to do that?

Mr Ferris—We will do that. We just cannot wait to get hold of it later on this year. This is part and parcel of us supporting what the government wants to do in this respect.

ACTING CHAIR—You said that shipping companies are telling people, ‘Don’t worry about quarantine when you get to Australia.’ What do you mean by that? Are they saying, ‘Don’t worry about cleaning’?

Mr Ferris—They are saying that there is no regulation for that. I have an example of that. I brought it to the attention of the particular shipping company and said, ‘Yes, there is.’

ACTING CHAIR—Can you tell us about that, please.

Mr Ferris—This is part and parcel of the cleaning of containers, which we have asked our principals to take on board. They asked whether it would be them—the supplier—or the shipping company that paid for it. We put it on the shipping company to clean the containers. Now the shipping company are asking, ‘Why do we have to clean the containers?’ They do not understand that. We say, ‘There is a regulation in Australia for delivering clean containers with no contamination.’ They say there is no regulation on it, but since we brought it to their attention now they know there is.

ACTING CHAIR—You mentioned that at ports like San Francisco the cost of cleaning a container might be as low as \$30, and you compared that with the cost in Sydney which you said is about \$260.

Mr Ferris—That would include the cartage costs and things like that which we have to pay.

ACTING CHAIR—Do they break that down for you—what would be the cleaning cost?

Mr Ferris—I cannot remember offhand. It would be, roughly, probably \$100. Have you got an invoice?

Mr Wood—No, I do not.

ACTING CHAIR—It would be great if you could pass that on to us down the track. Are the costs cheaper in other ports because they have got better systems, lower wage costs or higher turnover, and efficiencies because of that? Can you speculate as to why the cost is different?

Mr Ferris—I would say it is just the efficiency. They have high-powered hoses and things like that. As the containers are lifted they can clean the bottom of them.

Mr Wood—It is fairly difficult to speculate on the real reasons for that. Without looking closely into it, I doubt very much whether it would be a wages issue, quite frankly. It might have just as much to do with the fact that, for example, in Melbourne you have a fairly closed shop.

ACTING CHAIR—Have you spoken to AQIS about your concerns over the differences from port to port?

Mr Wood—Yes, we have.

ACTING CHAIR—What has their response been?

Mr Ferris—We have certainly spoken to Hart Krtschil about it. He is the mediator between the commercial and government side of things. He has indicated to me that that might be difficult. I have not spoken to the head of AQIS here in Victoria, although I have met him, about that matter. Wearing my company hat, I can say that we are concerned that, in our endeavours to try to reach a good understanding and compliance and consistency in this matter, we do not want to be victimised. I move quite a volume of paper across the wharf and I do not want to find that there are 50 or 60 containers going to go into the wash. That is a possibility. We have the example from our transport drivers that when certain people come to the AQIS gate here in Melbourne, if they are on duty, everything goes into the wash irrespective.

ACTING CHAIR—Do you really believe that there is victimisation of particular drivers and particular companies?

Mr Ferris—I do not want to run the risk of that.

ACTING CHAIR—That is a genuine fear?

Mr Ferris—It is a fear. When you see 240 containers in the Patrick wash every day and there is nothing Sydney—or maybe four or five overnight or something like that—there is a concern. The only thing that we have had, from the AQIS side of things, is that the reason things are so congested here in Melbourne and the costs are so high is that there is no competition. I think that is really where it lies.

ACTING CHAIR—Would you like to see competition here?

Mr Ferris—Yes.

ACTING CHAIR—Do you think it would make a difference or is it just an excuse?

Mr Ferris—We should certainly have competition, because then we could get our containers off the wharf quicker. That is probably the mode.

Mr Wood—The need for competition comes down more to the issue of whether the facility is adequate enough to cope with the load. For example, we can say that there may not be anything wrong with having 240 containers that have to go through a process, but it is a matter of making sure that we have the facilities to make sure that that process is time limited as much as possible. Whether that is competition or simply having facilities available is perhaps more, or just as much, to the point.

ACTING CHAIR—What if they double the number of staff doing the work? Would that make a difference?

Mr Wood—Again, that still requires that there is the single facility with 40 per cent of the cargo that comes across the Melbourne port.

ACTING CHAIR—What is the bottleneck though? Is it that there is only one bay that they are inspecting at? What is the actual physical bottleneck?

