



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT  
LEGISLATION COMMITTEE

ESTIMATES

**(Budget Estimates)**

MONDAY, 25 MAY 2009

CANBERRA

BY AUTHORITY OF THE SENATE

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**SENATE RURAL AND REGIONAL AFFAIRS AND TRANSPORT  
LEGISLATION COMMITTEE**

**Monday, 25 May 2009**

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

**Participating members:** Senators Abetz, Adams, Back, Barnett, Bernardi, Bilyk, Birmingham, Mark Bishop, Boswell, Boyce, Brandis, Bob Brown, Carol Brown, Bushby, Cameron, Cash, Colbeck, Jacinta Collins, Coonan, Cormann, Crossin, Eggleston, Farrell, Feeney, Ferguson, Fielding, Fierravanti-Wells, Fifield, Fisher, Forshaw, Furner, Hanson-Young, Humphries, Hurley, Johnston, Joyce, Kroger, Ludlam, Lundy, Ian Macdonald, McEwen, McGauran, McLucas, Marshall, Mason, Milne, Minchin, Moore, Nash, Parry, Payne, Polley, Pratt, Ronaldson, Ryan, Scullion, Stephens, Troeth, Trood, Williams, Wortley and Xenophon

**Senators in attendance:** Senators Abetz, Adams, Back, Bernardi, Boswell, Colbeck, Farrell, Heffernan, Hurley, Hutchins, Joyce, Ian Macdonald, McGauran, Milne, Nash, O'Brien, Parry, Siewert, Sterle, Williams and Xenophon

**Committee met at 9 am**

**AGRICULTURE, FISHERIES AND FORESTRY PORTFOLIO**

**In Attendance**

Senator Sherry, Minister for Superannuation and Corporate Law

**Department of Agriculture, Fisheries & Forestry**

**Executive**

Dr Conall O'Connell, Secretary

Mr Daryl Quinlivan, Deputy Secretary

Mr Rob Delane, Deputy Secretary

Mr Stephen Hunter, Deputy Secretary

Mr Phillip Glyde, Executive Director, Australian Bureau of Agricultural and Resource Economics

**Corporate Services/Corporate Finance/Corporate Policy**

Ms Anne Hazell, Chief Operating Officer

Mr Craig Penney, General Manager, Governance & Planning

Ms Julie Hicks, General Manager, Certified Agreement Negotiations Team

Mr Dave Mitchell, Acting General Manager, Levies, Contracts & Services

Mr Steven Foley, Chief Information Officer

Mr Darren Schaeffer, Chief Finance Officer

Mr Peter Moore, Acting Deputy Chief Finance Officer, Biosecurity Finance Unit

Ms Vanessa Berry, Deputy Chief Finance Officer

Ms Pen Cullen, Manager, Budgets, Reporting & Treasury

Mr David Williamson, Executive Manager, Corporate Policy Division

Mr Travis Power, Minister Counsellor Designate Rome

Ms Cathrine Stephenson, General Manager, Policy Development Branch

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Ms Elizabeth Bie, General Manager, Ministerial and Parliamentary Branch  
Mr Matthew Worrell, Acting General Manager, Policy Development, Strategy and Support Branch

Mr Dale Starr, Acting General Manager, Corporate Communications Branch

**Land and Water Australia**

Dr Michael Robinson, Executive Director, Land and Water Australia

**Wheat Exports Australia**

Mr Ted Woodley, Chair, Wheat Exports Australia

Mr Peter Woods, Chief Executive Officer, Wheat Exports Australia

**Meat and Livestock Australia**

Mr David Palmer, Managing Director, Meat and Livestock Australia

Mr Ian Johnsson, General Manager, Livestock Production Innovation, Meat and Livestock Australia

**Climate Change**

Mr David Mortimer, Executive Manager

Ms Jenny Cupit, General Manager, Farm Adjustment

Mr John Talbot, General Manager, Forestry

Mr Mathew Dadswell, General Manager, Drought Policy Review

Mr Mark Gibbs, General Manager, Climate Change

**Australian Bureau of Agricultural and Resource Economics (ABARE)**

Dr Terry Sheales, Deputy Executive Director

Dr Jammie Penm, Chief Commodity Analyst, Chief Economist

Dr Helal Ahammad, General Manager, Climate Change and Environment

Mr Peter Gooday, General Manager, Productivity, Water and Fisheries

Ms Jane Melanie, General Manager, Resources and Energy

Mr John Hogan, Acting General Manager, Agriculture and Trade

Ms Annette Blyton, Acting General Manager, Business Support BRS/ABARE

**Sustainable Resource Management**

Mr Ian Thompson, Executive Manager

Mr Rod Shaw, General Manager, Landcare and Sustainable Agriculture

Mr Tony Bartlett, General Manager, Finance and Community Grants

Dr Sally Troy, General Manager, Community Partnerships and Communication

Mr Roland Pittar, General Manager, Domestic Fisheries and Aquaculture

**Australian Fisheries Management Authority (AFMA)**

Prof Glenn Hurry, Chief Executive Officer

Mr Paul Murphy, Executive Manager, Fisheries Management

Mr Rohan Wilson, General Manager, Operations

Mr Mark Farrell, Chief Information Officer

Mr David Perrott, Chief Finance Officer

Mr David Johnson, General Manager, Corporate Governance

**Trade and Market Access**

Mr Craig Burns, Executive Manager, Trade and Market Access

Mr Paul Morris, Executive Manager, Technical Market Access

Mr Bruce Bowen, General Manager, Apples Dispute Taskforce

Mr Paul Ross, General Manager, Bilateral Trade (Americas, South East Asia, Subcontinent, NZ and the Pacific)

Ms Victoria Anderson, General Manager, Bilateral Trade (North Asia, Europe, Middle East and Africa)

Dr John Kalish, General Manager, International Fisheries

Ms Sara Cowan, General Manager, Multilateral Trade

**Quarantine and Biosecurity Policy Unit**

Ms Fran Freeman, Executive Manager, Quarantine and Biosecurity Policy Unit

Ms Kirsty Faichney, Acting General Manager, Quarantine and Biosecurity Policy Unit

**Australian Quarantine and Inspection Service (AQIS)**

Ms Jenni Gordon, Executive Manager, Quarantine Systems

Mr Greg Read, Executive Manager, Exports

Dr Mark Schipp, General Manager, Animal Products Market Access

Mr Colin Hunter, National Manager, Food Exports

Dr Narelle Clegg, National Manager, Animal & Plant Exports & Imported Food Safety

Mr Tim Chapman, Executive Manager, Quarantine Operations

Mr Chris Parker, National Manager, Border

Dr Ann McDonald, National Manager, Animal Quarantine

Mr Jonathan Benyei, National Manager, Cargo Management and Shipping

Mr Peter Liehne, National Manager, Plant Quarantine and Biologicals

Ms Jenet Connell, Executive Manager, Business Strategy and Corporate Services

**Biosecurity Australia**

Dr Colin Grant, Chief Executive

Mr Bill Magee, General Manager, Plant Biosecurity

Dr Bill Roberts, Principal Scientist, Plant Biosecurity

Dr Mike Nunn, Principal Scientist, Animal Biosecurity

Mr Robert Gehrig, Acting General Manager & Chief Finance Officer, Biosecurity Development & Communications

Mr David Porritt, Manager, Bananas IRA, Multilateral and Systems

Ms Louise van Meurs, General Manager, Risk Management Systems

**Product Integrity, Animal [including aquatic animal] and Plant Health (PIAPH)**

Mr Tom Aldred, Executive Manager, Product Integrity, Animal and Plant Health Division

Ms Lois Ransom, Chief Plant Protection Officer, Office of the Chief Plant Protection Officer

Dr Graeme Garner, Acting Australian Chief Veterinary Officer, Office of the Chief Veterinary Officer

Dr Bob Biddle, General Manager, Animal and Plant Health Policy

Mr Jim Paradise, Acting General Manager, Animal Welfare Branch

Mr Richard Souness, General Manager, Food, Product Safety and Integrity

**Australian Wool Innovation**

Mr Walter Merriman, Chairman, Australian Wool Innovation

Ms Brenda McGahan, Chief Executive Officer, Australian Wool Innovation

**Australian Pesticides and Veterinary Medicines Authority (APVMA)**

Dr Eva Bennet-Jenkins, Chief Executive Officer, Australian Pesticides and Veterinary Medicines Authority

Dr Raj Bhula, Program Manager – Pesticides Program, Australian Pesticides and Veterinary Medicines Authority

Mr Dan Webb, Acting Program Manager – Corporate, Australian Pesticides and Veterinary Medicines Authority

**Agricultural Productivity**

Mr Allen Grant, Executive Manager, Agricultural Productivity

Mr Simon Murnane, General Manager, Livestock Industries Branch

Mr Greg Williamson, General Manager, Food Branch

Dr Peter Ottesen, General Manager, Crops, Horticulture, Irrigation and Wine Branch

Ms Margaret Allan, Acting General Manager, Research, Innovation and Training Branch

**Rural Industries Research and Development Corporation**

Ms Mary Boydell, Chairperson, Rural Industries Research and Development Corporation

Dr Peter O'Brien, Executive Manager, Rural Industries Research and Development Corporation

**Grains Research and Development Corporation**

Mr Keith Perrett, Chair, Grains Research Development Corporation

Mr Peter Reading, Managing Director, Grains Research Development Corporation

**Bureau of Rural Sciences (BRS)**

Ms Karen Schneider, Executive Director, Bureau of Rural Sciences

Dr Kim Ritman, General Manager, Fisheries, Land and Forestry Sciences Branch

Dr James Findlay, General Manager, Climate Change and Water Sciences Branch

Mr Quentin Hart, Acting General Manager, Risk Analysis and Social Sciences Branch

Ms Annette Blyton, Acting General Manager, Business Support BRS/ABARE

**CHAIR (Senator Sterle)**—Good morning all. I declare open this public hearing of the Senate Rural and Regional Affairs and Transport Legislation Committee. The Senate has referred to the committee the particulars of proposed expenditure for 2009-10 and related documents for the Agriculture, Fisheries and Forestry portfolio. The committee is due to report to the Senate on 23 June 2009, and has fixed Wednesday, 22 July 2009 as the date for the return of answers to questions taken on notice. Senators are reminded that any written questions on notice should be provided to the committee secretariat by close of business next Friday, 5 June 2009.

Under standing order 26, the committee must take all evidence in public session. This includes answers to questions on notice. Officers and senators are familiar with the rules of the Senate governing estimates hearings. If you need assistance, the secretariat has a copy of the rules.

I particularly draw the attention of witnesses to an order of the Senate of 13 May 2009 specifying the process by which a claim of public interest immunity should be raised, and which I now incorporate in *Hansard*.

*The document read as follows—*



**Order of the Senate—Public interest immunity claims That the Senate—**

- (a) notes that ministers and officers have continued to refuse to provide information to Senate committees without properly raising claims of public interest immunity as required by past resolutions of the Senate;
- (b) reaffirms the principles of past resolutions of the Senate by this order, to provide ministers and officers with guidance as to the proper process for raising public interest immunity claims and to consolidate those past resolutions of the Senate;
- (c) orders that the following operate as an order of continuing effect:
  - (1) If:
    - (a) a Senate committee, or a senator in the course of proceedings of a committee, requests information or a document from a Commonwealth department or agency; and
    - (b) an officer of the department or agency to whom the request is directed believes that it may not be in the public interest to disclose the information or document to the committee, the officer shall state to the committee the ground on which the officer believes that it may not be in the public interest to disclose the information or document to the committee, and specify the harm to the public interest that could result from the disclosure of the information or document.
  - (2) If, after receiving the officer's statement under paragraph (1), the committee or the senator requests the officer to refer the question of the disclosure of the information or document to a responsible minister, the officer shall refer that question to the minister.
  - (3) If a minister, on a reference by an officer under paragraph (2), concludes that it would not be in the public interest to disclose the information or document to the committee, the minister shall provide to the committee a statement of the ground for that conclusion, specifying the harm to the public interest that could result from the disclosure of the information or document.
  - (4) A minister, in a statement under paragraph (3), shall indicate whether the harm to the public interest that could result from the disclosure of the information or document to the committee could result only from the publication of the information or document by the committee, or could result, equally or in part, from the disclosure of the information or document to the committee as in camera evidence.
  - (5) If, after considering a statement by a minister provided under paragraph (3), the committee concludes that the statement does not sufficiently justify the withholding of the information or document from the committee, the committee shall report the matter to the Senate.
  - (6) A decision by a committee not to report a matter to the Senate under paragraph (5) does not prevent a senator from raising the matter in the Senate in accordance with other procedures of the Senate.
  - (7) A statement that information or a document is not published, or is confidential, or consists of advice to, or internal deliberations of, government, in the absence of specification of the harm to the public interest that could result from the disclosure of the information or document, is not a statement that meets the requirements of paragraph (1) or (4).
  - (8) If a minister concludes that a statement under paragraph (3) should more appropriately be made by the head of an agency, by reason of the independence of that agency from ministerial direction or control, the minister shall inform the committee of that conclusion and the reason for that conclusion, and shall refer the matter to the head of the agency, who shall then be required to provide a statement in accordance with paragraph (3).

[9.02 am]

**CHAIR**—As agreed, I propose to call on the estimates in the order shown on the printed program. 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 or Dr O'Connell wish to make an opening statement?

**Senator Sherry**—I do not, but I understand Dr O'Connell does.

**Dr O'Connell**—Thank you. Given the apparent confusion about the department's budget position, I thought it would be useful to give an opening statement to try to clarify some aspects. The 2009-10 budget provides total resources to the Department of Agriculture, Fisheries and Forestry and its portfolio agencies of \$1.95 billion in the 2009-10 budget. The 2008-09 portfolio budget statement showed total resources available as at the 2008 May budget for the department and its portfolio agencies as \$2.962 billion. Adjustments were then made through the 2008-09 additional estimates and supplementary estimates processes, so that at the time of preparing the 2009-10 portfolio budget statement, the total 2008-09 resourcing was \$2.748 billion.

The main differences in resourcing for the department between the two years, a movement of \$798 million, were foreshadowed in last year's budget papers—I refer you to the 2008-09 portfolio budget statement at page 58—and includes the scheduled conclusions of programs and changes to the delivery of payments to the states.

In summary, in the 2009-10 budget the government has provided the following measures for this portfolio in the areas of drought and biosecurity. For drought these include \$194.3 million for exceptional circumstances for primary producers; \$10.3 million for exceptional circumstances assistance for small business; \$500,000 for interim income support for primary producers; \$40,000 for interim income support for small business; \$21.3 million for professional advice and planning; \$24.7 million for the continuation of reestablishment assistance; \$5.7 million for the extension of transitional income support and \$45.4 million for the expansion of the small block irrigators exit grant package.

Compared to the numbers for 2008-09—page 32 of the 2009-10 PBS—drought funding estimates have been revised downward by \$433 million due to a decrease in the number of areas that are EC declared. If misinterpreted, the budget papers can appear to show a greater reduction, as funds previously recorded in the agriculture portfolio budget for EC interest rate subsidies—that is, \$229.3 million in 2008-09, representing six months only—are now accounted for by the Treasury as part of the financial relations reforms stemming from the COAG agreement. However, the department still retains policy responsibility for the program. This figure has been revised to \$227 million in the Treasury accounts. That is at pages 26 and 32 of the 2009-10 PBS.

The number of areas which are declared to be in exceptional circumstances fell from 74 at 1 July 2008 to 58 at 1 May 2009, reflecting improved seasonal conditions in parts of Australia. Details on these measures will be handled by representatives of the climate change division.

For biosecurity, the department has received continuation of funding for the following lapsing programs, pending the government's detailed consideration during this year of the reforms to the biosecurity framework proposed by the Beale review: \$68.6 million has been provided for the continuation of quarantine border security; \$15 million for avian influenza

border control; \$5 million for the Securing the Future measure, protecting our industries from biological, chemical and physical risks; and \$3.6 million for the continuation of the international mail program.

In 2005-06, the then government introduced a measure over four years to continue to provide a subsidy to agricultural export industries of 40 per cent of the AQIS export fees and charges. The measure terminates as scheduled at the end of 2008-09. For 2008-09, this equates to \$37.4 million. Discussions are now being held with industry clients on fees for 2009-10. Details of these measures will be handled by representatives of the biosecurity divisions.

There are also some programs concluding on or before 30 June 2009. These include the following. The dairy adjustment levy was terminated in February 2009, accounting for a \$218.8 million decrease. That is at page 30 of the 2009-10 PBS. This occurred because the Dairy Industry Adjustment Program funded by this levy was completed.

The Murray-Darling Basin Irrigation Management Grants program concludes on 30 June 2009, resulting in an \$87.9 million change to the agriculture portfolio's 2009-10 appropriation. That is at page 32 of the PBS. More than 10,000 grants have been approved, valued at more than \$193 million. While no new grants will be provided beyond that date, eligible recipients have until 31 December 2009 to spend their grants. This will allow people whose businesses were affected by bushfires sufficient time to make the investments.

The Tasmanian Community Forest Agreement Industry Development Program concludes as planned on 30 June 2009. The 2008-09 budget provided \$38.1 million in 2008-09 to assist the Tasmanian timber industry to adjust to changes in the quantity and quality of timber resources. It stimulated industry investment of over \$250 million across 108 projects. That is at page 28 of the 2009-10 PBS.

Savings: in addition to these new measures and concluding programs, our budget absorbs a small number of budget efficiency and savings measures. The portfolio was subject to the same whole-of-government budget efficiency decisions as all other portfolios, except Defence. The department is subject to a 3.25 per cent efficiency dividend, costed at \$5.935 million. This year, we have also been asked to find further efficiencies in our information technology spending as a result of the Gershon review at \$800,000.

The government has decided to cease funding for Land and Water Australia, providing savings of about \$6.3 million in 2009-10 and \$13 million in each of the out years. The Rural Industries Research and Development Corporation has had its resources reduced by \$3 million per annum. Adjustments to the research, development and innovation budget should be seen in the context of the government's recent allocations to portfolio related activities. Since November 2007, the government has announced \$130 million in new spending on rural science and innovation including: \$46.2 million for climate change research programs; \$35 million for the Regional Food Producers Innovation and Productivity Program; \$26.5 million for the FarmReady program to boost training and help farmers adapt to climate change; \$10 million for the Reef Rescue Reef Water Quality Research and Development Program; and \$15.3 million through the National Weeds Research and Productivity program.

The 2009-10 budget also provides funds in the order of \$200 million to match industry levies raised for R&D. This supports total investment by the RDCs of some \$250 million. In some cases, industry levy payments have fallen as production is affected by the drought. This is a normal cyclical pattern for R&D levy revenues. Details of these decisions will be handled by the climate change and agriculture and productivity divisions.

Departmental savings: the department itself will absorb a \$3.4 million savings measure in 2009-10. This equates to 1.2 per cent of the department's departmental appropriation. This was a decision of the government as part of this portfolio's contribution to the budget outcomes for 2009-10 and will require a reduction in departmental and agency running costs.

**Senator IAN MACDONALD**—This is the 1.2 part of the 3.25?

**Dr O'Connell**—No. It is in addition. The 3.25 per cent is an efficiency dividend that everybody has to take. The 1.2 per cent or \$3.4 million is the specific savings measure for the portfolio.

**CHAIR**—Dr O'Connell, I suggest that you finish your opening statement and then we will go to questions.

**Dr O'Connell**—Other minor adjustments: further to these decisions there are a small number of other movements. An additional \$500,000 has been provided for the Live Trade Animal Welfare Partnership, and \$600 000 will be transferred in 2009-10 from the department to the ACCC to fund the ACCC's role under the Wheat Export Marketing Act. The department will absorb any additional costs associated with the International Food and Agriculture measure in 2009-10.

Total resourcing for the department is also reduced by \$30 million as funding for AFMA is appropriated directly to it, following its change to become an agency under the FMA Act. That is at page 31 of the 2009-10 PBS. This is a technical matter not affecting the resourcing available to the department.

Staffing: the conclusion of some programs, efficiency and savings measures will necessarily affect staffing levels as will a probable reduction in our cost recovered activity and our section 31 revenue in 2009-10 compared with 2008-09 as a result of the global economic downturn. Staff expenses are a high proportion of our operating costs and cannot be isolated from budget movements.

To manage our outcomes within our appropriation while maintaining the department in a financially secure position, we estimate staffing levels may need to decrease by about six per cent. This is estimated at 250 ASL in the 2009-10 PBS. For a number of reasons this should not be interpreted as a loss of 250 current staff. This average staffing level for the year is an estimate only, not a target. The department will be focusing on managing within our overall appropriation, rather than achieving a particular staffing level.

With the announcement of the 2009-10 budget, we now know our appropriation. The department's priorities are being assessed and internal budgetary decisions will be made over the next weeks in time for the beginning of the financial year. The change in staffing levels will not be achieved by an across-the-board cut to funding allocations for activities. We will

be ensuring that our resource allocation decisions reflect current priorities and realise opportunities to achieve efficiencies.

In considering options, we are taking into account statutory requirements, the government's priorities, maintaining our core capacity and skills, opportunities to make greater use of existing expertise, and properly resourcing emerging areas of work. I draw attention to note 2 of table 2.1 at page 69 of the 2009-10 portfolio budget statements regarding average staffing levels for outcome 2. Outcome 2 includes AQIS quarantine and export front line operations. Note 2 states:

The change in average staffing levels from 2008-09 to 2009-10 will be managed by efficiencies in support functions without impacts on front line operations.

It is our intention to achieve changes to staffing levels primarily through managing normal turnover and placing staff in suitable positions within the department or, if necessary, other departments. We will minimise reliance on voluntary redundancies and there should be no need for an open offer of voluntary redundancies. It is also our aim to achieve no involuntary redundancies. The department will be guided by the redeployment and redundancy principles and framework set out by the Australian Public Service Commission and in our collective agreement.

In conclusion, with your agreement, Chair, I table for your reference a summary reconciliation that sets out the movements of the budget from 2008-09 to 2009-10 for the department.

**Senator Sherry**—In order to assist the committee, we will have copy of this made for distribution. I am sure it will assist senators in focusing questions, even though it is on the *Hansard* record.

**CHAIR**—Thank you, Minister.

**Senator IAN MACDONALD**—The documents that were just tabled set out the difference between 2009-10—

**Dr O'Connell**—They are all in the budget papers, but this is a simplified guide. We are providing it to the Senate to give a clear picture of movements of the budget between 2008-09 to 2009-10.

**Senator COLBECK**—Senator Sherry. I would appreciate getting hold of that document as quickly as possible because I would like to work my way through it. How come the department of agriculture has been belted so hard in the budget?

**Senator Sherry**—I do not believe it has. The secretary has outlined and, I think, clarified and focused what has already been reported in this year's budget papers. It has also been widely reported in last year's budget papers. It is certainly apparent to me and to the minister that there have been wide-ranging misrepresentations—perhaps some of it inadvertent, if I am being generous; but some of it has certainly been deliberate misrepresentation—about the level of real cuts and changes to programs. Fortunately for us, the secretary has outlined the true state of affairs.

**Senator COLBECK**—You have had the 3.25 per cent efficiency dividend, which was flagged at last estimates. Minister, when we asked whether that was likely, you said that you

were anticipating it. But now you have added another 1.2 per cent cut. This is the only agency that has been dealt with by the government in such a harsh way. No other agency has been belted like the department of agriculture.

**Senator McGAURAN**—Weak ministers.

**CHAIR**—Senator McGauran, a comment like that early in the day makes it even more obnoxious. Questions are being asked. If you want to start a blue, we know that this is your *modus operandi*. The shadow minister was half way through a question and comments like that are unwarranted.

*Senator Heffernan interjecting—*

**CHAIR**—No, you do not have to start adding to it either, Senator Heffernan.

**Senator Sherry**—I was prepared to have a retort, Senator McGauran, if you want to have a debate about weakness and where we all come from, but the chair has urged me to desist so I will not respond.

**CHAIR**—I would not go down that line if I were you, Senator Macdonald, anyway. I will lift above those ridiculous comments. Minister, did you wish to answer Senator Colbeck's question?

**Senator Sherry**—Was it addressed to me or to the department's secretary?

**Senator COLBECK**—Everything is addressed to you but if the secretary wants to answer it, that is fine.

**Senator Sherry**—I am sure the secretary can provide further information but I do not accept your assertions.

**Senator COLBECK**—Can you name any other department that has had an additional division taken out of it?

**Senator Sherry**—You have asked me a question and I will respond, and I am sure the secretary will give you further detail. As I have already indicated there have been a range of both inadvertent and, in my view, deliberate misrepresentations about the size of cuts. There have been some reductions in a number of areas, which I am sure you will explore, and the department secretary has referred to them in his opening address, but nothing like some of the scaremongering press releases and comments that we have seen from a range of shadow ministers on this issue.

**Senator IAN MACDONALD**—Could I ask the minister to answer the question?

**CHAIR**—The minister is answering the question.

**Senator IAN MACDONALD**—He is not; he is talking about scaremongering.

**CHAIR**—The minister has the call.

**Senator Sherry**—I will just conclude my answer. I certainly consider some of the allegations of billions dollar cuts to be totally wrong. They are totally wrong when you look through the facts, in the budget papers and what the committee was informed about last year in terms of the transfer of programs, the ending of programs and the circumstances.

**Senator HEFFERNAN**—This is a serious issue for Australia and its sovereignty. I hear what you are saying but there are precursors in what is happening to that. I have to say that in another forum I am chairing an inquiry looking at how we sustain our food supply and there is research coming out of that saying we have to up our research and perhaps change the operation to more along the US DA lines. The responsibility for our only offshore quarantine station has been transferred to the bloody Attorney-General's Department—pardon my language. What the hell has that department got to do with agriculture? And now we have this argument where we ask you fellows a question about it and you say, 'Go and talk to Attorney-General's.' We go and talk to Attorney-General's and they say, 'We don't know. We are just in a holding pattern.' For its sovereign protection Australia needs an offshore quarantine station. I do not know who the player is behind it, but why the hell you would give it to the Attorney-General's Department, a bunch of burnt out lawyers, I do not know.

**Senator Sherry**—You should ask the previous government and the minister responsible. We discussed this matter at the last estimates. The transfer of the Christmas Island facility was a decision of the previous government and the previous minister. We debated that. I am happy to go to questions and discussions at the appropriate time in estimates about that issue, if you want to revisit it, but I suspect Senator Colbeck and other opposition senators would want to focus at this point in time on the overall budget issues that are before us.

**Senator HEFFERNAN**—The point I am trying to make is that by stealth you are removing things from agriculture. You are saying, 'We did not want to fund the cost of that because we could not afford it and we thought it was a "waste of time and money" funding the maintenance of it.' I just think it is a disgrace.

**CHAIR**—Senator Heffernan, the minister has given you the answer. This is a hoary chestnut for you every round of estimates since the government has changed.

**Senator HEFFERNAN**—Righto, we will deal with it later.

**Senator Sherry**—The specific example to which Senator Heffernan has referred (1) was extensively discussed at the last estimates, to my recollection, and (2) was a decision of the previous government—and it is a decision with which we agree.

**CHAIR**—I think that is about the fifth or sixth time you have had to answer that.

**Senator HEFFERNAN**—What has quarantine got to do with a bunch of lawyers?

**CHAIR**—The minister has answered your question. Do opposition senators have any questions relevant to the opening statement of the departmental secretary?

**Senator COLBECK**—Can you tell me which other agencies have had additional efficiency dividends over the 3.25 per cent placed on them? You have copped an extra 1.2 over the 3.25. Who else has suffered that?

**Dr O'Connell**—That was a savings measure, not an efficiency dividend. Most other departments also had savings measures. They are probably best seen at page 39 of Budget Paper No. 2, which sets out the expense measures of all portfolios. That is a complicated set of measures which are both ons and offs but give the overall picture. I would not see 1.2 per cent of our appropriation as being large in comparison with departments. It is within where people are. We would have to go through the measures table for you and pick out—

**Senator COLBECK**—Which other agencies are reporting six per cent decreases in employment and staffing?

**Dr O'Connell**—There are other agencies with significant ASL changes. We will have to provide you that notice, if that is all right.

**Senator COLBECK**—Okay. Can you explain to me the rationale for removing the drought payments from the department and what role the department will continue to play?

**Dr O'Connell**—The detail of that can best be handled when we come to the climate change division, but this is essentially part of a COAG agreement on how federal financial reforms will be managed. These come as part of the national partnership payments.

**Mr Quinlivan**—The basic principle here was to improve the efficiency of Commonwealth-state financial arrangements and payments to the states and to provide them in a more consolidated way. As the interest rate subsidies are paid by us to the states and then to recipients, rather than directly through Centrelink, which is the case for other elements of EC payments, they were part of the overall COAG arrangements. That is a whole-of-government measure implemented this year.

**Senator McGAURAN**—Any more cliches? That did not make sense at all.

**Senator COLBECK**—How does the tax office do that more efficiently than—

**Mr Quinlivan**—The Treasury.

**Senator COLBECK**—How does Treasury do that more efficiently than the department of agriculture?

**Senator McGAURAN**—Read back on the *Hansard*—that was every cliché you could possibly put in.

**CHAIR**—Senator Colbeck is halfway through a question and Senator McGauran is suffering relevance deprivation syndrome. You will get your turn, Senator McGauran, especially when we start talking about the tree of knowledge, where you normally waffle on anyway.

**Senator COLBECK**—Why does Treasury do that better than the department of agriculture?

**Mr Quinlivan**—We made the payments to states, who then made the payments to the recipients. In this case it is just a matter of a simplified transaction, consolidated with a large number of payments to the states by the Commonwealth. There were no specific efficiencies associated with these payments.

**Senator COLBECK**—What are the other payments that are being made to the states along with this one?

**Mr Quinlivan**—There is a vast array of them. In all portfolios I would think there are at least some payments.

**Senator Sherry**—We can endeavour to get you a breakdown, but it is a Treasury matter. If you want to ask questions about the agreement—



**Senator COLBECK**—I just want to know why this department is having large chunks of its responsibility stripped away from it. That is what I am trying to get to.

**Mr Quinlivan**—We are not, actually. We retain policy responsibility for the program. We are just not handling the transaction with the states. We do not think it has any material impact on the efficiency of the program or the effectiveness of the payments to recipients. We are retaining policy responsibility and the minister remains the decision maker in this area.

**Senator COLBECK**—What is the employment impact in the agency as a result of the change?

**Mr Quinlivan**—I should think there would be none.

**Senator COLBECK**—So in administering \$900 million, there is no—

**Mr Quinlivan**—We continue to assess and determine the payments to the states. It is simply the transaction, which no longer occurs through this portfolio. That is not a labour-intensive matter, so we can come back later if there is an impact, but I would be very surprised if there is one.

**Dr O'Connell**—The overall idea is that payments to the states are consolidated in what are called national partnership programs and they become single payments to the state each month, which are across the board, across whole of government, if you like. Other departments have the same thing. They retain the policy responsibility for the programs; it is simply that the money that goes out is appropriated to the Treasury and is then fed to the states on a consolidated monthly basis. It is a more efficient way of making payments.

**Senator COLBECK**—So you can come back to us and give us any detail of any potential employment impacts of moving that.

**Senator Sherry**—We will take that on notice. If we can provide an answer by tomorrow, we will do so. In saying that, my expectation is that we should be able to provide you with an answer on that.

**Senator COLBECK**—You have revised in the number of EC regions down from 74 to 58. What are your projections in respect of that? Are you expecting that to continue to reduce?

**Mr Quinlivan**—We can come to the question about future expectations when the relevant division is here. The key point for present purposes is that the long-established policy is that, for the development of a budget for the forthcoming year, the assumption is that there are no new declarations.

**Senator NASH**—Can I just ask, Mr Quinlivan, the relevant responsibility—is that climate change?

**Mr Quinlivan**—Yes.

**Senator COLBECK**—I would just like to go through the concluding programs. The Tasmanian Community Forest Agreement concludes on 30 June this year.

**Dr O'Connell**—Yes.

**Senator COLBECK**—Effectively, that is seen as a one-off program that no longer has any further requirement.

**Dr O'Connell**—That was the program as agreed with the state at the time of the Tasmanian Community Forest Agreement.

**Senator COLBECK**—That evolved out of the 2004 election. What is the basis for the termination of the Sugar Industry Reform Program 2004?

**Mr Quinlivan**—That is a program that is scheduled to terminate just as the Tasmanian forest agreement does

**Senator COLBECK**—Can you remind us of its genesis?

**Mr D Williamson**—The sugar program was a five-year program that was announced by the previous government in mid-2004 from recollection. It had about seven or eight different elements and the last one, I think, is the one that finishes as of 30 June this year.

**Senator COLBECK**—So there is no need for any further programs to assist or work with the sugar industry?

**Mr D Williamson**—That would be a matter for the government.

**Senator Sherry**—It is a policy issue.

**Senator COLBECK**—There is no required need as far as the government is concerned for continuation to work with the sugar industry.

**Senator Sherry**—It is a policy matter for the minister. I will take it on notice and raise it with him.

**Senator COLBECK**—What about the Tobacco Grower Adjustment Assistance Package 2004?

**Dr O'Connell**—If you want to look at the details of these programs, it is best to do that with the division that has managed them. Essentially, these are simply programs that were planned to conclude at this time line and so have concluded in the normal way of government.

**Senator COLBECK**—What about the Australian Seafood Industry Council? Effectively, that meant the end of an industry representative body for fisheries in Australia, did it not?

**Mr Quinlivan**—This was a decision made some years ago, to make a payment for two or three years. If my recollection right, during that program the organisation folded and the money was held and made available if the industry could develop a representative body for a further year, it may be have been two, but the program has now lapsed.

**Dr O'Connell**—We probably should make it clear that the Australian Seafood Industry Council folded during the period of this grant. They could not hold themselves together.

**Senator COLBECK**—So there has been no further work to promote or assist with the maintenance of a national industry body?

**Mr Quinlivan**—The department had some involvement in a variety of talks with the industry, as did the Fisheries Research and Development Corporation and AFMA, but, to the best of my knowledge, the industry has not been able to create a new organisation. Our principal relationship nowadays is with the Commonwealth fishing industry organisation.

**Senator IAN MACDONALD**—Didn't some of the money that was earmarked for ASIC go to the Commonwealth Fisheries Association?

**Mr Quinlivan**—I would have to take that on notice; I am not sure of that data.

**Dr O'Connell**—Again, when we get to the specific division, we will probably have people who know the specifics.

**Senator IAN MACDONALD**—Okay, if we can just find that when the specific division comes forward. I think it did go to the Commonwealth Fisheries Association and it now lapsing, as you have told Senator Colbeck.

**Senator COLBECK**—Two hundred thousand dollars to the Torres Strait Prawn Fishery, what was the program there?

**Mr Quinlivan**—I think it is best to wait until the Sustainable Resource Management Division are here.

**Senator COLBECK**—I will deal with those on an individual basis.

**Senator IAN MACDONALD**—You were talking to Senator Colbeck about staffing—the six per cent staffing cut, down 250. I assume that is full-time equivalents. While I appreciate you would be working through that, generally what areas are the 250 going to come from?

**Dr O'Connell**—As you rightly said, we are working through that and we have not made decisions on where those are going to be managed. We are going through that process of assessing our statutory priorities, government priorities and other needs. The one thing I guess we have been quite clear about to ensure there is no confusion is that these will not come from the frontline—AQIS quarantine and inspection staff.

**Senator IAN MACDONALD**—But I would guess you have known now for a couple of months that you are going to be up for huge reductions in so-called efficiency dividends and other cutbacks and I thought you would have some idea of which areas of the department—I appreciate you would not have details, but I am sure a lot of your staff would be wondering if their branch is in for the axe, or if they are going to have to work twice and hard, and whether you have got money to pay overtime for time for it.

**Dr O'Connell**—Yes, and when those decisions have been made, they will be the first people to know.

**Senator IAN MACDONALD**—But I am asking you now if you can tell the parliament in what general area do you think you will be able to do with less staff. I am not after precise figures, but obviously—

**Dr O'Connell**—I have not made those decisions and I would be pre-empting decisions. As much as possible we will be trying to manage efficiencies in support areas to ensure that we manage ourselves to deliver the frontline activities but, on the other hand, we also have to go through our activities line by line and set those against the government's priorities, the statutory responsibilities and others and then make an assessment of what specific resources we need for each of those activities.

**Senator IAN MACDONALD**—Dr O'Connell, I appreciate the situation you are in. You do what you masters tell you and deal with the money your masters give you, but surely you would have known for a couple of months. Your existing staff were overworked—that is my recollection from previous estimates—so who is going to bear the brunt of the 250 who are

going to be no longer employed? I would like to follow this up; perhaps I heard you wrongly. I thought you said you were not going to rely on voluntary redundancies and that there would be no forced redundancies, so how are you going to reduce by 250?

**Dr O'Connell**—Our turnover in the department is well above 250 a year on average. We would hope to manage as much as possible by managing the turnover and reallocating staff when positions are available, just as you would normally do with natural attrition. As people move out and change you reassess that particular area and move people to it if it needs to be kept going from others that are not needed, or close it if it is not needed. A lot of this will be managed simply by internal movements. What I was saying was that I do not foresee a need for an open offer of voluntary redundancies as opposed to, as I would like, minimising reliance on targeted voluntary redundancies, where specific people are offered voluntary redundancies. I do not see the need for an open offer of voluntary redundancies. It is certainly our aim to try and avoid involuntary redundancies. We have a very clear framework on how to go about this in our collective agreement, which will operate, and we have the principles that the Australian Public Service Commission provide—

**Senator IAN MACDONALD**—I appreciate all that—thanks, Dr O'Connell—but somewhere along the line 250 people who are currently working for you are no longer going to be working for you, and I suspect that there will be more because you will be taking on graduate assistants—

**Dr O'Connell**—That is not correct. As I mentioned, it should not be interpreted as a loss of 250 current staff. I will mention one area where I will be dropping numbers without dropping current staff. I am putting a freeze on next year's graduate program, for example. Between graduates and trainees, we take about 60-odd, so that will be 60-odd positions which will not be required over that year.

**Senator IAN MACDONALD**—So bad luck if you are leaving university and want to work in one of the best departments in the—

**Dr O'Connell**—We would expect to pick up the following year. This is a temporary measure just for the occasion. The following year I would expect to be right where we were.

**Senator IAN MACDONALD**—Do you want to have a bet! Anyhow—

**Dr O'Connell**—As I said, that it is one of the reasons why we need to look at it. You will not see 250 current staff lost. We have a very significant turnover in the department, with our size of 4,500 people.

**Senator IAN MACDONALD**—So people are going to leave but will not be replaced?

**Dr O'Connell**—In many cases. In many cases they will be replaced or other people will move into those jobs.

**Senator IAN MACDONALD**—You may not have this now, but how many permanent staff have you recruited since budget estimates last year? What level were those staff? How many temporary positions exist and have been created since the last budget? And how many employees have you employed on contract? I am conscious that some of your former senior and very well respected and very valuable employees have left but have come back to do

contract work. Do you have details of that now or could you get details on notice on all the questions I have asked?

**Dr O'Connell**—We would have to take that on notice. That would require a bit of work.

**Senator IAN MACDONALD**—I will finish on this and hand back to Senator Colbeck. You mentioned in your opening statement and you just mentioned again that you want to make it clear that there will not be 250 staff going—did you say that?

**Dr O'Connell**—No. Let me be absolutely clear on what I am trying to say. I am saying that there will not be a loss of 250 current staff. If we reduce the average staffing level by 250 it does not mean that there are 250 staff currently in positions who will not be there at the end of the year.

**Senator IAN MACDONALD**—So it just means that, as existing staff leave, they will not be replaced.

**Dr O'Connell**—Yes, unless needed.

**Senator IAN MACDONALD**—Do you have any control over which staff leave from which areas?

**Dr O'Connell**—No, and that is exactly as I was saying—we will make an assessment each time as to the need to manage the particular positions and whether or not they will need to be filled and, if so, whether they can be filled from internal people or external processes would be required.

**Senator IAN MACDONALD**—Your cutback in funding for AFMA, which you mentioned—you said that is because it is now a commission. Who is funding AFMA now, if it is not your people.

**Dr O'Connell**—AFMA is directly funded by appropriation because it is an FMA Act agency.

**Senator IAN MACDONALD**—Out of whose budget?

**Dr O'Connell**—Out of its own budget.

**Senator IAN MACDONALD**—So it does not come through the Department of Agriculture, Fisheries and Forestry any more?

**Dr O'Connell**—No. That is why that looks as though there is a \$30 million—

**Senator IAN MACDONALD**—Does that come through the department of finance or the Department of the Treasury?

**Dr O'Connell**—It is just a direct government appropriation to AFMA as an FMA Act agency.

**Senator IAN MACDONALD**—Who do we question about the allocation of that money—AFMA itself?

**Dr O'Connell**—I would think AFMA would be the appropriate place.

**Mr Quinlivan**—Senator, you mentioned a cut to AFMA's budget.

**Senator IAN MACDONALD**—No, a cut to your budget for AFMA.

**Mr Quinlivan**—Correct.

**Senator Sherry**—Just to clarify, Senator Macdonald—I will be doing representational at finance—the allocation now comes through finance. Finance is the conduit for the payment to AFMA. That is the difference.

**Senator IAN MACDONALD**—That is the question I was asking.

**Senator Sherry**—In terms of the operation of AFMA, it will be this estimates and it would appear whenever it is—

**Dr O’Connell**—AFMA is along here.

**Senator IAN MACDONALD**—Apart from under the FMA Act, if things go wrong—I am sure they will not go wrong because it is a great organisation.

**Dr O’Connell**—It is part of this portfolio—

**Senator IAN MACDONALD**—Part of your portfolio but the money goes through someone else.

**Dr O’Connell**—but it is directly appropriated, yes.

**Senator IAN MACDONALD**—Minister, is your finance department’s budget increased by the amount that DAFF is going down?

**Senator Sherry**—It is not my department; I represent Minister Tanner. A little bit like the early discussion we had about payments to the states, finance is, as I understand, the conduit through which the moneys are paid to AFMA.

