



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

STANDING COMMITTEE ON RURAL AND REGIONAL AFFAIRS
AND TRANSPORT

ESTIMATES

(Additional Budget Estimates)

MONDAY, 18 FEBRUARY 2008

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**SENATE STANDING COMMITTEE ON
RURAL AND REGIONAL AFFAIRS AND TRANSPORT
Monday, 18 February 2008**

Members: Senator Sterle (*Chair*), Senator Siewert (*Deputy Chair*), Senators Heffernan, Hutchins, Hurley, McGauran, Nash, O'Brien

Senators in attendance: Senators Abetz, Adams, Boswell, Fielding, Heffernan, Hogg, Hutchins, Hurley, Ian Macdonald, McGauran, Milne, Nash, O'Brien, Scullion, Siewert and Sterle.

Committee met at 9.05 am

AGRICULTURE, FISHERIES AND FORESTRY

In Attendance

Senator the Hon Nick Sherry, Minister for Superannuation and Corporate Law, representing the Minister for Agriculture, Fisheries and Forestry

Department of Agriculture, Fisheries and Forestry

Executive

Dr Conall O'Connell, Secretary
Mr Daryl Quinlivan, Deputy Secretary
Dr Cliff Samson, Deputy Secretary
Mr Stephen Hunter, Deputy Secretary

Management Services Division

Mr Bill Pahl, Chief Operating Officer
Mr John Bridge, Chief Finance Officer
Mr Greg Haughey, Manager, Budget Management

Corporate Policy Division

Mr David Williamson, Acting Executive Manager, Corporate Policy
Ms Nicola Hinder, General Manager, Parliamentary and Media Branch
Ms Leanne Herrick, Acting General Manager, Governance and Planning Branch
Mr Travis Power, Acting General Manager, Policy Development Branch
Ms Elizabeth Bie, Acting General Manager, Ministerial Liaison

Product Integrity, Animal [including aquatic animal] and Plant Health [including Australian Pesticides and Veterinary Medicines Authority]

Mr Tom Aldred, Executive Manager Product Integrity, Animal and Plant Health
Dr Andy Carroll, Chief Veterinary Officer, Office of the Chief Veterinary Officer
Dr Bob Biddle, General Manager, Animal and Plant Health Policy
Ms Sally Standen, General Manager, Animal Welfare
Mr Bill Magee, General Manager, Product Integrity and Safety
Dr Eva Bennet-Jenkins, Chief Executive Officer, Australian Pesticides and Veterinary Medicines Authority

Australian Quarantine and Inspection Service

Mr Greg Read, Executive Manager, AQIS Exports
Mr Mark Schipp, General Manager, Animal Products Market Access Branch

Dr Narelle Clegg, National Manager, Animal and Plant Exports and Imported Food Safety Branch
Mr Colin Hunter, Acting National Manager, Food Exports Branch
Ms Jenni Gordon, Executive Manager, Quarantine Division
Mr Peter Liehne, National Manager, Animal and Plant Quarantine Branch
Ms Helen Gannon, Acting National Manager, Border Branch
Mr Robert Langlands, Acting National Manager, Cargo Management and Shipping Branch
Ms Jenet Connell, Executive Manager, Business Strategy and Corporate Support
Mr Steve Prothero, General Manager, Information Services
Ms Cathy Cox, General Manager, Business Strategy
Mr Peter Moore, Chief Financial Officer
Mr Wayne Terpstra, National Manager, Information Services

Biosecurity Australia

Mr John Cahill, Chief Executive
Dr Ann McDonald, General Manager, Biosecurity Development and Communications
Ms Louise van Meurs, General Manager, Plant Biosecurity
Dr Bill Roberts, Principal Scientist, Plant Biosecurity
Dr Robyn Martin, General Manager, Animal Biosecurity
Dr Mike Nunn, Principal Scientist, Animal Biosecurity

International Division

Mr Craig Burns, Executive Manager
Mr Paul Morris, Executive Manager, Technical Market Access
Ms Frances Freeman, General Manager, Multilateral Trade Branch
Mr Bruce Bowen, General Manager, Bilateral Trade Branch (Americas, South East Asia, Subcontinent, New Zealand and the Pacific)
Mr Simon Smalley, General Manager, Bilateral Trade Branch (North Asia, Europe and Middle East)
Ms Fiona McKergow, Acting General Manager, Multilateral Trade Branch

Food and Agriculture [including Wheat Export Authority, Grains Research and Development Corporation, and Meat and Livestock Australia]

David Mortimer, Executive Manager, Food and Agriculture Division
Richard Souness, General Manager, Food Policy and Safety Branch
Mike Ryan, Acting General Manager, Horticulture and Wine Branch
Russell Phillips, General Manager, Wheat Sugar and Crops Branch
Simon Murnane, General Manager, Meat Wool and Dairy Branch
Peter Woods, Acting CEO, Export Wheat Commission
John Watson, Chair, Export Wheat Commission
Keith Perrett, Chair, Grains Research and Development Corporation
Peter Reading, Managing Director, Grains Research and Development Corporation
Geoff Budd, General Counsel, Grains Research and Development Corporation
Danielle White, Finance Manager, Grains Research and Development Corporation
David Palmer, Managing Director, Meat and Livestock Australia
Scott Hansen, General Manager, Corporate Communications and Livestock Exports, Meat and Livestock Australia

Laurie Robinson, General Manager Corporate Services, Meat and Livestock Australia

Australian Bureau of Agriculture and Resource Economics

Mr Phillip Glyde, Executive Director

Ms Karen Schneider, Deputy Executive Director

Dr Don Gunasekera, Chief Economist

Dr Terry Sheales, General Manager, Agriculture/Chief Commodity Analyst

Bureau of Rural Sciences

Dr Colin Grant, Executive Director, Bureau of Rural Sciences

Dr Kim Ritman, General Manager, Social, Biosecurity and Information Sciences Branch

Dr James Findlay, General Manager, Fisheries, Land and Forestry Sciences Branch

Peter Ottesen, General Manager, Climate and Rural Water Sciences Branch

Mark McGovern, Manager, Business Strategy and Operations

Rural Policy and Innovation

Mr Ian Thompson, Executive Manager, Rural Policy and Innovation Division

Mr Ross Dalton, General Manager, Industry Leadership and Development

Dr Melanie O'Flynn, General Manager, Research and Innovation

Ms Jenny Cupit, General Manager, Drought and Exceptional Circumstances

Natural Resource Management [including Land and Water Australia]

Mr Rod Shaw, Acting Executive Manager, Natural Resource Management Division

Mr Mark Gibbs, General Manager, Climate Change

Mr Gerry Smith, General Manager, Australian Government Natural Resource Management Team

Mr John Talbot, General Manager, Australian Government Natural Resource Management Team

Mr Martin Walsh, Acting General Manager, Landcare and Sustainable Production

Dr Michael Robinson, Executive Director, Land and Water Australia

Fisheries and Forestry [including Australian Fisheries Management Authority]

Mr Allen Grant, Executive Manager, Fisheries and Forestry Division

Dr John Kalish, General Manager, International Fisheries and Aquaculture

Mr Tony Bartlett, General Manager, Forest Industries

Mr Robert Murphy, General Manager, Fisheries and Marine Environment

Mr Glenn Hurry, Managing Director, Australian Fisheries Management Authority

Ms Kerry Smith, Acting General Manager, Compliance, Australian Fisheries Management Authority

Dr Nick Rayns, Executive Manager, Fisheries, Australian Fisheries Management Authority

Mr Peter Venslovas, Senior Manager, Northern Compliance, Australian Fisheries Management Authority

Mr David Perrott, Chief Financial Officer, Australian Fisheries Management Authority

Mr Nigel Catchlove, Acting Senior Manager, Communications, Australian Fisheries Management Authority

CHAIR (Senator Sterle)—I declare open this public hearing of the Senate Standing Committee on Rural and Regional Affairs and Transport. On Wednesday, 13 February 2008, the Senate referred to the committee for examination the particulars of the proposed additional expenditure for 2007-08 and certain other documents for the Agriculture, Fisheries

and Forestry portfolio. The committee will now further examine the particulars of proposed expenditure through these additional budget estimates hearings. The committee may also examine the annual reports of the departments and agencies appearing before it.

As agreed, I propose to call on the estimates according to the format adopted in the printed program. The committee is due to report to the Senate on 18 March 2008 and has fixed Wednesday, 9 April 2008, as the date for the return of answers to questions taken on notice.

Under standing order 26, the committee must take all evidence in public session. The Senate by resolution in 1999 endorsed the following test of relevance of questions at estimates hearings: any questions going to the operations or financial positions of the departments and agencies which are seeking funds in the estimates are relevant questions for the purpose of estimates hearings. The Senate has also resolved that an officer of a department of the Commonwealth or of a state shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to the minister. This resolution prohibits only questions asking for opinions on matters of policy and does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted.

If a witness objects to answering a question, the witness shall state the grounds upon which the objection is taken and the committee will determine whether it will insist on an answer having regard to the ground which is claimed. Any claim that it would be contrary to the public interest to answer a question must be made by the minister and should be accompanied by a statement setting out the basis for the claim.

I remind all witnesses that in giving evidence to the committee they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee and such action may be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence to a committee.

I welcome Senator the Hon. Nick Sherry, Minister for Superannuation and Corporate Law representing the Minister for Agriculture, Fisheries and Forestry; Dr Conall O'Connell, Secretary of the Department of Agriculture, Fisheries and Forestry and officers of the department. Minister, do you wish to make an opening statement, because I know Mr O'Connell does?

Senator Sherry—Yes, briefly. Welcome, and all the best to everyone. I understand Senator Minchin, Leader of the Opposition in the Senate, sent a letter to each estimates committee seeking a range of information. I am happy to provide the committee with an indication regarding the information he sought. I have with me a list of portfolio appointments made during the period November 2007 to February 2008. I also have a list of vacancies, a list of grants approved by the new Minister for Agriculture, Fisheries and Forestry, Mr Tony Burke, and I have a summary of movements of funds. Firstly, all of this information will be provided during the morning to the committee. I just have to check on the formatting of the material I have been given. Secondly, those appointments to be dealt with at cabinet level—and this is a response, I understand, that will be given at all estimates committees—will be provided by PM&C at PM&C estimates.

Senator McGAURAN—Are you speaking of departmental appointments or ministerial appointments?

Senator Sherry—Both. Those are my only opening comments.

CHAIR—Thank you, Minister. Dr O’Connell, do you wish to make an opening statement?

Dr O’Connell—Thank you, Chair. I would like to open with an explanation of the corrections to the portfolio additional estimates statement which was tabled on 15 February. These corrections were to some errors in the statements that were previously tabled. In summary, the errors that have been corrected were to four of the tables, table 1.3, table 1.5, table 1.9 and table 1.11 and consequential amendments.

Senator HEFFERNAN—What do they deal with? Could you read them out for the *Hansard*.

Mr Pahl—The corrections are as follows. In respect of table 1.3 on page 13, the fishing structural adjustment package onshore assistance item has been removed from that table as it was a duplication. It is already included in table 1.2. There was a reforecast of special appropriations estimates for the 2007-08 year which increased by \$381,000 to recognise the inclusion of a special appropriation for the Australian Meat and Livestock Corporation. That is already in table 1.9. The new total of variations in that table for the administered component is \$1,287,000. With regard to table 1.5 on page 17—and there are replacement tables available to go straight into the document which will help in finding these—the reduced estimates column in the administered items section of the table has been increased by \$14.905 million to exclude variations to special appropriations which are also included in table 1.9. The new table of reduced estimates in the administered items section is \$46,105,000.

The second half of table 1.9 on page 22 has been replaced with a new table. That is because part of the name of one of the measures was omitted and that was the dairy industry restructure package. As I said, in the original document, it was only partly shown. In table 1.11 on pages 24 and 25 the changes are between different outputs of the department which do not go to the bottom line. Unfortunately, a couple of the items were included in the wrong outputs, so they have been moved between outputs which means the subtotal has changed but the total itself remains the same. Likewise with figure 2 on page 28 which is the price of outputs information, because of the shift between outputs the numbers they change between outputs but the totals at the top remain the same. If you go to page 28—that is, the outputs of the department—you will see that each of those is set out there. As I said in the document, unfortunately, some are listed in the wrong place.

Dr O’Connell—To clarify, this does not affect the overall department additional estimates position. It is a set of internal corrections.

Senator HEFFERNAN—I want to ask a very simple question. How much did the errors that have been corrected affect the bottom line?

Dr O’Connell—They do not affect the bottom line.

Senator HEFFERNAN—It was all internal.

Dr O'Connell—If it would be useful to the committee I could ask Bill Pahl to give a short introductory overview of the estimates variation so that you get a picture—

Senator HEFFERNAN—But when they make a mistake like that and you correct them does anyone get the sack or do you say, 'Have a cup of tea, son; you got that wrong'? What do you do?

Mr Pahl—Clearly, Senator, we are disappointed that we did not provide a quality document on the first time round and we will be looking—

Senator HEFFERNAN—But does someone get the sack?

Mr Pahl—I was going on to say that we have instituted a review.

Senator HEFFERNAN—In my joint, I would get the sack.

Mr Pahl—We have instituted a review which starts today to ensure that there is no repetition of that again. Until we have the result of that review, which I would expect probably late next week, I will not be in a position, unfortunately, to tell you what actually happened.

Dr O'Connell—It may be helpful to give an overview of the estimates variations so that you get a picture of what is happening overall.

Mr Pahl—We started out in the portfolio budget statement for the year with overall an amount of \$2,577 million. We had supplementary additional estimates bills for \$1,215.8 million, which went through last week. That included special appropriation for farm household support of \$163.8 million and the additional estimates document which you have in front of you today has overall a net reduction of \$19.4 million. So from the original budget amount of \$2,577 million, we now arrive at \$3,773.3 million. The bulk of the increase—almost all of it, in fact—is for drought related funding, which runs out at \$863 million, including the special appropriation amount of \$163.8 million and the equine influenza assistance, which runs out at \$256 million. As I say, those two together pretty much take up the entire increase of \$1,199,589,000.

Dr O'Connell—So the big drivers to the changes are the continuation of drought and equine influenza.

Senator HEFFERNAN—Mr Chairman, before we really get stuck into it, I would like to congratulate you on your appointment—

CHAIR—Thank you very much.

Senator HEFFERNAN—and point out to everyone that this committee has always taken to heart the best interests of the industries represented. We necessarily gave our own mob a hard time and obviously we will be giving your mob a hard time, too, if it is necessary.

CHAIR—I have no doubt, Senator.

Senator HEFFERNAN—Senator Sherry, it will be a cultural experience for you to see what goes on here at times.

Senator Sherry—I would not bet on it. I did a lot of years of estimates and saw a lot of different culture.

Senator HEFFERNAN—I know, but we are quite different. Could I raise a couple of matters, Mr Chairman? There is a letter from a very distressed—‘please note that DAFF has never corrected incorrect and misleading statements made by it in the *Australian Veterinary Journal*’ by Dr Robert Steele. Is anyone familiar with Robert Steele? He is making some quite serious allegations against the department.

Dr O’Connell—It relates to veterinary issues?

Senator HEFFERNAN—It does. It relates to the disgrace which is the Eastern Creek Quarantine Station, which I raised in the surrounds of the Olympics. At the time I raised concerns about the sloppy procedures out there, which obviously have cost the horse industry a lot of money. To see people wandering in and out of there at lunchtime, going over the road for a grog and just walking back in when, allegedly, it is the quarantine station, is just a joke. I wonder whether you have responded. If you have not, we might present you with this letter so that you can respond directly to it.

Dr O’Connell—I would need to take that on notice.

Senator HEFFERNAN—Thank you, if you could. The second thing I would like to flag is the need in Australia, which the government may like to think about, to harmonise meat standards. What I am talking about here is the substitution of lamb for sheep, which is common practice now, and a good proportion of the hoggets. I would like the MLA or whomever to represent them here at estimates to answer these questions, because I intend to have this committee put a reference up to look at the need to harmonise meat standards. The New South Wales Food Authority has a different set of criteria from Victoria, South Australia, or wherever.

I want to put on the record what is now happening because it seriously disadvantages genuine lamb providers. When I raised this matter a few weeks ago with the MLA, I gave them a heads-up. They said ‘Oh, Bill we don’t want this to get into the city media because we do not want to derail Sam Kekovich’s lamb promotion,’ and that is fair enough. It is a very good promotion, lamb is an excellent product and I recommend everyone eat bloody lamb—except if you are vegetarian, and you can tell that she is a vegetarian, the poor skinny little thing! By the way, while we are talking about lamb, which is currently worth \$3.70 dead at the abattoirs, it is pretty amazing that, if you go to a butcher’s shop in Sydney, a rack of lamb is \$59.99 a kilo. It is a bit of a margin.

CHAIR—That is a very expensive butcher’s shop!

Senator HEFFERNAN—I can run you through the Sydney butchers’ shops because I am familiar with the lot of them, but I won’t.

CHAIR—I do not think I need that.

Senator O’Brien interjecting—

Senator HEFFERNAN—No. This is a serious issue, Senator O’Brien. What is happening is that some buyers—and I can identify and will identify, if we get a reference up in this committee—are coming into the saleyards at Wagga, Cootamundra, Forbes, buying the best conformed sheep and the best of the hogget. And the national vendor declaration is the easy way to trace this stuff. It goes back into Victoria, is killed and then branded as lamb. Some of

that is going, as of last week, to Sydney for about \$3.50 to \$3.70 a kilo. It costs about 70c to 80c a kilo to kill a lamb and send it dead to Sydney. The market price for lamb is around \$3.70 and the genuine wholesale price for the genuine article is probably \$4.50 to \$4.70. This is a common practice in New South Wales. Three weeks or a month ago they knocked off an abattoir in the northern part of the state with no publicity.

One of the interesting sidelights to this for the MLA is the MLA gets—and you can see what they are up to—20c a head levy for a sheep and from \$1.20 to \$1.50 a head levy for a lamb. This is something that we are going to look at. It is a racket. I just wonder what the department's reflection would be on the proposal that we harmonise nationally meat standards so that this practice discontinues. It is a serious attack on lamb. Lamb is a wonderful product. It is a serious attack on the people who are genuinely in the market marketing lamb, and I have plenty of people who would come along to the appropriate forum and give evidence of their experience in the trade and what this is all about.

I just wonder what the department's attitude and the government's attitude is to looking at harmonising, right across Australia, meat standards and the supervision of those standards. Senator Sherry, from the national vendor declaration, you can quite easily pick up what the buyer sends in, say, a load of hogget or sheep, to Wagga. He signs the vendor declaration saying what it is. That goes to the buyer when he buys it and that ends up at the abattoir, and the abattoir bloody well knows that they have got sheep on their hands that they are branding, in some cases, as lamb. Nice if you can get it. What would the government's and the department's attitude be to harmonising that?

Dr O'Connell—I gather from what you are saying that you are intending that there be a reference for an inquiry?

Senator HEFFERNAN—I would have thought that that was the best way to do it.

Dr O'Connell—Certainly, if you do go that way, the department obviously will be more than happy to assist in providing a submission to that inquiry. The issue that you are raising obviously relates to potential policy change, so we would have to take that on board in the context of looking at policy development.

CHAIR—Senator Heffernan, the questions you asked are very important, but there is a request that we go back to the budget stuff while we have Dr O'Connell here.

Senator HEFFERNAN—Yes, that is his agency.

Senator McGAURAN—You are right—we do not want to spray too far and wide, but from what I can gather, Senator Heffernan has seemingly raised the old meat substitution crisis. It seems to come around every generation—certainly in Victoria—and it was a bit of a bombshell, quite frankly. We ought not move off a subject where something may be occurring, as Senator Heffernan has outlined—names, dates, places, abattoirs. You are aware of the history of the meat substitution crisis, which endangered our export markets and our reputation. I think we ought to delve a bit deeper and alert the department.

Senator SIEWERT—Can we deal with it at the appropriate time?

Senator McGAURAN— You can't just brush over this. This is one of the biggest issues—

CHAIR—You are not being pushed aside. This is very important. We will certainly give you the opportunity at the appropriate time during the day. You will not be gagged by me; I can guarantee you that.

Senator HEFFERNAN—I want to give the department notice because I would like to talk to AQIS. One of the abattoirs that is doing this is an export abattoir which has AQIS people on the site. Either they drink too much tea at morning tea or else they turn a blind eye to what is going on. It is quite easy to identify it from the national vendor declarations and I am sure they will all be running around. The trade knows all about it. We are not allowed to talk about it publicly. I think it is in the long-term interests of lamb producers that lamb is sold as lamb, hogget is sold as hogget and sheep is sold as sheep.

CHAIR—Senator Heffernan, you would not have an argument. I am sure that if you put the department on notice, they can have some appropriate answers ready for you when we get to it. But it is important that we return to the agenda. I know that Senator Siewert wants to ask a few questions.

Senator HEFFERNAN—Thank you for indulgence, Mr Chairman—you're a beauty!

Senator SIEWERT—Going back to the finances: can you outline where the savings are being made? In table 1.2 you have decreases in estimates against FarmBis savings and Farm Help. Where are the savings being made in those programs?

Dr O'Connell—In the table 'Additional estimates and variations to outcomes—measures', you will see at the bottom 'Decrease in estimates (administered)' which sets out for 2007-08 the various decreases, which total \$44,205,000. In terms of the detail sitting behind each of those, it is probably better to deal with those in the program element as we move through the day. When we get to each of the programs later on in the agenda we can certainly answer and address that issue for you.

Senator SIEWERT—Are these savings because money has not been spent or are they cuts to the programs?

Dr O'Connell—Like I say, there are reductions in the estimates. But the detail of that would be best dealt with when we get to those agenda items later in the day when people who have more expertise than I do in the various elements would be able to give you that information.

Senator SIEWERT—I do not think they are the ones who make the decisions on the cuts to the program. Aren't they made at a higher level? I would prefer to get an indication as to whether these were savings when money genuinely was not spent or when decisions were made to cut programs. For example, a particular favourite program of mine—and this is an important area—is the New Industries Development Program. Has that program been cut or has money not been able to be spent? I do not want to get to the program in five hours time or at 11 o'clock tonight and be told, 'You should have asked that of corporate this morning.' That has been our experience in the past.

Senator NASH—That is a good question, Senator Siewert. Can we clarify who actually makes the decisions to cut the funding?

Dr O'Connell—The measures in table 1.2—the New Industries Development Program—represent a cut. That was an election commitment.

Senator SIEWERT—There was an election commitment to cut that program?

Dr O'Connell—There was an election commitment to make that change, yes.

Senator McGAURAN—Equally, was there an election commitment to cut FarmBis, Farm Help and Advancing Agricultural Industries? Perhaps Senator Sherry can answer that. Was that also an election commitment? I do not recall.

Dr Samson—Perhaps I can help. The government announced during the election that they would make changes to those examples. They have since confirmed that those changes will occur. Our expectation is that, subject to the finalisation of the budget process, that is indeed what will happen. In terms of the strategies that relate to the individual programs, either their termination or wind down, as the secretary said, the best place to get the detail on a program by program basis for the examples given will be when the Rural Policy and Innovation Division and the Food and Agriculture Division come forward. The officers representing those divisions will be able to give you detail on what is happening with those programs.

Senator McGAURAN—Yes, but we have just been informed that the New Industries Development Program—Senator Siewert's favourite—is an election commitment cut. So why then can you not tell us about FarmBis, Farm Help and Advancing Agricultural Industries?

Dr O'Connell—That was an election commitment. The changes are all decisions by the government, and they go to the priorities of the incoming government, which is obviously a policy matter.

Senator McGAURAN—But as line items, were they an election commitment rather than just—

Dr O'Connell—To my understanding, yes.

Senator SIEWERT—Were each one of these examples listed here election related cuts? If not, can you point out which ones were not?

Dr Samson—Correct me if I am wrong, but are you referencing FarmBis?

Senator SIEWERT—There is a list of them. There is FarmBis, Advancing Agriculture Industries, the Food Innovation Grants, fisheries, weeds, the New Industries Development Program and the readjustment package.

Senator SCULLION—Perhaps I can be of assistance. I think the issue the committee has not only in this place but in other places is that it is very difficult to differentiate between what is a genuine saving and what has been a cut as a consequence of a change in policy. The estimates really only reflect that when there is a bracket around the word 'saving'. We were wondering if you would be able to provide some mechanism, such as a marked up estimates, showing which ones were in fact a genuine saving rather than a change in policy. That would make it a lot easier.

Senator SIEWERT—Yes.

Mr Quinlivan—It would be quite difficult to do that at this stage because, in some cases, these programs are being replaced by other programs which were announced in a generic way

during the election campaign—in this case, a series of climate change programs. But the content of those programs and the way in which they are going to operate will not be settled until the budget in May. We would not be able to give you a full answer to your question because the replacement programs will not be announced until later in the year.

Senator NASH—But surely it cannot be too difficult—

Senator McGAURAN—That is different to the question Senator Scullion has put.

Senator SCULLION—With respect, for the ease of the process, could you identify anywhere where it says savings that is not a consequence of a change in policy?

Dr O’Connell—In the list in table 1.2, all but the last one, as I understand it, are as a result of the government’s incoming commitments.

Senator SCULLION—Sorry, is that on page 11?

Dr O’Connell—They are the result of a change in priority. That is on page 11.

Senator SCULLION—So the New Industries Development Program is the one you are identifying as the last one?

Dr O’Connell—Yes. The onshore assistance for the fisheries structural adjustment package was not; all others were.

Mr Pahl—If we go back to the Mid-Year Economic and Fiscal Outlook, these are set out in that document.

Senator McGAURAN—Are they?

Mr Bridge—I am sorry, but that is not the case. The election costing documents provided by the Labor Party and the independent costing dated 23 November 2007 identify the FarmBis, Farm Help, Advancing Agricultural Industries, Food Innovation Grants, Onshore Business Assistance for Fisheries Program and the New Industries Development Program as election commitment costings.

Senator McGAURAN—Could you table that?

Mr Bridge—It is a public document.

Mr Pahl—We will get a copy for you in the course of the morning.

Dr O’Connell—That is all the elements in table 1.2—‘Decrease in Estimates (Administered)’—other than the fisheries structural adjustment. In other words, all those other ones were a result of the government’s commitments on coming in.

Senator SIEWERT—Where are onshore adjustments coming from?

Mr Bridge—It is a saving subsequent to that particular program.

Senator SIEWERT—So that money just was not spent through the program?

Mr Bridge—Yes, and it has been identified as a saving and now taken off.

Senator SIEWERT—On page 12 you talk about the savings from the revision to the commencement of negotiations on the Australia-Japan Free Trade Agreement. There is no figure for this year, but the figure for that year is a saving. What is happening with those free

trade negotiations? Does that mean those negotiations are not happening, or are you doing it for nothing?

Dr O'Connell—I suggest that would be best left until the International Division comes along. They can explain the way that has been handled.

Senator SIEWERT—What is the WEA additional funding for?

Dr O'Connell—Again, if we wait until the relevant area comes on, you can have a detailed explanation of that. These obviously go to particular areas in the department that are administering them.

Senator McGAURAN—Do these increases in estimates come from the new government or were they already in train?

Mr Pahl—It would be a mix of both.

Senator NASH—Which are which?

Senator McGAURAN—Can you single out the new government's increases?

Mr Pahl—We cannot do that right now but we can certainly come back to you on that. If we can get it to you later today, we will.

Senator McGAURAN—Can I have that Labor Party pre-election document now?

Senator Sherry—I am surprised you did not read it during the election. It was a very extensive, well thought out and well costed policy.

Senator McGAURAN—I wonder why the NFF did not read it before. Where were the NFF when these programs were listed?

Senator MILNE—I want to follow up on the Tasmanian Community Forest Agreement additional funding. I appreciate that you are going to tell me to ask for details in the program, but was that an election commitment and what was it a commitment to do?

Mr Quinlivan—That was a commitment made by the previous government, before the election, which is going to continue under the new government. It is a range of additional grants to recipients under the grants program that formed part of the Tasmanian Community Forest Agreement.

Senator MILNE—What was the basis for those additions?

Dr O'Connell—The extra grants were a policy decision by the government.

Senator MILNE—Can you tell me who and what the extra grants are for?

Mr Quinlivan—The grants are received, as I understand it, by all of the original grant recipients. The precise calculation of the numbers is something we would have to get the Forestry people to comment on later in the program.

Senator MILNE—Will they be able to give me the information on who got the grants and the additional money? Can I put it on notice?

Mr Quinlivan—I am not sure what is public and what is a matter between the department and the individual grant recipients, but we will be prepared to deal with that when the Forestry people come to the table.

Senator MILNE—If you can let them know; I want to know the details of that.

Mr Quinlivan—Yes.

Senator SCULLION—Congratulations, Chair, on your ascension to the position and congratulations, Minister.

Senator Sherry—Thank you.

Senator SCULLION—Obviously, it is a bit difficult at this stage to get you to answer regarding examples that will be in other outputs later on. Perhaps it would be useful, Minister, if we could just deal with the efficiency dividend. I understand that part of an election commitment was to enforce a two per cent efficiency dividend. You have also announced an increase of some 0.25 per cent in the efficiency dividend. Is that a 3.25 per cent efficiency dividend across all the programs?

Mr Pahl—Effectively, in the out years it will be a 3.25 per cent efficiency dividend. It does not apply to everything. Overall, I think it applies to about \$367 million of—

Senator SCULLION—What was that figure again?

Mr Pahl—The sum of \$367 million. Just to be clear, that is the total that the 3¼ per cent would apply to. So there is a whole range of funding that comes to the department that is not subject to the efficiency dividend.

Senator SCULLION—Can you give me an example of the sorts of things that would not be subject to—

Mr Pahl—A good example would be in AQIS, for example, where we collect fee for service. We are not subjecting those funds, as they come through, to an efficiency dividend.

Senator SCULLION—Can you do the maths for me? Roughly, how much money are we looking at saving?

Mr Pahl—In the current year, 2007-08, it would be a reduction of \$1.676 million. It is on page 12 of the statement.

Senator SCULLION—That is \$1.676 million?

Mr Pahl—That is correct.

Senator SCULLION—Across the programs where these cuts will be made, what is the process? Is it simply—

Mr Pahl—We have an internal budgeting process that we conduct every year. The efficiency dividend has been a part of that for a very long time. There is an expectation that we will increase our productivity, just like other sectors, to ensure that we can absorb that ongoing reduction through the efficiency dividend.

Senator NASH—Can you give us some detail around how you measure that efficiency dividend?

Mr Pahl—The dividend itself is set externally for us as a department.

Senator NASH—For the committee, can you extrapolate the efficiency dividend within the department?

Dr O'Connell—We could give the committee an account of what it does and does not apply to, if that helps you. We could take that on notice.

Senator NASH—That would be good. We hear the term 'efficiency dividend' a lot, but there is not a lot of detail surrounding what it actually is.

Senator Sherry—The efficiency dividend is set centrally. The level of efficiency dividend is not set by the department. How it applies is up to the department. There are different areas to which the efficiency dividend, which has been centrally determined, applies. The department has indicated it can provide a list on notice of the areas where the efficiency dividend will apply. But, as I have indicated already in the Senate, we intend to be fiscally conservative and we intend to uphold that principle. We have a very significant problem with inflation left to us, courtesy of the former government. We intend to be disciplined in our approach to expenditure, and applying an increased efficiency dividend, across a range of areas in a range of departments, is part of that fight against inflation to deliver a higher budget surplus of 1.5 per cent, contrasted to the previous government's approach—a somewhat slacker approach—of a budget surplus of one per cent. We intend to be tough; we make no apologies for that. We intend to be prudent, we intend to be fiscally conservative and we intend to be tough in our approach to government expenditure.

Senator NASH—Minister, has consideration been given to wage freezes for departmental employees, given that tough stance you have just outlined?

Senator Sherry—You are speculating on a proposal of your own. The issue that you have raised is a matter for the department of finance, but I am not aware of any consideration around that issue.

Senator McGAURAN—On the efficiency dividends, probably as a point of clarification more than anything else, my understanding is that it is not so much that an efficiency dividend is achieved by cutting a swathe through departmental programs such as drought relief; it is an efficiency dividend on the administration of the department. It is not the programs necessarily. Therefore the efficiency has to be found within the administration of the department—the fat cats, as they are sometimes affectionately referred to. So it is misleading to say that this efficiency is found by chopping programs, and I particularly point out FarmBis and Farm Help. So let's not duck the question; it is an efficiency to be found within the administration and the structure of the department itself—the people and the costs of the office administration; is that correct?

Mr Pahl—That is basically correct. Regarding the departmental component of our estimates, if you look at page 28 you will see 'Figure 2: Revised price of outputs information'. In that top box you will see 'Departmental outcomes appropriation \$367.436 million'. That is where we derive the \$1.676 million from. So it is departmental; it is not from the program area.

Senator McGAURAN—So you probably mistakenly implied, and certainly the minister made it quite clear, that these efficiencies are going to be found from cutting through rural programs. They have to come from the department, so do not duck the question.

Senator Sherry—No, I did not say that and I did not imply it.

Senator McGAURAN—Where is this efficiency going to come from within the department? From the top or the bottom? Why have you increased half your administration programs when you are looking for a two per cent efficiency?

Senator Sherry—In terms of the question as part of the debating point that you are making, I did not imply or suggest in any way what you have asserted. What I have indicated is that the efficiency dividend is determined centrally. Secondly, it applies to some areas and not others within a department. The departmental officers have indicated to you that they will provide some information on notice about where the efficiency dividend is to apply in particular areas of the department.

Senator McGAURAN—Why have you put people on? You have a list of people you have got on there—an increase in the numbers of people within the department, putting aside the minister's office—and yet you are looking for efficiencies.

Senator NASH—Good question, Senator McGauran.

Senator McGAURAN—Are you just padding the top? Who is going to pay for this? The officers at the bottom?

Senator Sherry—Are you referring to the detailed appointments?

Senator McGAURAN—The appointments.

Senator Sherry—There are appointments to organisations such as the Australian Wine and Brandy Corporation, the Australian Pesticides and Veterinary Medicines Authority and the Sugar Research and Development Corporation, and there are a range of others which you will be provided with.

Senator McGAURAN—Where are these efficiencies coming from? Where have you begun?

Senator Sherry—You have asked me why these appointments are made. I would suspect the officers can indicate that there is a statutory obligation to have appointments in these areas.

Dr O'Connell—These are not within the departmental area. They are not within the department.

Senator McGAURAN—I am glad we have clarified that. So where are your efficiencies going to come? You must already have had some meetings and planning in this regard.

Dr O'Connell—As Mr Pahl indicated, we have a process each year which looks to the budget that is required across the department, and the efficiency dividend is just part of the many things that we look at. So we are used to dealing with that in a way—

Senator McGAURAN—Correct. To Labor's credit—or discredit; their increasing the efficiency dividend to the rural sector may be to their discredit because this all has a cascading effect—you have a tougher job ahead of you now. Where are they going to come from?

Dr O'Connell—To clarify, the intention is to achieve those changes—the application of the efficiency dividend—without any loss of outputs. So the external clients, so to speak, of the department should not see any difference as a result of this. This is not a cut to the

administrative component of the program, so, for example, for any grants programs that we are administering, what goes to people outside the department does not change as a result of this.

Senator McGAURAN—So where are they going to come from? Or are you not going to answer the question, Dr O'Connell?

Mr Pahl—We are at the stage of the budget process where this is one of many inputs that we take account of. We are not in a position, until we know what the outcome of the normal budget process is, to know what all of the pressures will be.

Senator NASH—When will that be?

Mr Pahl—That will be very close to budget night. Once we have all of that information internally, we run our own internal process that takes account of all the changes that we need to deal with, including the efficiency dividend. I would emphasise again that it is not something that we have not had to do before; it is an ongoing imposition to ensure that we continue, as a sector, to increase our productivity.

Senator SCULLION—Mr Pahl, can you indicate the last time we had an efficiency dividend? I would expect it of a department of around this size. You said that you had dealt with it quite often in the past.

Mr Pahl—I cannot recall.

Senator SCULLION—Speaking in relativities, is this a large ask or an average ask over time?

Mr Pahl—It is an increase on what we have had to deal with in the past, yes.

Senator McGAURAN—I think that in 1996 it was two per cent. Would that be correct? Does anyone have any corporate knowledge?

Senator Sherry—Do you mean from your government?

Senator McGAURAN—In 1996.

Senator Sherry—Two per cent?

Senator McGAURAN—It was no more.

Senator Sherry—I think you hit departments fairly significantly in terms of the level.

Senator McGAURAN—Two per cent is significant, Minister. This efficiency dividend is going to hit your department.

Senator Sherry—I think you are right, Senator McGauran; on reflection, I think that there was a higher efficiency dividend imposed by the former Liberal government in their budgetary approach at that time. I would have to double-check that.

Senator McGAURAN—Can we have the history of efficiency dividends?

Senator SCULLION—I do not think we need to be misled, Senator McGauran. It was some 30 per cent lower than what we are speaking of. Minister, I will digress for a moment. Mr Pahl or Dr O'Connell, you have been asked to make this efficiency dividend, you have asserted to us that you do this all the time and you trust that it is all going to be okay. Can you

explain to me, as a lay person in these areas, exactly where you think the efficiency dividends are to be made and where you have made them in the past in the department? Can you explain to me where you expect to make these efficiency dividends? I am just an ordinary bloke; to me, an efficiency is generally all about people getting less to do more. So could you explain it to me?

Mr Pahl—An example may be where we have an opportunity to automate a process that previously has been done by people in a manual way. A good example of one that is currently under consideration is in the area of our time sheet management. We are looking to see if we can automate that so that we eliminate a lot of double handling and, more importantly, provide a more effective payment closer to the date that people are working overtime, working shifts and things like that. If we can successfully introduce that, there will be a saving and that would be the sort of saving that would go to the efficiency dividend overall, having regard to what Dr O'Connell said—that we are not looking to reduce the service; we are looking to do things more efficiently, ergo an efficiency dividend. That is one example of recent times that I can think of.

Senator SCULLION—In that example, clearly, if you are mechanising and becoming more efficient in some technical sense then it means that the labour input would be the efficiency dividend, which would mean that jobs would be lost. Is that correct?

Mr Pahl—The labour input would be reduced but no jobs would be lost. We do not see ourselves, in the current employment market, needing to shed any staff. We would be able to redeploy people in those sorts of circumstances.

Senator SCULLION—Could you explain to me again where the efficiency would be. If you have a machine that takes over the labour from someone, you have made the efficiencies because you do not have to use the labour so much. So where is the efficiency if you are not shedding staff?

Mr Pahl—I am saying that, in the current employment market, other vacancies elsewhere in the organisation would be—

Senator SCULLION—So you are saying that, in the context of your department and that particular area, there will be an efficiency dividend because staff will not be required, but jobs will not actually be lost because they will be needed in another department?

Mr Pahl—Because there is other work elsewhere for which we are looking to recruit people.

Senator SCULLION—Is that almost shifting the efficiencies to another part of government?

Mr Pahl—No, it is not. We have 4,500 full-time equivalent employees. Even at a turnover rate of, say, 10 per cent—and in many cases it would be higher than that—that is 450 people who need to be replaced if everything just stays the same. If we make an efficiency somewhere that means we do not require several staff members, it is not difficult for us, in the context of that sort of turnover, to redeploy a person into a position when we would otherwise have had to advertise the position and go through a process which, on some occasions, is quite expensive. So overall, yes, there is a reduction in the labour input side in respect of where you

automate something that was previously done manually; but I just want to be clear that, from our point of view, we would not have any difficulty in redeploying those people elsewhere in the department on work that needs to be done.

Senator SCULLION—Do you have some indicative figures on how many people in the department would require redeployment as part of this efficiency dividend?

Mr Pahl—We do not at the moment, no.

Senator NASH—When will you know that?

Mr Pahl—The driver there will be the introduction of the efficiency, and the particular example I gave you earlier on was the automation of time sheets. Once we are satisfied that we have got that right and people are being paid correctly, and we then decide to stick with the automated system and dismantle the manual system, we would be able to identify the number of people we would need to redeploy. That would be the same for any other efficiency; we would go down the same path.

Senator NASH—Why has the department not considered moving to an automated system before now? Why has it required an efficiency dividend to move to that? Is that not something that you have perhaps looked at doing before?

Mr Pahl—This is not linked to the efficiency dividend. Let us go back one step. I was asked for an example of where we might find a real-life efficiency, and I have given you one. But we did not start to say after the announcement of an increase in the efficiency, ‘What will we do in response to that?’ We have an ongoing continuous improvement program and we have had the matter of automation of time sheets for our regional people under consideration for quite some time. The difficulty we have is that some of our staff sit at the very end of technology—in the sense of abattoirs and so on—and they are in very remote places. We have to be satisfied that we can maintain this system and ensure that those staff members do get paid correctly; and, if we cannot, we will have to continue with the manual system. So I want to be absolutely clear that these sorts of efficiencies are under consideration all the time, because we know there is an expectation, quite rightly, that we should continuously improve the administration of the organisation irrespective of any demand from the efficiency dividend.

Senator SCULLION—The average bloke in the street would think that a 3.25 per cent efficiency dividend is a very significant saving for the government. How do you identify the differential in the system you have just spoken of between existing efficiencies and others? This is an existing efficiency, but there is an expectation that this would be 3.25 per cent above and beyond the baseline of just running a good corporate environment—and I know that you do. But you have now been asked for an extra efficiency dividend. It is not what we have going now; everybody tries to be efficient. How do you go about differentiating that? When you report to the minister—and I know he is very strict and hard on these matters—how would you differentiate those efficiencies that were already in the pipeline from those efficiencies that you have indicated you are going to have to provide through this extra initiative?

Dr O’Connell—The 3.25 per cent, if you like, comes off the top, so if we can operate our processes within that, we have done what the government has asked. If we can maintain the

outputs with that level of resources, we have done that job, so we do not necessarily have to have a tight one-to-one relationship between an initiative and the dividend. The issue for us is to make sure we can manage to do our jobs and maintain the outputs within that additional cut. What we will do, obviously, is to look for areas such as Mr Pahl has been describing or other areas such as travel, for example, where you might continually look to make sure that we are handling things efficiently.

Senator SCULLION—So you can confirm that the 3.25 per cent dividend to the taxpayers is effectively being made up not only of new dividends but of existing initiatives and corporate governance arrangements within the department?

Dr O'Connell—No. It is a clear area, where we must make sufficient new action between the previous year and this year in order to make up that 3.25 per cent.

Senator SCULLION—But it would be made up, clearly, of existing initiatives and any new initiatives to make it to that particular number that you require.

Mr Pahl—It depends on what existing initiatives are going to deliver versus what we are required to deliver in terms of—

Senator SCULLION—And they are decisions that you are making as part of this process?

Dr O'Connell—Yes. And the difference, of course, is that, had we made those initiatives without a dividend round, we would then be able to redeploy those additional funds to do other things and spend them as we like, and we cannot now. So the point is that if the sense is: is it real and is it new? Yes, it is real and new. Each time you do it you have to find yourself that 3.25 per cent.

Senator SCULLION—It is a very sophisticated process, Dr O'Connell. It seems, obviously, that you are not going to have a bit of a crack at a few things—'We'll do the photocopy, do a bit of technology and just hope for the best.' You are going to have to have a fairly rigorous approach so that the actual number to be achieved will be achieved, otherwise you will be having another chat to us at another time, and I appreciate that.

And so, having done that appraisal and an assessment about where these efficiency dividends are going to come from, how do you actually go about it? What is the process? Do you all sit down in a room and say, 'Right, it is efficiency dividend time'? Is it spread out equally over the number of departments or is it opportunistic and some departments have a better opportunity for efficiency dividends than others? How does that process come about?

Dr O'Connell—The target is one that applies to our department, so we operate within that within the department. We plan in our budget planning process. The efficiency dividend is one aspect of the range of factors we have to deal with when we are planning for next year, such as: what are the ons and offs and what are the other issues we have got to deal with? The efficiency dividend is one of those. And then we go through a planning process trying to meet the objectives and the outcomes that we have and deliver the programs.

Senator SCULLION—Would you have, for example, a list of objectives through that planning process?

Dr O'Connell—Sorry?

Senator SCULLION—You mentioned that you would have a list of objectives. At what stage would you actually have that list of objectives?

Dr O'Connell—Essentially, part of the budget outcomes sets what we are to do for the following year, and then along with those we would have the range of internal things that we would want to achieve—for example, training to support this. We would have to make decisions about what our training and recruitment needs are. There are a whole range of things like that which are all internal and all related to our departmental appropriation. You have to balance all those things up—and we will go through a process to do that—but the bottom line, of course, is that it has to be within that 3.25 per cent.

Senator SCULLION—Given your experience in these matters, do you anticipate that training, which can be quite an expensive line item and is easily identified across departments, will be another component of the efficiency dividend?

Dr O'Connell—I do not anticipate that training would be a likely target, given that we are working in an extremely competitive market and we need to ensure that our staff are adequately trained to deliver. As I was saying, we would identify what our training needs are, and that would be part of the mix, along with the efficiency dividend.

Senator SCULLION—So you can confirm, Dr O'Connell—we will obviously be looking to that at the next budget estimates—that there will be no cuts in training areas in the department to meet the efficiency dividends.

Dr O'Connell—What I can confirm is that we will meet the training requirements that we identify.

Senator SCULLION—Perhaps I need to be clearer. Would there be any cuts to the training within the department between now and when we are able to quiz you in regard to the May budget estimates?

Dr O'Connell—I do not envisage any cuts to training between now and the next budget.

Senator McGAURAN—Would a freeze on wages and bonus payments within your department, top to bottom, be considered an efficiency dividend?

Dr O'Connell—The efficiency dividend is the amount—this year, 1.25 per cent and next year 3.25 per cent. That is the efficiency dividend, so the application—

Senator McGAURAN—Would it be taken into account?

Mr Pahl—I think we have to be clear that, under the collective agreement that covers the majority of our staff, there is a pay increase already factored in that comes into play on 1 July 2008. That is a three-year collective agreement. We are legally bound to make that payment.

Senator McGAURAN—Nevertheless, to ask the specifics of the question without you getting defensive—which you are—would a freeze on wages and bonus payments be considered an efficiency dividend?

Dr O'Connell—I am not quite sure how that relates to the estimates we have.

Mr Pahl—I think the answer to your question is that you would need to ask the Department of Finance and Deregulation.

Senator McGAURAN—No. You are the ones undertaking the efficiency dividend.

Mr Pahl—But, if I understood your question, you asked whether or not such a thing would qualify as an efficiency dividend.

Senator McGAURAN—In your undertakings.

Mr Pahl—I am saying that the Department of Finance and Deregulation is responsible for administering this and you would need to ask that question of them.

Senator McGAURAN—I am not necessarily advocating a wage freeze. Minister, can you answer?

Senator Sherry—The officer has indicated that, under the existing wage agreement, there is a wage increase to be paid—

Senator McGAURAN—But I am not advocating a wage freeze; I just want to know the principle of it.

Senator Sherry—Hang on. You have asked for answer, so let me conclude. The officer has indicated that, under the existing wage agreement, there is a wage increase to be paid. He has not indicated the details and I do not know them, therefore there is not going to be a freeze on wages.

Senator McGAURAN—No? Good.

Senator Sherry—The wage increase will be paid—full stop; end of story.

Senator McGAURAN—But, as a matter of principle, is wage restraint taken in as an efficiency dividend?

Senator HEFFERNAN—You could argue that it is an ‘inefficient’ dividend, not an efficiency dividend.

Senator Sherry—Please agree amongst yourselves before you give us the question.

CHAIR—I think that, in all fairness, Mr Pahl has attempted to answer the question.

Senator HEFFERNAN—The only people getting a wage freeze, mate, are politicians.

Senator BOSWELL—I think the question Senator McGauran was trying to ask is: would you be prepared to follow the example of the federal parliament and not ask for a wage increase or a bonus? Would you be prepared to follow our lead as parliamentarians and not accept any wage increases?

CHAIR—I think that, quite honestly, Mr Pahl has answered the question. He answered as truly as he could that it goes to Finance, so we will move on.

Senator BOSWELL—Are you prepared to follow—

CHAIR—Are there any other questions? That one has fairly been answered.

Senator HEFFERNAN—It has not been answered.

CHAIR—It has been answered, Are there any other questions?

Senator HEFFERNAN—I will take it that the answer is no, unless you answer. Of course you will say no. You have an AWA. Why would you? No-one else is going to take a wage

freeze; they will go through the due process. Parliament is going to end up with drongos, dropkicks and millionaires.

Senator BOSWELL—I thought you might have been altruistic enough to follow the lead of the parliament, but—

Senator HEFFERNAN—It is true. You have blokes on the take now. There are all sorts of top-up arrangements. It is bloody bullshit.

CHAIR—All right. I think we can move on. Are there any other questions?

Senator McGAURAN—Senator Heffernan mentioned AWAs, and your department apparently has as many as, at the last count, 320 AWAs which are now for the chopping block. Can you confirm how many AWAs are undertaken in the department, what levels they are at and what their expiry dates are? When people have to come back to a collective agreement on the expiry of the AWA, will the collective agreement be worth less than the AWA? Will that therefore be taken into account as an efficiency dividend? Will they be facing a drop in salary?

Mr Pahl—At 31 January 2008 we had 333 staff on Australian workplace agreements and the headcount at that time was 4,937 staff, so, by definition, we had 4,600 who were under collective agreement arrangements.

Senator McGAURAN—Is that at all levels of the department?

Mr Pahl—Yes, that is across all levels.

Senator McGAURAN—When those AWAs expire as a result of the new government abolishing them, will those 333 staff who will be taken into the collective agreement of the department be facing a lesser payment, and will that be taken into account as an efficiency dividend?

Mr Pahl—The first thing is we have both pre-reform and post-reform AWAs. We also have varying expiry dates for AWAs, so we do not have a homogenous group which all expire on the same date. We also will be looking at what arrangements we will be putting in place to replace those employment instruments and advice on that is coming from the Department of Employment, Education and Workplace Relations. In terms of the actual mechanics of that we are still working our way through it, and if you want detailed information about that you would be much better off to talk to the DEEWA people than to us.

Senator McGAURAN—You cannot have it both ways. You cannot have an individual agreement that is tailored to the individual in many different ways: hours, payments, bonuses et cetera and then abolish the AWA to come back to a collective agreement where the majority of the department are on the same level without a drop in pay or at least a drop in conditions of work, if not a drop in pay. So I ask again: will that occur and will that be taken into account as an efficiency dividend?

Dr O'Connell—The question you are asking in one sense is hypothetical in that you are assuming, I think, that people will have a drop in conditions.

Senator McGAURAN—Well, they must.

Dr O'Connell—I do not think that is clearly the case.

Senator McGAURAN—So an AWA agreement is equivalent to a collective agreement?

Mr Pahl—There will be variations. There will be some circumstances where that is pretty close between the two. The other circumstance is where an individual agreement has been struck having regard to the special circumstances and needs of both the employee and the employer.

Senator McGAURAN—How will they be catered for when they come off the AWA?

Mr Pahl—As I said, we are still taking advice from DEEWA on those issues so that we—

Senator McGAURAN—What will you be seeking to do then to try and maintain the special conditions of that individual?

Mr Pahl—In some circumstances I think that would be the case, but we would have to look at each of them as they arise and in the context of the policy position.

Senator McGAURAN—But the moment you seek to maintain those special conditions that were under the AWA, you create an AWA, in a sense, don't you?

Mr Pahl—Not necessarily.

Senator McGAURAN—You are giving special favour to someone who once was on an AWA, who was able to negotiate special conditions and special payments.

Mr Pahl—I am not talking about a special favour. I am talking about where there is a requirement for us to do something to recognise a particular set of circumstances.