Mr Wood—That could be part of the reason for the delay. It is like a sausage factory; I guess it is a matter of how much can go through that. But also part of the consideration could be what forms contamination and what does not form contamination. Can we say that there is a consistency between Melbourne and Sydney, for example, on what is contamination: what is low-level contamination and what is not, or what is seagull droppings on the Melbourne port versus what is seagull droppings on the Sydney port? One may be caught up in this wharf but not caught up in another wharf. It gets back to the argument we have made right along: whatever the rules are, they should be consistent between any port, whether it is Sydney, Melbourne, Perth, Fremantle or whatever.

ACTING CHAIR—As long as it does not double your processing times in Sydney?

Mr Wood—So long as it does not double our processing times in Sydney. We do not want them to go to five to 11 days, of course.

ACTING CHAIR—As there are no further questions, thank you, Mr Wood and Mr Ferris, for appearing before us today and for your written submission. Should we have any other questions I hope you will not mind if the committee secretariat follows them up with you in writing. Thank you very much.

[3.18 p.m.]

CARINGTON SMITH, Mr Owen, Chairman, Tasmanian Salmonid Growers Association

ACTING CHAIR—Welcome. We have received a written submission from the Australian Seafood Industry Council. Do you want to present any additional written material or would you like to make a brief opening statement?

Mr Carington Smith—I do have written material that I would like to present.

ACTING CHAIR—Are you happy to table that?

Mr Carington Smith—Yes.

ACTING CHAIR—Thank you. We will make sure that is taken as a formal submission. Do you want to make a brief statement about the submission that you have already given us, or tell us a little bit about this new submission?

Mr Carington Smith—I would appreciate that. I will first introduce the Tasmanian salmonid industry. It is an industry that did not exist 15 years ago, and it has since developed into an industry that is worth over \$160 million. It provides employment for about 3,000 people in Tasmania. It value adds and does a lot of exporting. It is a critical operation, and an industry in the Tasmanian economy throughout the whole state. It is based in Hobart, on the north-west coast and on the west coast.

We have in the past put many submissions to parliamentary inquiries about import issues. There were some milestone cases back in the mid-nineties, particularly concerning the Canadian salmon industry and its application for imports. In this submission we have really only addressed three issues: 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; and the development of import risk analyses.

The salmon industry notes that there are many submissions from other animal associations, and we fundamentally agree with most of the key comments that they are making in those submissions. One of the key ones is that, in determining import risk assessments and quarantine policies, there should be no trade-off in negotiating free trade agreements. I think that comment has been made to you many times over.

One of the more critical points that we have addressed in this paper is the impact of international agreements on quarantine activities. As with other industries, the basic quarantine protection that is provided in Australia is through the determinations of the OIE. These tend to be negotiated positions which have to satisfy most countries. It tends to be a lowest common denominator type negotiation, and we have found, in our experience over the last ten years and from attending OIE conferences, that it tends to be fairly Eurocentric. We have given an example here of one of the most critical diseases for our industry, which is aeromonas

salmonicida, which is not one of the diseases listed for notification or a disease of concern, according to the OIE.

ACTING CHAIR—Is that because all their member countries have it?

Mr Carington Smith—They have well and truly traded that disease between each other; that is correct. Yet, if that disease entered the Tasmanian environment, it would wipe out our industry economically. It was the subject of economic analysis by ABARE during the Canadian import issue. It is an example of one of the 20 diseases that can be brought into Australia in the flesh of salmon and still comply with OIE rules.

I will give another example. Bacterial kidney disease, which is one of the diseases of concern but is not a notifiable disease with the OIE, is quite prevalent in Canada and the United States. It is a disease that is regularly found in harvest fish. Under OIE rules it is quite okay for that flesh to be imported into Australia. So it is known that, under the current rules that we have for importing salmon, following the WTO resolution, product coming into Australia will have disease organisms.

We would contend that there is a differing standard between what is applied to terrestrial protection versus aquatic protection in that we do not believe that Australian quarantine or Biosecurity could tolerate importing product from an area with foot-and-mouth disease. Biosecurity would argue that the risk of establishment in Australia, knowing that the disease organisms are coming into the country, is very low. But is that an acceptable risk in cases such as foot-and-mouth disease? That is where we believe there has been an inequity in policy making.

I refer also to the SPS agreement. In particular, it is applicable in that in its application of SPS measures a country must be consistent and cannot apply such measures in a more stringent way in one area than in another like area. It is contrary to article 5.5 of the SPS agreement to adopt a low-risk policy in one field while not doing so in a complementary field.