**Dr O’Connell**—It may be helpful to have the Chief Finance Office, Darren Schaeffer, explain that.

**Mr Schaeffer**—Just like our department, moneys come from the OPA directly to the department or to the agency.

**Senator IAN MACDONALD**—What is the OPA?

**Mr Schaeffer**—The Official Public Account. It is the big bank account, if you like, where all the moneys are held by Treasury. Finance are the engineers or the people who push the buttons to move the money from one account to another.

**Senator IAN MACDONALD**—So it goes out of your account and into finance?

**Mr Schaeffer**—No, from the OPA, the Official Public Account, which is managed under the Constitution.

**Senator Sherry**—Whole of government, and finance are the gatekeeper.

**Dr O’Connell**—So it used to come to our department and then go to AFMA; now it goes straight to AFMA.

**Senator HEFFERNAN**—It is not money; it is credit that OPA holds. Do you agree with that?

**Mr Schaeffer**—I am not sure what you mean by ‘credit’.

**Senator HEFFERNAN**—It is borrowed money.

**Dr O'Connell**—We are probably getting into areas which are not in our portfolio.

**Senator HEFFERNAN**—There is a little curiosity which has been intriguing me for more than a year or two, for all the time I have been here, and you, Dr O'Connell, might like to explain it. As people approach the age of 55, we lose some good people because there is some sort of lurk in the system where you retire and generally contract to buy the computer, et cetera—I can give you many examples of this—then you come back under contract to maximise some benefit. Can you explain that to us?

**Senator Sherry**—The issue of the impact of the design of the Commonwealth Superannuation Scheme, which is what you are referring to, the 54/11—

**Senator HEFFERNAN**—Why do they not work through to 55?

**Senator Sherry**—I am happy to go into it, but not now, because it is not the right estimates.

**Senator HEFFERNAN**—But with reference to 'employees'—

**CHAIR**—Senator Heffernan, the minister has given you a detailed answer—and I think your colleagues are starting to pull their hair out and you have only asked one question. Minister, would you like to—

**Senator IAN MACDONALD**—We have a limited time for this.

**CHAIR**—Through the chair, Senator Macdonald.

**Senator Sherry**—I know, but I am being asked a question.

**CHAIR**—The minister will answer the question.

**Senator Sherry**—In terms of the impact of the public sector defined benefit superannuation schemes, of which there are a number, that is an issue that should go to Finance, because it has direct responsibility. The second part of the question, as to whether the department has any specific program or policy to encourage people to work beyond the 54/11 cut-off, if we can refer to that in its simplistic form, the department can go to.

**Senator HEFFERNAN**—Can I just add to that. It is patently obvious, if we are arguing that we have got to put the pension age up to 67, that if we actually have an incentive in the system to get them to retire at 55 and then come back under contract, it is a lurk.

**CHAIR**—This is actually called budget estimates, so let us break the mould, Senator Heffernan, and be relevant.

**Senator Sherry**—Believe it or not, I am actually very keen to discuss these issues. I could sit here for hours and discuss the impact of superannuation and retirement ages, but this is not the right estimates.

**Senator HEFFERNAN**—I will shut up.

**CHAIR**—I have had a request from Senator Nash to return to staffing.

**Senator NASH**—You talked about staffing turnover and that some of these changes will come from natural attrition. How many staff would voluntarily leave, on average, in a given year, given that you are saying these 250 might come from natural attrition?

**Ms Hazell**—Last financial year the department had a natural attrition rate of about 13.5 per cent and so far this year it is running at about 9.5 per cent.

**Senator NASH**—What is that in actual numbers?

**Ms Hazell**—I will just have to get somebody to do that quick conversion for you, but it is more than 250.

**Senator NASH**—On that, you are assuming that in some of those areas where you, Dr O’Connell, will eventually see fit to make the cut, there is going to be a lot of the attrition in areas that you think might not be able to withstand a cut, so isn’t it going to be a very fine line to work it from just simply natural attrition?

**Dr O’Connell**—Yes, and I did not suggest that all this would come from simply natural attrition. I said that would be our first port of call. Last year’s turnover would have been around about 500 or 600 staff. We would expect that to drop somewhat because of the economic conditions. What I was saying was that as we have people leave positions we will be making an assessment whether that position is going to be required under the priorities. If it is, we will look to see whether or not there are people internally that could be moved into it, and so saving in another area, and if not we would then need to go outside. But there is a significant turnover. And again, just reminding the committee, it is not ‘250 people need to move’. There are a range of positions which will already be vacated. I have mentioned the graduates. There will be a range of contract staff who come to an end at the end of the financial year, and we can look at those immediately. So there is a whole set of possibilities for looking at how to move people from positions that are no longer required to positions that are, in order to make sure that we maximise the resources without needing to go to the voluntary redundancies. At a certain point we may, of course, need to go to targeted voluntary redundancies, in which case we will do.

**Senator NASH**—Okay. To understand that, then, there is really going to be a combination, from what you were saying previously. You are now, over the next few weeks, going to go and determine where the appropriate reductions could be made, but you are also saying now that when somebody is leaving you will see if it appropriate whether or not to maintain that position.

**Dr O’Connell**—Yes.

**Senator NASH**—So it is almost two things. It is a bit ‘cart after the horse’ really. I would imagine these attritions will happen over time. Surely you would need to have a fairly clear picture reasonably soon of which parts of the department are going to be able to maintain the cuts—

**Dr O’Connell**—Absolutely.

**Senator NASH**—and not necessarily have just a rolling loss of staff and thinking, ‘Can we do without that one?’

**Dr O’Connell**—We expect to have a picture well in time for the start of the financial year. Of course, prudence suggests that in the intervening time we take a very close look at positions that come up and also that when we come to the end of the financial year and we have a range of contracts that cease at the end of the financial year we hold them and see



whether we need any to be renewed. These are just prudent measures as you enter into a change.

**Senator HEFFERNAN**—Can I just ask for a clarification. On the nine per cent this year and whatever it was the year before, which you are going to convert, Ms Hazell, into numbers, could you also give us the numbers of people in those redundancies and people leaving the department who are 54/11?

**Ms Hazell**—That one I would have to take on notice.

**Senator HEFFERNAN**—Yes, can you do that.

**Senator IAN MACDONALD**—On that same point, I would assume that most of the people who have left you, in the last year but also usually, would go to other government departments. Do you have any way of knowing that? If so, could you take that on notice.

**Ms Hazell**—I think it is about 70 per cent of people who leave us who go to other government organisations. We have a number, about 30 per cent on average—it varies from year to year—that are actually resignations from government service altogether.

**Senator IAN MACDONALD**—That leads back to Dr O’Connell or perhaps Senator Sherry. With the cutback right across the board and a deficit of \$60 billion—\$28 billion, \$60 billion—clearly, other departments are not going to be seeking new staff, so one would assume that the ability for your staff to leave this year will not be as great as it has been in the past several years.

**Senator Sherry**—Two quick points. You referred to the deficit. I am sure there will be constant reference to it in various forms in this estimates—

**Senator IAN MACDONALD**—Yes, there will be.

**Senator Sherry**—and if you want to have extensive exchange on that I am pleased to do so. I just point out that the deficits are primarily the consequence of the collapse in revenue of \$210 billion over the forward estimates. That is primarily a consequence of the world financial and economic crisis, which is a very different set of circumstances that we are now face, say, compared to last year’s estimates. As for the particular, Dr O’Connell can answer.

**Senator IAN MACDONALD**—That is a nice bit of political rhetoric, Minister, but the question was about, in the past, people have moving from this department to another department—

**Dr O’Connell**—I can help you with that.

**Senator IAN MACDONALD**—and I am suggesting that the ability will not be as great.

**Senator Sherry**—It is not political rhetoric. My response was no more political rhetoric than yours. It is fact. It is a consequence of the world financial and economic circumstances we face, and which I am more than happy to go into in great detail, if that is where you want to head. To Dr O’Connell—

**Senator IAN MACDONALD**—But, Minister, I did not—

**Senator Sherry**—Let me finish. You ask a question; I will answer.

**Senator IAN MACDONALD**—But you are not answering any questions I have asked.

**Senator Sherry**—I will answer in my own terms. If you want lengthy debate about those issues—and I am sure it will be raised from time to time—I am more than happy to engage in that sort of debate.

**Senator IAN MACDONALD**—I do not, Minister. Is that clear enough?

**Senator Sherry**—You raised the issue; I did not. You raised the issue and I am responding. I am happy if Dr O’Connell goes to that detailed issue.

**Senator IAN MACDONALD**—Before Dr O’Connell does, what I was saying is that in the context of \$28 billion-\$60 billion loss—I am not saying whose fault it is; I have my views—all government departments are going to be tightening their belts, hence my question, which is the relevant question, which Dr O’Connell is about to answer.

**Senator Sherry**—Yes.

**Dr O’Connell**—There is across the Public Service in the coming year a net increase of some 1,500 staff, and that is explained reasonably enough, I think, by the level of stimulus packages that are available, by the increase to Centrelink work, Health and others. So while there are ups and downs in the staffing budgets across government, the net effect is actually an increase of 1,500 or thereabouts. Certainly, there is a set of departments which are reasonably related to our department, closely enough—such as Infrastructure with its programs, Climate Change as well, and then, related to our regional activities, Centrelink and others—which are all showing increases in staff.

**Senator IAN MACDONALD**—So the belt-tightening is in your department, but across government spending in these difficult times we are putting on an extra 1,500 public servants?

**Dr O’Connell**—In areas which are engaged in the stimulus activity, necessarily some additional people are required to do that. We see a real opportunity there for some of our staff if they do wish to look at other opportunities, when necessary.

**Senator IAN MACDONALD**—You will counsel them before they go to PM&C, won’t you?

**Senator HEFFERNAN**—Could I just clarify? I have asked the question about how many redundancies are 24/11s. Could that question go back for the last three years? Could you also answer the question: how many people who have retired on 24/11s in that group have come back as contractors anywhere in the government?

**Senator Sherry**—We will have to take that on notice, Senator.

**CHAIR**—Does anyone on my left want to ask some questions that are relevant to the budget estimates?

**Senator HEFFERNAN**—That is very relevant.

**CHAIR**—No, it is not.

**Senator COLBECK**—I think it actually is when it comes to employment. We might find that when we get the answers. Are there any other elements of the portfolio that are projected to be transferred out into other agencies?

**Dr O’Connell**—During the coming—

**Senator COLBECK**—Yes.

**Dr O'Connell**—No.

**Senator COLBECK**—So, effectively, what is on the table is it at this point in time? There are no plans to move any other elements of the portfolio out to other agencies?

**Dr O'Connell**—Not to my knowledge in the coming financial year.

**Senator COLBECK**—When the additional two per cent efficiency dividend, which took it to 1.25, was brought in we were told it was a one-off. This is now the second year that the agencies have been asked across government to pick up effectively a 3.25 per cent efficiency dividend. What is your expectation? You told us at previous estimates that you were budgeting for another one this year, which is what we have seen. What is your expectation, particularly given that we have been told that there will be a cap on the increase in expenditure of two per cent across government?

**Mr Schaeffer**—The two per cent efficiency dividend is a one-off. It is actually there in the base going forward.

**Senator COLBECK**—It is a one-off every year?

**Mr Schaeffer**—It is every year but it does not compound every year, so it is not a further two per cent each year like the 1.25 per cent efficiency dividend. That compounds every year, whereas the two per cent is just a cut off the base.

**Senator COLBECK**—So every year they take two per cent off your base and the one-off is an annual event. That is an interesting concept. I want to go back to your comments on the graduate intake. This year you will not be taking any graduates into the department?

**Dr O'Connell**—That is my current plan—yes. We have a graduate program underway and we have 50-odd graduates going through that. That will continue just as it was. It is just the coming year's intake that we have put a freeze on for the year, otherwise I would be in the position of having to look at a more difficult problem internally.

**Senator COLBECK**—I understand that, but, given that you have to find another \$3.2 million next year and another \$2.9 million the year after that and another \$2.5 million the year after that, what gives you the confidence that you can move to 120 graduates the following year?

**Dr O'Connell**—It is not 120; it is about—

**Senator COLBECK**—If you are knocking off 60 this year, which is what you have told us—you said that you were going to bring about 60 graduates into your graduate program this year—

**Dr O'Connell**—It is 60 each year, roughly.

**Senator COLBECK**—If you are going to catch that up in the following year, how do you get the confidence that you will be able to increase—

**Dr O'Connell**—If we make—

**Senator COLBECK**—Or are you just going to go back to the normal yearly intake?

**Dr O'Connell**—If we make these adjustments now, we will basically be in good shape to manage the budget, otherwise we will have the troubles. But I am confident that, if our budget stays similar to where it is, these adjustments will set us in a financially robust position.

**Senator COLBECK**—So employment for students coming out of university is how the government is going to make people pay for its savings?

**Dr O'Connell**—No, that is not correct. As I said, there are an extra 1,500 staff across the Public Service. There are other agencies increasing their intake. This is a question just of balancing across the employment in the Public Service, but it is—

**Senator COLBECK**—I go back to my initial point. How come Agriculture is the department that is getting belted?

**Dr O'Connell**—Agriculture is getting 1.2 per cent savings; it is very small.

**Senator COLBECK**—According to the Treasury papers:

The Government has identified further efficiencies related to departmental funding for the Department of Agriculture, Fisheries and Forestry.

Obviously they are not identified. Further:

This measure will provide savings of \$12.0 million over four years through identifying lower priority activities that can cease with a minimal impact on the delivery of key Government objectives.

**Dr O'Connell**—Which we are undertaking now.

**Senator COLBECK**—Are there known knowns or unknown unknowns?

**Dr O'Connell**—That is too Rumsfeldian for me, I am afraid!

**Senator COLBECK**—I was actually going to say we ought to call them the Rumsfeld cuts.

**Senator Sherry**—We know what happened to Rumsfeld. I would not be quoting from Rumsfeld if I were you.

**Senator COLBECK**—You are the one that made the cuts, Senator Sherry, so let's hope fate befalls this differently.

**Dr O'Connell**—Our knowns are very clear and I did lay them out in the opening statement. We are taking account of our statutory requirement, the government priorities, maintenance of core capacity and skills, opportunities to make use of our expertise and properly resourcing emerging areas of work. We are taking those and, as we speak, we are going through the process of assessing the priorities. As I said, the savings to the department measure of 1.2 per cent is relatively manageable. That is the only specific savings measure.

**Senator COLBECK**—When will we know what the known unknowns are, then?

**Dr O'Connell**—Certainly before we enter the financial year, of course, we will have gone through our process of settling not the unknown unknowns but where the adjustments are made in the budget. These are not just about savings. The adjustments we are looking to make are, naturally enough, looking to assess against the government's priorities. So it is not simply looking to manage a \$3.4 million saving; it is basically a priority budget process of assessing

the government's priorities and our statutory priorities and ensuring they are properly resourced relative to each other.

**Senator SIEWERT**—Can I clear something up. You said 3.25 per cent efficiency savings in your opening statement. I have checked the statement and it mentions a 3.25 per cent efficiency dividend. Sorry if I am a bit slow, but can you please go through how 3.25 per cent equals 1.2 per cent savings.

**Dr O'Connell**—It doesn't.

**Senator SIEWERT**—That is what I thought.

**Dr O'Connell**—I was talking about the specific savings measure that applied to this department. There are a set of efficiency dividends which are built into the budget and apply across the board. There are then specific savings measures that apply to this budget process. For this portfolio we had three specific savings measures: Land and Water Australia, the RIRDC measure and \$3.4 million of savings from the departmental appropriation. Those are the three savings measures out of this budget.

**Senator SIEWERT**—You have 3.25 plus 1.2?

**Dr O'Connell**—Yes. The 3.25 was already built into the budget thinking beforehand.

**Senator SIEWERT**—So it is 4.45 per cent—1.2 plus 3.25 is 4.45. I thought so. I did not fail maths.

**Senator Sherry**—Hang on. He has not answered the question yet. Others have answered the question, but let Dr O'Connell answer the question.

**Dr O'Connell**—You are looking for a cumulative budget outcome rather than the savings measure. I want to be clear, though, that the savings measure applying to the department was the \$3.4 million, which is 1.2 per cent. There is then the savings measure that applies to Land and Water and to RIRDC, but those are the special savings measures over and above what was built into the budget—the pre-existing efficiency dividends which were already built into the process.

**Senator SIEWERT**—The 3.25 applies to the budget and the 1.2 applies to RIRDC and Land and Water.

**Dr O'Connell**—No, the 1.2 applies to the department.

**Senator COLBECK**—It is an unknown unknown. They do not know what it is yet.

**Dr O'Connell**—The 1.2 applies to the department appropriation.

**Senator COLBECK**—It is identified, but it is an unknown unknown.

**Senator IAN MACDONALD**—There is 4.45 per cent less money to spend in the department.

**Dr O'Connell**—Compared with last year.

**Senator SIEWERT**—And that includes land and water?

**Dr O'Connell**—No.

**Senator SIEWERT**—What percentage is land and water and RIRDC?

**Dr O'Connell**—Land and water had six—

**Senator SIEWERT**—Six million next year and 13 after that.

**Dr O'Connell**—million next year and 13 after that. RIRDC had three million per annum. That is why I tried to lay it all out in the opening statement so that it was clear.

**Senator SIEWERT**—I am sorry to harp on this but I want to be really clear. It is 4.45, plus land and water cut, plus RIRDC cut.

**Senator COLBECK**—Plus 0.8 hundred million dollars for IT.

**Senator SIEWERT**—Yes, \$800,000. That is right, isn't it? Now I am clear. I just wanted to be really on all the cuts the department has copped.

**Dr O'Connell**—It is easier to look at it as ons and offs to be honest. That is why the chief finance officer provided that movement explanation which gives you the full picture.

**Senator SIEWERT**—With all due respect, that is very helpful but it does not give you the clear picture of the cuts overall to the department. We are talking collectively here about cuts to agriculture. What we are talking about is 4.5 per cent plus those others that we have gone through that we work out as a percentage.

**Dr O'Connell**—It depends whether you are talking about cuts to agriculture as specific savings measures to agriculture. The efficiency dividends are built in across the budget. All departments other than defence have the same level of efficiency dividends.

**Senator SIEWERT**—But some agencies are copping other savings. Whether you call it cuts or savings is a moot point as far as I am concerned. The fact is this is having a direct impact on agricultural research.

**Dr O'Connell**—I think certainly from the department's perspective, while we look at efficiency dividends, the objective is to ensure that we manage the same outputs, the same outcomes for the clients as we would previous to the efficiency dividend. That is the whole point of the efficiency dividend to drive efficiencies and deliver; it is not to take away from the outputs. Obviously if you make a cut to Land and Water Australia that is going to have a different effect and is a question of setting priorities between expenditures. These are different things. Savings measures tends to be a different thing.

**Senator SIEWERT**—I have more questions but I will hand back to Senator Colbeck. I will have more questions later.

**Senator COLBECK**—Just following on from Senator Siewert, you see the 3.25 per cent efficiency dividend, which is effectively just under \$6 million in dollar terms, and the objective there is to operate the department at the same level of efficiency and absorb that \$6 million funding cut?

**Dr O'Connell**—There is an assumption in the efficiency dividends that departments will do their work more efficiently over time and that an efficiency dividend will help drive that.

**Senator COLBECK**—You would expect that next year you would have to do exactly the same thing. Operate at the same efficiency and again lose about \$6 million off your bottom line?

**Dr O'Connell**—This coming year.

**Senator COLBECK**—This coming year. And then if the terminology for 'one off' now means every year—

**Dr O'Connell**—'One off' just means off the base.

**Senator COLBECK**—we are now at the stage of having a 3.25 per cent efficiency dividend every year. Mr Schaeffer said, 'One off means it happens once every year.'

**Dr O'Connell**—It means it is off the base.

**Senator COLBECK**—It is not compounding but it happens every year.

**Dr O'Connell**—Because it is off the base, if you think of it in terms of what the intent is, if it drives an efficiency so we produce the same output with 3.25 per cent less input, which is the intent, then the following year of course we do not need that so that is the new base. It is not this with the two per cent.

**Senator COLBECK**—I think we had this discussion last year when we said that it was going to happen once and it has now happened again. We just add another new term to the Rudd dictionary, 'temporary' means at least six years and 'one off' means every year.

**Dr O'Connell**—It is once off the base.

**Senator COLBECK**—Every year.

**Dr O'Connell**—No, it is not off the base every year. The two per cent additional is off the base once, but then of course the base has changed for the following year. Otherwise, they would be giving back—

**Senator COLBECK**—Oh, come on, Dr O'Connell!

**Dr O'Connell**—If you think of the logic of the measure, it is clear that you would not need that two per cent back to do the same job because you have made yourself two per cent more efficient. You are providing the outputs for two per cent less inputs.

**Senator COLBECK**—But given the evidence you gave us at previous estimates—I think in March—that you were anticipating to have another 3.25 efficiency dividend, the one off has become a two off at least. What I am trying to get at is whether it is going to happen again. Is that what you are anticipating?

**Mr Schaeffer**—It is currently forecast to apply to 2010-11, but beyond that it is unclear.

**Senator COLBECK**—So one off means at least three or four years. We are getting to the bottom of what the terminology means.

**Dr O'Connell**—It is important that one off there is thought of as one off the base, which of course affects the base into the out years.

**Senator COLBECK**—I understand what you are saying.

**Senator SIEWERT**—Then you do it again the next year and the next year.

**Senator Sherry**—Whether or not it applies beyond the forward estimates is a matter of government policy, which has not been determined yet.

**Senator COLBECK**—That is fair enough, Senator Sherry, but it was very clearly stated when it first occurred that it was going to be a one-off.

**Senator Sherry**—Yes.

**Senator COLBECK**—We can debate all the rest of it.

**Senator Sherry**—Government policy is that it will apply for the next financial year. My response to you, Senator Colbeck, is: do you oppose the application of the efficiency dividend to this department or any other?

**Senator COLBECK**—Senator Sherry, what I am asking you is what is going on. You have said to us one off; I am trying to understand what your terminology means, which is a real problem with this government.

**Senator Sherry**—Hang on; let me finish. You have asked the question. I will respond, as is my right—

**Senator COLBECK**—One off means one off.

**Senator Sherry**—Can I finish?

**Senator COLBECK**—If you are going to continue that, that is fine.

**Senator Sherry**—Chair, I know you are not in your seat at the moment.

**Senator COLBECK**—It is a bit like a temporary deficit, which is at least six years.

**Senator Sherry**—You have raised an issue and I am going to respond. Is it the position of the Liberal-National Party opposition that they oppose—

**Senator NASH**—I do not think it is your place to ask questions.

**Senator COLBECK**—The process of the estimates is that—

**Senator IAN MACDONALD**—It is for us to ask questions of the government.

**Senator Sherry**—that they oppose the application of the efficiency dividend?

**CHAIR**—There is that much cross-talking going on, you are asking a question, the minister is trying to answer; at least let him answer.

**Senator COLBECK**—No, he is not; he is trying to ask questions, which is our job.

**CHAIR**—And then you can ask the question of the minister.

**Senator Sherry**—I will phrase my answer in this way. If it is the position that you are opposing the efficiency dividend, that will obviously have consequences—that is, it will be an increase in the budget deficit. If that is your position, you explain where you would make the savings, given your position on a budget deficit.

**Senator COLBECK**—Thank you, Senator Sherry. We are trying to understand your terminology.

**Senator Sherry**—You explain where you would make the savings to replace the saving you are now apparently opposing.



**Senator COLBECK**—We know that ‘temporary’ means at least six years. We now know that ‘one-off’ means at least four times. So we just continue to add pages to the Rudd dictionary. Can I move on now to the Gershon review and the IT spending cut.

**Senator Sherry**—The factual position is, Senator Colbeck, that the efficiency dividend has been confirmed for three years. Confirmation beyond that three-year period is a matter for future government policy.

**Senator COLBECK**—I understand that, Senator Sherry, thank you. Can I move on to the \$800,000 IT efficiencies. Do we have any sense of where those efficiencies are going to be made?

**Ms Hazell**—We have a number of places where we will be making those efficiencies. For example, there are simple things like changing our desktop refresh cycle from three to four years, looking at—

**Senator COLBECK**—That means changing the cycling of new equipment?

**Ms Hazell**—Yes, just expanding the cycle out—consolidating our printer fee, consolidating some databases, consolidating what we call ‘category 2 software licences’ which are for our non-standard software. By consolidating we can make savings there. We are reducing our IT contract vendor onsite presence, looking at our voice services, improving our data management, things like that. Also there is the cessation of the group A cluster contract and the fact that we will no longer be contributing to the contract management office for that cluster—because it ceases.

**Senator COLBECK**—Are you also going to reduce the presence of your onsite maintenance contractor?

**Ms Hazell**—It is reducing the onsite staffing levels. There is still adequate support, but by reducing their onsite presence we can save money.

**Senator COLBECK**—What is your assessment of what that does for efficiency?

**Ms Hazell**—It should make no difference. There are still the help desk facilities—all those support facilities.

**Senator COLBECK**—So you do not anticipate any problems with replacing the equipment over a longer cycle?

**Ms Hazell**—We are not anticipating that at this stage.

**Senator COLBECK**—What advice has been taken to promote the decision? Have you had a look at efficiency of equipment: why it will last an extra year and how it will last an extra year?

**Ms Hazell**—That was taken into consideration when we were working out the change from three to four years. Modern IT equipment is much more reliable than it used to be.

**Senator COLBECK**—Okay.

**Senator IAN MACDONALD**—You are getting out of the cluster grouping with several other departments.

**Ms Hazell**—Yes.

**Senator IAN MACDONALD**—That can only be a step in the right direction, but you will be replacing it with something else, surely.

**Ms Hazell**—Yes. We have signed a contract with a new service provider. That comes into effect at midnight on 26 June. That new contract will produce some savings for us as well.

**Senator IAN MACDONALD**—Do you have before you what you were paying to the group 1 system and what you are going to pay to your own contractor?

**Ms Hazell**—Roughly speaking, I think the old contract was costing us about \$130 million per annum. The new one will cost—

**Senator IAN MACDONALD**—\$130 million!

**Ms Hazell**—Sorry. My mistake. It is \$130 million over five years compared with \$96 million over five years, after we set it up.

**Senator IAN MACDONALD**—It is a five-year contract.

**Ms Hazell**—Yes.

**Senator IAN MACDONALD**—With whom?

**Ms Hazell**—A company called EDS.

**Senator IAN MACDONALD**—Who and what are they? Where are they based, and how did they get the job?

**Ms Hazell**—They won the contract in an open tender process that commenced in July last year.

**Senator NASH**—How many tenderers were there?

**Ms Hazell**—There were five tenderers.

**Senator IAN MACDONALD**—Where are they based?

**Ms Hazell**—They have a presence in Canberra, as well as around Australia.

**Senator IAN MACDONALD**—Does anyone else in the Public Service use them?

**Ms Hazell**—I think the tax office uses them. I would need to take some further advice and get back to you about other locations. They also do a lot of outsourced work for the South Australian government. They are the largest IT outsource service provider in Australia at the moment.

**Senator IAN MACDONALD**—And they are an Australian company?

**Ms Hazell**—My understanding is that they are an American company with an Australian subsidiary. I think that is the layperson's version of their company structure.

**Senator IAN MACDONALD**—That is all I need.

**Senator COLBECK**—Can I come back to reducing access to non-standard software. What sorts of things is that going to limit?

**Ms Hazell**—I did not say 'reducing access'; I said consolidating the licensing for that software. If you get a more consolidated licence you can often get discounts because, instead of getting it in several different contracts, you get it as one.

**Senator COLBECK**—What sorts of programs are we talking about with respect to that?

**Mr Foley**—Senator, I am Steven Foley, the Chief Information Officer.

**Senator COLBECK**—One of those would be handy today. I can get some straight answers.

**Senator Sherry**—I do not agree with that comment, Senator Colbeck. The officers are here. They have been answering the questions. You have been asking broadly general questions—

**Senator COLBECK**—Of course we have.

**Senator Sherry**—Yes. And that is your right. But I would point out that the officers are here and that when we get to quite detailed areas in the department, we will have to bring those officers here if we have a cross-over of general into specific questions outside the specific time allocated.

**Senator COLBECK**—Thank you, Senator Sherry.

**Mr Foley**—Category 2 software is predominantly corporate or administrative type software that is generally available. It is software that, under the terms of the contract, the contractor does not devote specific resources to maintaining. The software that is impacted which I think you are referring to is not the operational systems that support the department's business operations per se.

**Senator COLBECK**—What sort of operations would those things support?

**Mr Foley**—They support mainly administrative functions. In the main they are software applications that are generally available for purchase from commercial companies—commercial off the shelf, as we refer to them. It is just generally available software. The intent of this consolidation of category 2 software is more a purchasing strategy to ensure that different elements of the department are not purchasing the same product from different sources and that we are consolidating the licence provisions to ensure that we get the effect of enterprise licence agreements—in other words, we can negotiate a better position by virtue of the number of licences that we purchase. It is centralising control of those particular applications.

**Senator COLBECK**—You are looking to do that across the entire agency?

**Mr Foley**—That is correct.

**Senator COLBECK**—I want to come to Land and Water Australia and RIRDC, but I am not sure that we can deal with a lot of that before morning tea.

**Dr O'Connell**—Land and Water is next.

**Senator COLBECK**—I understand that, but I want to ask some general questions, potentially to Senator Sherry. I suppose if we can quickly do some stuff on Land and Water Australia we will have to come back to it after morning tea.

**CHAIR**—We have four minutes before morning tea.

**Senator COLBECK**—I would just like to get some sense of the rationale from the government on effectively axing Land and Water Australia.

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**Senator SIEWERT**—I have some drought questions and some general ones.

**CHAIR**—You can tick-tack, Senators, but we have three minutes now.

**Dr O'Connell**—Stephen Hunter, the Deputy Secretary, can probably help you with the general aspect.

**Senator COLBECK**—I am not sure that this is necessarily Mr Hunter's problem. I am really interested in the rationale for axing Land and Water Australia. Why are we cutting out an agency, particularly if we are looking at things like climate change and the impacts on land? The fundamental elements of agriculture are land and water. Why are we axing such a central research organisation?

**Senator NASH**—Good question.

**Senator IAN MACDONALD**—Can we just ask whether it is a policy question, being a government decision, or whether it is an internal departmental decision.

**Senator Sherry**—It is a policy government decision, and I am just going to respond. A great deal has changed since Land and Water was established over 20 years ago. Natural resource management is now a mainstream issue for government, the community and the R&D network generally. Land and Water Australia has played an important role in progressing innovative responses to natural resource management issues and it, rightly and justly, is proud of its contribution. Land and Water Australia has created momentum that is now being carried forward by major natural resource management programs funded by the government, including the \$2.25 billion Caring for our Country program, the \$13 billion water reform and the \$130 million investment program Australia Farming Future initiative. This was a policy decision taken as part of the budget and the government stands by the decision to end this program.

**Senator COLBECK**—I understand it is a government decision, Senator Sherry. It just displays a complete lack of understanding. If we are so determined to deal with issues like climate change, to research fundamental issues to do with the soil carbon, sequestration and all of those issues, why are we knocking out the one organisation whose central role is to look at issues relating to land and water? We have got huge issues with water all around the country, and the research organisation that looks to deal with those sorts of things is effectively being bowled over. Your statement is a nice piece of political rhetoric but it does not actually demonstrate the central core of where we are at. And I understand why you make it; I am not—

**Senator Sherry**—All I can add is to refer to the comments that the minister, Mr Burke, has made on this issue. We are doing as much as we can afford to. I have referred to the other areas of very significant expenditure. In boom times you can afford to do more. In times of economic contraction you have to make some hard decisions.

**Senator COLBECK**—But, Senator Sherry—

**Senator Sherry**—They are direct quotes from the minister, Mr Burke, in rightly pointing out the reasons for this decision.

**CHAIR**—On that, thank you, Minister, it is 10.30 and we will break. Senator Colbeck, you will have the call when we come back.

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**Senator COLBECK**—Why is agriculture getting belted? It is just absurd.

**CHAIR**—We will now break for morning tea, Senator Colbeck. It is not all about you; it is about the staff as well.

**Proceedings suspended from 10.30 am to 10.45 am**

**CHAIR**—I welcome everybody back.

**Senator COLBECK**—Coming back to the point where we finished, Senator Sherry: times are tough so you cut research and development, which is the fundamental thing that has assisted agriculture to be competitive on the international stage over the last 15 or 20 years. I commend the Labor government that brought in the RIRDC approach. It is a unique one internationally and farmers in other countries jealousy look at it. It is the extension of that R&D that has allowed our farmers to be competitive in an environment where they do not get a lot of assistance from other measures. I think they get the second lowest amount of assistance of any country in the world. It obviously pushes their need to innovate and to be competitive but, because it is tough, there is an obvious need to continue innovation, particularly given the spectre of climate change that we consistently hear about. Why would you take away the very tool that is most important?

**Senator Sherry**—I have already indicated that we are dealing with a reduction in one area, but I did point to very significant funding in a number of other programs. I do not accept your overall and overarching critique. The minister has outlined the reasons for the policy change. I quoted from the minister's speech. We also have the Bureau of Rural Sciences, ABARE and the work of—

**Senator COLBECK**—They do not do the same sort of work as Land and Water Australia. BRS does social modelling and ABARE does economic modelling that is completely different to what Land and Water Australia does. Land and Water Australia is a research organisation that does research into the impacts and working with particularly land and water. That is what its charter is—or was. It shows a complete lack of understanding to compare BRS and ABARE with Land and Water Australia. It is absurd.

**Senator Sherry**—If I can conclude my answer that you interrupted with another question and a largely polemic statement, I was about to say there is also the work of the department itself and there is very significant resourcing across the areas I have indicated. There is a very good chance of R&D work being picked up by the rest of the department and others—

**Senator COLBECK**—With what funds? They have just had a 4.45 per cent cut in their funding. Where is the funding coming from? It is a saving in the budget. Who is going to pick up this research?

**CHAIR**—You may want to let the minister answer your first question, Senator Colbeck.

**Senator Sherry**—To come back to the first question: I have made reference to very significant funding in other areas and in those areas Land and Water Australia, as the minister has said, has done a very good job. We have decided to re-prioritise in the world financial and economic climate budget priorities and this is where a reduction has been made. That is the policy decision.

**Senator SIEWERT**—I have some specific questions around Land and Water Australia. I will obviously have some questions for the agency itself, but Land and Water Australia is engaged in a lot of projects in a number of partnerships. In fact, it is one of the best organisations for developing partnerships.

**Senator COLBECK**—Absolutely.

**Senator SIEWERT**—What is going to happen to those contracts that they are already part of? I understand that there are about 100 ongoing projects that they have entered into partnerships on, with research organisations, CSIRO, the ANU and industry itself. What is happening to those contracts?

**Mr S Hunter**—Land and Water Australia will receive an appropriation this year of \$6.7 million. That money is being provided to do two main things. One is the wind-up of the organisation itself—to meet, for example, the payout of staff, rent, the orderly tying up of existing records, research and so on, and also to pay the salaries of a wind-up team. In addition to that, the funds are being provided to enable transition to occur in relation to key research programs managed by Land and Water Australia. For example, the anticipation is that the Climate Change Research Strategy for Primary Industries, known as CCRSPI, managing climate variability, Tropical Rivers and Coastal Knowledge, known as TRaCK, the National Program for Sustainable Irrigation and the Australian Agriculture and Natural Resources Online facility will be continued, and negotiations to identify new hosts are underway at the moment. The minister had asked Land and Water Australia to identify, with the funding that has been made available to it, those programs and projects which are capable of being transitioned. He indicated in particular those that the government would wish to see continued. So it will be a process of working through that portfolio of programs and projects and identifying which could be continued and which may be changed in some way or transferred to another agency to manage.

**Senator SIEWERT**—I think there are currently 11 programs that Land and Water Australia have running. Each of those programs will have specific projects with CRCs et cetera. Land and Water only have funding for another year. They will have entered partnerships with a lot of organisations beyond a year. I appreciate your answer, but with all due respect it only responds to a part of the question. I understand that they would be working on upwards of 100 projects. After next year what happens to those projects?

**Mr S Hunter**—It is hard to get into a level of detail which it might be better to start to explore once Land and Water Australia is at the table.

**Senator SIEWERT**—I do appreciate that, but the point is that some of these are policy questions that they will not be able to answer because they do not have funding. It is a policy issue that the government needs to think about.

**Mr S Hunter**—The process, as I mentioned before, is that we are going through to try to identify, in addition to those particular activities which the minister has indicated to Land and Water Australia that the government wishes to see continued, what other projects and activities can also be continued or wound down or transitioned in some way from within the existing portfolio. In the end there will be some which may not be able to continue. For example, there may be some which are perhaps at a very early stage and have not really got

off the ground and which you would not continue, or you would seek to find another partner to take the project forward.

**Senator SIEWERT**—The fact is that funding money has been cut.

**Senator Sherry**—Before we go on, you say ‘up to 100’. You and I know from long experience that ‘up to’ can mean a significant variation. I will take it on notice and we will find the precise number of programs ‘up to 100’, to use your language. But I would not want to go on the record that it is 100 via the mechanism of ‘up to’.

**Senator SIEWERT**—Land and Water are up next, so I can ask them. The point is that there are a significant number of projects.

**Senator Sherry**—If they know, fine, but the officer here did not. If they know, we will get the precise number for you.

**Senator SIEWERT**—Senator Sherry has just quoted the minister as saying that one of the reasons this program is going is because Caring for our Country is in place. Caring for our Country is a replacement program for NHT and it is mainly grant based for implementing on-the-ground outcomes, not research. Do I take it from the comment that was made that there will be an increased focus on research in Caring for our Country?

**Mr S Hunter**—I can answer that in a couple of ways. First of all, I believe that the statements made by ministers and others have referred to not only Caring for our Country but also a wide range of other activities which are funded by the Commonwealth and indeed by universities and the states which work in the field of land and water research as well as policy. They exist now and did not exist at the time Land and Water Australia was established. For example, in Caring for our Country, which is the example that you have drawn upon, significant research goes in the context of the reef rescue component.

**Senator IAN MACDONALD**—Which has always been there.

**Senator SIEWERT**—With all due respects to my home state of Western Australia, reef rescue means squat, quite frankly. Land and Water Australia is the only, as I am aware, research body that does the public good sustainability across landscape scale research.

**Mr S Hunter**—There are other bodies which fund research. They may not be research organisations themselves but they fund research in the area of land and water. I guess the one which has grown very significantly in recent years is the amount of funds that the Commonwealth government is putting towards water through the Department of the Environment, Water, Heritage and the Arts—it is very significant; billions of dollars worth of investment.

**Senator SIEWERT**—That is not research money, though. Are you referring to Water for the Future?

**Mr S Hunter**—My point was that this government, state governments and others are funding organisations which commission and fund research. They may not be research organisations themselves but they commission and fund research. There is the National Water Commission, for example. CSIRO carries out research directly. The point that is being made here is that there now exist a significant number of bodies with a policy and research interest in land and water issues which exist now but did not exist at the time Land and Water

Australia was established. And they are to varying degrees purchasers and in some cases conductors of research.

**Senator SIEWERT**—I will agree to disagree.

**Senator MILNE**—Who made the decision not to allow Land and Water Australia to complete their strategic plan? I understand that would have finished in July 2010. A lot of money has been spent in the interim; now that is all to be scrapped. This is meant to be an efficiency? How inefficient is it to take them out before they complete their strategic plan? I would like to know who made that decision and was it done in consultation with Land and Water Australia? Was there any discussion with them?

**Senator Sherry**—The decision to cease the funding of Land and Water Australia was a policy decision made by the minister in the context of the budget, in cabinet. And the consequences that flow from that decision—Land and Water are due to appear, I understand—beyond that which the department has knowledge of can be answered by Land and Water Australia.

**Senator MILNE**—Can you tell me whether the minister took any advice—perhaps the department can help me here—in relation to what would be the waste associated with jettisoning Land and Water Australia before it completed its strategic plan?

**Senator Sherry**—I can take that on notice and ask the minister. But I just make the pretty obvious point that advice to govern is advice to government.

**Senator IAN MACDONALD**—Did the department give advice? We do not want to know what the advice was; we just want to know whether the department gave advice on the issues that Senator Milne is raising.

**Senator Sherry**—I am happy to take that on notice. If the department has anything further to add, they can.

**Senator IAN MACDONALD**—I think it is really Dr O'Connell that Senator Milne is asking: did the department give advice to the minister on that subject? We do not want to know what you said.

**Dr O'Connell**—On the overall budget and how to manage the budget portfolio, yes, the department of course gave normal budget advice.

**Senator MILNE**—That is not what I asked. I asked specifically in relation to a decision to get rid of Land and Water Australia.

**Dr O'Connell**—The nature of the advice, I think, comes under 'advice to government'.

**Senator SIEWERT**—This question has to be asked because when Land and Water Australia cease to function they will not know. They have a number of projects, not just water projects; they carry out a whole lot of projects around natural resource management and knowledge brokering. It is one of the things I have always found really important around what Land and Water do. What is the proposal to keep that function going—all the important networking, liaising between all the research organisations and the regional knowledge kits, for example. Who keeps all that going?



**Mr S Hunter**—I can only give you a general answer. Land and Water Australia is in the process of developing some advice, in consultation with the department, about how its current activities might be continued or transitioned in the context of the budget that it has been provided in the current year. We have not completed that process so I do not have the answer to that particular question.

**Senator SIEWERT**—In other words, the government has not thought through what happens with the work of Land and Water Australia, which is basically irreplaceable.

**Dr O'Connell**—I think that is probably putting words into my mouth in one sense. The nature of a budget decision is of course that it is kept relatively tight until the budget is announced and then the implementation in detail is worked through. That is what Mr Hunter was talking about. Having had the decision announced we are now in a position where we can discuss openly with the relevant players how to give effect to managing the best outcomes.