Senator McGAURAN—Why should that person get that particular set of circumstances that they once had in the AWA, but the mob, if you like, under the collective agreement do not? They will all be asking for special individual agreements.

CHAIR—Senator, while I understand the line of questioning, I think, in all fairness, Mr Pahl has explained that the line of your question really goes more to DEEWR or even to DOFD. I am sure you will pursue that line of questioning when you are given the opportunity at another committee hearing, Senator Scullion. Are there any other questions, Senator McGauran?

Senator McGAURAN—Yes, one last one. Still on that, you said, Mr Pahl, that you were looking at the transition from AWAs to collectives. Can you report back to the committee on the methodology?

Mr Pahl—We can certainly tell you at a future hearing how we have achieved the move; there is no problem with that.

Senator SCULLION—I would like to ask some questions as to generic baseline figures as to staff numbers. Would you be able to provide, and I would understand it, Dr O'Connell, if you could get these only at some other stage, the numbers as to staffing of your department, being the full-time, part-time, casual and contract staff within the department?

Mr Pahl—Yes, we could do that for you, Senator.

Senator SCULLION—Thank you; I would appreciate that. Could you tell me the number of consultants that are currently employed by the department and what they are employed for. This might be a significant list. I accept that perhaps we could get that at some stage today if

possible. If that is not so, perhaps you could indicate to me now how many consultants you have currently.

Dr O'Connell—I would need to take that on notice.

Senator SCULLION—Certainly. Whilst you are taking that on notice, Dr O'Connell, I would appreciate it if you could give me—perhaps even now you could do this—an idea of any future consultancies you will be taking on and an appreciation of jobs that are coming up at the moment for which you know you will have a need for some sorts of consultancies.

Dr O'Connell—That would be a little bit harder in the sense there is always a range of things that people are thinking about that then do not come to fruition. It is probably best to sit with the things where we have got a clear agreement that we will have a consultant rather than something speculative.

Senator SCULLION—I would expect, Dr O'Connell, given your long history of good leadership and stewardship and governance arrangements, that you would have a very good handle on anticipating extra costs and changes in that regard. I am not saying for a moment that you are avoiding the question, but I wonder if you would be able to have another think about that as to particular areas. If you are unable to at the moment—and it is a very wide-ranging question—I wonder if you would be able to take that on notice and try to get back to me on it. We would expect it to be speculative in some ways, but you can appreciate that it does have a bearing on future budget costs.

Dr O'Connell—We will certainly take that on notice.

Mr Pahl—Senator Scullion, I can help with that. If you look at the annual report, at page 283, you will see there is an appendix that sets out the list of consultancies up to and including 30 June last year. That will give you a good starting point at least in terms of consultants that the department had on its books up to and including the annual report date of 30 June.

Senator SCULLION—Thank you, Mr Pahl. That would be a benchline. I guess my real interest is in the changes since then—

Mr Pahl—Yes, I understand that.

Senator SCULLION—and the projected employment of consultants.

Mr Pahl—Can I clarify it so that we do not go and do work that has already been done. So you would be happy if we updated from there to where we are now?

Senator SCULLION—Yes, as to the current set of arrangements as to who is on the books now and what is projected would be something of interest. I understand that Senator Heffernan has a supplementary question.

Senator HEFFERNAN—It is just that if you want to put a bit of competition into your consultancy market, Dr O'Connell, I am available. I am looking for a bit of consultancy work.

Dr O'Connell—I think we get you for free, Senator.

Senator Sherry—Have you thought about offers of profit under the Crown?

Senator HEFFERNAN—A bloke offered me a million-dollar bribe a couple of years ago and I had to explain to him that I come for nothing.

Senator SCULLION—Chair, I would like to put a couple of questions to the minister in relation to departmental liaison officers. Minister, I appreciate that you may not have that information at hand and that, since you are sitting in for another minister, you may have to take some of these questions on notice. How many departmental liaison officers have been allocated to the minister's office? No doubt, your well-informed staff may be able to give me that information.

Senator Sherry—The departmental staff may be able to tell you that.

Dr O'Connell—Two DLOs have been allocated.

Senator SCULLION—Did any of the DLOs currently allocated to the office work in the capacity of DLO in any ministerial offices under the previous government?

Dr O'Connell—No.

Senator SCULLION—Have any DLOs assigned to the office written policy advice, papers or opinion pieces, formally or informally, for Labor members or senators prior to last year's federal election? I appreciate that you may not be able to provide all the answers to that broad-ranging question now, but if it is possible to take that on notice I would appreciate it.

Mr Pahl—In answer to that last one: so far as we are aware, the answer would be no.

Senator SCULLION—I accept that. However, if other issues come to your attention, I would appreciate it if you could bring that to our attention.

Mr Pahl—Certainly.

Senator SCULLION—I have some questions that would probably be best directed to Dr O'Connell. How many DLOs have been allocated from your department to each of the ministerial offices which your department serves?

Dr O'Connell—We have only the one minister.

Senator SCULLION—There are no other offices that would require—

Senator Sherry—In my capacity representing the minister I do not get anyone. I am all alone.

Senator SCULLION—Minister, slip around for a cup of tea and I will tell you about loneliness!

Senator Sherry—From Agriculture, Fisheries and Forestry, I am all alone.

Senator SCULLION—Have all DLOs who have worked with ministers in the previous government been returned to the department at the same level of employment as they previously held?

Dr O'Connell—They have returned to the department and one has received a promotion along the way.

Senator SCULLION—So none have had their level of employment reduced?

Dr O'Connell—No. One was increased during the time frame.

Senator SCULLION—What was the process for determining the role to which they returned in the department? You said one has had a promotion.

Dr O'Connell—I think that promotion was an open and competitive process.

Mr Pahl—They would have just competed along with others for an advertised vacancy in the department.

Senator SCULLION—Would the fact that someone had worked in the previous government's ministerial office have any effect on their prospects?

Dr O'Connell—Absolutely not.

Senator SCULLION—You can imagine why that is a fairly sensible question. Do you have any processes to ensure that that does not happen? It is only a handful of people who come back into the department from that sort of process, and you can understand why there may be some sort of stigma associated with that. Do you simply rely on the general process of efficacy among the Public Service to ensure that this never occurs, or do you make some special effort to ensure that it does not occur?

Dr O'Connell—I guess there is an assumption behind your question which I would probably want to challenge. I do not think there is any sense at all in the department that there are any negatives associated with DLOs who come back to the department. It is obviously an experience which has the potential to help and enrich their career. So there is no difficulty within the department in DLOs coming back. It is part of the job we do, just like any other job we do. When a DLO is in an office they are still officers of the department and operate accordingly. So I think the question, in a sense, is not one that requires an extensive process. They are reintegrated very easily.

Senator SCULLION—I am pleased to hear that. Let us just hope it is the same with other departments. There were two DLOs with the minister's staff. Could you tell me how many other staff the minister has?

Dr O'Connell—We might have to bring the number back during the day, if that is okay. According to the government's guidance on numbers of staff, it is very clear what the limits are. We will bring back the minister's exact number.

Senator SCULLION—I actually have a list here of the number of staff and their names, but, because the names of staff are involved, I will allow you to just provide me with the number at some stage. Can you undertake to do that today so we do not let this get too far away from the question.

CHAIR—There are five minutes until we break for morning tea, senators.

Senator SCULLION—I have a question about ministerial office directions. Has the minister or his office provided instructions to the department as to how to write correspondence, including directions of language or inference to the minister's interests or actions? Have any specific guidelines been put out about how you respond to correspondence? Are there any particular ways that the minister would like it done?

Dr O'Connell—We have a style guide that is kept up to date with preferences.

Senator SCULLION—A what?

Dr O'Connell—A style guide for correspondence and written material in general which is used by staff to assist them in drafting.

Senator SCULLION—Excellent. How often does that get updated? For example, if a new minister has his own particular style, would that be updated?

Dr O'Connell—I am informed at all times of changes to stylistic requirements. That is something which just goes with preferences of ministers and what is emerging over time.

Senator SCULLION—I would like to look at that. Would you be able to table that for me?

Dr O'Connell—I am sure we could table that.

Senator SCULLION—I have another brief question. I know we are going to get individually to a number of programs that have been cut as a consequence of the decisions of the government. What is the process? Does the minister write to you and say, 'Dear guys, by the way, FarmBis is gone. You'll just have to make the necessary arrangements.' Perhaps the secretary might be able to assist me with this. How is that process of advising done? Is there a meeting? Does someone send a letter? What is the process?

Dr O'Connell—The process is that—in the case, for example, of the election commitment on programs—that goes through the budgetary process of government and we are then informed of the outcome. That is the budget cabinet process. We have decisions—

Senator SCULLION—Who provides you with the decisions?

Dr O'Connell—The final decisions are essentially government ones from the cabinet.

Senator SCULLION—So there would be no point in me asking you about that decision then?

Dr O'Connell—No.

Senator HEFFERNAN—Is anyone aware of who H&M are?

Dr O'Connell—In what context?

Senator HEFFERNAN—They are a global retailer.

Dr O'Connell—I think they are a Swedish based retailer.

Senator HEFFERNAN—That is the one—very good. They have posted on their website their decision that they will not accept wool from Australia. To give you an idea of the size of H&M, they have 1,500 new stores around the world. They are not happy with the way we are handling the mulesing of our sheep. This is a question for the government senator. What we are doing now does not appear to be working. On the remedial things we as an industry are putting in place for the mulesing of sheep, the clips have a failure rate of over 50 per cent and it appears that the injectable mulesing is not working in the field. I just wanted to bring to the attention of the government the fact that we need to be looking at a new approach to this problem, because Australian wool growers—and they are the ones who have to go out amongst the sheep and flies, not the people who hold up the placards—are being set up by this global push on wool. I am sure Senator Sherry would have a different view to me on this.

CHAIR—Senator Heffernan, it is 10.30. We can come back to this.

Senator HEFFERNAN—We will come back to it.

Proceedings suspended from 10.30 am to 10.45 am

CHAIR—Senator O'Brien, you have been waiting patiently and I know you have a host of questions.

Senator HEFFERNAN—I have not finished the H&M thing.

Senator O'BRIEN—I fully realise that members of the opposition have substantial rights to ask questions in estimates. I just wanted to ask a couple of questions that relate to last year's May estimates. I believe there were 62 questions on notice outstanding from last May's estimates round. What happened with those questions and why were the answers not provided in accordance with the resolution of the Senate and the decision of the committee?

Dr O'Connell—The answers to the questions have been awaiting approval, but we have just heard that they have now been approved for tabling. They are being copied now.

Senator O'BRIEN—How long have they been waiting for approval?

Dr O'Connell—They were not approved by the previous government minister. They have been with the new minister—

Senator O'BRIEN—So the answers have been prepared for many months; it is that right?

Dr O'Connell—That would be right.

Senator O'BRIEN—There are 62 on a variety of subjects going right through the portfolio. Were they ready in June or July? Can you tell us that?

Dr O'Connell—I understand that they were provided in August and then some were approved and tabled and others were not at that stage.

Senator O'BRIEN—So the minister had all of these answers provided in August last year?

Dr O'Connell—That is my understanding.

Senator O'BRIEN—Are you telling us that the minister refused to approve them?

Dr O'Connell—They were not approved before we went into the caretaker mode.

Senator O'BRIEN—Did the minister request that the answers be changed?

Dr O'Connell—We would have to take that on notice just to be clear on it, but normally the process would involve some revisions potentially by the minister and, in this case, I think it was asked that some be revised. That is just the normal process.

Senator O'BRIEN—So they were with the minister in August. Perhaps you can take on notice to tell us when each of the department's draft answers, as they may have been called, were provided to the minister. I want the dates they were last provided to the minister without a request for change. I understand that there are questions outstanding from the February estimates and from October 2006 estimates as well.

Ms Hinder—From the hearings of 23 and 24 May, we took 132 of the questions on notice. We received the questions in the final form from the committee on 19 June. We provided the majority of answers to those questions to the previous minister on 10 August 2007.

Subsequently, 66 of the responses were approved and provided back to the department, and they were then provided to the committee as final responses. They were provided in three batches between 24 August and 9 September.

In relation to some of the other questions, a number of redrafts were requested by the previous minister's office and we provided redrafts of those responses back to the previous minister around 7 September. In relation to those questions, those responses were not approved by the previous minister and they came back to the department. Because of the caretaker period and the surrounding conventions, we were awaiting advice as to whether or not responses were to be provided. We received confirmation in early January that the questions would be provided back to the committee. They would then be reviewed to make certain that they were current and provided back to our minister's office. The answers have now been approved, as Dr O'Connell said, and we are in the process of copying them and providing them to the committee.

In relation to some of the other questions that you were asking, interim answers had been provided for AQIS 01, 02 and 06, and those were from the February 2007 committee hearings. We also had fisheries and forestry 01 from the supplementary October 2006 hearings. Full responses to those questions were also provided to Minister Burke's office on 4 February for approval, and they are in the current batch, which is coming back to the committee this morning.

Senator O'BRIEN—Were they previously provided to the previous minister?

Ms Hinder—I am sorry—I would have to take that on notice, unfortunately.

Senator O'BRIEN—If you would. In relation to the answers to be provided today, do I understand from your response that they were available to be provided essentially in that form last September?

Ms Hinder—I would need to double-check as to whether or not those particular responses were updated in light of current events but, as I said in my previous response, responses to the questions were provided to the previous minister throughout August and, I believe, September of last year and approval was not given for them to be provided to the committee because we went into the caretaker period.

Senator O'BRIEN—What was the gap between the provision and the caretaker period commencing?

Ms Hinder—The responses were given in August and September of last year. I do not have the actual date as to when the election was called and the caretaker provision commenced.

Senator O'BRIEN—What was the date on which the committee was required to be supplied with the answers according to the Senate resolution and the decision of the committee?

Ms Hinder—In normal Senate procedure, the questions are required to be provided back to the committee, I believe, within 28 days of the date of the hearing. Sometimes there are unavoidable delays in clarification of the questions, the review of *Hansard* and the provision

of final questions from the committee, but we certainly do aim to provide all questions as expediently as we possibly can.

Senator O'BRIEN—Thank you for that.

Senator HEFFERNAN—Can I go back to H&M. I want to read into *Hansard* something from their website. I am sure that the AWI is aware of this and probably does not want to talk about it. They are worldwide retailers, mainly in the US and Europe, and have many billions of dollars of turnover. This is what they say:

H&M does not accept mulesing—

That is fair enough—a lot of people do not. A lot of people do not accept willie trimming either, but it has proven to be a good thing—

the surgical procedure carried out on merino sheep in order to prevent flystrike. The company has decided to direct its buying towards other countries of origin and other suppliers in Australia that can guarantee mulesing-free merino wool.

H&M has worked for the abolition of mulesing for several years. Since 2005 there has been an agreement between the National Retail Federation (NRF), of which H&M is a member, and the Australian wool industry (Australian Wool Innovation) which means that mulesing will be replaced by more animal-friendly methods by 2010. The decision to concentrate our buying on products that use mulesing-free merino wool was taken because the company feels that the phase-out of the practice is proceeding too slowly.

Does anyone want to make a comment about that? This has pretty serious implications for the wool industry. While you are thinking about whether or not you want to answer it, trials have shown that the clip to replace mulesing has failed—in some trials it has up to a 50 per cent failure rate. Also, as I am advised, the injectable has failed the efficiency test in that it has proven to be more painful than mulesing. The message is, if all of that is true—I do not know whether that is true and I do not know what information the government has or whether they monitor these things—a large retailer like that has come out as bold as brass and said this. Apparently some people in positions of influence in AWI have known about this for some months and have not done anything about it, or said anything about it. I wonder whether the 2010 target is going to be met by the industry and if it is not met, where is the wool industry going to be?

Dr O'Connell—This issue would best be handled when we go to the product integrity, animal and plant health division.

Senator HEFFERNAN—I am obviously flagging it so that they will have some notice. By way of an aside, I compare mulesing to human trimming. There has been an anti human aspect to this for 30 years and now the scientists are coming back and saying perhaps we all should have a willie trim because of, one, the effect on the health of women and, two, the effect on humans. I think the sheep thing is the same.

CHAIR—I am sure there is a very good argument, Senator Heffernan, but that may be for another committee.

Senator HEFFERNAN—I do not remember being trimmed, but I am pleased I was. I am sure most merino lambs which are mulesed when they lamb, as they get their tail and their nuts knocked out, do not remember the bit about the skin around the tail.

CHAIR—Senator McGauran, I think you have a question.

Senator McGAURAN—Yes. I want to correct a very mild misleading—I do not place great weight on it. We were informed that the FarmBis and FarmHelp cuts were properly announced well before the election. In truth, I am informed that they were part of the publication, the Charter of Budget Honesty, three days before the election. So when I said, ‘Where were the NFF?’ when these cuts were announced, three days before the election they are well forgiven. That is a bit slippery, a bit of a con on the rural sector. Minister, you led me to think that these cuts were well and truly out there in the public.

Senator Sherry—They were out before the election, Senator McGauran. You have referred to two that were out three days before the election. That is public.

Senator McGAURAN—Point made, by me.

CHAIR—Are there any further questions?

Senator SCULLION—I have a couple of last questions in this area before we can move on to general questions. Unfortunately, Minister, I was not paying the attention I should have been to your opening statement regarding a letter. I had made the assumption that the letter you were referring to was sent to the Leader of the Government in the Senate. I just want to clarify that that was the case.

Senator Sherry—Yes, that is right.

Senator SCULLION—Thank you. You spoke about the format of the response. What I understood from your response—and, to be frank, I should have been listening more carefully—was that the answers to these would come out during the processes at estimates.

Senator Sherry—Correct.

Senator SCULLION—Just for the benefit of the committee, because the committee may not ask all those specific questions, I can just ask these questions again directly from that. You could take this on notice; I understand the nature of the questions. Having had the letter for some time, I wonder if the answers to the number of questions put in that letter could be made available to the committee.

Senator Sherry—Today?

Senator SCULLION—Indeed.

Dr O’Connell—Earlier on I understood that we were going to make those available today.

Senator SCULLION—I am just clarifying. I was not sure about the format.

Senator Sherry—I think I might have said—I would have to check the *Hansard*—we would have those by lunchtime.

Senator SCULLION—I am not pressing you. I am just clarifying for my own knowledge that that was what was coming.

Senator Sherry—Yes.

Senator SCULLION—Okay.

Senator Sherry—We will endeavour to get it to you by lunchtime so that if you have any questions you can raise them, based on the information provided, this afternoon. That was my intention.

Senator SCULLION—I have a couple of other brief questions. Perhaps either the secretary or the minister could advise me. This is in addition to the letter specifically. The latest round of audits has been widely referred to as the razor gang cuts affecting the portfolio. Are you able to identify which ones are actually cuts or rephasings? I know we tried to address this in the context of the efficiency dividend. Is there any way you can tell me whether the budget cuts were rephasings or real cuts? Where do I go in the estimates papers to clearly identify that?

Senator Sherry—I do not know whether the officers can add anything more. We did have a fairly detailed discussion about this this morning when we opened up. I do not know whether you were here then or not.

Senator SCULLION—For the committee's edification, the issues I spoke of this morning were about the efficiency dividend. I am really referring to the budget cuts. I know some of the portfolios indicated quite clearly that there was a cut or change. Are any of these simply rephasings? Have they been put in somewhere else? You have to accept that there are fundamental elements of previous policies which would have been transferred over. I just wondered if there was any way, in your determinations on that matter, you would be able to identify what was a rephasing and what was actually a cut.

Mr Pahl—I am almost certain that there are no rephasings in those decreases in estimates in 1.2. I will have a good look over the course of the morning and, if there is any change to that and there is something that has been rephased, I will come back to the table and advise you of that.

Senator SCULLION—Thank you, Mr Pahl.

CHAIR—As there are no further questions I will call on corporate policy.

[11.04 am]

Senator SCULLION—I assume this item follows not the PBS but the process of the subject matter. This is international?

Senator NASH—No, corporate. We have just done the two together.

Senator SCULLION—I think most of the issues around corporate policy have been dealt with, subject to the provision of those questions on notice.

CHAIR—That was nice and easy. We will go to product integrity, animal, including aquatic animal, and plant health.

[11.05 am]

Senator Sherry—Sorry, Chair, are we on corporate?

Senator SCULLION—Corporate was incorporated, Minister, in the previous discussion.

Senator NASH—We rolled it all together.

Senator SCULLION—Mr Chairman, my colleagues and I are operating on an older program.

Senator Sherry—So are we!

Senator SCULLION—I now have a new one. Thank you.

CHAIR—Welcome, everybody. I believe Senator Milne has questions.

Senator MILNE—I presume that the committee is aware of recent media reports about the contamination of conventionally grown strawberries. A report by *Choice* magazine has said that 17 of the 27 samples of conventionally grown strawberries bought at Coles and Woolworths supermarkets registered residues of at least two types of pesticides or fungicides. I ask whether that is true and what the department's view of that is—what we are going to do about it.

Mr Magee—Certainly we are aware of those reports from *Choice*. In fact, as I recall it, from 31 samples that they tested they found residues in excess of maximum residue limits in three samples. The horticulture industry—in this case specifically the strawberry industry—have taken this seriously. They have their own industry based residue-testing program for strawberries. But, since the reports came out from *Choice*, I think the CEO of Strawberries Australia has been looking very carefully at whether some further national testing may be necessary to assist with their industry.

Once we became aware of those reports, the director of the National Residue Survey, which is in my branch, contacted Strawberries Australia and met with them and offered to provide any technical assistance they need on that—in particular, if they wish to do so they could join the National Residue Survey. That is a voluntary program that is run by the Australian government. A number of our horticultural industries are in fact already participants in the National Residue Survey, particularly the apple industry and others. That avenue remains open to Strawberries Australia to meet with us, and we will be very happy to assist them in getting a more comprehensive and thorough testing regime for their product.

Senator MILNE—If I may pursue that, my concern about that response is that what we have here is a completely voluntary situation—‘if they choose to’, ‘if they would like to’, ‘perhaps Strawberries Australia might like’. The consumers of Australia might like to buy strawberries in which there are not pesticide and fungicide residues above the food standards. At least three cases were above the levels permitted under those standards, so what action is being taken? Is there no action that can be taken against those growers?

Mr Magee—Certainly there is action that can be taken. In the first instance, the state departments, to varying levels, operate residue-testing programs in their own states and they have opportunities under their own laws to pursue that if they wish. But, as is the case with most of the residue testing that is done, it is a matter for industry to work with the government and to participate in the national residue survey if they wish to do so. The only other thing I would draw attention to is that, in the three samples, the levels found were not a food safety issue per se, but they were in excess of the MRL.

Senator MILNE—If you are a producer and you put strawberries on the market and they have pesticides and fungicides beyond the limit that is acceptable, surely there must be some

action taken. Again, what you are saying to me is that it is up to state departments whether they bother to pursue it. But the problem I have here is that children in particular are probably disproportionately more likely to eat strawberries than the rest of the population. So you are putting this food into the mouths of people with a small body mass, and therefore the impact on children is likely to be greater than it is on adults. My concern here is that there is a very deferential attitude being taken to self-regulation of Strawberries Australia. So I would like to know what action you are going to take to drive this process rather than just say to me, 'They might like to do something.'

Mr Aldred—The particular issue is that the regulatory responsibility rests with state and territory jurisdictions. So, as Mr Magee has outlined, we at the Australian government level facilitate residue testing. As you have noted, that is voluntary testing, but it is indeed a well-recognised and certainly well-used system by a broad range of industries. That is essentially the role that we take. Regulation of the food standards, codes and so on sits with the states and territories.

Senator MILNE—Are you satisfied that you have adequate oversight of compliance?

Mr Aldred—We do not have responsibility for adequate oversight of compliance. It is not within our purview.

Senator MILNE—What is your purview in terms of pesticides, fungicides and so on and their administration across the country?

Mr Aldred—We are responsible for national coordination of the system, of the APVMA and of the food standards arrangements which sit within the Department of Health and Ageing and for the national testing and the setting of standards and codes and so on, but enforcement is the responsibility of state and territory jurisdictions.

Senator MILNE—In view of this report about strawberries having these elevated levels, higher than the standards, are you satisfied the standard is adequate?

Mr Hunter—The food safety standards are set by Food Standards Australia New Zealand, FSANZ, which Mr Aldred mentioned is within the health portfolio.

Senator MILNE—What action will you take in terms of contacting the state governments and asking them to consider enforcing the standards?

Mr Magee—From our point of view, the important thing we did immediately was to offer the National Residue Survey, which is a very well-respected residue testing regime, to the industry. To be fair to the strawberry industry, they were most receptive to that offer of assistance, and I expect they will work with us to get a program up if that is what they wish to do. They are also looking at it in the context of the fresh test program that they run with Horticulture Australia. So there has not been any reticence, I do not think, on the part of the strawberry industry to take the matter very seriously and to ensure the safety of their product.

Senator MILNE—I have finished on strawberries.

Senator McGAURAN—On the same matter, I think Senator Milne does raise a growing concern amongst consumers, but equally I am concerned with what happens to the fruit—the apples, pears and grapes—when it is in the supermarket, with regard to the preservation techniques of supermarkets such as Coles and Woolworths. I do not know about it, but there is

growing consumer concern about snap freezing and the chemical preservations that can be pumped into these fruits. Do you have knowledge of this and is a standard placed upon the supermarket itself—not so much the growers but the supermarket itself—with regard to the claim of freshness? Could products in fact be months and months old, even six months old? The word ‘fresh’ could be a misleading description of the fruit, so do you have knowledge of this and is there a chemical preservation test placed upon the supermarket?

Mr Aldred—I think, in reality, that is largely a question for FSANZ and the Department of Health and Ageing.

Senator McGAURAN—For whom?

Mr Aldred—Food Standards Australia New Zealand. It is a statutory authority that establishes the food standards code and sits within the Department of Health and Ageing.

Senator McGAURAN—We can do that, but what do you know of it? What part of that question can you answer?

Mr Aldred—Very little.

Senator McGAURAN—So, once it leaves the growers’ domain, it is not your responsibility. There is as much activity going on in that apple in the supermarket as there is out amongst the growers—if not more, I dare say.

Dr O’Connell—I think what Mr Aldred is suggesting is that the health standards issues are better addressed by the Health portfolio.

Senator McGAURAN—Like Senator Milne, I signal a growing consumer concern in this area.

Senator MILNE—I would like to ask where I can pursue the issue of weeds. Is that in plant integrity?

Mr Aldred—It goes across a couple of the divisions. Substantially, it is a Natural Resource Management Division issue. Particular exotic incursions and so on rest with product integrity.

Dr O’Connell—It might help if you outlined the nature of the question.

Senator MILNE—I want to know about the decision not to fund the weeds CRC. That has not been funded, and then there was a proposal to look at invasive plants and so on with a CRC that was not funded. I look here and I see that weeds is one of the programs that is to be cut. I want to ask some questions around funding for weeds. I just want to know when—

Mr Aldred—Those questions should be addressed to the Natural Resource Management Division, which will be here later in the day.

Senator MILNE—Thank you.

Senator McGAURAN—I found an interesting comment, which perhaps someone could respond to and elaborate on, in your annual report. It is with regard to the possible changes, not probable changes, to disease threats resulting from climate change. It is going to be part of your work in the 2007-08 period. Would someone elaborate on that—what diseases, where and when?

Mr Aldred—Broadly, we do have an interest in looking at what impacts the shifting climate may have on the extent and the persistence of certain pests. We have not undertaken a lot of specific research so far this year. We do pick up some intelligence through a range of surveillance activities but it will certainly be an area of increasing interest and effort in the future.

Senator McGAURAN—No work has been done to date? I know it is very early, but this was the 2007-08 outlook, so it is only another five months to go until you have to report on it. So what has been happening? Anything?

Mr Aldred—As I indicated, we have not undertaken a lot of specific research to date this year.

Senator McGAURAN—What regions would be particularly affected by changes to diseases due to climate change?

Mr Aldred—That is the nature of the work that we will be doing. In particular, we are interested in the expanding range of tropical diseases and those sorts of things that occur with the changing climate—for example, the extent of persistence of mosquitoes and viruses and so on that are borne in that manner.

Dr O’Connell—The efforts in this area will be integrated across government as well. What we will be looking for is adaptation work across government, led by the Department of Climate Change, and we will be working with them and with other departments. The incoming government has committed to new programs which address a range of areas, including adaptation to climate changes, so we would expect to see an integrated approach across government, looking at all these issues.

Senator McGAURAN—When you say ‘climate change’, are you talking about prolonged drought, rising sea levels or floods that will affect diseases? Which one is it?

Mr Aldred—There will be a range. Our interest will be in long-term change in climate, but of course within that there will be a whole heap of annual and short-term variations. But, from our division’s perspective, we are particularly interested in the longer term impacts of shifting climate.

Senator McGAURAN—So your definition is that you will be working under a warming of the climate?

Mr Aldred—Warming and changes in rainfall patterns. It is those particular things that have implications for disease and pest spread.

Senator McGAURAN—So you would be projecting the effects of climate change, the effects of warming upon—

Mr Aldred—The nature of our work will be, given projections of climate change, what might that do to the range of pests and diseases that we are interested in. We will not be doing projections of climate change.

Senator McGAURAN—Yes, that is what I meant. In fact, that is the bottom line of where I was trying to get to. Thank you.

Senator MILNE—I would like to return to the strawberries question. I want to know which agricultural chemicals currently used in the strawberry industry are under review by AVPMA. Is Carbaryl, in particular, under review? Is Dimethoate also under review? Of the chemicals currently registered for use on strawberries, which ones are under review? What is the process of the review and what are its time lines?

Dr Bennet-Jenkins—The APVMA is responsible for the review of chemicals. I can confirm that four of the chemicals that were detected in the residue testing are under review. They are carbaryl, chlorpyrifos and dimethoate. Another review, of endosulfan, finished last year. The chlorpyrifos review is probably the closest to completion. It was a review that we did many years ago. We completed the major part of the review and asked for some additional information, which we have now assessed. That review report should be out this year. The dimethoate and carbaryl reviews are ongoing.

Senator MILNE—What do those reviews have to do? What is their point?

Dr Bennet-Jenkins—It depends on each particular chemical. Each one might have its own scope. For chlorpyrifos, at the moment we are looking particularly at residue studies that were required of registrants. For carbaryl it is a much wider review; it also includes public health and other aspects. For dimethoate it is primarily a toxicological review but it will also look at residues assessment.

Senator MILNE—And the point of the reviews is to establish whether the current use is appropriate and/or safe; is that correct?

Dr Bennet-Jenkins—That is correct; that is what we set out to do—to ensure that the use meets current safety standards, that appropriate MRLs are set and that we have a good set of data to support those MRLs.

Senator MILNE—So the chemicals remain registered and will be used on strawberries until such time as your review is complete?

Dr Bennet-Jenkins—If we find that through the review we come up with a particular issue that concerns us in relation to, say, the acceptable daily intake or acute reference dose for a chemical—which is the health standard, as opposed to the MRL, which is more a standard that we allow to be set in relation to good agricultural practice—then we could suspend that use. We have had examples of other reviews—for instance, endosulfan is one—where we have suspended use on certain fruits and vegetables until the review has been completed, and often we have cancelled the use at the end of the review.

Senator MILNE—Of those four chemicals we talked about, which are used in the strawberry industry, have any been suspended, apart from endosulfan, which you just mentioned?

Dr Bennet-Jenkins—Our assessments have not indicated to us at this stage that we would need to suspend the use of any of those.

Senator MILNE—When do you expect the reviews to be complete and what will be the process when they are? Will they go to the food standards people? What happens then?

Dr Bennet-Jenkins—Indeed. Throughout a review we do work with Food Standards Australia New Zealand. They assist us with the dietary risk assessments. We also deal with

them in having any of the MRLs and the food standards code amended, if that is necessary, or deleted, if that is necessary. When we have finished our assessments we go through a period of public consultation. It is very important then to work with the growers and the users as well as the chemical industry so that they are aware of any changes in the conditions of use that might need to apply. They sometimes have further information that we need to take into account. After the public consultation process, we make our final decision.

Senator MILNE—In your assessment of risk, public health risk in particular, do you look at children as opposed to adults?

Dr Bennet-Jenkins—I understand that the toxicological assessment, particularly with regard to setting an acute reference dose, which is a reference dose that allows you to determine whether, if you ate a big meal of strawberries, it would become a health issue, does consider the different population groups and the consumptions of different ages.

Senator MILNE—Will the review of these chemicals related to strawberries that you are currently doing specifically look at those different groups?

Dr Bennet-Jenkins—Indeed it will.

Senator MILNE—And, to date, your results are not showing that there should be concern in any one of those groups?

Dr Bennet-Jenkins—At this stage we have not received advice. We go to other departments. The department of health gives advice on toxicological issues, acceptable daily intake and the acute reference dose. We are not at a stage in the assessment of these chemicals where we have identified a major issue.

Senator MILNE—What is your view about the labelling of food for these chemicals? Does your group have any kind of input into whether you should indicate on strawberries in the supermarket that they have been treated with the following chemicals?

Dr Bennet-Jenkins—We do not have the responsibility in relation to the regulation of food. Our labelling is only in relation to the chemical product that the farmer uses.

Senator ADAMS—I would like to ask you about the process of dealing with patents in your department. I have a constituent who has had a very long involvement with you, and I would like to ask some questions on that. How long does it take to review a patent application? Could you go through the process for me, please.

Dr Bennet-Jenkins—I just want to clarify that. Are you talking about an application for registration, not for a patent?

Senator ADAMS—That is correct—for a chemical.

Dr Bennet-Jenkins—I ask that because we do not deal with patents. We deal with the registration of the product that is supplied in Australia. The application time frame may vary from three months to 15 months, depending on the extent of the assessment. The time frame that we should take is legislated. For a completely new chemical it is a 15-month time frame. That time frame relates to our clock-on time—that is, the assessment time that we have. If, anywhere through this process, we have a question for the registrant or need the registrant to generate or give us more data because we see that there is a data gap, then our clocks go off

and there is a time where it is in the applicant's court to provide the further information and our clocks do not commence again until we have that information. There is another clock time, which is the elapsed time, which may take much longer than the legislated time, mainly because we have to deal with the applicant and get more information from them.

Senator ADAMS—This particular applicant had a lot of problems with calls being blocked. Every time he rang he got someone different. Finally, he hired a consultant and the consultant was not allowed to receive any information—and this was supposedly because it was a patent. That is the reason I am asking. It was definitely a chemical. It is not a new chemical; it is a chemical that is being used in a different area. I really would like to know why that would happen.

Dr Bennet-Jenkins—Our legislation identifies the person we need to deal with as being an approved person. That approved person can be anyone the applicant appoints. It can be the applicant themselves, but they can also appoint a consultant to be an approved person. It can get very complicated—for instance, where the applicant does not want the consultant to know some of the more commercially sensitive information. So we often have difficulty in knowing who to communicate with. Is it the company, with regard to commercial in confidence, or is it the consultant, in relation to the process? So it is very important for them to clearly identify right at the beginning of the process—and we do seek the companies assistance in this—who we can talk to and what information we give to the different people that might be involved in an application. It is certainly possible for us to give all the information to the consultant if that is the applicant's preference. But they must make that clear to us. Otherwise, our staff are very aware of the commercial-in-confidence situation and their first answer will be, 'I cannot give you information unless the applicant has given me permission'—because they are concerned about releasing information they should not.

Senator ADAMS—In this case the applicant had given permission, and he has just been fobbed off all the time—that is probably the only way I could describe it. If it had been me, it would have been a lot more trouble. The final conclusion was that the consultant who was being used could not get access or really come to terms with the questions that you kept sending back. In the end, your department advised the client that he should speak to certain consultants, recommended by you, to process his application further. Are those consultants within your department, or do you have a list of suitable consultants who you consider can handle the very difficult application forms?

Dr Bennet-Jenkins—We do not keep a list of consultants because we do not accredit them. Again, it is very complex work and we feel that, unless we actually had a system of licensing or accrediting consultants, which we do not, we would not recommend or keep lists of consultants. Where applicants have difficulties in understanding our requirements, we do spend a lot of effort helping them. We have meetings with them. They are welcome to come and see us, and we can explain the requirements to them, but when it becomes too complicated for them we do recommend they seek a consultant—but it is up to them to find a suitable consultant.

Senator ADAMS—This person has been given a consultant. It was the only way that he was going to be able to proceed with his application. He was someone who was not going to get anywhere with his application unless he did that. I have not spoken to him for several

months, but I am really curious as to how the department would nominate a consultant and where they came from: whether they were people from outside or within the department.

Dr Bennet-Jenkins—They are not people within the department. They are independent consultants who set themselves up in their own businesses. Our process is that we do not recommend consultants.

Senator ADAMS—This has happened, because he is now dealing with one of your consultants. I really want to know how that process worked and who these special consultants are.

Dr O'Connell—Obviously, we are working here with a limited amount of information as to the particular case that you are talking about.

Senator ADAMS—I think that Dr Bennet-Jenkins is fully aware of the case I am talking about.

Dr O'Connell—I think we would need to look more closely at what precisely happened, in the event that you are saying that we as a department 'recommended a consultant', as opposed to 'recommended that the proponent engage a consultant'. But I would prefer that we took that on notice and gave you a clear answer as to precisely what happened.

Senator ADAMS—I would certainly appreciate that. Thank you.

Senator SIEWERT—My understanding is that there has been a review commissioned on the use of Atrazine. Is that right? Could you give us an update on it, please.

Dr Bennet-Jenkins—Yes. Atrazine is a herbicide. The review was first commenced in 1995 and was actually finished in 1997. All the information that was available was reviewed, and some major restrictions were put in place at that time. There were some six or seven restrictions on the amount to be used and certain cancellations. Out of that review came some requirements to conduct further water-monitoring studies and residue-monitoring studies, which we asked the companies to do to verify that our risk mitigation measures in 1997 were in fact adequate enough. That data arrived in 2000. We assessed it and came out with a report on it in 2002. At the same time, there has been quite a lot of research by other groups of people internationally in relation to the possibility of Atrazine having carcinogenic effects and endocrine disruptor effects. That was new information in the public domain. We have assessed that data and that research is ongoing. The science of that is very uncertain. It is not clear whether the studies conflict with studies that were submitted as part of the review. The weight of evidence at this stage suggests that our assessments in 2004 still stand, so we are proposing now to complete that review but to re-examine all this new information and the ongoing research to see whether at some future time we might have to conduct another review.

Senator SIEWERT—Do you have another review happening that was commissioned in 2004?

Dr Bennet-Jenkins—No. After the 1997 review we asked for further studies to be done. They arrived and we assessed them.

Senator SIEWERT—Who was doing those further studies?

Dr Bennet-Jenkins—The registrants and the user industry were. Principally, the forestry industry was asked to do some more monitoring with regard to their Atrazine use.

Senator SIEWERT—Has that been ongoing since 1997?

Dr Bennet-Jenkins—They did those studies in the late nineties, and we reviewed them and finished our assessment. We are quite satisfied that the work they have done indicates that Atrazine can continue to be used safely.

Senator SIEWERT—I want to chase the events of 2004. What was happening in 2004?

Dr Bennet-Jenkins—That was the draft report that related to those monitoring studies, as well as new information that had appeared in the public domain.

Senator SIEWERT—So what was the announcement that the minister made number of weeks ago around use of Atrazine?

Dr Bennet-Jenkins—The minister announced that he realised and was concerned that it was taking some time to implement the 2004 recommendations. We are progressing. We decided last year that we would no longer wait for more research to be done to see whether our decision needed to be different. Community groups were very keen. They felt the 2004 recommendations had not gone far enough and identified other studies. So we assessed those other studies but we believe that the 2004 recommendations still stand and we will now implement them.

Senator SIEWERT—Could you supply the committee with a copy of the 2004 recommendations?

Dr Bennet-Jenkins—Certainly.

Senator MILNE—Further to that, will they be enforced by state governments?

Dr Bennet-Jenkins—If I may go back to the 2004 recommendations, they were just a refinement of the previous recommendations. They relate to giving more detail about how to avoid Atrazine getting into waterways. We had already taken a number of decisions and cancelled uses and channels and drains. The 2004 recommendations explain a little bit more about what channels and drains means—that it also means drainage lines and any situation where water might run. It is up to the states and territories to enforce the label instructions.

Senator HEFFERNAN—This is about the rate of application and method of application of Atrazine?

Dr Bennet-Jenkins—No. The new recommendations are about the method of application, not the rate of application. The rate was already reduced and set in 1997.

Senator HEFFERNAN—With great respect, that is rubbish. One thing that is wrong down there with some of the forestry—talk to the operators. I talk to the operators. I have to concede I use Atrazine and I am aware of the permanent contamination of some aquifers in the corn belt of America because of the misuse of Atrazine. But some of the forestry mob put it on at five times the rate because it does a better job. Talk to the aerial operators. They are not worried about whether they are flying over a waterway. This is bureaucratic mumbo-jumbo.

Mr Aldred—With respect, the job of the APVMA is to set those levels on the labelling. Again, the enforcement of those standards rests with the state and territory governments.

Senator HEFFERNAN—This is the same thing as the lamb—you passed the blame on to someone else. The reality is, if you use it sensibly—and we use it in various cropping to get rid of the grass. At a low rate, it does a wonderful job and you can do it carefully. But these blokes are cowboys. It does a fantastic job. If you are planting a plantation forest, as Senator Milne would know in Tassie, you put it on at some ridiculous rate, and the pilots will tell you what they're doing because they are the ones who are seeing it mixed, why can't we connect one to the other? You can have as many reports and come here and report to us politely, knowing that it doesn't mean squirt out there in the field because no-one is taking any notice of you. It is just a waste of time.

Mr Magee—In relation to the concerns you are raising, there has been quite a bit of discussion this morning about the interface between regulators and control of use of chemicals, which is the point you are raising. The Productivity Commission are acutely aware of this. They are currently undertaking a major review of the regulation of chemicals and plastics in Australia.

Senator HEFFERNAN—What I am worried about is the responsible use of that chemical. I have a very strong view about ester, but we are on this at the moment. If you use it responsibly, it can be a useful chemical; if you use it irresponsibly, the responsible users are going to be crucified. As Senator Milne would know and you too may know, if you pulverise the side of a hill with bulldozers and then plant a monoculture, whether it be pine or softwood or whatever, the first particle that moves when the storm comes is the chemical because it is heavier than the earth particle. And in no time it is down in the stream. If you put it on, as they do, at many times the recommended rate because they want some of it to stay there and do the job, then you wonder why, downstream, the bloody fish have got three heads and five legs and all the rest of it. Obviously there is a solution. I do not know how many other people have a chemical users ticket, but I have. All you have to do is enforce and regulate the use. You could have as many inquiries as you like.

Mr Aldred—Senator, I think that the point is accepted. But, again the control of use rests with a different level of government and it is not within our legislative and regulatory mandate to undertake enforcement actions.

Senator HEFFERNAN—If you had one fair dinkum bone in your body on this—I have not been down there arguing in the forest for two or three years. I remember Forestry Tasmania telling me two things that stood out like the proverbial dogs: (1) they had never employed a hydrologist because they did not think it was a water issue and (2) they do not use this chemical in its first rotation. But what they did not tell you is that they contracted it out to somebody else. It is just a con job. Get fair dinkum and you can deal with it in a flash.

Senator HURLEY—I may have missed this, but is Atrazine banned anywhere else in the world or more controlled than it is here?

Dr Bennet-Jenkins—Atrazine is widely used in the States. It is used much more widely than in Australia. It is also used in Canada. Europe no longer has Atrazine. It was withdrawn from the listing there. It was not banned on any particular scientific grounds, but there were

concerns about it leaching into the groundwater. It was removed from the listing there and the last uses disappeared in December last year.

Senator HURLEY—Was that by the European Union?

Dr Bennet-Jenkins—By the European Union, yes.

Senator HEFFERNAN—The point is, it is not the use Senator Hurley; it is the misuse that is the problem.

Senator HURLEY—Unfortunately, Senator Heffernan, if you have use you can have misuse and not everybody can be there. Regulatory bodies just do not have that kind of control.

Senator SCULLION—I wonder if you would share with me why it would be—and you must do this from a departmental perspective—the European Union, who are chock-a-block full of equally wonderful bureaucrats, have made a decision that appears to be inconsistent with our decision. Our decision is to keep a chemical on something; another country's decision is to remove it. When something like that comes up, does that trigger something within the department to say, should we be re-looking at this and what are the reasons of their banning of it. Have you been through that process?

Dr Bennet-Jenkins—Yes indeed. We keep a close eye on what happens with overseas regulators and we have close interactions with them. Their legislative framework is somewhat different to ours. We can only remove a chemical if we can identify a particular toxicological concern. In Europe, and to some extent in America as well, they run a re-registration process, which we do not have in Australia. A chemical is always registered unless we take particular action to cancel it. In a re-registration process companies are required to submit completely new dossiers which are evaluated. If the sponsors of the chemical decide not to submit dossiers, those chemicals are simply removed from the listings. So a lot of the removals, particularly in Europe, result out of the sponsors just saying, 'We are getting into new technology. We will no longer support the old technology,' then there is a phase-out and the chemical is no longer available. We do not have that system in Australia.

Senator SCULLION—Have you considered amendments to your current system to adopt a system which, at least on your evidence today, appears to respond to a number of concerns from either the scientific community or the broader community? Have you considered a re-registration process in Australia?

Dr Bennet-Jenkins—The policy parts are done by my colleagues in the Department of Agriculture, Fisheries and Forestry. It would be a matter for the Primary Industries Ministerial Council and the Product Safety and Integrity Committee to consider whether that is an avenue Australia would follow.

Senator SCULLION—Are you aware of whether they have considered those matters in the recent past—the last five years or so?

Dr Bennet-Jenkins—Certainly, I am not aware that they have considered those matters in the recent past, but they may have thought about it when the original system, the national system, was set up.

Senator SIEWERT—I want to go back to the issue of misuse. Do you take the potential for misuse into account when you are carrying out your assessment?

Dr Bennet-Jenkins—We register based on the use that we have on the label. We register based on proper, good agricultural practice. Having said that, when we review chemicals there are situations where we know that a risk mitigation strategy will not be practical on the ground. That relates to, say, if there is certain personal protective equipment that we know will not be worn by farmers because the climate is too hot. We will not registered those chemicals. There have to be practical recommendations on the label, but we do expect that users will follow good agricultural practice.

Senator SIEWERT—What happens where it is clearly demonstrated that good agricultural practice is not being followed and it is leading to problems—for example, contamination of waterways?

Dr Bennet-Jenkins—I think that can be taken into account. If you find that damage occurs to the environment through the use of a chemical then you would want to think very closely about whether the users are able to use it responsibly.

Senator SIEWERT—In the case of atrazine, have you had any feedback that that is in fact the case?

Dr Bennet-Jenkins—Not that I am aware of. We have another layer of regulation that we can apply to products where we believe it is in the public interest to restrict the supply of products to people who have either been trained in a special way or have special equipment. That is another layer we can add to the supply of chemicals so that we can actually continue to have the chemical supplied to people that we know have the equipment and are trained properly. That is a way of dealing with some of the higher risk chemicals as well.

Senator SIEWERT—Can you do that at any time, or just during the registration process?

Dr Bennet-Jenkins—You can declare a product a restricted chemical product at any time. It has certain statutory tests, one of which is called a public interest test.

Senator SIEWERT—I want to go back to the implementation of the 2004 recommendations. In what time frame is that occurring?

Dr Bennet-Jenkins—We expect to have the final report written up by the end of March, at which time we will also be calling for registrants to give us a copy of their updated labels with the three new instructions on them.

Senator SIEWERT—The report is being finalised in March but it is being implemented at the same time?

Dr Bennet-Jenkins—Yes, it will happen at the same time. There is some phase in because, of course, there is product that is out in the hands of the users that will still have the existing label instructions.

Senator SIEWERT—Depending on what time in 2004 it was released, that is three to 3½ years ago. Why has it taken so long? You are now giving them a period of grace from March, when the original recommendations were for 2004.

Dr Bennet-Jenkins—We delayed it because we had submissions from the public of information that caused us to believe that any final decision we made would have to be based on the best available science and because new information came out. There was a draft report out before. The reason for putting out a draft report is to flush out any information that we might need to know so that when we do make a decision it is the best possible decision. As I said, there was a lot of research going on elsewhere that caused us to believe that we should look at that first before we make that decision. We have now come to the point where we believe that the scientific information is still not clear, that the original information we had as part of the review is still the best information we have and that we should go ahead and implement those three new label recommendations. These are label recommendations additional to the six or seven that we implemented in 1997.

Dr O'Connell—To be clear, the 2004 report was a draft and now that is being finalised and implemented.

Dr Bennet-Jenkins—Yes, that is correct.

Senator SIEWERT—It seems an awfully long time for potential contamination to be occurring. Is that the usual length of time taken? I would have thought there was an issue of the precautionary principle being applied here. How is the precautionary applied, if it is applied?

Dr Bennet-Jenkins—We do not apply the precautionary principle in its current sense, but the way the legislation is written is that there are a lot of safety margins and measures built into our registration and review of chemicals. If there had been any evidence that there was water contamination occurring, we certainly would have put these new instructions in place immediately. We do that on other reviews.

If we have evidence that there is actually a concern, we have the power to do that almost immediately through a suspension and through issuing new instructions. Because these new instructions were really more a refinement of existing instructions and because there was more information, we wanted to finalise that assessment. Rather than refine existing instructions and, in essence, say to the public, 'That is it; we are not interested in the new science,' we looked at the new science instead, because it may have been that those instructions needed to be much stricter.

Senator MILNE—I am interested in how you get your information. I am quite shocked to hear you say that if you become aware of contamination you can stop it immediately, and so on. Where do you get your information? Forestry Tasmania and forest companies in Tasmania have had to pay compensation to people for having contaminated their domestic water supplies. That is public information. At the very least, do you actually go out to the forest industry—to the companies and to Forestry Tasmania—and ask for their compensation claims? Why don't you know about that, and, if you do know about it, doesn't that constitute people being affected by the misuse of this chemical, particularly in the forest industry?

Dr Bennet-Jenkins—We certainly have feedback loops. We have an adverse experience reporting program. We also have links with our colleagues at state departments of agriculture, so we get that information from them. It is a continuous feedback process through what we call our registration liaison committee, which meets regularly to discuss issues such as this.

Those aspects are fed into our review process. Again, if it is traced back to an issue of misuse of the chemical then we would not be making a regulatory decision based on misuse. We make our regulatory decisions based on whether the incident happened with proper use of the chemical. We would then make an immediate regulatory decision. If it is a misuse then obviously you need to have an investigation of how that happened.

Dr O'Connell—If it is a misuse, it is a matter of compliance with the standard, which then goes to the enforcement and compliance regulatory agency. The APVMA is a standard-setting agency. Should there be concerns about the proper use then that is where you get these changes; otherwise, it would have to be the compliance and enforcement agency. I presume, on what you are suggesting, that the forest issues that were raised were about misuse of the chemical rather than label use.

Senator MILNE—This is where we get into some really interesting territory. The forestry companies and Forestry Tasmania would say that there is no misuse and that they do everything perfectly, but all these water supplies are contaminated. That should fit your model of appropriate use of the chemical leading to contamination. However, if that were to lead to the chemical being banned, they could then say: 'No, actually it was misuse of the chemical. Had we been using it properly then ...' Even if it is down to the compliance and enforcement agency, surely this is a complaints process. I am really very frustrated that all that this leads to is years and years of the community complaining about contamination of their waterways and we are getting nowhere. It has been 12 years since Olivers Creek was contaminated, and we are still in a process where people are given financial compensation if their domestic water supply is contaminated. Depending on whether or not it is useful, they say it is appropriate use or misuse but either way the outcome is the same. Can I just ask, in your adverse impacts committee or whatever, how many complaints have you actually had from people about the use of Atrazine in Tasmania?