In the case of the WTO decision on salmon—and this is still continuing regarding what the impacts of international agreements are—Canada was able to effectively argue that we did have very differing standards in what we allowed to be imported. While we were trying to have a high standard of protection for the salmon industry, we were allowing products such as pilchards to be imported and put directly into the marine environment, either as bait fish or for use as farm fish. Obviously, that has a much higher risk than when used for human consumption, so they were able to argue that case very effectively. Under the SPS rules that I have just mentioned, it means that if Biosecurity applies those standards—in other words, a very low protection level—under the SPS agreement all other levels have to come down to that level. It would seem that that is an extremely important implication for all quarantine issues.

ACTING CHAIR—Do you think that the risk assessments of pilchards for bait, fish feed and so on were in error, that they were mistaken?

Mr Carington Smith—I think the answer to that has been seen recently where IHN has been discovered in a population off California.

ACTING CHAIR—IHN, did you say?

Mr Carington Smith—I get lost in the acronyms; I cannot remember the actual disease.

ACTING CHAIR—But it is a fish disease?

Mr Carington Smith—It is on the list of diseases with the OIE, so it is one of the most serious diseases. That meant that from that point on there was an urgent need to decide whether the quarantine measures had to be changed. Biosecurity did react very quickly. They went through a fairly quick IRA and changed the measures to demand a freeze-thaw process, which—under the scientific understanding of this disease—will reduce the risk of the disease coming into Australia. However, it does not comply with the minimum standards set by the OIE. The minimum standards set by the OIE in this situation are that fish must be eviscerated. So with this ruling, by allowing a product to come from an area that has a listed disease, Biosecurity have agreed to provide a lower standard than the minimum OIE recommendations. Again I return to the SPS agreement: that means, if you follow the consistency rule, you potentially lower all other risk measurements down to that standard.

Senator COLBECK—Does that relate to all quarantine or just all quarantine relating to, say, the marine environment?

Mr Carington Smith—That is a good question, and it will only be determined in another legal case. If you go back to the way Canada argued this issue, they were saying that we were importing pilchards and other products where we did not require anything like the standards that we expect for salmon. The key words there are ‘like area’ and ‘complementary field’. What is a like area? What is a complementary field? In the WTO ruling it became anything aquatic. It is a matter for another court case to decide whether that is applied to terrestrially based quarantine as well. I do not think that it is clear and I think it is dangerous.

ACTING CHAIR—Don’t they have a point, though? We heard a lot from the Tasmanian salmonid people about Canadian salmon, but we have not actually heard a lot from the industry about pilchards or bait or any of the other potential threats. It would seem that all the rhetoric was about biological threats, but the only area that the lobbying has occurred in is where there has been an economic threat rather than a risk of disease being introduced.

Mr Carington Smith—Yes. We are well aware that during that period AQIS continually tried to put down our case as being one of feeling economically threatened. If you look at the issues, the Productivity Commission undertook an inquiry into our industry in 1996 and did a full economic analysis. Their submission was about that thick. They agreed with what we had always claimed, that we were not under economic threat. Our concern was that if there was a large oversupply of wild Pacific salmon, which does occur from time to time, where the product is literally given away in world markets—and I have seen that in my lifetime—then there will be a large quantity dumped in the Australian market. That is when the risk occurs, because risk is associated with the volume that comes into the country. The more you bring in with disease organisms, the more risk you are going to have that disease will actually establish. That is what our concern was.

If you look at the history since the determination in May 2000, imports from Canada have not occurred. I think there was one container. More recently there have been some frozen portions from Norway at very low prices. Some of those containers have now been exported because there is no demand for them. So everything we said at the time was true. The fact that we have exported so much of our product demonstrated that we could compete in a completely open export market. So let us put that one to bed.

ACTING CHAIR—But we have not heard a lot from you about those other biological threats that you have mentioned now. We have not had a lot of lobbying on those areas. Can you explain that?

Mr Carington Smith—Yes. We did it at the time. We have been fully involved in the latest IRA on pilchards. I went to a one-day conference in Adelaide and presented the TSGA's views on that. We have provided written views to Biosecurity and, indeed, we met with them last week and followed up with letters about the issue. We remain extremely concerned about the direct entry of product that has guts in into our aquatic environment.