**Senator SIEWERT**—Who is going to do the work that is done around, for example, the native vegetation and biodiversity programs, environmental water allocations, the regional natural resource management work and the landscape scale research? None of this is done by a lot of those other organisations you have mentioned, which is why Land and Water Australia does it. Who is going to be doing that work?

**Mr S Hunter**—If you are referring to particular activities or projects that are under way by Land and Water Australia at the moment then my previous answer applies. We are working through that in consultation with Land and Water Australia now.

**Senator SIEWERT**—My other questions are specific to Land and Water Australia.

**Senator IAN MACDONALD**—Dr O'Connell, you said in your initial statement that the government has announced \$130 million in new spending on rural science and innovation. Is the \$130 million over the out years too? You mention the individual yearly amounts that were being saved but then you lumped together all the new—

**Dr O'Connell**—In the statement it says 'since November 2007' the government has announced \$130 million—

**Senator SIEWERT**—It is not new spending.

**Senator IAN MACDONALD**—It is not new spending and it is over a four- or five-year period, is it?

**Dr O'Connell**—Yes, it is over the estimates. It announced new spending. What I was trying to do was put the decision around Land and Water Australia in the context of other spending that was occurring on research and innovation.

**Senator IAN MACDONALD**—There is \$6.3 million in 2009-10 for Land and Water Australia and then \$13 million for each of the out years. How many is that? Four years? It has gone to five now, I understand, under this government.

**Dr O'Connell**—It is four years. So that will be three out years of \$13 million.

**Senator IAN MACDONALD**—So that is \$52 million plus \$6 million—\$58 million out of Land and Water and \$12 million out of RIRDC. Is that right?

**Dr O'Connell**—Yes.

**Senator IAN MACDONALD**—And the climate change—I do not know about the next program but reef rescue and water quality were being done in one form or another, one name or another. As Senator Siewert has pointed out, it is not really new spending. That was announced, I assume, as part of last year's expenditure.

**Dr O'Connell**—It is, as I say, since November 2007—to provide context.

**Senator COLBECK**—So a lot of that money is actually rolled over. The Regional Food Producers Innovation and Productivity Program is effectively a new program to replace the old National Food Industry Strategy.

**Dr O'Connell**—It is a new program under the government.

**Senator COLBECK**—But there was a program in place before that—the National Food Industry Strategy—which came to an end. Now the new government has decided not to follow on with that. That is one of the things that occurs. Effectively, that is the sort of money that it was getting. It is not necessarily new money; it is rollover money. There was the FarmReady program, and again we have had other programs cease and new ones start.

**Dr O'Connell**—The Regional Food Producers Innovation and Productivity Program was not rolled over from the previous government.

**Senator COLBECK**—No, the old one ceased—I understand that.

**Dr O'Connell**—It is a different program.

**Senator COLBECK**—I am not just saying that that is the case, but there was money in the budget. We talked earlier about programs ceasing and money therefore no longer being available. What often happens is that a government will make a decision to cease a program because it has come to the end of its life. We all understand that that occurs; that is nothing unusual. In the case of the Regional Food Producers Innovation and Productivity Program, the old National Food Industry Strategy came to an end. The government then said, 'Okay, there's some funding there. We need to refresh this. We'll put it into a new program with slightly different ideals and directions,' and so the Regional Food Producers Innovation and Productivity Program came into place. That is what occurs. That is just one of the things that happens as part of the natural flow of government. It is said we have \$130 million in new spending. If you look at your spend on rural R&D, which you have said was \$200 million for matching funding to the Rural Industries Research and Development Corporation, that got as high as \$250 million three or four years ago. So you are not spending money and matching funding, because agricultural productivity has unfortunately reduced. You then claim that you are putting \$46.2 million into climate change research programs, but the \$200 million is \$50 million down on where it was three or four years ago.

**Dr O'Connell**—I pointed out in the opening statement that, regarding the \$200 million, in some cases industry levy payments have fallen as production has been affected by drought, and that is part of the normal cyclical pattern.

**Senator COLBECK**—I understand that.

**Dr O'Connell**—That is just part of the context. The other programs since 2007 that I mentioned are from the perspective of the budget since 2007. They are new measures. The

broader discussion as to how governments manage government-to-government is not really relevant to the budget. I am just pointing out—

**Senator COLBECK**—I am not saying that it is, Dr O’Connell. Please do not get me wrong in accusing you of that. But \$130 million is on the table when you are directly taking \$45.9 million out of rural research and development, just out of Land and Water Australia, between now and 2012-13—that is what the budget papers tell us; it is a direct cut to rural R&D. There is absolutely no question. Then there is another \$12 million direct cut to rural R&D through the Rural Industries Research and Development Corporation. So you have killed off the funding to Land and Water Australia, as Senator Siewert told us, and then you go to the organisation that brings in new industry, the Rural Industries Research and Development Corporation, which has as part of its charter—

**CHAIR**—Sorry, Senator Colbeck. I will interrupt you briefly. Senator Macdonald, your microphone is working perfectly. We are picking up the clicking of your pen consistently.

**Senator COLBECK**—So there is effectively \$60 million being directly taken out of rural research and development. The other things were going on anyway. You are making a direct cut in the budget this year of almost \$60 million in rural R&D. When we are trying to get rural industries to innovate, grow new business and bring new products on line, the R&D cooperation, RIRDC, which does that, is having \$3 million a year taken out of it. Is the rationale for that: it is tough times, so we have made a cut?

**Dr O’Connell**—Just to refer to RIRDC, the minister has made it clear that his intention is that we look at the rural issues program, which is not necessarily looking directly at industry targeted R&D; it is a broader set of activities that RIRDC undertakes. Certainly, other than that, I think you are just stating the fact of the matter about the cuts that are already clear in the budget—that there are cuts to Land and Water Australia and cuts to RIRDC. Those are the two portfolio areas, other than in the departmental appropriation, that have had those cuts.

**Senator IAN MACDONALD**—The \$15.3 million for the National Weeds Research and Productivity program is replacing the \$40 million for the previous weed program, Defeating the Weeds Menace.

**Dr O’Connell**—One program came to its conclusion and this is a different program.

**Senator IAN MACDONALD**—The \$40 million program has been replaced with a \$15.3 million program.

**Dr O’Connell**—No, this is a different program. We are not doing the same things exactly, so to talk about it as replacing another program is not correct.

**Senator IAN MACDONALD**—Point out to me in the budget statements what money is being spent on weeds that used to be spent through the Defeating the Weeds Menace program, which was really the National Weeds Research and Productivity program, in any case, with a different name.

**Dr O’Connell**—We can perhaps provide you more when we get to the relevant area.

**Senator IAN MACDONALD**—What is the relevant area for that?

**Mr S Hunter**—Sustainable Resource Management.

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**Senator IAN MACDONALD**—Okay, they have notice that they—

**Dr O’Connell**—The point I am making is that when one program is completed and we have a new measure we do not see one being a replacement for the other, otherwise we would have stopped one program early and replaced it with another.

**Senator IAN MACDONALD**—I understand that, but my real point was that we used to spend \$40 million over four years; as I read this, we are now spending \$15.3 million over four years, but I will take your advice that we should look at that in another area.

**Senator SIEWERT**—I have other questions that I will put to Land and Water, but I want to go back to some general questions which are probably fairly simple for you to answer. You have given us this movement explanation statement. It mentions \$7.1 million for the Caring for our Country program. Where is that going?

**Dr O’Connell**—I may be corrected here, but prior to this some departmental activity—in other words, the people who support Caring for our Country within the department—was being paid for from administered funding as part of the project components. To provide additional clarity as to where the money was going, this is now simply being included in the departmental appropriation. It is just a transparency measure, effectively, to ensure that it is clear. This was money identified previously in the Caring for our Country budget—what was supplied to this department, essentially, to support Caring for our Country.

**Senator SIEWERT**—The money that is allocated for Caring for our Country will decrease by this amount?

**Dr O’Connell**—It is just transposed into the department so it is more transparent.

**Senator SIEWERT**—Page 32 of the portfolio budget statement mentions ‘Advancing Agricultural Industries’. Where is that money transferred to? Expenditure for the last financial year was \$2,372,000 and it has gone down to \$225,000. Would you point out which budget item that can now be found in?

**Dr O’Connell**—If we can, we might need to answer that when we come to the Agricultural Productivity Division. That is the end of the Advancing Agricultural Industries Program and I presume it represents residual funds being paid in this year, by the looks of it. If we could hold that for the Agricultural Productivity Division, by the time they appear they will have a clear answer.

**Senator SIEWERT**—Okay, thanks.

**CHAIR**—Are there any other questions of the department before we go to Land and Water?

**Senator COLBECK**—I have some questions that are similar to questions we have asked at previous estimates, relating to agency issues, that I might put on notice. I think it would be just as easy to deal with them that way. I will submit them through the secretariat.

**Senator McGAURAN**—Mr Hunter, did I understand you properly? Did you say that, before we get Land and Water Australia on, there is a clear understanding and acceptance by the government that for many of the Land and Water projects there will be a transition period where they can finish or transfer certain research projects. Is that what you were saying?

**Mr S Hunter**—What I was saying was that Land and Water Australia has been provided with funds this year which will enable some of its projects to be funded and transferred to another agency, which might continue the role that Land and Water Australia had taken in relation to those projects. Some might need to be wound down or scaled back; some might need to be finished early. We are going through a process in order to determine each of those programs and projects.

**Senator McGAURAN**—So approximately \$6 million allocated for the wind down or closure of Land and Water is incorporated—

**Mr S Hunter**—It includes the funding to do that, yes.

**Senator IAN MACDONALD**—I want to ask about the 40 per cent quarantine, if I can call it that, export subsidy paid to exporters. Dr O'Connell, you said in your original statement that it had been axed, but you said 'discussions are now being held with industry clients on fees for 2009-10'. I assume that if there is to be any reinstatement—either at lab level or another level—of those export subsidies in 2009-10 that you would have money for it in the budget somewhere. I am just asking what amount, and where would we see it, has been set aside for that type of measure—subsidies to agriculture export industries—in relation to export fees and charges?

**Dr O'Connell**—The measure was scheduled to terminate at the end of 2008-09. That was the life of the measure as the government has decided to let that measure terminate. That means we have to go through the process of setting the fees and charges for the following year, and we are doing that. The government's decision is that there will not be a subsidy; the fees and charges will cover the cost. So we are going through the process of looking to set the fees and charges to cover the costs of the export.

**Senator IAN MACDONALD**—I know this is getting into the realm of hypothetical, but I assume it is a policy decision if the government decides to subsidise—

**Dr O'Connell**—It would require a new decision, and obviously that is hypothetical because at the moment the government's position is clearly that the measure terminates on 1 July.

**Senator IAN MACDONALD**—I understand what you have said, but I suppose, Minister, it is a corollary that as of today there is no subsidy for the export industry.

**Senator Sherry**—As Dr O'Connell has mentioned, the subsidy lapsed in the 2008-09 financial year. So it finishes at the end of this financial year. That was a decision of the previous government because it put that \$40 million subsidy in place for that long.

**Senator IAN MACDONALD**—So if it is not renewed, it is kaput and agriculture and export industries will now have to pay the full fees without subsidy. That is the budget position as at today.

**Senator Sherry**—That is correct.

**Senator IAN MACDONALD**—So my question, I guess, is irrelevant in that if the government did decide to subsidise it, where in your budget would you get those funds from? You would say that is hypothetical, so you would not be forced into the embarrassing position of trying to advise which other staff you would have to sack to get the \$37.4 million.

**Dr O'Connell**—It is hypothetical. The government's position is clear at the moment.

**Senator IAN MACDONALD**—So the government's position is clear. Agricultural export industries pay the full AQIS charges as at today.

**Dr O'Connell**—The measure has lapsed so the cost recovery principles apply.

**Senator ADAMS**—I want to come back to the efficiency dividend. How much was spent on staff travel for the department?

**Ms Hazell**—To 30 April this year for 2008-09 the total travel costs have been \$17,189,395, representing 10,132 trips.

**Senator ADAMS**—Has there been any change in the policy for the use of frequent flyer points accrued by staff? Do staff have to use those frequent flyer points for staff travel?

**Ms Hazell**—There is no change in the policy that wherever possible staff should use officially accrued frequent flyer points for more official travel. That position has not changed.

**Senator ADAMS**—So this has not been looked at as far as a way to help with the efficiency dividend?

**Dr O'Connell**—A couple of additional changes have been made in terms of travel in general. We will target a general cut here of 25 per cent in travel. We place pressure on our areas to manage their work as efficiently as possible. We are also, as part of the proposals that are likely to run for this year, ensuring that SES do not travel business class for any flights under three hours. They will travel economy for those. That will place some downward pressure on the travel numbers. The position that Anne has provided says that people will be asked to pursue the frequent flyer use as well.

**Senator ADAMS**—Minister, has it been considered as a policy that frequent flyer points accrued by staff be used for their travel?

**Senator Sherry**—The specific circumstances of this department have been outlined by the officers. The general policy across whole of government is a matter for I think Senator Faulkner. I would have to double-check that, but I think it is Senator Faulkner's responsibility in the way it applies generally. That would be an issue for Senator Faulkner in Finance and Public Administration.

**Senator BACK**—Can I come back to the removal of the 40 per cent subsidy. You quite correctly say that it now requires full fees to meet those costs. Can you tell me where you are looking to contain the costs in the delivery of those services so that the actual cost to the exporters will be back to a level they can absorb?

**Dr O'Connell**—We should look at this, if we can, when we come to AQIS. The relevant area there will have all the detail.

**Senator BACK**—Chairman, I put on notice that I would like to pursue that.

**CHAIR**—Absolutely.

**Senator COLBECK**—I will come to more detail on this, but I am just trying to get to the mechanism through which this process will go forward. Effectively, the 40 per cent rebate on AQIS charges ends on 30 June.

**Dr O'Connell**—Yes, at the end of the year.

**Senator COLBECK**—At the end of the financial year. So you do not yet have a model for charges from 1 July.

**Dr O'Connell**—I think the detail of how that is being handled would be best handled through AQIS.

**Senator COLBECK**—I am happy to deal with it then but as Senator Macdonald raised it I thought we could deal with it now. I want to ask one question about whether there is a deficiency of \$700,000 or \$800,000 in that agency's budget at this point in time as a result of a reduction in approvals, effectively, that were expected because of a reduction in exports due to the drought?

**Dr O'Connell**—Again, if we can deal with that with AQIS it would be better. In terms of imports and exports, the economic activity that has dropped off as a result of the global economic conditions affects AQIS. We can give you a picture of that when they appear.

**Senator COLBECK**—We can deal with all that detail then. Finally as far as this part of the portfolio is concerned, I want to go to Minister Burke's TV show, if you like, on the departmental website.

**Senator Sherry**—The website is not TV.

**Senator COLBECK**—I think you ought to talk to Senator Conroy about that, Minister Sherry, because I think he might differ with you on that. He is spending \$43 billion—

**Senator Sherry**—I have a website and it is definitely not telly—free to air.

**Senator COLBECK**—We are spending \$43 billion and I think one of the things that Senator Conroy aspires to is—

**CHAIR**—Is there a question, Senator Colbeck?

**Senator COLBECK**—I am just dealing with the issue that Senator Sherry quite ignorantly puts across that it is not a TV show.

**Senator Sherry**—I am pretty basic when it comes to IT but I know my website is not TV.

**Senator COLBECK**—Well, some people would differ with you, Senator Sherry, and I think Senator Conroy might.

**CHAIR**—Senator Colbeck, is there a question?

**Senator COLBECK**—Yes, I am coming to it.

**Senator Sherry**—That is for Senator Conroy, and I am sure he will correct me if I am not right.

**Senator COLBECK**—I want to know who edits Minister Burke's TV show on the departmental website?

**Mr Starr**—The video is taken by staff who accompany the minister on his trips.

**Senator COLBECK**—So he has his own personal camera crew?

**Mr Starr**—No, it is his own staff. The adviser who travels with him takes a very small, simple video camera and takes the video footage.

**Senator COLBECK**—Was that a job requirement when the cameraman was employed?

**Senator Sherry**—It is not a cameraman. It is staff support.

**Dr O'Connell**—Whichever adviser happens to be there from the minister's office operates a little video camera.

**Senator Sherry**—In the same way that I, and I suspect you and a range of other members, ask their staff to take photos of particular events from time to time.

**Senator COLBECK**—Senator Sherry, this is a very impressive set of programs that is on the TV site.

**Senator Sherry**—The website.

**Senator COLBECK**—Who edits and who uploads all this information to the departmental website? If it is a political staffer, a personal staffer of the minister, who is doing this there is obviously an expense to the department and these are tough times. We had just taken \$60 million out of research and development funding and the minister has his own TV show.

**Mr Starr**—The raw footage comes to the department. It is edited by one of my staff who is a contractor. That person is employed to 30 June.

**Senator HEFFERNAN**—Is he a 54/11 man?

**Mr Starr**—No, he is not. He is not a public servant. He is a contractor. Part of his role at the moment is to pass on his knowledge and skills to a couple of my staff who work on web content delivery and loading. From 30 June they will take on that role as well. It is a reasonably simple process. It is digital footage that we receive via email. There is not a huge amount of editing done to that. It is really just cutting out a few scenes, making it fairly targeted and putting it on the website.

**Senator COLBECK**—So the editing to the TV show done in-house?

**Mr Starr**—Yes it is.

**Senator COLBECK**—Who provided the equipment for the cameraman? Who funded that?

**Mr Starr**—The original role was one that was initiated by the Bureau of Rural Sciences who had a need to promote some of their activities. In a process of, I guess, rationalisation and trying to be more efficient my branch has taken on that role. We still do work for BRS. They had a particular need in some of their programs, like the young science awards. If you are trying to get the message out to encourage young people to take up the programs and get involved in activities then clearly online is the way to do that. As I said, the whole process has been to try and rationalise and have one easily integrated service.

**Senator COLBECK**—What I want to know is: who provided the equipment for the cameraman?

**Mr Starr**—BRS bought the equipment.

**Senator COLBECK**—That is, the Bureau of Rural Sciences?

**Mr Starr**—Yes, that is right.



**Senator COLBECK**—They supplied the equipment to the minister's cameraman?

**Mr Starr**—No. They have the editing equipment, which is pretty standard. The department has provided a small digital video camera to the minister's office.

**Senator COLBECK**—So the department has funded the cameraman's equipment?

**Mr Starr**—No. The department has provided one small digital video camera to the minister's office. The rest of the equipment is within the department.

**Senator IAN MACDONALD**—Does it go on his ministerial website or on his—

**Mr Starr**—It goes on his ministerial website.

**Senator HEFFERNAN**—There are no IP or licence rights?

**Mr Starr**—No.

**Senator HEFFERNAN**—So you can pirate it if you want to?

**Mr Starr**—It is like any website: you could pirate it if you had that intention.

**Senator HEFFERNAN**—Without breaking the law, I mean. Plenty of people pirate content and break the law.

**Senator Sherry**—I am sure the minister is keen that as many people as possible download it.

**Senator HEFFERNAN**—You could download mine, if you like!

**Senator IAN MACDONALD**—Would this be the podcasting on his personal website?

**Mr Starr**—We do not control his personal website.

**Senator IAN MACDONALD**—Would he be using your material on his personal website?

**Mr Starr**—I honestly do not know.

**Senator IAN MACDONALD**—It is not a very good website, because it will not open for me!

**Dr O'Connell**—You would have to put that question to the minister.

**Senator Sherry**—It is definitely not TV then, is it, if it is not opening. It is a website.

**Senator COLBECK**—As much as I hate to say it, it might be an issue with technology. Senator Macdonald may share with you, Senator Sherry.

**Senator Sherry**—Or the user trying to access it! I am sure I would share that frustration with Senator Macdonald sometimes!

**Senator IAN MACDONALD**—It says 'Click here for Tony's podcast,' and I have done that. Perhaps he is watching this and is making sure it does not open!

**Senator Sherry**—I am happy to take these technology questions on notice. I will ask the minister how his personal pod site is accessed.

**Senator IAN MACDONALD**—I think Senator Colbeck's point is that we just hope that he is not using departmental resources for his personal political website.

**Senator Sherry**—The officer has answered the question and I think he has answered it very clearly. They have no input, as I understand it—yes, that is correct. Shaking of heads does not register on the *Hansard*.

**Mr Starr**—We have no input to the minister's personal site. I would have to say that when it comes to the ministerial site the general rules apply. We are apolitical.

**Senator HEFFERNAN**—There is no licence arrangement, so he could use it for his campaigning if he wanted to.

**CHAIR**—Senator Colbeck, do you have any more questions?

**Senator COLBECK**—I will leave it at this point in time.

**CHAIR**—As there are no further questions, we will go to Land and Water Australia. Thank you very much.

**Ms Hazell**—There was a question earlier this morning about the movements in staffing in other departments. I have a document here from Budget Paper No. 1 that I will table. I was also asked earlier this morning about converting the percentage of staff turnover to staff numbers. For 2007-08, the percentage of 13.5 equals 629 staff. For 2008-09, I need to correct the record: the percentage was 5.2 and that equals 260 staff.

**CHAIR**—Thank you, Ms Hazell.

[11.34 am]

#### **Land and Water Australia**

**CHAIR**—We welcome Dr Michael Robinson from Land and Water Australia.

**Senator HEFFERNAN**—Could you explain to the committee what work you have been doing in assessing the northern development?

**Dr Robinson**—Chair, could I have your permission to make a statement before we go to questions?

**CHAIR**—I am sorry, Dr Robinson. Of course.

**Dr Robinson**—Thank you. On behalf of the board of Land and Water Australia I would like to take the opportunity to read this prepared statement. Australia's rural and research development corporations are an internationally recognised example of how to overcome market failure in the highly fragmented primary industries sector. Land and Water Australia has been investing in research and development to improve the management of Australia's land, water and vegetation resources for 19 years. Our mission is: 'Informed decisions by land and water managers to support sustainable and productive landscapes, through investment in knowledge generation and management.'

By operating at arm's length from government, we have been able to form close collaborative partnerships with industry and community groups. This has been essential for us to deliver science on the ground and ensure adoption of knowledge that enhances the sustainability and productivity of rural and regional Australia. We have been recognised as leaders in our field, through the way we have addressed natural resource management issues across all scales—from paddock to farm business to catchment and region; through our

research into social and economic factors that influence the adoption of new practices; and through the way we have managed our research portfolio and its legacy from knowledge discovery to practice change. Independent and conservative estimates show that each dollar invested by Land and Water Australia has returned \$4.60 in productivity gains for rural industries. This does not include the social and environmental benefits. Put simply: investing through Land and Water Australia has made good sense economically, environmentally and socially.

**Senator HEFFERNAN**—Hear, hear!

**Dr Robinson**—We are deeply disappointed at the government's decision to abolish Land and Water Australia and reduce government investment in research and development.

**Senator HEFFERNAN**—It is bloody stupid!

**Dr Robinson**—Our disappointment is at three levels. Firstly, the decision to so rapidly abolish the organisation has a direct and personal impact on 41 passionate and professional staff, many of whom face unemployment, and many researchers, PhD students, technicians and research staff will have their contracts terminated in the coming weeks. Secondly, we are deeply disappointed that 2009-10, the final year of our five-year strategic research and development plan, will see the termination of many projects funded under that plan that were in their final stages—potentially wasting significant investments to date. Most importantly, we are concerned for the future long-term social, environmental and economic sustainability of our primary industries and our rural and regional communities. We believe the challenges of climate change, water availability, global food security and declining productivity growth make Land and Water Australia's role more important than ever.

As a nation, it is vital to improve our understanding of land and water resources to manage them for long-term sustainability and productivity growth. In the face of a global recession, we must be smarter and more efficient in the way we collaborate and coordinate our research, development and extension. This requires partnerships and alliances that cannot be managed from within government. We believe Land and Water Australia was ideally placed to address these challenges through an integrated portfolio of investments, balancing both productivity growth with sustainable land and water management. This decision will leave a significant void in Australia's research and innovation system, which we believe will need to be addressed sooner rather than later.

The board of Land and Water Australia accepts the government's decision to abolish the corporation and is committed to manage the wind-up of the organisation as professionally as possible. We will be working hard to ensure our staff and our research providers are treated with the greatest respect and understanding. Land and Water Australia will also be working hard to maximise every last ounce of value we can from our investments in the coming months and ensuring that, wherever possible, other bodies take up the challenge that we were so diligently addressing.

Finally, the board would like to thank the extended family of Land and Water Australia, the directors, staff, partners and researchers, who over the years have contributed to the organisation's success and we would like to acknowledge the hundreds of messages of support we have received over recent weeks.

**CHAIR**—Thank you, Dr Robinson. Are there any questions?

**Senator HEFFERNAN**—Dr O’Connell, could you explain to us the logic behind the disappointment for all of Australia that has come with this decision? In another place, I am doing an inquiry into how we produce food that is affordable—

**CHAIR**—And we will not go into—

**Senator HEFFERNAN**—I can mention it from an environment that is sustainable and a farmer that is viable. One of the things that is apparent right across the landscape of the food task is the decline in research in recent times. There is no need for any political input; this is just bloody crazy. The CSIRO is saying that if we do not get up to speed with what is happening to the weather et cetera, Australia will have nowhere to export by 2050. Land and Water Australia was absolutely critical in researching how for the future we may have to reconfigure the way we have settled Australia. For God’s sake; what could be more fundamental than that? And with the sweep of a pen and some deadhead in bureaucracy, we have swept all that away.

**CHAIR**—Do you have a question, Senator Heffernan, instead of your normal rant and political rage?

**Senator HEFFERNAN**—Could you explain to me why we have swept all that away?

**Senator Sherry**—I think you should be cautious about your attack on the public servants. I have already made it very, very clear. In terms of the policy decision the buck stops with the minister.

**Senator HEFFERNAN**—Could you explain it?

**Senator Sherry**—I have already explained it. The buck stops with the minister and I think criticism of the public servants is inappropriate. You can question as to consequences, and the officers are here from the department and the officer is here from Land and Water, but the buck stops with the minister on this.

**Senator HEFFERNAN**—With great respect—and thank you for those remarks—would you, Minister, be able to provide to the estimates committee here the brief from the department that led to the winding up of Land and Water Australia?

**Senator Sherry**—We have already discussed the matter of advice to government from the department and its advice to the minister and—

**Senator HEFFERNAN**—So if someone leaks it to us that will be all right, but you will not give it to us?

**Senator Sherry**—it will not be provided. I am happy to take it on notice as I have already indicated. We are traversing ground already discussed. As I have indicated I am pleased to take that on notice and see whether the minister can provide any additional information over and above that which he has made public already.

**Senator HEFFERNAN**—As far as you are concerned you do not know personally why this decision was taken?

**Senator Sherry**—Personally, no, I do not. I am a representative minister. Beyond that which I have been briefed and read in the minister's speech in this case, personally, no, I do not know. I am not the minister responsible for the department directly.

**Senator HEFFERNAN**—The fact is that science is saying that in 50 years' time 50 per cent of the world's population will be poor for water; there will be one billion people unable to feed themselves if we grow the global population to nine billion; 30 per cent of the productive land of Asia will go out of production and that is where two-thirds of the world's population will live; the food task is going to double; and there will possibly be 1.6 billion people on the planet displaced. The same science is telling Australia, Australia's farmers and the people of Australia—which is, I still think, the best place in the world to raise a family, drink clean water and breathe fresh air—that in the southern parts of Australia there will be a decline of somewhere between 25 and 40 per cent, possibly, in the run-off from a 15 to 20 per cent decline in rainfall increase in temperatures in the Murray-Darling Basin, which has a run-off of 23,000 gegalitres. We have three catchments in the north: the Timor catchment with 78,000 gigs; the Gulf at 98,000 gigs and the north-east catchment at 85,000 gigs and a lot of potential. Land and Water Australia were tapped into the task of coming to terms with how we were going to reconfigure the settlement of Australia given the changes that nature is imposing on the planet and the food task. And we are saying to Land and Water Australia—

**CHAIR**—Senator Heffernan, do you have a question?

**Senator HEFFERNAN**—The question is coming.

**CHAIR**—You have gone over time with your long-winded rant and taken up the time of your colleagues.

**Senator HEFFERNAN**—Dr Robinson, could you explain to this committee some of the science for the assessment of that task that you have been undertaking?

**Dr Robinson**—Thank you, Senator. Our Tropical Rivers and Coastal Knowledge program and prior to that our tropical rivers program have been and will continue, I suspect for a while yet, informing with science the decisions that need to be made and the advice that groups are taking on board. We have been fortunate that the ongoing TRaCK initiative, for at least next year, will continue to provide some advice to that Northern Australia assessment.

**Senator HEFFERNAN**—You were to report in 2011, weren't you, on the assessment?

**Dr Robinson**—We were providing information already with our delivered results through the tropical rivers program.

**Senator HEFFERNAN**—I realise that but the assessment had a date of 2011 on it.

**Dr Robinson**—Yes, but we are not part of the assessment, we are just informing.

**Senator HEFFERNAN**—You are after all contributing. Your contribution will just fall out of space.

**Dr O'Connell**—My understanding, Senator, was that Dr Robinson was saying that they would be able to continue to contribute over the following financial year. Certainly, for example, the TRaCK initiative is one of those which, as Mr Hunter was saying, we would be looking to ensure we worked hard to ensure had continuing life.

**Senator HEFFERNAN**—The University of Western Sydney, which has a strong research department, thinks that we should reorganise DAFF into more of the USDA line. They say that Australia has already fallen well off the pace and agricultural research should be taken right back to school. It is a bit like taking social science out of high school. We just have this gap of potential researchers and people coming up through the system. Dr O'Connell, why are we cutting back research?

**Dr O'Connell**—I am not sure that that is directly relevant to Land and Water Australia—

**Senator HEFFERNAN**—Land and Water Australia is research.

**Dr O'Connell**—But I have also—and Mr Hunter has pointed out—the context of the overall increase in dollars spent on research through our portfolio. If it would be useful, we could provide you with an account across government of the dollars spent on research, development and innovation in the area of land and water landscape management.

**Senator HEFFERNAN**—CSIRO has thrown up its hands and surrendered. Now you have forcibly removed Land and Water Australia. CSIRO has said, in this place, that if we do not pick up the game—despite the fact that they have had to throw up their hands and surrender—that Australia will have no wheat to export by 2050. It does not matter how good your PhD is—and you still have not explained to me what it all means.

**Dr O'Connell**—I think that is an interpretation of a report which I think we would need to go and have a look at and understand.

**Senator HEFFERNAN**—Haven't you looked at it?

**Dr O'Connell**—No, I said we will do.

**Senator HEFFERNAN**—Why haven't you? I have—

**Senator Sherry**—Is there a question here, Chair, for Land and Water?

**CHAIR**—I have absolutely no idea. After five minutes I still have no idea—

**Senator HEFFERNAN**—What is the logic in cutting research for agriculture? The global food task is going to double and we are saying, 'Let's rest on our laurels and retire to the coast.' These blokes have got to keep their mouths shut, because I presume they have got to get another job somewhere. They cannot say anything. They have just got to sit there—

**Senator Sherry**—He cannot say anything because you have not actually put a question to him yet.

**Senator HEFFERNAN**—I have. I asked, 'What is the logic behind cutting the research for Land and Water Australia?'

**Senator Sherry**—Perhaps give him an opportunity to answer the questions you put.

**Dr O'Connell**—I don't—

**CHAIR**—You do not even know who the question is to, do you? You are not the only one here who is confused. We might ask again. Who was the question to, Senator Heffernan?

**Senator HEFFERNAN**—To the secretary. And he will pass it to the minister and he will pass it—

**CHAIR**—Dr O’Connell, the question is to you. Can you remember the question?

**Senator HEFFERNAN**—The question is simple: why did you get rid of Land and Water Australia?

**Senator Sherry**—I have answered that. I have answered it twice.

**CHAIR**—Senator Siewert, you have a heap of questions too, and we are running short of time.

**Senator SIEWERT**—He did answer it. We did not like the answer, I must say, but no matter how many times we ask we will not get a different answer.

**Senator Sherry**—You have had an answer. I respect and accept that you do not agree with the answer, but there has been an answer.

**Senator SIEWERT**—I accept that—

**Senator Sherry**—I know you do.

**Senator SIEWERT**—We are not going to get you to change the answer right now.

**Senator HEFFERNAN**—This is about how the world is going to feed itself.

**Senator SIEWERT**—I will start with the question that I asked earlier and that is: how many projects, as opposed to programs—I am aware of the programs you run—do Land and Water have running at the moment, either on its own or in partnership with other research organisations or industry groups?

**Dr Robinson**—Currently on our books we about 120 research projects, and we have given in-principle commitment to another 26.

**Senator SIEWERT**—‘In-principle’ agreement means, I presume, that you are currently negotiating those with partners.

**Dr Robinson**—Partners or providers, yes.

**Senator SIEWERT**—Let’s start with those first, because they are probably going to be easier to deal with. I presume that means that those will no longer go ahead.

**Dr Robinson**—We are about to enter into a process to assess every project on our books as to its relative priority and make a judgment, according to the budget we have, as to what will continue and in what form it will continue. Those 26 will be each assessed depending on at what point in that negotiation they are. For example, for a couple of projects in that 26 that we have not even approached the research provider yet, and there are a couple of other projects at the other end where either ourselves or the research provider has actually signed the contract. So in that instance they will be put into the pool to be assessed with the other 120.

**Senator SIEWERT**—Where a contract has already been signed?

**Dr Robinson**—Where at least one partner has signed the contract, so it was agreed.

**Senator SIEWERT**—For some of the projects, the 26 in principle, it sounds like a number are significantly advanced and all you are waiting for is signatures of the other partners.

**Dr Robinson**—Yes.

**Senator SIEWERT**—Of the 120 research projects, presumably some of them are varying from one year to go on then for a number of years.

**Dr Robinson**—Yes.

**Senator SIEWERT**—What period of time is Land and Water committed to for those projects?

**Dr Robinson**—You are right, there are different lengths of commitment on those projects, although the majority are due for completion in roughly the next 12 months under the current strategic research and development plan. There certainly are some exceptions, for example, particularly in our innovations program where three- or four-year projects were signed in the last 12 months, and in a couple of instances elsewhere where projects have already been extended into the following financial year, but the majority will be finishing in the next 12 to 14 months.

**Senator SIEWERT**—What value overall are those projects?

**Dr Robinson**—I would have to take that question on notice.

**Senator SIEWERT**—If you could. Could you also let us know—I am presuming if you cannot answer that question, you cannot answer the next one—the value of the commitments for the projects that are ongoing over the next three or four years, the innovation projects you mentioned.

**Dr Robinson**—Yes and, if I may, would you like me to value LWA's commitment or total partners' commitment, because we separate the two?

**Senator SIEWERT**—That is a good point. I would like both because what I am trying to find out obviously is what partnerships you have with organisations where the funding that LWA provides will be critical to the ongoing project.

**Dr Robinson**—And that question is one of the criteria that we are putting in our selection process—can the project continue without funding?

**Senator IAN MACDONALD**—Are you contractually bound, the entity itself? What happens if you have agreed to support other researchers, you have entered into an agreement to fund them and you are no longer in existence in a year's time? What is the legal liability?

**Dr Robinson**—Just about every one of our projects has a clause which we never thought we would use. It says that if Land and Water Australia lost its funding, we would be able to terminate contracts.

**Senator SIEWERT**—So there is no financial commitment by terminating those programs?

**Dr Robinson**—We are seeking legal advice on that, but at this point, as soon as we terminate we are required to meet the liability until that notice of termination.

**Senator SIEWERT**—So you have a liability up until a notice of termination—is that what you just said?

**Dr Robinson**—That is what we are seeking advice on.

**Senator SIEWERT**—To the point of termination as in you have half the funding for next—



**Dr Robinson**—No, the point of termination is when we notify the research provider.

**Senator SIEWERT**—And you have not notified any research providers?

**Dr Robinson**—No, we have not undertaken that selection process yet.

**Senator SIEWERT**—As I understand from your previous answer, you are currently going through a process of looking at which projects will fold if Land and Water is not involved. Is that a correct understanding?

**Dr Robinson**—Yes.

**Senator SIEWERT**—Do you have a ballpark figure for how many of the 146?

**Dr Robinson**—No, not at this point. We are compiling the full list of projects to make sure we have all the appropriate data in there to make these assessments.

**Senator SIEWERT**—When will you have that completed?

**Dr Robinson**—We are hoping to do the assessment this week. When I get back to the office, I will find out what the status of the data is as to whether we can proceed with that assessment.

**Senator SIEWERT**—I might be going into dangerous territory here, but I am sure they will tell me if I do: is there another organisation similar to yours which carries out the breadth of research that Land and Water Australia carries out?

**Dr Robinson**—We do not believe there is.

**Senator SIEWERT**—Concerning the money that is leveraged by the department—‘leveraged’ is not the right word, but the economic benefit that is gained from every dollar that is invested in Land and Water Australia—have there been comparative studies done to other RDCs?

**Dr Robinson**—Indeed. There has been a comprehensive first go, across all the RDCs, at doing return on investment analysis and, collectively, the RDCs submitted that report to the minister, I think, just before Christmas.

**Dr O’Connell**—There is a collective report from the RDCs which made an assessment of an 11 to one ratio across the RDCs in general, including Land and Water. I believe the across-the-board number was 11 to one.

**Senator SIEWERT**—If you look at all of them?

**Dr O’Connell**—Apparently. This is a report from the RDCs; it is not a departmental report. I think that report is public so we can get that. It is on the web.

**Dr Robinson**—It was not a complete portfolio across the RDCs, but it certainly selected hero projects and random projects. Again, the return on investment analysis is very difficult in the environmental and social area where we have a lot of work, and the 11 to one, similar to our \$4.60 return, is based primarily on the productivity gains not quantifying the social and environmental gains.

**Senator SIEWERT**—Have you had an attempt at doing that?

**Dr Robinson**—Yes, we have been attempting it for years. I am not sure that we have achieved that nirvana just yet.

**Senator McGAURAN**—Can we get a copy of those 146 projects?

**Dr Robinson**—Yes.

**Senator McGAURAN**—Today?

**Dr Robinson**—I would be hesitant to give you a copy of the 26 uncontracted because they are not—

**Senator McGAURAN**—Fair enough—120?

**Dr Robinson**—Yes, 120. We certainly should be able to give you a listing.

**Senator SIEWERT**—I want to go back to the contractual obligations. Are you seeking legal advice as to whether there are any legal obligations that will remain once LWA finishes?

**Dr Robinson**—Yes.

**Senator SIEWERT**—So, it is unclear?

**Dr Robinson**—It is unclear, although that clause is a fairly clear clause. In each of our research contracts it says that should we suffer a loss or a substantial loss of funding then we have the right to terminate with no liability. But we are checking those to ensure our legal advice is correct.

**Senator SIEWERT**—I suppose you do not know which projects will be closed down, but I am wondering how many jobs will be lost and how much research capacity will be lost if a percentage of those projects do not go ahead—somewhere between 120 and 146 projects.

**Dr Robinson**—At this point, it is almost impossible to say until we have done that process but, even then, it will be up to the individual research providers as to how they handle their funding cut should they be terminated.

**Senator SIEWERT**—Okay.

**Senator COLBECK**—I want to go to the consultation Land and Water Australia might have had with the government with respect to this decision. Was there any consultation before this decision was made?

**Dr Robinson**—I was not consulted on the decision. I was informed of the decision prior to the budget.

**Senator COLBECK**—How long before the budget were you advised?

**Dr Robinson**—Two weeks.

**Senator COLBECK**—Were you given any opportunity to argue your case or were you basically told that the sledgehammer was coming?

**Dr Robinson**—I think the latter would be more accurate.

**Senator COLBECK**—Would you have referred the government to the Productivity Commission report that more money rather than less would have been required for spending on agricultural R&D?

**Dr Robinson**—Generally we think we have been putting our position to the government since November 2007 about the importance of our role.

**Senator COLBECK**—Dr O’Connell, has the government considered the Productivity Commission report that recommended that more funding rather than less be spent on agricultural R&D?

**Dr O’Connell**—I would probably have to ask Mr Grant to give a comment on the government’s formal response. If I can just comment on the relationship of the decision to Land and Water Australia, it is not unusual to have to make a budget call and then inform the executives in advance of the decision, to let them start to work through the processes of managing those decisions. That would be a fairly unfortunate but typical process, I think.

**Mr Grant**—I am not aware that the government has made a formal response to that Productivity Commission paper, so I am happy to take that on notice and come back to you on that.

**Senator COLBECK**—You are making a decision to take \$60 million out of rural R&D and you have got a Productivity Commission report that says ‘spend more, not less’; surely you would have a view on what the Productivity Commission’s report said. In an overall sense you are spending less because, as we explored before, the government’s contribution to matching grants is down from between \$240 million and \$250 million to a projected \$200 million this year—

**Dr O’Connell**—As I mentioned before, that is simply the cyclical nature of—

**Senator COLBECK**—I am not arguing that, Dr O’Connell, but the Productivity Commission says ‘spend more, not less’, the government says it wants to help agriculture get over the drought and industry is doing it tough because of the drought. We understand that, and I am aware that in some circumstances government has, in conjunction with R&D corporations and industry, been prepared to increase levies so that the amount of R&D can be sustained. The rice industry is one where that occurred a few years ago, so there is precedent for government to sit down with industry and actually assist it to maintain its R&D spend through difficult times. The Productivity Commission is saying that you should do that as well, and the government is doing exactly the opposite. So surely the government has some perspective on the Productivity Commission’s view.

**Dr O’Connell**—I might ask Mr Grant to explain the processes around the R&D levies.

**Senator COLBECK**—Dr O’Connell, I do not need to get that explanation, because I do understand the process, but I want to know what the government’s view on the Productivity Commission’s report is.

**Senator Sherry**—I will give you that, on behalf of the government. As I understand, there is a Productivity Commission report. Has there been any formal response from government yet?