Dr Bennet-Jenkins—I would have to take that question on notice. I am not aware of any specific complaints. We get those channelled through, and it is through our own intelligence that we hear of the community in Tasmania complaining.

Senator MILNE—You said that those channels come from the state government or Forestry Tasmania. Could I ask you to give me on notice the number of admissions or complaints that they have forwarded to you for consideration. I will then match that against the number of complaints that they have paid out on for either appropriate use gone wrong or misuse, depending on which way they want to use it.

Dr Bennet-Jenkins—Certainly.

Senator HEFFERNAN—I am going to come to lamb and a couple of other things in a minute. If I was to take you quietly down there without the media and just drive you somewhere into where they were flying it on, you would discover that they just fly over the waterways and away they go. And they put on a huge amount because it does a much better job. Isn't there a case to be made out for some sort of harmonisation across Australia of the application of the chemical? My worry is the misuse, not the use. I am a farmer and I declare I have used Atrazine and do use Atrazine. We no longer fly it on; we do it by ground. It is the same as ester. If ever I saw a case for a chemical that needed to be controlled, it is ester. Why

couldn't the Commonwealth have some influence on a harmonisation of the application? At the moment it is just Rafferty's rules.

Mr Aldred—As we have indicated, the regulatory responsibility does sit with the states and territories, but through some of the ministerial council subcommittees and so on it is certainly an issue that we can raise. It will inevitably come back to the level of resourcing and the level of vigour that is applied at that level.

Senator HEFFERNAN—We are about to come to lamb and the lamb is fixable. This is fixable, but you just have to go out there and see it happen and then do something about it. There are all sorts of economic intimidation. I have seen politicians in this place intimidated by the economic arguments of forestry in Tasmania to the point where they shut up. The same goes for the people in the industry. They do not want to lose their jobs; they do not want to dob the boss in. These aerial operators do not want to lose the work. I just think you should quietly have a look for yourself and then decide a strategy. You can go to as many meetings as you like after people have been in the airport lounge and flown up the front of the plane, then arrive in Canberra, have a nice dinner the night before, go to the meeting and all be polite to one another—and they go home and you are none the wiser, because it is all turned up in bureaucratic speak. I invite you to come with me and I will take you for a wander through what they are doing. You only have to go as far as up the back here—I had better not name the district—where there is a beautiful stream. I had some cattle next door and I said to the bloke, 'Do you mind if I catch a fish in the stream?' He said, 'Mate, they're all dead; they sprayed so many weeks ago and killed all the fish.' Nothing happened about it. Maybe on medical benefits you could have a thing for free removal of the second head or third ear that grows.

Senator O'BRIEN—You have to go to Tasmania for that.

Senator HEFFERNAN—No, not just Tassie, mate. That is just down the road here, that one. You can actually deal with it if you want to. Up in Kununurra where they—

CHAIR—My part of the world, yes.

Senator HURLEY—Now he is picking on our state.

Senator HEFFERNAN—That is all right; I will pick on the lot. You have great credit in Carnarvon mate—they are really efficient water users there. But in Kununurra the sugar job has just folded and it is going to be all taken over by the trees—a giant MIS, the sandalwood. It is just going to become a waste of time with plenty of money for the promoters. The investors will get a shock in a few years. There in Ord stage 1 they still return the tail water to the stream. Can you imagine what that means in terms of what we are talking about here? They say the system is designed so they cannot do anything about it.

Senator SIEWERT—It is easy not to do anything about it.

Senator HEFFERNAN—If they are using cyanazine up there in some of the stuff that is going broke, it would be a huge impact on the stream. You blokes must know about that—I have been there and have had a look—but nothing has been done about it. They are still putting the chemical in the tailwater back into the stream. You can sit there with deadpan faces for the next five years; we need to do something about this stuff. The people that are fair dinkum out there in some areas like Carnarvon are appalled by this. Anyhow, for what it is

worth, you do not have to respond but if you were fair dinkum I could soon organise a trip around to show you what is really going on and you could do it without all the peripheral bloody sideshow.

Dr Bennet-Jenkins—We do take quite seriously going out in the field and talking to the growers and finding out precisely what their practices are. We did that under the old governance structure. The board used to travel quite extensively, and indeed we went to Tasmania and had a look around there, and we do it now particularly as part of the review process.

Senator HEFFERNAN—You announce your arrival.

Dr Bennet-Jenkins—Yes.

Senator HEFFERNAN—This is the same as the citrus canker thing in Emerald, which was a national disgrace. They said, ‘We’re coming to inspect you,’ so in a small town they were there ready with the tea and the biscuits. You have to come unannounced. If you are going to see a forest being sprayed in Tassie, you don’t tell them you are turning up; you just turn up to see what is going on. I cannot believe that no-one says boo to a goose about irrigation schemes—and obviously in tailwater, depending on whether it rains straight after you sprayed, things go wrong. All human endeavour has human failure.

Senator BOSWELL—Feel better?

Senator HEFFERNAN—Senator Boswell, you might think it is a joke. I do not think it is a joke; I think it is a disgrace.

Senator BOSWELL—I do not think it is a joke.

Senator HEFFERNAN—And the answer is that I do not feel better, because nothing seems to be getting done about it. The honest blokes will wear the consequences. Eventually enough placard people who smoke pot and plait their armpits will hold up enough placards and they will ban the damned stuff.

CHAIR—I am sure, Senator Heffernan, that your passion for this will not go away in the next couple of minutes.

Senator HEFFERNAN—Can I be indulged here for a minute or two more, Mr Chairman?

CHAIR—Yes.

Senator HEFFERNAN—Is now the appropriate time to talk about the lamb thing?

Mr Hunter—I think that might be when we get around to the Australian Quarantine and Inspection Service.

Senator HEFFERNAN—Is this product integrity now, though?

Mr Hunter—Yes, it is.

Senator HEFFERNAN—Isn’t that what I am talking about—product integrity?

CHAIR—Can I just add, that in all fairness Senator Heffernan did raise it earlier and was advised that this would be the time to bring it up.

Senator HEFFERNAN—So will you blokes come back for that?

Mr Aldred—Yes, Senator, we will.

Senator HEFFERNAN—I do not want to lost your valuable input.

Mr Aldred—We can start now, if you would like to.

Senator HEFFERNAN—No, we will do it in one hit .

CHAIR—Senator Nash has waited patiently and has been scratching to ask some questions, as has Senator McGauran.

Senator NASH—Is this the appropriate time to raise the health of our bees—as in bee die-off? We had quite a long discussion about it last year.

Mr Aldred—Yes, Senator, I understand that it is.

Senator NASH—Excellent, thank you. Some of my colleagues and I are very keen to see where things are at the moment—what is happening in the States and what our response is and has been to managing this.

Dr Carroll—Thank you. We did have a study team go across to the United States following the last Senate estimates, particularly Denis Anderson from CSIRO, Dr Iain East from our own area, and Paula Dewar, a queen bee breeder. They met with various US scientists, attended a symposium, produced a report and in particular answered a claim which had been made associating Australian bee exports with colony collapse disorder in the United States.

Following the investigation tour it was concluded that there was no link between the Australian bee exports to the United States and the development of colony collapse disorder. Some elements of the US bee industry had put it down to a particular bee virus. The causal link cannot be firmly established and there are quite a few elements who now think that it is not linked to that particular virus but more an accumulation of various environmental and disease factors such as varroa mite and the way the US manage their bees, which is wholesale movements of bees all over the United States. In fact with one significant bee breeder, who moved half their bees around and kept half their bees fairly still, the mortalities were far less for the bees that were not moved all around the place. So there are some idiosyncrasies with the way the US bee industry is structured and the way they use their bees.

Certainly, the latest thinking by us and the US has been that it is not decided to impose restrictions on our bee imports because the colony collapse disorder is still being investigated and the exact causes are not known. It might well be a multifactorial disease. In fact it may be more than just one syndrome. The last big deaths were in 2006 when they lost up to 45 per cent of bees. But in a normal season they are thinking of losing something around 20 or 25 per cent of bees anyway, so they have very severe losses regardless. A lot of that is linked to the way they run their industry or the way they need to because their climate is so different from ours.

Senator NASH—Could we have a copy of that report for the committee?

Dr Carroll—Yes.

Senator NASH—That would be quite helpful.

Senator SIEWERT—Is the bee decline in America continuing? You were talking about the 2006 year when they had the massive decline of 45 per cent. Were there similar declines in 2007 or did it improve?

Dr Carroll—My understanding was it was not as bad in 2007, but I would have to get more information on that. The big mortality event, so as to speak, was 2006.

Senator SIEWERT—Last time we were talking about this was May last year when we were talking about the large number of exports from Australia. Are we still exporting similar numbers?

Dr Carroll—My understanding is that, as a result of the trip and also a scientific article that was published by our people quite recently, the US has not put additional requirements on our bees and they have left the trade as was.

Senator SIEWERT—The point we were at, if I recall it—and it was very late last time we were discussing it—was that there was some concern expressed I think by committee members about the large numbers exported from Australia considering we were obviously interested in the health of our industry and maintaining its vigour.

Mr Aldred—I am not sure that we have got recent figures to hand on exports, but we will certainly chase them up and provide them to the committee.

Senator SIEWERT—That would be appreciated, thank you.

Senator NASH—I have another issue, if there is nothing more on that. Just very briefly, does NLIS come under this program—good. Can we have a bit of a report on how that is going at the moment in terms of implementation? The funding I think was for a four-year period—where are we with the funding and are there any proposed changes to the funding?

Mr Aldred—I will deal with the funding and Mr Magee will follow up. The current funding for NLIS expires at the end of this financial year. To date, against expenditure and the projection of \$5 million into NLIS this year, current spending is at \$4,082,000. That is at the end of January so there is a little way to go.

Senator McGAURAN—You mentioned that \$5 million, and that is the end of it—has that gone into the sheep identification scheme?

Mr Aldred—It goes into a range of different schemes across the whole of the NLIS, including goats, alpaca and sheep.

Senator McGAURAN—But cattle has finished, hasn't it?

Mr Aldred—The system is still ongoing.

Senator McGAURAN—How much has been dedicated to the cattle?

Mr Aldred—There was originally an allocation of \$15 million out of the original \$20 million. My recollection is that the bulk of that has been used in the cattle system. Perhaps Mr Magee can advise on what I am unable to tell you about expenditure under the \$15 million to date.

Mr Magee—As was pointed out, the substantial part of that \$15 million has been provided to Meat and Livestock Australia, who then administer the program with the states.

Senator McGAURAN—All of it?

Mr Magee—The \$15 million, yes. You have noted that the NLIS for cattle is quite well advanced. They have adopted the radio frequency technology for traceability of cattle; whereas with the sheep it is fair to say that we are still at an earlier stage with the development of that process.

Senator McGAURAN—Sorry to interrupt you, but I thought the cattle ID system was completed—done and dusted.

Mr Magee—As Mr Aldred said, it is ongoing. There is still ongoing development of their databases, but the system itself is in place—

Senator McGAURAN—It is up and running. Would I be correct in saying that implementation of the sheep identification system will be no less onerous than for the cattle system? Of course, its budget allocation is miserly compared to the cattle system.

Senator Sherry—The previous government was responsible for that miserly allocation, as you describe it, Senator McGauran.

Senator McGAURAN—I thought that would come sooner or later in these estimates.

Senator Sherry—You did raise it.

Senator McGAURAN—My question is this: will the remaining \$5 million be predominantly allocated—let's say 90 per cent allocated—to the sheep identification system?

Mr Aldred—That is correct. A large proportion of the \$5 million will actually go to sheep and goats. There is also some funding likely to be allocated to alpacas.

Senator McGAURAN—Has more been sought by the sheep industry?

Mr Aldred—I am not aware of any formal approach for further funding.

Senator NASH—Is the assessment for the efficiency of the different programs under the NLIS done by industry or does the department have any kind of oversight role in assessing, as I assume you probably do with the cattle industry and now with the others, of each of the particular areas?

Mr Magee—Yes, we do have a role in that, but significantly we have run a couple of exercises both on NLIS cattle and NLIS sheep. The exercise for cattle I think was referred to Cowcatcher. It involved trace-forward and trace-back of animals and showed a very a high percentage of compliance with the traceability. The sheep exercise probably reflects the fact that NLIS in the area of sheep is still a manual system. The report that is coming out from that has further recommendations for work jointly between the states, the sheep industry and the federal government.

Senator NASH—I believe there are penalties for noncompliance. Is that overseen by the states?

Mr Magee—Yes.

Senator NASH—Have there been many, though—in the separate areas to this point that the department is aware of—instances of people being prosecuted for noncompliance?

Mr Aldred—There have certainly been some. I do not have the details with me, but it is actually probably a better reflection that the market starts to build it in, as I believe the committee discussed last time. As the systems get accepted right through the chain, if animals turn up without tags, then they do not get into the system.

Senator NASH—Does the department have a list of those people who have been prosecuted for noncompliance?

Mr Aldred—I doubt that we have.

Mr Magee—I do not believe that we maintain such a list but, certainly, the states and territories may have that.

Senator NASH—It would be interesting to see how many instances there have been.

Mr Aldred—We could take that on notice

Senator NASH—If you could take that on notice.

Mr Aldred—We could try to get a report on the numbers of prosecutions.

Senator NASH—It would be quite interesting, thanks.

Senator McGAURAN—When is the sheep ID system expect to be complete? Is it always ongoing?

Mr Aldred—It is always ongoing. There is a lot of work still to do over the next few months, particularly following the results of the testing of the system that Mr Magee mentioned earlier.

Senator McGAURAN—So it is just a matter of months?

Mr Aldred—With all of the systems it will be ongoing for years.

Senator McGAURAN—That is just tweaking the technologies, isn't it?

Mr Aldred—Ongoing refinement and suggestions for improvement or how they might mesh into other systems and so on.

Mr Magee—One of the big issues with the sheep industry is how they adopt whatever sort of technology they use. One state, Victoria, is running a pilot trial on electronic technology for sheep but, as Mr Aldred said, it will take some years to get acceptance and agreements from all the jurisdictions to adopt that.

Senator McGAURAN—Victoria has always been ahead in this National Livestock Identification System with cattle and sheep. Would you agree with that?

Mr Magee—Victoria has shown a lot of initiative, and the people involved in NLIS in Victoria are very active contributors to the national discussions on this issue.

Senator McGAURAN—I thought I would just get that in.

Senator MILNE—I just wanted to ask Dr Carroll what involvement you have in oversight or coordination, in any way, with the Tasmanian devil program?

Dr Carroll—Essentially, the main thrust of that program is being run out of the Department of Environment, Water, Heritage and the Arts. So the Commonwealth is involved. It is about a \$25 million program, and the Commonwealth is contributing about \$10 million

over five years towards that—that is the advice I have. So we are not specifically a major player in that, though we do provide technical advice and support through our Wildlife Health Network that we run out of the office of the CVO. Predominantly, that is being managed by the state government of Tasmania and the environment department.

Senator MILNE—Specifically, in relation to your role, concern has been expressed on a number of occasions that Tasmania has blocked continually, until probably the last 12 months or so, getting tissue samples overseas and getting a national perspective on the devil disease, and there has been a real reluctance to have any kind of look at what they are doing on epidemiology and other things. I just wanted to know what role you have in getting tissue samples overseas and overseeing the actual investigation of what is going on with the disease.

Dr Carroll—Our role would be purely as facilitator in that the actual responsibility for the disease rests with the Tasmanian department responsible for agriculture and environment. We would facilitate any interlaboratory contacts overseas, we would facilitate any discussion and we are cooperating with them in a low-key way through our wildlife area. But the prime responsibility, from a Commonwealth perspective, is resting with Environment.

Senator MILNE—Have you been asked to facilitate the transport or transfer of tissue samples to overseas universities, laboratories et cetera?

Dr Carroll—Not that I am aware of, no.

Senator MILNE—You have not been involved in any way?

Dr Carroll—I am not aware. I have only been in the position since last December.

Senator MILNE—Could I ask you to take that on notice, then. If you could indicate to me whether the Commonwealth has been asked to facilitate tissue sample, research, exchange and that type of thing with international research agencies, laboratories et cetera and, if so, when and what and that sort of thing.

Dr Carroll—Certainly we will do that. I should stress as well that Tasmanians on their own behalf can certainly make contact with those organisations too, so they would not necessarily need to use us. If they did want to use us we would be there to help facilitate and do anything we could to assist, but they also have their own networks that they could use themselves. They would not have to come through us for that.

Senator MILNE—Thank you.

Senator HEFFERNAN—Is now the right time to have a crack at mulesing?

Dr Carroll—Yes.

Senator HEFFERNAN—As I said earlier, this store has banned wool from sheep that have been mulesed. I have to make a declaration of interest too—I grow wool.

Senator HURLEY—So do I.

Senator HEFFERNAN—Can you give this committee any advice on where we are up to with the injectable mulesing? Has it failed? I am told it has failed its animal efficiency test, with the result showing it is more painful than mulesing. Is that true or false?

Ms Standen—The issue of phasing out the practice of mulesing by 2010 is an industry commitment, and Australian Wool Innovation as the R&D body for the industry has been undertaking a great deal of research in recent years to come up with a viable alternative to mulesing. One of the possibilities was the injection method to ease the pain. I am unable to give you any details on how that research may have unfolded, but I can certainly take that on notice and get some more information to you. There are a number of other alternatives as well that are in the pipeline, some of which I am aware of and some of which I am not because they are—

Senator HEFFERNAN—Tell us the ones you are aware of. Is the chemical mulesing a goer or not?

Ms Standen—That is the netting that is put over the sheep?

Senator HEFFERNAN—You just take us through what you think might work and might not work, because we are going to look bloody stupid if nothing works.

Ms Standen—It is probably best to stick to the one that is looking most hopeful at the moment, and that is the clips.

Senator HEFFERNAN—All right, stay with the clips. The clips have proven to fail in up to 60 per cent of sheep trialled. When you put them out the gate, they rub them off.

Ms Standen—I am not aware that they do not work. I have not been informed by Australian Wool Innovation that they are—

Senator HEFFERNAN—Are you in charge?

Ms Standen—I am the general manager of the animal welfare branch.

Senator HEFFERNAN—Who would know if they are working if you do not?

Ms Standen—You would probably need to ask Australian Wool Innovation, who are the R&D body undertaking the research.

Senator NASH—But don't they report back to somebody in the department to let them know what is happening?

Ms Standen—Yes, they do, but we are not aware of the day-to-day details of the research.

Senator HEFFERNAN—I understand that they are aware, but they do not want to let you know.

Ms Standen—They are an independent company—a Corporations Act company—and are answerable to wool growers. They do have a statutory funding agreement with the government because we do provide matching R&D funds, but, as to the day-to-day details of the work they undertake, they are answerable to growers.

Senator HEFFERNAN—But you have not bothered to inquire as to whether it is working? I realise you are busy.

Ms Standen—We work with Australian Wool Innovation reasonably closely, not so much in our area on the details of the research that they are undertaking but more in relation to the work that they are doing with overseas customers in terms of—

Senator HEFFERNAN—But hang on. The whole of the wool industry relies on these things working, and you say you do not bother to ask them whether they are working.

Ms Standen—No, that is not what I am saying.

Senator HEFFERNAN—Have you asked them if the clips are working?

Mr Aldred—We have not had a recent discussion on the specifics of the R&D with Australian Wool Innovation.

Senator HEFFERNAN—Can you have one?

Mr Aldred—I am more than happy to do that.

Senator HEFFERNAN—Can you report back on that next time?

Mr Aldred—I am sure I will.

Senator ADAMS—But surely when that grant was put out there was an evaluation date—there must have been.

Ms Standen—If I could just bring the conversation back to the clips, I do not know where you have got your information that 60 per cent of the clips do not work, but the information that we have received from Australian Wool Innovation is that they do work.

Senator HEFFERNAN—Not in all trials; in some trials there is up to 60 per cent failure.

Ms Standen—The indications that we have had from Australian Wool Innovation are that the clips are working well. The main problem with the clips is being able to collect them once they have fallen off the lambs.

Senator NASH—How much funding is the department providing into the research?

Ms Standen—The department matches dollar for dollar R&D with industry R&D bodies. So far, in relation to mulesing, or alternatives to mulesing, the department has expended \$4 million through AWI R&D projects.

Senator NASH—Over what period of time?

Ms Standen—I cannot tell you precisely, but that would be over a three- or four-year period.

Senator NASH—Is there some kind of advice mechanism, given that there are a number of millions of dollars going into this—a requirement from the department in an ongoing formal process way for AWI to report back on where current status is? I appreciate that you probably do not know from day to day, but what is the process?

Ms Standen—Yes, there is. As I mentioned before, AWI is a Corporations Act company. It is answerable to wool growers, but, because of the statutory funding agreement that the Commonwealth has with that company so that we can provide matching R&D, there are arrangements in place for reporting to the department, the minister and the parliament.

Senator NASH—And what are those arrangements?

Ms Standen—I cannot go into any details on the arrangements that are administered by our Rural Policy and Innovation Division.

Senator NASH—So if I raise that in rural policy when that comes up, they will be able to—

Senator HEFFERNAN—How long ago did they get the money for these trials?

Ms Standen—I will have to take that on notice.

Senator HEFFERNAN—A year or two years? Ten years? Fifty years? How long ago, roughly?

Dr O’Connell—We can take it on notice.

Senator HEFFERNAN—Yes, you can. But you must have some idea. Was it a year ago? Surely to God there is someone in the back room there who knows the answer. When did we give them the money for these trials?

Ms Standen—We do not give them money.

Senator HEFFERNAN—Well how long have the trials been going on?

Ms Standen—As I said to an answer previously, I am not precisely sure how long these trials have been going on—

Senator HEFFERNAN—But, if you don’t know, who does know?

Ms Standen—but they have undertaken within the last three or four years.

Senator HEFFERNAN—But who does know? If you don’t know—Dr O’Connell, who does know?

Dr O’Connell—We will find that before the day is done, if that is okay.

Senator HEFFERNAN—Because what I am told here is that—

Senator Sherry—It does sound to me as though these are arrangements that were entered into by the former government.

Senator HEFFERNAN—I don’t give a bugger who they were entered into by. This committee is not interested in that. We are interested in the right thing for the industry.

Senator Sherry—I appreciate your understanding, but there is a fair chance these matters could have been touched on before. I do not know whether you have raised them before.

Senator HEFFERNAN—No, sorry; you take information in as it comes. There is no offence to the government or the opposition or anyone else, but we just want to get it right. Because, if this stuff all fails, Minister, by 2010 we are going to be up the creek without an oar.

Dr O’Connell—If it would be helpful to the committee we could approach AWI and see if they will provide us with an assessment of progress that could be shared with the committee.

Senator NASH—And also, Dr O’Connell, perhaps somebody could raise that reporting process with Rural Policy and Innovation before they come this afternoon?

Dr O’Connell—I am sure we can do that today.

Senator HEFFERNAN—In this email it says, with regard to the injectable side of it, that AWI is hiding these results. That is a pretty serious accusation. Anyhow, there you go, we will

agree to your undertaking that you will report back on where we are up to, because obviously we have got to find a solution. Our wool trade is going to be boycotted if we do not.

CHAIR—I am sure, Senator Heffernan, that there are a few questions that you have asked—

Senator Sherry—Can we have a copy of this article that Senator Heffernan is quoting, because I am not familiar with that, although the minister may well be. Can we have the article or the allegations or whatever?

Senator HEFFERNAN—I can have a discussion about it.

Senator MILNE—Can I ask for an additional piece of information just in relation to that?

CHAIR—Please do.

Senator MILNE—Could we have the original agreement with this company about the trial and the date by which the evaluation was to be finalised. Clearly any kind of trial must have had an end date when they had to report back. Could we have the original arrangements for the trial, including the date by which it was to be concluded and an evaluation and report back was to be finalised. Could I have that in addition to what has been said.

CHAIR—Senator McGauran, you wished to ask a question? Sorry, Senator Heffernan, have you finished your line of questioning?

Senator HEFFERNAN—Julian, do you have questions on this?

Senator McGAURAN—No, on a different matter.

CHAIR—Bear in mind there is an undertaking that there are questions taken on notice.

Senator HEFFERNAN—I think the undertaking that you will get back to us with the latest is probably where we ought to leave it. I just hope that we have a solution, Mr Chairman, because, in my view—I cannot argue it globally—mulesing is still the best solution. But, as with circumcision for blokes, 30 years after the ban on circumcision has become palatable, now they are saying that perhaps we should not have put the ban on. I do not doubt that the same will happen with this.

CHAIR—Your passion for the topic will not wane over the next couple of hours while we wait for the answer to the question on notice to come back.

Senator HEFFERNAN—Is now the appropriate time to talk about BSE?

Mr Aldred—Yes,

Senator HEFFERNAN—It is?

CHAIR—Senator McGauran, bearing in mind that we have 25 minutes until lunch and we are desperately keen to question AQIS as well before they have to disappear this afternoon, did you have a question? Sorry to cut you off, Senator Heffernan, but I know that Senator McGauran has been waiting for a while.

Senator McGAURAN—Senator Heffernan, you want to raise a completely different subject, do you?

Senator HEFFERNAN—Mate, you do what you like. Do not spend half an hour talking about what you want to raise; raise it.

CHAIR—That is you, Senator McGauran; you are off.

Senator McGAURAN—No marks for politeness are there?

Senator HEFFERNAN—Come on! Get on with it. We do not have much time.

Senator McGAURAN—I want to raise a point and compliment the department, and the previous government, for that matter, on the support they gave industries in countering the misinformation, bias and lies of that odious group PETA—People for the Ethical Treatment of Animals. We all know them; we all know what they are; we all know their extremities, the illegalities and the violence and grief that they visit upon the rural sector.

Senator MILNE—What are they?

Senator Heffernan interjecting—

Senator McGAURAN—Bill, why don't you just shut up?

CHAIR—Gentlemen, as much as I have longed for the day to come when you start fighting amongst yourselves, maybe we will do it during lunch and we shall continue with the questioning.

Senator McGAURAN—I am attempting to compliment the department for their close workings with the industry to counter this group. What plans, in particular what budgetary line items, do you have to continue such efforts for the 2007-08 year? I ask that question with a backdrop which would not interest you but may interest the minister at the table, because the incoming government—without question, in my mind—would have a completely different approach towards PETA, particularly with the influence they take on board with the Greens. So my concern is, of course, that all that effort is just going to evaporate. What are your plans, and particularly budgetary plans, for working with the industry in 2007-08?

Senator Sherry—Five minutes on, but great question.

Ms Standen—Senator, in relation to the work that the government undertakes with industry to support the industry in its endeavours to sell wool overseas and its trade efforts, it is more of a whole-of-government approach than anything specific or anything budgetary that you could point to. A lot of work is done through our overseas posts in supporting the industry in its work with retailers and buyers overseas.

As I mentioned earlier, in answer to a question from Senator Heffernan, we also work quite closely here in Australia on assisting AWI in its marketing and R&D efforts in terms of mulesing in particular, which is the issue that the Australian wool industry currently has to deal with in terms of its overseas markets and customers. So while we as the department do not have a particular line item that we would say is for work that we undertake with the wool industry, a lot of work is being undertaken by a number of departments to support the industry.

Senator McGAURAN—What about the livestock? Cattle and sheep trade is another important area.

Ms Standen—Are you talking about live exports?

Senator McGAURAN—Yes.

Ms Standen—The live export issue is something that is covered by a number of areas in our department. If you have a specific question about live exports I am not sure I am the right person to answer.

Senator McGAURAN—But you are in regard to supporting industry against the misinformation of PETA, aren't you?

Ms Standen—Yes.

Senator McGAURAN—With regard to livestock exports?

Ms Standen—Yes. Again, it is similar to the work that we undertake with the wool industry. We work very closely with—

Senator McGAURAN—What does that mean?

Ms Standen—Again, the specifics of this might be better handled by other areas of the department, but I will give you a general answer. We undertake quite a bit of work through our post in the Middle East, working with industry bodies and governments in the Middle East, to support the live export trade and to improve animal welfare outcomes and animal husbandry practices. We work quite closely with the live export industry here in Australia in developing programs and training for importing countries, both industry and government.

Senator McGAURAN—I am sorry to interrupt you, but that sounds like you are telling me that all you do is market the product well. I believe you specifically counter the misinformation given by PETA. I guess I am asking: have you been told to stop that?

Ms Standen—No.

Senator McGAURAN—Is there a difference in atmospherics now with the new minister?

Ms Standen—Senator, there hasn't—

Senator McGAURAN—In the past you have specifically countered PETA's misinformation—not promoted a product, which is different.

Senator Sherry—We have got the drift of the question. Can the officers answer?

Senator McGAURAN—You think I am drilling the question too much, Minister. Okay; I await the answer.

Dr O'Connell—The broad answer is that there is no change in the emphasis of the work we are doing or what we expect to put to that work. I guess in that context, when you look at instructions, the minister has made it very clear publicly that he will continue to support the work involved in helping the livestock export industry.

Senator McGAURAN—To counter PETA's misinformation—not just to help them but to counter PETA's misinformation.

Dr O'Connell—I do not want to engage in a discussion around whether or not a certain set of interest groups in the community is providing misinformation. It would not be appropriate for me to make those calls. But in terms of ensuring that our trade has the right support in terms of market access, that is part of our mainstream job.

Senator McGAURAN—Your annual report says:

The Department continued to support industry efforts to counter the international campaign against mulesing and live exports conducted by the United States-based group, People for the Ethical Treatment for Animals.

To use the word, you have ‘targeted’ PETA, as they have targeted the industry.

Dr O’Connell—You used the word ‘misinformation’ and I did not want to engage in whether or not they were providing misinformation. Clearly they have a campaign and clearly we have been working to counter that. But that is a lot different from our engaging in whether or not PETA are misinforming people.

Senator McGAURAN—Can the minister at the table assure us—or the industry, more to the point—that, as the annual report said, the department will continue to support the efforts to counter the international campaign conducted by the United States based PETA group against livestock exports in particular?

Senator Sherry—I know that Dr O’Connell has just said for the record that the approach of the current minister, Mr Burke, has not changed. You have made your point—I think, on my calculations, eight or nine times so far—and the assurance has been given.

CHAIR—On that, Senator McGauran, I know Senator Milne has a couple of questions, bearing in mind that we have 15 minutes left. If we could wrap up within that time so we could have all afternoon for our next lot, that would be good.

Senator MILNE—I wanted to just follow up on the live sheep export trade in particular. You say you work with industry to improve animal welfare outcomes. Do you keep a record of the number of deaths per shipment? What evaluation or analysis do you have to suggest that there is any improvement?

Mr Aldred—As Ms Standen has indicated, it does cut across a number of areas of the department. If we could hold off on that until the international division appears, we will make sure that we remain available because it actually does cut across a number of areas that we do not have particular jurisdiction with in this division.

Senator MILNE—I just would have thought that the head of animal welfare might be able to tell me about the evaluation of animal welfare. I have another question in relation to this. Regarding battery hens, are there any ongoing assessments or inquiries into the welfare concerns people have about the current practices of the battery hen egg growers?

Ms Standen—In relation to caged hens, the regulations pertaining to that industry are a matter for the states and territories and, therefore, any analysis or research that is undertaken in relation to that would be best done by the states and territories. We do not undertake any specific analysis as the Commonwealth.

Senator HEFFERNAN—Where are we up to with the proposition for mandatory removal of SRMs and where is the industry? Where are the renderers and the small blokes versus the big blokes? Bear in mind that the deal at the moment is that as long we do not get a reactor we are all right and if we do all meat comes off all shelves.

Mr Aldred—Dr Biddle will respond.

Dr Biddle—The work for the mandatory removal of SRMs as a precaution against a potential future occurrence of the disease in the Australian cattle herd continues to be researched by a working group of Safe Meat. The working group last met in early February and its report is going up to the Safe Meat partners within a few weeks. It is intended that a number of specific consultancies be commissioned to look at the costs and benefits of different removal strategies.

Senator HEFFERNAN—They have not done the cost benefit analysis as part of the—

Dr Biddle—It is still work underway.

Senator HEFFERNAN—When did we have that meeting at Mascot airport?

Dr Biddle—I think it was in the first quarter of last year.

Senator HEFFERNAN—What progress have we made since that meeting?

Dr Biddle—The agreement has been reached to form a working group of Safe Meat. It has met on a number of occasions and is—

Senator HEFFERNAN—Couldn't you have done that the next week?

Dr Biddle—It is fairly complex.

Senator HEFFERNAN—This is pretty scary, because you can self-insure by mandatory removal of SRM or you can take the risk. At the moment we are taking the risk. I heard the arguments there that some people think it is a very minimal risk, and I can understand the renderers—they want to use the stuff rather than have it disposed of—but it is a very, very slow process.

Dr Biddle—I think it is also a complex process because the costs and benefits fall on different sectors of industry, and there needs to be a lot of consultation to get a consensus.

Senator HEFFERNAN—It is like the hangman's noose. Dr Biddle, it would be fair enough to say that it is a fairly drawn out bureaucratic process, but if something went wrong it would all get done in 24 hours. I actually think it is absurd that Australia does not insure its cattle herd. For the meat we send to Korea, Japan and America we take out the SRMs, and yet there is other meat we do not take the SRMs out of and, if we get a reactor, the whole thing shuts down—all meat comes off all shelves; the whole show shuts. I cannot believe that it would take them a year to decide that we would meet about it. I thought there was some urgency in that meeting down there—and I was mightily pleased to be invited to the meeting, I might say. But there you go; you gave me the answer. I just hope we do not get a reactor.

Proceedings suspended from 12.51 pm to 2.02 pm

CHAIR—We have had a request from Mr Perrett from the Grains Research and Development Corporation to come on now. The committee has met and we have granted that request. The witnesses are on their way now.

Mr O'Connell—While we are waiting, can I say that we have followed through with AWI on the mulesing issue and they should be able to provide a report on the state of play that we can provide to you within about a week.

Senator HEFFERNAN—My understanding is that, as of half an hour ago, they have not had the report. Has someone been in touch with AWI?

Mr O'Connell—Yes, we have been in touch with AWI.

Senator HEFFERNAN—So have we, and they do not have the results either.

Mr O'Connell—They have undertaken to provide us with something within a week, so we will get back to you.

Senator HEFFERNAN—While you are at it, could you also ask AWI their view on Better Choices, which is a Bayer program for pain relief, as opposed to these other things? One of the things that is going wrong with the pegs is that they fall off because they are not put on properly.

[2.08 pm]

Grains Research and Development Corporation

CHAIR—We will now deal with the Grains Research and Development Corporation. Mr Perrett, over to you.

Mr Perrett—Thank you very much for bringing us forward, Chair. I understand that it has made your agenda a bit more difficult, but there are some personal circumstances involved—a family illness, unfortunately. Thank you very much and thank you for the opportunity to be here.

I took over the GRDC chairmanship on 1 October last year. It is certainly a very involved business—I would not say a complex business, but it is certainly very involved—which covers the wide range of providing research and development and extension to the cropping sector in Australia. It is an organisation which I went to with some preconceived ideas, looking at the future. I can report to you that I am very impressed with the way in which the board and the previous chairman of that board have conducted its business, set up its lines of business and set in place its risk management strategies. That was certainly acknowledged when the Grains Research and Development Corporation was awarded the National Australia Bank agribusiness risk award for Australia last year. With me is the managing director, Mr Peter Reading. We look forward to answering any questions that you may have.

CHAIR—Thank you very much, Mr Perrett. Are there any questions?

Senator HEFFERNAN—Do you include canola in your studies?

Mr Perrett—Yes.

Senator HEFFERNAN—Why is it that, with the debate on GM canola, we are stupid enough to tolerate the proposition that we reverse legal onus on the non-GM grower? Could you explain that to me?

Mr Perrett—No, I cannot, because it does not make sense to me.

Senator HEFFERNAN—What are we going to do about it? It is bloody stupid!

Mr Perrett—It is an industry issue. One thing that the industry did do very well over 12 months previous to some of the moratoria being lifted was to get together right across the value chain—from researchers, growers, through to marketers and processors—and put in

place a management system for the introduction of GM canola. That has been widely accepted and signed off by the majority of players in the industry. So that is a framework to work with.

Senator HEFFERNAN—But Mr Perrett, it is all based on segregation.

Mr Perrett—Yes.

Senator HEFFERNAN—Being an old cocky, you would know how difficult it would be in reality to segregate two lines of canola, especially when you have got contract harvesters and all the garbage that goes with planting, headers and trucks. When you switch from your canola to your wheat, with the first truckloads you are still getting canola in your wheat. The proposition is that somehow you are going to have a segregated market. I have a very strong view about the chemical regime that goes with it and if you do not have the right management program you will get serious resistance problems. The proposition is that you can have this bit of a freeboard around your crop and you are right for bees and things, but isn't it doomed to failure if the legal onus—and a lawyers' feast—is reversed onto the non-GM person? Isn't that just a mighty con by a global cartel?

Mr Perrett—No. What you will see—and I misunderstood your earlier question—is that, if the marketplace demands segregation and there is a commercial value in that segregation, then certainly the market can do it and that is what the report looked at very clearly: what needs to be done if you needed to segregate. If you needed to go through the process of cleaning a header down, which we do now in certain areas of Australia, if we want to move harvesting machinery from the west to the east, we need to go through that machinery. If we need to move from north to south Queensland down into New South Wales, we need to take away the seed.

Senator HEFFERNAN—But, with great respect, if your neighbour—which is from here to there if he has a fibro—is growing GM canola and I am not and I end up with some of his in my crop and it is identified, I am legally liable. How much sense does that make?

Mr Perrett—I am not sure where you are legally liable. In the reports we have had and which were looked at earlier on in the debate, if we look at the potential for canola to move from cross-species and contaminate, it is very minimal over distance.

Senator HEFFERNAN—If I use non-GM canola and I re-use my seed and I get a one per cent contamination in the first year from someone else or the contract harvester, or however I get it, and I am using in good faith non-GM canola, after one per cent that will become 10 per cent and after 10 per cent it will become 50 per cent, and in no time it is seriously contaminated if you re-use your own seed. I can understand Monsanto six or eight years ago—and good luck to them—taking the proposition that to get their chemicals specific to a specific crop they had better tie up the seed, which is what they have done. But why is it my responsibility and why can they sue me for not having paid a licence fee for having GM in my non-GM crop? I mean, what sort of sense is that? I accept that if you want to feed a whole lot of unemployed lawyers.

Mr Perrett—I am not sure that that is actually the case, Senator Heffernan—that that is what would eventuate. If we look at some of the crops in the US, and I think you are referring to one particular case, it was clearly proven that he had used Roundup to take other varieties out of the crop and use it.

Senator HEFFERNAN—I am not referring to any particular case. I am just referring to the simple practicalities of separating canola.

Mr Perrett—Well, the industry has done a report—

Senator HEFFERNAN—With a certain level of contamination allowable.

Mr Perrett—Yes.

Senator HUTCHINS—Mr Chair, I am interested in the answer. I would like to let Mr Perrett answer. I have no difficulties in you, Bill, continuing to carry on the way you are, but let the man answer his question before you jump in.

Senator HEFFERNAN—Yes, all right.

Mr Perrett—The industry looked very clearly at the report on the whole issue of segregation contamination across industry. That report said that it was quite possible. I do not have any reason to doubt that. We can sit here and argue all day, but the facts of the matter are that the industry has looked at it very carefully and very clearly and it believes that we can segregate if the market requires it and we will not have that major issue.

Senator HEFFERNAN—Who is ‘the industry’?

Mr Perrett—The industry is as you would determine it.

Senator HEFFERNAN—No—tell me who looked at it. I will tell you who looked at it: GM producers looked at it.

Mr Perrett—Researchers, growers, scientists, marketers, processors—you cannot get much more comprehensive than that.

Senator HEFFERNAN—Best of luck, mate.

Mr Perrett—Thank you.

Senator McGAURAN—Did your organisation give a recommendation? You mentioned researchers.

Mr Perrett—I do not believe our organisation had direct input—

Mr Reading—We are one of the 29 signatures on the document. From an R&D perspective, we believe in terms of the technicalities, in terms of the performance of the crops there and across the supply chain, and in looking at how it can be done in terms of segregation and good agricultural practices. We believe it can be done.

Senator HEFFERNAN—A perfect bureaucrat.

Mr Reading—Sorry?

Senator McGAURAN—So your organisation actually undertook research into the GM/non-GM segregation possibilities?

Mr Perrett—No—that was something the industry did across that industry—

Senator McGAURAN—Did you do any work in that area?

Mr Perrett—No, we did not.

Mr Reading—Not through the supply chain. GM maize in Europe is an interesting one because Europe has been very much going along the concerns of issues of going forward with GM. They have introduced maize into Spain, where they now grow about 110,000 hectares. Through a combination of buffers—

Senator HEFFERNAN—Canola is a completely different composition to maize.

Mr Reading—Correct.

CHAIR—Senator Heffernan, Mr Reading is trying to answer Senator McGauran's question.

Senator HEFFERNAN—Do not fog the argument with me.

Mr Reading—No—I would hope to not be fogging the argument. Let me just finish with maize and then I will talk about what the concerns are regarding canola. In terms of where they have introduced maize, what they have used is a combination of border rows, a combination of withholding and a combination of what they basically call good agricultural practices—and that is about telling your neighbour if you are going to grow GM—cleaning out equipment, segregation in terms of the silo et cetera. That has worked quite well. I saw a stat quite recently where each year there are something like 14,000 cases of litigation, and none of those so far have involved a GM issue. They have all involved usual things like herbicide damage, farmers' rights on properties et cetera.

Picking up on Senator Heffernan's point, he is correct: maize and canola are two very different crops. The biggest issue with canola is basically controlling volunteers. That is where the potential issue is and that is what they need to do. We need to look at agricultural practices et cetera. But that is the major—

Senator HEFFERNAN—It is not doable. With great respect, you can sit at the top of the plane and in the airport lounge for as long as you like, it is not doable. I am not against GM canola; I am against the proposition that somehow you are going to successfully segregate it. It should be either all in or all out. I have heard all the arguments about the offset for tying up the price of the seed in the chemical regime is a higher yield. That is debatable. If you put enough work into non-GM, you can increase the yield too. The segregation is just rubbish. It should be all in or all out. Mate, I have been growing canola for years. The Wheat Export Authority is a great example of a body that was a bucket of custard at the end of the day in terms of what was going on in wheat marketing. This will be the same.

CHAIR—Senator Milne has a question, Senator Heffernan. I am sure you can agree to disagree on this issue.

Senator MILNE—It is not on the canola issue.

CHAIR—Are there any other issues on this question?

Senator NASH—I have a couple of quick ones on canola, probably to the minister actually. I am genuinely interested in the federal government's position on GM canola. Could you outline that to the committee?

Senator Sherry—If you want that position, I can take it on notice and Mr Burke can come back to you with a response.

Senator NASH—If you could.

Senator Sherry—I will.

Senator NASH—And soon would be good. Perhaps we could get that today, because that might not be too difficult.

Senator Sherry—I am not going to give any indication of a time line and, frankly, I would be surprised if it was today.

Senator NASH—That is very interesting.

Senator Sherry—Is it? I am amazed that it is.

Senator NASH—It is very interesting because I thought that would be something that would be quite simple to procure—very simple.

Senator Sherry—Look, you could ask a range of questions of me to pass on to Mr Burke, which I most certainly would on a very long list of issues. I would be surprised and I would be misleading the committee if I indicated that Mr Bourke could come back today with a response—I really would.

Senator NASH—Okay. I do not have a long list. I have one question. If you could just try that one for us today, Minister, that would be great.

Senator SCULLION—Through the chair, I am aware of the very cautious response from the minister representing the minister. We are not actually asking the minister if he has a view or a policy, and suddenly it is only him. We were simply wondering if the minister representing the government has already formulated a policy or not. I would have thought that is simply a yes or no answer, and that would be quite reasonably available today, Mr Chairman.

Senator Sherry—And there is a third response, and that is that I will take it on notice, which is exactly what I will be doing.

Senator McGAURAN—That is a convergence on the previous government's policy, so obviously there are big changes going on in the department.

Senator Sherry—Come off it!

Senator McGAURAN—In so much as we all know, this is a state licence matter—is that correct?

Mr Reading—No. The federal level is the Office of the Gene Technology Regulator, which approves the federal health aspects.

Senator McGAURAN—But licensing is done by the states.

Mr Reading—The state moratorium is following the market access issues in the states.

Senator McGAURAN—Is it not true, Dr O'Connell, that the department's published view was in favour of properly controlled GM products such as canola?

Dr O'Connell—The department has certainly provided information into the debate around canola and the National Biotechnology Strategy. We have produced reports through ABARE on the potential gains. It looks like Dr Samson is ready to assist. I think that what was being

asked for, though, was the minister's view, and of course I cannot give you the minister's view.

Senator HEFFERNAN—Mr Chairman—

CHAIR—Sorry, Senator Heffernan, before we go any further can I remind senators that there was a request to channel our questions to the point because of time constraints on Mr Perrett, and we were more than happy to help Mr Perrett. If there is no answer and it is taken on notice, we will accept that it is taken on notice and continue.

Senator HEFFERNAN—Can I ask you, Mr Reading, to put on the record that you think you can successfully segregate GM canola?

Senator SIEWERT—And at what cost?

Mr Reading—Actually ABARE have done some work on that.

Senator HEFFERNAN—ABARE said that oil was going to go back to \$46 a barrel.

Senator SIEWERT—No, \$40.

Mr Reading—I was following up on what Senator Siewert asked.

Senator HEFFERNAN—We have got the chance—

CHAIR—Senators, you will have the chance to quiz ABARE. Let us get back to the question.

Mr Reading—They said that they have done some work in terms of the cost, which Senator Siewert just mentioned.

Senator HEFFERNAN—I am not interested in that cost.

Mr Reading—No, but I just answered the supplementary.

Senator HEFFERNAN—With modern engineering you can do anything if you have enough money. But in the practical sense of farming without some lunatic procedure, do you really think you can segregate canola?

Mr Reading—It is complex.

Senator HEFFERNAN—Have you been out and had a look?

Mr Reading—Yes.

Senator HEFFERNAN—If you had, you could only come to one conclusion.

Mr Reading—What we have done—

Senator Sherry—Chair, I think Senator Heffernan should give the witness a chance to answer.

Mr Reading—I think it is a matter of involving the whole supply chain—as in the production end, the preservation storage and handling end and the shipping end—and looking at how you can have identity purification. For all crops and all grains, the world is heading towards identity preservation. You can do it. It involves a cost. I believe that in the initial years it is going to be reduced. In a small number of areas where GM crops are going to be cultivated they will be able to track it through and see how it goes from a practicality point of

view as well as from the point of view of good agricultural practices, including controlling volunteers. Ultimately, it also depends on how the product performs under Australian conditions. In terms of the take-up of GM crops overseas, I think last year there was 120 million hectares cultivated for GM across 23 countries and 10.3 million farmers.

I think the debate also needs to be had about what the technology is now bringing in terms of other traits rather than herbicide resistance. We handle different varieties through the segregation system. We handle chemical residues and monitor those. It is something that you do. The industry, in terms of signing that document, believe they can handle it. A lot of it is about being able to analyse for adventitious materials and then monitor how it goes.

Senator HEFFERNAN—It is a very nice answer. So, after all, the answer is that you think yes.

Mr Reading—I think if industry—

Senator HEFFERNAN—Yes or no?

Mr Reading—I think if industry works together it can be handled.

CHAIR—Okay, that answers that very clearly.

Mr Reading—And it has to be industry working together, and that involves the production level and, more and more as we try to work towards an integrated grains industry, that will involve working together through the supply chain—

Senator HEFFERNAN—Mr Perrett, I will ask you a question. Why do you think it ought to be the non-GM grower who is a liable in a contamination sense?

Mr Perrett—I cannot answer that, Senator Heffernan.

Senator HEFFERNAN—Because it is stupid, isn't it? Say it is stupid, because it is.

Mr Perrett—I think it is a build-up of issues and I am not sure that they are accurate.

Senator HEFFERNAN—But you are the head of whatever it is. It just does not make sense.

Mr Perrett—I do not believe there will be those issues.

Senator HEFFERNAN—Forget about that. The liability at the present time legally is with the non-GM grower.

Mr Perrett—Look, Senator, you have an opinion—

Senator HEFFERNAN—Turn a blind eye, do you think, and look the other way?

Mr Perrett—You have an opinion, Senator Heffernan. I disagree with that view.

CHAIR—Senator, Mr Perrett has answered.

Senator McGAURAN—What is that liability?

CHAIR—Senator McGauran, if you don't mind. I am sure Senator Heffernan's continuing line of questions will not stop today, but I do not think this problem has just popped up since 25 November. So I am sure you will pursue other matters.

Senator HEFFERNAN—With great respect, Mr Chairman, you may or may not be aware that the moratorium is lifting in a few weeks, and if you do not know what I am talking about I will tell you after.

CHAIR—You and I can have a private meeting after and you can fill me in.

Senator HEFFERNAN—It is going to be a big deal.

CHAIR—Not fill me in, but you can tell me what is happening.

Senator HEFFERNAN—Philosophically fill you in.

CHAIR—I think Mr Perrett has answered that question as far as he is can.

Senator HEFFERNAN—Mr Perrett, it is a bit strange, isn't it?

Mr Perrett—I do not see it as an issue. As I have reiterated a couple of times now, I do not see it as an issue. The way you are painting the picture, you are going to be sued if you grow non-GM canola.

Senator HEFFERNAN—No, if I am growing non-GM canola and I get contaminated with GM canola, why is there a reverse onus? I do not get it. It is all there laid out in the documents.

CHAIR—I think Mr Perrett has answered that to the best of his ability, Senator Heffernan. I do not know if you were on the red cordial at lunchtime, but I think we should move on and give other senators a chance to ask questions of the department and Mr Perrett.

Senator NASH—Can I just ask one last quick question on canola? With South Australia extending their moratorium, where are the other states at the moment? In Victoria and New South Wales they are about to be lifted. Is that correct?

Mr Perrett—Queensland does not have a moratorium. New South Wales and Victoria lifted their moratoria. Tasmania, South Australia and Western Australia still have moratoria in place.

Senator NASH—What are the Western Australian, South Australian and Tasmanian positions at the moment?

Mr Perrett—They have not indicated that they will lift their moratoria.

Senator NASH—The reason I ask is that, if we are going to try to get a national approach going forward with this one way or the other, how much difficulty does it present from a research and development perspective and from a broader industry perspective to have all states with different approaches to this? How difficult is it going to be to coordinate a national approach?

Mr Reading—That is a very valid point that goes to other areas besides GM. What we try and do is to make sure we work with the state departments and with our research partners and try to develop a consistent approach. One of the biggest issues we have is that, as I said, the technology is now well and truly moving on in terms of being past the Roundup Ready Bt resistance. For example, they now have traits that they are looking at and putting into corn—things that will have a big impact in terms of climate change. They have drought genes now and nitrogen use efficiency traits. One of the big issues we face is whether, if there is no clear

path to market that technology, you actually go and invest in it in the first place. That is one of the issues we are struggling with, because you have a fairly long lead time from product development right through to the stage when you have a product. It is deciding whether to make those investments, yet we are all being pressured to go for frontier technology and all these new things, so that is a complication as well. All we can do is sit down and work with people and understand what the concerns are. Are the concerns regulatory? Are there concerns in terms of residues? What are they? You just have to try to work through it and get industry wherever possible to gain a common approach. That was the benefit of that document. For the first time, we have quite a lot of industry saying, 'We think we can do it.' That is where it is.