ACTING CHAIR—Going back to the raw Canadian salmon decision and the Tasmanian government's decision to stand against that, we took evidence from the Tasmanian government this morning that they were pleased that the Primary Industries Ministerial Council has accepted that there needs to be a regional approach to risks—and that of course has an implication for your salmon industry in Tasmania. Do you think that that regional approach that was agreed to by the Primary Industries Ministerial Council goes some of the way towards addressing your concerns?

Mr Carington Smith—It certainly does partly, yes. But the fact is that there is a growing salmonid industry in Victoria, and indeed in South Australia, and it was always our view that, if there were disease entry, it would occur in Victoria first—and probably in South Australia now that a salmon industry is starting up there.

Once the disease is established in an environment it will ultimately spread to all areas because the vectors can in fact be the wild fish, and there is no control over where they swim. If you have disease in South Australia it could be less than 12 months before that disease is in Tasmanian waters. Not only that, a number of the diseases—and I mentioned whirling disease here—are conveyed mechanically and can be conveyed through the gut of a bird. A bird can fly a great distance very quickly, land on one of our nets or on one of our cages in the D'Entrecasteaux Channel or on the west coast, excrete, and the disease is then in the environment.

ACTING CHAIR—Some of the people that have given evidence today suggested that there is a perception that people overseas have that we use our quarantine measures as a non-trade barrier. Indeed, we have frequently repeated the quote by the European Trade Commissioner that states that it is no secret that Australia has strong and constant non-trade tariff barriers. Some of the people that gave evidence also said that we really need to sort that out, that we need to speed up the IRA process. But the implication is—although nobody has said it—that if we continue to be as strict as we are that our export trade will suffer. In your industry, you are in a particular position where you have argued that we need to have very strict quarantine provisions in relation to raw salmon meat imports. Are you getting a message from the people to whom

you export that the sorts of barriers you are arguing for that apply to other areas and are an impediment to your ability to export? Are people saying to you, 'If you want us to take more of your salmon then you had better take more of our bananas or chicken meat,' or whatever the other product is?

Mr Carington Smith—First of all, I think that the EU commissioners are making their statements with a certain amount of tongue-in-cheek. No, we do not get those comments at all. I have travelled extensively throughout Asia and Europe. I am a member and a director of the International Salmon Farmers Association. There is a fair degree of sympathy for our case. A number of the expert scientists in the salmon industry, when they find out that we do not have the myriad of diseases that they have, say, 'Do everything you can to stop those diseases getting into your country. You don't understand how lucky you are.' When the scientists come and look at our fish in the water they say, 'We have never seen such healthy fish; no wonder they get the premium in Japan.'

On the issue of local industries, the apple industry and the other industries certainly do not say that to us. There is a big difference in the argument. It is quite often said in the press, 'Look at the benefits of being in the WTO; look at all the markets that have opened up.' That is quite true. But if you take the Tasmanian example, or the Victorian example, where apples can be exported to Japan—although I think they can only be exported from Tasmania at the moment—the reason why that is so is because there are no disease organisms of concern in Tasmania. The reverse is that we are being asked to accept products with disease organisms into our country. That is a totally different proposition. You cannot compare one with the other.

ACTING CHAIR—Our approach is not based on zero risk; it is based on low risk.

Mr Carington Smith—Correct.

ACTING CHAIR—Do you think that it should be based on a zero risk approach?

Mr Carington Smith—I have never argued that. This is something that AQIS and Biosecurity try to project onto industries that are looking for reasonable protection. It is obfuscation, frankly. It is often what we have come across in trying to put our argument. If you look at smoked salmon, there has always been a risk of smoked salmon having disease organisms—very low, but it is there. We did not argue against cold smoked salmon coming into this country. I might add that, since the Tasmanian industry has started up, we have taken 60 per cent of the market away from them just by having a better product.

We are not looking for zero risk, and I do not think any industry does. What we are looking for is a quarantine system that preserves what we have got to date, which is an area of the world which is completely free of so many diseases that the rest of the world has contracted. Do we seriously want to do what they have done? That is what they are trying to make us do. They have very large subsidised industries and, if we lose our disease-free status, we lose the marketing advantage and the cost advantage of not having those diseases. That is one of the few things we have left in Australia to help us compete in international markets that are heavily subsidised.

ACTING CHAIR—Can you quantify those advantages for us? What is it worth to you?

Mr Carington Smith—Traditionally, if you look at the Japanese market for our product, we have ranged from between a ¥100 to ¥300 per kilogram advantage over our competitors, particularly Norway. That is a very real way of evaluating what the most discerning customers in the world think of our product.