**Mr Grant**—Not that we are aware of.

**Senator Sherry**—Okay. I will take it on notice and find out where—

**Senator COLBECK**—So the only formal response is to cut R&D, in contradiction of the Productivity Commission report?

**Senator Sherry**—I will take it on notice and find out where the response to the PC report is. I would also point out to you, Senator Colbeck, that there are a very significant number of reports that come to the government and the ministers of the day—and to all governments and all ministers of the day—recommending increased funding for a whole range of things. It is then government policy that determines whether that funding that is recommended to government by a particular inquiry will be followed through and at what level. No government, including yours when you were in government, automatically picks up the recommendations of a report on a particular funding matter. It is a matter for the minister and for cabinet to determine in accordance with budget priorities.

**Senator COLBECK**—Thank you, Senator Sherry. You have mentioned that 41 staff currently employed at Land and Water will lose their jobs. Are they full-time jobs or full-time equivalents?

**Dr Robinson**—I think the majority are full-time jobs, but there are some part-time staff.

**Senator COLBECK**—So, effectively, 41 people will be put out of work as a result of this process?

**Dr Robinson**—There will be 41 people directly within Land and Water Australia, and we do not know how many more will in the research agencies.

**Senator COLBECK**—You have got another \$46 million worth of R&D that will disappear as part of that process, so 41 staff directly plus however many jobs \$46 million will generate through conducting R&D, effectively, will disappear.

**Dr Robinson**—I think that is correct, yes.

**Senator COLBECK**—You said in your statement that every dollar Land and Water invested has returned \$4.60 in productivity gains for rural industries, and that does not include the social and environmental benefits. I would have thought that is a fairly reasonable return on investment: \$4.60 for every \$1 invested. Do you have any comparisons as to where that sits on an international scale? Do you have any benchmarking on that?

**Dr Robinson**—Not that I am aware of, particularly not in the area necessarily of the environmental and social benefits, which are very difficult to quantify.

**Senator COLBECK**—I would understand that. Do you have any benchmarks on that in respect of the other rural R&D corporations?

**Dr Robinson**—As we said earlier, the RDC collective report demonstrated 11 to one right across, on average, from both the hero and the randomly selected projects.

**Senator SIEWERT**—But the point there—and I am just looking at the report now—is that the social benefits and environmental benefits have not been costed into the—

**Dr Robinson**—Have not been properly quantified because of the difficulties of the assumptions there too. I would like to think that ours is somewhat less than the 11 to one, simply because our focus is not on productivity gains. The productivity gains are part and parcel of our whole portfolio.

**Senator SIEWERT**—The point being that you are the R&D that does a lot of the public good research.

**Dr Robinson**—Correct.

**Senator SIEWERT**—So it would be obvious that the largest portion of the returns you would have would be hard to quantify because of the social and environmental aspects of them.

**Dr Robinson**—Correct, which is why we have been trying to quantify them for about five years. It is a difficult task.

**Mr Grant**—Senator, if I could just explain, that program is the first of three years, so the report that was released was the inaugural report. I think it has been generally acknowledged that it is a good start but there needs to be further analytical work done into how the assumptions are based and how the modelling is implemented to try and get a more consistent measure of both private and public good returns.

**Senator MILNE**—Can I ask a couple of questions about some of the environmental good, specific projects that Land and Water has done. In particular, I want to go to environmental flows, because Land and Water has been managing the research into how best to deal with environmental flows in agricultural landscapes. Can you tell me whether you have had any correspondence from the department or the minister, or from anyone, to tell us who is going to take on that work and what is going to happen to it? Is there any formal undertaking about looking at that issue of environmental flows, which I would have thought was absolutely critical in a climate constrained world?

**Dr Robinson**—The environmental water program was not one of the programs identified in the budget as a high priority, but its projects will go into the pool, like the other projects, and be assessed for their relative priority. We have had no particular interest from any other parties at this point to manage that program into the future, although we are proceeding with an environmental water allocation forum later this week, which we had planned some time ago, that will be asking exactly that question: where is this sort of research going into the future? What are the top priorities? So, at this stage, the projects within that program are in the pool, up for selection and assessed against the other 140-odd, but nobody is putting up their hands to manage the whole group of projects.

**Senator MILNE**—So environmental flows in agricultural landscapes is not a high priority. Can you explain to me why you are bothering to do it then?

**Dr Robinson**—I believe it is a high priority. For Land and Water Australia, there is very little that we do that is not a high priority, in line with our statement and, clearly, the Productivity Commission report. We believe that we should be funded a lot more than we are and as a result, for the mission we have and the charter we have, only the highest priority projects get funded now.

**Senator MILNE**—Given that we do not know if there is any future for the research work on environmental flows, that could have a profound impact in rural and regional Australia, and particularly for NRM groups, who are meant to be implementing things on the ground, in the absence of that research—

**Senator HEFFERNAN**—Based on a guess.

**Senator MILNE**—We are back to hit and miss. That is what we are saying. I want to ask about another program. As you would be aware from previous estimates, CCRSPI is something that I have been very keen to see implemented over a long time. Have you got any formal undertakings from the government about who is going to be managing the CCRSPI? Is it too going to die? What is going to happen to it?

**Dr O'Connell**—The minister has certainly made it clear—and we will be working with Dr Robinson and his team—that CCRSPI is a priority. All other things being equal, we would expect the department to play a role in ensuring that is maintained and continues. That is an important coordination exercise across the RDCs.

**Senator MILNE**—Are you saying that the department will become the coordinating agency for CCRSPI?

**Dr O'Connell**—That is currently the status of it.

**Senator MILNE**—With a reduced budget. Who will be looking after CCRSPI? Where will it fit?

**Dr Robinson**—The steering committee for CCRSPI has met recently, subsequent to the budget, to find a new managing agent. All the partners, which include all the RDCs and PISC agencies, the Commonwealth and CSIRO, have reiterated their commitment to continuing CCRSPI but it is a matter of finding a managing agent who has the independence and partnership brokering role that we have played to carry on the role in the same way. That is the process we are working through. There is a commitment there and certainly our instructions from the minister were to ensure that that remained. At a personal level I am committed to seeing it carry on.

**Senator MILNE**—My last question on these projects is in relation to managing variability in climate change. I understand that Land and Water has been the lead agency. Can you tell me what undertaking the government has made? Have you got anything in writing as to who is going to lead the managing variability in climate change work?

**Dr Robinson**—You are quite right, we have been leading that program for 14 years. It was one of the programs certainly mentioned in the budget statements that would be transitioned to another agency. Part of the \$6.7 million funding is our next financial year commitment to that program and that would be saved. So again the program management committee for that program has discussed it. The partners have reiterated their commitment and we are going through a process to find a new managing agent. However, that program does cease in 13 months normally so we would have been leading the process to have another phase of the program continue the funding. I guess we are hopeful that somebody else takes up the leadership and management of that program into the future.

**Senator MILNE**—You have been the lead agency managing that—and it does require an independent cross-sectoral approach to actually get us somewhere on that. What you are saying is that after 13 months there is no certainty that it will continue at all.

**Dr Robinson**—There is no certainty, no. It will be up to the partners that remain to drive that. Clearly, from our statement we believe that our cross-sectoral role in the RDCs, our

independence from a particular industry sector and our distance from government meant that we were ideally placed to play that role. It remains to be seen where it goes.

**Senator MILNE**—Who else could play that role?

**Dr Robinson**—That remains to be seen, I guess.

**Senator HEFFERNAN**—You had better apply that to somebody who has got a PhD.

**Senator BACK**—My first question relates to the PhD students you mentioned in your introductory statement. Dr Robinson, how many of them are there?

**Dr Robinson**—I believe there are, currently, 18 contacted PhDs.

**Senator BACK**—And presumably at varying levels. Can you give me any indication as to how they are likely to be able to continue their doctoral studies in this process?

**Dr Robinson**—As part of the selection process we have identified the importance of capacity building for our agricultural research in this country; therefore a high priority will be put on those PhDs in that selection process, not just from the capacity building point of view but also from the point of view of alternative funding. As I said earlier: can a project survive without our funding? I would assume that, in most cases, for the PhDs that would be difficult. So we are keen to protect them.

**Senator BACK**—Are there many or any overseas students doing doctoral studies?

**Dr Robinson**—No overseas students, as I understand it.

**Senator BACK**—When is it likely that we will get some indication of the programs that will continue, how they will be continued and under whose direction and jurisdiction? In particular, of the 130-odd programs you have mentioned, which are likely to be terminated altogether? Is it likely that we will know that, Dr O'Connell, over the next six months, nine months, prior to next year? It is important that this committee has some understanding of the loss of intellectual knowledge that we are going to suffer and whether we are going to suffer that loss.

**Dr O'Connell**—I might ask Mr Hunter to answer that.

**Mr S Hunter**—I described before the process that we would be going through to try to determine the future of the various programs and projects that are being managed by Land and Water Australia. Dr Robinson has indicated that Land and Water Australia itself will be reaching some views about those projects and programs in the coming week or so. The process from then would be for there to be discussions with the department, for us to work through that with them and for a final view to be reached. My guess is that the future of some of them will depend, to an extent, on what potential partners are likely to say about whether or not they are able to continue with them and under what conditions they would be able to do it. I do not think I can give you an answer with certainty because it will be dependent on other people's decision-making processes; however we are aware that a large number of individuals, the committee itself and members of the public will be anxious to know as soon as possible what is happening and we will be trying to work through the issues as quickly as we can.

**Senator BACK**—My final question extends from that, which is: at the moment, to what extent is funding from government and to what extent do industry and other groups involve themselves in funding the projects that you currently have on your books? Would it be 75-25 in general? What is the level that has to be picked up?

**Dr Robinson**—This financial year, for example, our \$13 million appropriation was leveraged to about \$31 million to \$32 million of cash through the door. Last year it was \$39 million.

**Senator BACK**—So we run the risk of losing that too?

**Dr Robinson**—Technically, yes. As I said, the funding that we have secured for the next financial year keeps the commitments on some of our programs, and many of the programs that we keep are partner programs. It puts a higher priority on our selection process. Beyond the next financial year is another matter.

**Senator BACK**—Minister, was there any consultation over the decision with those parties who made contributions beyond the government sector?

**Senator Sherry**—From the minister's perspective, I would have to take that on notice.

**Senator NASH**—There is obviously an awful lot of concern in the community about Land and Water Australia going. Everywhere you go people are furious that it is going. It is interesting to note that in April this year the Chinese Premier stressed that agricultural development and higher rural incomes were vitally important for the economy. At the end of last year—and this question perhaps should go to you, Minister—the Prime Minister praised the Chinese stimulus package because so much funding was going directly to agriculture, recognising that that funding had to be spent for the good of the economy. Isn't it entirely inconsistent now that the Prime Minister should turn around and rip the guts out of something like Land and Water, which is providing future sustainability for regional communities? Did he not mean what he said about the Chinese package, because they seem to be completely at odds?

**Senator Sherry**—You are bundling up a number of issues there, Senator, in somewhat strong and inappropriate language.

**Senator NASH**—I would not have thought so—no, not at all.

**Senator Sherry**—Can I finish my answer?

**Senator NASH**—You may.

**Senator Sherry**—You follow the trends of others in putting adjectives in a general description which I do not accept. As I have already pointed out to the committee, there are a range of reports to government, to all governments and all ministers—I can think of a whole range of them in superannuation, for example—where people, industry et cetera, request additional assistance in a whole range of areas. Ministers and government consider them as part of the budget process and policy process.

**Senator HEFFERNAN**—We are chucking billions of dollars to the bloody car industry. For \$46 million—

**CHAIR**—Senator Nash has the call.



**Senator HEFFERNAN**—you pull the rug out from under agriculture, for trade in Australia—

**CHAIR**—Senator Nash, if you have a question?

**Senator NASH**—Thank you, Chair. I did promise you I would only ask one, but I do not really think that the minister actually answered the question. I was trying to understand why. Given that the Prime Minister had said so clearly that he supported the Chinese package, which was supporting agriculture, this seems to do directly the opposite. I was just trying to get a bit of an explanation around why that seemed to be the case.

**Senator Sherry**—I have indicated what the government's approach on this particular issue has been.

**Senator NASH**—Thanks, Chair.

**Senator IAN MACDONALD**—I have two questions. Your offices are in Northbourne Avenue.

**Dr Robinson**—Correct.

**Senator IAN MACDONALD**—Are they contracted between you and the landlord?

**Dr Robinson**—Correct.

**Senator IAN MACDONALD**—Who is the landlord? The landlord is not the government, is it? Is it a government building?

**Dr Robinson**—No, it is not a government building. It is a private arrangement.

**Senator IAN MACDONALD**—Okay. What is the term of your lease?

**Dr Robinson**—It runs through to February 2011.

**Senator IAN MACDONALD**—February 2011. So what do you do with that? You have to pay it out, I guess.

**Dr Robinson**—We are seeking legal advice as to whether we can terminate early on the basis of the government's decision, and save on our lease.

**Senator HEFFERNAN**—Who is the owner?

**Dr Robinson**—I could not recall.

**Senator IAN MACDONALD**—I should know this, but what sort of legal status do you at Land and Water Australia hold—are you a statutory corporation?

**Dr Robinson**—Yes. So we operate under the PIERD Act and the CAC Act.

**Senator IAN MACDONALD**—Perhaps Dr O'Connell might have thought about this. Are you going to take over the lease or pay out the landlord, or are we just going to default on that?

**Mr S Hunter**—The calculations that were made in establishing a budget for 2009-10 for Land and Water Australia took into account calculations based on costs associated with winding up the organisation. We took into account what we thought might need to be met in terms of accommodation costs.

**Senator IAN MACDONALD**—So, on notice—I assume you do not have it here—could you let the committee know what the government is going to waste in paying rent on a building that is no longer used by Land and Water Australia?

**Mr S Hunter**—Dr Robinson has indicated that they are seeking legal advice at the moment in relation to the lease, and presumably there will be discussions between Land and Water Australia and the landlord—

**Senator HEFFERNAN**—Who is the owner?

**Mr S Hunter**—And that will determine what the outcome would be.

**Senator IAN MACDONALD**—It is a long time since I have practised law, but it would seem to me to be fairly clear cut: if you sign a lease for five years, you pay for five years.

**Senator Sherry**—We do not know that is the case. We will take it on notice.

*Senator Heffernan interjecting—*

**Senator Sherry**—Dr Robinson does not know who the owner is; we will take that on notice as well—

**Senator HEFFERNAN**—Okay. Thanks.

**Senator Sherry**—and we will see if we can find out. I am sure we can find out.

**Senator IAN MACDONALD**—Dr Robinson, how many of your staff are being terminated as at the end of June?

**Dr Robinson**—Last Friday at the board meeting we made the decision, given our \$6.7 million budget next financial year and the amount of work we have to deal with those 140-odd projects, that the majority of staff will now go through to the end of July, and then there will be a small wind-up team that will continue for various periods through to the end of December. But at the end of December the doors will be shut once and for all.

**Senator IAN MACDONALD**—At the end of July, how many do you anticipate letting go?

**Dr Robinson**—Thirty five.

**Senator IAN MACDONALD**—Okay. With your woes, I hesitate to even go to a question about your research, but—and Senator Heffernan mentioned this earlier—what about the Northern Australia Water Futures Assessment? You have contracted someone to do that, have you? You do not actually do that yourself?

**Dr Robinson**—That is a government program run out of the portfolio.

**Senator IAN MACDONALD**—What part do you play with the tropical rivers organisation? You fund them, do you?

**Dr Robinson**—Yes, the Tropical Rivers and Coastal Knowledge initiative is managed by us on behalf of three primary research partners or research investors—ourselves, the National Water Commission and the Department of the Environment, Water, Heritage and the Arts—and it is a research consortium as well between another 13-odd research bodies that span across the north. We are managing agent for that initiative.

**Senator IAN MACDONALD**—Which I assume, Dr O’Connell, either the department or the National Water Commission will now take over.

**Dr O’Connell**—Either the department or another body. As I mentioned, that clearly is a priority and there are a range of funding and research bodies which are fully integrated into that. So we would expect that to continue. It is just a question of how to manage the changeover.

**Senator IAN MACDONALD**—Who owns the research done to date?

**Dr Robinson**—Under the TRaCK initiative?

**Senator IAN MACDONALD**—Yes.

**Dr Robinson**—I will take that on notice but I believe the IP would be owned collectively by those research funders; if not the research funders, then the research funders and the research providers.

**Senator IAN MACDONALD**—Have you reported at all publicly on research to date?

**Dr Robinson**—Certainly there have been a number of project reports released publicly. I do not think the progress reports over the full TRaCK initiative have been released publicly. The individual projects have been releasing their reports publicly.

**Senator IAN MACDONALD**—I am interested in what we, as a committee, might be entitled to ask you for of the research done up to the time of your unfortunate demise.

**Dr Robinson**—As a general rule, regardless of who owns the IP, in this situation it will be released publicly as it becomes available.

**Senator IAN MACDONALD**—So anything publishable has been published to date?

**Dr Robinson**—To date, yes.

**Senator IAN MACDONALD**—On notice, can you give me a list of what has been published in relation to that TRaCK project? Thank you very much.

**Senator COLBECK**—I want to go back to a question you were discussing with Senator Siewert with respect to which projects would be transferred, which ones would have to come to an end, and you said that you are still in the decision-making process so you could not answer that now. I know you probably do not need any additional work right now, but could you take on notice to report back to the committee which projects you are going to have to abandon, even though they are uncompleted, and which projects might be reported back to transfer to other agencies and which agencies they may be.

**Dr Robinson**—I will take that on notice.

**Senator COLBECK**—Going back to Senator Back’s question, you mentioned that last year you invested \$13 million and leveraged that up to \$39 million.

**Dr Robinson**—Correct.

**Senator COLBECK**—That is the annual investment, so effectively what we are losing is not \$45.9 million over four years; we are potentially losing \$140 million over five years in investment in R&D through the government withdrawing from this space and making that cut of \$45.9 million.

**Dr O'Connell**—Can I suggest, Senator, that that is a leap of logic. Quite a few of those partners will clearly continue in this area, especially in the work we are looking at. The intention is that those priority areas will continue on with new managers. You would not expect to see that drop in that nature. There may well be some drop-off, but I do not think it could be said that—

**Senator COLBECK**—I did say 'potential'. I said up to \$140 million.

**Senator Sherry**—Yes, exactly. We now how 'up to' is used by everyone.

**Senator COLBECK**—But it is quite clear—

**Senator Sherry**—It is speculation at this point.

**Senator COLBECK**—It is a bit like 'temporary', Senator Sherry—

**Senator Sherry**—Your words are speculation. We will take it on notice and if we are—

**Senator COLBECK**—or putting 'billion dollars in deficit' after 300.

**CHAIR**—Senator Colbeck, the minister is answering your question. At least give him the decency to answer and then you can ask your question.

**Senator Sherry**—If we are able to provide you with any assessment of the figures that will put aside your speculation and assertion, if we are able to calculate any figures in the area you have indicated—we do not have that now—we will provide that, but we will take the question on notice.

**Senator COLBECK**—But it is quite clear though, isn't it, Senator, that the direct government funding last year of \$13 million was able to be leveraged up to \$39 million. This year it was slightly less; it was still in the 30 millions. So as a direct result of government being in this space, providing funding for R&D, it has been able to attract other funding. The government is now moving out of that space; it is not going to be there in this direct work. There is no funding anywhere else in the budget to take up these programs, it is disappearing, so the leverage disappears with it.

**Senator Sherry**—There are other variables that have been indicated, so I do not accept your conclusion.

**Senator COLBECK**—I would not expect you to. You do not want to admit the fact that you are taking a huge chunk out of funding.

**Senator Sherry**—We will take on notice to see if, taking into account the other variables that have been mentioned, a figure can be calculated.

**Senator COLBECK**—I think we come to a direct difference in opinion. If there is no-one else doing that R&D, if there is no money going into that space to leverage, it makes it very hard, particularly in a government sense, because the government is there to actually encourage that and it was part of its research priorities. The government set its research priorities, they were given to the R&D corporations, and the R&D corporations then went out into that space and invested directly in that work. If there is no-one with those R&D priorities driving that, I think there is a very reasonable case to say that the leveraged funding disappears with it. There may be other things that come into a case, but the government was the one, through its research priorities, that drove that R&D.

**Dr O'Connell**—In terms of the key research programs managed by Land and Water Australia, it has been clear that the CCRSPI—Climate Change Research Strategy for Primary Industries—initiative, Managing Climate Variability, Tropical Rivers and Coastal Knowledge, the National Program for Sustainable Irrigation and the Australian Agriculture and Natural Resources Online, AANRO, are all expected to continue with other players still involved and potentially the role for government to help coordinate. So I think it does require—

**Senator COLBECK**—What is the total funding for those programs?

**Dr O'Connell**—I was just going to say it does require us to go back and have a look much more discretely at the outcomes of the discussions we are going to have and then perhaps we can give you a more refined answer than just an 'up to', because it is quite clear that there is going to be research funding into those areas by the sets of partners in this business.

**Senator HEFFERNAN**—It would be fair to say that Dr Robinson and the people he represents here today—and I am disappointed Bobbie Brazil is not here today because she could probably speak in a different context on all this—would feel betrayed and intimidated by what has happened. Can I just point out what is wrong with what you just said.

**Senator Sherry**—I do not agree with that description.

**Senator HEFFERNAN**—That is all right. I do not expect you to.

**Senator Sherry**—To the extent it was a question, I do not agree with that assertion and claim.

**Senator HEFFERNAN**—I do not expect you to. It was not a question. One of the strengths of what was happening with the northern stuff, and bear in mind we have a mob up there now that want to lock up Cape York Peninsula and all its potential development when, if we look at how Australia is going and mother nature's changes, perhaps we ought to be locking up for heritage some of the declining south—

**CHAIR**—Senator Heffernan, I want you to go to a question rather than lecturing everybody in the room. We are running out of time.

**Senator HEFFERNAN**—The question I have, Dr O'Connell, is that one of the strengths of Land and Water Australia was gathering up information that was hidden away in all sorts of silos and pockets, and putting it onto one database, and you are now saying you are going to disperse that, and you do not even know who with. You are going to chuck it to whoever—'Hey, who wants a go at this?' Don't you understand that: one of the strengths was getting it onto one database?

**Senator Sherry**—Certainly I did not understand all of that, Senator Heffernan.

**Senator HEFFERNAN**—You probably do not understand—

**Senator Sherry**—Whether or not Dr O'Connell does—

**Senator HEFFERNAN**—We make allowances, Senator Sherry, for the fact you've got no bloody idea!

**Senator Sherry**—there was no question in that polemic and diatribe, and that is what it was.

**Senator HEFFERNAN**—All right. I will ask Dr Robinson: isn't one of the strengths of Land and Water Australia your capacity to gather up information that is scattered about in various databases and put it on one?

**CHAIR**—What is your question?

**Senator NASH**—He just asked it.

**CHAIR**—A fantastic question!

**Senator HEFFERNAN**—You don't get it and neither does he, and I don't blame you.

**Senator COLBECK**—It shows how little the government understands about this particular organisation.

**Senator HEFFERNAN**—This is bloody essential stuff.

**Senator COLBECK**—It is completely incompetent.

**CHAIR**—Order! There are senators screaming over ministers trying to answer and senators lecturing. Quite frankly, Senator Heffernan, I am getting tired of your lecturing. It is your colleagues' time that you are wasting. You are really starting to wear thin on me.

**Senator HEFFERNAN**—Don't sook on me now!

**CHAIR**—You will be going sooky when your mates run out of time and there will be big tears outside! Do you want to answer that question?

**Senator Sherry**—There was finally a question at the end. If Dr Robinson can answer that question, he can.

**Dr Robinson**—Thank you, Senators. Yes, I believe it was one of our strengths to look across the whole agricultural research sector and gather information into databases or into knowledge, sharing that knowledge in various ways across the sector, playing on the national stage. Yes, of course we believe that.

**Senator HEFFERNAN**—And obviously that capacity now is at serious risk because no-one can tell us where those projects are going to go.

**Dr O'Connell**—What we have said quite clearly is that the task for the department and for Land and Water Australia from here on is to go through the process of the orderly wind-up of Land and Water Australia, maintaining the key priority projects that we can and ensuring that the other benefits—

**Senator HEFFERNAN**—That is bureaucratic blather! We feel betrayed and the future of Australia's food task feels betrayed by withdrawal of a body which can gather up from various data bases and put it onto one database the future of Australia's agriculture.

**CHAIR**—Senator McGauran, do you have a question?

**Senator McGAURAN**—One clarifying question. It was clear that we were seeking today 120 projects. It is not a question on notice; it is a request that we receive 120 projects in progress today.

**Senator Sherry**—It is a question on notice, Senator McGauran.

**Senator McGAURAN**—I do not want it in a month or in three months time.

**Senator Sherry**—You can take it from me: I will personally try to ensure that we get a list of projects to you by the end of the day, Senator.

**Senator McGAURAN**—My question is this—

**Dr Robinson**—Would it be useful to give you a copy of the draft annual operational plan which was in place for next year and lists the projects planned for next year?

**Senator SIEWERT**—That would be good.

**Dr Robinson**—I do not know whether that would be acceptable.

**Senator Sherry**—The process is it is taken on notice. If we have the material—I will obviously have to check with the minister, but I do not see any reason as to why it cannot be provided. The formality, as it has been on all occasions, is that it is taken on notice. We will try to get it to you by the end of the day, Senator McGauran.

**Senator McGAURAN**—I can see a soft sell coming a mile away, Dr Robinson. As you have intimated, the axe came down on you out of the blue and now the government are trying to soft sell: ‘Let’s talk about what programs can go on and what numbers we can deal with.’ It is just the final let-down, not only for you and for the 41 people who work for you and not only for this parliament but for the rural sector. I am not falling for it. My question is to Mr Hunter. You actually did say, Mr Hunter, that when you allotted the \$6 million to wind down the department you took many factors into account. So you would know pretty much where that \$6 million is to be allocated—rent payouts, staff payments. My point is this: of that \$6 million, there is going to be virtually nothing left for Dr Robinson to continue his programs.

**Dr O’Connell**—The costings were a part of the work with the department of finance in the costings for the budget measure—that is where the costings came from—and the assessment that that would be the amount available for the year.

**Senator HEFFERNAN**—It probably propped up PM&C. People take their tucker for granted. They go to the supermarket, the tucker is there but they do not know how it gets there.

**CHAIR**—Senator McGauran has the call.

**Senator McGAURAN**—For example, how much of the \$6 million is allotted to staff payouts? You would know that already.

**Mr S Hunter**—In settling an amount for the coming year, we made some very broad estimates of what might be required in order to wind up the organisation and to continue those activities which the minister had indicated priority should be given to, as well as to allow for an orderly wind-up of existing projects. That estimate, which is fed into the budget process and ought to be regarded as a budget estimate, was developed in conjunction with and through discussions between myself and Dr Robinson.

**Senator McGAURAN**—Could you give us the break-up of the \$6 million?

**Senator HEFFERNAN**—What is the figure?

**Mr S Hunter**—The \$6.7, which is in the appropriation.

**Senator HEFFERNAN**—No, what is the break-up between the continuation and the getting rid of people?

**Mr S Hunter**—I do not know that I have that off the top of my head.

**Senator HEFFERNAN**—But you do have it.

**Mr S Hunter**—I do have.

**Mr Grant**—Senator, there is no solid break-up. The board of Land and Water have been given \$6.7 million to undertake the tasks that Mr Hunter has just outlined to wind up the operations, to put in place the obligations to their staff.

**Senator HEFFERNAN**—So what is the break-up of the allocation? There must be a model—‘We’ll use so much for that and so much for this.’

**Senator McGAURAN**—You have taken rent into account.

**Senator HEFFERNAN**—Can you give us the break-up of the \$6.7?

**Senator Sherry**—Hang on. For the benefit of the witnesses, is Senator McGauran still asking questions?

**Senator HEFFERNAN**—We are just continuing on. This is what you call team play.

**Senator McGAURAN**—Senator Heffernan is supporting me, which I am very happy about.

**CHAIR**—There was a question there that was asked of you, Mr Hunter. Would you answer that—

**Senator HEFFERNAN**—Yes, what is the breakup?

**CHAIR**—because Senator Siewert has been waiting patiently.

**Mr S Hunter**—As I mentioned before, we made some broad estimates.

**Senator HEFFERNAN**—Is that code for a guess?

**Mr S Hunter**—No, that is not a guess.

**CHAIR**—Mr Hunter, just keep answering the question; ignore the interjection.

**Mr S Hunter**—It was made in discussion with Dr Robinson, the person who is best informed to give us advice on that, and Dr Robinson will pass on to you now what those estimates were.

**Dr Robinson**—The broad estimates at that time were that the wind-up team and the board into the next financial year would cover about \$850,000 of that budget. The staff entitlements and redundancies and whatnot would cover another \$750,000. Other expenses including rent and utilities would be in the order of \$1 million. The ongoing research programs that we have talked about would be in the order of \$2.2 million. The ongoing research projects would be in the order of \$2 million. Having said that, as an independent agency it is a board decision as to how much flexibility we have within that budget, but that was the broad budget outlined in the discussions with the department in the lead-up to the budget. But, again, even those numbers have already changed given the board taking the decision it did last week to extend staff—



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**Senator HEFFERNAN**—How have those numbers changed?

**Dr Robinson**—Essentially, roughly \$350,000 extra will go into the staff entitlements line, which is likely to come out of the \$2 million for ongoing research projects.

**Senator HEFFERNAN**—That is predictable.

**Dr Robinson**—If we make a saving on the rent, depending on the legal advice, that saving will go back into research projects.

**Senator McGAURAN**—So there is \$1.9 million to continue priority research projects.

**Dr Robinson**—No, it is \$2.2 million, broadly, to continue the priority research programs.

**Senator McGAURAN**—But you have taken \$300,000 out of that already.

**Dr Robinson**—Then there is \$1.9 million, or \$2 million with the interest allocation, for other research projects outside those programs.

**Dr O'Connell**—There are two budget lines there.

**Dr Robinson**—The ongoing programs that have been mentioned—Tropical Rivers and Coastal Knowledge, Managing Climate Variability, the National Program for Sustainable Irrigation et cetera—have been allocated, broadly, \$2.2 million. Then from the rest of the portfolio we have allocated, broadly, \$2 million.

**Senator HEFFERNAN**—So long and the short of this is that there is, say, \$4 million for ongoing research.

**Senator McGAURAN**—No, \$3 million.

**Dr Robinson**—There is \$4.2 million in ongoing programs and projects.

**CHAIR**—Senator McGauran, two plus two is four.

**Senator HEFFERNAN**—This is going towards how we feed ourselves in the future, against the background priority of, for instance—just as a throwaway comment—\$3.4 billion for Pink Batts in houses. What sort of strange government priority is that? Do people want to feed themselves or does this government think that in the future, besides drinking recycled water, we are going to be eating something else that is recycled?

**Dr O'Connell**—I am not sure that is a question that Dr Robinson can respond to.

**Senator Sherry**—I do not think it is. It is about as valid as comparing the increase in the budget for the age pension. That is about as valid as the comparison is.

**Senator HEFFERNAN**—Excuse me, with great respect, the most important thing in Australia is feeding the nation!

**CHAIR**—Order! Senator Heffernan, you interrupted your colleague.

**Senator HEFFERNAN**—What is in the fridge is more important than what is in the garage.

**CHAIR**—You have had your turn. Senator Siewert has the call.

**Senator SIEWERT**—I want to go back to this issue of knowledge brokering. The issue is not just about keeping a database; it is actually about the experience that Land and Water has

of networking, the expertise you have gained that way and disseminating that information. You established that role because nobody else was doing it and it was so important to keep doing it. I want to know what is going to happen to that function—the knowledge brokering. It is not just building bloody databases—sorry—it is making sure that research is actually used. It is a critical function. What is going to happen with that function?

**Dr Robinson**—Thank you, Senator. I would like to know too.

**Senator SIEWERT**—Has there been any discussion with government about picking up that critical function?

**Dr Robinson**—There are two aspects to that function. One was the Knowledge for Regional NRM program, which we were managing and it was winding up anyway under its previous funding. The second aspect is the culture of knowledge management and sharing that we had within LWA. Yes, we hold fears for both.

**Senator SIEWERT**—Obviously we have been talking about CCRSPI, TRaCK, et cetera. There has been some discussion about their future but there has been none around that critical function?

**Dr Robinson**—No, because it is more the cultural behaviour of the organisation that will be lost because the organisation will not exist. We are hopeful that somebody will take it on.

**Senator SIEWERT**—When you say you are hopeful that someone will take it on, does that mean you have already had discussions with other organisations or is it a hope?

**Dr Robinson**—It is a hope.

**Senator SIEWERT**—There are another couple of programs I am particularly interested in because they do not get picked up enough—that is, the social and institutional research components of what you do. That is an absolutely critical part of NRM and one which has been sufficiently funded. Has there been any discussion or recognition that that is a key part of national resource management as well?

**Dr Robinson**—I think we have recognised it. We have been funding that space for 10 years and trying to attract partners. The current suite of projects in that program will go into the pool. We do have some collaborative projects in that program and we are in discussions with the cofunder to ensure that they keep going. As a portfolio program to transition somewhere else, there have been no discussions around taking it as one group.

**Senator SIEWERT**—Sorry to be boring, but I want to go back to the environmental water allocation issue, the one we were talking about before. CSIRO did an excellent job doing the sustainable yields process for the Murray-Darling. It has been widely acknowledged that we do not have the same body of research around environmental water flows and I understand—I have had answers back at other Senate estimates—it is an issue which we know has not been funded properly, that the authority is supposed to be getting that information and that it is critical for doing basic management planning. Without your function, what capacity do we have to inject that research in a timely way?

**Dr Robinson**—As I said earlier, the Environmental Water Allocation Forum, which we are having this Thursday and Friday and which we had planned to have regardless of this decision, was to answer exactly that, to ask: how can we attract more funding for this critical

area and who, with us, would lead it? Obviously that question changes now to: who will lead it in our absence? There is certainly concern in a lot of feedback and there are our own concerns as to where that will go. We do not have a clear answer.

**Senator SIEWERT**—If there is not an identified leader now, how far is that going to set us back in the timeliness of even initiating the level of work that needs to be done to gain that information?

**Dr Robinson**—In my opinion, I do not think it will set us back, but I cannot put a time on that. As you have pointed out, I think the area needs more research anyway. So whether we are already behind the eight ball is another matter.

**Dr O'Connell**—To some degree, for the environmental flows issues and the broad policy framework around that—there are other players in that field, such as the National Water Commission and environment—the full exploration is probably better managed through the environment portfolio, which is running the water programs and policy in this particular space. Certainly the role of the National Water Commission, for example, in going through the sustainable flows issue, along with CSIRO, the Bureau of Meteorology and the Murray-Darling Association—really a lot of activity takes place in that portfolio. So probably a full exploration of that would be best managed there.

**Senator SIEWERT**—I will be following it up in that estimates. They can take that on notice right now.

**Senator HEFFERNAN**—Could you make available the taxpayers' contribution to non-forestry MISs in Australia?

**Dr O'Connell**—That is not a Land and Water—

**Senator HEFFERNAN**—No, but there is a little tip on the spear here.

**Dr O'Connell**—Are we off Land and Water?

**Senator HEFFERNAN**—It is probably \$1 billion.

**Senator Sherry**—But hang on—

**Senator HEFFERNAN**—I have not got to the question yet.

**Senator Sherry**—Are we in the right area for the question? Is this Land and Water?

**Senator HEFFERNAN**—It is in the right area. There is a spear in the heart if you stand in the way. Say there are a billion dollars in that contribution by the taxpayers for non-forestry MIS—and I do not want Senator Macdonald throwing things at me so I have said that. Just say there are hundreds of thousands of dollars which distort the capital market in agriculture, distort the production market and, obviously, disappoint a lot of investors at the present time. We are talking about how many dollars here—13 million? What a disgrace that Australia's taxpayers would fund a billion dollars for a lurk in the food market and ignore the precious research capacity of Land and Water Australia for \$13 million—it is pocket money.

**CHAIR**—Senator Heffernan, you are just making statements. If you have a question, ask it.

**Senator HEFFERNAN**—No, I am not. These guys are intimidated; they are not going to say boo to a goose, because they are intimidated.

**CHAIR**—While you carry on, they are probably off with the fairies because they are bored like most of us. If you have a question, ask the question.

**Senator HEFFERNAN**—All right. If you do not think this is important, Mr Chairman—

**CHAIR**—We are sick and tired of your lecturing. If you have a question, ask it; otherwise, move on so others can have a go.

**Senator Sherry**—Chair, in defence of the witness, I think the witness well outlined his views and those of the organisation in his introductory remarks. I think he outlined them well, as I would expect him too.

**CHAIR**—I wholeheartedly agree.

**Senator HEFFERNAN**—This is a message through the secretary to your minister, Minister, and for all Australians to understand. In the doubling of the food task et cetera, we are allowing at the present time deadset rotting and distortions in the food market, to the tune of, say, a billion dollars, for easy working. At the same time, we tell the most precious research containment in Australia, for the sake of \$13 million, to go to hell. What sort of bloody cop-out is that?

**CHAIR**—Do any other senators have any questions of Land and Water?

**Senator IAN MACDONALD**—There was some research we asked to be provided and the minister said he will get the minister's view on that. Dr O'Connell, who actually is in charge of Land and Water Australia? Is it the board, the minister or the government?

**Dr O'Connell**—The board is the decision-making body for the corporation.

**Senator IAN MACDONALD**—Then the minister's comment—I have forgotten—

**Senator Sherry**—No; it was a question related to the projects, but answers to questions on notice go through the minister. That has always been the case.

**Senator IAN MACDONALD**—As I recall—I forget what the research was—there was some research paper—

**Senator Sherry**—No, it was the list of projects, as I recollect.

**Dr O'Connell**—There was a list of projects which was asked for, and it was put on notice with the—

**Senator IAN MACDONALD**—It was a draft document. So that is a decision for the minister rather than the board as to whether that is available?

**Dr O'Connell**—Questions go to the minister on notice.

**Senator IAN MACDONALD**—Dr Robinson obviously has an answer.

**Dr Robinson**—It was in reference to the draft annual operational plan, which we submit to the minister for approval. So, while the board is responsible, the minister, under the PIERD Act, has to approve the annual operational plan each year.

**Senator IAN MACDONALD**—Okay. But, if I asked you for your plans for the future and not the draft operational plan, you could either decide to tell me or seek board approval to tell me?

**Dr Robinson**—Yes. I suggested the annual operational plan as it was a draft prepared for next year and would be one document, but I am not clear on the status of that document in terms of confidentiality to the minister.

**Senator IAN MACDONALD**—I am wondering—if we do not ask you for the draft operational plan but simply ask you for some assessments of what you will have in future, would that be a decision for the board?

**Dr Robinson**—Correct.

**Dr O’Connell**—I think the reason Dr Robinson was suggesting the draft operational plan was that it would have the list of projects on there.

**Dr Robinson**—Correct.

**Senator IAN MACDONALD**—I appreciate that, Dr O’Connell. But the minister may say, ‘Well, we don’t want this to get out because this would make our decision even more silly,’ so he might prevent it from coming to the committee; whereas, if I rang up Land and Water on the telephone and said, ‘Hey, can you tell me what projects you’ve got planned this year?’ they might be able to tell me.

**Dr O’Connell**—The minister will make his own decisions, but I do not see that he would see any reason why that list of projects which are already underway would be anything other than available. It is just a normal list of projects.

**Senator IAN MACDONALD**—He might be very embarrassed about letting the world know just what stupidity has occurred in sacking this—

**Dr O’Connell**—The majority would probably already be on the public record, I would think, in one form or another.

**Dr Robinson**—That is the case.

**CHAIR**—Senator Macdonald, have you finished your question?

**Senator IAN MACDONALD**—Senator Milne asked for some time. Senator Heffernan, if there is time before lunch we will come to you.

**Senator MILNE**—My colleague Senator Siewert has followed up on environmental flows. Who is the lead agency or where does the work come from on the sustainability of Australia’s groundwater? Do you do that in Land and Water Australia or was it your intention to do that as a follow-on from environmental flows?

**Dr Robinson**—In respect of our Environmental Water Allocation program and other parts of the portfolio, we certainly have had and will continue to make some investments in that area, but there are also other investments being made outside our portfolio, through the National Water Commission and the department of the environment, I believe. I could not tell you the number of projects related to groundwater that we currently have or are planning to have. I could take that on notice.

**Dr O'Connell**—Within government, the Environment portfolio has responsibility. It would certainly come under the National Water Initiative and the role of the National Water Commission to look after both the policy and, ultimately, the allocation issues, along with the states obviously.

**Senator HEFFERNAN**—You will be pleased to know, Dr Robinson, that there is another committee which is looking at the global food task to which your board will be invited, and it will be in a different context.

**CHAIR**—Senator Heffernan!

**Senator HEFFERNAN**—What is wrong?

**CHAIR**—Senator Milne has the call.

**Senator MILNE**—It is all right. I am fine.

**Senator HEFFERNAN**—We have cooperation.

**CHAIR**—The parliamentary secretary has also asked whether there is time. We have three minutes left.

**Senator COLBECK**—We have effectively finished on Land and Water. I would like to quickly go back to the graduate program. Dr O'Connell, I would like to get a sense of where in the department the graduates are generally employed. Can you tell me whether they are concentrated in any particular areas of the department?

**Dr O'Connell**—They are spread across the department.

**Senator COLBECK**—Across all elements of the agency, and they are basically taken in at the bottom level right throughout the department, so there is no—

**Dr O'Connell**—Yes, across the department.

**Senator McGAURAN**—As an interesting observation, when we have Wheat Exports Australia, Meat and Livestock Australia or Australian Wool Innovation coming before us, I never see them flanked by the secretary, the deputy secretary and the minister at the table.