Senator NASH—If industry is saying, 'We think we can do it'—Dr O'Connell, you might be able to help here if Mr Perrett and Mr Reading cannot, and this may be something you have to take on notice—and if the overarching information is the same why is it that the different state governments have different approaches to this issue? Given that they are all state Labor governments, one would think they may have all agreed. But it would be interesting to have some feedback and information on why the different states have taken the different positions.

Mr Perrett—I think that is something the individual states would have to answer. We do not have the answers to that.

Senator NASH—Do we have any way of accessing that through the department?

Dr O'Connell—I would be happy enough to see if we can find the relevant statements from the different states as to their position and pass that on to you. I think that would be fairly straightforward to do.

Senator NASH—Thanks, Dr O'Connell.

Senator McGAURAN—I have to confess that what Bill Heffernan has brought up, the reverse onus of proof, is a little new to me. Is that right?

Mr Perrett—It is something that is talked about but it is not something that I have seen.

Senator McGAURAN—Is it an article of law?

Mr Perrett—Not that I am aware of.

Dr Samson—Senator McGauran, you referred that to the GRDC—Mr Perrett and Mr Reading. It is really not part of the GRDC's remit to be legal experts on some of these things. The relevant area of the department is the Rural Policy and Innovation Division that will be coming on later. They will be able to assist you on that.

Senator McGAURAN—All right then. Just while we are on it, for Bill's sake and your own, because you do seem perplexed about the issue, as a bush lawyer I would think it was an article of basic law. If you make an accusation against someone, you must have the evidence. Otherwise, you will have vexatious and false cases against the canola growers.

Senator Sherry—Chair, the witness has indicated that rural policy—

CHAIR—Sorry, Senator McGauran, I call the minister.

Senator Sherry—The witness has indicated that Senator McGauran will have a chance to exercise his legal skills and analysis a little later when the rural policy division comes in.

Senator HEFFERNAN—Can I ask a question about the physical side of things rather than all the political garbage? What is the set-up now in South Australia and Western Australia with trial plots of GM?

Mr Perrett—They are undergoing trial work in those states.

Senator HEFFERNAN—We are a colourful bunch, we bushies. I am sure there will be blokes growing GM that you do not know about. What is the set-up if there is a grain shortage on one side of the country or the other? If there is a moratorium on GM over there are we allowed to take GM canola there if they run short?

Mr Perrett—I could not give you a solid answer on that.

CHAIR—Do you want to take that on notice, Mr Perrett?

Mr Perrett—Thank you.

CHAIR—Senator Heffernan, Mr Perrett will come back to the committee on that.

Senator HEFFERNAN—It is a really good example of how it really has not been thought through. There is obviously a lot of heavy lobbying going on from various interested parties on one side or the other. I am not interested in any of that—that is, whether Monsanto is going to be the winner or someone else. I am interested in the practical farming aspects of this and I think it is fraught with danger. I would not be asking these questions if we were going to lump it all in together and consumers would accept it. I think this is a time bomb.

Senator McGAURAN—Just Canola or all GM—

CHAIR—Senator McGauran, I would ask senators to be mindful that there are other senators who have had their hands up and who have patiently waited their turn. I call Senator Adams and then Senator Milne.

Senator ADAMS—My questions are not on canola.

CHAIR—Senator Milne, are your questions on canola?

Senator MILNE—No.

CHAIR—Bearing in mind the time constraints, I call Senator Adams.

Senator ADAMS—Firstly, I refer to the wheat levy. I must say that I am a wheat grower from Western Australia. A number of people have approached me saying that they consider the wheat levy has actually gone up. Given the extra tonnage and the amount of money that we are now getting for wheat in comparison to before, for the record could you actually explain what is happening?

Mr Reading—Those questions were raised after an issue arose in the west a couple of weeks ago. It was mentioned that because wheat prices had gone up substantially that meant the GRDC levy had doubled. Some initial statements came out that GRDC had actually actively gone out there and said they are doubling the levy, which is completely incorrect. If we look at the way the levy is made up we find farmers pay 0.99 per cent of net farm gate value as the levy and the government matches that on a scale up to 0.5 per cent of gross farm value production on a three-year rolling average. They are the factors that drive how the levy is set. That levy has been in place for 15-odd years. Basically, industry makes a

recommendation to the government each year in terms of what the growers want that levy to be set at.

What drives the revenue part of it? There are three major factors to look at. The first is obviously the production side of it—the volume—the second is the price and the third one depends on timing and is based on the mix between pools and cash. They are the principal drivers. When we did our latest forecast—and that was just before the end of the year—we were looking at revenue of about \$100 million. That was driven by assuming a production of about 12 million tonnes of wheat, about 5.3 million tonnes of barley, about 1.4 million tonnes of sorghum and about 0.9 million tonnes of canola. They are the major ones that drive it. As the seasons finish up we look like we will be closer to about 13 million for wheat, so that will have an impact.

The biggest driver recently has been the price movements. If we look at our revenue forecast for the year to date, we find that at the end of December we were about \$2 million behind budget and about \$5 million behind last year. In terms of what the revenue actually is at this stage we are tracking close to plan. We will see differences in the final revenue depending on the balance between cash and pools this year. At this stage, we are looking at revenue—based on the December forecast—of around the \$102 million mark versus about \$94 million last year. So it is certainly not double. They are the factors that swing it. They do vary depending on those movements. We are looking at unbelievable grain prices at the moment. They are certainly unheard of in recent history. It is that factor, the amount of trade cash versus pool, and what the final production ends up being.

Senator ADAMS—Do you send publications out to farmers? This really is causing a problem. Do you do anything like that so people are aware—especially people who do not have access to the internet or are not familiar with it?

Mr Reading—We do. We have regular meetings with grower representative organisations, GCA and its affiliates, and we update them formally on a quarterly basis. Our last update was about three weeks ago.

Senator ADAMS—Thank you. I would like to know what role the GRDC had in supporting WEMA. Just what was your actual role in that?

Mr Reading—None.

Senator ADAMS—As far as the finance went, earlier on when WEMA was trying to raise finance to start on 1 March, which was before the election, the GRDC was looked upon as being able to supply a few dollars towards that. Would you like to comment on that?

Mr Reading—We were approached by WEMA. We wrote back to the chairman, Mr Blight, confirming that we would not be putting any money in and that was consistent with the PIERD Act.

Senator ADAMS—Just another quick question on the international customer survey from the Wheat Export Authority that you were involved in. Would you have any comment on the results of that?

Mr Reading—I am looking blank. I was not aware we were involved in that. I will take that on notice if that is okay and get back to you.

Senator ADAMS—I will just tell you where it is. It is in the international customer survey from the growers report of 2007, page 25.

Mr Reading—Whose grower report?

Senator ADAMS—The Wheat Export Authority one. You obviously have not got any comment on that. Could you come back to us on notice?

Mr Reading—Absolutely.

Senator MILNE—I would assume that climate change poses a very high risk in terms of grain production in Australia, so I am interested to know how you have changed your strategy in terms of priorities or if you have. What is your strategy for preparedness to reduce risks to grain growers from the various scenarios of climate change?

Mr Perrett—It is an issue that the GRDC is very much aware of. It is a developing strategy and considerable funds have been provided in the past and will continue to be. I will ask my managing director to run through some of that because we have a significant investment in that.

Mr Reading—I think a point to make here which I have made at previous Senate estimates is that growers and research organisations have been dealing with climate variability—climate change—for many years. In terms of specific projects, we have about 71 projects out of 400 which have a significant component of climate change risk in them. I will touch on some of those in a minute. Those projects are valued at about \$40 million. That is what we will be spending over the life of the projects. They deal in a number of areas. I will touch on some of those briefly. One is forecasting climate variability—climate modelling. We work across RDCs on a program called managing climate variability, which is all about forecasting, SOI indexes and things like that. That is an important one.

We do things in terms of farming practices. One of the great things that we have not as an industry taken credit for is the tremendous advances that have been made by the adoption of minimum tillage over the last 15 years. These are absolutely outstanding. In Western Australia, Senator Siewert's state, 12 years ago a big crop was seven million tonnes. A good crop today, with hopefully favourable seasonal conditions, is 15 million tonnes. The major difference in that change has been the adoption of minimum tillage, which enabled growers to sow on the opening rains. That is one way of doing it. You are leaving stubble on the soil. You are doing it that way. We are also doing major programs on healthy soils in terms of looking at weed inhibitions and salinity. We are also doing work on the genetic side in terms of genetic yield increases and everything around water use efficiency.

As I think I mentioned to Senator Siewert last time, there were studies in Western Australia in the 1960s where the average in-season rainfall was 152 millimetres and the average production was 400 kilos. In 2004 that had declined to 110 millimetres in season and the yields were over 900 kilos a hectare. So we are doing a lot of those projects. As I mentioned, there are 71 projects of about \$40 million in ongoing expenditure. The other thing we are doing with the other RDCs—which I think is a great initiative of that collaboration and cooperation going forward—with the federal government, with the state governments, with the CSIRO and with the universities is developing a national rural industries approach to climate change which will include a number of areas. Firstly, it will identify the projects that

have already been done and that are ongoing addressing climate risk and climate variability; secondly, it will look at where the gaps are in terms of what is not being done; and, thirdly, it will look at a cooperative program across all entities for rural industry going forward, and that includes carbon sequestration, methane, nitrogen gases and all of those things, because it is critical. I believe we are addressing it. We are putting a lot of emphasis on it and working across with our R&D colleagues. If we continue to make some of the gains we have made, we will be doing a good job at addressing those issues.

Senator MILNE—If I can just follow up on that. One of my great concerns is the duplication of effort—that is, the one hand does not know what the other hand is doing. You have just mentioned some of that in terms of trying to iron out this project and get better coordination. Does that include the Bureau of Rural Sciences and the Bureau of Meteorology? This is the problem: they were already doing a lot of work. CSIRO is doing a lot of work. Universities, incidentally, are doing a lot of work. It seems to me there is a lot of money but there is not an agreed collaborative position across the country.

Mr Reading—The approach we are trying to do on rural industries is exactly that. One of the real key roles the RDCs play, I believe, is the national coordination of research and development. We work with our departments, our agencies et cetera to try to get them addressing what the real strategic issues are and then who should be working in what area. We are driving the climate one very hard. I am quite confident we will have a national rural industries strategy on how we handle climate risk going forward. That is crossing all of those bodies and that is good.

Senator MILNE—Who is likely to bring that together and publish a national strategy—which department, agency or whatever? What is the time frame on that, because that is the frustration that many of us have?

Mr Reading—The plan is to have a draft report to present to the council of chairs of the RDCs at the end of March. I think it is at the end of March; it might be mid-March. Then, depending on the feedback there, we will take it forward into the next stages in terms of implementation and communication.

Dr Samson—Senator, if I can add to what Mr Reading has said, the government have also announced that they will be setting up a rural research and development council, an advisory body, with the specific purpose of pulling together a national strategy to do exactly what you have talked about—to coordinate the national R&D research effort with a focus on, amongst other things, climate change.

Senator MILNE—How does that cut across what we have just heard—that is, that we will have one in March?

Dr Samson—As you rightly say, there was lots of good work going on all over the place. The details of the council have yet to be devised and agreed with the government, but one of the first things I would envisage the council doing would be a stocktake of what is actually going on and then from that stocktake coming up with a way of making sure that we do minimise or in fact eradicate duplication and replication.

Senator MILNE—How can I be satisfied that the report that comes out in March actually gets fed into this process? This is my concern: it just goes on and on and on.

Dr Samson—I think it is an acknowledgement of that very issue. With regard to the department advising the government on what that advisory council may look like, the composition of its membership and some of its roles, we are talking to our colleagues in the R&D world. I think the R&D chairs are meeting shortly and we will be taking that opportunity to talk with them, so we will actively be trying to engage with all of the groups that we are aware of that are working in this field, including our colleagues in the states and territories.

Senator SIEWERT—I apologise if this question was answered before I came into the room; I was off asking questions about whales. Could you tell me approximately how much of your funding is spent on funding GMO research?

Mr Reading—I think we answered that question last time. I was just trying to remember the exact details of the answer, which we can give you. We are doing a lot of work on this. If you look at GM, there are a number of things that make it up. There are genetic tools, there is genetic modification and there are other things around conventional breeding and where it interreacts. We are doing some work on high amylose wheat with both a GM and a non-GM path to market. You are probably aware of the benefits of high amylose in terms of some of the major issues we are facing healthwise at the moment with things like cardiovascular disease, diabetes and colorectal cancer. If you have high amylose, that considerably helps in the health benefits that could flow through from that. We are doing some work there. We have done some work with some of our research partners in some of the transformation areas. We were doing some work with salt tolerance, which is a very important issue, and particularly in Western Australia it is a major issue. That work is on the shelf at the moment, but in terms of the actual dollars—I just want to make sure I can give you the same answer we gave you last time—I will get that back on notice if that is okay.

Senator SIEWERT—I am interested if it has changed.

Mr Reading—No, at this stage there would be no significant change from the last time we reported.

Senator SIEWERT—Are you proposing to change it into the future with your forward planning?

Mr Reading—As I think I mentioned in a previous response, the world in terms of genes and understanding the genome and genetics is advancing very rapidly. As I said, they have traits now of nitrogen-use efficiency, water-use efficiency, double insect resistance, disease resistance and cereal cyst nematode resistance. So those traits are out there. In answering the question, ‘How do we then get them into R&D programs so we can evaluate them and ultimately hope to provide benefit to farmers such as Senator Heffernan that will help them produce better crops?’ there are a couple of issues in terms of when you start that research and at what stages you do it. Do we bring in technology from overseas versus what we develop locally? Then when would we bring it in with a realistic chance that that technology could actually get somewhere? They are the balancing factors we look at, but, as I said, the genes are out there now overseas, particularly with those traits.

Senator SIEWERT—So, in other words, you do not know at this stage whether you will be significantly increasing your investment. Is that correct?

Mr Reading—We are looking at opportunities all of the time that come up in both conventional and GM paths to market, and each of those goes through a business case assessment and a risk assessment in terms of a path to market assessment.

Senator SIEWERT—You talked about drought tolerant crops that have been genetically developed. Can you tell me if there are any commercial crops in the world that are currently being grown that are drought tolerant, and, if so, where they are?

Mr Reading—They are mainly being done at the moment in the US and China. India certainly increased its plantings of research into that area. The major areas are still corn, cotton and soy beans. That is where the major traits are.

Senator SIEWERT—Are they drought tolerant?

Mr Reading—Drought tolerance is included with a number of other traits.

Senator HEFFERNAN—I take it you are telling me that is dry land.

Mr Reading—Correct. It is soy beans, cotton and forestry. Wheat is not a drought tolerant one at this stage. I am not sure if forestry is a drought one, but certainly soy beans, cotton and corn would be where some of the major work is being done at the moment on that.

Senator SIEWERT—Any cereals?

Mr Reading—Not that I am aware of.

Senator SIEWERT—So you are not aware of any drought tolerant cereal crops that are being commercially grown internationally?

Mr Reading—Not that I am aware of.

Senator BOSWELL—I have a couple of questions relating to the single desk. Has the department carried out research studies on modelling on the effects of infrastructure such as road, rail and ports as a result of a multiparty export of wheat?

Dr Samson—Again, Senator, this would not be an area of the GRDC. Under the food and agriculture—

Senator BOSWELL—Just hang on a minute. I am on the wrong page, am I?

CHAIR—Sorry, Senator Boswell. You were not in here when we brought in the GRDC at the request of Mr Perrett. Then Mr Perrett can leave and we will go back to our program of AQIS and we will work towards the rest of wheat later on this afternoon and this evening.

Senator BOSWELL—All right. What do you want to do?

CHAIR—We will come back.

Senator HEFFERNAN—Can I just ask about the portion of the research money that is going to people who are licensing the outcome as opposed to the government, like the Temora and Wagga wheat research stations? Have you blokes got a breakdown of where the money goes? How much money is being spent on, as it were, government research for wheat versus the private?

Mr Reading—In terms of the total expenditure?

Senator HEFFERNAN—Yes.

Mr Reading—You are talking about private investment in grains R&D in Australia?

Senator HEFFERNAN—Versus public—you know, the Temora Research Station et cetera. We were talking earlier about Monsanto. They obviously have a very good business plan, which eventually could lead to what is happening in fertiliser now. It is sort of cartel behaviour in the market. Do you think there is a risk of that?

Mr Reading—That is not a question I can answer, because that is not my area.

CHAIR—Just say no, Mr Reading. That is fine.

Mr Reading—In terms of the investment that is going on in grains research and development in Australia, we estimate that probably between \$400 million and \$450 million a year is spent on grains research and development. That is across all parties, including GRDC, the state departments, CSIRO, universities and private capital—that is our best estimate—which is about two per cent of the gross value of production. So in terms of R&D, that is where it is. The biggest investors still are the state departments and GRDC. If you look at us combined, which is the Australian government and the growers—the growers normally put about 50 or 60 per cent in, the Australian government the balance—we represent probably about 45 per cent of the total investment. The biggest investors still are state departments. The private amount would be well less than 10 per cent of that total amount, I would think.

Senator HEFFERNAN—So does levy money go into private research?

Mr Reading—No, we have some joint ventures with companies, and consistent with the rural industry research and development priorities and national research priorities about frontier technology, in the GRDC strategy we work with private companies—

Senator HEFFERNAN—So where you work with a joint venturer, does the benefit accrue to the other joint venturer or to the taxpayers?

Mr Reading—No, what we are trying to do—and it is clearly stated in our strategy and it is in the five- year plan—where we work with private capital is driven by the belief, or the business case, saying that by utilising their strengths, whether that be technology, capital, infrastructure or whatever, we maximise the chances of that technology being developed and available to farmers in Australia. I will give you an example, if you do not mind. We have a joint venture with Philom Bios. What Australian scientists did very well over the last 10 years was develop soil microbes. They have one—I think it is an actinomyces or a pseudomonas—that breaks down phosphate that is locked up in the soil. As you know, about 70 per cent of the phosphate gets locked up in the soil. We developed the bug in Australia, but we did not have the technology in terms of the carriers, or in terms of the formulation, to bring it through. So we formed a joint venture with Philom Bios out of Canada. The benefit to the Australian grain growers is hopefully that knowledge will get commercialised so the Australian grain growers can use a product to help free up phosphate in the soil.

Obviously, the joint venture partner will get a return on their investment commensurate with the risk and the dollars they have spent. But the driver for it is that they have the technology—we have some of it as well—and what we are trying to do is to make sure we maximise the opportunities of that getting to the Australian grain growers.

CHAIR—Time is really flying away from us, Senator McGauran, but if there is one last quick one which is straight to the point—

Senator McGAURAN—Minister, Mr Reading explained to Senator Adams the formula used in regard to raising funds for a research levy and a government contribution with a ceiling. Can the minister commit that that formula will stay in place for research and development corporations in the rural sector for the year 2008-09?

Senator Sherry—I will take that on notice.

Senator McGAURAN—Is that a no?

CHAIR—It is taken on notice, Senator McGauran, and the minister cannot tell you any more than that. He will take it on notice and bring it back to the committee. On that, Mr Perrett, on behalf of the committee, I wish you well for this afternoon. I hope it all goes well and I hope that we have been of some assistance to you.

[2.59 pm]

Australian Quarantine and Inspection Service

CHAIR—I welcome AQIS to the table. Do you wish to make an opening statement?

Mr Hunter—No.

CHAIR—Shadow minister, are there any questions for AQIS?

Senator SCULLION—I direct this question to whoever you wish. We have heard and we have read in many of the reports, particularly in the annual report from the department, and particularly in 2006, that there were a number of non-endemic viruses, diseases, beetles and things that were discovered at that stage. I know that we have had a number of external reviews into AQIS. How do you think our border control compares with that of other nations of a similar ilk—like New Zealand, obviously, but as it is an island nation there are only some—and how often do you conduct internal reviews about how successful you are in actually ensuring that we complete a very tight quarantine and control barrier?

Mr Hunter—I think New Zealand is a country with which it is most appropriate to make comparisons, given their fair degree of isolation from the rest of the world and their relatively good pest and disease status. So in some ways looking at Australia and looking at New Zealand does allow you to take some common soundings across the two. In terms of the effectiveness of our preborder and border interventions, that is something that we have to monitor. There are a series of benchmarks that are set for the number of interventions we make. For example, at airports, I think about 81 per cent more passengers on average across the country we would make an intervention on, and then there are benchmarks in terms of the effectiveness of the detection of materials and quarantine risk which are also set across a range of pathways. In terms of how we measure how we are moving on that, perhaps I might invite my colleague Jenni Gordon to mention some of the work that we do on assessing the effectiveness of those border interventions.

Ms Gordon—I think the issue that you are raising is the extent to which we identify wood-boring insects in goods that have been cleared through quarantine. I think that goes to the issue of the capacity for us to effectively detect at the border sometimes very cryptic insects

and to effectively be able to treat them at the border. What we have done is to develop a couple of approaches to try to address those quarantine risks. One is the Australian Fumigation Accreditation Scheme, where we have been working closely with governments of the countries from which we are taking large quantities of timber products to improve the capacity of fumigators in those countries, because fumigation is the major quarantine treatment.

To that extent we are now tracking the effectiveness of those approaches and we think there are indications that those countries—and there are quite a number of them that we take these products from—are doing better. When we identify that there have been failures in those processes, we develop ways of identifying the particular exporters and importers that manage those goods to track back through those systems to see whether there are further measures that we can take in terms of what might have gone wrong. The position is, however, that we have something like 34 million items of timber products coming into the country on an annual basis, so I think we do need to accept that there is always likely to be a certain degree of failure in terms of us being able to identify pests that are in fact very difficult to identify in the product. We are looking at working closely with our state and territory colleagues for follow up and for doing further assessments of other ways of managing these pests.

I think the only other comment I would make at this stage is that we do not have evidence that there are significant degrees of establishment of the pest. They tend to still be contained within the items that they are imported in. Indeed, many of the reports actually ultimately prove not to be about exotic pests in imported goods, but we do get an awful lot of reports of pests in timber furniture where, in fact, they are not exotic.

Senator SCULLION—Thanks, Ms Gordon. Perhaps just a supplementary to that area. As I recall, methyl bromide is one of the principal fuming chemicals that we consider extremely effective. It gives a very high level of comfort. But methyl bromide is one of the products under the Montreal protocol forum, and we declared we would not stop using it. Do you know if the international community generally has looked at alternatives to products like methyl bromide and how is Australia moving towards meeting our requirements under the Montreal protocol?

Ms Gordon—Senator, research into alternatives to methyl bromide is going on. I am not the best person to ask that. Much of the work is being coordinated through colleagues in the Department of the Environment, Water, Heritage and the Arts rather than in our own portfolio. But for the moment we have been able to secure agreements to continue the use of methyl bromide because, as you have indicated, it is probably the most effective quarantine treatment that we have available.

Senator SCULLION—One of our most secure ways of encouraging the compliance of our border control system is through our airports. I think it is very commendable, over years and over governments, that it is a balance between compliance and education. I came recently through Sydney airport, having returned from New Zealand. It was interesting. I looked very carefully again, and perhaps in a slightly different light, at the declaration form that is required. I know it is probably the same declaration form I signed 10 years earlier. It did not appear to have a lot of changes in any event.

I had actually been fly fishing in New Zealand. When I got into New Zealand, they asked me straightaway—everybody was asked—on my declaration form, ‘Have you been fishing in Australia or anywhere in the world before you came here?’ I said, ‘No, well not recently anyway.’ They said, ‘Look, I notice you have a fishing reel in your bag, Senator. Do you have any fishing gear at all?’ I said, ‘Yeah, I’ve got a fishing reel in my bag.’ They went on to talk to me about dittimo, a particularly virulent weed they have in New Zealand. I was able to experience firsthand the devastating effect it would obviously have, particularly on our temperate and salmonoid families.

When I returned to Australia I thought I would be immediately asked similar sorts of questions. Obviously being a good citizen, I declared the fact that I had been fishing, and the quarantine officers knew about the issue. I have to say I got a very rigorous going over of my fishing gear and tackle and those sorts of things. It was second to none. However, had I not been aware of that myself and self-declared this, there would have been no trigger for anyone to have even asked me about my activities. That is just a given. You may wish to comment on that. Are we expecting to review the self-declaration on entry cards to perhaps reflect some changes in risk assessment at border control?

Mr Hunter—The answer to that is yes. We are in the process of working with the Department of Immigration and Citizenship, which has the stewardship of the card, to amend the declaration part such that we can word it in a way that is much more likely to trigger people thinking, ‘Well, have I been fishing or moving through rural areas’ and the risks that go with that. That is one of the—

Senator SCULLION—What would be the time frame for that? My question is obviously barbed with the matter of urgency. Certainly with the geometric progression of the spread of dittimo and obviously other diseases, I would have thought it would have been something of the utmost urgency that everybody who came to this country should know about.

Mr Hunter—I do not have a time line on that particular process in terms of changing the incoming passenger card. One of my colleagues may be able to help with that, but that is the only thing that we have been doing. Our officers at airports are indeed given particular training and do include in their risk profiling of passengers identifying those who are likely or more likely to have been in rural areas or fishing. You may be able to answer this better than I can, Jenni, but we have officers who move through the queues at airports, who we call risk assessment officers, who talk to people about what they have been doing while they have been overseas. We use that methodology in part to identify people who are likely to have been fishing, for example.

Senator SCULLION—I suspect you would agree though, Mr Hunter, with respect, that having a bit of a chat to the odd bloke in the line hoping to ascertain whether they are a high risk or not is not something that we would say had a high degree of rigour. With respect, what I am going to is that it appears now that we are in the same position. Had New Zealand known what it knows now and they were in this position, they would not be there. They would have some sort of a sign up in every airport immediately that says, ‘If you have been fishing or wading anywhere in the world then you must declare that.’ I would not have thought that would have been particularly expensive or onerous. Basically, if the quarantine officer does not suspect a person has been fishing—and I am not sure how you would actually ascertain

that from a distance—I would have thought that at the moment that is the only way. It would be obvious if someone is carrying a fishing rod in their hand, and that's wonderful. But, I can assure you, being a fisherman and a traveller for many years, most people who do it full-time have a breakdown rod and a reel that all fits into a case. That is the best way to travel, so there is no real way of knowing about that. I would have thought that this is an issue—and I suspect that there may be other issues like this—that is of the utmost importance.

Mr Hunter—There is certainly more that I think we could be doing on this one, Senator. We do have existing pamphlets which advise people about the particular threat there. I have been talking with my people recently about how we get that quite specific information about declaration and about that particular quarantine risk more easily into the hands of the passengers who are returning to Australia. For example, can we get it into the back pockets of aeroplane seats so that when people have a bit of discretionary time when they are sitting back in the plane coming here they read that? I have also asked us to take a look at whether we can go through some of the travelling organisations which organise tours for fishers, through retail outlets for fishers and so on, to try to get the message out there in a much more intense fashion.

Ms Gordon—Senator, I might add we are actually already specifically targeting fishing industry type groups with information on the basis that people who are involved in those groups and who are involved in the industry and likely to be travelling are ones who are going to be particularly concerned to be aware of what the requirements are. We are looking at a range of strategies rather than just relying on people responding on the incoming passenger card and putting information around airports. As Mr Hunter has indicated, we are looking at a broader range of strategies we can implement. We are targeting specifically those travellers who we think will be likely to be in places where they could be in contact with—

Senator SCULLION—High-risk contact?

Ms Gordon—Yes.

Senator SCULLION—When do you expect to have these changes in place, given that I have just travelled through border security and I did not find a brochure anywhere and there were no signs to indicate anything apart from my self-declaration? That was less than a month ago.

Mr Hunter—My take on this is that we will do it progressively as we can do each one, as I mentioned before. Changing the incoming passenger card is not necessarily straightforward, because there are quite a few other government agencies involved.

Senator SCULLION—I appreciate that.

Mr Hunter—But we will do all these things as quickly as we can.

Dr O'Connell—Can we come back to the time line on the checklist.

Senator SCULLION—I would appreciate that. Perhaps an example of my next question—

CHAIR—Senator Scullion, may I interrupt. Senator Milne has a question on that and then we will go back to you.

Senator MILNE—Six months ago this committee went through this whole issue of dittimo precisely as Senator Scullion has just done. We got an undertaking six months ago that you would review the import card and that these public awareness campaigns would start exactly as you have just told us. You are now going to drift off and talk about it again and come back to us with a time frame. I must say that I am sitting here feeling absolutely frustrated that six months have gone by and the best you can do is say exactly what you said six months ago—we are going to talk about it; we are going to educate people; we are going to do things—and nothing has happened. I know that in the airports there are signs up on rocksnot but people do not understand that connection between that and fishing gear—and Senator Scullion has probably seen that sign and not realised that. I am feeling extremely irritated that six months ago you gave us an undertaking that this would happen and it appears nothing has happened. I think everybody else who was here on that committee six months ago would recall that conversation. That is not what my question is, but I needed to vent my frustration about that right now.

CHAIR—Dr O’Connell, did you want to answer that?

Dr O’Connell—I will break that down into two parts because I do undertake to come back with a time line on the specifics that have been raised. But there are aspects of this that have occurred, and perhaps Jenni Gordon can give a bit of clarity about that.

Ms Gordon—We have actually taken action in the last few months, as we indicated we would. We have further information available on our website, and we do have brochures printed and distributed in all international airports—and I will follow up after these hearings to ensure that they are actually in places available to incoming passengers. We have posters, as the senator has indicated, around the airports. We have a DVD that plays on the signage in the airports. Again, I will follow up to ensure that it is being utilised. We have fact sheets that we have distributed to various target groups that are likely to be travelling to areas where they will be involving themselves in recreational fishing activities that might cause a risk, and we are using fishing industry associations to distribute information.

What we have not been able to achieve in this period of time, because it is not entirely within our own control, are the amendments to the incoming passenger card—but we have taken that up with the department of immigration, which manages that card. We are working with them at the moment on the sorts of questions that might more specifically trigger a response from passengers whom we would like to have discussions with just to ensure that they have taken the precautions that we would hope they would take with their own equipment.

Senator SCULLION—In regard to your general threat assessment process, I understand that through the Northern Australia Quarantine Strategy we have some extension into Timor-Leste and our adjacent neighbour, PNG, principally because of proximity to the Torres Strait. Given the more global nature of many of the people who are planning to return to Australia, have we done similar sorts of assessments to those we have done in our neighbouring regions in terms of trying to identify potential threats? Almost every potential threat in Timor-Leste is so well documented, yet it has taken since 1992—and even only six months ago at this committee—to document a product from New Zealand. It might not be that far away but the way we move around nowadays does make that an equally virulent threat. Have we conducted

a threat assessment on travellers from each of those countries? Do we revisit that and say, 'This is the latest thing that is happening in the country that we need to be careful of'? What is the process?

Ms Gordon—Yes, Senator, we do. We do it in two primary ways. One would be on advice from colleagues in Biosecurity Australia about import risk analysis on specific products or specific countries where there are new and different identified risks or through colleagues in the product integrity area of the department who are tasked with doing general assessments on the changes of the nature of the risks. We feed that information into our risk profiles of passengers from various countries in terms of particular products that those passengers might be bringing in.

After we have intervened with passengers, we do some very specific targeting of people who perhaps were cleared through and have been assessed as not having any products that are of concern to us and we basically do a double-check. We call that a 'leakage survey', and we use the information we gather from that—in terms of 'We thought you did not have any products that might be of risk but perhaps we have found that now you do'—to constantly re-inform our risk profiling so that we constantly update the nature of the profiles we have in terms of which passengers are likely to be carrying products that we would be concerned about. So there is a variety of ways in which we determine our intervention strategies.

As you know, in airports we also have our own detector dogs that are specifically trained to sniff bags and people just to ensure that there are not products there that perhaps they think are not important. We have what we call risk marshals at the front of queues when people are queuing up to go through quarantine intervention points. They actually have conversations with people about what is on the back of their declarations on their incoming passenger card just to ensure that people do understand the nature of the questions and have an opportunity to say, 'Yes, I do have a product of that sort. I did not think it meant that and I will now declare it.'

Senator MILNE—I would like the department to indicate why the Ernst & Young report into the cost-effectiveness of AQIS has not been made public. When will it be made public and will you now provide a copy of it to the committee?

Mr Hunter—The report was the subject of a freedom of information request. It was released under the FOI Act probably around a month ago and then was the subject of a media story resulting from that. We have under consideration at the moment the release of the report more generally.

Senator MILNE—I am specifically asking: will you provide the report to the committee? I understand that it is a 279-page report and it was on the cost-effectiveness of AQIS. I think this committee has worked very hard on these issues and deserves to have a copy of it. I would like an undertaking that you will provide a copy of that report. Further to that, following on from what Senator Scullion said before, that report is extremely damning if what was in the media is true. So I would like to go through some of the allegations and I would like a yes/no answer as to whether it is true.

In relation to what Senator Scullion raised about the Northern Australia Quarantine Strategy, what is alleged is that there are no screening targets or effectiveness benchmarks for

the Northern Australia Quarantine Strategy, despite the threat posed by illegal fishermen, boat people, free movement from the Torres Strait islands et cetera. Is that true? Are there effectiveness benchmarks and screening targets for that strategy?

Mr Hunter—Senator, to go to the first part of your question, we would be happy to provide a copy of the report to the committee.

Senator MILNE—Thank you.

Mr Hunter—The second part of your question mentioned that you were concerned about some of the allegations in the reporting of that report. Before Ms Gordon answers the specifics of your question in relation to the Northern Australia Quarantine Strategy, perhaps I could just quote to you the report's high-level conclusion, which stated that Ernst & Young analysis 'indicates that AQIS has implemented the government's quarantine border security policies, delivered improved results against performance targets and has actively and effectively managed the costs of delivering these services whilst remaining within comparable benchmarks'. That was the broad conclusion.

Senator MILNE—I am very well aware that they are saying that within the resources you have got you are doing a good job, but how effectively you use the resources does not necessarily relate to the outcomes, which goes to the questions I am asking. So that is the first question I am asking. There was also a statement, which I was horrified to see, that New South Wales ports have not met the sea container effectiveness benchmarks at all. I have seen that AQIS has not met the effectiveness targets for screening vessels at seaports since 2003-04 despite the considerable risks associated with biosecurity with those port issues. I will go through them all in a minute. I would like to know about the screening targets and effectiveness benchmarks for the Northern Australia Quarantine Strategy and I would like to know what you are doing about the fact that New South Wales ports have not met the sea container effectiveness benchmarks at all.

Ms Gordon—My first comment is on the NAQS performance indicators. One of the reasons I think the conclusion was drawn that NAQS does not have performance indicators is a misunderstanding about the difference between the government's mandatory performance indicators and performance indicators that have been developed within the program.

The Ernst and Young review was looking at the allocation and the effectiveness of use of the border security funding, and within that program NAQS does not have mandated performance indicators. But I might indicate to you that the report itself actually noted the program does not have mandated intervention or effectiveness targets under the quarantine border security measure. A large component of work undertaken by the program, which is monitoring for quarantine risks facing northern Australia, is undertaken through a program of scientific surveys. Reporting accurately on the effectiveness and efficiency of this type of quarantine surveillance is challenging.

The NAQS program has recently received additional funding for quarantine border security which is largely about Torres Strait interventions, avian influenza and illegal foreign fishing vessel initiatives. Specific performance targets have been provided for the AI and foreign fishing vessel initiatives. The recommendation for AI targets, meaningful and complete sets of performance indicators for the program—

CHAIR—Ms Gordon, I am sorry to interrupt. I will let you continue but I want to urge honourable members and department officials that there are a lot of questions to be asked today. I have noticed a lot of reading. If we are going to read verbatim, can we table it? If we have a question, we will either answer yes, no or take it on notice, because there is a lot to get through. I am aware that you have to be somewhere else at five o'clock.

Ms Gordon—Thank you, Senator. I think, therefore, once we have provided you with a copy of the report you will see that many of the conclusions drawn by the journalists were inaccurate or taken out of context.

Senator MILNE—The second part of my question is: is it true that New South Wales ports have not met the sea container effectiveness benchmarks at all? And, if so, what are you doing about it?

Ms Gordon—It is true that they have had declining levels of performance in recent months, and we are looking at the intervention rates and the effectiveness rates to feed back into our risk assessments, as I was describing before, to ensure that we can allocate resources to where the highest risks are.

Senator MILNE—But doesn't this mean at the moment that sea containers coming into New South Wales pose a risk every day that they sail in there and nothing is happening?

Ms Gordon—It is not that nothing is happening. It is a matter of identifying where the highest risks are coming from in terms of the contents of sea containers. The government's mandated performance intervention and effectiveness targets are not related to the internal contents of the containers themselves. We are working with our colleagues in the customs area to identify high-risk containers and to review the sorts of intervention measures we have so that we do have available to us better data on which to identify where the greatest risks are.

Senator HEFFERNAN—All of this is a bit scary, I have to say. Why is it that the business was declining?

Ms Gordon—It is the rapidly increasing amount of trade that is coming into the country.

Senator HEFFERNAN—So it is the increasing trade?

Ms Gordon—We have large amounts of increasing trade coming into the country from a much wider range of countries. Many of the sources of our trade are from countries where there are significant risks, and as we put in place our intervention procedures we are feeding back in the identification or the information—

Senator HEFFERNAN—Does that really mean you just have not got enough people, or what does that mean? How would you fix the problem?

Ms Gordon—It is a combination of having resources available and also being able to identify where the risks are and which particular containers might have goods within them that will constitute a quarantine risk and being able to identify those largely on documentation. It goes to issues of us assessing, for instance, the likely effectiveness of fumigation on contents that are in a container.

CHAIR—So you have to rely on the consignors telling the truth?

Ms Gordon—We rely very much always on documentation. We have procedures in place when we identify that the documentation is not accurate to actually target specifically further containers that have been brought in by those brokers or by those importers. We have put them on lists. We will then target specifically to do physical inspections where we think the risks are until we are satisfied that those brokers and those importers have put in place procedures to address whatever concerns we found.

Senator HEFFERNAN—What is the record of getting a surprise?

Ms Gordon—I would have to come back with the specific details, but most of—

Senator HEFFERNAN—In other words, dodgy paperwork.

Ms Gordon—Most of our physical interventions on containers are random audits. They are not ones where people are advised ahead of time that we are going to open and physically inspect.

Senator HEFFERNAN—So, just roughly, is it one in a hundred? How many have a load of hoochie-coochie or whatever in it?

Ms Gordon—Senator, I think it might be better if I come back with a specific figure on that one.

Senator HEFFERNAN—Okay.

Senator MILNE—Further to that at this moment in time, could you say that Australians should have confidence that AQIS has got the sea containers covered?

Dr O'Connell—I think what Ms Gordon is trying to point to is that we are looking to make sure that high-risk issues are well covered. I will ask Ms Gordon to add to that, but the issue that she is trying to explain is the degree to which we need to make sure we cover the high-risk elements. There is then the issue of the total blanket coverage or not, which is moveable, but what—

Senator MILNE—This report is clearly saying that New South Wales is a big problem in respect of sea containers and it is also saying that AQIS has struggled to reach benchmarks on the effectiveness of its screening of sea containers all up. From what you have said, it does not matter whether it is a question of resources or a huge increase in trade. What I asked is: at this moment in time should I be satisfied that AQIS is protecting Australia from the biosecurity risk with regard to sea containers? From where I am sitting, the answer has to be no.

Ms Gordon—I think we have a couple of things confused here. The specific issue raised in the report was about sea vessels, which also goes to passengers. We intervene on passengers coming off vessels with cruise ships et cetera in the same way as we do with people coming off aircraft. So there is a distinction between our intervention with passengers coming off sea vessels to the containers—

Senator MILNE—I am asking about containers specifically.

Ms Gordon—It is a risk management business. We cannot guarantee that we are capturing 100 per cent of quarantine risk items coming into the country.

Dr O'Connell—But that is true for all quarantine operations. Without stopping trade, you cannot manage a zero risk. You have to manage a very low risk.

Senator MILNE—I know it is not a zero risk but it seems to me from what I am reading here that the report is quite considerable, because it seems New South Wales is a huge gap in this. The final question in relation to this, because I am mindful of the time, is that the report has also said AQIS and Australia Post have struggled to meet screening targets and effectiveness benchmarks for international mail, especially in Western Australia, and consistently failed over Christmas. What is it about Western Australia that makes them less competent than the rest of the country in terms of screening mail? Since there is a huge volume of mail at Christmas, wouldn't it make sense if you wanted to breach biosecurity to send it in at Christmas?

Mr Hunter—Well, Christmas always is a challenging time in the mail program.

Senator MILNE—We know that. Why Western Australia, and what are you doing about it?

Mr Hunter—I do not have the answer about Western Australia particularly, but in relation to the mail program more generally there are additional resources that have been provided to the mail program in the supplementary budget estimates that you are looking at today which are allowing us to achieve our intervention rates closer to the mark.

Senator MILNE—What about Western Australia? Why is there a failure there on the mail?

Ms Gordon—I think those figures—and I would have to go back and check myself—were largely about the time it was taking to clear mail through the mail centres. Particularly at Christmas, as you would appreciate, with high volumes of mail it is often difficult to clear the mail as quickly as one would hope. As Mr Hunter has indicated, we have recently been given additional resources which we hope will enable us to clear mail in all mail centres much more quickly.

The other thing that we have done with that additional funding is to change the way we work in the mail centres so that we are separating out some roles that can be performed by contractors and then use our quarantine staff for the actual inspection of the mail itself, rather than having them opening and closing parcels or mail products. That in itself, we hope, will ensure that we are meeting our targets more effectively.

Dr O'Connell—We will check for you, but I think there is a distinction being made between how quickly mail gets examined and whether or not it is examined. I think the mail is examined—

Senator HEFFERNAN—Is it a mandatory process?

Dr O'Connell—It is 100 per cent for mail.

Mr Hunter—Perhaps if I could just draw your attention to table 16 on page 153 of the annual report for the year 2007-08. It indicates the target for each of the quarantine programs that we cover and the actual rate of intervention. Then over the page there is the actual quarantine risk effectiveness at the border. You will see from the quarter by quarter figures that in terms of intervention targets we have met the intervention target in every case, I think, at a very quick look. In the case of effectiveness, that is more uneven. Looking at that table, it

does show that in relation to international mail we have had difficulties reaching the target. In relation to just about all the other targets we generally meet or exceed them.

Senator MILNE—What is your target for international air passengers? How many do you expect to screen? What is your target?

Ms Gordon—The mandated intervention figure is 81 per cent, but we do 100 per cent of passengers whom we have assessed as coming from high-risk countries or are likely to be carrying risk products. We set the 81 per cent around a mixture of people who perhaps we have assessed as low risk and those who we would want to always specifically intervene with and look more closely at what they might be carrying. Again, it is very much a risk assessment based on the nature of the passenger, where they have come from and what our data tells us about the likelihood that they may or may not be carrying risk products.

Senator MILNE—Did you meet your 81 per cent target?

Ms Gordon—I think we have consistently exceeded it. Again, the annual report has a set of figures which indicates that generally we do meet, and have met for a number of years, the 81 per cent target.

Mr Hunter—The intervention target at airports was exceeded in every quarter.

Senator MILNE—When can we have a copy of the Ernst and Young report? We would like it as soon as possible. I am sure everyone on the committee would like it.

Dr O'Connell—When you have a chance to look at that report, we would be more than happy to go through a briefing with you on what we understand.

Senator MILNE—Thank you for that. I am sure this committee will probably want to take it up in our normal course of business because it has a lot of issues in it. Obviously we have not had a chance to look at it. We are only going on media reports of what it says at this particular time. I am happy to move on from that, but I wanted to ask about some risk assessments.

CHAIR—Senator Boswell is waiting and I know Senator Heffernan and Senator Fielding are also waiting to ask questions. Bear in mind we have afternoon tea at four o'clock. We will keep to a very tight timetable and be back at 4.15. Senator Milne, I will pass over to Senator Boswell.

Senator BOSWELL—I want to ask about the Torres Strait islands. What facilities have you got at the airport there to check any products coming in? I do not ever recall AQIS being at the airport when I have been there. I ask this question because screw-worm fly, papaya fruit fly and black sigatoka were possibly coming in from the Torres Strait. What provisions have you got at the Horn Island airport? Have you got any facilities to check what goes on the barges that come back to Australia from the Torres Strait?

Ms Gordon—We do have quarantine officers based at the Horn Island airport. We do have quarantine officers based on most of the major Torres Strait islands to intervene and look at material that is brought down through the islands to ensure that, to the extent we can, we are managing the quarantine risks that would come from that part of the world.

Senator BOSWELL—Are those officers Islanders?

Ms Gordon—The officers based on most of the Torres Strait islands are members of Indigenous communities. They are Torres Strait Islanders. We do have officers from the Cairns office posted to Horn Island. We also employ local Indigenous officers there.

Senator BOSWELL—What training do the Torres Strait Islanders get?

Ms Gordon—They are given the same training as all of our quarantine officers in terms of identifying quarantine risk products and the various ways in which we treat products and respond to identified risks.

Senator BOSWELL—Are they paid?

Ms Gordon—They are Commonwealth public servants.

Senator BOSWELL—Paid Commonwealth public servants?

Ms Gordon—They are quarantine officers the same as any of our other officers.

Senator BOSWELL—How long has that been in place?

Ms Gordon—I cannot tell you but for quite a number of years.

Senator BOSWELL—I have not been up there for a while, but I have never seen any evidence of them there—but if you say they are there, then I will accept that.

CHAIR—Ms Gordon, I would like to ask a question, if I may, and if you do not know the exact distance I am happy if you take it on notice. What is the distance between a quarantine inspection centre and a port? How far away is the furthest they can be located?

Ms Gordon—I am not sure I quite understand your question. In Australia there are usually quarantine officers based at the port itself.

CHAIR—I understand that. I should explain myself a bit better. Let us take the port of Fremantle in Western Australia. There are quarantine inspection stations where spraying et cetera is carried out. If the port is in Fremantle and if there is a privately owned quarantine facility in Kewdale, which is some 17 or 18 kilometres from the port, is that appropriate?

Ms Gordon—We would put in place requirements for the transport of any material that had to be taken from the port to a quarantine treatment centre to contain the quarantine risks that might be attendant on that particular import if, in fact, they had to be taken off the port itself.

CHAIR—Say they were full container loads, could they enter the port of Fremantle and then go by road on the back of trucks for 17 or 18 kilometres?

Ms Gordon—The answer is yes, they could, if that was where the quarantine approved premises was where the goods were to be opened and inspected and further decisions made about treatments or clearance.

Mr Hunter—By then the outside of the container would have been inspected so that any external quarantine risk material would have been subject to inspection.

CHAIR—What if it were goods that are oversized tyres, say? I am not sure what it could be. It could be something that does not fit in a container. Could you just throw a tarp over it and head off up Leach Highway?

Ms Gordon—No, we would be inspecting the goods at the port itself before they were released, to ensure that they did not have any quarantine risk. There are specific requirements in place for the transport of goods that might still have a residual quarantine risk. I would be happy to come back with further details on how that is managed.

CHAIR—If you could do that that would be much appreciated, thank you.

Senator SCULLION—I understand that some of the arrangements may have been changed since the incident concerning the *Malu Sara*, which I am sure you are well aware of. What changes have been implemented with regard to both the vessels quarantine officers travel around on and the qualifications of those people who drive those vessels? A short answer would be good, like, yes, you have dealt with it, or—

Ms Gordon—We work closely with our colleagues in both the department of immigration and Customs for joint approaches to ensure the safety of vessels that government agencies use. Our own vessels were under stricter standards prior to that incident, and we have reviewed all of those and ensured that we are now fully complying with the broader requirements.

Senator SCULLION—Is it a fact that your vessels would comply with the Queensland maritime board's requirements or is there a separate set of standards that you have applied to yourself?

Ms Gordon—I might have to come back to you.

Mr Hunter—My recollection is that they are requirements of the Australian Maritime Safety Authority and my recollection is that we have got all our vessels up to their requirements.

Senator SCULLION—I think the issue was that the Australian Maritime Safety Authority's requirements fell well short of the environmental requirements. It is much better to handle 250,000-tonne displacement liners rather than dinghies. That was the issue. It sounds like it has been something you have been dealing with. Perhaps I will put you on notice that I will ask some questions at the next set of estimates.

CHAIR—I call Senator Fielding.

Senator FIELDING—Thanks, Chair. My questions are regarding the fire blight issue, and I think we have the right people. I will give just a bit of background to start with before I ask the question. The Australian government's own risk assessment calculated that four per cent of apples imported into this country from New Zealand will carry fire blight bacteria. That is something that has been put on the record before. So the Australian government's own risk assessment is that four per cent of apples, if they were imported into this country from New Zealand, would carry the fire blight bacteria. Since then you would also be aware of some independent research commissioned by the apple and pear industry carried out in Spain at the Agricultural Research Institute of Valencia. Its major finding was that fire blight bacteria can take a different form than what has been known in the past. Would I be correct in assuming then that this research would add to the four per cent that you have originally estimated?

Mr Roberts—The risk analysis that you are referring to estimated that up to—not all—four per cent of apples could carry fire blight bacteria if there was no risk management in

place. That is in the total absence of any risk management measures. The level goes down very substantially when risk management is applied. It is known in the risk analysis as the unrestricted risk. The approach we take to these risk analyses is that we look at the risk. If there was no risk management in place, we then determine whether it is acceptable or not. If it is unacceptable, then we look at risk management measures to bring it down to an acceptable level. So the four per cent level does not reflect the level we estimate would be carried on apples from New Zealand with risk management in place. It is before risk management is applied. So that is just the first point.

With regard to the additional research done in Spain, there was actually some published work available on that research by the same research group that was available to us before we finalised our risk analysis. So if you look into the report itself, you will find that that issue has been discussed and considered in reaching a final conclusion and recommendations on the risk analysis. I am quite happy to provide those specific references to the committee if they wish to see them.

Senator FIELDING—If you could supply those, that would be great. Thank you. Very good. I understand that Biosecurity Australia will only allow New Zealand apples to be imported into the country if there are quarantine procedures in place that achieve 95 per cent efficiency of discovering one tree infected with fire blight from that orchard and that region. Australia is giving the New Zealand government the freedom to propose how they are going to reach this benchmark by submitting work plans and standard operating procedures which AQIS will then need to approve. Where are the Australian and New Zealand governments up to with these work plans and standard operating procedures?

Dr O'Connell—This is all taking place against the background of a World Trade Organisation dispute. I do not know, Senator, if you know the background to that, but New Zealand has declared the dispute with us and is claiming a range of things about our import risk standing in the area. To a significant degree, there has been no movement on work plans or standard operating procedures since that dispute has been taken. Both countries are keen to look for a mutually agreed solution which keeps us out of a WTO dispute settlement, but that matter is still being worked through by both governments in terms of its WTO position. So I guess there has not been any significant move forward in the development of work plans or the operating procedures. We really had largely some tentative work around the WTO dispute that we have had, but that is where we are at. So we would still need to see firm proposals put by the New Zealanders or ourselves on how to manage this dispute.

Senator FIELDING—With regard to the question though about the work plans and standard operating procedures, what have they submitted? I am not going to the WTO now; I am going back now to what has been provided. What has already been provided on New Zealand stating that they have standard operating procedures proposed? Where are they at?

Ms Gordon—Senator, we have received proposals from New Zealand about how they would go about meeting the standard that is set out in the IRA and we had been finalising agreements with New Zealand about Australia's expectations and how we might put in place audit procedures to confirm that the procedures that New Zealand was putting in place would actually meet the standards set out in the IRA.

Senator FIELDING—With regard to those standard operating procedures that have been proposed—again, the concern that you have just raised was about how they would be audited—can I have a look at those?