Senator COLBECK—What is that in percentage terms—¥100 to ¥300 in how many yen?

Mr Carington Smith—In about ¥900.

ACTING CHAIR—So it could be up to a 30 per cent premium?

Mr Carington Smith—Yes. Secondly, if diseases enter our environment, I can only repeat the findings that BA have found, that economically we would be wiped out. We would be looking at mortalities of anything up to 40 per cent. No industry can cope with that level of mortality. Our salmon came to Australia in the 1960s; they are completely naive to most of the world's salmon diseases. In addition, we farm in warmer waters, which means that in summer time they are under more stress. We have a parasite in our waters which requires freshwater bathing. It is a natural way of controlling the problem. But when you have to pump these animals through a pump into a freshwater bay in warm conditions in the summer they are under stress, and that is when disease will take its highest toll. When you look at the control measures for diseases overseas, I think the number of trivalent vaccines that are applied in Norway is 90 million per annum. And most of those fish are hand injected.

ACTING CHAIR—That is one vaccination?

Mr Carington Smith—Yes, it is three vaccines in one. So there would be very high costs in that regard if we had to do the same. The other issue is the growing consumer sentiment against the use of antibiotics. I am sure that has been covered quite extensively by other submissions.

ACTING CHAIR—We have heard people mention it, but they have not gone into detail. If you want to speak about it in more detail, you are welcome to.

Mr Carington Smith—I might submit a number of newspaper articles from overseas—particularly from America—where the concern about farmed animals is growing, especially about farmed salmon. Part of the issue is environmental but the other part is the concern about the amount of antibiotics that are being used in the animals.

Senator SCULLION—I was going to ask if I could put a question on notice. I would be really keen to see all that information.

ACTING CHAIR—We would appreciate you passing on those newspaper clippings.

Senator SCULLION—It has been interesting over the day to hear a somewhat different view to yours. I notice you said there should not be any trade-off in quarantine protection in negotiating free trade agreements. People in the dairy industry have been quoted in the paper as saying, 'When our marketing partners lose sales opportunities in the Australian market, we find it harder to sell our exports.' I guess they do not agree with you that we should not trade-off there. What would you say to them?

Mr Carington Smith—If they find themselves in the situation of going to the WTO and having the SPS agreement thrown at them, are they happy for beef products to be coming in from a foot-and-mouth disease area? I think everybody needs to come back to this basic question each time: how much do they value their current status and also not have the costs of production that are associated with disease entry. There is no point in having access to export markets if you have got no animals or animal products to export.

Senator SCULLION—I could not have put it better myself. You talked about the impact on industry of salmonid diseases. Can you tell me about some of the other industries in Tasmania that may be impacted, and what would be the general economic impact on Tasmania?

Mr Carington Smith—The salmon industry in Tasmania directly employs about 1,000 people but the companies that supply the salmon industry employ about another 2,000 people. These are the feed companies, the net makers, the cage makers and all the engineering companies. I might add that a number of those companies have been successful in taking their products to the South Australian tuna industry and have now developed into export companies to the aquaculture industries throughout Asia. We have been a springboard for a lot of aquaculture supply developments, such as automatic feeders and underwater cameras to observe how the fish are feeding. The technology developments have been great.

Senator SCULLION—You obviously know a fair bit about the actual disease. You have trout down in Tasmania and I understand people are keen to pay fairly big money to go and catch them. Does disease have the potential to impact on that at all?

Mr Carington Smith—The impact would be huge. The recreational lobby has been right behind all our concerns. The recreational lobby in particular is concerned about whirling disease from New Zealand, and again we are faced with the situation where we have a country among the many countries that have imported whirling disease into their environment. The spores from that disease are particularly concentrated in the head of the animal, yet Biosecurity Australia has agreed to let New Zealand salmon in with the head on whereas product from all round the world—all other salmon products—must at least have the head off. The rationale behind that leaves the recreational industry, our industry and the Victorian industry in despair.

Senator SCULLION—You are obviously aware of the IRA process.

Mr Carington Smith—We have been through it.