**Senator Sherry**—Sorry?

**CHAIR**—Haven't you been in estimates for a lot longer than most of us around here?

**Senator McGAURAN**—Yes. There could possibly be some intimidation going on.

**Senator Sherry**—Is there a question?

**Senator McGAURAN**—It is an observation.

**Senator Sherry**—I have seen the sitting arrangements so many times over the last 18 years, Senator McGauran. It is nothing unusual to me. I do not know where you have been in Senate estimates.

**CHAIR**—As there are no further questions, we will go to lunch.

**Proceedings suspended from 12.58 pm to 1.59 pm**

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**Wheat Exports Australia**

**CHAIR**—Welcome back. I will welcome Wheat Exports Australia—Mr Woodley and Mr Woods. Mr Woodley, do you wish to make a brief opening statement before we go to questions?

**Mr Woodley**—No, we do not have an opening statement prepared, thank you.

**CHAIR**—Very good. Thank you. Straight to questions. Senator Nash?

**Senator NASH**—Thanks, gentlemen. I suppose that the first question is: how successful do you see the first year without having a deregulated market? How has it gone?

**Senator ADAMS**—Without having a regulated market?

**Senator NASH**—Moving to a deregulated market. My good colleague has just corrected me.

**Mr Woodley**—It depends on who you talk to about that, but we believe that the system has gone about as well as it could do. As you are well aware, there are 23 accredited exporters now and the majority of those have been actively exporting grain. We have seminars and discussions with people within the industry and the feedback that we are getting is that people are generally fairly comfortable with how the accreditation scheme has gone. Certainly, some of the exporters that have been through that process have seen it as being very rigorous, but they understand that and I think people are reasonably satisfied with the scheme and how things are going. That is not to say that there have not been some issues and teething problems in some areas, but I think that would be the overall feedback that we are getting.

**Senator NASH**—You said it depends on who you ask when we started. What do you see those teething problems as being? What is coming back to you, even anecdotally, that is not working properly? What could have been better? Given that you have raised them, what do you think there would be?

**Mr Woodley**—There have certainly been some issues in the press about issues with respect to export and some delays in some areas related to the export or the transport chain of grain to terminals, but if you wish we can make some comments on that, because I think a lot of that has been a little bit unfounded.

**Senator NASH**—I think Senator Williams has some questions around the transport issues, so I might leave that to him for a bit later on. Apart from that, are there any other issues that you would like to see addressed in the coming year that could be better, or work better?

**Mr Woodley**—I think the prime issue at present, of course, is the access undertaking process. As you are aware, providers of export port terminal services, if they wish to be accredited, need to have an access undertaking. That process has kicked off and the three major bodies have submitted their draft access undertakings to the ACCC. That is CBH, ABB and GrainCorp. That process has started; and the aim is to try to have those access undertakings in place by 1 October.

**Senator NASH**—Just on that, there really has not been a watchdog of any sort up until the ACCC kicks in in October, so have there been any difficulties with access in the first initial period?

**Mr Woodley**—There have been some state government regulators involved in that area in Victoria—the ESC—and ESCOSA in South Australia, and, to some extent, GLA in Western Australia.

**Senator NASH**—I suppose if that was going to be the only thing that was appropriate, we would not be bothering going to the ACCC, so there must be a reason that now want to kick in with the access undertaking through them. My question was: have there been any issues running up until now, given that the ACCC is not in place yet?

**Mr Woods**—Certainly in Western Australia there have been some delays in the shipping stem, as there have been in other states, caused by a number of reasons: ships failing survey; late start to harvest; growers warehousing for longer periods; more growers warehousing than has been normal. But, given the amount of exports that have been happening, which is largely comparable to 2004-05 in the tonnage shipped to date, it seems to be going reasonably well.

**Senator NASH**—So you have had no complaints from any of those with an export licence complaining that they have not been able to get the access arrangements they would like or the capacity they would like? Nothing at all?

**Mr Woods**—No. We have had some people ringing us with some issues about access, but one of the things is that most people are aware that we have limited powers up until 1 October, and the ACCC doing the access undertakings, they are looking at that. Certainly it is very, very difficult with shipping stems, with ships coming in being ordered, ships failing survey, issues with grain upcountry under fumigation and all those sorts of things to actually often get to the bottom of specific issues, but no one has given us enough detail to investigate anything in detail yet.

**Senator NASH**—What is your role and involvement in developing your model for the access undertakings? Do you have any role in that at all?

**Mr Woods**—No, we do not.

**Mr Woodley**—We do have discussions with the ACCC, and we have had discussions with them, and we will provide them with assistance and advice if we are called on to do that. I might just add, further to what Peter said, is that the access undertakings themselves and the development of those access undertakings should better formalise the arrangements for shipping and queuing policies, and some of the issues that may have arisen to date should be fully discussed and developed and refined over the next few months so that we would anticipate that, coming to next harvest, the system will be a bit better formalised and a bit better refined than what it was this harvest. Not to say that it necessarily had major problems this harvest, but, certainly, with the process of coming up with access undertakings and formal arrangements with respect to shipping stems and queuing policies, the system should work better than it has in the past.

**Senator NASH**—Are you confident the ACCC has got the resources and the powers it needs to make sure this does all work properly when it gets to the point that you are talking about?

**Mr Woodley**—They have told us that they have.

**Senator NASH**—I am sure they have.



**Mr Woodley**—Let me say that was not a flippant response.

**Senator NASH**—No, I know.

**Mr Woodley**—They have significant resources that they have allocated.

**Senator NASH**—They do.

**Mr Woodley**—They have done a lot of work. They are well experienced in access undertakings, not in grain but in other industries, and having been experienced through other industries with access undertakings and arrangements, they have got a very well-refined system in place now.

**Senator NASH**—They do indeed. Forgive my response but I have been involved in some of those other industries and the question of resourcing has come up prior, which is why I asked the question. My understanding is that the issue of basis difference between west and east is that prior to deregulation it was around \$2 to \$15 in favour of the east. Just last week on one particular day, H2 through one company, there was about a \$43 difference actually in favour of the west. What has caused this; how is it coming about and what role does the WEA have in ensuring that there is fairness?

**Mr Woods**—As far as wheat prices go, we do not have a role in that respect. The basis difference largely would be due to shipping differentials and the difference between the perceived Chicago Board of Trade price and the east-west price here in Australia.

**Senator NASH**—Why would it be such a significant difference—such a significant change?

**Mr Woods**—Increased exports out of Western Australia. Victoria is a net importer, largely, this year, so it depends on the export prices that are running. When you look at the differentials—and Victoria is one of them—they are looking at importing grain. There is grain travelling from Queensland down to Victoria and that sort of thing and, therefore, they are not looking at exporting and that creates some of the problems.

**Senator NASH**—Is it not a bit dysfunctional? Are you comfortable with the fact that there is that type of discrepancy?

**Mr Woods**—It is not our role in that area. It is market dynamics taking place, which has not happened before.

**Senator NASH**—So you do not have a view? The issue of complaints: if somebody wants to raise a complaint about one of the exporters; what is the process for that? If I am Joe Bloggs farmer—which I am, actually; I should declare an interest as a farmer—has a problem with an exporter, what is the process through you that they lodge the complaint?

**Mr Woods**—There are a number of processes. People can ring up any time and complain, and we will always listen and try to extract what the problem is, and why and how it has come about. Certainly, we would encourage anyone to put a complaint in writing but also, as far as questioning a decision of accreditation that the WEA has made, there is a form for reconsideration of a decision. A fee comes with that, and, of course, there is the ability for anyone to put into that for us to reconsider a decision. But they cannot be frivolous.

**Senator NASH**—How many forms have been lodged on that basis?

**Mr Woods**—None.

**Senator NASH**—How many have been requested?

**Mr Woods**—One.

**Senator NASH**—Only one?

**Mr Woods**—That I am aware of.

**Senator NASH**—Could you take that on notice for me.

**Mr Woods**—Yes. It is only one.

**Senator NASH**—There is definitely only one?

**Mr Woods**—Yes.

**Senator NASH**—How many people would you say call and then choose not to continue with their complaint? I realise that might be difficult to quantify, but perhaps you could just give us a rough idea of those who call but then do not go on to make a formal complaint.

**Mr Woods**—I think we have had about three or four phone calls, and we have had one person follow that up by asking about the form to request a reconsideration of a decision. We have had one organisation and a private grower write to us asking for further information about certain issues.

**Senator NASH**—How much does it cost to lodge the form?

**Mr Woods**—I think it is \$5,000. I would have to check on that, sorry.

**Senator NASH**—Five thousand?

**Mr Woods**—For a request to vary. A variation, or request for variation, is \$6,000. A reconsideration, which is for someone who was not happy with the decision, is \$3,344.

**Mr Woodley**—Just to clarify your question, this answer is in response to varying an accreditation. If it is just a general question of the public, these fees do not apply.

**Senator NASH**—I understand that. Actually, I should have split it up when I asked how many people you get calling in, because there are obviously two different areas: somebody ringing to say, ‘This exporter is doing something I do not like,’ as opposed to somebody who wants to make a request for a variation, as I think you called it.

**Mr Woods**—No, a reconsideration.

**Senator NASH**—A reconsideration; that is it.

**Mr Woods**—A reconsideration of a decision is just over \$3,000.

**Senator NASH**—So that is just over \$3,000. Do you think that that in any way deters people from wanting to actually lodge that request for reconsideration?

**Mr Woods**—It was certainly something that we had to go through a cost base analysis to determine when we developed the scheme. Those numbers were all made public, and there was industry consultation on that, and we did not receive any responses as to the fee being too high.

**Senator NASH**—When you consulted with industry, who was that?

**Mr Woods**—This is back in April-May last year, from memory, when we went out to all the grower groups. We put it on our website. We emailed everyone we could. We put it in the papers, from recollection. For all the exporters, there was a process that was going through then, and we also participated in Senate inquiries on that and made it known that we were going through this process.

**Senator NASH**—Just so I can clarify, for the reconsideration you have had three or four phone calls and you have had one person actually lodge a form—or was it just calling for a form?

**Mr Woods**—Asking for a form—‘Where is it?’

**Senator NASH**—But they have not gone through to lodging that?

**Mr Woods**—No.

**Senator NASH**—And there were just general concerns from people about, perhaps, the behaviour of exporters? I understand, anecdotally, that there is some concern about trading terms with some of the exporters. Have you had any of those come through to you?

**Mr Woods**—No.

**Senator NASH**—So there was not one call about anything to do with exporter behaviour?

**Mr Woods**—Not on trading terms.

**Senator NASH**—Just quickly, have any of the licensed exporters had difficulty in accessing finance to be able to operate properly, or have there been any queries or questions hanging over any of the exporters?

**Mr Woods**—No. As part of the accreditation process we go through a rigorous process of looking at finances—annual financial reports. We ask for cash flows and peak funding requirements and we check that the credit facilities are there. If there is any change in anything that an exporter provides us either in the application form or in the questions leading up to accreditation, they are notifiable matters. We have had no negative notifiable matters on financial facilities to date.

**Senator NASH**—Finally, before I hand over to my colleagues, I just want to explore the issue of the potential takeover of ABB by Viterra. Do you have any concerns about a Canadian company purchasing—

**Mr Woods**—It is not a thing that we would comment on. That is for the growers and the boards of those organisations.

**Senator NASH**—So you do not comment on that and have not commented on that in any way whatsoever?

**Mr Woods**—Correct.

**Senator NASH**—How many of the current companies that provide the port terminal facilities and the infrastructure are Australian owned?

**Mr Woods**—There are three that will be going through the access undertakings, which will be CBH—they are Australian owned—ABB, currently Australian owned, and GrainCorp, Australian owned.

**Senator NASH**—So it would be something very new to the market if a company were bought by an overseas company?

**Mr Woods**—Having a company like that would add a different dynamic to the market, but there are a whole range of issues that other people have to consider.

**Mr Woodley**—I will just add with respect to ABB that they trade on the share market and, clearly, international buyers own shares in ABB. So, whilst the majority of their owners may well be Australian, they would have a proportion of international owners.

**Senator NASH**—I do understand that. Thank you. Do you have any understanding of the access arrangements in Canada at all? Are they at all similar to what we are proposing with the ACCC? Are there any regulations in place for access arrangements for port terminal facilities in Canada?

**Mr Woods**—No. My limited understanding would be the same as yours at the moment; that is in the newspapers. Viterra own 60 per cent of Canada's ports and provide free access to those ports for anyone who wants to export grain—or not free access but equal access.

**Senator NASH**—Equal access, okay. I am happy to hand over to my colleagues for a while.

**Senator ADAMS**—Thank you very much. I would like to start on the Melbourne Port Terminal and where AWB sits with the access test. Does AWB still own part of that port?

**Mr Woods**—Yes, they do.

**Senator ADAMS**—So, as far as the access test goes, will they have exemption?

**Mr Woods**—Yes. There are three companies involved in Melbourne Port Terminal: Sumitomo, ABB and AWB. They all have different ownership percentages, through different companies. Melbourne terminal operators operate the port, not any of the accredited exporters.

**Senator ADAMS**—So there is no problem with the exemption that they get in comparison to any of the other ports as far as you are concerned?

**Mr Woods**—Melbourne Port Terminal is the only one that is currently exempt. The WEA needed to have a look at this and form a view on that. The legislation clearly indicates that we need to use Corporations Act section 50AAA, and we took significant legal advice before making a decision that none of those companies are associated entities of the terminal operator.

**Senator ADAMS**—As far as vessels failing with the quality assurance go, how many of the overseas vessels that come in to take the grain have been substandard and have actually had to be renovated so that they can fit the quality standard?

**Mr Woods**—It happens that vessels fail survey for a number of reasons, either by AQIS—because they do not meet their standards—or by marine survey underwriters, and a lot of it depends on whether the vessel has been well maintained. Sometimes that has something to do with the age of the vessel and also what cargoes have been carried in the past. Bulk cargo carriers carry all sorts of things including steel, cement, super, sand and all those sorts of things, and there have been vessels failing survey that go into Australian ports. One of the

things is that exporters are increasingly trying to get those vessels pre-inspected before they come to Australia so that the crew are then focused on any work that needs to be done on them. But, unfortunately, it is just a cost to the industry that happens at the moment.

**Senator ADAMS**—Suppose the vessel has been inspected but nothing was found and then the grain got to wherever it had to go and it was rejected. Have we had any rejections at all from Australian grain going in vessels that really were not fit for carrying grain for human consumption?

**Mr Woods**—No. My understanding is that both the marine survey underwriters, who are hired by either the broker or the exporter to check the vessel, and AQIS make sure that they will not pass a vessel for loading Australian grain until they are happy with it.

**Senator ADAMS**—So, to your knowledge, we have not had a problem?

**Mr Woods**—Vessels fail survey for all sorts of reasons. There is rust, things caught up in the rafters or whatever. Until the marine survey underwriter and AQIS—whichever one is looking at the particular problem—have both passed the vessel, they just do not get to load grain; they are put back out on a berth or sent somewhere to be cleaned properly. In some cases they have hired cherry pickers, high-pressure washers and those sorts of things.

**Senator ADAMS**—The question really is that no grain has arrived at a destination and been rejected through contamination?

**Mr Woods**—Not that we are aware of.

**Senator ADAMS**—That is good. Coming from Western Australia, I know that we have had quite a problem with our rail in the catchment area for the ports. I was just wondering where the grain rail networks task force is at, looking at access. This would be over all states. Could you give us an update on that? Have you any idea where that where that has got to?

**Mr Woods**—My understanding is there is a Western Australia and a New South Wales rail one, but I think that is a DAFF question.

**Senator ADAMS**—Okay.

**Mr Grant**—The government committed to do two reviews of the grain freight rail networks, one in New South Wales and one in Western Australia. The Western Australian review built off a review that had been done within the last couple of years. A consultancy was let for that review. That consultancy has been out and consulted with stakeholders and is due to report, I think, by about the end of May. So it is not that far away.

**Senator ADAMS**—But it is not going to be much help to us for the next harvest, unfortunately.

**Mr Grant**—It really depends on what they say and what sorts of recommendations are required. But if there are significant recommendations to improve the network and significant amounts of infrastructure and capital to be applied, that would take some time, I assume, to invest.

**CHAIR**—I take it then, Mr Woodley and Mr Woods, since the deregulation of the export wheat market, the sky has not fallen in.

**Mr Woods**—No, I do not think anybody is saying that.

**CHAIR**—Happy days! Fantastic.

**Senator ADAMS**—It has not in Western Australia, I can assure you.

**CHAIR**—That is great news. I am excited.

**Senator WILLIAMS**—Mr Woodley, back in February I raised the issue of the congestion of trucks trying to unload at Newcastle terminal. I think road transport could only unload about 600 tonnes an hour, compared to 2,700 tonnes an hour for the rail. Has there been any improvement there from when I first raised that issue? Has there been any improvement in the unloading facilities at Newcastle terminal?

**Mr Woods**—I can probably answer that. My understanding is that, as far as receiving trucks off road, GrainCorp has been working with exporters in that respect, has moved testing facilities to up country so that trucks do not have to come all the way down and possibly be rejected for a range of reasons. That is helping the throughput at those terminals. But it is a longer term solution, I think, that they are looking at for that.

**Senator WILLIAMS**—I think one of the problems was there were only four grids there for semitrailers to unload with. Is that correct?

**Mr Woods**—I am not aware of the facilities of any specific site for road receivals.

**Senator WILLIAMS**—I know last time road transport was waiting up to one day to unload because the rail could not get in there quick enough for the volume for the ships required. Has there been an improvement for those road transports to unload there? Have been any more grids put in or any consideration of that, so the road transport can unload quicker?

**Mr Woods**—That is a question you would probably have to put to GrainCorp. But I am aware that, at some stages—and I am not sure if it is this specific lot of road unloading that you are talking about—there were issues where some vessels failed survey and caused some gridlock in the port. They could not even get vessels unloaded at one stage because a number did fail survey—three or four in one hit—which caused some port issues with the amount of grain that could be stored and therefore unloaded and received.

**Senator WILLIAMS**—Since the death of the single desk and the introduction of multi-exporters accreditation scheme, have wheat exporting costs increased or decreased? Do you have any idea?

**Mr Woods**—Overall, bulk cargo rates have come down 95 per cent.

**Senator HEFFERNAN**—They have, haven't they?

**Senator BOSWELL**—Which the fertiliser industry nearly got away with.

**Senator WILLIAMS**—Last year the minister established the wheat industry expert group to advise the government on the delivery of industry development functions under new multi-exporters arrangements. What initiatives have been implemented by this group?

**Mr Woods**—That is a question for Allen.

**Mr Grant**—The expert group were operating in the lead up to the change in the legislation. They made a number of recommendations to the minister, most of which he accepted in the introduction of the legislation. That included the conduct of surveys to collect

market information about wheat storages. That information has been collected by the ABS and is published on a monthly basis by the ABS, and there is also some additional information provided by ABARE on a monthly basis as well. That recommendation from the IEG has been implemented.

The IEG also recommended that there be support for work that was going on in the industry at the time to do with a voluntary industry code of conduct. That work has been a little bit slower to be implemented partly because the industry itself had reservations about whether it wanted to proceed with that code of conduct—a different set of views between some of the traders and some of the growers. We have been continuing to talk to Grain Trade Australia and through Grain Trade Australia to the stakeholders involved, and we believe there is a willingness in the industry to recommence that work. So I think there will be further work with the industry to actually try and get that code of conduct up and going. I think they were the main two recommendations from the IEG.

**Senator WILLIAMS**—Just on another issue: there was obviously a lot of on-farm storage after harvest last year. Have you any idea what stocks are held on farm?

**Mr Grant**—The ABS data collection should show that. I do not have the latest figure, but I can take that on notice and provide that to you.

**Senator WILLIAMS**—Thank you.

**Senator BOSWELL**—This is for Wheat Exports Australia. When assisting an application for accreditation, does the authority take into consideration the financial viability of an applicant?

**Mr Woodley**—Yes, we do.

**Senator BOSWELL**—Thank you. When assessing an applicant, does the authority assess the applicant's strategy to encourage continued improvement in the quality of Australia's wheat brand?

**Mr Woods**—We ask for an export proposal and tonnage that is going out, and we also look at the exporter's systems and procedures as far as where they are sourcing wheat from, whether it is growers or out of the trade, and their compliance with the national residue survey, quality testing, those sorts of things.

**Senator BOSWELL**—When assessing an applicant, does the authority take into consideration the quality control methods of an applicant?

**Mr Woods**—We look at their risk management as far as that is concerned. The quality control is largely down to bulk storage receival sites and receivals at port, at testing, and those sorts of things if they are coming in on trucks.

**Senator BOSWELL**—So you do not. So the answer is no; someone else does. Is there in an ability for someone to question or challenge the export accreditation without being charged a fee by WEA?

**Mr Woods**—Reconsideration, no. It attracts a fee.

**Senator BOSWELL**—How often are licence holders audited on their performance against the scheme or the act?

**Mr Woods**—We have a number of audits happening at the moment. It is part of our ongoing monitoring. There are a number of audits happening against financial criteria, checking the information that they have provided to us on risk management, on systems and policies and against conditions of accreditation.

**Senator BOSWELL**—So you are not auditing specific licence holders?

**Mr Woods**—No one has a licence; they are all accredited. A license has a completely different meaning and we do not issue them under our act. We do have an ongoing monitoring, where exporters have targeted audits and random audits.

**Senator BOSWELL**—How many exporters have lost their accreditation and therefore their license to export bulk wheat since the wheat export accreditation scheme began?

**Mr Woods**—In the 10½ months we have been operating, none.

**Senator BOSWELL**—What triggers can be used by the wheat authority to investigate a contravention of the wheat export accreditation scheme?

**Mr Woods**—We would hope people come to talk to us and we can use our auditing powers, our powers for request for information. We would certainly have a chat with the wider stakeholders, exporters and those to see how what grounds there are for those particular concerns, and then go and have a chat with the exporter.

**Mr Woodley**—I might add also that the accredited exporters are required to notify us of any matters that may impinge on their accreditation in the first place and that covers all the issues that Peter Woods has outlined—the financial situation, guarantees, corporate governance, business records and those sort of things—and, clearly, they are required to do that and if they did not undertake the notification process that would be a very serious matter.

**Senator BOSWELL**—I refer to an article from the *Land* online of 29 October 2008, the title, ‘Japanese millers fear for quality under wheat deregulation,’ which talks about a deregulation of four Japanese flour mills that account for about 80 per cent of the Japanese market. Airing their concerns were representatives of four Australian farmer organisations. Were the companies who were supplying this wheat to the Japanese millers investigated for a breach of accreditation scheme? Did you look at them at all?

**Mr Woods**—In October 2008—

**Senator BOSWELL**—Yes.

**Mr Woods**—none of the current accredited exporters were exporting then except for AWB Harvest Finance, who was completing sales for AWB(I).

**Senator BOSWELL**—The Japanese flour mills, and there were four of them, were voicing their concerns with the representative of the Australian farmer organisations. Did you investigate what was happening on the land and go and have a talk to these four farm organisations to find out whether they had a legitimate claim or concern?

**Mr Woods**—We have had discussions with Japanese flour millers. We have also had a representative from the Ministry of Agriculture, Forestry and Fisheries in Japan, come and have a chat to us about a number of matters regarding the export of wheat from Australia. At



that stage, they were not concerned, from my recollection, with any of the quality of wheat. They wanted to understand how our system worked.

**Mr Grant**—We also sent some representatives overseas, including to Japan, to explain the new system to the Japanese buyers including to the flour mills.

**Senator BOSWELL**—In regard to the log jam in the ports, South Korea, Indonesia and Japan have raised concerns that ships are being forced to wait several weeks to load grain at four ports in Western Australia, the biggest grain producing state. What has the Wheat Export Authority done to alleviate the log jams so that we keep our customers happy?

**Mr Woods**—The log jams largely do not have anything to do with us. But, in that respect, the harvest in Western Australia was delayed; there was a rain delay. It was two months late. Then there was some weather-damaged wheat, which caused quality issues. Growers initially warehoused wheat; they did not transfer as they have in the past to other organisations. They wanted to and were being advised by their advisers to hold on to wheat and market accordingly. Especially with weather damage, they needed to be assigning the right wheat against contracts. That caused a delay in ownership by some of the exporters. A number of them had taken positions to have vessels sitting off the coast ready to load wheat, due to the delay that happened.

With the 95 per cent reduction in the cost of charter and freight rates, it was fortunate that no-one was paying \$50,000, only about \$5,000 a day demurrage. Because of that issue, we also had a number of vessel owners choosing not to take their ships somewhere else to load them because there was not work, so they parked them for a while. At least one vessel was parked for four to six weeks off the ports in Western Australia, and I am sure there are others. They then add to what looks like congestion at ports when you see vessels sitting out there.

**Senator BOSWELL**—That is good, but what involvement did you have? Did you have a complaint from one of the Indonesian wheat flour associations, who said his mills were being forced to secure supplies from Canada due to long delays in Australia? He expected total imports from Australia this year to be far lower than 2.7 million tonnes. Does that concern you?

**Mr Woods**—We did not get any complaints from any exporters or from any international flour mills in that respect. If you look at the statistics at the moment, you will see that in Western Australia 15 active exporters out of 23 that export from Western Australia are running at about parallel to 2004-05 crop. We have gone through a period of two years of severe drought where there is very little grain in the system and the system has picked it up fairly well and run, when you have all those exporters trying to provide grain to new buyers and they are all trying to get those customers on board as quickly as they can.

**Senator BOSWELL**—An article in the *Financial Review* said we lost \$2.7 million. Did the Wheat Export Authority investigate that to find out whether it was true? Did the WEA ring up the chairman of the Indonesians and say, 'What is the problem here?'

**Mr Grant**—Perhaps if I could help.

**Senator BOSWELL**—Just before you do, what is the estimated loss of the wheat sales due to the log jams in Australian ports?

**Mr Grant**—As Mr Woods and Mr Woodley pointed out, there was congestion in the WA shipping arrangements for some time not long after export started due to a range of reasons, including rain delays, decisions by growers to stockpile their wheat until they saw a change in price and then to bring wheat to port and expect to have it shipped quite quickly. It is fair to say that the port operator struggled to put in place new arrangements to cope with that increased demand. I understand there were some worries from the Indonesians, who took those issues up with CBH, who is the port operator. CBH subsequently made some changes to the shipping stem arrangements. My understanding is that those have helped to alleviate the problems at port. I am not aware that we have lost any export markets as a result of those concerns and I think we are on track to have record exports exported from the WA port this season.

**Senator BOSWELL**—Because of the capacity constraints for multiple exporters wanting to export wheat at the same time, what has happened to the demurrage cost at the port? Has it increased? You have said no, because the price has gone down. Has the demurrage cost gone down?

**Mr Woods**—By 95 per cent.

**Senator BOSWELL**—The previous national pool has power to negotiate freight discounts with country storage to port. Has the Wheat Export Authority done any studies on the freight cost to ports for the growers? There is anecdotal evidence that there is an estimated increased cost of transport to the grower of between \$5 and \$10 a tonne—is that true?

**Mr Woods**—The WEA have not investigated freight costs, but we are aware that in an effort to get ships moving faster, exporters and CBH reached an agreement to ship extra grain by road at slightly increased costs and the exporters have picked up that cost.

**Senator BOSWELL**—Are you aware that two tiers for rail freight are being suggested: one tier being the mainline and the other tier being the branch lines? This would suggest a rise of 25 per cent for rail operators. Do your powers allow you to look at the rise or is that the role of the ACCC?

**Mr Woods**—We have no role in rail.

**Mr Grant**—As mentioned, the grain freight rail reviews being undertaken both in New South Wales and in Western Australia will come to fruition shortly.

**Senator BOSWELL**—Are you aware of H2 wheat that was delivered to Port Kembla trading last week at \$43 below the west in a deregulated market? Grain going into Port Kembla was \$43 below the west. What are you doing about traders that are covering themselves for the uncompetitive, hidden costs due to the dysfunction of the supply chain on the east coast?

**Mr Woods**—We answered a question about the basis differential earlier on, Senator.

**Senator BOSWELL**—Could you just answer it again?

**Mr Woods**—The difference in east/west basis on grain prices is largely borne by the freight differentials to certain markets, depending on the grade of wheat that is going out and the markets that they are going to in that respect, and that is not something that we are in control of.

**Senator BOSWELL**—Just on quality control, has there been increase in chemical residue on wheat going to port due to increased on-farm storage and chemical treatment due to weevil outbreaks?

**Mr Woods**—On-farm storage has for a long time been an issue for all the bulk handlers in receiving grain, especially straight into port. They must maintain pesticide-free status at port, so they do not want to receive loads of grain that can and occasionally do have some weevils in them. It is a significant cost to close down a port terminal operation and clean it. As far as residues, that is one of the reasons that the bulk handlers are looking at testing grain that is coming in by road as far up country and as close to the source as they can so that they can check those sorts of things out. Certainly, it is an issue for the whole of the Australian industry to have grain going out below the minimum residue levels for the country that that grain is going to. That is a role for another organisation.

**Senator BOSWELL**—This is my last question. What is WA doing to protect Australian grain quality? Has there been any evidence of substitution of prime hard wheat to durum wheat containers? Is there any feedback from grain users of wheat substitution?

**Mr Woods**—Containers and bags are completely deregulated; we have no role.

**Senator BOSWELL**—Who checks?

**Mr Woods**—No-one.

**Mr Grant**—AQIS has a role in ensuring that what goes out is what is registered and is in accord with the export standards that are required for the country who is taking the grain.

**Mr Woods**—No seller of wheat would want to be putting a different quality of wheat into a container because they do not want it reaching a country—whether it be Egypt, Africa, America, Indonesia or whatever—and having the buyer saying, ‘This is not what I wanted. This is APH, not durum’, because then they would be in a period of negotiation and at a disadvantage. No-one would put themselves in that situation.

**Senator BOSWELL**—Thank you very much.

**Senator O’BRIEN**—Of the companies that are now exporting, have any established new markets? And, if so, which countries and what sort of volumes are we talking about?

**Mr Woods**—There have certainly been a number of new customers, depending on the definition of a market. Previously for world trade negotiations, a market is a country. If you define market in marketing terms as a customer, yes, there are definitely new markets. There are also some countries that have not, on our records, received grain for quite some time who are now receiving it.

**Senator O’BRIEN**—Which ones? Can you give us a bit more detail of those.

**Mr Woodley**—I think Rwanda, Mozambique and Israel. They have been in small quantities but I guess it is an encouraging trend. The other point we would make is that, in discussions with accredited exporters, it is clear that through the range of these companies they have contacts with people that previously really did not have any involvement with the Australian grain industry. They are developing those contacts and they are already developing

those markets. So there has been a move to new sales, to new markets, and we would anticipate that this will continue.

**Senator O'BRIEN**—And you are only talking about bulk sales, given your earlier answer?

**Mr Woodley**—Yes.

**Senator O'BRIEN**—You have no information on containerised wheat?

**Mr Woods**—We have not got anything on containers and bags, no.

**Senator O'BRIEN**—Most of it would be containerised, wouldn't it, rather than in bags?

**Mr Woods**—Yes.

**Senator O'BRIEN**—Having just gone through a period of major reform of export wheat marketing, can you tell us how the grain industry has responded to the changes?

**Mr Woodley**—I think the grain industry has responded remarkably well. Clearly we have a small role to play, but it is really the industry as a whole that is playing this role, and I think that all of those companies that we have had a close association with through the accreditation scheme have certainly been performing well and creditably. I think it is interesting also that, as part of the accreditation process, we have noticed that some companies—and they tend to be the medium or smaller sized companies—have actually improved their processes as a result. They have seen the need to do that to be accredited in the first place, to improve their governance systems or their risk management systems or to improve their credit facilities.

It is quite interesting that a number of those companies have come to me personally and said that they have been quite pleased by the process. Whilst being very rigorous and difficult to get through, they have seen improvements in their own systems and they are continuing to improve those systems. I think, as a whole, the industry has responded very well. Clearly, there have been some teething problems, particularly at the ports, but again those bulk handlers have responded very openly and well. They have already made changes and improvements to their systems and I think they are openly looking at further refinements and improvements that they can make.

**Senator O'BRIEN**—Given difficulties that some businesses have been having obtaining finance, and given that accredited exporters have to tell you of any changes in their arrangements which might affect their ability to perform in the market, have any of the accredited exporters advised of difficulties in obtaining finance?

**Mr Woods**—I think the area you may be coming from is that international buyers, at times, have had some issues with letters of credit from banks and those sorts of things. Most of those were short term, and in those cases my understanding was they were largely for other grains—pulses, barley and those sorts of things—and the exporters, who, of course, are not accredited by us, said that there were no flow-over issues into wheat and that they were all managing those and, largely, there had been no defaults; most of them had just had short delays in delivery.

**Senator O'BRIEN**—I am taking it that, if any of the exporters had problems, they were required to tell you.

**Mr Woods**—Absolutely.

**Senator O'BRIEN**—I am just trying to find out if they were indicating any problems.

**Mr Woods**—No, they have not.

**Senator O'BRIEN**—I think you touched on this before but I just wanted to be clear. Is there any evidence that growers generally have been receiving a lesser price for their wheat now than they were before the changes in the marketing arrangements?

**Mr Woods**—We have not done any studies on that. We would only go on anecdotal evidence, I suppose you would call it, from the industry advisers and industry commentators in that respect who are commenting on the prices of wheat.

**Senator O'BRIEN**—In terms of the ACCC access undertakings, what progress has there been on that? That is probably your area, Mr Grant.

**Mr Grant**—The ACCC has published the three undertakings provided by the port operators. They are going through a consultation process at the moment. I think they are visiting all the major states as we speak. Comments on the three undertakings that have been published close on 29 May, so the ACCC will then take stakeholder comments or comments that have been made on the draft undertakings and work with the companies to refine those undertakings to meet their requirements under the Act.

**Senator NASH**—Just following on from one of the questions from Senator O'Brien about the new markets, do we assume that the markets we held before deregulation are all still intact and at the same volume?

**Mr Woods**—No, we do not.

**Senator NASH**—So has there been a reduction in any of those markets?

**Mr Woods**—We have not looked at those. We are not responsible for publishing statistics on that at all; that is ABARE and ABS.

**Senator NASH**—But you do look at new ones? You only look at where we have got new markets?

**Mr Woods**—We get the Customs data weekly so that we know what is leaving the country so that we can monitor what exporters are up to. As you are aware, some of our exporters have tonnage limits and we monitor that through receiving the Customs data, and we just, of course, for interest's sake, can report to the board on what is happening in that market.

**Senator NASH**—But surely you would have to have a list of the current ones to know which ones were new?

**Mr Woods**—Yes, but we do not compare those to tonnages or anything that happened, because that fluctuates from year to year.

**Senator NASH**—You are just purely saying a new country that is now being delivered to that previously was not, and that is the sum extent of the information?

**Mr Woods**—Yes.

**Senator NASH**—Could you actually take on notice those tonnages for those new countries and the tonnages that have gone to them? I do not expect you to answer that now.

**Mr Woods**—We can.

**Mr Woodley**—We can give it to you in a minute.

**Senator NASH**—I am happy for you to take it on notice.

**Mr Woodley**—You might want to ask me another question while we find it.

**Senator NASH**—We might move on while you are just having a look. Can I just move on to the Wheat Export Technical Market Support Grants Program? Is that your area?

**Mr Grant**—Yes, it is.

**Senator NASH**—How much funding has been allocated to the program?

**Mr Grant**—\$600,000 over three years.

**Senator NASH**—To qualify, do you have to be an accredited exporter?

**Mr Grant**—You have to be accredited as a bulk exporter, but the program is also open to exporters of bags and containers, so you do not have to be accredited in that sense.

**Senator NASH**—I think there have been nine in the first round; is that correct?

**Mr Grant**—Yes. There was an announcement made about nine successful grants.

**Senator NASH**—Is it possible to get the information on each of those grants, on where that funding is actually going to for that proponent?

**Mr Grant**—To the particular companies?

**Senator NASH**—Yes.

**Mr Grant**—Yes, we can take that on notice and provide that. We will be putting it on our website. We are currently negotiating funding agreements with those successful applicants and once those funding agreements have been signed then the information will go on the departmental website.

**Senator NASH**—Of those nine how many applications did you get?

**Mr Grant**—I cannot quite remember. I have it here; it was 17.

**Senator NASH**—What criteria did you use to measure up? I guess it was going to be value for money giving these—

**Mr Grant**—There was a set of criteria set out in the guidelines. Again, I can provide you with that as well. In general, the program is about encouraging new exporters to open up new markets, so we were looking for, perhaps, smaller companies who had not had that market experience before, who had not exported a lot before and who had some new initiatives and ideas. A lot of the successful applicants were smaller companies who had not done a lot of exporting in the past, but there was a set of other criteria in the guidelines and I am happy to provide that to you on notice as well.

**Senator NASH**—That would be good. Are they all new markets or are they just new players in the market, exporting and who might need a bit of a hand.

**Mr Grant**—A little bit of both, I think, Senator. Of the nine, there were five who had not previously exported who received grants.

**Senator NASH**—Were there existing Australian exporters already going into those markets that they are obviously trying to get into?

**Mr Grant**—I cannot tell you that off the top of my head.

**Senator NASH**—Could you take that on notice?

**Mr Grant**—I can try to do that.

**Senator NASH**—It would be interesting to know if we already have Australian exporters going into a market and the government is assisting others to compete.

**Mr Grant**—It depends. If you already have bulk exports going in you might have container or bagged exports that might be complementary to that process, but I will take that on notice and come back to you.

**Senator NASH**—If you could take that on notice that would be good. What audit process is going to be in place to follow down the track to ensure that this funding is appropriately spent for the purpose given?

**Mr Grant**—At the end of the process we will do a review of the program once it is finished. There are funding agreements that have to be complied with against milestone payments, so they will be reviewed as we go through for each individual project as just part of the normal department process of reviewing programs on an ongoing basis.

**Senator NASH**—It is a three year program, I think you said. It was, wasn't it?

**Mr Grant**—Yes, that is right.

**Senator NASH**—Given that this is whole new territory, uncharted waters really, for what we are doing in terms of a departmental program going off to proponents—who I am sure are going to do an extremely good job—are you confident that those milestone payments on the way through will be enough to be a good check and balance? I am sure you are going to say you are.

**Mr Grant**—We will do a good job, but it is also a small amount of money. It is \$200,000 over each of three years, a maximum of—

**Senator NASH**—In this global financial situation, no amount of money is a small amount of money, I would think.

**Mr Grant**—It is a maximum of \$60,000 per grant. But we will take that process through the same process that we would a multimillion-dollar grant, so it is consistent treatment.

**Senator NASH**—Thanks.

**Mr Woodley**—As we said earlier, the big change is the number of new customers rather than new countries. But I mentioned countries that have received bulk wheat shipments this year that have not received bulk wheat shipments for a long time, or as far as our records go back: Rwanda received only a couple of thousand tonnes; Mozambique, 10,000 tonnes; and Israel about 20,000 tonnes. These are small tonnages but I think the more relevant point, as I said, is the number of new customers rather than, necessarily, new countries.

**Senator NASH**—Can we have those new customers that you are talking about, rather than new countries? I am happy for you to take this on notice; it would be of interest

**Mr Woodley**—We do not have that information.

**Senator NASH**—You do not have those?

**Mr Woodley**—We only have information as to the countries that the wheat has been exported to.

**Senator NASH**—I should have realised that from before. Who does have that information?

**Mr Woodley**—You would have to go to the accredited exporters themselves.

**Mr Woods**—They do not disclose that as part of their export declaration.

**Senator NASH**—Are you saying, then, that there is no way for the government to keep a track on how much is being exported?

**Mr Woodley**—Yes. We have the amount that is being exported and the countries it is being exported to. We just do not have, necessarily, the information on the end customer.

**Senator NASH**—Sorry. I was not quite following.

**Mr Grant**—That would be collected but whether it is able to be released or not is an issue that we would have to investigate. I think there would be some privacy concerns, essentially.

**Senator NASH**—About the customers. Yes, I understand. Is it possible to provide the committee with the bulk amounts—the bulk tonnages to the countries?

**Mr Woods**—We will be publishing this sort of information as part of our growers' report on the scheme. Exporters need to provide to us, in October from memory, a compliance report and an export report and that will total up the countries, the tonnages that they have exported and where to, and that will be made public before Christmas.

**Mr Grant**—We can provide to you on notice the Customs information that is collected on an ongoing basis.

**Senator NASH**—Fine, but you would have an idea to this point now what is being exported, so if the committee was not prepared to wait until the end of the year, in the meantime I am sure you would be able to provide us with—

**Mr Grant**—On a country basis, yes.

**Senator NASH**—at least some indication on a country and tonnage basis.

**Mr Grant**—Yes, we can do that.

**Senator NASH**—That would be great. Thank you.

**CHAIR**—If there are no further questions of Wheat Exports Australia, I thank you Mr Woodley and Mr Woods.

[2.55 pm]

### **Meat and Livestock Australia**

**CHAIR**—Welcome Mr David Palmer and Mr Ian Johnsson. Mr Palmer, do you wish to make a brief opening statement before we go to questions?

**Mr Palmer**—No, Chair. We do not have an opening statement.

**CHAIR**—Good to see you both back again.



**Senator BACK**—Gentlemen, thank you very much for the opportunity to speak with you. We are, of course, in a situation in which there has been budgetary cutbacks, especially in the sector that we are currently interested in. I just wonder if you could summarise for us in the time since the budget came down how Meat and Livestock will be affected by these cutbacks.

**Mr Palmer**—MLA is largely funded by levies and private sources, with the exception of a significant amount of government funds through the matching R&D dollar, so there has been no change to our income streams. In fact, in the budget papers there is actually an allocation of about a million and a half dollars of additional funds for an animal welfare—

**Senator BACK**—Yes, I am aware of that.

**Mr Palmer**—strategy partnership with the federal government, which will be devoted to the live export animal welfare program.

**Senator BACK**—I will be very interested when we speak to AQIS about some of the implications of the removal of the subsidy for inspection but, again, can I ask you the question from your point of view, particularly for manufactured meat: where will the impact be for the removal of the subsidy in terms of your costs and how will they be absorbed? How will they be met?