Ms Gordon—Senator, the documents have been provided by the New Zealand government in confidence.

Dr O’Connell—It is a standard practice that these are government to government in confidence and at present they are certainly not settled. As you know, we have legal disputes at the moment through the WTO.

Senator FIELDING—How long have you had those standard operating procedures?

Ms Gordon—Senator, I would have to confirm, but I think it was about August of last year—August 2007—but they were not finalised. We were still in the process of assessing the proposals and had not yet reached agreement.

Senator McGAURAN—But that has been suspended now; is that correct?

Dr O’Connell—During the period, particularly just around the election period, the New Zealanders decided that they would proceed to a WTO dispute.

Senator FIELDING—I am not going to the issues surrounding the WTO, because these are things that have come in prior to that. With regard to these standard operating procedures, from what I can see from your earlier answer, you were more worried about the auditing because you were looking at trying to work out how you could audit how those standard auditing procedures were working. Why hasn’t AQIS consulted with industry in allaying their concerns about these standard operating procedures? In other words, they have no idea what these standard operating procedures are. I do not think they have seen them either. How are we supposed to get a handle on that, ‘Look, this is some confidential thing where nudge-nudge, wink-wink the \$450 million apple and pear industry’—\$450 million apple and pear industry—‘is at risk here with fire blight’? We have had some standard operating procedures proposed from New Zealand—not proposed but that is what they said. They said, ‘Take that. That’s what we’re doing to meet it,’ and you have not worked with the industry with those standard operating procedures. It is all hush-hush and quiet and confidential. This is a huge industry and a huge concern for the farmers.

Dr O’Connell—I think the way you have put it, Senator, misses one significant point which was a workshop that was held with the industry on the nature of the operating procedures that were proposed. But, again, Ms Gordon might help.

Ms Gordon—Yes. In August 2007 we did have a workshop with representatives of Australian industry and some other experts nominated to us by state governments to look at the key proposals in terms of how we might assess and then subsequently audit the procedures in place to manage the various pests and diseases identified in the IRA. We did consider quite closely the advice put to us by Australian industry in doing further assessments on the proposals. But the way in which the process proceeds is that the country which is to export product to Australia, in this case New Zealand apples coming into Australia, has to put to us how they will meet the standards and we have to be satisfied after our own assessment that their proposals would meet those standards. If we are not satisfied that they would meet the

standards, we would not agree to them and we would continue the negotiations about the nature of the processes in place.

Senator FIELDING—And that would be my very point. Why would you not consult with the industry on those standard operating procedures—an industry that is worth \$450 million to Australia—with the risk of fire blight, knowing that fire blight can ravage a whole industry? Why would you not consult with the industry that has the most at stake here with those standard operating procedures so that they can have a look themselves with their expertise and experience and work in partnership with you folks rather than you going away in secret saying, ‘Commercial-in-confidence’ or something or other and the industry is left high and dry, not knowing what the hell is going on, other than sort of saying, ‘We’re are working on it’? Why would you not use their experience and expertise?

Mr Hunter—I think the obligation on us is to bring to bear the expertise on the issue. The workshop that Ms Gordon has described involved significant experts in this field in Australia. We also engaged the Australian Centre of Excellence for Risk Analysis to provide advice on aspects of the sampling regime which was proposed in the work plan and standard operating procedures. So our obligation, I think, is to bring to bear the expertise and the scientific assessment of what is taking place here, because we work in a global system whereby we are required to apply science to these judgements, and that is what we are doing.

Senator FIELDING—And I appreciate that you are engaging certain areas, but why would you not engage a \$450 million industry to Australia—the apple and pear industry—that has expertise and experience? Why would you not consult them on those standard operating procedures? It seems to me it is a slap in the face to them. They are professional, they are well meaning and really I think that you should be working with them. I do not understand why you would not. Why would you not engage them?

CHAIR—Dr O’Connell is trying to answer, but I just remind the honourable senator that we did have a couple of inquiries on this going back last year. I know that there was a lot of input coming from senators who were members of that committee but it is not all new, Senator Fielding, and we do share some concerns with you. It is now five minutes to four. You have five minutes to answer, Dr O’Connell. Can you answer very quickly?

Dr O’Connell—I will answer very quickly. I may not have been clear. A representative of APAL, the lead association for the industry, was actually at that workshop. The key elements of the standard operating procedures were the subject of that workshop. So we have, as far as it is possible to do so while maintaining the government to government confidentiality of the specific document, dealt with the substance through that workshop with representatives of the industry.

Senator FIELDING—So when would the industry see the standard operating procedures that were going to be put in place by New Zealand to say, ‘Everything’s hunky-dory. We’ve been ravaged by fire blight. Everything’s okay’? When was the industry going to see these?

Dr O’Connell—At present, of course, we have the WTO dispute. So we do not have any procedures under agreement.

Senator FIELDING—If the WTO was in agreement, when would the industry see this? When it was already a done deal?

Dr O'Connell—As I say, the substance of the operating procedures was precisely what was worked through at that workshop. So to the degree that that was the draft that was being discussed between government, the substance of the work was dealt with through that workshop on all the key issues.

CHAIR—We really are going around in circles now, with the greatest respect. Senator McGauran—

Senator FIELDING—I have further questions on this.

CHAIR—I understand, but Senator McGauran has waited patiently. I said that we had five minutes. So Senator McGauran, to add to the same issue—

Senator McGAURAN—The same issue.

Senator FIELDING—Point of order—

Senator McGAURAN—You have asked the same question already.

Senator FIELDING—No, I have more questions.

Senator McGAURAN—I know.

Senator FIELDING—So I think—

Senator McGAURAN—You have made a good point and emphasised it. But you have wasted 10 minutes—

CHAIR—Excuse me, Senators. I will just say that we did make note of the timing and the questions to be asked. Senator Fielding, you will be heard, but I would say that you have quite a few more questions to ask. We are taking a break at four o'clock. We have two minutes left to go. I did request earlier on that senators and department officials, if there is either a simple yes or no, give that answer and, if you are reading something, table it to get to the point so we can get through these questions. Senator Fielding, you are aware that the AQIS officials have to leave by five o'clock. So that puts a great constraint on our time and there are a host of other questions to ask.

Senator FIELDING—I understand that.

CHAIR—Yes, but you obviously have a few more questions to ask. If Senator McGauran could ask just one very quick question and we will go to smoko in two minutes.

Senator FIELDING—Point of order: are we going to come back to my questions?

CHAIR—Yes, we are, at 4.15. Senator Heffernan has a host of questions, too. Senator Fielding, if you can divvy up the time between yourself and Senator Heffernan, we will have three-quarters of an hour to get through more questions.

Senator FIELDING—If I can just raise a point of order: I did not know that Senate estimates was a place to gag senators.

CHAIR—There is no gag.

Senator FIELDING—No, I am sorry, I came into the Senate on behalf of the Australian public.

CHAIR—Senator Fielding, you are wasting valuable time. I will request a private meeting if we cannot sort this out.

Senator FIELDING—Just five minutes

CHAIR—I have asked for order. We will have a private meeting if we have to. I hope everyone understands that they will all get a turn. Senator Fielding, you have now chewed up more of Senator McGauran's time. Senator Fielding, please come back from 4.15 onwards and you will get a chance to ask more questions.

Senator McGAURAN—I am happy to yield to Senator Fielding.

CHAIR—In that case, Senator Fielding, you have about 13 seconds. While you are catching your breath, it is four o'clock. We will go to afternoon tea and at 4.15 sharp we will kick off. Thank you.

Proceedings suspended from 4.00 pm to 4.18 pm

CHAIR—Senator Fielding?

Senator FIELDING—I believe Biosecurity Australia has received New Zealand's proposal and sent it to the Australian Centre of Excellence for Risk Analysis to get advice on whether it would achieve the 95 per cent benchmark. What was the centre's response and will it be released into the public domain?

Mr Hunter—As I mentioned earlier, Senator, the Australian Centre of Excellence for Risk Analysis were asked to provide advice on certain aspects of the sampling methodology that had been proposed by New Zealand in their SOP and work plan. Broadly, they confirmed the statistical advice that had been provided to AQIS but recommended a simpler approach to field sampling than that proposed by New Zealand. Essentially, that would require 400 trees be sampled in all orchards except for those orchards which have 300 to 400 trees, in which case all trees would be sampled. Basically, they recommended a simpler approach to the sampling methodology.

Senator FIELDING—Can their response be tabled?

Dr O'Connell—I would have to take that on notice, but I do not see any significant reason why we could not provide that to the committee.

Senator FIELDING—Does AQIS or even, say, DAFF or you folk have any intention of compromising Biosecurity Australia's benchmark to avoid World Trade Organisation intervention?

Dr O'Connell—The answer is no.

Senator FIELDING—The research by the Valencia institute that I mentioned earlier said that if fire blight bacteria can take the form of viable but non-culturable, which is a type of dormancy and can form biofilms, that means it will not be detected through traditional testing. Does this mean that there is even greater threat of fire blight being introduced and spreading through Australia where the government originally thought there was not? Are you saying this has already been taken into account by your previous analysis?

Mr Roberts—Yes, we are fully aware of the potential for fire blight bacteria to be viable but non-culturable. Indeed, this Valencia group had published some research work when we

were finalising our risk analysis. Our risk analysis was finalised in the full knowledge of that phenomena for fire blight bacteria.

Senator FIELDING—Is this, in your opinion, how only nine of the 48 countries around the world know how they got fire blight—knowing that this form cannot be seen and is dormant?

Mr Roberts—I do not want to speculate on how countries did or did not get fire blight. I am conscious, for example, that we are in a WTO dispute with New Zealand, and I do not think it is appropriate to go into a whole lot of scientific and technical detail and express my opinions that may come back on us in terms of that dispute.

Senator FIELDING—You are obviously aware that nearly every garden in Australia could be seen as a host for fire blight bacteria. With garden trees and plenty of other carriers with insects, once this does come, if we are infected, it will be very hard to stop, knowing how quickly it has ravaged other countries. Are you aware of that?

Mr Roberts—I fully agree. If you look in our risk analysis, you see our conclusion in that risk analysis was that if it did establish in Australia it would be almost unstoppable.

Senator FIELDING—I will put further questions on notice.

Senator McGAURAN—Following on from Senator Fielding in regard to the WTO dispute with New Zealand, it begs the question, listening to your answers to him: what is the criteria? What is the case that New Zealand have taken us to the WTO on? As I understand it, it could not be product entry. Isn't it really on our onerous regime or standard operating procedures? Isn't that what, in fact, they are taking us on—that we are using that as a trade barrier? It is not the product entry per se, if you see the difference. We have accepted that, have we not—that it is only the procedures?

Senator HEFFERNAN—Sorry to interrupt you, Senator McGauran, but I think these are questions that can be dealt with after 5 pm. As I understand it, the people who can deal with these questions will still be here, whereas there are some questions that cannot be answered after 5 pm in relation to horse flu et cetera. Could you hold off until after 5 pm? Do you think you can control your emotions until then?

CHAIR—It is up to you, Senator McGauran.

Senator McGAURAN—Okay.

CHAIR—Thank you. Senator Heffernan?

Senator HEFFERNAN—I am not wanting to do horse flu. Does anyone want to do horse flu?

CHAIR—Senator Milne, do you have a question on horse flu?

Senator SIEWERT—We have to do horse flu before 5 pm, because people have to go.

Senator MILNE—In terms of the enforcement of the protocols that were brought into play for equine influenza, does the Commonwealth have any oversight of how the states enforce that?

Dr O'Connell—Can you clarify precisely what you are talking about in terms of the states? What it is that the states are—

Senator MILNE—Okay. To be very specific, there was an accusation in Tasmania that the Premier, Paul Lennon, because he owned a racehorse, breached the equine influenza guidelines in order to go into the horse area with his horse. The only photograph of the event was destroyed. I want to know if the Commonwealth has any oversight of how Tasmania oversees the protocols that were put in place.

Dr O'Connell—There is a national management group which oversees the whole process of devising the protocols and agreeing to them, and that includes all states, the Commonwealth and industry parties. Once they are agreed, it is up to the states to enforce them in each state. So the short answer is no. We work to help agree on those and then each state manages those within their state.

Senator MILNE—So there is no oversight by the Commonwealth about this incident that occurred in Tasmania? There is no investigation of a breach or an alleged breach of the protocols?

Dr O'Connell—That is a matter for the state.

CHAIR—Thank you, Senator Milne. Before going to Senator Heffernan, a couple of times I have spoken about time constraints and people leaving at 5 o'clock and no-one pulled me up. Then I find out there is only one person going.

Senator Sherry—I understand it is the officer concerned with equine flu. If we have no more questions in that area—

Senator HEFFERNAN—With great respect—through you, Mr Chairman, to the minister—the chairman thought that AQIS in toto had to march out the door.

Senator Sherry—I understand that, but the officer concerned about equine flu could go now if there are no more questions.

Senator HEFFERNAN—No, she is sitting down the back there smiling, thinking she is going to dodge all the questions. Can I ask a question?

CHAIR—Senator Heffernan, please. The floor is yours.

Senator McGAURAN—Just before he does, Mr Chairman, what are the, if you like, ground rules or rulings in regard to questioning AQIS while at the same time there is an inquiry being undertaken in this very matter? What is their ability to—

CHAIR—I am sure if you ask the question you will either get the answer or the minister will speak. On that, Senator McGauran, I will pass to Senator Heffernan.

Senator HEFFERNAN—Anyhow, I do not think there is much. In fairness, when I was the chairman prior to today I made the point that we should let the inquiry do its work. But I have a raft of letters from Robert Steele and I feel that I should at least flag them. He says, 'Please note that DAFF has never corrected incorrect and misleading statements made by it in the *Australian Veterinary Journal* in 1999-2000 re biosecurity at the Eastern Creek Quarantine Station.' At that time the peculiarity with the quarantine station was obviously the Olympics. 'DAFF in one reply to questions which were answered in the *Australian Veterinary*

Journal, omitted to mention important scientific and factual information relevant to biosecurity at the centre that it should have been aware of at this time.' Then he goes on. It is quite a critical letter. How should we deal with this?

Dr O'Connell—Is that a letter to you?

Senator HEFFERNAN—It is indeed a letter to me. It is quite critical and I do not know whether it is appropriate to flag it here, but maybe we could have a private briefing on this with the department.

Dr O'Connell—I guess the first and obvious point is that I have not seen the letter. I would be more than happy to help out and provide some assistance to respond to the letter.

Senator HEFFERNAN—I might table this letter and not publish it so it becomes a document of immunity. Then we will have a private conference because of what he raises. I presume that he is a vet and he has genuine concerns about what has gone on. The sensitivity, as Senator McGauran raises, is that there is an inquiry. Just from my own experience, it pays to go out and have a look at these places. It was back in 2000 or the lead-up to 2000 that I went and had a look, and I would have to say that it was not what I thought it would be. It was fairly casual.

Dr O'Connell—The CEO of Biosecurity Australia, John Cahill, might be able to help you a bit here.

Mr Cahill—Thank you. Senator, I am not familiar with the correspondence sent directly to you, but I am familiar with an extensive array of other correspondence from Dr Steele.

Senator HEFFERNAN—Which I have here.

Mr Cahill—There have been substantial replies addressing all of the concerns that have been raised. I think we probably reached a point where we exhausted anything new that we could probably say to each other, and I did write to him along those lines as well. But I am happy to participate in any discussions around that via a private briefing.

Senator HEFFERNAN—What I might do is have a yarn to him and get him to succinctly put down—instead of having heaps of letters—his concerns and then we might have a get-together about it.

Mr Cahill—I am happy to do that.

Senator HEFFERNAN—Right. That is all I have.

Senator MILNE—I want to ask about the import risk assessment for taro. I understand it was due, or the growers had been promised that it would be completed, more than a year ago and that that has not happened. So I would like to know when you expect to have that import risk analysis assessment ready to be able to provide to the growers.

My second question in relation to that is that during the election campaign the growers say that they were contacted by Norm Blackman, Senior Adviser to Mr McGauran, who told them that DAFF had agreed that illegal taro had come into Australia and that growers would be compensated. The next thing is that when the growers put that out to their membership they were threatened with legal action from the department. Can you go through with me what

actually happened and whether that legal action has now been dropped and what action you are currently taking?

Dr O'Connell—On the issue of the suggestion that one of the advisers to Minister McGauran had made some commitments to taro growers and that then there were some issues around the potential for legal action, I would have to take that on notice in terms of what occurred there, because we do not have the information right here.

Senator MILNE—Surely you have the information about the department threatening legal action.

Dr O'Connell—With regard to the legal action I do not want to say anything in case I get it wrong—

Senator MILNE—Could you again take it on notice. Specifically, I want to know whether it is agreed that a phone call was made to the taro growers, what was promised to the taro growers in that phone call, whether there was legal action threatened and if that has now been dropped, and what is happening about this issue of compensation because of the taro coming into Australia. In particular, I want to know about the IRA and where it is up to. Can we have a date on that, because it is more than a year since they were expecting it?

Dr O'Connell—We would obviously have to talk with the adviser to Minister McGauran. We might just take a short time to get that.

Senator MILNE—But what about the import risk assessment—the IRA? Where is it up to?

Ms van Meurs—The review into the conditions for taro have been undertaken over the last couple of years. In fact, based on new information, we have provided various advice to AQIS to change those conditions a number of times since 2005, particularly with regard to the small type of taro that is able to sprout. So that information has been provided to AQIS and the conditions for entry have changed over the last couple of years.

We are continuing to review the information. The biology, or the botanical differences of the two types of corms, is quite complex. We are continuing to review that with the understanding that we will work through some of those issues of the morphological differences between small and large taro. So again those conditions are continuing to be reviewed within Biosecurity Australia. There is not actually an IRA, but there is a review of the conditions. So the risk assessment is still underway within Biosecurity Australia.

Senator MILNE—So you are saying there is not an IRA. Do the growers know that what is going on is not an import risk assessment?

Ms van Meurs—Under the new system, the import risk assessments are slightly different. This is a review of existing policy. So when we undertake a pest risk assessment under the International Plant Protection Convention it is called a pest risk assessment. That is what we are undertaking. So although the administrative approach is slightly different, the PRA, which is the technical side, is exactly the same as an import risk assessment.

Senator MILNE—So when do you expect that you will be finished with that and you can actually talk to the growers about what it is?

Ms van Meurs—As I said, over the last two years we have reviewed these conditions a number of times based on new advice. So we are continuing to look at the literature to see if there is new information. I cannot give an exact time of when the next round of review will be finished. We are still working on that.

Senator MILNE—I am trying to get an answer here for the growers who for the last year have been waiting for what they believed was an import risk assessment. That obviously is not happening. It is happening under another guise. When is the department going to inform the growers about a time frame for an outcome for them at the very least?

Mr Cahill—There is existing trade in taro. So what happens when there is existing trade and new information comes forward or there is a change in circumstances that relates to the pest or disease risk associated with imports is that we review the assessment and provide further advice which may then be translated into changes in import conditions. What Ms van Meurs has said is that that is exactly what has been happening over the last couple of years, and the industry has been advised and has been informed as we have gone along and done that.

As I understand it, they still expect further modifications to be made to import conditions. We have looked at the information that they have provided. We are looking at the science around it and we are taking account of that, and it is almost a continuous process of review based on the new information that presents itself. What we have now is a situation where there have been modifications to import conditions which relate to small-taro imports, which, as I understand it, are no longer permitted. To the extent that there is any further information that relates to the import conditions that sit around continuing imports, we will continue to look at that, but it is not a formal IRA in the sense that we have talked about previously with this committee—for example, in relation to apples, bananas and those sorts of things. So it is a review of existing trade policy, and conditions are modified progressively on the basis of new information as it comes forward.

Senator MILNE—Does AQIS now concede that the growers were right when they were objecting in the first place? AQIS allowed those small-taro imports to come in. Do you concede that the growers were right, and is there a discussion and process around compensation?

Mr Cahill—I am speaking on behalf of Biosecurity Australia in relation to the risk assessment processes that sit around the advice that we provide to AQIS, so I am not in a position to say anything on behalf of AQIS. I can talk about the risk assessment process, which is what I understood your question related to.

Senator MILNE—It does, but if you cannot answer then I will ask anybody on the panel. Is there a concession from AQIS that the growers were right and AQIS were wrong in terms of the import of the small taro in the first place and is there a process now for compensation?

Mr Hunter—My understanding is that all imports of taro met the import conditions that existed at the time. I am not aware of any compensation claims or activities that are underway.

Senator MILNE—I am gobsmacked by the fact that you are not aware because the growers have argued in the first place that the conditions that were set were not adequate. They have been proven to be right and they have suffered accordingly, and the whole issue of

compensation is one that they have been discussing at length. I cannot understand why you do not know about it.

Mr Hunter—I will take the question on notice, but I am not aware of it. I am not aware of the requests for compensation.

CHAIR—It is on notice.

Senator MILNE—Thank you.

Senator HEFFERNAN—Is there anything new on the prawn IRA?

Mr Cahill—Biosecurity Australia is continuing to work through the submissions that stakeholders put in on the draft report that was published last year. As you know, we put in place interim conditions. We tightened the conditions. So we are continuing to work through to the final IRA, which will happen during the course of this calendar year.

Senator HEFFERNAN—What is the status of raw imported prawns as we sit here today?

Mr Cahill—The permit conditions on uncooked prawns have been modified, as I understand it, and AQIS is managing that process.

Mr Hunter—No import permits for whole uncooked prawns have been issued since 1 October 2007 because no countries are currently considered by Biosecurity Australia to be free from the four identified exotic diseases. There are, however, peeled uncooked prawns and cooked prawns which are being imported, and we may have some information on that.

Mr Liehne—That is right. At 1 October we cancelled all the existing import permits and issued new permits against the new conditions. There are 117 permits at the moment for bringing in uncooked prawns against the new conditions. The uncooked prawns have to be tested on arrival and to be found free of three viral diseases. The testing at the border has been extensive. Up until mid-January approximately 43 consignments out of 56 that had been tested to that date failed the testing and either had to be re-exported or destroyed or further treated on arrival.

Senator HEFFERNAN—Is that a random operation?

Mr Liehne—100 per cent of them are tested on arrival. It is a mandatory requirement.

Senator HEFFERNAN—Is that per container, per box or per whatever?

Mr Liehne—It is a consignment. A consignment is a production from the same facility on the same date. They are tested. It is a random sampling procedure for each consignment and each consignment is tested separately.

Senator HEFFERNAN—So what does a consignment consist of—half a container?

Mr Liehne—It depends on the facility. It is a day's production from a given facility.

Senator HEFFERNAN—What is that?

Mr Liehne—It can vary depending on the size of the facility.

Senator HEFFERNAN—No. You do not know.

Mr Liehne—I cannot answer whether it is a container—

Senator HEFFERNAN—It could be half a container, a box or a 44-gallon drum.

Mr Lihne—It could be part of a container or it could be a full container.

Senator HEFFERNAN—If it is a container, do they go through and pick out a box at the back and a box in the middle?

Mr Lihne—That is correct. They have a random sampling procedure to ensure that they do a proper random sampling process for that.

Senator HEFFERNAN—So is there a pattern of where the rejections are coming from?

Mr Lihne—To date, about 90 per cent of the batches from Vietnam have failed testing, about 80 per cent from Thailand and 60 per cent from China.

Senator HEFFERNAN—So that is a similar experience to Japan. Does that include antibiotics?

Mr Lihne—The quarantine requirements are purely for the quarantine pests and diseases. What you are talking about here are the imported food testing for contaminations. Someone else would have to answer that.

Senator HEFFERNAN—The stuff going into Japan from China was being rejected because of antibiotics. What is our experience with that? Do we test?

Mr Read—The short answer is yes, we do test. We test for antimicrobial contamination across seafood. That was as a result of a survey that was conducted last year. There has been extensive testing across an array of import lines of seafood.

Senator HEFFERNAN—So in relation to tests conducted across a cross-section on the animal health side of it, do you test across the same cross-section?

Mr Read—We will test using a different regime because it is based on food safety, not on quarantine risk, and it will depend on the particular seafood itself.

Senator HEFFERNAN—Do you test Chinese prawns?

Mr Read—It depends. Some seafood is classified as high risk. Some seafood is classified as low risk. Low-risk foods are those foods that actually will enter the system here and are cooked at some time during a period after their arrival, so that would deal with any of the microbial issues of that product. In terms of our testing of seafood, we have conducted 374 tests on seafood lines. That product has a 98 per cent compliance rate. So two per cent of that product failed. I cannot say whether that was from China specifically. But typically what we find is that the fail rates are as a consequence of the identification of a chemical which does not have approval in this country but has approval in the country of origin. So we have not, as I understand it, identified a chemical with a quantum that would cause any food safety concerns.

Senator HEFFERNAN—Are we still in a position where we allow into this country fish that is rejected in Europe?

Mr Reading—The answer to that is that any product entering this country is required to be submitted to our imported food testing regime—

Senator HEFFERNAN—I am simply asking you a black-and-white question.

Mr Reading—It is not as simple as a black-and-white question, depending on where the product has come from. In terms of whether it is rejected in Europe or not, that question related, as I recall, back to cadmium in prawns. It was one that you referred to last time. The cadmium in prawn issue, which is a rejection issue in Europe, is not a rejection issue in Australia.

Senator HEFFERNAN—So the answer is, yes, we accept some stuff in Australia that is rejected in Europe.

Mr Reading—No, they have not accepted our product. We—

Dr O'Connell—If I might clarify, I think the issue around cadmium in prawns is that we are exporting to Europe and we have some naturally high levels of some substances, and we have had occasions on which those have had trouble getting into Europe. We do not have the same standards—

Senator HEFFERNAN—My understanding, Dr O'Connell, was that there was some fish that was rejected in Europe that found its way to Australia and which was not rejected.

Mr Reading—That is specific. I am not aware of what you are citing, Senator.

Senator HEFFERNAN—I picked it up at a conference.

Senator BOSWELL—We have learnt that there is 90, 80 and 60 per cent rejection rate in uncooked prawns. Has that regime slowed the importation of uncooked prawns down? Because I was under the impression that uncooked prawns were not allowed to come into Australia from any of these countries. Now I learn today that they are allowed to come in but a lot of them have been rejected.

Mr Hunter—Senator, my comment was that whole uncooked prawns are not entering the country because none of the countries which are considered by Biosecurity Australia to be sufficiently—

Senator BOSWELL—So you are saying that no uncooked prawns can come in?

Mr Hunter—Whole uncooked prawns.

Senator BOSWELL—The gentleman before—

Mr Hunter—The information Mr Liehne gave you was about uncooked prawns which—

Mr Liehne—Peeled.

Mr Hunter—Peeled or processed in some way.

Senator BOSWELL—Well, I cannot see the difference. If there is going to be a disease in a whole prawn, why won't it be in one that has been peeled?

Mr Liehne—Senator, the problem is that one of the diseases that people are concerned about, Taura syndrome virus, is in fact found in the head and the shell of the prawn. So shelling the prawn removes that risk, and most of the waste is in the head and the shell. Therefore, you are managing the risk by ensuring that it is shelled before it arrives in Australia. There are other viruses that can be tested for, and they have to be free of those viruses in testing on arrival in Australia.

Senator HEFFERNAN—There was all this hoo-ha going over in Western Australia from an importer. I forget his name now. He was pretty cranky at the time because we blocked the importation of uncooked prawns. Was that not true? We never did?

Mr Liehne—There are some consignments which are meeting the requirements and do get into Australia—

Senator HEFFERNAN—Yes, but we don't have a blanket ban on—

Mr Liehne—We don't have a blanket ban—

Senator HEFFERNAN—As Senator Boswell says, I thought we did. Did we change our mind or was that the original case?

Mr Liehne—That is the original case. This is the outcome of testing at the border that I reported, where 43 consignments out of 56 failed testing on arrival.

Senator BOSWELL—Is that—

CHAIR—Senator Boswell, I am sorry, but Senator Scullion has repeatedly requested if he could ask a question on this, too, if you don't mind.

Senator BOSWELL—I yield to Senator Scullion.

Senator SCULLION—I would like to know some of the chronology. I do understand about the whole uncooked prawns in October 2007, but there were some processes that got out of the assessment—the top right-hand quadrant of the assessment process in terms of Taura virus and yellowhead, but the white spot syndrome virus would have failed, I am assuming. On some of the PCR testing, it now shows that 43 out of 56 containers or shipments have been found to be contaminated. Is that correct? Is white spot syndrome virus the remaining—

Mr Liehne—No, the Taura syndrome virus is the one that is found in the shell of the prawn and that is not tested for in the shelled prawns. The testing on arrival looks at three viruses. You will have to excuse me but I will have to read this one. There is the white spot syndrome virus, infection hypodermal and haematopoietic necrosis disease, and yellowhead virus. The test that is conducted is for a combination of the three viruses, and failure against any one of those would result in failure of the consignment.

Senator SCULLION—Given that there are some very solid biosanitary reasons for making the changes that you have made, when will you be moving to accept the notion—they can be peeled and therefore as a standard quarantine process you have removed a high portion of risk for a high proportion of the viruses that are coming, but you are still testing and failing at a high level. When will you be moving to simply ban the importation of any uncooked prawns given the results that you have just had in the 100 per cent testing?

Mr Liehne—There are still prawns which are passing the regime. Therefore, for those prawns that come through and pass the testing regime there is no biosecurity reason for not allowing them to come into the country.

Senator SCULLION—So there is no differential between the prawns in terms of their origin? But the ones that pass are not from New Caledonia, for example?

Mr Liehne—I do not think there are any prawns from New Caledonia coming in at this stage. I would stand to be corrected on that. I will take that on notice.

Senator SCULLION—The point I was making is that these are prawns that come equally from all the markets and we just found that a certain percentage of them are failing.

Dr O'Connell—The percentage of failure is from different sources but none of them are 100 per cent from countries. So there is still the potential for them to export to us under those conditions.

Senator HEFFERNAN—Is there anywhere where there is 100 per cent failure?

Dr O'Connell—No, that is what I am saying. Not to my knowledge. There is no—

Mr Liehne—I would need to take that on notice.

Senator HEFFERNAN—But surely if there is you would wipe them anyhow?

Dr O'Connell—But I don't think that, in terms of the major exporters to us, we have had 100 per cent failure like Vietnam, Thailand and China.

Senator SCULLION—From a risk assessment perspective, though, one would think that when you are getting around 80 per cent failure on any product in terms of risk assessment, then you would be moving to at least say, 'You are going to have to have a rigorous assessment in another country to even satisfy us that you are going to get through those terms'. But on arrival if they are getting a 80 per cent failure, I would have thought that would be a trigger for a significant review of that current policy.

Dr O'Connell—This was an interim step. I will pass you back to John Cahill, who will make that point.

Mr Cahill—I was just going to make that point, Senator, that what we are talking about here are interim conditions on the back of a draft IRA that went out for comment. We got the comment. The interim conditions were subsequently introduced pending finalisation of the IRA. Biosecurity Australia is still working to finalise the IRA, and of course the experience that you have talked about will be a relevant consideration in finalising the IRA.

Senator SCULLION—Can we look at a time line? When would we expect a finalisation of the IRA to take place?

Mr Cahill—I think I have indicated that our expectation is to do that by about the middle of the year, but I cannot be any more precise than that at this point.

Senator SCULLION—So I can assume that there will still be 100 per cent batch testing required of all those—

Mr Cahill—The interim provisions remain in place until the IRA is finalised. The final IRA has to be reviewed by the eminent scientists group as well. So there is a further peer review of the scientific information and analysis as well as the stakeholder comments including from the seafood importers. All of that information will be taken into account and reviewed and then final advice will be provided to the director of quarantine.

Senator HEFFERNAN—Why were they bellyaching the way they were? It was going to be the end of Chinese tucker and all the rest of it about the ban on imported green prawns, when in fact they are not banned.

Mr Cahill—Well, Senator, it is not unusual to have that kind of reaction in relation to a lot of IRAs that we do.

Senator HEFFERNAN—But was the original proposal to ban all green prawns?

Mr Cahill—No, the conditions that are in place are the ones that we proposed in the draft report.

Senator HEFFERNAN—Mr Hunter, you said there a while ago ‘peeled or partly peeled’. That is what you equivocated there. There are whole prawns and there are prawn tails with no skin on them. Is there some other class that we import?

Mr Hunter—What I said, Senator, was that no import permits for whole uncooked prawns have been issued post 1 October.

Senator HEFFERNAN—That is right; then you went on to say—

Mr Hunter—Then there are some uncooked—

Senator HEFFERNAN—Variations in what is not a whole prawn?

Mr Hunter—Yes, there are some uncooked prawns which have been peeled and had their heads taken off.

Senator HEFFERNAN—Still got the shell on the tail?

Mr Hunter—Yes.

Mr Liehne—The last segment and the swimmers, yes.

Senator SCULLION—I understand, Mr Hunter, one of the reasons for that is that it was a very low risk that those particular products would be used as bait, for example, to throw in the sea and that was taken into consideration as the difference. Mr Cahill, perhaps on notice—sorry, Senator Heffernan—you could provide us with some formula about exactly what percentage of the batch is actually tested and what 100 per cent testing actually means. I know nobody tests every prawn—I understand that—but exactly what percentage of the batch is, particularly for those organisations that have failed previously? The normal thing would be for an auditing arrangement or noncompliance to go up—and the reverse would also occur. So if you could provide the committee on notice with those formulas, I would appreciate it.

Mr Cahill—I would be happy to.

CHAIR—Senator Scullion, if there is nothing else on prawns, Senator Milne would like to ask a question.

Senator BOSWELL—I have a question on prawns. The reason that you were approached to take this action was that there was a concern that these prawns that were coming in from various places were cheap and that they presented a risk for being used as bait. That was the reason that it was presented to you. These prawns were coming in cheaper than Australian bait and you could use them as bait and they would end up presenting a risk to our wild catch. They can still be used as bait if they are coming in as shelled prawns. They still are cheap and

they still represent a risk of being used as bait. A peeled prawn is just as an attractive a bait as a prawn with shell on it.

Senator HEFFERNAN—How do you know that?

Senator BOSWELL—You ride horses; I fish.

Senator HEFFERNAN—Go groper!

Senator BOSWELL—I think my colleague Senator Scullion would agree with that—that is, shelled prawns are still presenting a very big risk of being used as bait and affecting the wild catch.

Dr O'Connell—The issue that the measure is intended to address is that we have 100 per cent testing of consignments for the disease, so if they go through that then they have an extremely low probability of anything being on them in whichever way they are used. That is the intention of the measures.

Senator BOSWELL—I would imagine that there would be very little coming in. If it is a 90 per cent failure rate from Vietnam, there would not be too many people who would be prepared to send a consignment over. So I imagine the imports have slowed down of these peeled prawns.

Mr Lihne—That is a commercial issue for—

Senator HEFFERNAN—Can I ask a question that follows on from that. Just taking you through, say a big nice case of juicy prawns comes in and you knock it off. You say that it has got whatever it has got—and you might give the breakdown to the committee on the tailed prawns and the skinless tailed prawns, the difference in the rejection rate—but what actually happens given that we are all likeable rogues in most of these businesses? I have a container full of prawns that gets rejected and I cannot get a facilitation fee to assist me across the wharf so I have to take them away. What actually happens to them?

Mr Lihne—The prawns are held under quarantine control for the sampling and then until the results of the testing are available. If the prawns are rejected because they test positive to any one of the diseases, at that point the importer is given the instruction that they cannot be released from quarantine. They either have to re-export them or destroy the product.

Senator HEFFERNAN—That is my question.

Mr Lihne—That is really then a decision for the importer as to which way they go.

Senator HEFFERNAN—But surely the people there in the shed know what is going on. Do they take them away and sell them to someone else or do they destroy them?

Mr Lihne—They cannot leave quarantine control. They might re-export them, but they will remain under quarantine control until one of those other—

Senator HEFFERNAN—To answer the logic that Senator Boswell was on about, if I am the bloke who is exporting them to Australia and you reject them, as the exporter to Australia do I then put them back on a ship and take them somewhere else or do I get them destroyed? You must know the answer.

Mr Lihne—I will have to take that on notice. I cannot answer that.

Senator HEFFERNAN—Surely someone knows the answer.

Mr Liehne—The rejection in Australia—

Senator HEFFERNAN—Surely somebody knows what is going on down—

Mr Liehne—The rejection in Australia is against the conditions that are applied to bring the product into Australia. Those conditions do not apply in other markets.

Senator HEFFERNAN—But surely you would know what the practice is in the trade with rejected prawns. What do they do with them?

CHAIR—Mr Liehne has taken it on notice. Does anyone have an answer to that?

Senator HEFFERNAN—For God's sake, surely you must know what they are doing with them.

CHAIR—I think we have established, Senator Heffernan, that we do not know.

Senator HEFFERNAN—No, no; come on!

Mr Liehne—We know what the requirements are. We enforce the requirements. I cannot give you an answer as to which proportion goes to where.

Senator HEFFERNAN—Well, who would know the answer to that?

Mr Liehne—I would need to check with the inspectorate as to what decisions are made. We will take that on notice.

Senator HEFFERNAN—But someone must know the answer in the department. You must, Dr O'Connell.

Dr O'Connell—We will take that on notice, Senator. But the critical—

Senator HEFFERNAN—But you must know. Someone must know.

CHAIR—Senator Heffernan, it has been taken on notice. Hopefully the department can come back to you before we leave here tonight with an answer.

Senator HEFFERNAN—And also the breakdown of the rejection rate between tailed prawns with and without the swimmers on them, or whatever you call them.

CHAIR—Is that taken on notice?

Mr Cahill—Yes.

CHAIR—Okay. I must say before I go on to Senator Milne that you may be a fantastic farmer, Senator Heffernan, but I doubt your fishing capabilities. I think the skin of a prawn is called a shell.

Senator HEFFERNAN—Well, it is not the language we use.

Senator MILNE—I wanted to ask about ganglio-neuritis, the herpes virus in abalone. I wanted to know if we are any clearer now as to what caused the outbreak in the first place. Secondly, I want to know if it has spread beyond the Victorian western abalone zone and what the latest is on the spread. Thirdly, in relation to that, I want to know the protocols that have been put in place for decontamination of vessels and gear. Who oversees that? Are we satisfied that that is working?

Dr Carroll—With regard to the viral gangli-neuritis in wild abalone, my understanding is that it has been virtually not expressing in the farmed abalone at this stage but has become certainly endemic in the wild abalone along the Victorian coast. The disease itself has been managed by the Victorian state department and they are responsible for carrying out any necessary procedures which relate to that. The disease has been eliminated in farmed abalone and there is a contingency report in wild abalone. It is along 200 kilometres of coast from Crofts Bay near Peterborough in the east to Cape Bridgewater in the west near the South Australian border. It was not known in Australia prior to 2005. While we do not know the exact origin of the disease, it is probable that it is an endemic agent originally in wild abalone that manifested as a clinical disease.

It is not known of course if there are any further safety concerns. As I said, the Victorian government has implemented control measures for the disease. Our department is contributing money to help manage that situation and offering advice. We provided \$100,000 to support research priorities identified by the national abalone health management and advisory coordinating body and \$35,000 to support an aquatic animal health committee working group with operational funds and another \$35,000 to develop an AQUAVETPLAN for the disease as well to help manage outbreaks that might occur elsewhere.

Senator MILNE—Since we did not have it before 2005 and now we have got it and you are saying it is endemic in the wild population, is there an inevitability about the fact that it will spread into the Tasmanian stocks? Is some of this research you are talking about actually looking at what happened? Was it a mutation? Does anyone actually know what happened?

Dr Carroll—I think the short answer is no. The slightly longer answer is yes, that is what part of the research is about. We did not recognise the disease prior to that time, but it is quite possible that it was an endemic agent in abalone at low concentration and was not manifesting. It manifested in the farmed abalone and you get a build up of the virus. There are a lot of scenarios which need to be looked at. That is part of what the funding and the efforts are aimed at. I think it is premature to say it is inevitable that it will move into other areas, particularly as it appears to have cleared up in the farmed abalone at this stage. But, on the other side, we cannot guarantee it will not either. It is still not well understood.

Senator MILNE—So how fast is it spreading along the coast?

Dr Carroll—My understanding is that it has become endemic in that 200-mile stretch. I am not aware of it spreading any further at this stage.

Senator MILNE—Who oversees the protocol for the translocation of abalone from farm to farm and/or from wild fishery to farm et cetera?

Dr Carroll—That is done by the Victorian state department.

Senator MILNE—Does the Commonwealth have any oversight at all in relation to that?

Dr Carroll—No, we can offer advice but it is movement within a state and that is the responsibility of the state bodies.

Senator MILNE—The Tasmanian abalone growers have a very keen interest in this. While I recognise it is not a public health issue it could devastate the fishery in terms of income. Surely it is something that several states have an interest in. I am frustrated that the

whole thing is in the hands of Victoria. The only oversight you have then is determining what research is carried out—is that right?

Dr Carroll—We can help influence what research is carried out. Certainly, movement of abalone interstate would be under the jurisdiction of the recipient state, as it is with all health movements of livestock or fish stock or anything else between states. We are looking at wild movement. Again, there is not much that can be done with that. Certainly, if you want to move abalone from the infected area into Tasmania, that would be the responsibility of the Tasmanian authorities to allow or not allow.

Senator MILNE—What about the effectiveness of the protocols that have been determined for recreational fishermen and recreational divers? First of all, how confident are you that the message is out there among that recreational fraternity? Secondly, are you satisfied that there is any kind of enforcement of that protocol for those recreational users?

Dr Carroll—We do not have any direct influence over that. That is entirely a matter for the Victorian state government.

Senator HEFFERNAN—Is the MLA about?

Dr O'Connell—The MLA is around.

Senator HEFFERNAN—For the purposes of the levy, what is the difference between a lamb and a hogget?

Mr Read—The very simple answer that you would already know is that this is based on dentition in this country. So it is when the lamb is actually breaking its mouth. That will then be defined effectively as mutton. That first 12 months between 12 months and two years is the hogget period.

Senator HEFFERNAN—I hear what you say. Obviously I know the answer. What is the difference between a hogget and a sheep for the purposes of the levy?

Mr Read—I cannot talk about for the purpose of the levy. I think there is a lamb levy and a sheep levy applied by the industry.

Senator HEFFERNAN—Do not get too worried. That is correct. There is no difference. But I want to get it on the record. There is a view out there in the industry at the moment—and I am talking about the harmonisation of meat standards across Australia—that there is a racket that has developed with the replacement of lamb with hogget and the better-bodied sheep and branding the meat as lamb and sending it to Sydney et cetera. This will be well documented in the next day or two. I have recommended to this committee that we have a Senate inquiry into that practice.

The response from some of the larger as opposed to smaller abattoirs is that if we cannot sort this out and harmonise it across the states then perhaps we should just lump hogget in with lamb and call it whatever you would call it and then just have sheep. I am seriously opposed to that—and I must declare an interest here: I am a lamb farmer.

It is a matter of integrity and not disappointing poor old Sam Kekovich who has done a mighty good job. I do not want Sam coming up here to punch me out because we are putting lamb into disrepute. We are not. Lamb is an excellent product. People are able to rebrand

hogget and sheep as lamb—and do not ask me why that is so, given there is a vendor declaration trail. When people are competing in the wholesale market in Sydney with \$1 and \$1.20 differences for the same product obviously there is something peculiar about it. In the course of the inquiry people from the industry will come along and give evidence on what has been going on in the industry. Do you think there should be a definition for hogget as well as for sheep and lamb in the levy?

Mr Read—I can only respond from an AQIS perspective. My remit, if you like, with regard to this issue is in relation to the export plants and how we govern oversight of this particular issue.

Senator HEFFERNAN—You oversight the Young abattoir, do you not?

Mr Read—Anyone that is export registered I certainly oversight.

Senator HEFFERNAN—But not Cowra. So how is it that in an export abattoir—and there are some which you oversight—people can get away with branding hogget and sheep as lamb?

Mr Read—We are not aware of that practice in export works.

Senator HEFFERNAN—So you do not follow a national vendor declaration trail?

Mr Read—No, I have said that I am not aware of that practice occurring in our export works.

Senator HEFFERNAN—As part of your AQIS responsibility, when Billy Bloggs goes to Wagga and picks the eye out of the hoggets and sends them down to an abattoir that exports as well as does the domestic market, are you interested in vendor declarations?

Mr Read—Yes, we are. But I still have to respond to your question. There are a couple of reasons we have confidence that that is not a widespread practice, if it is occurring at all in export plants.

Senator HEFFERNAN—That is a bold statement.

Mr Read—I am just saying what the facts are on export registered establishments. We have requirements in terms of the approved programs—that is, the programs by which we register those plants—in that they adhere to AUS-MEAT language requirements. Those AUS-MEAT language requirements are, in fact, the specification behind the definition of what is a lamb and what is not a lamb. AUS-MEAT conduct those—

Senator HEFFERNAN—On dentition?

Mr Read—On dentition.

Senator HEFFERNAN—In some countries lamb is not considered on the dentures. Do you do that work as well?

Mr Read—Where it is appropriate. I am not aware of too many countries that operate that way. Back to the question I was answering, we do have strong oversight of our AQIS registered plants. As I mentioned, they need to be AUS-MEAT accredited to be registered as AQIS export plants. If they are exporters they need to have eight AUS-MEAT competencies, that is, knowing the language and also being aware of the requirements of the language.

Those plants that are slaughtering sheep and lambs have an AQIS vet present full time. We have AQIS inspectors on those plants. The AQIS veterinary officer on that plant will conduct ante and post mortem inspections and will be very aware of what animals and livestock are moving through that plant.

Senator HEFFERNAN—Obviously this is not an export issue.

Mr Read—No.

Senator HEFFERNAN—I want to deal with the works that are buying hogget.

Mr Read—It is really important to say this. There should not be an innuendo that any of our export plants are actually not complying. In terms of our export plants which are providing product to both the domestic and export industries, we believe there is a high level of compliance on those plants.

Senator HEFFERNAN—Very good. Mr Hansen, do you think it has been known to happen in the lamb and sheep industry that hogget has been branded as lamb?

Mr Hansen—I might, in the first instance, defer to my managing director sitting down the other end of the table and I will come in behind him.

Senator HEFFERNAN—Now, don't pull my leg. Just tell the truth.

Mr Palmer—My apologies, Senator; could you repeat the question?

Senator HEFFERNAN—Are you aware that there is meat that is branded as lamb that is not actually lamb?

Mr Palmer—I have never seen firsthand an incidence but I have certainly heard about it—

Senator HEFFERNAN—I am not asking you if you have seen it; I am asking you if you know about it.

Mr Palmer—I have heard from sources in the industry that it occurs.

Senator HEFFERNAN—Do you think we ought to clean it up?

Mr Palmer—I think that anything that impairs the consumer confidence needs to be addressed immediately.

Senator HEFFERNAN—To go to that point immediately, I pay the levy for the lamb and I do not want my money that we spent on Sam Kekovich wasted. There is no question that lamb is a mighty good product. I have to say, as you would know, Scott, a lot of people think hogget is a better chew than lamb. It is just that we need to know that when we are eating hogget it is a hogget and when it is a lamb it is a lamb.

Mr Palmer—And the fortunate thing is that they are both superb, prestigious quality meats.

Senator HEFFERNAN—Very good.

Mr Palmer—One of our ambitions would be to elevate the status of hogget at retail. Lamb needs to be carefully, accurately and faithfully described and so, equally, does hogget. It would be nice to come up with a better name but yearling sheep are a—

Senator HEFFERNAN—Bearing in mind that saltbush mutton is better than all of them; wouldn't you agree?

Mr Palmer—I think there is too much agreement already.

Senator HEFFERNAN—It is quite a serious issue, because at the present time from my information in the industry there would be some thousands of hoggets going into the Sydney market that are actually branded lamb. I know of one plant up on the north coast that you would be aware of that got pinged a few weeks ago. Are you aware of that?

Mr Palmer—Not specifically, no.

Senator HEFFERNAN—Mr Hansen, are you aware of that?

Mr Hansen—I am aware of the stories, yes.

Senator HEFFERNAN—Are you aware of the complaints inside the industry from people who are trying to stick to that beautiful Sam Kekovich lamb, who are being undermined by people who are—

Mr Hunter—You are trying to steal Sam Kekovich's job, Senator Heffernan.

Senator HEFFERNAN—I am trying to promote lamb here—mis-branding the product?

Mr Hansen—I am certainly aware that whilst we have a consistent and uniform standard definition for lamb across the country, which is a great advantage for us, that with the differing mechanisms by which the enforcement of that definition is applied, especially in times like this when we have significant growth and demand and restriction in supply because of the seasons, there is an erosion of confidence because of the variation in enforcement that leads to numerous stories about concerns of mis-description.

Senator HEFFERNAN—So to continue on that line, my proposition is that we should promote hogget and lamb, but we should harmonise the standards so that the food authority, SafeFood, uses the same set of rules. In Victoria I know that some of the smaller operators are actually part of the management of their body and they run to a different set of criteria from some of the New South Wales operations. We have the same indenture classification for lamb and hogget but we have different implementation in how you manage that. Would the MLA support having some harmonisation right across Australia?

Mr Palmer—Senator, what the MLA would support is anything that did not diminish the consumer confidence that you have talked about and we have all talked about. Lamb now in Australia is a \$2 billion retail article. The industry produces, processes and retails it, and they have done a fabulous job over the last 10 or 15 years. The confidence amongst consumers is at an all-time high. We can thank all sorts of luminaries for that, but the industry itself needs to take a big bow. What we would support, if there is a need for more consistent, national application of standards at each and every jurisdiction, if there was an area that needed to be addressed and tidied up, I am quite confident—

Senator HEFFERNAN—So would you start that perhaps with the levy? At the present time there is no definition between hogget and sheep for levy purposes, is there?

Mr Palmer—Mutton attracts a different levy to lamb.

Senator HEFFERNAN—So hogget is mutton?

Mr Palmer—For the sake of the definition, yes.

Senator HEFFERNAN—So it would give you a bit more money to play with if you had a definition for hogget. I am not suggesting that will happen but it would define the product. If it is a first-cross or a Dorset-cross animal, hogget can be a pretty good hogget. If it is a scrawny Merino-cross from somewhere it can be a pretty tough hogget, depending on the product. It does happen; this is happening. Why can't it be picked up through the vendor declaration trail?

Mr Palmer—Can I come back to the first part? We will come to the vendor declaration, because the vendor declaration needs to be carefully slotted away for what it is. It is a document that is more about food safety. It has more of a safety aspect and a traceability—

Senator HEFFERNAN—Bear in mind that I fill one out every week, nearly. It does describe what you are selling.

Mr Palmer—It does. If I come to the levies, because I want to make it very clear that from a Meat and Livestock Australia point of view there is no incentive for us to see if we can maximise levies under one stream at the expense of another—just thinking out loud—our mutton income pales into insignificance when compared with lamb. The lamb levy take is an enormous percentage of our overall sheep meat income, which tends to actually fly in the face of the substitution story.

Senator HEFFERNAN—It is 20c versus \$1.50 or something, roughly.

Mr Palmer—\$1.50 for a \$75 lamb.

Senator HEFFERNAN—But in a way, the guy that is doing the substitution is dodging the system if he is paying 20c, say, for the hogget and then selling it at something that would have appreciated a levy of \$1.50.

Mr Palmer—Yes, that is true. It is something that has not really featured in our thinking. Our thinking is more in the principal thought that you bring to this, which is the need to ensure that we have a harmonised, nationally consistent set of standards.