Senator SCULLION—I understand one of the mechanisms they use is a graph where the vertical side is the impact of establishment, which you have clearly demonstrated to us is very high, and the baseline is the likelihood of establishment. When the decision was made I understand that it was not well known how easily the disease could or could not be established. There was not a lot of information about how it spread. We do know it spread quite rapidly in other countries but not how. Do you think if we applied the precautionary principle to that same set of issues you were dealing with then that the outcome might have been different? If we had said in the establishment of the import risk assessment, the IRA, that there was an overlying precautionary principle such that if we did not know then we needed to err on the side of caution, do you think that would have had a different outcome?

Mr Carington Smith—If you go back through the whole process, the final IRA that came out of the process that started in January 1994 did adopt the precautionary principle and the recommendation that came from that, and it was accepted by federal cabinet that there should be no change to the import protocols. It was only the challenge by Canada and the WTO that forced Australia to change to the import protocols that we have today.

Senator SCULLION—I understand that. What I am moving towards is that since May 2000 we have had evidence, certainly to this committee, that there have been substantive changes. That evidence has come from other parts of industry in terms of transparency, how we go about the IRA and the whole range of processes. Do you think it is worth the Australian government revisiting this issue on the basis that we have now changed some of our processes so that we can review the situation with respect to the import of salmon?

Mr Carington Smith—I think that would be worth while. I do not know whether it is worth the resources to do the whole exercise again. I suggest that we look at the highest risks, which I have identified in our paper; one of which is the import of New Zealand salmon, head on, with the risk of bringing whirling disease into this country. That is well worth revisiting.

Senator SCULLION—I do not know whether whirling disease and leaving the head on are associated. Is there a close association between leaving the head on and whirling disease?

Mr Carington Smith—About 80 per cent of the spores are concentrated in the head. About 20 per cent are in the flesh, so there is still a risk, but the main risk is in the head. On the second issue that we would like to be investigated, we compliment Biosecurity and AQIS for setting up a specialist officer to look at irradiation. That may well be an appropriate method to reduce the concerns we have about the risk of entry.

Senator COLBECK—You mentioned the improvements in the IRA process, but you suggest that there are still some concerns in the final decision making process. Would you like to expand on that?

Mr Carington Smith—The improvements are that the involvement of the stakeholders is far better. We are contacted quickly and we are given the opportunity to put our case. What remains somewhat murky is how the final decision is made. If I go back, particularly to the decision on the pilchards and the ramification of the lowest common denominator and the SPS agreement, the implications go much wider than just the decision on pilchards. Somehow there needs to be a much closer vetting mechanism for how the final decision is made. In this particular case—and I think it should be part of Australia's ALOP—whatever decision is made, it should never be lower than the minimum recommendations of the OIE, which is already a lowest common denominator negotiated position. So I am expressing concern particularly at that point.

Senator COLBECK—Biosecurity Australia should be well aware of those protocols?

Mr Carington Smith—Indeed. So I leave it as a major question.

ACTING CHAIR—Do you think that the reason these decisions are being made that you are critical of is that the people making the decisions do not have the expertise to make them or do you think they are under pressure to allow these imports? Do you think that the science that they

are basing their decisions on is not adequate? When you are critical of the decisions, why do you think those decisions are being made?

Mr Carington Smith—If I go back to the start of the process in 1994, AQIS certainly did not have the expertise in aquatic issues. AQIS were fundamentally concerned with beef, sheep and wool. That was all they knew. We felt it was quite irresponsible that the draft IRA that was released was rushed. They were under pressure from Canada to get it out. They quite inappropriately drew conclusions that were incorrect. I do not think there is a need to revisit that ground. Past Senate inquiries have heavily criticised AQIS for following that process. Today, I think the situation is different. Certainly, after the 1990s, there are people still there who are now well versed in aquatic issues. I think there is still a huge amount of pressure on the workload. I have had quoted to me that there are over 100 IRAs outstanding, which gives some idea of the workload they are under. I would think, therefore, that they do not have time to give the full consideration to the issues that industry would like. It is often stated that these decisions must be based purely on science. Science is often no better than economics. It is subject to bias, just like any other science. You can draw from that what you like.

Senator SCULLION—I would like to touch on your last point about the stack of IRAs. Do you think it may be prudent to look at the applications in terms of a reverse onus of proof and that we should be asking them to provide a lot more detail. With a lot of the IRAs we start from scratch. I understand the issue of propriety and that sort of thing, but do you think it is perhaps worth while to have a look at the amount of material that people should supply to demonstrate how clean and green their product is and why it should be imported?