**Mr Palmer**—We are aware of the AQIS fees. I think something in the order of \$32 million or \$34 million may be the amount that has been previously allocated for meat inspection. It is widely recognised in the meat and livestock industry that all costs apportioned to a processor will either be passed back to the grower or forward to the consumer, so that \$30-odd million has got to find its way somewhere and it will either go back to the grower or forward to the consumer.

**Senator BACK**—And particularly in terms of exports, are you aware that the countries with which you compete, or the companies in those countries, are also subjected to a similar set of circumstances to which you are or will be affected?

**Mr Palmer**—The only one I am aware of—and we track a bit—is the United States. Their meat inspection is provided by the USDA, via government, with the exception, I understand, of their overtime. If a meat plant goes into overtime then it is met by the company and up until then it is paid for via USDA.

**Senator BACK**—So we will be disadvantaged then in comparison with American producers?

**Mr Palmer**—Yes. There will be an additional impost that America does not incur.

**Senator BACK**—And, finally, is there any impact of Australia in comparison to the Brazilian market?

**Mr Palmer**—I know a bit about Brazil but I am not sure how their meat inspection is provided and I am happy to take that question on notice. They do have some advantages over us. Their cost of processing generally is significantly cheaper than ours but I am not specifically familiar with the impost on meat inspection.

**Senator BACK**—Thank you, sir. Thank you, Chair. I will defer to others and come back if there is time.

**Senator HEFFERNAN**—What consultation did the MLA have with the government with regard to the 40 per cent decision?

**Mr Palmer**—We do not have any consultation with the government on the AQIS fees. It is a matter for the meat-processing industry. I understand that the Australian Meat Processor Corporation, AMPC, and the Australian Meat Industry Council, AMIC, in association with Cattle Council and others, have jointly and separately taken their cause to government, but MLA, specifically, has not been in those.

**Senator HEFFERNAN**—Do you think you should have been?

**Dr O'Connell**—MLA is a research and development component, not an industry association or representative body, so that would be inappropriate.

**Senator HEFFERNAN**—The increase as a consequence of this was allegedly going to come off the back of reforms in AQIS. Is that right?

**Mr Palmer**—As a something of a bystander, I understand there were some offsets.

**Dr O'Connell**—As I mentioned before, when we come to AQIS you will get an exposition of the nature of the discussions around fees.

**Senator HEFFERNAN**—Already we are at a competitive disadvantage with some of the places. The government supplies the cost, but this will mean that the average export of the mutton will go from 45c to \$1 a head and something like \$4 extra cost a head for cattle. As you say, that will be passed either back to the grower or forward to the consumer. I have just come back from the United States, where I went to Costco and the various supermarkets. Their Australian cryovaccinated lamb is cheaper than here. It is \$18 a kilo in Canada for a rack of lamb, and the growers over there are getting considerably more than our growers are. There is something wrong with our system. It might be to do with the lack of market power and the ACCC equivalent in Canada, which looks at mergers. Their top five packaged retailers have 40 per cent of the market. Sixty per cent of the market—

**CHAIR**—Have you got a question?

**Senator HEFFERNAN**—I will get to the question.

**CHAIR**—Can we get to it. We are making good time but there are a lot of questions to be asked.

**Senator HEFFERNAN**—They actually look at the impact not only on the retailing side of it but on the purchasing side, with taking competition out of the market. These added costs are seriously eroding the competitive position for our farmers. Are you concerned about the 25 per cent increase in costs if we go to carbon trading at \$40 a tonne?

**Senator Sherry**—That is another issue you have added on top.

**Senator HEFFERNAN**—But it is a MLA issue.

**Mr Palmer**—Our role here is twofold. Largely we devote our energies to try and stimulate and lift demand for Australian meat both here and around the world. Separately, the research portfolio, which Mr Ian Johnsson manages, is doing research in the area of the last part of your question on the matters of any imposts, burdens or the effects of any matters relating to production or productivity.

**Senator HEFFERNAN**—So you are studying the impact of the possible emissions trading scheme on the cost of production.

**Mr Palmer**—We have funded a number of research projects which have illustrated some of the impacts and effects of climate change.

**Senator HEFFERNAN**—Aren't you alarmed that Australia's farmers are going to be left in the dark till 2013, given that the United States has a proposal going to its congress now to have the American farmer in on the credit side and out on the debit side?

**Mr Palmer**—We are certainly alarmed at any impost or burden that the industry has to face, be it shared by other countries or uniquely applying to Australia. Other than continuing to do the work that we do, we furnish that work to other agencies that can make use of it as they see fit. We will not deviate from our core business, which is trying to stimulate and lift demand both here and around the world and to undertake research to—

**Senator HEFFERNAN**—You are undertaking the research to lift demand and our capacity for trade, but isn't one of your core issues the cost of production?

**Mr Palmer**—Absolutely. Part of the research effort is to increase productivity and lower cost production.

**Senator HEFFERNAN**—Have you made a submission to the Commonwealth government on the implications of being fully included for beef and sheep in the carbon-trading world?

**Mr Johnsson**—We have funded a couple of studies, and the results of those studies have been discussed with the Cattle Council and NFF. They put forward their position for agriculture generally in relation to the CPRS.

**Senator HEFFERNAN**—What did your study discover?

**Mr Johnsson**—The one that has been completed has been reflected in the study published by the Rural Industries Research and Development Corporation.

**Senator HEFFERNAN**—You are the head of it; what is the outcome?

**Mr Johnsson**—It showed a significant cost increase that would be associated with the CPRS.

**Senator HEFFERNAN**—I am trying to get you to tell me how much. You are in charge of the damn thing, so you must know. I know, but I want you to tell me.

**Mr Johnsson**—That particular study looked at the costs of a \$25 per tonne carbon equivalent. This all depends on the assumptions made, of course. If we are nonparticipant in the scheme, the beef industry's change in farm cash income was minus three per cent. Of course that has a large effect on farm business profit, so that was something like a 43 per cent reduction in farm business profit. That is if we are not included in the scheme.

**Senator HEFFERNAN**—You mean on the credit side.

**Mr Johnsson**—If we are included in the scheme then it is a significantly greater cost.

**Senator HEFFERNAN**—What are they?

**Mr Johnsson**—When this study was done we were assuming 90 per cent free permits. It was for beef producers about a 14 per cent reduction in farm cash income and about a 217 per cent reduction in farm business profit.

**Senator HEFFERNAN**—That says to me we are in deep shit either way.

**Dr O'Connell**—It may be useful, either now or later, to allow Mr Glyde to explain the nature of that study, compared with the government's current CPRS position, which is different from that.

**Senator HEFFERNAN**—I am aware of that, but somewhere in between is the truth. Have a crack, Mr Glyde.

**Mr Glyde**—As I understand it, the study we are talking about is the CIE study. As we have talked about several times with this committee, if you have various differences in assumptions and differences in scenarios you are going to get different outcomes. The difference between the CIE work and the work that we have done really relates to those assumptions. First of all, our analysis assumes some sort of action to do something about emissions, both for agriculture and the world at large, is adopted internationally, whereas the CIE assumed it was only Australia and New Zealand. That is one difference. The CIE analysis assumes that farmers make no change to their input mix or their output mix—that they actually stand there and do not make a change to their behaviour, which is a reasonable assumption to make in the absence of other information. That is really quite important.

**Senator HEFFERNAN**—You mean to the diet?

**Mr Glyde**—No, to how farmers more broadly go about relative use of inputs. If prices of one or more go up then it might change its behaviour.

**Senator HEFFERNAN**—Give me something that I can touch and feel. What the hell does that mean?

**Mr Glyde**—If, for example, you are in the business of farming and you have a piece of land, you might choose not to have as much devoted to cattle production as you might have to grain production, because there is a less emissions intensive price in grain production. That is a difference.

**Senator HEFFERNAN**—That is a nice way to fudge what you do about sheep and beef production—do away with them.

**Mr Glyde**—The other thing is that there is not a representation in the work by the CIE of assumptions about what you might do to mitigate those things. When you think about how technology changes over a 30-year period, there will be technologies coming on stream that are commercially viable that we currently do not know much about. So there is an assumption there that we have no changes to technology or to farm management practices. The price of carbon is different under the CIE analysis, compared to what we did.

**Senator HEFFERNAN**—What is that difference?

**Mr Glyde**—Well, the CIE estimated \$93 a tonne of CO<sub>2</sub> equivalent in 2030, whereas we use \$52 a tonne of CO<sub>2</sub> equivalent in 2030. Our assumptions reflect the government's policy settings and the CIE has used another one. Also, we are more accurately reflecting the

government's policy about the level of transitional assistance, the emissions-intensive and trade-exposed assistance that occurs should the government decide to go into the scheme in 2015. And it also takes into account more accurately the initial settings for 2011 in terms of the fuel credit schemes and the lower starting price of carbon.

**Senator BOSWELL**—It is on the assumption that everyone is in it.

**Senator HEFFERNAN**—Let him keep going. He is digging a hole.

**Mr Glyde**—I guess they are the main ones, Senator, and that is why you get differences in outcomes.

**Senator HEFFERNAN**—Thank you very much for that. You can understand why the average politician and the average person out in the public has got no bloody idea what all that means. What are the hurdles we have got to jump and what are the criteria you blokes have got to meet for us to make a decision on whether farmers are in or out? It is a bit hard to explain to the bank if you are a farmer that according to the MLA you might have a 40 per cent increase in the cost of production of beef but according to you it might be something else, and we do not know whether we are in or out yet. What are we waiting for to know whether we are in or out?

**Dr O'Connell**—The government is looking at a work program to get to the 2013 decision, which looks essentially at the economic analysis of the impacts of coverage and the different points of obligation along the stream, analysis of the supply chains for agricultural products to identify cost-effective points of obligation, research to improve the accuracy of emissions estimation and development of emissions reporting capabilities, and a voluntary trial program of emissions reporting through the National Greenhouse and Energy Reporting System. And on the basis of that, the government is then going to make a decision.

**Senator HEFFERNAN**—Thanks very much. They are grand, meaningless, motherhood statements.

**Dr O'Connell**—They are the basis of our work program.

**Senator HEFFERNAN**—I appreciate the wordsmith who put them together, but for the average cocky out there who is wondering whether he is going to get a 25 or 50 per cent increase in the cost of production of his beef, he just shakes his head and says, 'What's that bloke talking about?' As you would be aware, Dr O'Connell, the US are giving consideration to a program where the farmers are in on the credit side—and we need to be in on the credit side because a lot of good things happen on farms with CO2 reduction—and out on the debit side. Why are we waiting?

**Dr O'Connell**—That is the government's policy position coming out of the white paper.

**Senator HEFFERNAN**—But it is meaningless.

**Mr Glyde**—No, I think the issue, Senator, is what is the most cost-effective way for agriculture to make a contribution to the mitigation task.

**Senator HEFFERNAN**—Good on you.

**Mr Glyde**—So the assessment that is being made in the research that Dr O'Connell referred to is going to answer that question. The CPRS applies to a relatively small number of

large emitters in the economy. If you were to add every single farmer into that, that is a very significant increase in the scheme. What is the best way and the most efficient way to get them in? That is really what the research is about.

**Senator HEFFERNAN**—What you have really said in code earlier was that perhaps we just should shift to vegies or chooks.

**Mr Glyde**—No, not at all. Relative prices will change in the economy, which is the whole idea of the CPRS.

**Senator HEFFERNAN**—You just put your finger on the pulse. You have got the capacity in your decision making to put the beef and sheep markets out of business, effectively.

**Senator BOSWELL**—It is not them; it is the government's decision.

**CHAIR**—Senator Heffernan, Senator Milne is waiting for her turn to have a couple of questions and we are really running behind time.

**Senator HEFFERNAN**—She is very patient.

**Senator MILNE**—Thank you. Actually I wanted to follow on from the point that Senator Heffernan was making, but in a different context. There are two things in relation to beef and sheep production. The first is the ongoing impacts of climate change as we see it now. Previously you could run animals on large tracks of land but you will not be able to because of the changes in climate, rainfall et cetera. Notwithstanding changed agricultural practices and so on, the reality seems to be that that is the way it is going to go in large areas. Secondly, there is now a very strong cultural belief that one way to reduce your greenhouse gas emissions as an individual is to eat one less meal of red meat every week. So you are up against what is now a global trend for people to eat less red meat.

Given that that is the case, what work are you doing to try and look at ways in which you can increase the value to the producer or send it up to a niche market so that you get a return notwithstanding less volume but higher prices? For people who continue to eat meat and choose to do so, they will pay more in the same way as they do with a range of other commodities that used to be bulk commodities that have now gone in to high-niche commodities.

**Mr Palmer**—I will have a crack at that. For the first part, Senator, and a couple of your assertions, there are no plans that I am aware of for the industry to retract from its current positions. Some 43 per cent of the Australian agricultural land mass run cattle. The Australian cattle industry at the moment requires about 330-odd million hectares of land to conduct itself and the industry has no plans to retreat from those numbers. We are a very significant player on the export and domestic market and we have earned that position, and we are not going to relinquish it any time soon. Secondly, you made a comment about one less meal a week. I am aware of a group, Senator, I think that you are a part of—

**Senator MILNE**—No, I am not, actually.

**Mr Palmer**—Sorry, the media has you as part of it. We continue to promote along government guidelines that a red meat meal three to four times a week is required for a nutritionally balanced diet. We continue to promote those findings and we work in step with government in those dietary guidelines. In terms of improving the quality of the product, over

the last decade the industry has invested significantly in various grading programs, one being Meat Standards Australia. We are on track this year to grade over a million cattle in any one year for the domestic and, now, the international market.

MSA has had some tremendous results in improving quality. Farmers now know fully that they are a part of the food industry and what they do on farm has an absolute and direct bearing on how well that animal eats subsequently. So on-farm production tools and meat grading in plants are important. We have a group called the Red Meat Networking Club, which is about 1,600 butchers throughout Australia, all of whom have got on to the program and are doing secondary cuts, new products, new ranges, new value adding, as you say, trying to lift the value and lift the offer in both the domestic and the international marketplace. So there is plenty being done.

But just to go back to the very first point, we are acutely aware of this whole competition for land and resources and for the Australian beef industry and, for that matter, the Australian sheep industry, to continue to be a world-renowned exporting country. Combined, we produce over six billion meals a year and that is the business we are in, and we need the sort of acreages that I talked about. We do not have any plans to retract or retreat.

**Senator MILNE**—That is the point that I want to make, though. It is not that you would be planning to retreat, but the climate is changing. The rainfall is changing. There are areas where you would previously have run beef cattle which will no longer be suitable for running beef cattle. They may be able to still run some, but it will not be near the stocking rates that have previously been the case. So there will have to be a shift in where that occurs or a change in agricultural practices. It is not about a proactive decision to retreat; it is about adaptive management to climate realities.

**Mr Palmer**—The herd is shifting. Let us just take cattle for a moment. The herd has shifted. In the last four or five years, something in excess of two million cattle have moved from the south to the north. So that is a function. The sheep industry has changed dramatically. A decade or 15 years ago, there might have been 150 or 160 million sheep, today there is less than 80 million, yet we are producing record tonnage of lamb. We have a meat-sheep business that has evolved through market forces, and climate change may have had something to do with that.

But certainly in beef production the cattle herd, in some part—two or three million head—have shifted from the south to the north. That is probably, we think, in response to two aspects. One is drought in the south and more predictable seasons of late in the north, and cost of production in the north gives them the better genetics; the grading program I talked about before; the complementarities with feedlots et cetera. The north now presents a very nice nursery for breeding and raising young cattle to be turned off on Central Australia or southern feed yards. So it is a cost of production story.

**Senator HEFFERNAN**—Have you dealt with truth in labelling?

**Mr Glyde**—No.

**CHAIR**—Sorry, Senator Heffernan, Senator Williams did have a quick question.

**Senator WILLIAMS**—Mr Glyde, I am sorry I was not here. Senator Heffernan did ask you some questions on the emissions trading scheme and the effect it will have on the beef industry, I gather.

**Mr Glyde**—Yes.

**Senator WILLIAMS**—Have you done any modelling on what the cost would be to the beef industry in Australia, both at domestic level and export level?

**Mr Glyde**—Yes. We have done some modelling that looks at the long run out to 2013 but also the immediate impact of the scheme.

**Senator WILLIAMS**—On that long run, you obviously had agriculture excluded till 2015-16?

**Mr Glyde**—That was the assumption.

**Senator WILLIAMS**—What did you price the carbon cost at from 2016 onwards? Do you recall?

**Mr Glyde**—I can give you the answer, but I will probably need to get some advice on what the exact price was. It was around \$28 a tonne, starting up, and finishing at \$52 a tonne in 2030.

**Senator WILLIAMS**—Have you got any idea what the percentage of greenhouse gases in Australia—I think we have about 564 million tonnes a year—come from beef and cattle? Have you any idea?

**Mr Glyde**—The percentage of the agricultural emissions, not the total Australian emissions, that comes from livestock is around 70 per cent.

**Senator WILLIAMS**—Agriculture is supposed to count for around 16 per cent.

**Mr Glyde**—Yes, correct.

**Senator WILLIAMS**—So it is roughly 12 per cent. You are looking at roughly 70 million tonnes from the livestock industry, going on those figures.

**Mr Glyde**—There are others here that know more exactly than me, but that is about right.

**Senator WILLIAMS**—Around 70 million tonnes?

**Mr Glyde**—Close enough.

**Senator WILLIAMS**—So you would be looking at around \$200 million a year after 2016 to be the cost on our sheep and cattle industries?

**Mr Glyde**—Yes.

**Senator WILLIAMS**—It is quite concerning when you consider that cost, along with the extra cost of electricity and other things that will obviously be affected—the cost of fuel, the cost of transport, plus AQIS. Bindaree Beef at Inverell, where I live, are going to be up for an extra \$350,000 a year just in AQIS fees alone. If America does not come on board with the same costs, how are our export industries—say, the beef industry—going to compete into markets like Japan and Korea, if our competitors do not have those same costs? I have just mentioned \$200 million a year after 2016. That is at \$28 a tonne—just doing quick figures in



my head—plus AQIS fees, plus extra transport fees with the extra cost of fuel et cetera. Is it alarming to you that we may lose our competitive edge?

**Mr Glyde**—Any pressure that is going to come uniquely onto Australian agriculture is a concern. The issue really is to what extent the government is successful in working with other countries to encourage other countries into the scheme. And that is one of the key points of difference between a lot of the analysis that has been out at the moment. You can think about the EU scheme and the New Zealand scheme. The US is talking about a scheme as well. Whether or not agriculture is in or out, they are still planning to have agriculture play a role through some mechanism, whatever the most effective mechanism is. They might not be in an emissions trading scheme, but they might have other policy responses they make so that agriculture can make a contribution.

When you look around at the different countries, and particularly those that we compete with, many of them are in the same sort of situation that we are in, contemplating what is the most effective way for agriculture to play the role. The ideal scenario is that, given this is a worldwide problem, we are going to go into this together and those sorts of disparities between competing countries do not occur. How that all plays out over the next five to 10 years is anyone's guess, which is why it is important to have a range of assumptions and a capacity to look at what the various consequences are of different coalitions acting to do something about agriculture emissions around the world.

**Senator HEFFERNAN**—How do you explain that to the bank?

**Mr Glyde**—That is part of the design behind—

**Dr O'Connell**—Sorry, I was just going to go back to Senator Williams's point. The critical point here, of course, is that the decision has not been made that agriculture goes into the scheme. That will be made in 2030.

**Senator HEFFERNAN**—But we would like to know the conditions upon the decision will be made.

**Dr O'Connell**—But what we are talking here about at the moment is some of the analysis that is going to support the thinking towards that.

**Senator NASH**—Can I just ask something on that, Dr O'Connell? And you are right whether they are in or out, but there are going to be significant impacts on the beef industry, as I am sure MLA knows, whether or not agriculture is in or out. And even the government's own funded research through RIRDC, and I just quote this for Hansard:

On-farm analysis shows that the farm cash income would fall by over 60 per cent for an average beef farm under the full scenario when the carbon price is \$25 per tonne and by 125 per cent if the price is \$50 per tonne.

That is from the government's own research; this is research that the government has funded. I do not know if you would like to make a comment on that, Mr Palmer, but I think this is really serious stuff. I appreciate your comments, Mr Glyde, but it is not something simple for farmers that sit over here, up in this never-never land of what would be a perfect hypothetical situation. This is what is going to happen, according to the government's research.

**Dr O'Connell**—Again, I might ask Mr Glyde to comment, but I do not believe that research reflects the full nature of the government's policy positions, looking at the CPRS.

**Mr Glyde**—Yes. That research that you refer to, Senator, conducted by RIRDC, was conducted by the Centre for International Economics, the same people we were talking about earlier. I ran through the considerable differences between the assumptions they have made and the assumptions we made. In fact, ABARE was asked by RIRDC to comment on a draft of that paper before it came out publicly, and we pointed out the differences. They made a few changes to make it more easily comparable, but at the end of the day the scenarios that you have referred to are quite different to the circumstances that the government is putting forward.

**Senator NASH**—So you discount these ones because you do not like them?

**Mr Glyde**—What I am trying to say is: the difference between the CIE study and ours demonstrates the impact of the assistance measures that the government has put in place. If you model the assistance measures, and they have been recently extended by the government in terms of the emissions-intensive trade-exposed assistance, that does a very good job at shielding, particularly the livestock sector, but all sectors of Australian agriculture as the scheme is introduced. The government's proposal is to have a target of a five per cent reduction in greenhouse gas emissions to be achieved by 2020, on the assumption that other countries are not coming in. If other countries come in and go for a 450 parts per million target, then the emissions-intensive trade-exposed assistance is not required. So what we are saying is, if you factor in the government's design elements to try and protect the sector from the fact that other countries might not be coming in, they have got that immediate loss of competitive edge, then the impact is a lot smaller, and that is simply the difference between the two pieces of analysis.

**Senator NASH**—Mr Palmer, are you comfortable, from the perspective of your industry that those assistance measures that Mr Glyde is talking about are going to cancel out the type of potential impacts that RIRDC has put forward?

**Mr Palmer**—I might ask Ian to comment. I would only say that the difficulty that I am facing is that in good faith we have funded some research, and it has come up with a set of numbers, which you quoted a moment ago. I am not privy to the assumptions that ABARE might have fed to their model, just as I am not entirely privy to the assumptions that were fed by us and others into the CIE program. The fact that we appear to be coming up with different outcomes on the same subject is, I accept, not helpful, but I am not entirely certain what I can do about it, other than ask Ian to tell me the assumptions that went into the original program.

**Senator NASH**—On the assistance that Mr Glyde was talking about that will be provided by government to the industry, are you comfortable that that is going to offset the type of impact that this might have?

**Mr Palmer**—I am cautious about answering in the positive or the negative on what is potentially a hypothetical. Until I can see it and feel it, I am a bit loath to head to where you are asking, Senator.

**Senator NASH**—That is all right. Mr Johnsson, did you want to add anything?

**Mr Johnsson**—It is not uncommon in these sorts of analyses to have pessimistic and optimistic assumptions, and I think that is the range we are looking at here between the two studies. Phillip Glyde outlined some of the differences, and I think it is up to the readers to determine whether they think the assumptions that are made are reasonable or not reasonable, at the end of the day. Our study did take a pessimistic view of things, given, as Senator Milne said, our history. This decade has been a difficult one for agriculture, particularly in southern Australia. The majority of our farms, certainly in southern Australia, are operating at a loss annually. So any sort of cost impost is going to be significant. Certainly, the free permit allocation that has been talked about will considerably offset the impact to a very large degree, but there will still be a negative impact in the industry, and those figures demonstrate that.

**CHAIR**—Senator Back, you just wanted a clarification?

**Senator BACK**—I did, thank you. Mr Glyde, we had the figures on the effect on income and profitability of three per cent and 43 per cent or 14 per cent and 217. Could you give us comparative figures from your studies that would enable us to be able to see the positive and the negative or the optimistic and the pessimistic? Mr Johnsson mentioned, when not included in the system, a decline of three per cent on income reflecting 43 per cent reduction in profit, and once included, 14 per cent reduction on income and 217 per cent reduction in profit. Could you give us some indication of those figures from your study?

**Mr Glyde**—Sure. I would make two comparisons: one, a longer term comparison, so at 2030; and then the immediate impact at 2011—which is probably the best one we can give. In 2030, we estimate that, for the beef and cattle industry, production will be eight per cent lower than it would otherwise have been if the CPRS had not been introduced. Production will still increase, but it will be just eight per cent lower than it otherwise would have been. That is with the assumptions of the emissions-intensive trade-exposed assistance, as designed by the government as they have currently stated. If you come back into 2011—

**Senator BACK**—Just before you do, have you made any estimate as to what effect that will be on actual profitability?

**Mr Glyde**—We probably have, but I do not have that figure in my head. I could take that on notice, if you like.

**Senator BACK**—I would like to know.

**Mr Glyde**—We could probably give you a table with that in it. I will come back to the immediate impact. Let us assume that, in the middle of 2011, the scheme kicks off. On the immediate increase in the input costs that farmers will face on farm through increased transport, chemicals, fertiliser, fuel and the like and, in addition, the passed back costs from the meat processing and the milk processing sectors, and on the assumption, which is a heroic one, that all of the costs that those processors face are passed back to farmers and are not shared with consumers—so it all comes back—our estimate would be that the additional costs to the farmer would be \$1.83 per head of cattle and 17c per head of sheep in 2011. For grains, it would be an extra 61c per tonne in 2011. For the average dairy farm, it would be an additional cost of \$1,200 per dairy farm in 2011.

**Senator BACK**—Twelve hundred per farm?

**Mr Glyde**—Per farm. So they are to give you just a rough order of magnitude comparison of what the immediate costs will be, assuming that the government's measures, such as the fuel tax subsidy and the like, are in place. And that also incorporates the \$10 per tonne starting price for 2011.

**Senator COLBECK**—Are the book numbers released?

**Mr Glyde**—We have not released them as yet, Senator. We have been working on these. The long-run figures I mentioned earlier on, we released in March.

**Senator COLBECK**—I have got those.

**Mr Glyde**—These are ones that we have almost completed. We have just actually finalised them in the last couple of days and we are looking to publish them in the next few weeks.

**Senator COLBECK**—Thank you.

**Senator WILLIAMS**—Mr Glyde, going back to my figures, let us look down the road a bit from 2011, because that is the discount year, if we could call it that. Let us go down to 2017.

**Mr Glyde**—Yes.

**Senator WILLIAMS**—We are looking at \$30 per tonne. We are talking 70 million tonnes at \$200 million put onto the sheep and cattle industry, if we can call it that, along with the electricity. I do not know what you factored in for electricity. I was at Bayswater power station two weeks ago, and they produce 40 per cent of the electricity of New South Wales. The cost of their coal purchase a year this year is \$350 million. Under a CPRS, that will rise to \$950 million, and it is estimated the increase in electricity is 50 per cent. Put that on with the fuel, and when the discounts and the permits dissolve, my point comes back to how do we compete against America? They are already talking about a proposed ETS and they will not even include electricity generation until 2030. It is so soft. I come back to the point of both those costs. Surely, if we have to compete against those going into the Korean and Japanese markets, the person that will bear those costs will be the beef producer and the sheep producer. They will be the ones that will take the haircut on making a price where we can actually still compete. Would you agree with that?

**Dr O'Connell**—Senator, I think we are going more into the basic design of the CPRS, rather than just the—

**Senator WILLIAMS**—Well, I am concerned about its effect on your industry.

**Dr O'Connell**—Whether coal is in or not, or generators are in or not, is really an issue for the basic structure of the CPRS. It is not really this portfolio.

**Senator WILLIAMS**—This is the problem: we are living in limbo and we do not know what is happening in 2016 as far as agriculture goes. My concern is: what sort of agricultural industry and food-producing industry will we have if we bury it with costs like that?

**Senator Sherry**—I appreciate you have a concern, Senator. It is a question for Meat and Livestock Australia, which are in limbo at the moment. If we do not have any further questions for Meat and Livestock Australia, we should excuse them so we can actually get to the program, which will include, fairly shortly, climate change and ABARE.

**Senator HEFFERNAN**—I want to talk about meat labelling.

**CHAIR**—Sorry, I cannot hear you, Senator Heffernan.

**Senator HEFFERNAN**—I want to go to truth in labelling in the—

**CHAIR**—You have been waiting and everyone has jumped in hodge-podge, but Senator Colbeck does have a question, and he has been waiting patiently.

**Senator COLBECK**—Thanks, Chair. Mr Palmer, the conversation that we have been having about the difference in modelling is probably the critical issue as part of this process. ABARE's research assumes everybody is going to be in. Yours takes a more pessimistic view and assumes that only Australia and New Zealand are going to be in the process. I think Senator Heffernan is probably right: the answer lies somewhere between the two and the trick is to try and interpret. ABARE's research and the information that they have given to us so far basically talks about the reduction in production. Yours talks about pure the dollars and cents cost to farmers at farm gate, based on a number of different inputs. ABARE's first-year assumptions only included electricity. Yours include fertiliser, electricity, freight, contracting and things of that nature. So you have perhaps got a broader suite of inclusions in your numbers. In the work that you do internationally, what is your sense of how many countries are actually going to put agriculture into an ETS, apart from New Zealand, which are effectively going to mirror us, by the look of things? They have put their system on hold and they will mirror what we do. I understand that India, for example, has got about 250 million cattle. We have got 27 million. Brazil has got 98 million cattle?

**Mr Palmer**—About 200 million.

**Senator COLBECK**—So 200 million cattle. Where do we sit in respect of our competitors on the direct costs that are going to come to us, and what is the likelihood in the short term? It is all very well to model to 2030, but we have got to survive to 2030 and these are real impacts that are going to arrive year 1 on the industry. What sense do you get as you move around internationally—which I know MLA does—on what is happening in other countries and the reality of them coming onboard?

**Mr Palmer**—Any part of the first part of the question I will have Ian answer. When we look at our competitors, we really profile North America and South America, Canada through to Argentina. I am not aware of any sovereign country within the Americas—they may be considering, but, to my knowledge, there do not appear to be any, plans for implementation at this stage of a CPRS-style scheme.

**Senator HEFFERNAN**—That is exactly right.

**Senator COLBECK**—Which really does crystallise the real differences between the two lots of modelling. ABARE reflects what the government hopes will happen, which is that everyone comes in, including with agriculture. Yours is looking at the situation where they do not come in. I will not put words into your mouth as to whether you think it might or might not happen. If our key competitor is the Americas, there does not appear to be, at this point in time, any strong indication that they are going to bring those levies in.

**Mr Palmer**—No. To use beef as an example, about 68 to 70 per cent of everything we produce in this country is shipped around the world and, by and large, the pricing for beef is

in two places. One is the manufacturing markets of the United States and the other is the table markets of Japan. How beef performs and transacts in those two markets, for those two specific categories, has an absolute direct bearing on the prices received back in Australia. We do spend a lot of time thinking around the international marketplace because that is where we are trading and that is where the product is priced. It is important to us know what burdens our competitors, be they the host nation like the United States or a competitor like the United States when we go head to head in North Asia. That is why we know a little bit about what they are doing or not doing.

**Senator COLBECK**—What is your understanding, in particular in the beef industry, of the qualification of the processing sector for EITEs qualification—emissions-intensive and trade-exposed? What is your understanding of emissions-intensive and trade-exposed in qualifying for that level of intensity? We know they are going to have to pay permits. We have had that evidence before the Senate Select Committee on Climate Policy. Do you have any sense of whether they will qualify for whatever level of permits that might be and therefore there could be some mitigation of the costs which have been given to us? These might range from mid-teens to \$30 per animal.

**Mr Palmer**—I think we are deferring to others, but I am aware that in the meat processing sector there are six or eight that fell into greater than 25,000 tonnes of annual emission. There has been some work done through PricewaterhouseCoopers in this area, but I am loath to talk about it in case someone else's work is different. I can say, and I feel compelled to say, that many of our exporting processes are concerned if a system comes into place that their counterparts do not experience elsewhere. We are in a multinational operation in Australia and we are not anxious to see any multinational processor retreat from Australia to somewhere else owing to the differences of impacts that I understand.

**Mr Gibbs**—On the question of emissions-intensive trade exposure, the government is looking at activities. The activity of producing beef will be considered emissions intensive. Looking at the green paper, the activity itself comes around about the 90 per cent coverage mark. In 2015, if beef activity was to come into the scheme, then they would be covered for EITE assistance.

**Senator COLBECK**—We have been through all this before. Beef processors will, from day one, be emissions intensive and liable for permits. We have had that evidence before the Select Committee on Climate Policy. We know it is going to happen. The industry has done its research and it is going to cost \$60 million a year in permits from day one. From the first day the emissions trading scheme starts, beef processors will be liable for permits as emissions intensive. We know that. They know that. They know that, in some circumstances, some of their plants will have to pay for permits and some others will not because of the different levels of throughput. They are concerned about that distortion in the market, that it will incentivise them to close down productive plants and perhaps open up less productive plants from an energy sense but also an emissions intensive sense. What I am wanting to know is: what is the likelihood that they will qualify from day one for trade exposure.

**Mr Gibbs**—So just to clarify, by day one, you mean 2011?

**Senator COLBECK**—Day one, 2011, meat processors.

**Mr Gibbs**—At this stage it is unlikely that they would qualify from day one. From day one they will have electricity emissions. They will have to pay for that.

**Senator COLBECK**—They will have to pay for additional costs due to the renewable energy target. They will have to pay additional costs for additional energy prices, which we heard last week was about \$2 million a year for one plant. They are going to have to pay for their emissions permits, but, as we have heard before, they are not going to qualify for the relief of trade exposed. All of those costs are going to go somewhere. We have just heard from Mr Palmer and Mr Johnsson that they cannot pass them into the international market because it is benchmarked on an international price. So the costs come back to the farmers. If all of the other countries are not in, then I would suggest to you that the RIRDC costing, which has been done through CIE, is much closer than the ABARE stuff, which in the first year considers only electricity and—

**Senator Sherry**—You have been through it all—you keep going through it all. Can you give him a chance to answer a question somewhere in all of that?

**Senator COLBECK**—What I am trying to get at, Senator Sherry—

**Senator Sherry**—But this is questions.

**Senator COLBECK**—What I am trying to get at is: what is the cost going to be farmers? We keep on getting these esoteric—

**Senator Sherry**—Ask the question.

**Senator COLBECK**—I am having to make my own deductions because we keep on getting told that perhaps, by 2015, if agriculture comes in, farmers will get this EITES assistance.

**Senator Sherry**—This is a process of questions and answers.

**Senator COLBECK**—But there are costs that are going to—

**Senator Sherry**—You have given us a very long dissertation of your concern.

**Senator COLBECK**—If we could find out what the real answers are instead of an answer to a different question based on modelling, it would be much easier, Senator Sherry. I am not trying to have a crack at anybody. We just want to find out what it is going to cost farmers from day one. It is a big deal. We just heard from Mr Glyde—

**Senator Sherry**—If the questions were sharper and to the point, we might start to make a bit more progress.

**Senator COLBECK**—If we were getting the questions answered, Senator Sherry—but we are not.

**Senator Sherry**—Every question, almost without exception—

**Senator COLBECK**—We are not getting the questions answered in the terms we are asking them. That is the problem.

**Senator Sherry**—Do you want to continue to do a rave or can I respond?

**Senator COLBECK**—You are not helping this with your response.

**Senator Sherry**—You are not helping this committee by giving a long—actually you have been the exception, I have to say, compared with some other people.

**Senator COLBECK**—Thank you, Senator Sherry. I am just trying to find out what the costs are. That is all I am trying to find out.

**Senator Sherry**—You are starting with some others. The committee is not assisted by long debating polemics. That is what is happening here more and more. The witnesses are here. If there is a question, which is often hard to find, frankly, at this committee, then the witnesses will do their best to answer it.

**Senator COLBECK**—The simple question is, and we have now had the answer—

**CHAIR**—Just ask the question, Senator Colbeck, please.

**Senator COLBECK**—Do the processes come in from day one as far as trade exposures? Effectively they are not going to reach the threshold. Is that correct, Mr Gibbs?

**Mr Gibbs**—At this stage that is correct.

**Senator COLBECK**—Thank you.

**Senator HEFFERNAN**—Chair, could I ask a question?

**CHAIR**—You have been waiting, Senator Heffernan, because you are going to ask questions. Senator Colbeck, have you finished?

**Senator COLBECK**—I just find this whole process so frustrating.

**CHAIR**—Ask the question. You might not like the answers, but just hear me out.

**Senator COLBECK**—I do not have a problem with the answers when I get a straight one.

**CHAIR**—This committee has become an absolute foundation for people wanting to rant and babble on, as the minister has quite clearly said, which is quite embarrassing. I notice you laughing, Senator Boswell, because at least you come straight to the question. So have you got any further questions, Senator Colbeck?

**Senator Sherry**—I think Senator Boswell's earlier questioning was very succinct, sharp and to the point.

**Senator HEFFERNAN**—What are we doing? I want to ask some questions.

**Senator COLBECK**—That would be a nice change, Senator Heffernan. In terms of the assistance that you have modelled in your model, Mr Glyde, what assistance will be available to farmers on day 1 that will mitigate these costs that are included in the RIRDC report?

**Mr Glyde**—If I could just clarify just to correct some misunderstandings that I think have gone on. First of all, the published work that we did that we shared with the other Senate committee, which was released in March 2009, only talked about the changes in input costs that farmers would experience on farm—electricity, fuel and fertiliser. What I provided earlier today were some—

**Senator COLBECK**—I do understand that. I might have some issue with your conclusions or otherwise but I understand and I have had a good look at the stuff.



**Mr Glyde**—What our modelling has done, from 2015 onwards—if you make the assumption that in 2013 the government says that agriculture will come into the ETS, we have modelled that coming in—

**Senator COLBECK**—No. My question is day 1 of the process.

**Mr Glyde**—From 2015 there are commissions and—

**Senator COLBECK**—No.

**Mr Glyde**—From 2011 the assistance that the farm sector gets is the fuel credit rebate for three years where they are not exposed to the increase in costs that come around as a result of the CPRS commencing. That is it.

**Senator COLBECK**—That is it. The range of measures is the fuel credit.

**Mr Glyde**—I understand that the other measure is that the transport sector—Mr Gibbs might correct me if I am wrong—generally gets one year of a fuel offset.

**Mr Gibbs**—Yes, that is—

**Mr Glyde**—So to the extent that the heavy transport sector is getting that and the processing sector is using the heavy transport sector, then they will get an advantage, but that is it.

**Senator COLBECK**—So your modelling says that, because the price of fertilisers and chemicals are set in international markets, you have left them out of the system, so you are expecting that there will be no impact from the ETS on fertiliser and chemicals because those prices are set on international markets and they will not rise?

**Mr Glyde**—Yes.

**Senator COLBECK**—That is what it says on page 16 of your report.

**Mr Glyde**—Yes, that is right.

**Senator COLBECK**—So, effectively, when you get to first year—

**Mr Glyde**—That is correct.

**Senator COLBECK**—This is the assumption in the report, Senator Heffernan. So, effectively, because fuel is shielded, and we understand that that is the case, electricity is the only factor that you have included as an increased cost to the farming sector from year 1?

**Mr Glyde**—Yes. If you want the detail I can ask my colleague for exactly what is in it but we can do that in another part—

**Senator COLBECK**—I think we need to do that on the CPRS stuff. I just want to concentrate on where we are with the beef industry. That is probably the best thing at this stage.

**Mr Glyde**—Yes.

**Senator COLBECK**—We have established that the only assistance that comes to the industry from day 1 is effectively the fuel rebates.

**Dr O'Connell**—That is the only special assistance outside—

**Mr Glyde**—For the agricultural sector

**Dr O'Connell**—They are also not covered themselves—

**Mr Glyde**—Yes.

**Dr O'Connell**—until 2015.

**Senator COLBECK**—Yes, but we still have the argument about the push-back impact of costs from the processing sector which we will, no doubt, continue to argue about.

**Mr Glyde**—Yes, for which we have given you our estimates.

**Senator COLBECK**—I have read that and, again, it comes back to your assessment of the assumptions. You assume people in the industry are assuming through their modelling that everybody is not in and so you get the different numbers?

**Mr Glyde**—Yes, more or less.

**Senator COLBECK**—If you want to go on to your labelling stuff, Bill.

**Senator HEFFERNAN**—New South Wales is talking about going ahead with a labelling program. Do you think that is a good idea?

**Mr Palmer**—Senator, it is always an attractive idea. Fifteen, 20 years ago, I think it would have had a place because there was nothing—

**Senator HEFFERNAN**—In the domestic market, yes.

**Mr Palmer**—Yes, the domestic market, but today we have AUS-MEAT, which is a trade language which goes into dentition and the age of animals and categories. We have Meat Standards Australia, which deals with ossification and a whole lot of other parameters around quality—a very precise model. There are now lots of instruments that commercial pressures could pull through—and some do—that would accommodate and deal with the sort of sentiment that is bound up in this grading or labelling bill that I have seen come out of New South Wales. I understand the sentiment and the emotion that comes behind it, but there are some good commercial tools that can make it work without relying on regulation. But if the regulators want to pursue it then there is nothing MLA will do or can do.

**Senator HEFFERNAN**—Do you think that it should be harmonised around Australia?

**Mr Palmer**—If you are going to go down a regulatory framework then it most definitely should be harmonised.

**Senator HEFFERNAN**—So the bloke that looks after the meat standards in Queensland, for instance, actually lives in Canberra—he is a retired public servant—so in Queensland, that lamb inquiry we did, we discovered that the main thing they are concerned about there is not whether the thing that is branded lamb is a hogget or an old ewe, as long as it is not maggoty—that is about where they cut the standard.

**Mr Grant**—Perhaps I can just explain where that got to, because this is tied up through the outcome of your committee process, plus it was then referred to the ministerial council. At the request of the New South Wales minister, Minister Macdonald, the ministerial council considered widening its terms of reference for the working group it had already established. It has established that working group to pick up your reference from the committee that you

were involved with. The ministerial council agreed to expand the working group's terms of reference to include the issue of consumer labelling for meat raised by New South Wales but to look at it on a holistic basis. That working group has got a responsibility to report back to the ministerial council by November this year.