Senator HEFFERNAN—I would like to see this exercised as a positive to the industry and I am sure that, in the main, every lamb grower in Australia would want to see that happen. But at the same time I have to point out the undermining of the lamb producer and the lamb wholesaler and the deadening effect on the market. I am familiar with what goes on around my way at Cowra, Young and Junee. I have to confess, I sell a lot of lamb. For about 70c you could kill a lamb and deliver it to Sydney. So if you are competing in a market in Sydney at the present time it is \$4.50 or \$4.70 wholesale, and if someone operating in the same market is lobbing it down there for \$1 less a kilo, you will know that something does not quite add up.

Without mentioning the name, I was at a place recently—and I always ask the price—and the dearest meat I have struck was \$59.99 for a rack of lamb—by the way, credit to the MLA and Sam Kekovich and everyone. That is not a bad write-up. The next best after that was \$49.99, and you would be pleased to know that it was all Junee Gold lamb. There you go. But you would be aware of the possibility of the dampening effect on the lamb market of substitution. You can talk the market back, because the guy that is producing the goods, as it

were, in lamb is competing against someone who is in the substitution business. Eventually he either goes broke or he has to pull the market back to compete. At this time of the year, coming up to the autumn drop with lambs that are about to cut their teeth, this becomes more of a problem. I guess if we brought some evidence to this committee that it was going on, if you blokes are not convinced it is going on—

Mr Palmer—No. The issue of whether it is going on or not I do not think is in dispute. It is really what we can jointly do and where it is possible to effect change. From our vantage point, we would think that this is a nationally consistent application of a standard. MLA's role, if I might just say, is to promote community attitudes and awareness towards lamb and then hopefully have consumers think keenly and positive as they stand over the meat cabinet. We have no jurisdiction back down the chain, as it were. We work alongside a lot of other agencies. Some of them are state and federal government. We would work alongside whomever to bring effect to any development in the original standards—

Senator HEFFERNAN—So would it be fair to say that you would urge the government to tidy this up?

Mr Palmer—To the extent to which the problem exists, I think it certainly warrants some quantification. The standards still exist—

Senator HEFFERNAN—They do.

Mr Palmer—It is just a question of them being executed.

Senator HEFFERNAN—Thanks for that. I have to say that I am not in favour of the alternative which the industry will be forced into if we do not tidy it up—that is, there will be no way that a lamb producer can compete with a person who is branding hogget as lamb. You will just have to turn it all into one class of meat. The butcher who is selling it, by the way, for \$59.99 said to me, 'I pick the eyes of the lamb'—a very proud butcher he is—and people who come into his butcher shop do not ask the price; they just want to know it is right. I thought, 'Gee, that's good.' So it is a good product and congratulations on the promotion. Let us tidy it up.

Senator McGAURAN—Mr Chair, I sincerely regret having yielded to Senator Fielding at five to four, because I just quickly want to return to the apple question that Senator Fielding was dealing with. What we have before us is probably the most crucial case that has gone before the WTO for us. We are duelling with our nearest and dearest neighbour. I wanted to raise it then and I have come back to it now because I consider it very important. What I picked up distinctly from some of the answers given, particularly in relation to the protocols and the standard operating procedures, is that the government is preparing itself to collapse the case.

Senator Sherry—Sorry, before Senator McGauran gets any more worked up, have we finished with the MLA so we can let the officers go?

CHAIR—I am led to believe that we have finished with MLA, but I will check. We are now finished.

Senator Sherry—Great.

Senator McGAURAN—I will not completely start again, but I want to make this point.

Senator Sherry—Senator Fielding did a very good job of it.

Senator McGAURAN—He did, and what he has garnered from his questions, as I certainly did, is that there is a distinct impression that the government is preparing to collapse the case before the WTO on this most crucial issue—and of course, as I would see it, and all on this committee, let alone the industry would see it—at the expense of the highest protocol levels we have set. That is what is in dispute. So I ask these three information questions. Firstly, when is the case due?

Mr Burns—The case has effectively already been started. New Zealand lodged an application with the WTO on 31 August last year. So in effect, we are already in a dispute with New Zealand.

Senator McGAURAN—You are not at the courtroom door yet, are you?

Mr Burns—The process began on 31 August 2007. The beginning of that process requires that initially we have consultations face to face in Geneva, which we did on 4 October 2007. It is true—if you are suggesting that we have not actually had the panel meet yet—in fact, a panel was established on 21 January this year. From 11 February, New Zealand could have taken the step of actually requesting the director-general of the WTO to appoint panellists who would hear the panel. New Zealand has not done that yet, but they could do that at any time. They could do that tonight if they wanted to. So we are very much in a live dispute.

Senator McGAURAN—So discussions have not been suspended in regard to the standard operating procedures, or the protocols. But that is what you are discussing now pre the case?

Mr Burns—No, it is two separate issues, really. There is a legal case that is going on in Geneva with the WTO. Any discussion of the operating procedures and the work plan is a separate issue which AQIS would be dealing with with the ministry of agriculture in New Zealand.

Senator McGAURAN—Thank you. That is exactly what I wanted to know. That then leads to the third question. What is the claim, or the case New Zealand has taken to the WTO, given that we have not denied product entry but simply seek to put down the strictest and the highest standard protocols, which they object to? Can you give me—and perhaps take it on notice—New Zealand's case against Australia?

Mr Burns—The original request and the actual complaint is actually listed on the WTO website. So it is quite public. Anybody can access that. In essence, the initial wording of the question cited several articles of the SBS agreement that they thought we were in breach of: articles 2.1, 2.2, 2.3, 5.1, 5.3, 5.6, 8 and annexe C. So it is a fairly comprehensive attack on our measures on all aspects of the SBS agreement.

Senator McGAURAN—In your assessment, will this case go all the way.

Mr Burns—That would be a prediction that I am not in a position to make, because really the ball is in New Zealand's court.

Senator McGAURAN—Has any progress been made with compulsory negotiation at the moment?

Mr Burns—We had our consultations in October in Geneva and, as I said, New Zealand have not taken that next step of requesting the director-general to appoint the panellists, although they did take the steps in December and early January, which they were quite entitled to do, of actually establishing the panel.

Senator McGAURAN—Can I get from the minister the government's policy in regard to defending the industry all the way to the WTO?

Senator Sherry—I will take that as a notice.

Senator McGAURAN—I have just two quick other information questions on another issue. I notice your meat inspector trainee program, piloted in Western Australia. What is the status of that? Is that going to be funded into the 2008-09 period?

Mr Read—Yes, it is. It is a program that we have commenced in WA through the TAFE college over there. It was designed to provide a body of up and coming meat inspectors for us. It is one that we are committed to in partnership with the industry.

Senator McGAURAN—And one more information question. We were discussing before the intervention levels at the border. I have gone to that graph in the annual report at page 153 that you mentioned. Just as a matter of information and inquisitiveness, your target for container inspection is 100 per cent—this is the exterior. What is the process of inspection? It is a pretty big, tall order.

Mr Hunter—The methods I have observed when I have gone out to the sites is that the container is loaded on to a truck. The truck goes through a point at which our inspectors then go over the container.

Senator McGAURAN—How?

Mr Hunter—Usually a high-resolution camera is used to look at the top of the container and then inspectors also physically examine the outside of the container.

Senator McGAURAN—That is a physical examination.

Mr Hunter—That is a physical examination.

Senator McGAURAN—Does any spraying go on?

Mr Hunter—If material is found then it would be dealt with. I guess there are a number of different methods of doing that, including sending it back and giving it a clean or taking it to a quarantine approved premises for a wash down.

Senator McGAURAN—Have there been any known outbreaks of whatever from containers? Has there been any trace?

Ms Gordon—Not to my knowledge. Obviously, if they are containers, they are looking largely for soil or for seeds that might be embedded in various parts of the container themselves. If there is any evidence at all of any contamination, the container is not cleared and it is directed for cleaning.

Dr O'Connell—Can I just clarify a point that was raised by Senator McGauran so that the committee is not left with any misapprehension. Senator McGauran, I think you suggested that, from the response to Senator Fielding's question, it appeared that the government was

ready to collapse the case in the WTO. I should reinforce that in my responses to Senator Fielding I thought I was very clear in saying that there would be no weakening of the biosecurity outcomes. I thought it was important that I did not let that go, if there was a misapprehension there.

Senator SIEWERT—I have one question that relates to apples, and then we can move on to bananas. You provided—thankyou very much—the MOU on regional differences between the Commonwealth and the states. It was my understanding that when you were negotiating with Western Australia there were going to be amendments made to the MOU to acknowledge Western Australia being different—because we are. That amendment does not appear to have been made. Is it planned that there will be an amendment or is it just on a case-by-case basis?

Mr Hunter—Since the MOU was originally negotiated I understand there was, in effect, an amendment to it created by an exchange of letters between ministers and the then Commonwealth minister, who I believe was Minister Truss. I do not know if that is the same thing you are talking about, Senator.

Senator SIEWERT—It is, and I am just trying to clarify whether that is going to be the extent of the amendment or whether there is actually going to be something more formal than the exchange of letters.

Mr Cahill—I do not believe there is any intention to do anything more than that. Of course there may be opportunities in the future to have a new agreement that incorporates that understanding directly within the MOU, but the effect would be the same as the existing arrangements.

Senator SIEWERT—So we can regard the letters as a more formal agreement that WA is different.

Mr Cahill—It is not just WA. There is a specific understanding through the exchange of letters that exist with WA, but regional differences are taken into account anyway as part of the IRA processes.

Senator SIEWERT—I know that they are but, as you know, WA was seeking a more formal agreement with the legislative changes that have been passed in the state parliament.

Mr Cahill—That is right.

Senator SIEWERT—So the letters, as far as the Commonwealth is concerned, constitute that agreement.

Mr Cahill—That is right.

Senator SIEWERT—Thank you. I am after a general update on where we are with the risk assessment of bananas, and I understand Senator Boswell has some other questions as well.

Mr Cahill—Biosecurity Australia is still considering submissions provided in response to the draft report. Once we complete that consideration it will go to the Eminent Scientists Group for review and then go through the normal process of finalising the report and appeals and so on. We have indicated an intention to try to finish that by the middle of the year.

Senator SIEWERT—The whole process will be completed by the middle of the year?

Mr Cahill—Yes, by the middle of 2008. As I have done before, I need to qualify that by saying that of course if there are appeals and so on that follow they need to take their natural course.

Senator BOSWELL—The public file, which should be updated by your organisation, does not seem to have any information on it. You are getting a bit slack on what is going on that public file. Can you comment on that?

Mr Cahill—We try to keep the public file as up to date as we can with the meetings of the IRA team as they occur.

Senator BOSWELL—I do not think you are. There is no information going on it, so someone is falling down on their job.

Mr Cahill—I will follow that up, Senator.

Senator BOSWELL—The banana industry have indicated that there is a discrepancy in your modelling and that you were going to get back to them. That was about three months ago. Up till this day you have not got back to them.

Mr Cahill—Senator, I have. We have exchanged emails. I have spoken to the president of the banana task force, Len Collins, so we have had communications on those matters. I have also indicated that Biosecurity Australia is prepared to meet, sit down face to face, and have further discussions with them about their concerns, and I will be writing to them again in response to a letter they sent to me in the last 10 days or so. I will be responding to that shortly.

Senator BOSWELL—So the answer to my question is that you are in contact with Mr Collins and Tony Heidrich.

Mr Cahill—That is correct.

Senator BOSWELL—And you will meet them to discuss the discrepancy.

Mr Cahill—I made an offer at the very outset to Len Collins to sit down with their experts and ours and have a face-to-face discussion about that. While they were initially reluctant to do that, I pressed that. While we have no agreed time to do that, I have flagged the intention to sit down and have those discussions before we finalise our consideration of the issues.

Senator BOSWELL—Thank you very much.

CHAIR—Are there any other questions of AQIS?

Dr O'Connell—Chair, it might be useful, if there are no general questions of AQIS, to go to the animal welfare issue because we have AQIS people who are involved and all other relevant people here I think.

Senator MILNE—Earlier I asked about the numbers in relation to the live sheep export trade—

Mr Read—In terms of numbers, I think your question referred to whether there is information available. Every six months we table all—

Senator SIEWERT—I want to get some answers in relation to that.

Mr Read—Okay.

Senator SIEWERT—Can you outline whether the numbers of fatalities are reducing or increasing in these shipments—in relative terms, obviously?

Mr Read—The short answer is that they are decreasing. From 2000 to 2007, mortalities for cattle, both long and short haul, have reduced from 0.25 to 0.18; the average mortality for sheep has fallen from 1.07 to 0.87; and for goats it has fallen from 1.98 to 0.68.

Senator MILNE—How do you account for those changes? Have the protocols changed so that there are fewer animals per shipment? How do you account for it?

Mr Read—There has been a number of changes. You will be aware of the *Cormo Express*. Subsequent to that, the Keniry review has caused a number of regulatory oversight changes to the industry. We have a range of markets, and one of our strong markets in the sheep trade at the moment is Saudi Arabia. There is a protocol with Saudi Arabia to have increased space on those vessels. That practice results in substantially lower mortalities. A lot of those lessons are coming back through in the development of standards also. There is, as I see it, across the industry an ongoing process of setting standards, looking at performance and identifying ways to improve the trade.

Senator MILNE—Whilst I acknowledge there has been an improvement in the trade, there is still a reasonably high level of mortality. What additional actions are you going to take to continue that process of improvement in reducing the numbers?

Mr Read—I will let Mr Morris talk a little bit about post-arrival activity in regard to the practices that we have direct oversight of in Australia. In terms of the definition of high mortalities, we operate by a benchmark, as you would be aware, of depending on whether it is long- or short-haul for cattle and for sheep. Those benchmarks for cattle are 1 per cent long-haul and half a per cent short-haul, and for sheep it is 2 per cent. When those marks are breached, investigations take place to understand what the nature of those mortality events were. It is the knowing of that information that creates, in my view, the important link between the mortality and improved standards to flow back into the next preparation set that improves that process. As we have indicated from the numbers, the numbers are showing a continual drop. How far that goes down in terms of the nature of the trade, it is difficult to say. You will never get a trade that has zero mortalities.

Senator MILNE—In relation to your earlier comment that the memorandum of understanding or agreement with Saudi Arabia has meant that there are fewer ships and more space, did that initiative come from them or from us?

Mr Read—It was an initiative, I think, that was first discussed around 2000, so it is a long time ago. It focused around the recommencement of the trade after we were actually out of that market for 10 years. It was a mechanism that we considered was one that would ensure very high quality of product arriving in that market.

Senator MILNE—I am not just concerned about high product arriving in the market. I am also concerned about the animal welfare issues. I am interested that the Saudis may have been pushing for more space. Are we actually trying to increase the space ourselves for the animal welfare concerns?

Mr Read—The other point to keep in mind is that it was back in 2000 that that discussion was focused with Saudi Arabia. At the time of the Keniry investigation and subsequent reforms that have been applied, with regard to the long-haul shipment of sheep there is very sophisticated models now that are used to calculate stocking densities on those vessels. Some vessels have very good ventilation and at certain times of the year there is an appropriate stocking rate that you can apply that will ensure a very good outcome. With others, for example, this year we struck some hot spots with what is called open deck vessels, which required us then to impose additional percentages on a range of exporters. When that was first discussed and mooted back in that 2000 period to now, now we have a much more sophisticated model and we are continually calibrating that based on the performances of those animals. It is not just about a random allocation of space; it is about ensuring that you use the science which has been collected to appropriately stock those vessels to give the optimal outcome in terms of the fewest mortalities.

Senator MILNE—So what is your target in terms of reducing that mortality from 1.5 where it is?

Mr Read—As I mentioned, the benchmarks have been established, which are the targets that we are focused on at the moment. In terms of continual improvement, that is a drive that is just in the system. Ultimately there has not been the, if you like, ultimate benchmark of what is the appropriate level of mortalities in terms of the industry.

Dr Clegg—Senator Milne, the other thing to bear in mind is that through the year the temperatures obviously vary. So in the first half of the year we usually do quite well in mortalities, so it is reasonably easy to meet the two per cent. When you get into the second half of the year, it changes and it is getting much hotter. That gives you more voyages with mortalities that are going to be closer to the two per cent reportable level. Averages take away a lot of the detail. For each of those voyages, for whatever the time of year, the model that Mr Read was talking about is designed to try to get the best results for the temperature. The number of animals that you can load at a particular time of the year decreases when it is very hot and then you can put in more when the temperatures are a bit cooler, where you can rely on cooler temperatures. The measures are to reduce it from the one per cent to, I suppose, constantly be looking at the voyage reports that we get back from the shipboard vets to see what issues arise in those reports and to make what improvements we can when we see an area that is a problem.

Senator MILNE—So given what you have said, is it appropriate that we ship at all in the hottest time of the year in an animal welfare sense?

Mr Read—In terms of appropriateness, we have models there that demonstrate that with shipping from Australia to the Middle East at particularly hot times of the year, the mortalities can be well managed within the measures that are provided under that model. It is not just about stocking densities. It is also about shipboard management; it is also about the routes that those ships take. When they are in the Middle East they need to be very cautious about which ports they go to first so that they ensure that they do not start unloading in a hot port, they actually unload in ports that give them the greatest level of opportunity in terms of the conditions to unload the majority of the animals comfortably and then go back to a warmer

port with increased space on that vessel which allows those animals to manage the heat in those parts of the world.

The short answer is, yes, it is appropriate that you export animals in the warmer months but you have to have strict compliance to the heat stress models that we apply. You also have to have a good understanding of the ports that you are exporting these animals to.

Senator MILNE—Which ports do you consider are cool ports in that location?

Mr Read—The locations that I was talking about there? Probably the ones in the Arabian Gulf would be the hottest of the middle eastern ports.

Senator MILNE—No. You said you unload in the cooler ports. I am asking which ones.

Mr Read—It depends on the climatic conditions at that point in that week, but between Oman and Dubai, Bahrain, the UAE and Kuwait would be a bunch of ports that a vessel entering that part of the world could discharge a number of consignments at. There has been knowledge over years of very hot places like, for example, Oman and the UAE. In those cases when the conditions are hot, those boats will not stop in those ports. In fact, they will continue up to Kuwait and unload the majority of the consignment in Kuwait, which is often where the bulk of the animals go. That allows the ship staff to spread the remaining sheep out across a greater number of decks and then they will come back to the Gulf and unload in the hotter ports, but it depends on the conditions of the week.

Senator MILNE—So do you provide statistics per ship or are they only averages that you provide as public information?

Dr Clegg—The report to parliament is a report on voyages on individual ships and that is published every six months. The statistics that AQIS provides into its investigations contains averages for the year, I guess, but it will look at an individual exporter's performance on a consignment. So you have a mixture of information. We are still, to be honest with you, refining the way we report data. We are getting a lot of data back now. That is out of the Keniry inquiry. The way we report it, I think we could do better with that. I think we give you some information. We could probably look at better information by month, by year, comparing what an average is for January, February, March rather than giving you the average for the year. I think that would give you better indications.

We are looking at, for individual exporters, providing them with information on their performance, how they are going relative to the industry average for the market that they are going to, to try to also assist them to have an understanding of where they sit in the industry. You have a range of exporters. You have exporters who are going to highly selective markets such as Saudi Arabia where they demand a particular age of sheep, they want them in a particular type of condition. Therefore, we expect better results from any exporter who is sending sheep to that market. If there is a dreadful spell of hot weather when they arrive in port, we cannot address that. Once you have arrived in port and it is a dreadfully hot day, nothing will help me there. They are going to have some mortalities there and I have to accept that. But up until that point in time I can have a look at their overall performance and get a sense of whether that consignment was well managed and well prepared. You have people exporting cattle to Japan. There are fantastic results for that market. They are quarantined before they go. They are high value animals and they are well looked after.

We are also getting excellent results from Indonesia for short-haul voyages of cattle. There is not the same length of preparation but we are getting good results. Then we have some exporters with not so good results. They are ones that we add additional conditions on to to try to get them to lift to the level of the better performers in the industry.

Senator MILNE—If they do not comply is their export permit revoked?

Dr Clegg—It is the export licence that is at issue. We write to them about mortality incidents. We compare what they have done against the Australian standards. We will usually send in one of our auditors once we have their information back and if we have concerns that the Australian standards were not followed or we have queries over what they did. We then add additional conditions. Eventually you can say that they cannot export a type of animal any more or we can take their licence all together. We have not done that since the system came into place in 2004. We have not had an exporter where we have had such poor performance across each species that we needed to do it. But it is there and we can do it.

Senator MILNE—Thank you.

Senator O'BRIEN—There was a case in Western Australia that we have spoken about at previous estimates involving Emanuel Exports Pty Ltd. I have received a commentary on it. I wanted to see whether it accords with the department's understanding of the case. I am told that Magistrate Crawford found the charge of transporting animals in a manner likely to cause them unnecessary harm proven beyond reasonable doubt. But as to whether the breach of the Western Australian Animal Welfare Act had been proven, the magistrate was forced to acquit the defendants on a technicality due the fact that they had been issued an export permit under the Commonwealth legislation. Is that your understanding of what took place in that case?

Dr Clegg—That is the advice that we have back, yes.

Senator O'BRIEN—Was the Commonwealth represented in those proceedings?

Dr Clegg—No, I do not believe so.

Ms Standen—In relation to the outcome of that case, your understanding is correct. However, as I think I answered in a question that you raised about a year ago in relation to this court case—

Senator O'BRIEN—I am glad you can remember that far back.

Ms Standen—That particular case related to a shipment that took place to the Middle East in 2003. Since that time we have developed the Australian standards for the export of livestock which are different and have more stringent requirements than were in place in 2003. In relation to that case in particular we have advice that indicates that under the current standards that shipment would not have been able to take place. While the outcome of that case was that the Commonwealth arrangements did override the state legislation we are not aware that that would now be the case.

Senator O'BRIEN—In relation to arrival and post arrival conditions can we get an update on where we stand with the various importing states and the memoranda of understanding negotiations?

Ms Standen—I will defer to Mr Paul Morris.

Senator MILNE—Can I finish off the Emanuel case? After that court case has the Commonwealth monitored that particular exporter?

Mr Read—The court case highlighted an issue with regard to what WA required in terms of the transport of animals and what was defined in its legislation as being a breach of that legislation and the inconsistencies offset with the issuing of export permits for those animals. As the standard is now set we actually have very prescriptive standards about what is classified as very light sheep and excessively overweight sheep—scores 1 and scores 5. Both are ineligible to go. The likelihood of such an event occurring now would be minimal.

The other point with regard to what we do now as opposed to what happened in 2003 is that we have notices of intention to export and consignment risk management plans that are submitted by exporters for every shipment. We have leave loading permissions that are granted by AQIS which require that the animals conform to those standards before they go. We have inspections of those animals before they are loaded. There are a range of activities that we do now that we did not do then. Those activities are applied to Emanuels as they are applied to everyone else.

Senator MILNE—But in the intervening five years?

Mr Read—We have been doing that since the end of 2004.

Senator O'BRIEN—Mr Morris has found his brief.

Mr Morris—Thank you for registering that on the transcript. What I was just looking for was to check compared to the last Senate estimates whether we had signed any additional MOUs. There has been one signed since then. That is with Qatar which was signed in July 2007.

When we last met I registered that we signed seven others. They were with the United Arab Emirates, Kuwait, Eritrea, Saudi Arabia, Jordan, Egypt and Libya. We have that additional one with Qatar. MOUs are currently being negotiated with a number of other countries including Oman, Bahrain, Lebanon, Sudan, Syria, Israel, Iran and Iraq. We are not trading with all of those countries at the moment. A number of them are potential new markets for us.

Senator O'BRIEN—And Israel refused to sign?

Mr Morris—At this stage they have indicated that they are not willing to sign. We had discussions with them late last year as to alternate risk management arrangements we might put in place. Those discussions are currently progressing. But Oman and Bahrain are the other two markets out of that lot that we currently trade with. Again, we are making pretty good progress on those two.

Senator O'BRIEN—Where sheep are landed to be shipped to a landlocked country in the Middle East—and I think Israel is one of the places they are shipped to—what does that mean in terms of the MOU?

Mr Morris—At this stage, all of the countries we ship to with MOUs have seaports of entry. The country where that may become an issue in the future is Syria. They have not agreed to sign and we are not actually shipping any animals there at the moment. In terms of Israel they do have a seaport, Eilat, where the animals currently go into.

Senator O'BRIEN—The shipment that went to Egypt—and that was the subject of commentary in the second half of last year—was rejected in another port. I thought that was rejected in Eilat, is that right?

Mr Morris—I do not think it was formally rejected.

Senator O'BRIEN—I think there was some commercial problem?

Mr Morris—There were some concerns about whether there was sufficient quarantine space in Israel at that time. It was a commercial decision, as far as I am aware, to actually find alternative markets for those animals prior to any sort of rejection. Some of the animals went into Jordan and some went to Egypt in the end.

Senator O'BRIEN—Have there been any further developments in relation to Egypt and processing in Egypt?

Mr Morris—At this stage there has been no trade to Egypt since that last shipment of sheep which I think was in late 2006. So there were no shipments during 2007 and so far to date in 2008. At this stage the focus has been on determining whether we can reopen the market for slaughter cattle. Consideration has been given to whether the arrangements under the MOU can be effectively put in place in Egypt.

At this stage we are exploring the potential option of a new facility being established in Egypt, which is one that was not available at the time that the MOU was signed. That is looking like a very good prospect at the moment—that we may be able to certainly consider that facility as one that would meet the conditions of the MOU. At this stage there are discussions still going on between the Egyptians and ourselves on determining whether we can finally agree to that, and that will have to go to our minister for final approval.

Senator O'BRIEN—I have one last question. My last look at statistics indicated that in a general sense the volume of carcass meat into the Middle East was growing and that live exports were static or falling. Is that still the statistic?

Mr Morris—I think certainly the live animal numbers in terms of sheep numbers went down last year. Partly that factor is probably due to the availability of animals in Australia. The meat trade has been going up. In terms of the actual numbers, I think in value they are fairly similar actually.

Senator O'BRIEN—Which means carcass meat has come up tremendously compared to live exports.

Mr Morris—There is definitely a combined trade in both meat and live animals into that region, but they are going to particular market segments that are demanding the different types of product.

Senator O'BRIEN—Is it expected that the carcass trade will continue to grow, or is there some reason why there has been a sharp jump recently that will not continue?

Mr Read—Just on that point and it is just information gleaned from the occasional visit to that part of the world, there are changing demographics with the consumers there—not dissimilar to Australia. Some of the traditional cooking desires which their parents would have embarked on are not so much followed by some of their children. So with the growth of

the supermarket and better cold chain supply, they are actually looking at the supermarket for the ready packed product. It is probably a lifestyle and reflection of the standard of living changes and dynamics in that part of the world. It will continue to change, but the other side of that is there are some fairly well entrenched ritual slaughter requirements and some of them will never change.

Senator O'BRIEN—Which are at particular times of the year, are they not?

Mr Read—The haj, for example, is one that I would envisage would never change. There are other festivals such as the eid and others which are sort of family gatherings and there is a ritual in it.

Senator O'BRIEN—Which is where the Egypt problem came from.

Mr Morris—That was particularly true for Egypt, but shipments of sheep to the region do occur throughout the year. You tend to get peaks during these festivals, but there are shipments at other times of the year as well.

Senator O'BRIEN—Thank you.

Senator McGAURAN—On the same issue, I think Mr Morris might have touched on the controls that you have, but I just want to single that question out nevertheless because of the industry's phenomenal, if not stunning, record in reducing mortality rates and which has to be the ultimate benchmark, yet it still attracts the extremists—the animal liberationists—from PETA through to now of course the RSPCA. In the *Weekly Times* of 6 February Dr Jones, who I believe is the so-called Chief Scientist with the RSPCA, said that the standards set could not be classed as world leading because they were effectively unenforceable. How would you refute that claim?

Mr Read—My understanding is they are leading-edge standards and that is commentary that has been well made. I have already cited some of the mechanisms for enforceability. These standards need to be reflected in the approved programs of exporters so that in fact they can obtain their licence. We are required to ensure prior to the issuing of the export permit that the consignment risk management plan and the notice of intention to export complies with those standards. Before leave for loading is granted, we have to have confidence that they have also met with those standards. There are a range of heavy sanctions that are built into the legislation for noncompliance against that standard. So there are clearly areas there in those standards, because those standards are quite broad in their coverage. From farm through to those assembly points, there are certainly areas where we have more direct oversight than others but in the main they are all required to be part of that structure.

Senator McGAURAN—So Dr Jones is clearly wrong, out of line and uninformed?

Mr Read—I just say what the case is. I make no judgement about the commentary.

Senator McGAURAN—As you would be aware, as I said, this industry seems to attract all of the extremists for all of the wrong reasons. They are not willing to listen to the good sense, for example, that you have just put down.

Senator O'BRIEN—Are they the ones your government appointed to—

Senator McGAURAN—They are the ones you listen to, Senator O'Brien, just out of interest.

Senator O'BRIEN—Are they the ones that your government appointed to advisory bodies?

Senator McGAURAN—They are the ones that you claim that you are going to listen to and place the industry in great uncertainty—

CHAIR—I would suggest, Senator McGauran, that you direct your question to the department so we can get moving on it.

Senator McGAURAN—I refer to the landmark case down in Portland, Victoria, related to the contaminating of the sheep trough a few years ago where the perpetrator was charged with a crime and got off scot-free on the most spurious grounds. Should this occur again, what federal laws could be enacted to charge such a person with a crime, because they got off on a state law as I understand it? They were charged under state law.

Senator Sherry—Are you criticising the courts and judges now, Senator McGauran?

Senator McGAURAN—The judge was clearly wrong. It was an outrageous—

Senator MILNE—You are reflecting on the courts. That is contempt.

Senator Sherry—You bagged an organisation with 'royal' before it. You are on to the courts and lawyers now. I mean, how far are you going to go, Senator McGauran, in your quests?

Senator McGAURAN—What federal laws can be invoked to combat such sabotage?

Senator MILNE—Are you saying that a judge sabotaged something?

Senator McGAURAN—I am talking about economic damage—the sabotage of the industry.

Dr O'Connell—I would reflect that in this portfolio we do not go into those issues. If there are issues around federal laws that are relevant, they would not be in this portfolio.

Senator McGAURAN—Surely you must have taken an interest in this area.

Senator O'BRIEN—It is a Trade Practices Act matter.

Senator McGAURAN—Have you done any work with regard to amendments to the Trade Practices Act?

CHAIR—I think, Senator McGauran, that we might be way off track here.

Senator McGAURAN—I do not think so.

CHAIR—I would urge senators to come back to the line of questioning that is appropriate to this department. Are there any other questions to—

Senator McGAURAN—I have not finished. Mr Chair, without wanting to be difficult or labour the point, I think it is to the point for this department and minister to answer—

CHAIR—Taxation comes under the department of finance and not Treasury.

Senator McGAURAN—and not fob it off to, say, the Attorney-General's. Because of the interest that you have in this industry, it is beyond my comprehension that you have not looked into this with regard to amendments to the Trade Practices Act or federal laws that could be enacted, particularly following this outrageous judgement.

Dr O'Connell—That would be a matter for government policy, Senator.

Senator McGAURAN—What is government policy, Minister?

Senator Sherry—That is an issue you may care to explore at the Economics committee with regard to trade practices with Senator Conroy. Minister Conroy will be dealing with the issue. Insofar as it relates to Corporations Law, you can explore that matter with me at Economics because I deal with Corporations Law matters. I am not aware of any policy position of Minister Burke on this matter, but I will take it on notice, Senator McGauran.

Senator McGAURAN—Could you? Because the great fear is, at least it was prior to the election, that the government just had no heart to support the live cattle and sheep trade.

Senator Sherry—Which government are you talking about—yours or ours?

Senator McGAURAN—Your government. The existing government has a policy.

Senator Sherry—You said before the election. That is why I asked. That was your government before the election.

Senator McGAURAN—The Labor Party, to be clear.

Senator Sherry—Thank you.

Senator McGAURAN—The Labor Party had no heart to support this industry against such acts of sabotage but rather were willing to listen to the likes of the RSPCA and PETA—and they put that down on record. They put it down on record that they would listen to the claims and—

Senator O'BRIEN—I am not talking about—

Senator McGAURAN—I am talking about you, Senator O'Brien, quite frankly, and you know exactly what I am saying.

Senator O'BRIEN—I am amazed that you are saying that I am not allowed to listen to the RSPCA. I am glad it is on the record.

Senator McGAURAN—They sent a shiver through the industry. I would like to know to what extent the government policy is to back this industry against such extremist groups.

Senator Sherry—I do not know about—

CHAIR—Sorry, Minister—Senator McGauran, I am having a replay of questions that were fired about eight or nine hours ago. Those questions were answered. We have 10 minutes left before the dinner break and, if there are no other questions of a different line, I would encourage that you give your colleague, Senator Heffernan, a chance to ask questions.

Senator McGAURAN—I simply say that I am very concerned that the government will now bring a different approach to the department which has, as it says in its annual report, advised the industry in the live export trade against the actions of PETA. You say that yourself in your own annual report.

Dr O'Connell—I might try to clarify that.

Senator McGAURAN—Now a different atmosphere seems to be coming in.

CHAIR—Just a little bit of order.

Senator McGAURAN—Can the minister assure me that they will strongly support the industry?

Senator Sherry—The secretary was just about to respond.

CHAIR—Dr O'Connell, I would ask that you not answer that question.

Dr O'Connell—I might try to clarify that it is still the role of the department to facilitate the live export trade, as is quite clear from the range of activities that we are undertaking. We are doing so in the context of trying to ensure that its record in the animal welfare area supports its capacity to continue to get market access. So to the degree that we have been doing this—

Senator McGAURAN—It has not changed.

Dr O'Connell—Over the last year I see no change.

Senator HEFFERNAN—Can I change the topic and go to Emerald. How are we getting on with the aftermath of the citrus canker outbreak?

Dr O'Connell—Sorry, Chair, Mr Read wants to correct one issue on the record.

Mr Read—I responded to Senator Milne in regard to a period of time for that improvement. That improvement was for 2006—I was just looking at my notes—and not 2007. But, as I mentioned, all of that data is still being tabled every six months.

Senator MILNE—Thank you.

Dr O'Connell—Just to the other issue, this would be a shift away from AQIS to another division. Are we finished with AQIS?

CHAIR—Senator Heffernan, you asked the question.

Senator HEFFERNAN—No, if you want to come back to it after dinner, I do not mind.

Dr O'Connell—No, it is just a question of whether or not you have finished with AQIS and then if you are going on to the other division.

Senator HEFFERNAN—With citrus canker, the management of it was AQIS, the rules were Biosecurity and the whole thing was a botch-up.

Dr O'Connell—Where we are, I think, is the issue.

Senator HEFFERNAN—All I wanted was an update. How are the poor buggers getting on up there?

Mr Aldred—The citrus canker program is proceeding. The surveillance has been continuing with no suspect cases. It was expected that through to about December 2007 a couple of hundred thousand citrus trees would have been planted. The floods have clearly had an impact on that. At this stage it is too early to say whether the plantings will be occurring or not.

Senator HEFFERNAN—One of the concerns that I had originally was about the outer limits of the quarantine zone and that there could have been a plant or two out there that were considered outside the risk that may have gone unnoticed. I think at the time, as I recall, there were some backyards in Emerald where people were away on the day of inspection and they allegedly still had a few trees in them. Did all of that get—

Mr Aldred—My understanding is that all citrus was eradicated and there were no individual trees left in backyards or anything of that nature.

Senator HEFFERNAN—Was there much proliferation of re-growth?

Mr Aldred—Again, I think as discussed at the last committee—and while I cannot say that there was a great deal or a small amount of shooting from residual material—it certainly has been under constant surveillance. Anything that does pop up is removed as part of the control program.

Senator HEFFERNAN—So how have the people got on—for example, the couple, and I have forgotten their names now, who built those huge packing sheds that would have been standing idle, I presume.

Mr Aldred—I cannot answer that. I am not aware. I have no specific details.

Senator HEFFERNAN—So just when they are coming back to recovery they get a flood chucked in for good measure.

Mr Aldred—Yes. As I say—

Senator HEFFERNAN—It is a great business, farming. Do you want to buy a farm?

CHAIR—Any other questions of AQIS on this issue?

Senator HEFFERNAN—No, I do not think so. They have had enough of me.

CHAIR—I thank AQIS and Biosecurity.

[6.25 pm]

CHAIR—We have five minutes to move on to the International Division. I am sure there are some senators who want to take the opportunity to ask some questions.

Senator SIEWERT—This morning I was asking about the Japan-Australia Free Trade Agreement and the cut to the budget. I was told to ask here what the details are around that and what the process is.

Mr Burns—I think this morning you referred to table 1.2 on page 12.

Senator SIEWERT—Yes.

Mr Burns—I think you will note that that refers to cuts on two FTAs there: China and Japan. Did you want to know about both of them or just Japan?

Senator SIEWERT—Yes, about both of them.

Mr Burns—The announcement about the cut goes back to November last year and the policy titled Savings for Labor's Better Priorities: Australian-China Free Trade Agreement—Continuation of negotiations. That policy announcement suggested that the negotiation of the Australia-China Free Trade Agreement was considered to be core business of the government

and that the additional funding that had been granted across a number of portfolios in 2007-08 was no longer required. So we have lost the money that we had over two years for the China free trade agreement negotiations, and that has happened across a number of portfolios. So it is not just DAFF.

Senator SIEWERT—Does that mean it is regarded that you have to find that out of your core budget?

Mr Burns—The policy statement suggested that it was core business of government. So that is what we will be doing, yes.

Senator SIEWERT—So what gets cut so that you can do that?

Mr Burns—We will just be reprioritising what we do within the division. There was quite a lot of work that we had been doing on what we referred to as advocacy. We were supporting some visits to China and Japan by industry people, for example, to talk about the merits of the free trade agreement and funding some visits to Australia. We would logically cut back on some of that. It is really a matter of DFAT regarding when negotiations happen and the policy around a lot of that advocacy work. So I guess the strategy across portfolios will be coordinated by DFAT so that the real policy response will be one that should really be going to DFAT. In our particular case, I know that, with China, we were having more negotiations in Beijing than we were in Australia. So we may well be looking to even that up so we cut down on some of the travel costs. So we would be tinkering around the margins, but in terms of delivering the outcomes there would not be any winding back at all.

Senator SIEWERT—That is in terms of both the—

Mr Burns—In terms of both of them. I might just point out, just to clarify, we lost money for the China negotiations in the second half of 2007-08. So we lost \$200,000 there and we lost \$414,000 for 2008-09. In terms of the Japan FTA, the cuts do not affect the money that we had been granted for 2007-08 and we lose roughly half of what we expected to have for 2008-09.

CHAIR—Does anyone have any questions after the break on item 7, International?

Senator NASH—Chair, could I ask a question, unless you wanted to go to dinner?

Senator Sherry—I have a meeting at 6.30. It was on the basis that we would finish at 6.30.

CHAIR—That is absolutely fine, Minister. In that case, we will break for dinner.

Proceedings suspended from 6.30 pm to 7.31 pm

CHAIR—Senator Scullion, I believe you have some questions.

Senator SCULLION—Thank you, Mr Chairman. I have some questions in regard to some of the discussions we are having with Taiwan about stone fruit exports. Could you indicate the value of this market in the past?

Mr Morris—I do not have the figures in front of me but, from memory, we had horticultural trade worth something like \$30 million. That was affected by the change in the quarantine requirements at the beginning of 2007, I think it was. A portion of that was the stone fruit trade—around half or a little less than that. If you want the exact figures, we can take it on notice and get that to you.

Senator SCULLION—That would be good. What discussions are under way at the moment to reopen the market?

Mr Morris—Around the middle of last year some important research was funded by both the industry and the Australian government on alternative cold disinfestation treatments for Queensland fruit fly. That work was undertaken over a period of about 18 months and submitted to the Taiwanese around the end of June last year. Since that time, they have been reviewing the information and we have been pushing them for a response to that review. The last we heard was that the expert reviewer that they had looking at the information had provided a number of questions about the research, which was being reviewed by their quarantine authorities. We have been asking for that information so that we can respond to any questions. This week we have our agricultural counsellor—who has responsibility for Taiwan—actually in Taiwan talking to the quarantine authority to see if we can get that moving.

Senator SCULLION—Has there been any ministerial involvement or is it still at officer level?

Mr Morris—Our current minister has not written to his counterpart as yet. We are at the stage of wanting to get the information from the expert reviewer of the research before we get the minister involved again. But certainly during the course of last year there was ministerial contact on a couple of occasions where that issue was pushed.

Dr O'Connell—It remains a very high priority for the current minister. He has made that clear.

Senator SCULLION—Is this technical procedure, which I am vaguely familiar with, accepted internationally in other phytosanitary arrangements or agreements? I am not expecting you to give me a bit of a triage or a weight assessment of whether they will accept it or not. I am trying to find out the efficacy of the process. Is it accepted in other regimes?

Mr Morris—It is a widely accepted treatment methodology for the treatment of fruit fly. That particular cold disinfestation treatment is something that we have been pushing very strongly for citrus and we have had acceptance of the particular treatment regime in a number of markets—Thailand, Japan and also Taiwan—for citrus. In terms of stone fruit and cherries—another item we are pushing with this research—the technique is accepted in principle but other countries have not accepted, as yet, the particular research that we have just done. We have put that same data to a number of countries and we are seeking acceptance by a range of countries, including the United States.

Senator SCULLION—You are fairly confident that the chilling process kills larvae, eggs—whatever else? We are pretty confident that that is the case? It is just a matter of getting through the normal phytosanitary barriers?

Mr Morris—That is correct. Basically, they have to do the expert assessment of that information and be satisfied that it works. We are satisfied that it works. The research has been done by very experienced researchers here in Australia, so we are confident about the results. We just need them to finish their processes.

Senator SCULLION—Thank you for that. Would you be able to give me an update on the status of the free trade agreement with Chile?

Mr Bowen—Senator, there have been three rounds of FTA negotiations so far. The fourth round of negotiations will probably be held towards the end of March, start of April.

Senator SCULLION—That gives me something in terms of the time lines. In terms of the status, what sort of level of confidence is there? It is always very difficult in these times. There is no mystery. I am trying to get a level of confidence about what stage we will be at by the end of those negotiations.

Mr Bowen—The negotiations are moving forward reasonably quickly. Countries have exchanged tariff offers. They are now going back again and each country is looking to see whether they can do more. There are issues being discussed that are beyond agriculture, which the Department of Foreign Affairs and Trade would be best to comment on because the agreement covers a whole range of issues.

Senator SCULLION—When you proceeded into this FTA—as you would with every FTA, I would imagine—you would have had some appreciation of the potential for that to impact on domestic markets and those sorts of issues. Could you give me a rundown on how that assessment went. I assume it has been conducted. If it has been conducted, could you give me a precis of how you conduct that sort of analysis.

Mr Bowen—The Department of Foreign Affairs and Trade undertook the industry consultation process, got submissions from a range of industries—agriculture, horticulture, beef and dairy—and they have been taken into account. Based on those submissions, the previous government—

Senator SCULLION—Can you give me an example of the general thrust of the submissions? Were they about protectionism generally or opportunities for export?

Mr Bowen—The horticulture industry see Chile as a competitor and have expressed concerns that a free trade agreement may lead to competition. In contrast, the dairy industry and the beef industry believe there are market opportunities.

Senator SCULLION—Do Chile grow cherries?

Senator O'BRIEN—Yes.

Senator SCULLION—Thank you. Senator Nash was whispering about some of the concerns for her constituency in Young. The only connection I could make was that cherries were indeed the significant item. Whilst there may be clear benefits nationally for a free trade agreement, and we have already gone through quite a number, the parochialism of a particular area and a perception that it will have a negative effect exists. How do you weight a submission saying, 'No, I don't like it,' compared to someone who says, 'Yes, I do'? You can almost design the construct of what people are going to say in a consultation process before you start it, with respect. I am not saying that is what you are doing.

Mr Bowen—At the end of the day, that is a decision of the government as to whether they believe there are benefits for Australia overall.

Senator SCULLION—So there is an amalgam of public benefit when they weigh those things up.

Mr Bowen—It is a decision of the government. I should add one thing: most of the tariffs on horticultural products coming into Australia are already zero, or very low levels anyway.

CHAIR—Thank you, Senator Scullion. Senator McGauran.

Senator McGAURAN—I have come in late.

CHAIR—We are dealing with item 7, international.

Senator McGAURAN—What is the status of our trade negotiations with Taiwan in regard to stone fruit?

Senator Sherry—We have dealt with that, Julian.

Senator McGAURAN—Have we?

Senator Sherry—It was first up.

Senator McGAURAN—Can I throw it to someone else?

CHAIR—Is Senator O'Brien in for a few questions?

Senator HEFFERNAN—He has asked questions for so many years he has run out of questions.

CHAIR—Any other questions could always be put on notice. The only thing we can do is move on to wheat, and I think that might take more than five or 10 minutes while we wait for Senator Nash to find her way down. I thank those from International and move to item 8, Food and agriculture.

[7.43 pm]

Export Wheat Commission

CHAIR—I welcome officers from the Export Wheat Commission. Do you wish to make an opening statement?

Mr Watson—Chairman, we would appreciate doing that, with your agreement. As this is the first time the Export Wheat Commission has appeared at Senate estimates, it is appropriate that I introduce myself, John Watson, and the EWC. I am the inaugural chairperson of the EWC, which commenced on 1 October 2007, taking over from the previous Wheat Export Authority. I am joined by four other commissioners with extensive experience in wheat and related industries.

The Wheat Export Authority had appeared before the Senate committee on numerous occasions, and the EWC welcomes this opportunity to do the same. By way of background, I am also chairman of Incitec Pivot Ltd and of the Cooperative Research Centre for Innovative Dairy Products. I am also a director of Tassal Group Ltd, a counsellor of the Royal Agricultural Society of Victoria and a member of the Rabobank Food and Agribusiness Advisory Board for Australia and New Zealand.

Senator HEFFERNAN—Quit while you're ahead!

Mr Watson—The EWC monitors the export performance of AWBI and reports its findings to the minister and growers. EWC provided the confidential performance monitoring report on AWBI and other wheat export issues to the minister in December 2007. The related growers report was published on the EWC website in December and was mailed to growers and other wheat industry stakeholders during January 2008. AWBI did not transfer wheat from the 2005-06 national pool to the 2006-07 pool due to the small size of this drought-affected pool. This decision extended the finalisation of the pool, so the EWC was unable to report on the sales performance of AWBI in relation to the 2005-06 pool. The EWC will produce an addendum to the PMR and growers report before the end of June 2008 to report on the financial performance of the 2005-06 pool.

The EWC has two other functions, which are the control of bulk wheat exports and the administration of the non-bulk wheat quality assurance scheme since deregulation of non-bulk wheat exports on 27 August 2007. The Minister for Agriculture, Fisheries and Forestry currently retains bulk export veto. The EWC makes recommendations to the minister on applications to export wheat in bulk. The minister must have regard to the public interest of each application before directing the EWC to consent or to reject each application.

Since deregulation of container exports, from 27 August 2007 until 31 December 2007, 466,362 tonnes of wheat have been exported in containers compared to just 52,018 tonnes during the same period in the previous year. As part of the operations of the scheme, the commission has accredited 54 packers with 93 sites, 12 laboratories with 43 sites and six superintendence companies.

The Australian government has foreshadowed legislative change to current wheat marketing arrangements. AWBI has, by press release, indicated that the 2007-08 national pool is the last to be managed by the holder of the single desk. The EWC stands ready to work with the wheat industry to play whatever appropriate role it can in making the transition to the new export wheat marketing arrangements. Thank you.

CHAIR—Thank you, Mr Watson.

Senator HEFFERNAN—Do you think you have a conflict of interest? Did you say you were the chairman of Incitec Pivot?

Mr Watson—That is correct.

Senator HEFFERNAN—I think you are a bunch of sharks and I think that the behaviour of Incitec Pivot in the fertiliser market this year is a disgrace.

Senator Sherry—I think that is unnecessary. Pivot are not here appearing before Senate estimates.

Senator HEFFERNAN—Yes, but I am going to come to that.

Senator Sherry—It is totally extraneous.

CHAIR—I think, Senator Heffernan, you might want to retract that statement.

Senator HEFFERNAN—You may want me to, but I will not.

CHAIR—Senator Heffernan, I will remind you of the standing orders—

Senator HEFFERNAN—If I have offended you, old clobber, I will retract it.

CHAIR—Thank you.

Senator Sherry—But its relevance—

Senator HEFFERNAN—The idea that the obligation, which is where AWB went wrong, is to maximise the profit to your shareholders is exactly what you blokes are on about in Incitec Pivot, and we are going to deal with that in a separate process. I am bloody angry about it.

The AWB rang me this morning to say they are concerned that, if what you are on about turns to a bucket of custard, they are not in a position to run a pool this year. What are we going to do if what you are doing runs to a bucket of custard for wheat growers? Bear in mind that it looks like it is going to be a big year. Bear in mind that, in my private view, some people in AWB ought to be headed to jail. Bear in mind that one of the guys who has just got a permit is Glencore. The last thing that Clinton did before he left office was to give the boss of Glencore a pardon to get him out of the clink. If what the government proposes for the marketing of wheat, of which you are a part, does not work, how are we going to market our wheat?

Mr Watson—Chairman, I do not anticipate being part of the government's new arrangements. My understanding is that they are intending to construct a new organisation to control the export of wheat from Australia and that the Export Wheat Commission is likely to finish its life on 30 June this year.

Senator HEFFERNAN—But your predecessor was the Wheat Export Authority. Agreed?

Mr Watson—That is true.

Senator HEFFERNAN—And they were a bunch of pansies. They were incapable of doing what they were tasked to do.

CHAIR—Senator Heffernan, you probably mean as in the flower variety, but I would ask you to express yourself in a better manner.

Senator HEFFERNAN—You know what I mean!

CHAIR—We know what you mean.

Senator HEFFERNAN—They were ill equipped and incapable in the struggle that AWB obviously had between the best interests of the growers, which was some sort of constitutional vagary, and the ASIC requirement to maximise the profit to the growers. They say to me that, if the government's arrangements, which I am not familiar with, do not work, they are not going to be able to run a pool. A company like Glencore, who has recently got—

Senator O'BRIEN—With respect, this is the wrong place to ask these questions. They are for the department and the minister.

Senator HEFFERNAN—This is the replacement for—

Senator O'BRIEN—It is not. It is the one that sits in the middle until something else happens. That is right, isn't it?

Mr Watson—Certainly that is my understanding. We have certain functions that have been provided by the—

Senator HEFFERNAN—What are your certain functions?

Mr Watson—revised Wheat Marketing Act. Our functions principally are to—

Senator HEFFERNAN—Would you have approved Glencore's permit?

CHAIR—Senator Heffernan, may we just let Mr Watson answer your question. Carry on, Mr Watson.

Mr Watson—I actually made an attempt to cover off from the introductory statements what our role is. In relation to the exports of wheat, it is to make a recommendation to the minister based on published guidelines. The decision on whether an export permit would or would not be granted rests with the minister through the transition period.

Senator HEFFERNAN—On your advice.

Mr Watson—He is not under any obligation to accept our advice.

Senator HEFFERNAN—You provide advice to the minister. Right or wrong?

Mr Watson—We do provide advice to the minister.

Senator HEFFERNAN—And did you provide that advice?

Mr Watson—We did provide advice to the minister on 47 applications, and then the minister has made his decisions.

Mr Woods—On separate issues: the minister considers public interest, which the Export Wheat Commission cannot consider.

Senator HEFFERNAN—So how do you get around the problem of maximising the profit for growers?

Mr Woods—As far as making a recommendation to the minister, on bulk applications we have to consider if they are complementary to the pool or niche markets. We also consider the export shipping program, under containers and bags previously and currently under the scheme; any previous bulk applications; and a whole raft of other issues.