Mr Carington Smith—That was a view we took at the time. The process for our industry cost us well over half a million dollars to gather the science to get to the point that we did in making the federal government understand just how serious we were about the issues. It is far too easy for countries to apply for importing their product without presenting a lot of the science that is needed to make the assessment. I think that is a fair comment.

Senator COLBECK—In the submission you gave us today you mentioned the vagueness of Australia's appropriate level of protection.

Mr Carington Smith—Yes.

Senator COLBECK—Do you have a further comment on that?

Mr Carington Smith—I go back to the example I have just drawn: apparently, the current ALOP permits quarantine measures that fall outside the minimum recommendations by the OIE. I just cannot understand how that can occur. I have looked at the other submissions and I have also looked at the Tasmanian government's submission. They are all critical of the ALOP. It leaves the decision making to Biosecurity far too wide and too fuzzy. Hence, this decision with pilchards.

Ms KING—I think it would be fair to say, given your experiences and the tone of the submission you have put before us, that your relationship with AQIS has not been particularly warm. You have mentioned briefly your feeling that the relationship is improving a bit and there

seems to be some transparency. Can you comment on that a little more? One of the issues that we are looking at in this inquiry is where AQIS has improved and where it has not improved.

Mr Carington Smith—Our only recent experience has been the pilchards IRA, so that is the reference point between now and the end of the whole Canadian issue. If I go back to that last point, I have made one comment in the submission about the need for all officers involved to demonstrate that they do not have a conflict of interest. Conflicts of interest can come in many ways; I will raise several. The first example is the final negotiations with Canada over what would be the final import protocols, which were conducted in about April and May 2000. Shortly after that—it was certainly within less than eight weeks and I think it was within four weeks—the senior officer joined the Canadian public service. I just wonder how you can keep your total independence if you are negotiating to join the Canadian public service and at the same time are negotiating on behalf of Australia. It may be an incorrect question, but I think it is a question that has to be asked.

For the second example, let us look at some hypotheticals. If Biosecurity is involved in an IRA process and, let us say, it comes back to the New Zealand case of whether we should be importing fish with heads on, should we employ an officer of AQIS who has come from New Zealand, has family in New Zealand and has been in New Zealand for the last couple of years? Can they participate in an IRA of that nature quite independently?

I come to a third example. A number of submissions have quite correctly stated that Australian government people from Biosecurity, AQIS or the Office of the Chief Veterinary Officer should take a high profile in international organisations such as OIE. I think that is essential. But if they are running for higher office at a time when we may be involved with an IRA with, say, the USA, Canada, South America or wherever, and that officer needs the support of those countries to get the votes for that higher position, should he absent himself from the process and the policy decision? I think there should be a policy in this regard.

ACTING CHAIR—Thanks very much, Mr Carington Smith.

Mr Carington Smith—I am sorry, I did not quite answer the question. All I can say is, more recently, a lot of people in Biosecurity and AQIS have changed, and relationships are all about people anyway. Our approach has been to try and see if we can get back onto a cooperative basis with Biosecurity and leave the past—where it had to be adversarial—behind. I detect that there is quite a change of attitude. A lot of water has gone under the bridge. Let us hope that it keeps improving.

Senator SCULLION—Just a clarification: now the IRA process is a little different, in that it is not just people in Quarantine, would you be happy if the IRA panel actually has, as part of the process, a declaration of potential interests within each IRA? Is that something that you think would be valuable as a recommendation?

Mr Carington Smith—I think that is important, yes.

ACTING CHAIR—As there are no further questions, thank you very much for the submission that you have given us today and for the one that we received earlier. Thank you for

appearing before us today. If we should have any further questions, I hope you would not mind our committee secretariat getting in touch with you.

Resolved (on motion by **Senator Scullion**):

That the document entitled 'An investment in human and animal health: parasitology in Australia', presented by the Australian Society for Parasitology, be taken as evidence and authorised for publication.

Resolved (on motion by **Senator Scullion**):

That the following submissions be accepted as evidence to the review of Australia's quarantine function and authorised for publication: No. 42, a supplementary submission from Hart Krtschil, Chair, Industry Working Group on Quarantine; No. 43, a supplementary submission from Dr Sillince, President-Elect, Australian Veterinary Association; and No. 44, from the Tasmanian Salmonid Growers Association.

Resolved (on motion by **Senator Colbeck**):

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.

ACTING CHAIR—Thank you very much to all our witnesses, to Hansard and to our committee secretariat staff.

Committee adjourned at 4.03 p.m.