**Senator HEFFERNAN**—Because the Australian Meat Industry Council is not too sure what they want to do and you blokes are set aside from their deliberations. I would have thought it made perfect sense to harmonise what is a lamb.

**Mr Palmer**—Chair, through you, Senator, I was referring to the meat labelling or grading bill that has come out of New South Wales as distinct from the Senate inquiry into lamb labelling.

**Senator HEFFERNAN**—That was the question on New South Wales. What is your position on that? You have given me an answer.

**Mr Palmer**—I have given you an answer. I think that the commercial pressures and commercial landscape can provide the answers that you are looking for, as distinct from relying on regulation.

**Senator HEFFERNAN**—So if they implement their scheme within six months, as they are saying they will, where does that leave us federally?

**Mr Grant**—My understanding is that they are not going to implement it. They are going to wait until they hear the results of the ministerial council process to look at that issue across all jurisdictions.

**Senator HEFFERNAN**—Thank you for that. Is the MLA concerned that we are waiting till 2015 to work out whether we are in or out of the emissions trading thing? I am unaware—

**Dr O'Connell**—2013.

**Senator HEFFERNAN**—Sorry, 2013. I am unaware of whether we are playing hide and seek with the rest of the world waiting to see what the US and the southern continent of the Americas does. What is magic about 2013?

**Dr O'Connell**—Is that for MLA or—

**Senator HEFFERNAN**—No, that is for you, because I am going to come back into context with this with the MLA.

**Dr O'Connell**—That, I think, is the time frame—

**Senator HEFFERNAN**—Are we like the bookies at the races and looking over our shoulder to see what the other fellows are doing before we—

**Dr O'Connell**—I think that is the time frame that the government has decided would provide sufficient time to do the analysis to work out the points of obligation that might be used, whether or not it is cost effective to go through that process, whether to not put the industry into the system and, instead, look at an alternative process. There is a work program.

**Senator HEFFERNAN**—Dr O'Connell, if the United States, in the meantime, say that they are in on the credit and out on the debit side, which is a proposal that is in the paper chain, will we make a decision based on—

**Dr O'Connell**—The current settings are that the government will address the issue between now and 2013 and make a decision in 2013.

**CHAIR**—On that, Senator Heffernan—

**Senator HEFFERNAN**—I have just got one more question.

**CHAIR**—No, we are going to bring MLA back.

**Senator HEFFERNAN**—Yes.

**CHAIR**—No, it is smoko. We will bring MLA back. We will just take a short break. We will be back at 4.15 sharp. Thank you.

**Proceedings suspended from 4.00 pm to 4.15 pm**

**Meat and Livestock Australia**

**CHAIR**—Senator Heffernan.

**Senator HEFFERNAN**—I recently walked through a few butcher shops and supermarkets and I noticed in Melbourne—I had better not name the institution—in a food market in a well-known retail space, they were selling cutlets and loin chops by the chop, instead of by the kilo, with no mention of weight. They said, 'No, that is all right. That is how we do business in Victoria'. So I went to Civic, here in Canberra, and I noticed they are selling it by the cutlet, and I asked them to weigh the cutlet to give me a kilo price and it came back at \$44, or whatever it was, a kilo. The chops here were \$2.50, and they were \$2.50 in Melbourne. Then I went to a suburb in Sydney, and they were \$2.80 in Sydney. My question is; are they breaking the law?

**Mr Palmer**—I am a bit familiar with New South Wales, and I can happily look into what the laws are in other states. I know that in New South Wales there is always a kilo price and then in supermarkets there is a pack price. I have seen in other places where cutlets or shanks are sold individually but there is a kilo price generally somewhere in the window. I know there have been lots of submissions over the years about changing from a kilo rate to perhaps a 100-gram rate, not dissimilar to the Asian markets. I know in New South Wales the kilo rate is mandatory, and a pack price can go with that, or a unit price. But I am happy to look into the other states and get a response to you.

**Senator HEFFERNAN**—Having just come back from the United States and Canada—where they have it per 100 grams—do you have a view as to the best way for consumers to get a grip on just exactly how much they are paying for the meat they are buying?

**Mr Palmer**—Of course, 60 per cent of the meats retail through supermarkets and they have a pack price, so it is very clear; you pick up the pack and that is the price of it. We have not been overwhelmed by consumer criticism.

**Senator HEFFERNAN**—No. I have a sympathy for the butcher, I have to say. But I did put it to him 'were you breaking the law?' and he said, 'No. I am competing with the supermarket up the road.' That was his answer.

**Mr Palmer**—I understand and accept that. At MLA we have not been inundated at all by consumers looking for a different pricing mechanism.

**Senator HEFFERNAN**—Just the same, it needs to be sorted. As I say, it was \$44 a kilo.

**Mr Palmer**—You seem to know the consistencies, or lack of, between states, and I am happy to look into it.

**CHAIR**—Was that your one and only before we move on, Mr Heffernan?

**Senator HEFFERNAN**—No, I am waiting for Mr Glyde.

**CHAIR**—While we are waiting, Mr Palmer, I would ask MLA's views on a national standards system. I know you talked about Meat Standards Australia, but what is the MLA's view on a national standard system for meat labelling?

**Mr Palmer**—I understand from the previous response from Allen Grant that the draft bill of New South Wales has now been on-sent to the Commonwealth, where I assume that all state ministers will now address it. If there is a regulatory outcome, then I think it would be important to be consistent across all jurisdictions. Meat is transported right around Australia, and I think a mish-mash of outcomes would not be to anyone's benefit.

**CHAIR**—I appreciate your honesty. Has MLA any idea how the states and territories may be looking at it?

**Mr Palmer**—No. We are aware that there was support in New South Wales, but it is not clear to me that any one state has the capacity or capability to implement it—hence it has been sent on to the federal sphere. As I attempted to say in an earlier answer, I think there is, predictably, some support for regulated meat labelling. I tried to respond by saying that I think there are other instruments in existence that can provide the sorts of outcomes that we are looking for. My personal view is that there are commercial drivers and commercial instruments that are preferable to a regulatory response—and that is through Meat Standards Australia, AUS-MEAT and other vehicles.

**CHAIR**—Thank you.

**Mr Grant**—Sorry, Senator, if I could just clarify: Mr Palmer said it had been sent on to the federal sphere. It has actually been sent on to the ministerial council sphere. The working group comprises representatives from all of the states and, potentially, the ACT and the Northern Territory, although they are yet to indicate coming on board.

**CHAIR**—Thank you.

**Senator HEFFERNAN**—Does the MLA have a view that there ought to be a common test of dentition for all lambs? Are you happy with the hanky-panky that goes on there at the present time, where if it looks like a lamb, maybe you can label it as a lamb?

**Mr Palmer**—We have funded some research into this and the outcomes of that were, as I recall, absolutely in line with your Senate interim report. That was in relation to dentition.

**Senator HEFFERNAN**—I would have thought that made a lot of sense. Mr Glyde, how are you?

**Mr Glyde**—Very good, thank you.

**Senator Sherry**—Just before you go on, Senator Heffernan: do we still need the MLA? Have we finished questions on the MLA?

**CHAIR**—Unfortunately, we still do need MLA for Senator Boswell.

**Senator Sherry**—Out of deference to the witnesses who have been here for some time, could Senator Boswell do his questions to the MLA and then we can move on to the environmental CRS.

**Senator BOSWELL**—I think Senator Colbeck made mention of the different treatment between the Australian and New Zealand emission trading schemes. What is the relative impact between the Australian and New Zealand livestock and dairy industries? I thought Senator Colbeck said that New Zealand was bringing them into line with us. Is that correct?

**Senator COLBECK**—It was my understanding of what they are looking to do. I cannot speak for the New Zealand government, unfortunately, Senator Boswell.

**Dr O'Connell**—I might be able to help there. The New Zealand government are undergoing a review of their scheme and I think their clear intention is that they will try to align it with whatever Australia has.

**Senator HEFFERNAN**—They are looking over their shoulder.

**Senator Sherry**—Harmonisation.

**Senator BOSWELL**—Are you saying that they are going to align their ETS with our ETS, or are they going to dump it completely?

**Dr O'Connell**—They are reviewing the whole scheme they have got, and their declared intention, as I understand it, is they will try to align it as far as possible with the Australian outcome.

**Senator BOSWELL**—Why have forest contracting been excluded from the fuel? What rationale is there—

**Dr O'Connell**—This is not the MLA.

**Senator Sherry**—Just the MLA.

**CHAIR**—Can we just do a deal and wrap up the MLA.

**Senator HEFFERNAN**—Can we note for the Hansard that Senator Xenophon missed the turn-off and he has arrived.

**Senator Sherry**—I think that is a bit unfair. I wish a few others had missed the turn-off, as you put it. Senator Xenophon is required to cross over, as an Independent from South Australia, on many, many committees, and it should be no surprise, Senator Heffernan—

**Senator HEFFERNAN**—I just had to note that he is taking an interest in this one.

**Senator BOSWELL**—The dairy and livestock processing sector advise they are currently engaged in a process with the Department of Climate Change regarding EITE assistance. What is the state of this process? Is the process going to come out with some proposition that the dairy and livestock processing sector will receive some assistance? What is the status of the talks?

**Dr O'Connell**—Again, I do not think this is a question for MLA. It probably is one that we might be able to handle in the climate change division.

**Senator BOSWELL**—All right, okay.

**Senator McGAURAN**—I want to lead into this question—

**CHAIR**—You were not in the room before. There has been a lot of leading in. If you can lead in nice and quickly, it will not start fights.

**Senator HEFFERNAN**—Do you want music in the background?

**CHAIR**—Senator McGauran, please ask your questions direct and to the point.

**Senator Sherry**—I had made the point that your former National Party colleague, Senator Boswell, has been very precise, straight to the point and absolutely top class.

**Senator HEFFERNAN**—Don't overdo it.

**Senator McGAURAN**—Not surprisingly, Minister, you led the blow-out or the blow-up.

**CHAIR**—Can we have your question?

**Senator McGAURAN**—We have discussed this matter before. It will be one question. The national herd levels over the next three or four years are expected to decline about one per cent per year. Is that right?

**Mr Palmer**—I would have to check the forecast. No, unless they have been modified in the last little while, we have a very steady growth. We are at 27 to 28 million now. I can move to the forecasts in a minute.

**Senator McGAURAN**—I have 25 as reported.

**Mr Palmer**—The ABS number is around 27 to 28 million. That might include dairy as well. You could be talking about beef and dairy is on top. It is about 27 to 28 million.

**Senator McGAURAN**—I am just talking about beef.

**Mr Palmer**—The numbers are 27 to 28 million or something like that.

**CHAIR**—Do you have a source there, Senator McGauran?

**Senator McGAURAN**—Yes, I do. Mr Tim McRae said that the results of 25.3 million beef herd numbers were lined up with MLA's estimates and Mr McRae said that he expected numbers to fall over the next couple of years before lifting.

**Mr Palmer**—I heard the word 'beef' in there. That could likely be the beef numbers. Our own projections are in fact in 2009, 28,580,000; in 2010, 28.9 million; in 2011, 29.2 million; in 2012, 29.4 million; and in 2013, 29.6 million. So it is a very modest growth. From 2008 to 2013 it is predicted to go up by 6.5 per cent.

**Senator McGAURAN**—Okay. Align that modest rise with a freeze, if you like, on the levy at \$5. You have frozen the levy for how long—12 months?

**Mr Palmer**—No, we are a little before all that. An independent committee which have reviewed the current levy of \$5 to see whether it has been effective and been spent and used efficiently. Their findings have just been released. Two weeks ago they released their report, recommending to industry that the current \$5 for beef be retained. That will now be the subject of a debate over the next six months, culminating in the annual general meeting of Meat and Livestock Australia where we will vote for or against the retention of the \$5. With regard to the inflationary aspects into the future, the view of the committee was that the

organic growth in the herd and the additional growth in transactions would compensate for any inflationary aspects over the medium term. That is where I talked about that modest growth in the herd numbers. That is to cover the inflationary aspects. Importantly, the industry is just now embarking on a debate over the merits or otherwise of the current \$5 for beef. As I say those findings are now public and we will have a good debate leading up to November where the industry will resolve one way or the other to keep the \$5 or drop it back to \$3.50.

**Senator McGAURAN**—So they will be the two options they will be voting on?

**Mr Palmer**—I do not know what the exact wording will be, but the outcome will be either retention of \$5 or dropping to \$3.50 at the sunset clause that was put in by the previous government to take effect at 31 December 2010 should the industry choose to revert to the \$3.50. So it will sunset to \$3.50 if the industry does not say otherwise.

**Senator McGAURAN**—Either way, looking at the herd numbers and the levy cap, at best money for your purposes, research and promotion, is tight.

**Mr Palmer**—I am sorry to complicate it, but I should just say that, with the \$3.50 to \$5, the \$1.50 component which is the subject of the debate is entirely marketing dollars. The research is not in that. The research component is within the \$3.50 and is not under discussion at this moment. It is the balance between \$3.50 and \$5, the \$1.50, which is being discussed. That generates our total levy take, which in mutton, lamb and beef comes to about \$90-odd million and in beef about \$60-odd million. Is it tight? I think we are well funded, frankly. I think we have a lot of important markets. I think the area where we have taken a bit of a hit this year is the currency exchange. We have had to top up. We have had to put significant additional funds into our overseas marketing programs and we have lost a lot through currency exchange.

**Senator McGAURAN**—We discussed, probably in the first estimates, the research project you were about to set up with the government in relation to reduction in cattle emissions. What is the status of that \$2 million project which you are putting in?

**Mr Palmer**—That is partly government.

**Senator McGAURAN**—Two million dollars—is that correct? What is the status?

**Mr Johnsson**—No, it is more than that. Under Australia's Farming Future, the Climate Change Research Program awarded \$11.25 million over about three years to an integrated program of research. MLA will be putting about a million a year into that.

**Senator McGAURAN**—Over how many years?

**Mr Johnsson**—Over three years.

**Senator McGAURAN**—Three million, then?

**Mr Johnsson**—Over three years, that is right. Then there are in-kind contributions. There are some cash contributions also from the dairy industry and from wool and there are in-kind contributions. The total, including cash and in-kind, from memory is about \$28 million.

**Senator McGAURAN**—So that is going ahead? Has that started?

**Mr Johnsson**—Yes, all the projects are being contracted at the moment.



**Senator McGAURAN**—So \$3 million of the research levy is going into this absurd project? Will this be made available to the electors when they come to vote on the levy?

**Mr Johnsson**—Sorry, did you say, ‘Will it be made available?’?

**Senator McGAURAN**—What research projects? Is information readily available on what research projects the MLA undertake? This \$3 million of cattlemen’s levy is going into this absurd project.

**Mr Johnsson**—We do report, through our communications with the industry, the sorts of new projects that we embark upon. The issue here is that methane emissions from cattle and sheep represent a significant energy inefficiency in their production.

**Senator McGAURAN**—That is what you are told by the department. This is \$3 million to pacify a department—

**Mr Johnsson**—No, this is what we are told by the scientists.

**Senator McGAURAN**—and to act politically correctly before the government. That is all it is, but in reality you are wasting cattlemen’s money.

**Mr Johnsson**—What we are looking to do is to see whether we can capture some of the energy which is currently lost through methane from the animal in improved production efficiency as well as reducing greenhouse gas.

**Senator McGAURAN**—I have been to the field days.

**Mr Johnsson**—We are looking for a twofold benefit.

**Senator HEFFERNAN**—Is that code for change of diet?

**Mr Johnsson**—No, there are a number of ways you might be able to do it.

**Senator HEFFERNAN**—Some people think we can change the diet for the Northern Territory.

**Mr Johnsson**—Changing diet or manipulating it in any way is very difficult for our extensive industry.

**Senator McGAURAN**—I want it registered, because I have been to the field days where the state governments have a stand in relation to the possibilities of methane research and methane reduction in cattle. I can tell you the people at that stand laugh when they try and explain it all to you. You have the responsibility in regard to research dollars and overseeing that levy, and this is a wicked waste of \$3 million of cattlemen’s money at a time when they can ill afford it. In the midst of a climate change debate you have joined the nutters.

**Mr Palmer**—Chair, can I just make one comment?

**CHAIR**—Yes, Mr Palmer.

**Mr Palmer**—From a beef and sheep meat industry point of view, in the last two years, in our view and the view of the industry that we serve, the greatest single threat and issue—

**Senator McGAURAN**—Is policy.

**Mr Palmer**—is the whole matter of climate change and climate—

**Senator McGAURAN**—No, policy.

**CHAIR**—Sorry, Mr Palmer. Senator McGauran, at least have the decency—you asked—

**Senator McGAURAN**—Policy on climate change is not climate change.

**CHAIR**—Do not show your rudeness when you are on show for everyone. You normally show it most times, but Mr Palmer was answering your question and you rudely came in because you did not like his answer.

**Senator McGAURAN**—He is attempting to berate the—

**CHAIR**—I know it makes a change from us and your colleagues. But, Mr Palmer, please continue.

**Mr Palmer**—It is just that it has been clear to us, through a whole lot of forum, that this is the biggest single issue that has confronted agriculture and our side of agriculture for some years; I do not know how long. I think—and I would stand and defend this anywhere—that it would be irresponsible on the part of Meat and Livestock Australia and the industry we try to serve if we did not invest in this area to understand the impacts, what it is going to mean to farmers and what it is going to mean to the international community. We are very trade exposed. We ship to 104 markets around the world. We have undertaken a series of programs over the last 15 or 20 years trying to keep ahead of the game, trying to be better than the best and putting systems in place here to meet the standards of every one of these markets. If we lay dormant and silent in this contentious area, I think it would be an irresponsible use of industry funds at a time when we need to cater for and accommodate their needs and the uncertainties that lie in the future.

**Senator HEFFERNAN**—Right. So could I ask you a question.

**Senator Sherry**—Chair, could I just ask that, on that earlier comment of Senator McGauran's, you examine the record. I think it is totally out of line to make that sort of reflection.

**Senator McGAURAN**—What comment is that?

**Senator Sherry**—When you accused Mr Palmer of joining nutters. Senator McGauran, frankly you should think before you make that sort of comment.

**Senator McGAURAN**—There are a lot of nutters in this climate change debate and your own side has been drawn to the middle of it.

**Senator Sherry**—It is inappropriate to reflect on their mental condition, Senator McGauran.

**Senator McGAURAN**—No, that is colloquialism. It is not a reflection on the mental condition.

**CHAIR**—I think, Senator McGauran, you might know that—

**Senator McGAURAN**—Everyone knows that that is proper slang.

**CHAIR**—Senator McGauran, you may wish to visit—

**Senator HEFFERNAN**—Can I just ask a question?

**Mr Palmer**—I have one last thing I wanted to say to an earlier question of Senator McGauran. In terms of the levy marketing debate which we will have in November and the

issue of how we spend R&D dollars in the environment, first up, they are not connected. However, if people want to examine the performance of the company, our annual operating plan, which goes right down to the dollar for every program we fund and manage, is a public document freely available, and I am quite happy to provide copies or point people to websites where it can be found. There is nothing to hide in our investment program and they are contained in our annual operating—

**CHAIR**—And we can get that on the website?

**Mr Palmer**—Correct.

**CHAIR**—Okay, thank you, Mr Palmer.

**Senator HEFFERNAN**—In your figures for the estimated herd size, do you have an estimate in your figures of untagged cattle in Australia?

**Mr Palmer**—No. I think you might recall, Senator, that the last time we met in this place we had a similar conversation. It is my understanding that cattle consigned to sale or transaction will be tagged, will be read and will feed through the database. When we do have issues, there is a breakdown somewhere or something has happened, we rely on the vendor or the purchaser to notify us and we will make amends, as we do. But officially and formally everything is tagged at the point of transaction.

**Senator HEFFERNAN**—But say there are an estimated 20,000 or 30,000 feral cattle on Cape York Peninsula. They are not included in your figures—or are they by estimate? I have to say that there is a big patch out there in the Kimberley where the—

**Mr Palmer**—The herd size, Senator, is determined by ABS figures that are collected every year, not through the NLIS program.

**Senator HEFFERNAN**—So that is some sort of estimate. On 1 July the new AQIS arrangements come into being—the dropping of the levy and the subsidy. Have you guys got any idea of how we fund the changes to the industry in AQIS then—whether it is going to go backwards or forwards?

**Mr Palmer**—I do not wish to make light of this, Senator, but we did deal with this about an hour and a half ago. But we understand the copayment of \$30-odd million is going to terminate and, yes, it will revert to a cost to the meat plants and, as supply and demand dictates, that will be passed forward or passed back.

**Senator IAN MACDONALD**—Mr Chairman, I wonder if I could just ask one question? I appreciate we are now over an hour late and we have got other areas we need to get to. Mr Palmer, someone from up in the north-west of Queensland raised with me the fact that the \$5 transaction levy is a big impost on them because they are selling all their cattle to try and get enough money to repair fences, repair sheds and buildings that have been damaged by the floods. They went further to say: in any area that is in an emergency situation, such as drought, fire, flood—and I was told it happened with the fires in Victoria—the levy is waived. I have written to the minister about this as well. What impact would it have on MLA if the levy was not charged on people who were transacting because they had to, not because they wanted to?

**Mr Palmer**—If the specific nature of the request could be seen, then we could give a more definitive number. It has often been a contentious matter in times of forced sales or droughts. You are right: there was a period there with the fires when the levy was waived, through the minister's office. Did that have an impact on our fortunes? Yes, but I do not know and I do not think that it would have been significant. But I do not know who is going to arbitrate between a distressed sale and a semidistressed and a not distressed.

**Senator IAN MACDONALD**—In the case of the fires—and I do not for a moment begrudge those that were involved—what is the difference between that and the farmers up in the gulf country of Queensland whose stock were just washed away in hundreds, although not as many as we originally thought, I might say. On what basis did the minister do that? Were you consulted?

**Mr Palmer**—There were certainly discussions between the company and the minister's office in relation to fires—no question. But I am not aware—and I am not saying it did not occur—of discussions along similar grounds in relation to the flood victims, the flood cattle.

**Senator IAN MACDONALD**—Again, I am not sure whether I should be asking you or the minister. Is there some merit in looking at a system, where there are dangerous fires or dangerous floods or even extending it to drought, where the levy could be waived? Or perhaps the government should subsidise you and allow those people not to pay it. I am reluctant to cut back on your funding, but it does seem a bit difficult where graziers are forced to sell through natural calamity.

**Mr Palmer**—Not wishing to try to answer this on the run, I think we would need to, with the government, look at some of the feasibility behind what you are saying, because as soon as you start creating exemptions it becomes an enormously complex story to get some—

**Senator IAN MACDONALD**—But how did it happen in the Victorian fires? Was that just a political decision?

**Mr Palmer**—I was not in the front line of the talks. I just know that the outcome was to waive the levy for a seven- or 10-day period, because we had seriously distressed animals with no feed or fodder, no nothing.

**Senator IAN MACDONALD**—Absolutely. And nobody can argue with that.

**Mr Palmer**—Whereas the droughts are a little different. In fact, the tagging program that the senator referred to a moment ago was actually quite valuable in trying to get these cattle back to where they belonged, so those that died were a tragedy, but those that did not were found and are now back on stations and enjoying the benefits of a flood plain.

**Senator IAN MACDONALD**—But, as you rightly say, why for the Victorian people who had fires? As I say, I would not begrudge them for a moment, but equally there were people in the north-west of Queensland who had fairly horrific floods. How do you make the distinction?

**Mr Grant**—Perhaps I can just give you a little bit of background on the levy changes as a result of the fire situation. That came about because the industry came to the government and said, 'We would like to donate the amount equivalent to the levy payments to the bushfire appeal relief fund.' The government looked at this proposal and request and agreed to change

the levy arrangements for a particular time at certain sales around the country to actually have the levy payments that would have been made on top of those sales payable to fire relief charity organisations—but to do that we had to change the regulations, which we did.

**Senator IAN MACDONALD**—Did the individual farmers pay the levy but then the money went to charity? Is that what you are saying?

**Mr Grant**—Yes, that is right. The levy was still collected but the money did not then come to the government, as in the normal levy arrangements; it actually went to the bushfire relief fund.

**Senator IAN MACDONALD**—So it was not a relief of those farmers who had been affected by the fires?

**Mr Grant**—No. It was simply a way of collecting money to help. It was national. It was simply a way of helping to collect money for bushfire relief, and it applied nationally; it did not apply just in Victoria.

**Dr O'Connell**—It did not apply to those farmers; it was a national approach to get money from the farmers overall to those in distress.

**Senator IAN MACDONALD**—And was it relief to the farmers with damage or to the general fire?

**Mr Grant**—To the general fire relief fund.

**Senator IAN MACDONALD**—There was a general fund for some of the flood victims. Obviously, it was not an industry initiative to include them. And, quite frankly, you would not put the floods in the same horrific category as the fires. But it was an industry initiative, you are saying?

**Mr Grant**—This was an initiative raised by industry, who came to the government and made a submission and said they would like to do this, and the government facilitated that arrangement.

**Senator IAN MACDONALD**—I said to these people, 'What would it cost you?' and he said 'Five hundred by five is 2,500.' I said, 'That's not much,' and he said, 'It's a lot if your bank is being difficult and your fences have all been washed away; even \$2,500.' Anyhow, I have written to the minister. Perhaps it is something that the minister might care to discuss with you in the fullness of time. Mr Chairman, I appreciate now I have made the meeting one and a half hours late, but perhaps we should move on now to the next one.

**CHAIR**—Thank you, Senator Macdonald.

**Senator HEFFERNAN**—I have just got one question.

**CHAIR**—Yes, you have been waiting patiently; just one question to wrap it up, thanks, Senator Heffernan.

**Senator HEFFERNAN**—Mr Glyde, you have been quoted around the traps recently as saying—and based on heroic assumptions that somehow we are going to get an ETS agreement and farmers are going to be in or out based on what America does, and all the rest of it—as saying that getting that agreement will be more difficult than Doha, which is very difficult. Is that still your view?

**Dr O'Connell**—I do not think that is part of our—

**Mr Glyde**—I do not remember making that quote, Senator.

**Senator HEFFERNAN**—Don't you?

**Mr Glyde**—No.

**Senator HEFFERNAN**—Do you want a recording of it?

**Senator Sherry**—Chair, have we finished with the—

**CHAIR**—Yes. We have finished. you. From MLA, Mr Palmer and Mr Johnsson, thank you very much.

[4.49 pm]

**Australian Bureau of Agricultural and Resource Economics  
Climate Change**

**CHAIR**—I welcome officers from Climate Change and ABARE. If there are no opening statements, we will go straight to questions.

**Senator COLBECK**—We will start with the drought. Can you give us an actual expenditure on all drought programs in 2008-09—actual money expended?

**Mr Mortimer**—We would have to take that on notice. The budget papers have the estimated outcomes, but, in terms of actual details to date, that is something we would need to come back to you on.

**Senator COLBECK**—We know there have been significant discussions within government, and consultation with the community in relation to drought programs going forward. On page 60 of the portfolio budget statement it says that the reduction in expenses between 2009-10 and 2010-11 is due to the cessation of drought programs. Can you tell us what 'cessation' means?

**Mr Mortimer**—Yes, Senator. That is essentially budget language that the funding is ceasing. That is because there is no actual decision being taken.

**Senator COLBECK**—I am glad you clarified that for us, Mr Mortimer.

**Mr Mortimer**—Yes, exactly. It has always been the case for drought programs that the expenditure estimates for the year ahead depend on the decisions taken at that point in time.

**Senator COLBECK**—We have heard that. But I do not recall, in previous budget documents, seeing the term, 'cessation of drought programs'.

**Mr Mortimer**—It was an unfortunate choice of words, but it essentially it means that, in the absence of a government decision, which has not yet been made, on the future of drought programs past 2009-10, as the minister has announced, there is not provision for funding.

**Dr O'Connell**—Fundamentally, nothing should be read into that, if that is the issue. There is a clear commitment by the government to complete the drought policy review process. The minister has made it very clear in his post-budget statement that that would be completed soon. Coming from that, we then clearly will have the arrangements for future years.

**Senator COLBECK**—What is the time frame for that?

**Mr Mortimer**—It is a government decision to make, so it is a question of working through—

**Senator COLBECK**—You obviously have an outer limit, because you have got a budget to prepare within 12 months.

**Mr Mortimer**—I certainly would expect it, quite clearly, at the very latest, within the budget process. It is also clear that the minister is saying that he expects decisions in this area to be made in the near future.

**Senator COLBECK**—So an interpretation of it could be that funding of drought, under the current programs, will cease, but potentially there could be new programs of a different kind post that date that would deal with the funding of a drought from a government perspective.

**Mr Mortimer**—It is impossible to say one way or another, Senator. Essentially, the government has not made any decisions about arrangements past 2009-10. The minister's press statement, as part of the budget night announcements, set out the arrangements for 2009-10 and also talked about the budget policy reviews still to be finalised. Essentially, that is as much as we can say.

**Senator COLBECK**—The minister's statement, as I recall it, also said that those that are currently receiving payments would continue to receive payments.

**Dr O'Connell**—Yes. He has been clear that people who are under current arrangements in areas that have been declared exceptional circumstances will maintain that through to the end of that process—so the declaration period.

**Senator COLBECK**—What is the end date for those that are currently on EC?

**Mr Mortimer**—Essentially, what will happen is that the current process will continue; there has been no change to the current process. Areas are declared in drought and they are reviewed on an annual basis. The National Rural Advisory Council does that assessment once a year; NRAC gives that advice to the government. NRAC essentially has the job of assessing whether seasonal conditions have changed sufficient to allow recovery across that region. The government considers that advice and then makes a decision on whether the assistance should continue or not. The minister has stated quite clearly that that process will stay in place for the foreseeable future and that that will continue until those areas have been found to have recovered.

**Senator COLBECK**—So, effectively, there is no statutory process or time frame that will see areas that are currently in EC cease to receive benefits unless there is a change to the drought status of that area?

**Mr Mortimer**—That is right, Senator. And in terms of that, the funding arrangements are entirely driven by appropriation. There is no legislative limit on any of the arrangements. They are entirely driven by funding from the budget and by agreement between the—

**Senator COLBECK**—So there are no statutory limits in place? You just need to refresh my memory. There are no statutory limits on the amount of funding an individual property owner can receive under the process?

**Mr Mortimer**—There is no statutory limit. There is an agreement between the Commonwealth and the states that the maximum assistance should be \$100,000 per annum and \$500,000 over five years. That agreement is in place. That is the extent of the limits.

**Senator COLBECK**—So there are time frames at which assistance could end to individual property holders in EC areas? As it stands at the moment, when they hit those thresholds, that maximum \$500,000, that could be one of the triggers that would see a property holder cease to receive EC payments under this current process?

**Dr O'Connell**—That is under the current arrangements.

**Senator COLBECK**—So, effectively, the maximum that this process could continue would be five years?

**Mr Mortimer**—Well, no; that really is a matter of judgment on the government's part. Potentially, if the government were in that position, it might want to consider whether it continues that. We are not in that space yet, so we have not come to that.

**Senator COLBECK**—So existing EC areas that qualify to be rolled over will still go through the NRAC process for consideration of review?

**Mr Mortimer**—Yes, that is right.

**Senator COLBECK**—What about the areas that are receiving prima facie assistance at the moment? Where do they—

**Mr Mortimer**—Sorry, Senator?

**Senator COLBECK**—Are there any areas that are not yet drought declared that are in a process of being considered?

**Mr Mortimer**—There are two prima facie applications in front of the government at the moment. One is for the McAllister Latrobe area in Victoria that came out of EC a year or so ago, following an assessment by NRAC, and there is also a prima facie application in New South Wales for the Bega region. That is also in front of NRAC. So, as a result of being declared prima facie, producers in those areas can get ECRP assistance—that is the relief payment for six months—while the government does an assessment and makes a decision.

**Senator COLBECK**—So the status of those situations will still continue?

**Mr Mortimer**—Yes. Their treatment will continue, consistent with the current rules, in the same spirit with which the government is determined that the current treatment of areas in exceptional circumstances will be considered and dealt with.

**Senator COLBECK**—What I am trying to get at is: do they fall within the remit of the minister's statement that those that are within the system now stay within the system?

**Mr Mortimer**—Quite so. Indeed, if there was a decision made that EC should apply to those areas, that will be agreed and funded under the current arrangements.

**Dr O'Connell**—So, essentially, there is no change to the current arrangements until the government makes a decision to change.



**Senator COLBECK**—What about the transitional income support that provides a student or youth allowance equivalent? Is that impacted by the decision that was made in the budget last week on youth allowance?

**Mr Mortimer**—There are two issues there. Youth allowance can be available under the drought arrangements anyway, but the TIS, the so-called Transitional Income Support, will be continued for another year. That had previously been introduced for one year, and it was due to expire in 30 June this year, in the expectation of possible changes to drought arrangements. That program, along with a few other programs, will be continued. That was also set out in the minister's press release. It will run to 30 June 2010.

**Senator COLBECK**—I think we are on the same page. So it is not impacted by the changes to the youth allowance qualifications that were brought in in the budget last week?

**Mr Mortimer**—That is right. It will continue without change, essentially.

**Senator COLBECK**—There are three separate reports that we have now received, and the government is currently considering. Do we have a final cost on those reports?

**Mr Mortimer**—Yes, we have. I can go to that. Do you have that there?

**Mr Dadswell**—Yes. With respect to the three reports, the climate report by the Bureau of Meteorology and CSIRO cost \$136,000; the Expert Social Panel process and report—so that includes the cost of the panel as well—cost \$973,000; and the Productivity Commission independent report on the government drought support programs cost \$1.449 million.

**Senator COLBECK**—Sorry, what was the first one?

**Mr Dadswell**—The BoM-CSIRO report cost \$136,000.

**Senator COLBECK**—Is the government's response to these reports going to occur in the form of a new policy or is it going to respond individually to the reports?

**Mr Mortimer**—I think the sense, Senator, is that there will be a response in terms of the totality of the issue. The minister and the government, when announcing the drought policy review, indicated that they wanted to examine in a comprehensive way all issues associated with drought. Therefore, they initiated those reports into the economic, social and climatic dimensions of the issue. But I think it is fairly clear that there will be a single response to the totality of the drought issue.

**Dr O'Connell**—We are not ruling out that there will be recommendation by recommendation responses as well. It is quite possible, but the basic thing will be the new policy arrangements.

**Senator COLBECK**—What I am getting to is what opportunity will the rural sector get to interact with this process? We have obviously had a consultative process through the three reports. The Productivity Commission has done its work as part of that process. But are we going to go through, say, for example, a green paper or a white paper process, or are we just going to get what we get?

**Dr O'Connell**—I think we would need to get a readout from the minister on any additional process, but certainly at the moment a set of conversations, as the minister calls it, with industry are being conducted around the outcomes of the Productivity Commission report, the

BoM report and the social report. So a set of propositions have been put in place by two of those, the Expert Social Panel report and the Productivity Commission report. It is currently at the stage where the minister is taking those reports and having discussions—‘conversations’ as he called it—with a range of industry players to try to come to some understanding of where this landing will come.

**Senator COLBECK**—So he has gathered, I suppose, those he considered to be relevant or interested parties into his conversation?

**Dr O’Connell**—Well, I think the Productivity Commission process and the social committee process also provided opportunities for all relevant players to have detailed submissions and discussions on what they saw as benefits and costs of the current arrangements and what should be the new arrangements. There was a very extensive process of consultation through those processes and they were designed to inform the government as to what they might do next. So through those processes, I think—

**Senator COLBECK**—Yes, but you can bet your bottom dollar that, once a whiff of what is possibly going to come out, there is going to be considerable interest and desire to have some comment on that, and my question is: will the government give the community the opportunity to have that in some sort of public way or will it just say, ‘This is what we have decided and this is what you are going to get’?

**Dr O’Connell**—The future processes, I think, would really be a matter for the minister to consider, now that he has the final Productivity Commission report.

**Senator COLBECK**—But in the interim he is having some conversations, as he puts it, with various parties?

**Dr O’Connell**—Yes.

**Senator COLBECK**—Can we identify who those people are?

**Dr O’Connell**—I could not name the—

**Senator COLBECK**—So the department is not involved in that process; it is something the minister is doing off his own bat?

**Dr O’Connell**—There have been continuing discussions in the context of the work that has come through the Productivity Commission with a range of players. I would assume that both national and state level people have made their views known to the minister and his office and had discussions about the way things are going. The next stage of the process is really one that we will be heading into shortly.

**Senator COLBECK**—Going back to the discussion we had before, obviously you have another budget that is due in 12 months, at which point you will have to put something in it with respect to drought programs, given the unfortunate language—as we have agreed to call it—that was used this year so that you have got a sort of artificial time frame around that. But the department does not know what process the minister is going to use to consult with respect to the way forward?

**Dr O'Connell**—It is now a matter for the government to make its decisions and that is normal for a policy development process of this sort. The government will make its call about how to go about that. It is probably best taken on notice.

**Senator COLBECK**—Yes, I was just going to say that. In the circumstance that there is some sort of process going on between the minister and industry, whoever they may be, if it is possible for Senator Sherry to take on notice (a) if that process is occurring; and (b) who is involved in that process?

**Senator Sherry**—I will certainly do that, Senator Colbeck.

**Senator COLBECK**—Thanks. I just want to go on to some elements of the Productivity Commission report. I suppose, to a certain extent, they will come out. So far, does the government have any response or any agreement with the recommendations that are in the report?

**Mr Mortimer**—So far the government is not in a situation to make any comment. This Productivity Commission report will be dealt with in the same way as all these reports. It has been tabled in parliament. It is now public and that is a requirement the government puts upon itself. The recommendations are there to be drawn on in the process of government settling its position, but that is the extent of it. It is entirely unreasonable and inappropriate to comment on any of them either one by one or in total.

**Dr O'Connell**—It will be a matter of the government process. As the government comes to its overall conclusion on the drought policy review, the response, if you like, whether the—

**Senator COLBECK**—We understand that, Dr O'Connell, but we do not know what the process is, as we have just been talking about.

**Dr O'Connell**—Well, coming into the government decisions, which is the next set of stages.

**Senator COLBECK**—There are a number of recommendations there with respect to, say, the current process, which says, 'EC interest rate subsidies and state based transaction subsidies are ineffective and should be terminated.' So we are not expressing any view on that?

**Dr O'Connell**—Not until the government has considered its overall position on the—

**Senator Sherry**—It is not unusual, as I think we discussed this morning, for there to be a range of reports on a range of issues from a range of sources to government. The government is not bound by those report recommendations thereof and, in fact, I have just signed off on a report from the Joint Parliamentary Committee on Corporations and Financial Services that was provided to the former government in 2001, and here I am, eight years later, responding on behalf of the former government.

**Senator COLBECK**—Actually, you would be responding on behalf of this government, wouldn't you?

**Senator Sherry**—This government, but it is an odd scenario to be responding on behalf of this government to a report to the former government.

**Senator COLBECK**—Did the former government have in its contract that funding to these programs were going to cease within 12 months?

**Senator Sherry**—That just gives you an example and, in saying that, I would not suggest that in any way, shape or form the minister will take eight years, as it has taken, to respond to a report to your former government.

**Dr O'Connell**—In terms of the terminology 'cease it', we really should emphasise that it is simply budget terminology for 'the program has that length at the moment for decision'.

**Senator COLBECK**—And I will emphasis again, Dr O'Connell, that it has never appeared, as far as I am aware, in the budget in respect of drought funding before. So I think it is legitimate that there be some concerns about the fact that it is there. It might be, as Mr Mortimer said, unfortunate terminology. I will not disagree with that at all. I think we would all agree that that is the case.

**Dr O'Connell**—I think it is made very clear, though, by the minister as well, in his post-budget speech, that this is quite clearly intended to be a further year pending the decision to review the drought policy.

**Senator COLBECK**—I think I might put the remainder of my questions on drought on notice, which might assist us with time, Chair.

**CHAIR**—Thank you, Senator Colbeck. Senator Macdonald.

**Senator IAN MACDONALD**—We are limiting ourselves to 15 minutes each so we can get through this. I just want to thank the department for the answer it gave me to the question I asked at the last estimates about carbon emissions due to logging compared to bushfires. The question is labelled as CC10. I am not sure how I can otherwise identify it to you, but the answer said:

The National Greenhouse Gas Inventory 2006 data for Australia's forests reports that 2.7 million tonnes of carbon dioxide was emitted due to biomass burning (prescribed fire and wildfire), and 62.9 million tonnes emitted due to deforestation ...

If that were correct, Senator Milne perhaps would find some justification in the argument she makes. It goes on to say that net sequestration is 46.9 million tonnes, but this is the bit I want to ask about is:

Research from the Bushfire Cooperative Research Centre has estimated the 2003 and 2006-07 bushfires could have put ... (70-105 million tonnes of carbon dioxide) into the atmosphere.

I appreciate no one is here from the Bushfire CRC or, I assume, from the National Greenhouse Gas Inventory. I guess that would be in the climate change department now. But can anyone tell me why the range would be so different: 2.7 million tonnes of carbon dioxide, according to the National Greenhouse Gas Inventory, and 70 to 105 million tonnes from the Bushfire CRC, a figure which, to me, makes much more common sense.

**Dr O'Connell**—I think we would have to get back to you with an explanation of that from the Department of Climate Change, where some of this data occurs.

**Senator IAN MACDONALD**—I assume I can rely on this. If I issue my press release saying, 'Bushfire carbon dioxide emissions were far greater than—almost double—emissions from deforestation,' no-one would challenge me that I am being incorrect?

**Dr O'Connell**—We have obviously submitted this as the answer we have, coming through the Greenhouse Gas Inventory and the Bushfire Cooperative Research Centre. Perhaps what would be most helpful all round is if we go back, assure ourselves that this is correct and give you an explanation of why there is a difference.