Senator HEFFERNAN—But that is of no assistance in what we are going to do with the current harvest, if the government's arrangements do not work. The proposal that was put up—

Mr Woods—There are two clear ways.

Senator HEFFERNAN—late last year that you are allegedly overseeing was not bankable. In my view it was not a bankable deal and it is going to fail. No doubt the government—Mr Mortimer might know about it—will come up with a better proposal. Mr Mortimer, where do you think we are headed next season, given that there is a fair chance of a reasonable harvest, as long as there is not a frost?

Mr Mortimer—Are you asking about the wheat marketing arrangements that are going to happen following this year?

Senator HEFFERNAN—I am.

Mr Mortimer—Sorry, I just want to be entirely clear what you are asking, Senator.

Senator SIEWERT—If he is not, I am.

Mr Mortimer—Could you just repeat the question for me, please?

Senator SIEWERT—What are the wheat marketing arrangements for next year when the current veto ends in June?

Mr Mortimer—The government's arrangements at the moment are that it is going to replace the current situation, whereby AWBI holds the export monopoly and it is the only exporter of wheat, with a system of a newly constituted body, a wheat export authority, that will issue export licences to accredited exporters on the basis of certain requirements.

Senator HEFFERNAN—You have made a recommendation which included Glencore, for instance—who were serious offenders in the oil for food program internationally—as a worthy body to take up a licence. They bought out that show at Barooga. In my view, the boss of Glencore is an international fugitive.

Mr Mortimer—Can you make the question a tad clearer, Senator?

Senator HEFFERNAN—You say that the government has a plan to allow licences.

Mr Mortimer—That is right.

Senator HEFFERNAN—But on what criteria do you release the licence? Do you take into account previous records, or the size of the bank account, or the goodness of their credit, or the mateship, or the facilitation fee?

Mr Mortimer—I appreciate what you are asking. The government has said in its policy statement that exporters will be accredited if they comply with strict reporting requirements and meet a stringent probity and performance test. It is not possible to say anything more about that because that is still being developed by the government. The arrangements, in broad terms, will be set out in draft exposure legislation later in the year.

Senator HEFFERNAN—Are you familiar with Glencore's problems in the oil for food?

Mr Mortimer—Yes, I am aware of that, Senator.

Senator HEFFERNAN—How could they pass the probity test?

Mr Mortimer—I really cannot comment on that. That will be an issue that will be tested down the track when it looks at the merits of the application.

Senator HEFFERNAN—I might propose that question to Mr Watson. How did they pass the probity test, Mr Watson?

Mr Woods—Under the current act the Export Wheat Commission does not have to consider probity issues.

Senator HEFFERNAN—They can be the world's greatest crook.

Mr Woods—We look at ABNs and whether the company is registered and can be sued in Australia.

CHAIR—Sorry, Mr Woods. For the purposes of propriety, Senator Heffernan, we understand that you have some serious questions to ask.

Senator HEFFERNAN—No, I am not referring to anyone in particular in that remark.

CHAIR—No, I understand.

Senator HEFFERNAN—They could be the world's greatest crook—

CHAIR—Probably some choicer words might assist.

Senator HEFFERNAN—and that is not an issue for you?

Mr Woods—Senator, we did not write the legislation.

Senator HEFFERNAN—No.

Mr Woods—We only try to implement it.

Senator HEFFERNAN—So, in theory, they could be the world's greatest crook and you would give an approval?

Mr Woods—The approval that the minister asked us to provide a consent to is for Glencore Grain Pty Ltd, an Australian company. You are talking about Glencore International.

Senator HEFFERNAN—I would not like to go to specifics, but in theory their form is not an issue for you?

Mr Woods—The Australian company does not have form. It is fine.

Senator HEFFERNAN—Yes, righto.

Dr O'Connell—From the broader perspective, the issue that it is the Australian company we were dealing with is relevant.

Senator HEFFERNAN—Do you want me to join the dots up for you? Give me a break. That is just a legal nicety. In consideration of suitable applicants for an export licence, you said earlier that their form—that is, their status in legal terms or whether they are up to monkey business—is not an issue. Is that what you said?

Mr Watson—Chairman, one of the issues that has been considered is that the current Iraqi government actually asked Glencore to tender for the supply of wheat, so a reasonable conclusion might be that the current Iraqi government does not feel opposed to this company to the extent that they do not want to deal with them.

Senator HEFFERNAN—That does not say anything.

Mr Watson—The Iraqi government is actually responsible for their imports into Iraq.

Senator HEFFERNAN—Yes, all of that. They were before, too.

Mr Watson—They decide who they will ask to tender.

Senator HEFFERNAN—That is right.

Mr Watson—They asked Glencore to tender. Glencore, the Australian registered company, to my knowledge has absolutely no form whatsoever in either Australia or in any other court in relation to any offence.

Senator HEFFERNAN—To be fair, I agree that the people down at Barooga that got a very good deal, that sold out to Glencore, were just good old ordinary Australians. But the family company overseas has a lot of form.

Mr Watson—I actually do not know that. I have read some articles in newspapers over the last week or so but I do not have any information about it.

Senator HEFFERNAN—It is a very safe position to have.

Mr Watson—I am not aware of any successful prosecution against the parent company, even, other than that there have been some reports in newspapers.

Senator HEFFERNAN—No. Australia in fact is the only country that has taken it to task. In the oil for food program, sections of the UN were the largest, most corrupt body on the planet, because they were involved over their heads. They had the chairman of the show's son in custody in Cyprus or somewhere. You are dealing with a pretty shonky bunch.

CHAIR—Mr Watson, it was not a question. It was a statement made by Senator Heffernan. If there are any other questions, I would urge senators to get to the them.

Senator HEFFERNAN—What are the criteria on which you select successful tenderers for the licence?

Mr Woods—Our guidelines are published on our website. We assess everything against our guidelines. The guidelines include the length of relationship with the customer that they are applying to; what other Australian grains are supplied into that market; AWB's position in the market; AWB's marketing strategy, whether it is complementary to the pool; what other products of other origins might be supplied into that market by that particular applicant so that they have a long history in the market, for example; the length of the shipping period; compliance against previous applications and the non-bulk quality assurance scheme.

Senator HEFFERNAN—No doubt there is a long list. What was your reflection on them closing the pool early this year?

Mr Woods—AWB?

Senator HEFFERNAN—Yes.

Mr Woods—Closing which pool early?

Senator HEFFERNAN—The harvest had not started in southern New South Wales and they closed the pool.

Mr Woods—They closed the No. 1 pool in various spots.

Senator HEFFERNAN—They did. What did you think about that?

Mr Woods—The EWC does not have an issue with it.

Senator HEFFERNAN—Did you understand what it meant?

Mr Woods—They are protecting those who delivered early to it from a price rise. They opened the No. 2 pool on the same day and it was at a discount to the No. 1 pool.

Senator HEFFERNAN—God help us!

Senator McGAURAN—Just for the correctness of the record, you mentioned there were some 48 applications.

Mr Woods—I think 45 is correct.

Senator McGAURAN—Nevertheless, the *Weekly Times* published that there were 38—three successful, 35 rejections.

Mr Woods—Our chair was referring to a brief that we gave him earlier today for what the EWC considers is the 2007-08 pool. We have had 45 applications in total, of which some were considered by this minister and some by the previous government.

Senator McGAURAN—Do you make public the reasons for rejection?

Mr Woods—No.

Senator McGAURAN—There were three successful applicants, two of them into the Iraqi market and one into the UK market, interestingly enough. I know there was a great furore, certainly coming from the Western Australian contingency. Correct me if I am wrong, but the group over there was CBH?

Mr Woods—CBH do have a current consent.

Senator McGAURAN—And they have mills in Indonesia. Is that true?

Mr Woods—They have part ownership in some mills.

Senator McGAURAN—Mills in Indonesia. They were making a furore last year, as Senator Adams will testify, that they needed to supply their own mills. This was their Trojan Horse into deregulation of the market. Did they make a similar application for supply to their own mills in Indonesia?

Mr Woods—CBH have made a number of applications and I cannot say any more than that.

Senator McGAURAN—So they were not successful and yet, quite obviously, given the criteria you just read out, it would seem that they should be a successful applicant, as they were the previous year, and now you cannot tell me the reason why?

Mr Woods—I cannot comment on that. The minister and the previous government and minister assessed those under public interest, and they would have to answer that question.

Senator McGAURAN—My point is not really against the minister's fine judgment; it is more against CBH—that they could not prosecute their case this time round. Maybe it is not as important as they made out last year.

CHAIR—I am sure Senator Adams will have a host of questions to ask for and on behalf of Western Australian growers. Senator Siewert does have questions, Senator McGauran. Do you have any more?

Senator McGAURAN—No, that is all for the moment.

Senator SIEWERT—I will first go back to the numbers and then I want to go back to asking: 'Where to from here?' Did you say there were 45 applications and three have been successful?

Mr Woods—No. For what the EWC consider as the 2007-08 pool, we have had 45 applications. Seven have been successful and one is pending; the rest have been rejected.

Senator SIEWERT—What was the quantity involved in those that were successful?

Mr Woods—For the seven, 970,000 tonnes.

Senator SIEWERT—Going on to the question of ‘Where to from here?’, Mr Mortimer, I think you answered the question that I appropriated from Senator Heffernan in terms of the new system that is going to be set up. Can you go through in a bit more detail for me, please, the requirements that I think you said had to be met to be granted a licence and when we can expect the draft exposure legislation?

Mr Mortimer—On the first, I cannot say anything more than I said in answer to the earlier question, Senator, because the arrangements have not been settled by the government to that degree yet. In terms of the draft exposure legislation, it is expected to be released some time in March, I think early March.

Senator SIEWERT—Does this mean that we are not going to have a new grower owned body by 1 March?

Mr Mortimer—In terms of the new grower owned body, that is not part of this government’s policy platform on wheat marketing.

Senator SIEWERT—So that is out the window?

Mr Mortimer—It is not part of the new government’s—

Senator HEFFERNAN—Will there be a pool involved in the government’s plan?

Mr Mortimer—A pool will be a matter of judgement for a commercial operator. For example, AWBI, if it continues to be an exporter, could operate a pool but it will not be a pool in the sense that we have now. Pools are essentially an aggregation of wheat, so there will not be a national pool such as we have now, but other pools might be developed by wheat exporters.

Senator McGAURAN—Is this the death of the single desk?

Mr Mortimer—That is not a statement for me to respond to, Senator.

Senator Sherry—I will take that on notice and get the minister to analyse your description and respond.

Senator HEFFERNAN—What precautions will you take on collusion at the bridge—not at the marketing end but at the acquiring end?

Mr Mortimer—The legislation has not been developed to that degree. It is impossible for me to say what might be in it.

Dr O’Connell—I might just reinforce Mr Mortimer’s point. He really cannot go any further than he has already gone because those details are still barely settled.

Senator HEFFERNAN—Would collusion be an amber light for the government?

Mr Mortimer—Collusion is an issue that is illegal under Australian law in any regard, in any industry, for any business. There is trade practices legislation to deal with collusion, there is an ACCC that deals with collusion. Those arrangements are in place. I expect that issue will be looked at and dealt with in the new arrangements.

Senator SIEWERT—There should be an exposure draft in March, with expectation that it will be introduced before. What is going to happen to the power of veto that has been extended to June?

Mr Mortimer—That power of veto then lapses under the current arrangements.

Senator SIEWERT—Yes, that is right.

Mr Mortimer—That was part of the legislation that was put in place last year.

Dr O'Connell—The government has made it clear that it intends to have the new arrangements in place by 1 July.

Mr Mortimer—Yes.

Senator SIEWERT—Thank you.

Senator HEFFERNAN—So what are we going to do on collusion?

Mr Mortimer—I cannot give you any more answer on that, Senator Heffernan.

Senator HEFFERNAN—Have you thought about it?

Mr Mortimer—Yes, the department is thinking about all these issues, and I expect that—

Senator HEFFERNAN—There is obviously a case to be made in fertiliser, which the select committee will deal with, but I am just wondering about wheat.

Mr Mortimer—It is a reasonable concern, but there is nothing more I can say at this stage because it would be unhelpful. It is potentially misleading because the government has not settled the details of the new legislation.

Senator HEFFERNAN—If it turns to custard—and it may well not turn to custard—AWB, who presently has an obligation in the area, says it is not interested. If there is a huge harvest, it appears to me that freight and storage are going to be issues at the next harvest, given the branch line set-up and the monopoly in freight. I would reckon, if I were an operator in the wheat market with the prospects of what is ahead, if there is a huge harvest—hopefully there will be—that it would be a great opportunity for collusion.

Mr Mortimer—I really cannot comment on that. There are a lot of issues there.

Senator HEFFERNAN—At the present time you can get fertiliser if you put five per cent Gran-Am in it. But if you do not put the Gran-Am in it, they tell you to go and play a tune somewhere.

Senator Sherry—This is just speculation, Senator.

Senator HEFFERNAN—No, it is not speculation; it is real. I know a bloke that just got a load of fertiliser because he put five per cent Gran-Am in it.

Senator Sherry—If your colleagues want you to waste their time, it is up to them. These are not questions. You are asserting a whole litany of allegations and possibilities. They are not questions.

Senator HEFFERNAN—With great respect, Minister, farmers out there are really worried about this stuff. You may not be worried; you are an expert on superannuation, and a good one at that. But we are worried that we are not going to get the biggest decking of all time at both ends of the tube.

CHAIR—If I can just bring senators back to the line of questioning, please, use this time that we have for the opportunity to ask the department questions.

Senator ADAMS—I have one.

CHAIR—You thought that was the hard part! Senator Adams, on behalf of Western Australian growers: fire away!

Senator ADAMS—Thank you very much. I didn't want to answer the question from over there but I thought, well, seeing that we have deregulation now in Western Australia of bags and containers, and you are asking where our wheat is going—an enormous amount—we were told in the opening statement that 466,362 tonnes of wheat has gone out in containers, so that is something that Western Australian farmers are able to do. Also, in relation to CBH, they did get their 500,000 tonnes last year, so that has helped. They have used it, and we had most of it, and they have still got another one in.

CHAIR—Okay, that was interesting.

Senator Sherry—Now we've had another little date, can we get on with the questions?

CHAIR—Senator Adams, I am sure you have some questions of the department.

Senator ADAMS—I have. I want to speak to their *Growers report*, which I have found very interesting. My first question is: in view of the Export Wheat Commission's most recent *Growers report*, which we have all been given a copy of, and some of the serious potential problems raised regarding AWB's activities, particularly in relation to ships chartering and hedging, how confident should the wheat growers of Australia be in the findings of previous reports—that is, reports that have been tabled before this latest one, which shows quite a number of things.

Mr Watson—That is a very difficult question for me to answer because I have not been a party to any of the earlier reports. This is a new organisation, so I am really not in a position to defend any earlier reports.

Senator ADAMS—Is there someone that could?

CHAIR—Is there somebody up the back that may be able to assist you?

Mr Woods—In relation to two of the previous reports—the 2006 *Growers report* and the 2006 addendum—I was the acting CEO for one of those and I was in charge of PMR for the 2006 *Growers report*. I would stand by those two reports today. I was not at the Wheat Export Authority prior to that, but the team of people there are a good bunch of people. They have looked at everything as well as they could at any particular time. We have taken a very different approach. We have a lot of consultation with stakeholders, and when they raise concerns we try to look at them and ask questions probably in different ways than have been asked in the past.

Senator ADAMS—A lot more evidence has come out in this report than had in previous ones. That was the reason the question was asked, but I will continue. Have previous reports potentially overestimated the performance of AWBI, given the evidence of the most recent report and the other information that has come to light over the past two years?

Mr Woods—I could not qualify whether they have overestimated anything that has been in those previous reports, other than the ones that I have had something to do with, but certainly, as far as chartering and hedging, in this report they are accurate.

Senator ADAMS—Given that it has been stated this evening that government policy is to replace the Export Wheat Commission with a new body, Wheat Exports Australia, what role will the EWC take in the next few months? Can you give us an idea of your role until 30 June.

Mr Watson—It is clear that we need to continue with our role in providing advice to the minister on export applications for bulk exports, to continue running the Non-bulk wheat quality assurance scheme, to provide an addendum to the PMR to the minister but also an addendum to the *Growers report* that sets out the financial performance of the previous year's pool. Clearly, we have a responsibility also to ensure that we enable the organisation to smoothly transition into whatever new arrangements are decided by government for 1 July.

Senator ADAMS—Coming back to your report, it could be inferred from evidence presented in this report that AWB overcharged by \$200 million for ships in their chartering operation. The table is on page 14 of your report. Will the EWC be making any recommendations to the minister on potential recovery of the money and is further investigation warranted?

Mr Woods—As far as that chartering review is concerned, there were 733 vessels chartered. We randomly picked 40. For those 40, there was \$14 million—the way we compared freight rates on the day; apples with apples—and I do not think you can extrapolate that to the other 700-odd shipments. That would be unfair.

Senator HEFFERNAN—Why not?

Mr Woods—Because it is a random sample; it is a small sample.

Senator HEFFERNAN—Even so—

Mr Woods—It is not statistically reliable.

Senator HEFFERNAN—That is just a bland statement. You could, but you cannot prove it. It might have been. That is just a cover.

Mr Woods—That is correct.

Senator ADAMS—That is quite a frightening example that you have given.

Senator HEFFERNAN—It could actually be true, but you cannot—

Mr Woods—We cannot qualify that. We did choose a random sample.

Senator HEFFERNAN—Yes, fair enough.

Senator ADAMS—Given the overcharging in one area where you have made a semi-detailed examination of the chartering, could it not be inferred that further examination of all AWB business practices will reveal other potential areas where a conflict of interest between AWB Ltd and AWBI was resolved to the disadvantage of growers? At this stage, I will declare that I am a wheat grower.

Mr Woods—I could not answer that without knowing particular areas and undertaking the analysis.

Senator ADAMS—Could you take that on notice, please.

Mr Woods—I do not think it is a question we could answer on notice between the different areas. We would have to look at the area—the same way that we have looked at chartering, the same way we have looked at hedging—to be able to answer a question like that.

Senator HEFFERNAN—It is a certainty. It is designed to fail. The ASIC obligation of AWB to maximise the profit for the shareholders versus some vagary in the constitution to benefit the growers is designed to fail. Of course they are going to maximise the profit for the shareholders. The phoney argument that the shareholders are for the growers is rubbish.

Senator ADAMS—You have just about taken my next question, because it was about that. How do you reconcile AWB overcharging in shipping and potentially in other areas—we have said potentially—with AWB's obligation under the act and its own constitution, once again, to maximise pool returns and minimise costs?

Mr Woods—With regard to chartering, AWB have been clear all along that they did not go out to the market and seek prices off brokers because they wanted to hold the details of the shipment off market so that they did not move the market or change the shipping market or the wheat market. They were obviously valid concerns for them, and in this review we found that AWB chartering do, maybe not on the day but in 90 per cent of the cases we looked at, use brokerage firms anyway.

Senator ADAMS—Given the oversight of the AWBI—and pool returns was always part of the Wheat Export Authority's responsibilities—is there any area where the organisation can now be seen to have failed in adequately fulfilling its role? I note, of course, that you have changed the name, but going back to when you were with the Wheat Export Authority.

Mr Woods—I was with the Wheat Export Authority for a year and a half. I could not answer that question.

Senator HEFFERNAN—Why not?

Mr Woods—Because I did not have enough involvement in the previous reports and I have had nothing to do with—

Senator HEFFERNAN—So you have not bothered to study them? Only look forward, do not look back?

Mr Woods—We do not have the resources to go back and do re-investigations that have been done.

Senator HEFFERNAN—So are you saying you have the same structural weakness as the Wheat Export Authority—you do not have the resources.

Mr Woods—It is the same legislation.

Senator HEFFERNAN—They were a waste of space, so are you a waste of space?

Mr Woods—I do not think I am, and I have never been. No-one has ever accused me of that before.

Senator HEFFERNAN—The Wheat Export Authority simply did not have the resources to do their job. Are you telling me that you do not have the resources?

Mr Woods—It is difficult every day—

Senator HEFFERNAN—I appreciate that that would be a genuine comment.

Mr Woods—with the budget that we have.

Senator HEFFERNAN—It was a disgrace the way they were underresourced in the Wheat Export Authority. Do you have the same problem?

Mr Woods—They were limited by the legislation—

Senator HEFFERNAN—They certainly were.

Mr Woods—and we are limited by the legislation.

Senator ADAMS—I have one last question. Could you give me a brief description of the results of your international customer survey, please.

Mr Woods—To clear up a question you asked GRDC earlier, we designed an international customer survey that was reflective of questions that AWBI had asked in their previous customer surveys, and we provided a copy of the survey to both BRI and GRDC and asked them for their input to help us tailor the questions, and that was all in that area.

The survey was sent out to 587 flour mills and stockfeed mills around the world. It was written in eight different languages. Everyone got two surveys, one in English and one in the language of their country. The results of that survey showed that Australian wheat was considered to be of a high quality, not price competitive, which means that a little bit more is probably being charged for that quality. There are certain other qualities that some mills want bred into wheat, and that is starting to happen here in Australia already for the sponge and dough-making bread that is the main thing in Asia.

Senator ADAMS—Do you have anything to add?

Mr Watson—On the survey? No. To me, the really important information that came back out of the survey was that, whilst the customers pay higher prices for Australian wheat, they do so believing that it is of a better quality and they have a lot of confidence in the integrity of what is presented to them.

Senator BOSWELL—There is every prospect if this rain continues that we are going to get a reasonably good crop this year. There is a lot of moisture in the ground at the moment. We are now going on a brave new adventure of deregulation. Have you done any work or any research studies or modelling on the effects of all this wheat hitting the market at one time?

Mr Woods—No, we have not.

Senator BOSWELL—If we are going to deregulate the wheat industry, and the government has made that decision, it is going to be all hands on deck to get that wheat out at the earliest possible time, because what will happen is the wheat in Queensland will come on and they will get a good price for that and, as it works its way down into Victoria, the prices may go anywhere. There is a great concern out there that, if the wheat comes off quickly and it all goes to the ports at one time, there will be confusion. I would have thought that the department would have advised the minister of the problems that could happen, and you are telling me that the department—

Mr Mortimer—Senator, you have identified a serious issue. Certainly the minister is aware in broad terms of the issues about grain transport. Indeed, the government, in its

election commitment, made a promise that they would establish task forces to be set up in the department of transport to examine transport issues both on the eastern side of Australia and on the western side of Australia.

Senator McGAURAN—Are the transport issues directly linked to the government's introduction of policy, or are they two separate things?

Senator O'BRIEN—You did nothing about them for a decade. That is what they are linked to.

Senator McGAURAN—Yes. Are they two separate issues, or are you trying to link them?

Mr Mortimer—They are two separate issues but they deal with the same set of—

Senator McGAURAN—They are two separate issues, but it is a cute answer.

CHAIR—Can we have one speaker at a time, please.

Senator BOSWELL—What the problem is, Senator O'Brien, is that once the crop was dissipated over a 12-month period when the Wheat Board had sole control and now it is going to be out there and—

CHAIR—Senators, Mr Mortimer was in the process of answering a question.

Senator BOSWELL—You should understand this because you were—

Senator O'BRIEN—I think I understand it better than you.

Senator BOSWELL—No, you don't.

CHAIR—Senator Boswell, Mr Mortimer was just going to answer a question.

Mr Mortimer—I was saying that the government made that policy commitment in the last election to address the issues of grains transport which are already identified and there are concerns about how they might operate in the future. Those transport initiatives will be put in place and they will provide a basis for helping to deal with the issue that Senator Boswell identified.

Senator BOSWELL—I will follow this up with another question. The gentlemen on the right-hand side made a statement a few minutes ago that people were prepared to buy Australian wheat at a premium because the quality standards were high, and they were prepared to go that little extra. Who now will be in charge of guaranteeing the high standards of Australian wheat if three, four or 10 people have licences to sell? Who is going to be responsible for guaranteeing the high standards of wheat exports?

Mr Mortimer—It might be reasonable for me, on the department's side, to give an answer to that. Part of the government's policy commitment on wheat marketing is to establish an industry expert group to advise on a range of issues around the implementation of the new policy, which includes issues of maintaining standards for Australian wheat. The minister has announced the formation of that group, and they have now started upon their work. That group will provide advice to the minister which will become part of the new arrangements for marketing of Australian wheat.

Senator BOSWELL—But the wheat is going out now. Who will test that wheat to see that the standards are up to scratch?

Mr Mortimer—The wheat that is going out now will be tested under the current arrangements. AWBI is doing that. The question you were asking, I thought, was what would be the situation after 1 July when there are new arrangements in place.

Senator BOSWELL—Yes.

Mr Mortimer—My answer to that was that we do not know what the details of that will be at this point, but the minister has established an industry expert group to give him advice on that and a range of other related issues, and that will be reflected in the new arrangements as the government proceeds to implement them.

Senator BOSWELL—I asked a question on the road, rail and ports. I will now ask a similar question on the handling structures on the wharfs. There will be increased pressure on those as everyone tries to get the wheat out at the highest possible price and at the earliest possible time. Has there been any modelling done on that?

Mr Mortimer—Not that I am aware of.

Mr Watson—Senator, if I could come back to your earlier question about the survey, I think an important piece of information about that survey is that, of the responses that came through, a little over half of them—that is, 58 per cent—were from AWBI customers from 16 countries and a little less than half—42 per cent—were from non-AWBI customers from 13 countries. Clearly, the responses that were received that talked about the quality of Australian wheat and the higher prices came from customers of both bulk and non-bulk wheat. So it is not just the AWBI customers that were surveyed through this process. Almost half of those replies were from non-AWBI customers, and I think you could reasonably extrapolate that a large proportion of those would have been customers who received it in bags and containers.

Senator BOSWELL—Before this decision was made, was the wheat that went out in bags and containers tested for quality control?

Mr Woods—The Export Wheat Commission has what is called the non-bulk Wheat Quality Assurance Scheme in place. Exporters must notify the Export Wheat Commission prior to shipment and include their contract, which includes the contract specifications. They also have to notify the packer and the labs and, once the wheat has been sampled and provided to them, the labs automatically provide the results to the Export Wheat Commission and we compare those lab results against the contract specifications.

Senator BOSWELL—There will be increased costs with the pressure on port facilities, I would imagine. We could probably call them opportunity costs. Has the minister been advised of those likely increased costs?

Mr Mortimer—Senator, it is probably best for me to take that question. It is not at all clear what might be the outcome for bulk handlers, in terms of costs or otherwise, of the new wheat marketing arrangements. At this stage, we are keeping a watch on that issue in terms of the development of the arrangements as a whole but there is no clear evidence at this point that the costs will be greater or lower than otherwise under the new arrangements.

Senator BOSWELL—I would have thought that obviously there will be. If you have four people trying to use the facilities that one person used, there is going to be a squeeze

somewhere and someone will pay more—probably the grower. That is pretty obvious. If you have got four people, five people or 10 people trying to use the facilities all at once, instead of having the crop sent out over 12 months, there is going to be a lot more pressure and that means the costs will escalate. I just ask: have you advised the minister? Do you not believe that is the case?

Mr Mortimer—Certainly we are aware of that, and we will be looking at possible access arrangements for use of infrastructure like that. That is one of the issues that are being looked at in the new arrangements. Ports are used to deal with bulk exports and a whole range of commodities and the handlers and the transporters organise commercial frameworks to deal with those issues. We cannot say anything definitive about what might be put in place at this stage because no decisions have been taken. It is an issue that we are aware of and we are certainly keeping under scrutiny the development of the new arrangements.

Senator BOSWELL—There will no longer be estimated pool returns, I presume, if the wheat industry is deregulated. How does a grower go to a bank and borrow money for the next crop without an estimated pool return? I know that is not your problem. Has the department advised the minister that there will be considerable problems when a grower rocks up to the bank manager and says, ‘I want \$200,000 to put the crop in,’ and the bank manager says, ‘Well, how much are you going to get?’ He says, ‘Well, I don’t know, because there’s no export pool returns.’ Is the minister aware of that?

Mr Mortimer—I can make some comments there. The farmers’ situation with the banks will depend on a number of issues. Most farmers are required by banks now to put forward a business plan, and that will encompass a few things, including their planting intentions and production forecasts, as well as the expected prices, as you say. The pool price has had the benefit of being an averaged indicator price, I suppose you could call it, but all growers have access to all the information that is necessary for them to make a reasonable estimate of the price. They have access over the internet to the Chicago and Kansas boards of trade figures on a daily basis and they can work back through the freight and other issues to work out a price.

Senator BOSWELL—With respect, there has been a lot of money blown by people who do not know what they are doing trying to hedge.

Mr Mortimer—I am not talking about hedging, Senator. I am talking about working out what a potential price might be, which is a very different issue. The estimation of the price does not imply any hedging activities. AWB itself estimates the pool return, in part based upon the Chicago and Kansas futures. Farmers can get that information themselves and get a sense of where international prices are going, and they will add to that in terms of domestic practice.

Senator BOSWELL—With due respect, that is an answer that I would expect from people such as yourself, who are highly skilled and can go and look at this hedging or forward selling. But a farmer does not do that; a farmer grows a crop. He is not an expert on these things, and there will be some seriously burnt fingers if you think farmers can go and estimate a price 12 to 18 months out. It does not work that way.

Dr O’Connell—As with many other markets, farmers presumably will come to grips with the uncertainties of the market. Farmers work in markets all the time. This is one of the very

unusual areas that they have not had to work quite so crisply. But it is not unusual for them to work in markets.

Senator BOSWELL—My question is: is the minister aware of the problems of not having estimated pool returns? You say that a farmer may be skilled and he may even be able to employ someone, if he has a huge farm, to advise him. But the average guy that has 4,000, 5,000 or 6,000 acres is not going to be able to estimate what the price will be—and even if he does, it will be a wild guess. The bank manager is not going to be interested in his estimations. He wants to know what price he is going to get. If he does not know what price he is going to get, he will not lend him money. I ask you whether you have advised—as you should have—the problems of not having a pool will cause?

Mr Mortimer—Certainly the minister has been made aware of that issue.

Senator McGAURAN—To clarify what Senator Boswell is saying and to put it in its simplest terms—and you must have done some modelling or have some understanding of this—surely you are not going to introduce a whole new system into the marketplace without understanding that initially, at least in the first few years, you are going to have a slump in prices. Farmers are going to receive less. You have got a bumper crop, an oversupply, and a new system that farmers have to adjust to, and they are going to be caught flat-footed. That is what Senator Boswell, I believe, is trying to say.

Initially, the farmers at the farmgate are going to take lower prices in so many years of adjustment, and this is in a time of high international demand. Are we not looking at a slump in wheat prices at the farmgate in the early years of the introduction of this system?

Senator O'Brien interjecting—

Senator BOSWELL—This is probably why you got dumped from the ministry. Just listen and learn something.

Senator McGAURAN—Senator O'Brien babbles over there during the whole course of the Senate estimates. I know he is hurting because he is not sitting there.

CHAIR—Senator McGauran, ignore the conversation on my right. This happens during questions in estimates. Carry on with your question, please.

Senator McGAURAN—That is my question. You must have done something on that.

Mr Mortimer—I have to say that it is not clear that there is any reason or evidence to believe that the change in wheat marketing arrangements in itself will lead to any particular price outcome. Prices for Australian wheat are always determined by international prices, albeit that is mitigated to a degree by issues such as drought in Australia. We have seen, in the last year or two, a lot of wheat growers on the eastern side of Australia not delivering wheat to the pool, operating outside the pool, and making no complaints about the prices that they are receiving.

Senator BOSWELL—Are you saying that is correct? If the pool goes, it will undermine the domestic returns. Once the pool goes, the domestic market will probably go down with it. I totally disagree with your assessment; you may live to regret those words that will be recorded in *Hansard* for a long time.

Senator McGAURAN—With the introduction of every new marketing arrangement—certainly under the previous government; for example, the dairy industry—there was always a transition arrangement and support put in place for the farmers. Does the government have any such plans for a transition arrangement and support for the wheat growers?

Mr Mortimer—No—

Senator McGAURAN—Of course not.

Mr Mortimer—As far as I am aware, the government does not have any arrangement similar to the dairy arrangements in place. I would make a comment that the dairy package replaced a very prescriptive set of arrangements whereby dairy industry prices were heavily regulated by a series of state arrangements, more or less underwritten. We do not see that with the current wheat marketing arrangements. The estimated pool price return is there, but that is not the price the growers get at the end of the day. They can get a very different price, depending on how the pool is returned and how the payments run out. It is an estimate and is always called that, and the outcome is essentially in the hands of the markets. That will always be the way of it.

Senator HURLEY—Wouldn't you expect that part of the restructuring of the marketing of wheat to include a proposal to have more information available about the wheat crop, how much is available in Australia, where it is coming from and more general information for growers and brokers and anyone else to make that assessment?

Mr Mortimer—ABARE presently does crop forecasts and it publishes material.

Senator HURLEY—But I am talking about the wheat that is near market, in terms of sales that have gone through the system, reporting of sales.

Mr Mortimer—At the moment there is not a lot of capacity to do that as long as AWB holds the export monopoly and is the single operator of the national pool. There are a number of market advisory services, grower advisory services like the *Callum Downs Commodity News* and people like Malcolm Bartholomaeus, who provide growers with advice on price trends, market trends et cetera. It is expected that those people will continue to provide that service and, indeed, the market for that service might expand.

Senator BOSWELL—What is going to happen if we get a bumper crop, say 24 million tonnes or 25 million tonnes, and we do not have the capacity to get that wheat out, we do not have the infrastructure? In previous terms, that wheat was sent out over 12 or 18 months. Have you advised the minister what would happen in a situation of oversupply with no buyer of last resort?

Mr Mortimer—The minister is aware of that issue. The buyer of last resort provision essentially provides that the AWB is required to buy all the wheat that meets its grades at the price that pertains to that grade. That is the arrangement as it is now. It does not mean that AWB simply takes the price regardless at, say, a pool price. So what it is saying is that, because an export monopoly is held by AWB, it must ensure that, to the extent that it is commercially practicable, it buys all wheat at the price that relates to the grade and then sells it. In the absence of a buyer of last resort facility associated with an export monopoly, I would

expect that other players in the market would buy that wheat at the price that relates to the grade at that point in time.

Senator BOSWELL—Let me put this to you: you have a 25 million tonne crop and facilities to get rid of 12 million tonnes or 18 million tonnes, and quite a lot of it is under canvas, under cover—who is going to buy it? You cannot sell it because you cannot get it out. The domestic market is full. It is sitting there under canvas. Who goes out and buys that wheat?

Mr Mortimer—There are market mechanisms in place to deal with that. Some of those are already available. For example, growers do not necessarily have to sell or price their wheat at the price that is pertaining at harvest time. They can store the wheat. They can warehouse it. They can make their decision at which point in time to put it on the market and which price suits them, depending on the market or their particular circumstances.

Senator BOSWELL—How do they store it if all the facilities are full and it is under canvas?

Mr Mortimer—A lot of farmers store wheat on their farms.

Senator BOSWELL—I understand farmers. I spend my life with them, so I think I understand what facilities are available on farms. A lot of them do not have a lot of storage facilities; most of them do not. They have some storage facilities.

Mr Mortimer—I hear what you are saying. They can store it with one of the grain handlers, and they create storage facilities, often temporary ones, near railway sidings in a bumper crop year. In a bumper crop year, farmers often simply set up their own storage facilities on the farm under tarpaulin or some such. I cannot be definitive on what the outcomes will be because essentially that will depend on the market and the growers' choices. Australia has a history of having bumper crop years for wheat. In those years, all these sorts of mechanisms that I have just mentioned come into play and are drawn on by farmers in dealing with the marketing of their wheat.

Senator BOSWELL—No, that is incorrect because the AWB has always marketed the wheat. We are going into a brave new venture. AWB took the wheat and sold it over a period. Now we are deregulating and we are in a brave new world, so what you are saying is quite incorrect. AWB has always said, 'We'll take the wheat.'

Mr Mortimer—Not quite. A lot of farmers do not necessarily choose to sell to AWB at the point and at the price in the market when they take the crop off. Sometimes they do choose to put it aside, store it and pick a better time, from their point of view, in the hope of getting a better price to market their wheat.

Senator BOSWELL—In the event of a bumper crop, as you put it, no-one is going to wait for a better price when every silo is full, every railway carriage is full and every wharf is under strain. No-one is going to be able to sell it for a reasonable price, because the price will go down. I just want the minister to be aware of that.

Surely, as a competent department, you would have done modelling to show the best possible scenario and the worst possible scenario. Is there any such modelling, or did you just go and say to the minister, 'She'll be right, mate; if this is your policy, we'll do it'? Public

servants, I would have thought, should always give advice. The minister does not have to listen to them, but a public servant should advise the minister what could happen at the worst time and at the best time. I imagine that some modelling would have been done.

Mr Mortimer—I will not make any comment on that; it would be improper for me to do so. All I will say is that the department is simply implementing the government's policy commitment consistent with that.

Senator BOSWELL—I understand you have to do that. I accept that. But I am asking you: did you do modelling and offer that modelling to the minister to show what the worst and the best scenarios would be?

Mr Mortimer—It is not proper for me to go into the nature of the advice the department gives the minister, I am afraid.

Senator BOSWELL—I will take from that that you did do your job and you advised the minister.

Mr Mortimer—I think that is unfair. We advise the minister—

Senator BOSWELL—You would say you did not if you—

Dr O'Connell—Senator, I think Mr Mortimer has indicated that, in terms of the briefing, the key issues that you have raised all the way through have been issues that the minister has been made aware of in discussions and briefings. If we can leave it, perhaps, at that point.

Senator BOSWELL—I am asking: if there was modelling done, could we have a copy of it?

Mr Mortimer—And I am saying that the department is not in a situation to make any comment about the nature of the advice it gives to the minister.

Senator SCULLION—Perhaps I can rephrase that. I understand that Senator Boswell's questions were specifically in relation to advice to the minister. We understand that that has a certain embargo in this environment, and I respect that. Mr Mortimer, I must congratulate you on your frank response to Senator Boswell on the very dire circumstances that may appear for a certain demographic of wheat growers in Australia and the fact that you passed these things, most recently, I understand, to the minister. Working out contingencies in terms of infrastructure and in terms of marketing arrangements against particular crop outcomes, have you done any work to model what the outcomes may be?

Mr Mortimer—The department is advising the minister on the implementation of its—

Senator SCULLION—Sorry, Mr Mortimer, I was asking if the department has done some work on modelling in regard to those issues that Senator Boswell asked about. I am not asking for the model; I am not asking for the advice. I am asking you if public taxpayers' money has been spent on modelling those arrangements?

Mr Mortimer—The department does not do modelling of that sort of activity in its normal course.

Senator SCULLION—So you are saying no information in regard to modelling of that type exists? It has not been done by the department?

Mr Mortimer—Not in specific terms.

Senator BOSWELL—In any terms? It might not be a model, but is there any interdepartmental advice, maybe not that has to be sent to the minister but any internal discussion on what would happen if these scenarios took place?

Mr Mortimer—The department considers and analyses different outcomes and options for any policy change. I simply cannot say anything more than that.

Senator SCULLION—Mr Mortimer, I can understand that you would go to the minister as part of any brief. Obviously you have had a fair bit of time to think about and understand what the Labor government's policy was. They enunciated that quite clearly before the election. You would have to implement much of that. Senator Boswell's concern is that you would not just rock up to the minister and say: 'Look, these are a few problems. You know, we've got a bit of an infrastructure problem, a bit of a transport problem, markets could get a bit wobbly here.' We would have thought that you would have backgrounded yourself about contingency issues associated with a new policy that you would have had to get your head around. I ask again: have any reports or modelling—in the broadest sense of the term—been done to apprise yourself of the impact of a policy change on an industry?

Mr Mortimer—We are in interesting territory. You are asking a question that I cannot really answer.

Senator SCULLION—Perhaps Dr O'Connell would be able to—

Senator Sherry—The witness has already responded. You are rephrasing the question cleverly, but advice to government is advice to government.

Senator SCULLION—Minister, the reason I am so miffed by this is that it just seems an absolute absurdity that a department with the skills and nature of this department—and I know this department—would turn up to a minister and say, 'By the way, there are a couple of issues,' and take two sentences apiece. It does not matter which side of the issue you sit on that. I think that is an absurd situation. I find it very difficult to accept that on face value. So I put it again to Dr O'Connell: has there been—

Dr O'Connell—Senator, as with all major regulatory changes like that, there will be a regulatory impact assessment which will accompany the whole process. That is the approach that occurs whole of government, and that is an approach we will also follow. So there will be a regulatory impact assessment as required by the rules of the game, if you like, which will accompany any statutory changes that we are looking at. That will be the requirement that I think you are looking for.

Senator SCULLION—Thank you for that, Dr O'Connell. So we would appreciate, at some stage in the future, there will be an assessment done?

Dr O'Connell—Certainly. As I said, there will be a regulatory impact statement, which we will go through in the normal process, and that will meet the requirements.

Senator SCULLION—I am sure someone with your experience is a pretty tough sort of a cookie in this game, Dr O'Connell, but I would have to say someone in your position would be pretty nervous about this. The way I see this is that we have got a process where we are saying: 'We're going to have a new policy on this. The first thing we have done is that we

have burned all the bridges about policy. The last was announced this morning.' Through six questions by Senator Boswell about issues, the department, through Mr Mortimer, has confessed that there are significant issues about the implementation of the policy. At the same time, the very first time that we know what the new policy is going to be, the minister quotes 'next month' and says that he would encourage industry to have a bit of an input into that.

I hope I am not oversimplifying it, Dr O'Connell, but there does seem to be this huge gulf for industry at the moment. It does not matter where you sit on this, Dr O'Connell, you can understand why they have a great deal of concern. It is simply about the efficacy and the future, about what is actually going to happen into the future. We have left the wharf and there is absolutely no compass. Industry are very concerned—certainly, sectors of the industry—that there is simply no consistency or future direction for them, or any answers to the reasonable questions that not only the growers are putting but also people like Senator Boswell.

Dr O'Connell—If I could somewhat go to Mr Mortimer's defence, I think what he was clearly trying to—

Senator SCULLION—I certainly was not attacking Mr Mortimer. I was simply—

Dr O'Connell—What he was trying to indicate was that the issues which Senator Boswell was raising were issues which had been considered. So it was not the case that these are either unknown or unconsidered. Quite clearly we are going through the process of developing the exposure draft to the legislation and it has been indicated that the draft exposure will be available within the reasonably near future—assuming that all goes to plan—and that the industry expert group is working on the nuts and bolts of some other aspect related to the implementation. During this period we would expect to see all this exposed. It is quite clear, though, that what we are doing is trying to give effect to the government's very clearly stated policy that these arrangements will be put in place by 1 July. So we are following that requirement of government.

Senator SCULLION—I certainly do not see some of my questions as a criticism either of you or of Mr Mortimer. That is certainly not the case. It is just that, again on behalf of many of the growers in Australia and many people who are following this debate, there seems to be this huge gulf. The only thing we are sure of is that any arrangements that we knew were in place are now not in place. The only thing we are sure of is that we do not know anything about the future until such time as an expert group meets and decides. The other thing we know for sure is that people are making decisions about wheat. We are not just something you stick in the ground and hope for the best. I think it is about certainty. Forget about all the other issues, and they are complex enough as it is. It is the lack of certainty at the moment that is deeply troubling to many aspects of the industry.

CHAIR—We will now have a short break.

Proceedings suspended from 8.59 pm to 9.15 pm

Senator SCULLION—Thank you, Dr O'Connell and Mr Mortimer, for the answers to those questions such as you could provide. I understand the Export Wheat Commission, which is the current situation, is going to become Wheat Exports Australia. As I understand it, the Export Wheat Commission currently can determine a whole range of issues, particularly

about wheat export licences, based on some guidelines, and you make a recommendation to the minister, who at that stage then provides a public interest determination over that and announces the decision. That is the current situation. When it becomes Wheat Exports Australia, will that change?

Mr Watson—I have no idea.

Mr Mortimer—As I indicated earlier, the current arrangements operate until 30 June of this calendar year, and the government has indicated its intent to establish a new body to issue licences to export wheat in bulk to companies that are to be accredited for that purpose, and those companies will need to comply with strict reporting requirements and meet stringent probity and performance tests.

Senator SCULLION—We know that the policy has not been completed, and we know it has got a name and we are delighted with that. Do you know whether or not Wheat Exports Australia will be providing advice to the minister in the same way as the Export Wheat Commission does at the moment?

Mr Mortimer—I cannot comment on that. The matter has not been settled yet.

Senator SCULLION—Are you able to inform the committee of any deliberations likely to be made by wheat exports Australia or are you able to provide us with anything except the name of the new process?

Mr Mortimer—As I said, the name and those broad comments that I outlined to you, which are taken from the ALP policy statement, which sets out the various things—

Senator SCULLION—It is informing much of the debate at the moment.

Mr Mortimer—It is the government's policy.

Senator SCULLION—Thank you for that. Mr Watson, if I can return to you briefly, I just have some supplementary questions. I was listening with interest to some of the questions from Bill Heffernan in regard to the efficacy or otherwise of Glencore and the particular application. I am not making any slurs on anyone, but I understand the difficulty you may have in providing a direct answer to that, and I understand the reasons why. As you went through, you spoke about the sorts of issues that people would be mindful of, and quite rightly so—the nature of the relationship with the importing country, the successful history in the market, being able to demonstrate the shipping arrangements, credit histories—all those efficacy things that you spoke about.

It does not take much to have a look at a company—and I do not want to talk about hypotheticals—that has all of those processes. It is a registered Australian company. In fact, there might be a market for those sorts of companies shortly, because, if there are no efficacy requirements beyond that point, there is no scrutiny required beyond the fact that a company does these things at the moment. There seems to be under this process a clear potential for someone to be able to sell that history—and it is just simply history. In a way, you are trying to get some efficacy behind a process that says there is a full range of probity issues that have been dealt with, so you can say, 'I have the highest level of confidence that this company is not going to embarrass Australia or the government.' It does seem that with the process you currently have in place—and I understand it is an interim process—you do not apply another

level to look at the structure of the company, the ownership of the company, when you are dealing in the international marketplace. So many regulators that are looking at the probity of a company would say, 'Well, who currently has the ownership of the company?' We do it all the time. Is it the fact that you are not looking at that aspect of it because of any particular instruction or is it simply absent from the guidelines? I would have thought it would be an obvious step. Why is it that you would not be looking at that particular aspect of the construct of a company that applied for an export licence?

Mr Watson—I am not quite sure that I am clear on the question, but if the question is, 'Do we take into account a company's reputation and a whole range of other probity issues—

Senator SCULLION—I accept that you did, yes.

Mr Watson—To some extent, yes. As Mr Woods explained earlier, there is a significant list of issues that the EWC considers in relation to an applicant before providing advice to the minister. The minister also has his own resources then, through the department and others, where he would also make an assessment, but without using exactly the same criteria that we do because he is required to consider the national interest in making his decision. I can say yes to all of those things. The problem I have is that there are, in the background of all this, some newspaper articles about a company called Glencore. There are some suggestions in those newspaper articles about some improper activities. I do not know the extent to which they have been proven—whether they have been through court and prosecuted and penalised in a court. I do not actually have any of that evidence. Certainly I am aware that there have been some allegations made here tonight about Glencore, and I am aware that there has been some media speculation. Beyond that, I am not aware at all. The applicant in this particular case was a well-known Australian registered company with a significant history under a previous trading name, which has over the years traded very significant volumes of Australian wheat and other grain products overseas. Clearly we would have an interest in whether that company had a particularly nasty reputation, whether it had had significant prosecutions or whether there were concerns over its capability to be able to manage the trade. None of those concerns came up in our investigations.

Senator SCULLION—Mr Watson, the issue I am getting to the bottom of is that the company that applied for the export permit had a good history. These are good Aussie blokes. They had been purchased by a parent company. If I can quote from ABC online, it talks about a CIA report that reads:

For example, one of the most active purchasers of Iraqi crude was a Swiss-based company named Glencore. It paid \$3,222,780 in illegal surcharges during the period of the program. The company denies any inappropriate dealings with the Iraqi Government outside of the UN Oil For Food program.

That is the extent of it, and I would never expect you to be making any determination of criminality on that basis. Even if you know nothing about the parent company, because you are not required to, I want to know: is it the fact that you do not need to pursue that because that is not part of the guidelines, or is it simply because of the nature of this particular example, which may well be appalling?

Mr Watson—Firstly, the guidelines require us to look at the company that is making the application.

Senator SCULLION—No other company?

Mr Watson—Under its ABN. It is really difficult for me to frame an answer that does not include the suggestion that it is Glencore and what ABC online said about them. I do not know whether what ABC online said was correct or incorrect.

Senator SCULLION—I appreciate that.

Mr Watson—I do not have any access to the CIA for their information, but maybe the ABC does.

Senator SCULLION—My concern is this: this is an information black hole. There is none. Because you are the interim agency, there will be another agency which, in effect, will take over fundamentally the role that you have taken over. We can glean, even from the very small bits of information you have, that I suspect that is going to be the case.

Mr Watson—I am not wishing to interrupt, but I suspect the new agency will not be very much like us at all, because their functions would need to be different. Our key function is to provide reports to growers and to the minister on the performance of the AWB single desk. That obviously will not be a function for a new organisation. The bulk of Australia's wheat exports—in bulk, that is—is conducted through that single desk through AWBI. My understanding from policy statements by government is that that will be opened up and that there will not be a single desk and therefore in all probability not a dominant player but a number of players.

Senator SCULLION—My reference was to the particular aspect of the probity issues of considering the applications for export licences as the Export Wheat Commission rather than any other overarching role.

Mr Watson—That is what I am trying to explain. I do not think it will be anything like what it is now.

Senator SCULLION—The issue is that we are all left guessing.

Mr Watson—Yes.

Senator SCULLION—Mr Mortimer, can you explain a bit of the history of the Wheat Industry Expert Group. How long have they been around and who are they?

Mr Mortimer—I am happy to do that. If you like, I could take you to a press release put out by the minister.

Senator SCULLION—Hand me a copy, if you could.

Mr Mortimer—It is on the website.

Senator SCULLION—This is a committee that has this whole process of providing information. It seems to be on the public record anyway. I am not in a hurry.

Mr Mortimer—Yes, that is fine. The industry expert group is chaired by a South Australian grain grower by the name of John Crosby, and other members are Geoff Nalder, Graham Shields, David Thomas, Gail Dowie, Dan Mangelsdorf and Geoff Honey. If you like, I can go to the terms of reference.

Senator SCULLION—No, that is fine. If you can just encapsulate briefly, rather than any specific terms of reference, what their purview has been and what their activities have been.

Mr Mortimer—It is to advise on the delivery of industry development functions under the new arrangements. Essentially, the government has announced the key elements of the wheat marketing arrangements but it has acknowledged that one of the consequences of having an export monopoly arrangement for a long time operated by AWBI is that a number of broad activities relating to standards, quality assurance et cetera have of necessity been done by the one company that has been allowed to export wheat. So the question is: how will those operations best be undertaken under a new set of arrangements as has been outlined? The role of the industry expert group is to consider and provide advice to the minister on those issues.

Senator SCULLION—So the expert group has not been asked to provide advice to the minister on the process of granting export licences? That has not been the case?

Mr Mortimer—That is right.

Senator SCULLION—Thank you very much.

Senator O'BRIEN—I want to find out what happened to the \$250,000 which, prior to the election, Mr McGauran announced he was giving to WEMA.

Mr Mortimer—We can give you an answer on that. There was a grant given to WEMA, which is the Wheat Export Market Alliance. Mr Thompson here can give you an authoritative answer, as he is responsible.

Mr Thompson—The former government made a grant of \$250,000 to WEMA late last year. It was paid to the Victorian Farmers Federation acting on behalf of WEMA, because the Victorian Farmers Federation was a body that was able to receive such funds. An initial payment of \$75,000 was made to that account to begin that work. At the present time we are in discussion with the Wheat Export Marketing Alliance as to what they are going to do with the rest of that project. It was scheduled for completion in March this year.

Senator O'BRIEN—Of the \$250,000, only \$75,000 has been paid?

Mr Thompson—Only \$75,000 has been paid to date.

Senator O'BRIEN—Do you know how much has been expended?

Mr Thompson—I do not have that figure.

Senator O'BRIEN—I understood that members of that alliance had announced that they were abandoning their quest for a grower controlled entity, including the Victorian Farmers Federation.

Mr Thompson—Our latest advice is that the marketing alliance is continuing to promote the direction they were promoting last year but some members of that alliance have withdrawn their support, so there seems to be a degree of flux in that organisation, which is why we have commenced discussions with them to work out what they intend to do with the project.

Senator O'BRIEN—Is there anything preventing them from expending the \$75,000?

Mr Thompson—It was advanced to them under a contract. The contract said \$75,000 on payment. That payment was made in December. They may well have been undertaking research, investigations, meetings or paying some salaries. So they may well have spent some of that \$75,000. We have not looked at the books of the organisation, and it would not be normal to.

Senator O'BRIEN—When was the contract signed?

Mr Thompson—The funding was approved in August and the project was scheduled to start on 25 September. I do not have the date of the actual signing of the contract. I will take that on notice.

Senator O'BRIEN—Can we be supplied with a copy of the contract?

Mr Thompson—I think that may be possible. I would have to check whether there are any commercial confidences or anything around it, but I will take that on notice.

Senator O'BRIEN—I appreciate that.

Senator ADAMS—Table 1.11 on page 25 lists the Wheat Export Authority's supplementation of \$2 million—what was that about?

Mr Woods—The Wheat Export Authority, due to drought, for the last two years, has been short of funds, and the government provided a \$2 million grant for us to continue operations.

Australian Bureau of Agriculture and Resource Economics

CHAIR—Welcome. Do you wish to make an opening statement?

Mr Glyde—No.

Senator MILNE—I am sure it will not come as any surprise to ABARE that I ask you this: what is your current projection on the price of oil?

Mr Glyde—It would be a surprise if you did not ask that question. We are in the process of finalising our medium-term projections. They come out in the first week of March. We are not in a position right now to be able to tell you exactly what that price is for 2009 and beyond. We do a five-year forecast and we are in the process of finalising that. I can give you, though, our thinking that is going into it, to give you a bit of an indication of where we are heading. I would expect that the price of oil would remain pretty high in 2008, reflecting both continued supply constraints and high-demand growth. We have seen high-demand growth from non-OECD countries, particularly China and the Middle East, and a limited supply response. We see that the supply response has been adversely affected by a lot of volatility in oil prices in recent times and worldwide shortages of skilled labour, material inputs and drilling equipment. Those factors have led to increased costs and delays to some projects in bringing forward supply. As I said before, we are expecting them to remain pretty high in 2008 and then to decline moderately over the next five years. That is our outlook for the short to medium term.

In the long run—and we tend to get a bit of criticism in relation to this—our view, as it has been in previous hearings, is that over time global oil demand and supply will respond to the current high oil prices. It is considered that those prices are going to remain high over the longer run and we expect, as we have said before, that the cure for high oil prices is high oil

prices and that will stimulate additional exploration that could eventually result in additional new production globally, and also new technologies.

We have seen, over recent times, a significant increase in reserves, in terms of expectations. You might recall that BP in 2007 said that world oil reserves at the end of 2006 were equal to 45 years of 2006 production. At the end of 1986 BP also said that the reserve to production ratio was around 40 years. So the impact of new technologies and the impact of higher oil prices we think are going to be the long-run cure for high oil prices. We are in the process of looking at that again, because the real floor that sets our oil price into the longer run is the cost of alternative technologies. Over the last four years we have seen that the production costs of those alternative technologies, such as oil sands and the like, have gone up, as indeed have production costs for a wide range of capital projects across the world. We are expecting that our long-run oil price will increase, but it will still be lower than it currently is in real terms.

Senator MILNE—At what point did ABARE change its position that oil prices would be \$40 a barrel into the future? This has been a consistent position of ABARE since I got here in July 2005.

Mr Glyde—As I said, we are in the process of having another look at that. At the moment our current real oil price is about \$45 a barrel, if I am not mistaken, in terms of what we have got out there at the moment. I do not think we have changed that view. We have set that view on primarily the costs of the substitutes that we see would come in in due course.

Senator MILNE—What interests me about that is that you have never been right. In all that time, the oil price has been nowhere near \$45 a barrel. Why should we predicate all government transport policy on an ABARE figure of an oil price of \$45 a barrel when it is nowhere near that and has not been for a very long time?

Mr Glyde—I think you need to distinguish between the very long run price of oil which we are talking about in terms of \$45 a barrel, which is out to 2030—and it is an assumption that we make in our modelling, based primarily on our projections on consumption growth, supply growth, and also the costs of alternative technologies. As you have quite accurately pointed out, it is extremely difficult to predict the short-term price of oil. There are a lot of people around the world that have got it wrong as well. ABARE's track record in predicting the short run is that we always assume there will be a production response. Because oil has remained high, we think that is partly due to the factors that we have talked about on many occasions in terms of some of the global security issues. Also, it is possible for OPEC producing countries to quickly turn on production. It has meant that the investment in the non-OPEC world has not come forward. Oil companies are making the same sorts of judgements that we are making in relation to the short-term price of oil.

Senator MILNE—In terms of where we go from here in relation to ABARE's forecasting on the oil price, do you accept the notion of peak oil? I take it from your response that you do not. But, if so, do you reject the idea that we have reached peak oil globally? Do you believe the people who say, 'If we haven't reached it yet, we will do by 2015'? What is ABARE's official position on peak oil?

Mr Glyde—Our official position, based on our long-term analysis of oil prices, is that we do not think that oil resource availability is going to constrain us out to 2030. We do not see peak oil occurring at that time. It is obvious that, whilst oil reserves have a physical limit, we do not see that limit being reached, as oil prices will rise sufficiently to encourage the development of new technology and substitutes for oil in the long term. As I said before, we have the evidence of the last 100 years of oil production and oil consumption that shows that the production estimates—the reserve to production ratio—always seem to be about the 30- to 40-year mark. That has been the case through the 20th century as well. We do not believe that we are reaching peak oil.

Senator MILNE—Even in the face of an incredible increase in demand from China and India, in particular, do you still stand by that position?

Mr Glyde—That is right, particularly in the shorter run as well. If you look at the oil price now, if you look at some of the factors that are going to be driving oil consumption over the next little while, we are assuming an easing in economic growth around the world in the next year or two, and we believe that will mean that consumption is likely to decline moderately during that term. So whilst there has been a rapid increase in demand growth in recent times, there have also been some increases in reserves as people are using new technologies and going further, and the high price of oil makes it more economic to go and get those reserves that were previously uneconomic.

Senator MILNE—What is your response to people like AusLink, who, on the basis of ABARE's modelling, recommend roads above rail—and Australia's transport infrastructure is road based, based on ABARE's oil prices—and you have been wrong?

Mr Glyde—Sorry, but I am not aware that was the claim that AusLink or the department of transport have been making.

Senator MILNE—AusLink claims that the modelling they have on Australia's transport infrastructure is based on ABARE's oil price. So the responsibility is rather significant for this and future generations about your projections on oil price.

Mr Glyde—I am saying that I was not aware that they were doing that. There are other institutions that forecast oil prices, including the International Energy Agency, and there are many others as well. I would imagine that the department of transport, like many others in the business, will be looking at a wide range of estimates and models and assumptions and the like in coming to their decisions in relation to investments of the magnitude that are in AusLink. If you look at how our forecasts compare to the International Energy Agency and others, we are not out of the ballpark as far as those estimates are concerned.

Senator MILNE—We are not very far in the ballpark either, when you look at the real prices. I want to come to a statement made by your predecessor, which was that it really did not matter too much if the oil price went higher because then we could switch from coal to liquids. When I asked about climate change, he said we were putting climate change to one side. So can I ask: is it ABARE's view that we will switch from coal to liquids in spite of the climate change ramifications?

Mr Glyde—Someone correct me if I am wrong. We have not factored climate change assumptions into those assumptions in relation to the oil price. I stand to be corrected on that. It sounds like I am being corrected on that.

Ms Schneider—No.

Mr Glyde—That is right? Okay.

Ms Schneider—Into our medium-term forecasts.

Mr Glyde—Into our medium-term forecasts, we are not taking into account the impacts of climate change. What we are looking at is the costs in terms of the alternatives. For example, if there were to be an outbreak of global harmony in relation to emissions trading so that you could actually see carbon prices beginning to come into the cost calculations of the alternatives, then it makes it relatively easier for us to be able to begin to take those things into account. We have said before that we went through this on the last several occasions—that we are not factoring climate change into our assumptions about the long-run price of oil or into the medium-term price of oil.

Senator MILNE—I have to say that I am shocked to hear you say that. When you look at the global negotiations for the post-2012 period, when you talk to anybody, emissions trading is one of the recommendations that every country is looking at—in the developed world, at least—to reduce emissions; and everybody is recognising that there will be a carbon price. Why is ABARE not factoring a carbon price into its modelling?

Mr Glyde—We do factor carbon prices into other modelling, Senator. What I am saying is that, in relation to the assumptions about what is going to happen over the next five years or so, or even out to 2030, we would like to see a little bit more agreement and global cohesion in relation to a pact that would see these sorts of prices and carbon penalties reflected right around the world before we began to start to make assumptions about those things. I am not denying that that will not emerge over time. What I am saying is that, at the moment, on what basis do we choose a particular carbon price?

Senator MILNE—What about the notion of leadership as opposed to following in terms of looking at the future, because one of the issues here is the switch to public transport—for example, a huge investment in public transport instead of more roads and so on? That is all looking at the climate ramifications of the transport effort. Is this whole issue of the climate ramifications of oil consumption, let alone the trade deficit issues, not crossing ABARE's radar at all?

Mr Glyde—It is definitely crossing our radar. What I would suggest is that the way in which we have been and we will continue to look at that issue is through the use of our global economic model, where we can play with various assumptions and scenarios about what might be carbon prices, what might be future emission growth scenarios, what might be future feedbacks on world economic growth and Australian economic growth as a result of climate change. We can begin to explore those sorts of issues, because they are very important. Sooner or later there will be a carbon price that is going to be included in all these calculations. But at the moment I think you would agree that, in terms of making an assumption about what the future price of oil will be, we seem to be a long way away from global harmony in relation to an emissions trading regime or some sort of regulatory regime

or burden-sharing regime that would enable us to be confident in the assumptions we make when we are going forward. We are not ignoring this issue. We are doing a lot of work on the modelling side and on the scenario analysis side to try and tease out what those things might mean.

Senator MILNE—Looking at this from a UNFCCC perspective and having been to all of those conferences, there is massive global discussion. You talk about what the economic modelling might be while I look at what the scientific modelling is saying. My view is that, when the shift occurs, it is going to shift fast.

Mr Glyde—Yes.

Senator MILNE—You are going to be way behind the times if your responses are as cautious as you are suggesting there.

Mr Glyde—We try to keep our models as up to date as we can. We have been working with CSIRO for the last six to nine months trying to link together our economic model with one of their global climate models to begin to try and understand, as I think we discussed at previous estimates, what some of the impacts of climate change might be on world economic growth and vice versa. So we are trying to keep up with that knowledge. We are trying to make sure that the modelling capacity that we have will be able to help answer the government's and the nation's policy questions.

I am trying to make a distinction between what we do in terms of an assumption about energy growth as we currently see it—in terms of known policies on the ground now—versus what we are doing in our modelling work. In our modelling work we are exploring the very issues that you are talking about. We released a paper in December that looked, for example, at the impact of climate change on agriculture and the best estimates we can get at the moment of what the costs of that would be. So we are exploring those issues. I am not trying to deny that those issues exist; I am trying to make a distinction between the assumptions we make in terms of existing government policies, existing policies around the world and future oil expectations, and what we do in our modelling work. Simple as that.

Senator MILNE—To return to that paper you refer to, I have looked at that and that talks about 'impacts on agriculture by 2030'. Do you accept that there are already climate impacts on agriculture in Australia which ABARE did not predict and did not model? As an example, the 2002-03 drought cost the country something like \$10 billion and yet ABARE is continuing to model grain outputs that are absolutely wrong in terms of climate forecasts.

Mr Glyde—Every quarter we put out a forecast of what we expect the grain harvest to be in the following year. Once a year we have a stab at what might happen over the next five years. It would be very hard to distinguish, in the current climate pattern, what is existing climate variability and what is climate change. That is really why it is very hard in the short term to predict out what the impacts of climate change will be. It is a bit easier to make assumptions out to 2030, 2050 or 2100 in relation to climate change. We just make assumptions and we say, 'There's going to be a scenario where world economic growth is going down by 10 per cent in the developing world and five per cent in the developed world,' and we make some guesses about what might happen to agricultural production as a result of

that. We can play with that in the long run but in the short term it is very hard to distinguish out what is actually climate change now and what is coming up in the next year.

Senator HEFFERNAN—How are we better off if the service that you provide is guessing all this?

Mr Glyde—Are you suggesting, Senator, that our annual forecasts are guesses?

Senator HEFFERNAN—You just said it is a guess.

Mr Glyde—No.

Senator HEFFERNAN—The five-year thing, you said, is guessing.

Mr Glyde—No. What we are trying to do in that forecast is show the factors that we see at the moment, in terms of our current knowledge, and the impact they may have over that five-year period on production, consumption et cetera. The whole idea of forecasting is not necessarily to make sure that in five years time we are exactly right; what we are trying to do is tell you what we know.

Senator HEFFERNAN—The oil thing proves that.

Mr Glyde—That is right. All we do is try to provide the drivers for production and consumption.

Senator HEFFERNAN—What was the explanation again—I missed it—for why oil did not go back to \$46 a barrel?

Mr Glyde—I do not think we said it was going to go back to \$46 a barrel.

Senator HEFFERNAN—Oh, yes, you did. Not you personally, but the gentleman who did is no longer with you.

Mr Glyde—I think it is important to understand the period over which the forecasts are made.

Senator HEFFERNAN—I am only pulling your leg. I do not mean that.

Senator MILNE—If I can just go back. This comes to the crux of where ABARE stands. Does ABARE believe that climate change is real or are you still in the position of not deciding between whether climate change is real or whether we are just experiencing climate variability?

Mr Glyde—Climate change is real.

Senator MILNE—Hooray!

Mr Glyde—What I am trying to say is that it is very hard to predict or to model climate change next year.

Senator HEFFERNAN—That is fair enough.

Senator MILNE—Yes, that is true. And the problem, as I have observed, is that Australia is way behind in terms of predicting regional change, because we did not start for a long time because we denied the thing existed. To come back to extreme weather events, you have had the Bureau of Meteorology, the Bureau of Rural Sciences and CSIRO—practically every institution in the country—saying the main impact of climate change is going to be extreme

weather events. So in terms of your looking at forecasts and so on, why isn't that reflected in what you are saying? It frustrates me. You talk about 2030, but surely you should be admitting that climate change is real and that we are seeing extreme weather events much beyond climate variability. All the scientists say it is beyond climate variability.

Mr Glyde—Again I am trying to make a distinction. We are saying we can see it is going to impact, say, wheat production over the coming year or the coming five years. I think the state of the science—and I stand to be corrected because I am not a scientist—is such that they can talk about the increased probability of extreme weather events but what they cannot tell us yet is when, over what period et cetera. So it is very hard to factor that into a one-year forecast or even over the next five years.

Senator HEFFERNAN—When the farmers talk about the southern parts of the Murray-Darling Basin in the next 30 or 40 years, do you factor into your figuring in this longer term stuff their projections on the decline in run-off and the global picture? The eminent scientists say, and I do not know whether you believe them or not, that in 40 to 50 years time 50 per cent of the world's population will be water poor, one billion people will be unable to feed themselves, 30 per cent of the productive land of Asia is going to go out of production, the food task is going to double and 1.6 billion people will be displaced on the planet. Do you take all that into consideration? Do you believe it, for a start?

Mr Glyde—I think we need to look at changed water regimes—that is for sure. Again, I would make that distinction: we do not factor that into our annual forecast, but with our modelling capacity we have been looking at scenarios for some time. Because we cannot be absolutely certain about what is going to happen, we have looked at scenarios where we have a permanent 10 per cent, 20 per cent, 30 per cent or 40 per cent reduction in inflow into the Murray-Darling Basin storages and looked at what impact that might have, using our water models, production models and the like. So we have done work in relation to that. What we have not done is factored that into our annual forecasts.

Senator HEFFERNAN—It appears to me that most of the energy task modelling is based on a planetary population projection of nine billion from 6½ billion, but no-one seems to be focused on the fact that you have to get the food task right to support the population to create the energy task. Are you blokes looking at the future role that Australia might have in providing the food task for the rest of the planet?

Mr Glyde—In the modelling that we do, we certainly look at agricultural trade flows. In fact, we are trying to factor in the consequences of climate change on those trade flows, if that is what you mean. We are certainly looking at that but, again, we are limited to things like scenarios and guesses about what we might do to try and illustrate what some of the—

Senator HEFFERNAN—I am pleased it is your job and not mine, by the way.

Mr Glyde—Yes, it is good fun.

Senator MILNE—A big concern I have had with ABARE in the past is that ABARE has seen a solution to peak oil as being in other technologies like coal to liquids. Now that ABARE has accepted that climate change is real, as a policy position do you agree that you ought not to be backing or factoring in technologies that are inconsistent with reducing greenhouse gas emissions, like coal to liquids?

Mr Glyde—The short answer to that is no, but it is a complicated response. The longer answer is that in our modelling what we try to do is capture the technologies that are available at the moment, their costs and what might happen to those costs of production over time. For example, we can make some assumptions that the cost of photovoltaics might come down over time. What we try to do is put in place what we know about the production costs of a whole range of technologies, and then we let the market go. We do not try to prescribe a particular uptake of technology. We can if we want to. We can model that. We could model renewable energy targets and the like. But the general principle is that we try to have the full range of production technologies available, because in the real world that is what is going to happen. There will be a whole bunch of decisions made on technologies that exist now and technologies in the future that we are not aware of now, so in our modelling we are trying to reflect the full range of technologies that are out there. We are not trying to limit one or the other; we just try to factor in their prices and their costs of production.

Senator MILNE—How ethical is it to have coal to liquids in that mix, given that we know that, even with 100 per cent success at carbon capture and storage, which I am persuaded will never occur, your emissions at the tailpipe are the same as they would be with conventional oil? How can you model that? It is totally inconsistent. You cannot have a solution to peak oil that conflicts with a climate solution.

Mr Glyde—It is always difficult to ask economists questions about ethics.

Senator MILNE—We know that. We have had that experience in the past.

Mr Glyde—More accurately, what we are trying to say in theory is that that carbon signature of gas to liquids—or coal to liquids, whatever it might be—may well be a lot higher than for other technologies. If there is a carbon price in that model as well, then that will mean that there will be less use of that technology. I do not think we are in the business of trying to deny technologies coming forward. What we are trying to do is make sure that the pricing regimes are there so that, if you do put in a carbon constraint—a price, a tax or something like that—then that will have an impact on that industry. You would expect that, if there is a carbon price, there will be a greater demand for those energy production technologies that have a smaller carbon footprint.

Senator MILNE—But as long as ABARE legitimises that research by saying it is a valid and legitimate form of research, governments will continue to back that research even though it is contrary to the global interest.

Mr Glyde—I do not think we are trying to legitimise one technology over another. We are trying to reflect the technologies that are in the world as we speak, and decisions will be made by markets and governments over time about whether or not to use those technologies. For example, in Australia at the moment there is a mandatory renewable energy target. We can have a look at that. That favours renewable energy at the expense of other things, because that is a decision that governments have made. We are not trying to make a judgement about whether that is ethical or right; we are just trying to say that that is the potential range of technologies that governments might consider.

The whole challenge with the modelling is to make it as realistic as possible so that the results you get hopefully might inform future decision making. But we certainly do not see a

rationale for ruling out one technology over another. We would really rather let the costs of production and the carbon prices drive that decision making. We provide the analysis, and that enables governments to make those ethical decisions one way or another. We are not trying to deny the ethical decision. We are trying to provide a tool for analysis, and that is all it is. It is a bunch of assumptions, a few models and some equations and some data you throw in.

Dr O'Connell—It is, in the end, a tool that is used, not a legitimisation of anything.

Senator MILNE—This is a final question in this area. One of my other frustrations is that all of the agencies across government doing predictive work on climate impacts are not necessarily talking to each other and coming to any collective decisions. You have just mentioned to me that you are working with the CSIRO now to look at climate impacts in the medium to long term.

Mr Glyde—Yes.

Senator MILNE—What about the Bureau of Rural Sciences, what about the universities around the country, what about the CRCs? What kind of whole of government or whole of research institution approach is there to feed into your modelling process?

Mr Glyde—I am probably not the best person to comment on that. The people in the Natural Resources Management Division of the department have overall responsibility for DAFF in relation to climate change. Indeed, we work closely with the climate change branch and with the BRS and others. Within the Commonwealth system more broadly, the Department of Climate Change has a coordinating role. We are at the moment, just by way of example, providing modelling services and expertise to the Treasury as they go through their process of trying to figure out the design for the emissions-trading scheme and what the appropriate factors there would be. We are also doing work on the Garnaut review. It is really the Department of Climate Change that has the overall responsibility for making sure that that work is consistent. There are a number of national strategies in relation to climate change. There is a national strategy in relation to agriculture. The acronym escapes me but I am sure the Natural Resources Management Division will be able to explain that to you. I think also at a COAG level there are national climate change strategies. So there are mechanisms in place. There is always scope for more coordination and cooperation. We can certainly do more on that, but there are quite a few coordinating mechanisms in place.

Senator MILNE—So that I understand this, how does the data come to you? Do you get several different sets of data from different institutions or do the natural resource management people collate the data and feed you one set? How does that work to feed into your model or your assumptions?

Mr Glyde—Because we have a global model, we get our data from the GTAP.

Dr Gunasekera—Part of the data is coming from the Global Trade Analysis Project in Purdue University and some from the joint work that we are doing with the CSIRO. That information is coming from their climate model. We tend to access data from various organisations; in particular, energy data we get from the International Energy Agency and the US Department of Energy. So we try to access a range of data from a range of international agencies and local agencies.

Senator MILNE—Coming back to that issue, though, that is what concerns me. That is why I was asking about the Bureau of Rural Sciences and the Bureau of Meteorology and so on. One of the major problems is that the global models or the global projections do not come down very effectively to regional outcomes, and that is where the BRS and the Bureau of Meteorology are doing more work at the regional level in Australia. That is where we have, to date, been very poor in being able to have good predictive data. That is why I was asking you: where does that feed into your models?

Mr Glyde—You make a good point there in terms of the economic modelling. It is really important for the agriculture sector to have a good understanding in Australia of the regional changes in temperature, rainfall variability and the like. We are hoping to get that information out of the collaboration that we have with the CSIRO and the Bureau of Meteorology and the Climate Centre. We are starting to put the two models together: in simple terms, the economic model banged onto the climate model to try and make sure that we have got a better understanding. Whilst we are still a fair way from having detailed regional level projections within Australia, that is where we are heading. It is going to take some time, but we are working on that integration, because that really is critical, not just for the agriculture sector but for most sectors in the economy.

Senator MILNE—Absolutely.

Mr Glyde—Senator, if it would help—again, I would have to seek the agreement of our minister in relation to this—we would be more than happy to provide a briefing, outside of the estimates setting, about the range of economic modelling capacity that we have and the work directions that we are heading into in more detail.

Senator MILNE—I would appreciate that, because that has been my concern—that we bring together at that level what is relevant and most accurate, actually.

Mr Glyde—Yes.

Senator MILNE—Because that is not happening and it is reflected in your projections—or has not been to date anyway. So I would appreciate that, if the government is happy to have that happen.

Mr Glyde—Yes. As I said, I will have to check with the minister that that is fine.

Senator Sherry—I will discuss the matter with the minister. I see no good reason why that briefing could not be given, but it is his call. I think it is in the interest of public debate that that should occur. So I will discuss the matter with him.

Senator MILNE—Thank you. That is fine.

CHAIR—Are there any other questions of ABARE?

Senator HEFFERNAN—What did ABARE in its wisdom say about fertiliser prices, and what is your explanation for what has happened?

Senator Sherry—I thought we had a select committee now looking into this issue.

Senator HEFFERNAN—Yes, I know, but this is ABARE. We have got to go to 11 o'clock anyhow, Minister. Don't panic!

Senator Sherry—No, I am not. I am just concerned about others having the opportunity to ask questions.

Senator HEFFERNAN—The ABARE people are here and I am sure they would be disappointed if I did not ask them the question.

Senator Sherry—And I am sure they would be disappointed if they were not appearing before what I think is your select committee.

Senator HEFFERNAN—What is the answer?

Senator Sherry—Don't tell me you had no hand in setting it up!

Senator HEFFERNAN—No, none at all. I am only doing it for the money.

Senator Sherry—We know the time.

Senator HEFFERNAN—No. It is a civil question. Obviously there has been a hell of a—

Senator Sherry—I know it is a civil question, but it does beg the question why we have got a select committee inquiring into that area in the first place.

Senator HEFFERNAN—Minister, we are actually the committee. You are the minister. We ask the questions.

Senator Sherry—Yes.

Senator HEFFERNAN—You give the answers.

Senator Sherry—Yes. But everyone is entitled to ask the questions.

Senator HEFFERNAN—Yes, and that is why I am asking the question.

Senator Sherry—It does beg the question of why we have got a select committee to look at it.

Dr Sheales—The basic story is that world prices for fertilisers have gone up tremendously in the last 12 months. I will give an example of what we are talking about: about 160 per cent for DAP, or diammonium phosphate, for those who do not know the acronym; almost 300 per cent for MAP, or monoammonium phosphate; and a bit over double for urea. That is all in the 12 months to this February. On top of that, phosphate rock, which we use to make superphosphate, in the last two years has increased from US\$47 a tonne to about US\$190 a tonne. So that is the environment we are working in. We are a net importer of fertiliser. So what happens with fertiliser prices will reflect that quite closely; not exactly, of course, because there are exchange rate factors in there. Then if you are living—as most farmers do, of course—some way from the ports, there is also transport costs to get the fertiliser there.

To give you an example of some prices—and I am sure we have all seen prices quoted in the media in recent times, and some people who are involved with farming would probably even know firsthand—

Senator HEFFERNAN—You are not about to give us the wheat excuse, are you?

Dr Sheales—The what?

Senator HEFFERNAN—The note from Incitec says, 'Tell the growers that the price of grain has gone up, therefore we don't mind if the price of fertiliser goes up.'

Dr Sheales—No, you will not get that from me, Senator.

Senator HEFFERNAN—Righto.

Dr Sheales—Certainly the listed bulk fertiliser prices at Geelong show that DAP has been quoted at \$1,045 a tonne in February. That is up from \$750 in mid-2006. MAP is at the same price, \$1,045. Urea has gone up to a smaller extent. So some of that reflects what is happening in terms of domestic production here. But, by and large, because we are a net importer in a very substantial way, what we are witnessing domestically is what is happening in the global market. That is being driven by such things as the big move towards biofuels in some developed countries, such as the United States, where the demand for fertiliser has skyrocketed.

Senator HEFFERNAN—We had a gentleman here from Incitec Pivot, and in terms of maximising the benefit to the shareholders, which is their primary obligation, with the production from Duchess, where they are now exporting a large proportion of that, why should we cop the freight from that as part of the parity? They say that we are going to world parity, and say it costs \$100 a tonne or whatever it does to put it on a ship, given that it is here, why should we have to cop, for the fertiliser that is coming out of Duchess, the import freight?

Dr Sheales—In a competitive market—

Senator HEFFERNAN—Because obviously that is profit straight into the pocket.

Dr Sheales—You sell into the market and get what you can for what you are selling. The benchmark has been created by imported fertilisers—and I will give you an example. With phosphate consumption, over half of that is imported. About 70 per cent of the nitrogen that comes into the country, in whatever form, is imported, and all of the potash. If you are marketing your domestically produced product into that market, you are going to meet the market, whatever it is.

Senator HEFFERNAN—But the great difficulty with your argument is that, in fertiliser sheds in September-October, there was a certain amount of fertiliser which was priced before the rise, but the providers would not let anyone take delivery of it or get a firm price because they were waiting for the price to go up. It went up \$300 a tonne. As Senator Sherry said, we will deal with that in due course, because Australia's farmers have a nice old ducking out of what is very much monopolistic cartel behaviour globally.

CHAIR—There being no more questions to ABARE, I thank you very much.

[10.17 pm]

Bureau of Rural Sciences

CHAIR—Welcome to the Bureau of Rural Sciences. Do you have an opening statement?

Dr Grant—Thank you. We do not have an opening statement.

Senator MILNE—I would like to refer to the briefing this committee had last year, I think it was, about the development of the website and the predictive modelling and so on, together with the Bureau of Meteorology and the work that BRS was doing to provide a website for farmers, where they could access the latest in climate predictions et cetera. I want to know

what progress has been made with that particular project. How are you getting the information out there, because I am aware you have produced brochures but I am not convinced that farmers know about it yet or are using it—the same as applies to the question I asked a minute ago of ABARE—and how are you coordinating this effort with CSIRO and with the other research agencies around the country so we can get to the point of having one decent public access site for farmers?

Dr Grant—BRS is progressing a considerable amount of work in respect of climate change across a number of fronts and are developing a number of tools. We are doing that in concert with CSIRO, with the Bureau of Meteorology, on occasions with other partners and of course some of our own work. We have a considerable number of different online tools, as we call them. They are not all coordinated into one website, though, because we share access to the information, in some cases, with others. You would be familiar with the National Agricultural Monitoring System website, for example. That is just one. We have a number of others. I can run through them for you, if you wish, but there is no single consolidated place that you can go to for climate projections or climate predictions and get everything that exists in Australia. As you would appreciate, there is now a Department of Climate Change. Perhaps that is something that will come out of that department in time. But we are progressing on a number of fronts, and I am able to go through that, if you wish, in detail.

Senator MILNE—I am keen to know what you regard as the cutting edge work you are doing at the moment.

Dr Grant—Again, that is a complex question. The Bureau of Rural Sciences is working on something in excess of 100 projects at the moment.

Senator MILNE—On climate?

Dr Grant—No, in total. There is quite a strong thematic through a number of those projects in terms of climate. For example, we are working with Land and Water Australia on a climate change strategy for primary industries. That is not complete yet. We are currently coordinating the development of a national fisheries and agriculture climate change action plan. We have recently undertaken a number of social analysis surveys in key areas of Australia and published that work. We are developing a number of analytical tools to quantify climate change risk, but that is in concert with others, as I say. We have recently tested a complete pilot project, for example, on the reliability of rainfall in the changing climate. We are contributing to the Treasury assessment for implementation of emissions trading in respect of forestry. I can go on, Senator. As I say, it is quite an extensive amount of work. We also have a number of different websites, and I can list those, but there is no one place that you can go for that one stop shop.

Senator MILNE—Thank you for that, and I am glad to hear about the breadth of the activities. Mind you, I am aware of a lot of the work that you have been doing. My concern here is that, with more and more websites, information and projects, from ABARE through to Treasury, now through to the Prime Minister, CSIRO and everywhere else, whilst it is very useful for scientists and people writing policy and that sort of thing, for people on the ground, who just want to have a site that is accessible, where they can go to their region and get

something useful to them, it is becoming more and more complex and less accessible than it was before.

Dr Grant—I think it is very difficult for somebody in a given region to get a projection or a prediction of precisely how climate change will unfold and in what time frame in that region and for their industry sector, but there is no question that we can assist with some tools on some elements of forward projection. The rainfall tool that we developed for Meat and Livestock Australia is one such example, where you can project out 13 weeks in advance. If you look around those areas that are getting rain at the moment, it is a very successful predictive tool.

Senator MILNE—What about actually spending money on letting people know what you are doing and how to access that information? What amount of money are you spending on public awareness and public education?

Dr Grant—A considerable amount, in the context that every piece of work we do that is publicly funded is publicly released in one form or another. It might be by a paper document or increasingly it is by electronic means. Of course, there are limitations to accessibility by different people in Australia and to the quantum of data that has to go down the line. If you are not on broadband it is not very useful. If you are on broadband, but depending on how efficient it is, the issue with us is that, if you want a map or something from us, it is a large amount of data to go down the line and some people just do not have that connectivity.

Senator MILNE—How do you assess or evaluate the effectiveness of your public outreach and public awareness? Have you actually gone out there to try and evaluate who is accessing the tool or product that you are putting out there and how you can improve that? That is my concern at the moment. I was not suggesting that you were suppressing information and not making it available. I know things are published. My question is: educating people into accessibility of what you have already got out there.

Dr Grant—There are several ways we are doing that, Senator. In the case of NAMS, a prime example, we have a series of workshops that we conduct around the country to educate people on how to use it. NAMS is a tool very specifically built for exceptional circumstances, analysis and application. Every year we conduct a client feedback survey. We get responses back from our clients and they are some of the people that we are building websites for, so we get that information.

As I say, we have recently undertaken four social surveys—two in irrigated locations and two in broadacre locations—and we get some feedback there. Lastly, we monitor the web statistics themselves in terms of hits on the web and that has been increasing. What we tend to find is that with a new tool we do some marketing, we do some media and we get a large number of hits on that tool, and then over time it settles down to those people who really want to use it as a regular access for information. By responding later on notice I could give you those web statistics, if you wish, over a period of time for those databases where we get the hits.

Senator MILNE—I would be very interested in knowing about how NAMS has settled down in terms of how many people are regularly using it, or some sort of reflection of its usefulness.

Dr Grant—I might just ask Dr Ritman: do you know that answer?

Dr Ritman—No. We produce monthly web statistics across all our online web services, which we can provide.

Dr Grant—NAMS is in the tens of thousands though, but I would have to give you the exact figure.

Senator MILNE—Have you any way of breaking that down by state?

Dr Ritman—Yes, we do it by—

Senator MILNE—I would be interested to know how many Tasmanians or how many Northern Territorians are using and accessing that system.

Dr Ritman—From memory, there is some geographical breakdown. There is also a breakdown of: is it a .com, .org, .gov; so we can tell whether it is a page download, so it is not just Google pinging the site and we know they are genuine users.

Senator MILNE—What I would like is just an analysis by state of access to NAMS over a period of time, a few years, and that breakdown so that I can get a sense of who are the farmers or the community, more than the government access of it.

Dr Grant—We will certainly do that. We will not be able to give you whether they are a farmer or not. What we can do is we can give—

Senator MILNE—So long as they are non-government, yes.

Dr Grant—Usually the responses or the requests coming in come from a .org or a .gov, and a .gov is one of the governments.

Senator MILNE—Yes, if we could have that split just to get the sense of non-government.

Dr Grant—Yes, we can do that.

Senator MILNE—My final question is that, given that we have now got a Prime Minister's Department of Climate Change which will be responsible, presumably, for overall government policy; and since you are already developing a strategy for primary industry for climate change, how do you envisage streamlining that process?

Dr Grant—We are having preliminary discussions this coming Monday with a senior officer in the climate change department. Later this week I am talking to people in the Bureau of Meteorology, which is of course in the department of water, so I am working with them and, under the guise of the new administrative arrangements, looking to see how we can more closely link and also what their needs are, what our capabilities are and how we can match those together. That is imminent.

Senator MILNE—When do you think the strategy will be ready?

Dr Grant—It does not rest within my purview to do that. We are the service provider and we respond to client requests and demands and we would take the lead very strongly from the climate change department and the water department on these things. We have a certain amount of expertise in both of those fields and we could respond to particular requests that fall within our scope of capability, but the answer is that we are moving in that direction to have those discussions.

Senator MILNE—I thought you said before you were progressing a climate change/primary industries strategy and ABARE certainly said before they were working on it as well, so there must be some projected date for completion of a primary industries strategy on climate change.

Dr Grant—We are working on a number of strategies. I have mentioned that we are looking at one in fisheries and aquaculture, for example. There is not one single strategy that we are working on. We respond to requests for development of particular tools or analyses of different types and we are doing that in different places for different clients. Those clients tend to be government departments such as the climate and water department. We are working for both, or the predecessors of both. We are working for a number of the RDCs, for example. So we do a particular task for a particular client; all of them, essentially, government. As to pulling it all together, that would rest as a strategy for government, with other entities besides ourselves.

Senator MILNE—Thank you.

Senator HEFFERNAN—Who deals with pain relief for sheep?

Dr Grant—It is not the Bureau of Rural Science.

CHAIR—Are there any other questions of BRS?

Senator HEFFERNAN—No. The minister wants to go home.

CHAIR—Thank you very much.

Senator Sherry—Chair, could I clarify: we have been told Fisheries and Forestry will not be dealt with tonight. What is going to be the position?

CHAIR—We have applied for spillover for Friday.

Senator HEFFERNAN—Have we?

CHAIR—We are going to consider it as a committee, but we did have preliminary talks.

Senator HEFFERNAN—We might try and buy our way out of that.

Senator Sherry—I indicate I have another commitment for another spillover in another committee and I will try to organise someone else to do the representation. There will need to be some tick-tacking because it was not my understanding that there would be a spillover of this committee.

CHAIR—Thank you, Minister. We were hoping to ploughing through—

Senator HEFFERNAN—We might negotiate our way.

CHAIR—unless a heap of senators want to put questions on notice, but that was not the desire when we spoke not long ago.

Senator HEFFERNAN—Okay.

[10.34 pm]

Rural Policy and Innovation

CHAIR—I welcome Rural Policy and Innovation and. Mr Thompson, welcome back to the table. Do you wish to make an opening statement?

Mr Thompson—No, I do not.

Senator HEFFERNAN—I want to talk about mulesing. Are you happy to talk about that?

Mr Thompson—Yes, as it is covered in this area.

Senator HEFFERNAN—It is innovation so I just wondered whether the government has a view on it. We have got a serious problem coming up for wool. We have learnt earlier in the day that the clips and some of the technologies that are proposed for the doing away with mulesing may not be going to work reliably. One of the things that has been neglected by the industry, it seems, and by AWI in particular, is pain relief. The document, 'A declaration of commitments made by the Australian Wool and Sheep Industry Taskforce in relation to animal welfare and the phasing out of mulesing', which is all to do with coming to terms with the people who were upset with some of the practices of mulesing—I presume most of them are circumcised anyway and they had to put up with that—says that they will look at pain relief. In other words, they will still mules but give pain relief before they mules the sheep. Have the innovators that you represent got a view on that? Bayer, as I understand, have the technology but it is being ignored by the decision makers.

Mr Murnane—Perhaps the best way of dealing with that could be to make sure that AWI includes issues of how they are going on pain relief measures in the previous package of information that was spoken about earlier today. We could make sure that they include it.

Senator HEFFERNAN—So you blokes are not across it at all?

Mr Murnane—We are not actually involved in the identification and testing of different processes.

Senator HEFFERNAN—The New Zealanders apparently have some innovative thing, and they have given it a trade name, and apparently Bayer have a product, but if you are not familiar with it I cannot talk to you about it.

Mr Murnane—I think the best I can do is to ask that AWI include those.

Senator HEFFERNAN—Would you be greatly distressed then if I went home?

CHAIR—If you ask your colleagues that, Senator Heffernan, we will probably get a resounding cheer.

Senator McGAURAN—Does the government think the drought is over?

Mr Thompson—I could not quote the minister on this, but I do not think there is any evidence to say the drought is over yet, no.

Senator McGAURAN—Does the department have the figures for the number of people who have undertaken FarmBis from July 2007 to now?

Mr Dalton—For the first two quarters of 2007-08, there have been 6,080 training occasions, of which approximately half, or 2,900, are new people for FarmBis; their first course.

Senator McGAURAN—So there has been no decrease in popularity of it; in fact an increase, would you say?

Mr Thompson—There has been a slight increase in take-up from the last few years. In the last few years the take-up has been such that we have only spent about 40 per cent of the budget. The current round of FarmBis was due to end in June, with people able to put in applications for FarmBis assistance up until March, and this first part of the year has seen an increase in applications over previous years.

Senator McGAURAN—Within those figures, what are the number of women that have taken up the program?

Mr Dalton—I cannot tell the gender balance from these figures.

Senator McGAURAN—On notice?

Mr Dalton—We could take it on notice.

Senator McGAURAN—And in particular, in my state of Victoria, can you tell me how many people from July 2007 to now have been on FarmBis and how many women?

Mr Dalton—I will have to take that on notice. The program changed in 2007-08 to be run nationally, but we can get some data for that.

Senator McGAURAN—What is the stated aim of FarmBis?

Mr Dalton—FarmBis provides assistance for primary producers and rural land managers to undertake approved training activities to build business and natural resource management skills.

Senator McGAURAN—Perhaps the minister at the table can tell me, how does that not fit into the government's education revolution?

Senator Sherry—I am not briefed on the education revolution, so I cannot say one way or the other, but I am happy to take it on notice.

Senator McGAURAN—Minister, this program, part of the AAA package, has been well taken up. It has been beneficial to farmers, not just during the period of the drought, and will be beneficial in the future with the pressures of climate change. Its abolition is going to have detrimental effects on future management of farmers. I have already asked you how does that not fit into the government's education revolution, but how can you possibly bleat about the lack of skills and training when you are abolishing a skills training program for the rural sector?

Senator Sherry—Firstly I would not use the word 'bleat'. Secondly, I am very confident the officers at the table have given an accurate outline of the program and its take-up.

Mr Thompson—I would like to comment on your statement that FarmBis had a good take-up. As I said earlier, there has been an increase in take-up in the first half of this financial year, which I understand has been the case with previous versions of FarmBis in their last year. This was the planned last year of the program in its current form. The average expenditure on FarmBis has been around 40 per cent of budget. The take-up has not been that good in previous years.

Senator McGAURAN—It has not been that good according to what measure?

Mr Thompson—The expenditure of the money and the number of farmers participating in the program.

Senator McGAURAN—As compared to the year before?

Mr Thompson—As compared to the targeted funds available.

Senator Sherry—Presumably those targeted funds were set by the previous government.

Senator McGAURAN—What other programs may be facing the cut? I am now looking at the NFF's budget submission to the government. They are seeking continued funding for the Primary Industries Education Foundation, Rural Skills Australia.

Senator Sherry—The Farmers Federation, like numerous other organisations that make submissions to the government in respect to the budget, will find out on budget night the degree of success they have had in their representations.

Senator McGAURAN—So you cannot commit to funding Rural Skills Australia and the Primary Industries Education Foundation?

Senator Sherry—The degree of commitment will be determined by the minister in consultation with other ministers as part of the budget process, and he will make the announcement at the appropriate time.

Senator McGAURAN—It does strike me that the cuts into the rural skills training are very deep and carefree, quite frankly.

Senator Sherry—You keep referring to cuts, but the evidence has been that there has been a lower take-up of the measure as presented in the forward estimates, and the officers have well outlined that.

Senator McGAURAN—I have other questions but not on FarmBis. Are there any questions on FarmBis?

Senator SCULLION—I am very interested in the minister's response and some of the officers' responses in terms of a take-up. It is important that we realise that there may have been many facets that the government may have looked at in making the decisions to cut a number of programs. We have obviously seen from this set of estimates that the principal issue about the information before us is to look at the Labor policy before the election. On page 7 of Labor's plan, they say, 'Farm productivity growth exceeded most other key sectors of the economy.' They have acknowledged that. Their plan goes on to say, 'This performance is largely due to the innovation and adaptability of the Australian farm sector, which has adopted better management practices and new technologies.'

If you look at all the programs for which funding has been cut—if we look at Advancing Australia, FarmBis, FarmHelp, the National Food Industry Strategy, Advancing Agricultural Industries and the Food Innovation Grants Program—they are just the fundamental building blocks of everything about innovation, about embracing new technologies, about being smarter and more efficient. I see, Minister, that in your department we have not cut right across the board. There are some other programs in agriculture that have been hung onto. We have managed to maintain the program that improves 'the livelihoods of inner Mongolian sheep herders through better livestock production and grassland management'. I was

delighted to hear that. This is core business in international. We will not be changing any of those policies. If you are actually improving the livelihoods of inner Mongolian sheep herders through better livestock production and grassland management, I wonder if that managed to survive simply because the uptake was better than FarmBis.

Dr O'Connell—Can I just clarify one point. You included FarmHelp there as an R&D innovation program. FarmHelp is actually an income support program. It does not have the same character.

Senator SCULLION—So it is not going to be cut?

Dr O'Connell—No, I am not saying that. I am saying it is not related to productivity improvements or R&D; it is an income support program.

Senator SCULLION—It is an income support process. I accept that clarification. Thank you, Dr O'Connell.

Senator McGAURAN—No, but they are changing all the time.

Senator SCULLION—Indeed they are, and I accept that.

Senator Sherry—Is there a question in there?

Senator SCULLION—It was a clear question. The question simply went to the probity of how you have approached this matter. Pretty much you have said, 'Look, FarmBis did not have a big uptake on it.'

Senator Sherry—No.

Senator SCULLION—If you have maintained another program 'improving the livelihoods of inner Mongolian sheep herders' and that survived, I just wondered if that was on the same basis of uptake.

Senator Sherry—I am aware of a Mongolian approach. The European Bank for Reconstruction and Development—you might recall a debate in the Senate—was extended to Mongolia.

Senator SCULLION—I am sure it is an extremely important program. I just wonder why it succeeded against FarmBis with 165,000 Australian farmers involved.

Senator Sherry—Can I answer the question.

Senator SCULLION—Absolutely.

CHAIR—Please do, Minister.

Senator Sherry—My only recollection of Mongolia relates to the extension of the European Bank for Reconstruction and Development to Mongolia by the previous government, and we did have a lengthy debate about that in the chamber. We have, as I understand, withdrawn our participation in the EBR. So I am afraid I have no knowledge of the Mongolian assistance package you refer to. As I said earlier to Senator McGauran, I think the officers have well outlined, on the programs that you have questioned, the changes made in the forward estimates.

Senator SCULLION—My question went specifically to the process of identifying why a program was a good program or not a good program. Perhaps we should get to the nub of the

question. Indeed, Mr Thompson, you may be defending the undefendable. I am not sure. It is possibly quite a reasonable defence to say, 'Look, this isn't a program that we triaged, we found was unsuccessful and moved on; this is a program that the Labor government decided it was not going to renew,' and you are simply under instruction to deconstruct that program and start another one. I think that is quite a legitimate response from an officer, if that is indeed the case.

Mr Thompson—The only answer I could give is that the incoming government's policy was to close FarmBis down and to say that they were commencing some programs in the climate change and adjustment area, which included mentioning skills and those sorts of things. Those programs, as Senator Sherry has indicated, are under consideration and will be considered in the budget context.

Dr O'Connell—The clear intent of the government, as I read it, was to work with the priority of assisting the farming sector to prepare for climate change and work through that prism. In terms of the changes to those programs, I think what we are trying to explain, though, is that FarmBis had a low take-up rate. FarmHelp had, at 31 December 2007, only 64 farmers accessing income support. The overwhelming income support method was through the exceptional circumstances relief payment. So what we are trying to explain in this is that the government has made its decisions as to the change of focus that it wants in the area, shifting largely towards ensuring preparation for climate change. In terms of making these changes to the programs, we were trying to point out that the programs were not programs in those cases which were being particularly well picked up.

Senator McGAURAN—This is absurd. FarmHelp is a program that provides, as we have said, short-term financial assistance to family farms in severe financial difficulty. There has been a 100-year drought which, it is conceded, is a direct link to climate change.

Dr O'Connell—Exceptional circumstances payments are available for those in drought declared areas.

Senator McGAURAN—How can the definition of FarmHelp now be rejigged into a reprioritised climate program? Can you explain that to me. Is it going to put food on the table?

Mr Thompson—At the present time, by way of comparison, there are 54 farmers, as of 31 January, accessing FarmHelp. There are 3,000 farmers accessing exceptional circumstances relief payment, plus or minus the numbers that change day to day. The exceptional circumstances relief payment continues, and the single biggest factor we have observed that pushes people over the line in terms of needing to access these welfare programs has been drought or climate variability, whether you call it climate change or not. But at the present time we do have the exceptional circumstances payments continuing, and they are the ones where the vast majority of people in difficulty are receiving assistance. The detail of government programs relating to climate change, which is the prism that they want to look at a change on government, are being considered and will be announced in the budget context.

Dr O'Connell—Just to add to that, in that context, the election commitments which we are looking at currently include the Australia's farming future initiative which, certainly in the election commitment context, had \$130 million over four years to help the primary industry

sectors address climate change issues. So these changes are structured changes, I guess is what I am suggesting.

Senator McGAURAN—So there will be no welfare payments, if you like, or special payments to farming families under severe difficulty once FarmHelp is abolished.

Dr O'Connell—Exceptional circumstances relief payments, which currently are the major mechanism, remain.

Senator SIEWERT—Before the current drought, how many people were accessing FarmHelp? As I understand it, what you are saying is the people are going through exceptional circumstances. They are not accessing FarmHelp because they are going through exceptional circumstances. What was the uptake of FarmHelp before the current drought?

Mr Thompson—Mr Dalton may have the detailed numbers. Before the current drought, the numbers were higher than 54, but they were not great. The numbers tended to be in the hundreds, not the thousands.

Senator SIEWERT—Did you do any survey work of why there was not a big uptake with that program, because if I am reading what you are saying correctly, you are saying there are not many people accessing this program. I would then think that maybe it is not meeting their needs.

Senator McGAURAN—But it is not necessarily a bad thing if they are not accessing the program.

Senator Sherry—What has been indicated by the officers is that the forward estimates of the budget could then be adjusted because the take-up of those programs was lower than otherwise projected. It is a responsible position to come to a conclusion, after a reasonable period of time, that the original calculations and projections did need adjusting, and that has happened.

Mr Dalton—By way of illustration, at 30 June in the periods 2005-06, 2007-08, the numbers are 563 income support recipients; in June 2006, 421; 30 June, 223; and, as has been noted before by Mr Thompson, 31 January this year, 54. So you can see a rundown of people on income support under FarmHelp during the period of the drought. If you wish to go back beyond 2005, we can provide some information about that.

CHAIR—We have time for one very quick question and answer.

Senator ADAMS—As a senator for Western Australia, I would like to ask what the numbers were for Western Australia for FarmBis in 2007, just to see if there is any difference there.

Mr Dalton—For Western Australia in 2007, there is 1,900.

Senator ADAMS—Is that number up on 2006?

Mr Dalton—That is the half year, of course.

Senator ADAMS—Yes.

Mr Dalton—In 2006-07 it was 3,200, so on pro rata it would be up slightly, yes.

Senator ADAMS—Would you consider it is worth that program being run there in comparison to the eastern states, or the same sort of ratio?

Mr Dalton—Participation seem to be roughly in order for the size of the agricultural sectors. South Australia has a proportionately higher uptake of training events than any of the other states, just looking at those figures there.

Senator ADAMS—Thank you.

CHAIR—Thank you, Senator Adams. It being 11 o'clock, firstly I would like to thank all those officers who have made the effort today. There are still a number of questions for Rural Policy and Innovation, Natural Resources Management and Fisheries and Forestry. The committee shall endeavour to have overflow on Friday. We will make some decisions about that tomorrow. To Hansard, thank you very much, and to the secretariat, thank you for your effort today. We will see you all tomorrow morning.

Committee adjourned at 11.00 pm