**Senator IAN MACDONALD**—I had not realised it before, and unfortunately Senator Milne is not listening to me but, just in case, I will repeat that 70 to 105 million tonnes of carbon dioxide, as opposed to 62.9 from deforestation—

**Dr O'Connell**—One suggestion is that when the Department of Climate Change is on at estimates it may be that they can directly deal with this without having to take it on notice.

**Senator IAN MACDONALD**—I will certainly do that if I happen to be here on Friday, when they are inconveniently meeting.

**Dr O'Connell**—We can let them know that you will be looking at that.

**Senator IAN MACDONALD**—Yes, they are meeting on Friday, which is a bit inconvenient for some of us, but I will try and get someone to do that, if I cannot. Several of us have been on several climate change committees, and I think we have probably done it all to death—and a fourth Senate committee is now looking at it, so I will not spend too much time. But, in the context of the cutback in funding to your department—although I accept that the minister would challenge that there has been a big cutback to the department; but certainly with Land and Water and RIRDC are losing funding at a time when we would desperately think the farming sector would be very keen to progress research into the impacts of climate change on rural industry—Minister, can you indicate the rationale for the cutback in research in the agriculture department, at a time when climate change is just so important to every agriculture, fisheries and forestry industry?

**Senator Sherry**—I am just trying to recollect whether you were here for the conversation this morning, but we extensively canvassed this issue.

**Senator IAN MACDONALD**—I was here this morning.

**Senator Sherry**—Then my answers of this morning stand.

**Senator IAN MACDONALD**—That is you have no answers.

**Senator Sherry**—If you want to look at the *Hansard*, I know it was considerably more detailed than that, and they stand.

**Senator IAN MACDONALD**—Can I ask the climate change area of the department: are you expecting to be able to contribute the same resources to climate change impacts on rural industries this year as you did last year, bearing in mind budget changes?

**Dr O'Connell**—I might just comment on the issue of the impacts of climate change on the agriculture, fisheries and forestry sector and the need for those sectors to have research undertaken into both impacts for mitigation approaches is quite clearly in the very high priority for the government, and as I mentioned—

**Senator IAN MACDONALD**—High priority for?

**Dr O'Connell**—The government.

**Senator IAN MACDONALD**—Yes.

**Dr O'Connell**—As well as those sectors, quite clearly. But from our perspective, when we look at setting the resourcing and what we are aiming to achieve, this area is a priority for the government. It has been clear, coming through the program of Australia's Farming Future, that it would be. So we will continue to deliver Australia's Farming Future, with the climate change component of that being the driver.

**Senator IAN MACDONALD**—So you are saying the money you received for the Farming Future program will be heavily directed towards climate change and all its—

**Dr O'Connell**—It is directed towards climate change. One or other of our colleagues here can provide you with a sense of that.

**Mr Mortimer**—Probably the key thing to reference, Senator, is the Climate Change Research Program, which the government has provided, which provides some \$46.2 million for climate change over four years. The minister has made a series of announcements over the last while about the key projects to go ahead under that, which will be doing research into reducing greenhouse pollution, better soil management, adaptation to a changing climate, as well as bioresearch, which was announced last week. That program continues, as do the other elements of the Australia's Farming Future program.

**Senator IAN MACDONALD**—So this is not a new program?

**Mr Mortimer**—No. It was a program established last year. It was an election commitment of the current government to provide \$130 million over four years to help agriculture prepare for climate change.

**Senator IAN MACDONALD**—You said \$46 million, I thought.

**Mr Mortimer**—Yes, there are a number of elements to it. There is \$46.2 million provided for research. There is also funding for farmer training through the FarmReady program and there are also other elements of it.

**Senator IAN MACDONALD**—A lot of this sort of research was what Land and Water were doing with, with respect, more money than the \$46 million.

**Mr Mortimer**—Land and Water had a separate remit. This is research and development that is focused entirely upon climate change.

**Mr Quinlivan**—I might just ask Mark Gibbs to expand on this, but the \$46 million is being used to broker larger research programs around the priority areas. Organisations such as MLA and others are also contributing funds, so the \$46 million actually becomes part of a much bigger research program overall. Can you list the numbers, Mark?

**Mr Gibbs**—Yes. In the announcements to date Mr Mortimer was correct. We have announced programs on nitrous oxide, investigating soil carbon and reducing methane emissions from livestock. We have put in play three sorts of search hubs. In total, spend from the programs would be about \$27 million; that is over this year and the next three years. We have been successful in leveraging contributions from MLA, GRDC, CSIRO and other universities to around \$60 million, so the total program is about \$60 million.

**Senator IAN MACDONALD**—Who is administering that?

**Mr Gibbs**—We are administering it here, but we are coordinating through other bodies. MLA is doing the livestock program, GRDC is doing the nitrous oxide program and CSIRO is doing the soil carbon program.

**Senator IAN MACDONALD**—And in the past year nobody has been doing that sort of thing?

**Mr Gibbs**—I think there was some work that the previous Australian Greenhouse Office did on agriculture emissions. That program has now ceased, and the research program under Australia's Farming Future has picked up that area now. So I guess the answer is no at this stage.

**Senator IAN MACDONALD**—So you are telling me this is all new funding. That sort of work has never been funded or coordinated by the department in years gone by?

**Mr Gibbs**—I think a number of these programs and projects have not been done, and a number of the projects are going to be expanding areas of research from projects that have been done in the past. So in that regard they are new.

**Mr Mortimer**—So none of this work was done previously through the department, and it has enabled a new focused and enhanced research program to commence.

**Senator IAN MACDONALD**—Because a lot of it was being done by Land and Water and RIRDC?

**Mr Mortimer**—No, I have to argue with that. The work in research into carbon in soils that is now being funded and undertaken in a coordinated way through the program here was not previously being done. This is new work, and ditto in terms of reducing methane emissions. Certainly I would not claim there were not projects here and there and other corporations and other entities to do this sort of stuff, but it certainly was not being done with the level of funding, the boost of funding and the nationwide scale and coordination that have now been put in place.

**Senator IAN MACDONALD**—So you are saying that with livestock there was no research being done before?

**Mr Mortimer**—No, I am not saying that, but I was saying it was done—

**Senator IAN MACDONALD**—No wonder they are in such a parlous state if no-one was doing research.

**Mr Mortimer**—I was saying it was done in a piecemeal fashion, project by project, and it was not being done on a consistent national basis.

**Senator IAN MACDONALD**—Who was doing it piecemeal, to quote your words?

**Mr Mortimer**—Different corporations. I mean, MLA might do some projects and Grains R&D Corp might do some projects.

**Dr O'Connell**—I think, for example, just taking from what Mr Palmer from MLA was saying earlier on, that they have now seen this as a key priority and that is why they are partnering in this process, and they are putting up \$3 million as part of their contribution. But they are becoming partners and in fact, if you like, becoming the host drivers of it. So that is a level of long-run commitment to this work which was not there before.

**Senator IAN MACDONALD**—MLA have gone, but I cannot believe that in the last several years they have not been doing research into this.

**Dr O'Connell**—I certainly do not think the scale of research has been done—not on this scale and not in this organised way across research entities and—

**Senator IAN MACDONALD**—So is that a reason why, some would say, the department has been ineffective in arguing the case for its clients, the people who would like to think that you are their last line of defence in climate change.

**Dr O'Connell**—I think that is getting into a rhetorical phase, but I think it is quite clear that the \$46.2 million program on climate change research is targeted and significant and has every chance of making really significant headway in these key areas that have been developed so far. We are looking at the next stage of developing this program in the adaptation area.

**Senator IAN MACDONALD**—I am Dorothy Dixering you a defence, in that you must have been doing this sort of work in the past, from some funds. If you have not been then you would stand, I would suggest, condemned for not having done it.

**Dr O'Connell**—I think this is a question of differing government priorities. We give effect to the priorities of the government of the day. The current government has clearly emphasised for the Australian farming future that it wishes to pursue the climate change research agenda in agriculture, fisheries and forestry, and so that is where these programs have been developed and why.

**Senator IAN MACDONALD**—But until you had got these programs the department had been doing very little, you are suggesting.

**Dr O'Connell**—I think that until we had these programs—really with the change of government—we were following the previous government's priorities.

**Senator IAN MACDONALD**—We have to stop. The change of government, regrettably, now happened a long time ago.

**Dr O'Connell**—And these programs are the current government's election commitments, which we have given effect to. So this is simply the current government's election commitments.

**Senator IAN MACDONALD**—Dr O'Connell, I fully appreciate your position, but I cannot believe your department was not spending money on this in the past. I know about rebadging things, cutting out two research agencies and popping them up somewhere else, but I hear what you say and appreciate your advice. Thank you.

**Senator WILLIAMS**—Sorry about my ignorance; who handles the EC issues?

**Mr Mortimer**—Yes, amongst ourselves down here we can do that.

**Senator WILLIAMS**—Good-o. I have a concern. I live in northern New South Wales. The season has been pretty good, I might say, in most areas. We have pockets like Bundarra and Deepwater that have had a woeful run, and I believe NRAC have reconsidered their EC. They have stopped EC. Is there any way that we can get NRAC to reconsider that? These farmers have had to sell most of their stock and their dams are dry or nearly dry. I have driven through



Bundarra for months now to catch aeroplanes out of Armidale. It is a pocket of real trouble, but these people are excluded from any EC and I know they are doing it very tough. Can we have that reassessed in any way?

**Mr Mortimer**—There are two observations I would make. The key one is that the issue of boundaries for EC areas lies with the states under the current Commonwealth-state arrangements. So, if that area believes there is a case for being reconsidered for EC now, they should approach the New South Wales government minister with a view to making an application for reconsideration. I would also comment that the area was reviewed recently by NRAC and it advised that the area come out of EC. That was on the basis that—

**Senator WILLIAMS**—When was that review taken?

**Mr Mortimer**—A few months ago.

**Senator WILLIAMS**—A few months ago. That is exactly the point.

**Mr Mortimer**—But my point is that that review was taken over the period from February through to a week or so ago, when NRAC reconsidered the situation there on the basis of a request from the New South Wales minister. NRAC, of necessity, have to look at regions on the basis of the boundaries in front of them and they also have to look at the outcome for farmers in that region, across the region, on the basis of seasonal conditions. There are, from time to time, pockets of EC areas that are not recovered to the same extent as others. At the end of the day there is a judgment there.

NRAC, I would confidently say, errs a bit on the side of caution, but if the view of NRAC is that across the region as a totality the majority of farmers are in a situation where they are in recovery then they make that recommendation to the minister and then that is considered. Then down the track, if there is a situation where that region is not going to be recovered, New South Wales could make a new application. I would reference, for example, the fact that the Bega area application for EC, which is now in front of NRAC, is part of a region that came out of EC. It was going to recover a year or two ago, but for whatever reason conditions have not continued to improve. So there is a mechanism there and that mechanism is available. What it relies upon is the farmers in the area making their case to the New South Wales minister to put a case to our minister.

**Senator WILLIAMS**—So my next port of call is: ‘I must go to the New South Wales minister.’

**Mr Mortimer**—Yes.

**Senator NASH**—Apparently there are the similar sorts of circumstances at Canowindra in New South Wales. I do not expect you to repeat that answer again and apply it to this particular instance in Canowindra. As you say, NRAC work on a region. Is there any kind of communication mechanism from NRAC to the state government when they can very clearly see that within a region there is an area of extreme difficulty that falls under the region because of the general regional boundaries?

**Mr Mortimer**—In terms of the process of doing the EC assessments, NRAC relies on information from the state governments and from the state offices on the ground, such as Pasture Protection, Department of Agriculture et cetera—sorry, that is old-fashioned

terminology. They provide a lot of information to NRAC and often accompany NRAC on the tours around the region. There are a number of instances where—on the basis of what is seen by NRAC when they do those tours, assess the data and interact with New South Wales or any other government officials—the state will say: yes, we think that there is a case for continuing the EC in half the region and not the other, for example. That happens from time to time and would be reflected in the report to the minister. Where the state agrees with that through that process, that will be reflected in the recommendations to the minister and it will be acted upon. So you will from time to time see decisions on EC outcomes where the minister will say that assistance will continue for a revised area, and sometimes that gets reflected in the name of that area as it continues.

**Senator NASH**—Is it possible to provide the committee with the information of those instances where they have happened, say, within the last five years?

**Mr Mortimer**—I think we did that in answer to a question on notice from last estimates. It might be in my papers.

**Senator NASH**—I was not in this committee last estimates. Forgive me for not being across that.

**Mr Mortimer**—That is fine.

**Senator NASH**—If not, if you could do that, it would be very useful.

**Mr Mortimer**—We can give you an updated one, but we have provided that information previously and there are examples that are known.

**Senator ADAMS**—I would like to come back to the impact of the ETS on agriculture. Has any research been done on each individual state as to the effect?

**Mr Glyde**—We have not, as yet, had a look at the impact of the CPRS below the national level. We have looked at it in terms of impacts on industries at a national level, though it is in our work plan to do that. The only work that we have done that has looked at a state level—and I stand to be corrected—is when we were looking at: what would be the impact of climate change itself on Australian agriculture? We have looked at that nationally and then also had a look at what it would mean at various state levels as well.

**Senator ADAMS**—So you will be working on that?

**Mr Glyde**—It is one of the things on the list to do.

**Senator ADAMS**—Will future land-clearing programs, increased prices to farmers and the way rural communities are affected all come into your research?

**Mr Glyde**—That is right. In looking at those impacts, you have to look at land use changes and changes in relative prices in the economy. We have not traditionally done much work in terms of: what are the flow-on impacts to the community? We tend to talk about the employment impacts. That is a potential thing we could do, but it might be some time away.

**Senator ADAMS**—As far as small rural communities go, if you have not got services, everything compounds on everything else, as you are fully aware. So can that be included?

**Mr Glyde**—It can be included. We are limited to a certain extent by the amount of data we have that gives us an adequate reflection at that sort of regional level. We did a little bit of

work a year or two back where we looked at the vulnerability of different communities to climate change and the impacts of climate change. We did some case study comparisons where we actually had some data. But it is hard to do that comprehensively right across the country simply because we often do not have data about some of those broader social impacts. We have data on the economy and employment at a fairly fine-grain level, but we do not have data on some of the social impacts. It is hard to come down and model things like impacts of school closures and the like. We do not have that data.

**Senator ADAMS**—What about population shifts from the rural area out to the city?

**Mr Glyde**—That is a very hard thing to do as well, mainly because of lack of data there and lack of data in relation to what will be the really fine-grain regional effects of climate change—what areas are going to be more or less adversely affected. Your questions are quite reasonable, but coming up with accurate, quantifiable estimates of some of those things is very hard, because we just do not know enough and we do not have enough data. Case studies and examples are probably the best way to deal with that.

**Senator ADAMS**—That is going to have a huge impact on the whole ETS system.

**Mr Glyde**—That is right.

**Senator ADAMS**—People are going to have to pay the taxes and for everything else that goes with it. Having had a lot of experience living in rural communities, I get frustrated that the people who make things work and who are going to be the end payer of this are not really being considered in the way that they should be. If this goes ahead the way we think it is going to go ahead, I can see an awful lot of people from the area that I come from saying: 'Enough's enough. We've just had it. We're going.'

**Mr Glyde**—I sense a fair bit of frustration about the modelling work that we do, but I think it just goes to the limitations of modelling itself. There is only so far you can go with the level of data we have in the country. If we do not have fine-grain data from the ABS in relation to population trends and dynamics and things like that, it is not worth the effort of modelling it. I am not denying that they are legitimate policy concerns that have to be examined by government in designing programs that support the transition to an emissions trading regime.

**Senator COLBECK**—We are told by the government consistently that this is more comprehensive modelling than has ever been done before, and that is the terminology that they use. Then they tell us that the impact on dairy, for example, will be a 0.5 per cent increase in cost, but that ignores the limitations of the modelling and it also ignores the fact that, as an agency of the government, you have been given a set of parameters to use as your base assumptions to put into the model. You also come up against other modelling that has been provided by someone that does not have those constraints placed on them. For example, RIRDC has put together some stuff based on CIE's modelling that gives them a completely different answer. You are talking about changes to production in your modelling out to 2030. RIRDC is giving us information based on the dollars and cents impact on farmers. I know that you have done some other work and we will talk about that shortly, but that is what makes this whole process extremely difficult. It is not just difficult for those of us that want to debate it. It has to be difficult for the government as well in determining what is going on. There is no question that this process, as well as changing the economy over time—and we understand

the fundamental reason for it is to change behaviour and transform the economy over time—is going to have an impact, particularly on agriculture, from day one.

**Mr Glyde**—I could not agree more, and you have characterised that pretty well. What we do have is the best shot at the modelling we have ever had. We only have two or three general equilibrium models, as they are called, in Australia. Treasury have brought those together, they have refined them and they have made them work together quite nicely. That is still the best we have, and it is the best way of playing with the different policy settings. That said, it is still a work in progress.

**Senator COLBECK**—That is obvious from the fact that you continue to do iterations of the work that we have talked about. We first discussed this and the impact of the manufacturing process on on-farm agriculture. Now you have come back and you have done some further work on that, which we will talk about later, and now you are doing—

**Mr Glyde**—It is perhaps worthwhile just explaining that we are in this process of working through to try and better understand things and that for most of the nineties and into the early part of this decade ABARE has done a lot of work on the generalities of the emissions trading scheme, how to handle climate change and the costs and benefits of various methods for handling it. Since the government has moved towards an emissions trading scheme, we have started to focus more on the agricultural impacts, and it is literally a work in progress.

In December 2007 we published, for the first time, some results about the impacts of climate change on agriculture, which caused us to sit up and take a little bit more notice because it was demonstrating that, if the Australian government and, indeed, governments around the world were not able to do something about climate change, Australian agriculture would be disproportionately affected compared to the rest of the world. The average impact on agricultural productivity at 2050, I think, was a decline of eight per cent across the world, 17 per cent across Australia and differential impacts across the various states of Australia. But since then we have been moving down the track of getting better estimates of what the likely impacts might be. We and others are involved in that process. I sense your frustration—I do not have to sense it; it is very clear—

**Senator COLBECK**—I am glad I am getting something across.

**Mr Glyde**—that we cannot give you the answer that everyone in the country is going to agree with. As I see it, from a research perspective, we are in the process of getting better data, better modelling and better reflections of reality, but at the end of the day, as I was saying to Senator Adams, there is a limit to how far you can take that. The government has taken the decision to introduce an emissions trading scheme because of the concerns about what will happen in the longer run, and we are trying to do our best to point out what some of the policy options are and the consequences of those decisions. That is what we are engaged in.

**Senator COLBECK**—That really is a very good point and I could not agree more about the difficulty of that, but we are sitting here within a month of being asked to vote on this legislation. You told us earlier this afternoon that within two weeks you will give us further information about the likely on-farm impacts. You mentioned—I wrote it down earlier—a \$1,200 per farm impact on dairy farmers. I would like to explore that further.

The dairy industry have told us, in evidence to the Select Committee on Climate Change, that they believe the annual impact will be between \$6,000 and \$9,000 per dairy farm. I use that figure because that is probably the narrowest range. There are other figures out there that say it is between \$5,000 and \$10,000 per farm. They are within a range, I suppose. We have to vote on this knowing that there will be significant impacts from day one. We do not have before us any sense of what the government are going to do with respect to transitional measures, particularly for agriculture. They are obviously still talking about it, but there are going to be impacts from day one. Mr Gibbs told us earlier that the processing sector of beef will not receive trade-exposed assistance. I am presuming—and we will ask Mr Gibbs to confirm it—that dairy and other processing will not receive it either, so I suppose we could deal with that now.

**Mr Gibbs**—That is 2011 to 2015.

**Senator COLBECK**—I understand that.

**Mr Gibbs**—I was just clarifying your point.

**Senator COLBECK**—Is there a proposal to change the thresholds for trade-exposed post-2015, to bring the processing sector—and I am concentrating on the processing sector—into trade-exposed? Is there an intention by the government to change the definition of trade-exposed for the processing sector of agriculture so that they do receive trade-exposed assistance? Because they will not, from day one, as it stands.

**Mr Gibbs**—The decisions on how agriculture is treated in—

**Senator COLBECK**—No. We need to be clear about this. The processing sector of agriculture is not regarded in the definition of agriculture; it is regarded as part of industry. Are we changing that? Are we going to put that into agriculture, as was proposed in the New Zealand scheme, or is it staying in industry? Are we going to treat it any differently for trade-exposed assistance? Is it going to get its permits? We know that beef does not; we said that before. Does dairy? Does processing of vegetables, for example?

**Mr Gibbs**—In answer to your question: there are two parts. The first part is that in 2011 processing is treated like other manufacturing; it is not treated as agriculture.

**Senator COLBECK**—That is correct.

**Mr Gibbs**—The second part to answering your question is that in 2015 there will be a decision made about where the point of obligation is for equating or accounting emissions from the agriculture sector if they come into the sector.

**Dr O'Connell**—The decision will be in 2013.

**Senator COLBECK**—The decision is in 2013 and impact is 2015.

**Mr Gibbs**—They will come in in 2015; that is right. So if a point of obligation decision is made in 2013 for the obligation to be on the processor then in 2015 there is a chance that they will receive those permits under emissions-intensive trade exposure, because the decision will have been made to have that point of obligation, rather than, say, an alternative climate obligation, which is farm point obligation. So it is an accounting decision, if you like, on where the best place is to distribute those free permits.

**Senator COLBECK**—At this point in time there will be up to four years in which the processing sector of agriculture will not receive trade-exposed permits—until that decision on accountability is made.

**Mr Gibbs**—Correct.

**Senator COLBECK**—That actually does clarify something for me, so thanks for that. Could we just go back to the dairy stuff. You said before, Mr Glyde, that you were anticipating a \$1,200 cost per annum to the dairy industry. I think it was relating to manufacturing, but you could clarify that for me. How does that equate to the figure that the dairy industry has given us?

**Mr Glyde**—Can I just clarify what was said before? The hard part about modelling what the impact might be is knowing how much of the impost that comes onto the processor is going to be passed back to the producer, the farmer. Some of it might be shared with the consumer. A worst case scenario, which are the figures that I gave you, is that 100 per cent of the cost that the processor faces will be passed back to the farmer. For 2011, our calculations were that for a dairy farm the average cost increase would be \$1,200 per farm. It would be 61c per tonne for grains, 17c per head of sheep, and \$1.83 per head of cattle. That is for 2011, so the immediate impact just for the processing sector costs.

If you add to those costs the input costs that the farmers face, in terms of fuel, electricity et cetera, some of which they are shielded from, the overall change for the value of farm production in 2011, across the whole broadacre sector, is a decrease of 1.9 per cent in the value of farm production in 2011—that is, sheep, 2.9 per cent decline; beef, 2.4 per cent decline; and wheat, 1.2 per cent decline in the value of farm production in 2011. This is all against what would have happened otherwise. So the CIE figures for the difference—and the dairy farm example is probably the one most people are familiar with—are around \$5,000 to \$6,000 per farm.

**Senator COLBECK**—The \$6,000 to \$9,000 figure was the figure quoted by Dairy Australia when they came and gave evidence to us, on their calculations. We are in the ballpark.

**Mr Glyde**—If you fast forward those costs each year, right through to 2015, just before agriculture would enter into the scheme, so there is none of that assistance going on, and you assume that farmers and consumers and everyone else make no change to their behaviour—they do not try to reduce their emissions or change their behaviour in any way—then you get those sorts of costs. Our estimate would be—and I could get Dr Ahammad to give you the price figure—around the \$5,000 mark per farm.

**Senator COLBECK**—Their figures were on an annual basis, weren't they?

**Mr Glyde**—I think they are making an assumption about no change in behaviour and they are taking that forward to 2015 as prices go up. I might ask Dr Ahammad to explain the precision.

**Senator COLBECK**—If you had some direct conversations with them about that I would be interested, but my perception, from the evidence that I have received at that inquiry, was that that was an annual cost—\$6,000 to \$9,000 per year. You are saying the 2011 cost is

\$1,200; they are saying the annual cost from processing passed back to the farm, on a worst case scenario, is \$6,000 to \$9,000.

**Mr Glyde**—What I am saying—and Dr Ahammad can correct me if I am wrong—is that in that final year the costs would be \$5,000 per farm per year as a result of the increased processing costs. But Dr Ahammad might be able to help me out here.

**Dr Ahammad**—Mr Glyde pointed out the per head cattle cost per tonne and all that. That is the 100 per cent pass on to farmers from processors. If we assumed that and also included an on-farm input cost increase due to electricity then, in 2011, the total cost impost on an average farm would be, for broadacre, about \$1,100 and, for a dairy farm, about \$1,800. Those are our estimates. The critical thing to note is that we assume \$10 in 2011, so that reduces costs quite substantially from our previous estimates of input costs.

**Senator COLBECK**—But I think the assumption is that the initial price was \$28, so you are—

**Dr Ahammad**—If we assume \$28—according to the current projection, that may happen in 2015—then, of course, the cost imposed on an average farm could increase. According to estimates, it could go to about \$9,000 for an average dairy farm.

**Dr O'Connell**—In part what we are seeing is a little bit of catch-up. What ABARE has been modelling and keeping an eye on is the government decisions as they have occurred: the \$10 carbon price for the first year, the change in timing, the protection. I think that when others, such as the dairy industry were talking to you that would not have been the case.

**Senator COLBECK**—That was certainly prior to the decision being taken.

**Dr O'Connell**—That would have been a very different world.

**Senator COLBECK**—The government was good enough to wait until after our last day of hearings to make the announcement on the changes.

**Mr Glyde**—Indeed, the paper we published in March also had the earlier assumptions, in the same way that the CIE paper did.

**Dr O'Connell**—So there was a lot of catch-up with the changes that have recently been made in terms of the government's decision, which was clearly to soften the—

**Senator COLBECK**—By the same token, it is highly convenient. I do not know what the projection would be. For a \$28 price, you are saying that it is more like a \$6,000 to \$9,000 annual cost?

**Dr Ahammad**—That is according to our estimates.

**Senator COLBECK**—That is good—\$6,000 to \$9,000 for \$28. That effectively confirms what the industry was saying. So, when you come out and quote \$1,200 as the first year, it is effectively artificial.

**Dr O'Connell**—No.

**Senator COLBECK**—I am not arguing with your calculations. I agree that \$1,200 is a reasonable amount, and I wanted to talk to you about how you calculated that. But one of the assumptions is that it is the \$10 price for carbon.

**Dr Ahammad**—I cannot see it.

**Senator COLBECK**—When the government comes out and says, as it most likely will when these figures are announced, that their calculations say that it is \$1,200 per annum—it is going to cost \$1,200 in the first year per dairy farm—the dairy farmers will sit back and say, ‘Gee, that’s fantastic; we feel a lot better now.’ But that is only for the first year, and the restrictions on the CPRS come off after the first year, so the price will settle, effectively, where the market sets the price.

**Mr Glyde**—I will just correct the record a little. When I was answering the questions earlier on, the questions were on what the immediate impact is.

**Senator COLBECK**—Yes, I understand. No, I am not arguing with that, and I am quite happy with that as a premise that you are putting on the table; I am not arguing with that at all. What I am just trying to work out is what is going to happen with this new research, which sounds to me as though it has all the latest bits and pieces in it; it sounds quite reasonable. But the government will come out and say it is going to cost \$1,200 a year, on the first year, for a CPRS, and that is probably a reasonable thing to say.

**Dr O’Connell**—For the first year?

**Senator COLBECK**—But it is only for the first year, and there is so much information floating around with respect to this. What is happening is that the first year is being held at an artificial rate by the government through a decision that it is going to test how its scheme works for 12 months by putting a \$10 cap on the price. But that is only the first year, and then, effectively, when it goes back to a market price the impacts that we have been hearing about through our inquiry potentially kick in. I am not trying to put words in your mouth, but I am just trying to get a sense of what the steps in the process are going to be.

**Mr Glyde**—I do not want to shoot down our own analysis or, indeed, the CIE’s, but you have to remember that the limiting assumption in both pieces of this work is that there will be no change in behaviour over a five-year or four-year period, which sort of suspends disbelief.

**Senator COLBECK**—But this will be in the first year, and probably even in the second year, which we did discuss with the Department of Climate Change at our additional hearing.

**Mr Glyde**—Correct.

**Senator COLBECK**—For the first couple of years it is going to take a bit of a while to settle down and for people to start to make the decisions as they start to realise what the impacts are going to be. So you could make some assumptions about behaviour in the first couple of years without having to look at what the long-term impacts and assumptions will be. I mean, some people are starting to make decisions now. I know because they have spoken to me about it. I know of one. I spoke to a processor who said one plant is going to cost them \$2 million in permits in the first year. Now that will be mitigated to a certain extent because the price is going to be capped at \$10, but they still have the longer term decision to make with respect to where it is going to go.

**Mr Glyde**—And in some ways markets are working already. I think I get an email every day about the latest conference on the impact of climate change on agriculture, and there are a lot of people out there trying to understand what it means and to position themselves so that



they are going to be okay when the change comes in. So I would not underestimate the extent of change that will occur simply because we are talking about an ETS coming in.

**Senator WILLIAMS**—Can I just ask one brief question on that. I have never run a dairy farm.

**CHAIR**—You must be the only one in your party!

**Senator WILLIAMS**—I thought you would take the bait. The dairies would use a considerable amount of electricity in operating, wouldn't they?

**Senator COLBECK**—One would assume so.

**Dr Ahammad**—Yes.

**Senator WILLIAMS**—In your figures, did you have an average calculation anywhere as to what a dairy farm would use in electricity when you average out that \$1,200 a year?

**Senator COLBECK**—No, that is a different impact. What they are talking about with the \$1,200 is the impact from manufacturing. Is electricity modelled separately or is it part of that?

**Dr Ahammad**—It is the combined effect of both passed-on costs and on-farm increasing electricity costs.

**Senator COLBECK**—Which is modelled under the 'agriculture not covered' process to be 0.5 per cent?

**Dr Ahammad**—The share is about five per cent of the total cost. That is my recollection, but—

**Senator COLBECK**—It says 0.5 per cent on page 17 of the report.

**Dr Ahammad**—I beg your pardon. Our sort of cost share shows that for a dairy farm the share of electricity is about 2.6 per cent, and that is based on a five-year average.

**Senator COLBECK**—That is with the additional cost?

**Dr Ahammad**—This is the share of total costs on a—

**Senator COLBECK**—For a dairy farm?

**Mr Glyde**—Based on what a dairy farm uses on average.

**Senator COLBECK**—According to your modelling—this is the March modelling obviously—the additional costs to a dairy farm are modelled to be 0.5 per cent, which would reflect what Senator Williams is saying and which is the most expensive of any of the sectors. The modelling is on page 17 of the report.

**Mr Glyde**—Yes, correct.

**Dr Ahammad**—I will just suggest one particular point. The CIE, for all their studies, use the same database that we are using, so on the cost side we are very close except that we are using a five-year average and they are using a three-year average. That could leave some difference.

**Senator COLBECK**—So you are using the five-year average.

**Dr Ahammad**—Yes, in our latest analysis.

**Senator WILLIAMS**—Do you have an average dollar amount on electricity or just a percentage?

**Dr Ahammad**—We will be able to provide that to you, taking it on notice.

**Senator WILLIAMS**—What I was getting at is that I see that with the increase in the price of electricity in the first year that cost is going to be extremely high for the dairy industry. That is why I was questioning the figure.

**Mr Glyde**—We can give you the dollar amounts for an average dairy farm.

**Senator WILLIAMS**—That would be good if you could, please. In New South Wales they are having a 21 per cent price rise from July 1 this year, which is prior to ETS, but we may see up to 50 per cent increase in electricity going on the price of coal.

**Dr O'Connell**—As I understood it, the modelling has electricity as 2.6 per cent of their input.

**Dr Ahammad**—The cost share is 2.6.

**Dr O'Connell**—That is the component of electricity, so you would need to just look at whatever percentage you think the price of energy is going to increase that will translate into a component of that 2.5.

**CHAIR**—Senator Williams, Senator Colbeck did have the call, even though Senator Colbeck did start, but there is plenty of time if you want to rest there. Also, Senator Milne has questions. We will be going to tea in half an hour, so do you have much longer to go?

**Senator COLBECK**—I just wanted to explore some of the issues in the modelling and I think we are progressing. I think it is now our third estimates on this, so we are getting somewhere. Reading through the overview of the RIRDC work, it talks about sectoral analysis and it says that sectoral models assume an upward sloping in supply curve and predict a fall in production when prices increase. That is obviously modelling and economic jargon, but it says that, by contrast, the on-farm analysis usually models the behaviour of an average farmer not a marginal one and that, in other words, the on-farm analysis does not necessarily predict a fall in production when prices are falling. So what I wanted to do was explore in your modelling what the baseline assumption for an increase, or for reduction levels, are and how that would impact on what you are telling us as far as the impacts of climate change are concerned. Obviously, the whole process of this is about pushing a change in behaviour, but if the model does not actually account for that how do we see that show up in the modelling?

**Dr Ahammad**—The farm financial sector modelling, the back of the envelope calculation that we have presented thus far, does not take into account, as Mr Glyde suggested previously, any behavioural changes—not on the production side, not on the consumption side. So all this analysis that so far we have referred to has not incorporated those responses. Part of the CIE modelling does take into account behavioural responses and we have done that for a longer analyses and reported in the outlook paper for 2015, or before that, that modelling is to be refined substantially to take into account say what are the short-term changes in the labour market, in the product market and so on. We are in the process of looking into that sort of

thing, and that will take into account any potential changes in the supply chain as well as on the consumption side. It means a definite shift moving away from emission intensive to less emission intensive products on the demand side. So that can be done but so far the numbers that have been quoted have not taken into account that kind of consumption side or production side response to any changes in the price in the market.

**Mr Glyde**—So I think the CIE is pointing out a limitation in doing the short-term sectoral analysis: that the framework that you use does not enable you to reflect all of the changes that might occur in the economy, whereas the longer run analyses that do the general equilibrium—to use the jargon—do allow for all those changes in relative prices in the economy to occur, and not just in the Australian economy, in the world economy as well. I am not sure if that has helped.

**Senator COLBECK**—No, it has not. Can I ask you to have a look at that piece on page 5 and come back to us on notice on that. Again, my take from that was effectively where we were before, that this is still a work in process and we are still refining our process to actually get a more accurate understanding of where all this stuff goes.

**Mr Glyde**—Correct, and it tends to suggest that the initial impact would be larger, that in fact your modelling would be larger than the real economy would have it because changes will occur, we know that. Technologies will change.

**Senator COLBECK**—I think that is the point that I have been trying to get at for some considerable period of time but we are finally getting there but quantifying that, particularly in the initial stages, is extremely difficult and nobody argues about that.

**Mr Glyde**—Correct.

**Senator COLBECK**—So you are going to have these initial impacts. The potential uptake of new technologies and new employment opportunities is going to take time and you have got this wedge in the middle until the two things meet and then start to move on, that the government, whoever they may be, has to deal with, and that is the thing that I think is concerning a lot of people—particularly given that we are in a situation of having to vote on this within a month and we are still learning about what the possible impacts are going to be. I do not expect you to necessarily make a comment on that. Can I just go to the long-term modelling that you have got in the beginning of the March information. I think we might have actually already dealt with this, on page 24, on chart 9.

**Dr Ahammad**—Yes.

**Senator COLBECK**—You have got a percentage increase in the reference case from 2005 to 30. Then you go onto the production CPRS scenario and then the reference case scenario. You have got grains, crops, beef cattle, other sheep meat, dairy and wool, total agriculture. Underneath that, you have got processed meat, other food, and processed milk. What I am trying to assess is whether, in the top grouping, there is any reflection back from the impact on the top group? This comes back to the old hoary chestnut of the impact before farm gate of the processing. Or are they looked at separately?

**Dr Ahammad**—That is the value of using economic modelling where all sectors are linked. Anything happening in one sector will be passed on to the relative sector, either

downstream or upstream, and that has been taken into account here. Anything happening in the processing sector should be felt in the farming sector.

**Senator COLBECK**—Are we measuring them separately, or are we measuring them separately and inclusively?

**Dr Ahammad**—The latter. They are interconnected.

**Senator COLBECK**—That is the change in discussion that we have been talking about since last estimates.

**Dr Ahammad**—That is right.

**Senator BOSWELL**—I just want to ask a clarifying question. We were told by Bega and by Goulburn that it was going to cost \$9,000 per dairy farm. Is that what you are getting?

**Dr O'Connell**—We have just gone through this in detail.

**Senator COLBECK**—We actually do have some stuff on—

**Senator BOSWELL**—Do you agree that it is going to cost—

**Senator COLBECK**—At a price of \$28, which is what the initial reference price was, yes. Between six and nine is what they have modelled. That lines up reasonably well with what ABARE is saying.

**Senator BOSWELL**—That is what I wanted.

**CHAIR**—Before we get into cross-banter, Senator Milne has been waiting patiently. I am being as fair as I can to everyone. Senator Colbeck, you have had a long contribution.

**Senator COLBECK**—If Senator Milne would like to ask some questions before dinner, I am happy to give her the opportunity to do that.

**CHAIR**—How long do you need, Senator Milne? You do not have to rush.

**Senator MILNE**—I am happy. I will just wait my turn.

**CHAIR**—You go now, because we are going to dinner at 6.30.

**Senator MILNE**—Thank you. I would just like to come onto some of the climate change programs; in particular, the National Carbon Accounting Toolbox. One of the big issues in terms of when and how to include agriculture and soil carbon and so on relates to getting the accounting right. I notice here that the government is dedicating \$16 million over four years to the development of the National Carbon Accounting Toolbox. What involvement does DAFF or ABARE, or whoever, have in relation to that? What can you tell me about where that is up to and how close we are to have any kind of accounting on soil carbon in particular?

**Mr Mortimer**—It is essentially a program that is run from the climate change department. It is not the direct responsibility of this portfolio, but possibly Mr Gibbs might have some helpful comment.

**Mr Gibbs**—Mr Mortimer is right. That is run by DCC. It is an interface for people to use. It comes off NCAS. It is used for measuring; you are quite correct. Our involvement in that is we have the research program which is looking at the soil carbon across Australia—we have just announced that over the last month or so—looking in all states, looking at different

farming practices and trying to measure how those changes in farm practices increase or decrease the amount of carbon in soil. Over the next few years, that will go into working with DCC so it is captured in their measurements, and so we can make some decisions about whether soil carbon is included in the CPRS or through alternative policy measures. It is probably best to ask DCC about how well they account for soil carbon, if that is a particular question.

**Senator MILNE**—No, it is actually about developing the tool itself. It is not about what they are doing already. Everyone is talking about soil carbon in a very loose way. Every time you turn on any agricultural program, everybody is talking about the potential of soil carbon. I am excited by it too, but I am also very aware that it is almost a sop at the moment to the rural community. What I am trying to understand is how developed is the plan or the mechanism to go out and actually do the measurement and the testing under a series of conditions that will then presumably feed into a methodology that becomes the carbon accounting part of the toolbox for soil accounting. In the design of the work you are doing that you have just announced, is there any kind of consistency in methodology about that that will feed into the DCC development of this toolbox? That is what I am trying to understand.

**Mr Gibbs**—There is a consistency in the measurement. The first stage of the soil carbon project is working with the CSIRO and the projects who will actually be on the ground measuring in the soil the different impacts of farm practices. There will be a standard methodology developed. The leader of that program from CSIRO is the same person who works with DCC in terms of measuring and modelling the impact of carbon in soil under different farm practices. Our program will do two things. We are focussed on sites that have a long history of farm practices. We start to actually measure over a long history what has happened in the ground there but also start to measure how farming practices impact over the next four years as well. That data will be collected based on standard methodology across Australia. I think that has been lacking at the moment. You are quite correct that different claims have been made about the benefits or otherwise of soil carbon. That data will then be used as actual hard data to go towards the modelling framework which is run by DCC in NCAS and comes out in terms of NCAT, on which you first raised your question.

**Senator MILNE**—Can you just tell me again over how many years from now these sites will be monitored? Have you started them, or is this what has just been announced?

**Mr Gibbs**—This has just been announced. The methodology is being constructed at the moment by CSIRO. Then we will start measuring over the next three years, so this year and three years subsequent. That is a relatively short time, so I go back to the point I made about trying to select sites where we have a history of past farm practices as well. Once you have that history, plus the wedge of new information over the next four years, you can take that and look at what it is telling you compared to just the models over time.

**Senator MILNE**—So on that time frame we are looking at 2012 at the very earliest before you would have those—in fact, it is more likely to be 2013 by the time you get in your three years' monitoring on all those sites?

**Mr Gibbs**—We will have results as we go each year for the next three years.

**Senator MILNE**—So on that basis are you working with Dr Christine Jones and her network, who have been looking at soil carbon for some time? Having developed certain methodologies, are CSIRO and your people talking to her, including some of those sites, or have they been sidelined?

**Mr Gibbs**—Dr Jones did not apply through our expression of interest process. The Keeleys, who work with Dr Jones, did. They were not successful in the process, but we have put the Keeleys in touch with Jeff Baldock, who is running the CSIRO program, to use those sites and to assess and use the consistent methodology which we developed. The aim is not to sideline any soil projects which are measuring and looking at farm practices. We have a selection that we can use obviously within our funding. But if we can bring others along by using consistent methodology, that is the aim: to build a program up over years using as many sample sites as we can.

**Senator MILNE**—I am sorry, I am not following. You are talking about using one of her sites or all of her sites?

**Mr Gibbs**—I am not saying we are using all of her sites. I am saying that Christine Jones and the Keeleys will continue to do their soil sampling. They will be asked to look at the samples they have collected, applied to the methodology of sampling which is developed by the CSIRO. We have put Michael Keeley in touch with Jeff Baldock to have input to that process, and then we will look at that data and what it means under the methodology.

**Senator MILNE**—So, as far as Australia's accounting tool for soil carbon is concerned, we are unlikely to have an accounting tool before 2014 based on the work that you are doing?

**Mr Gibbs**—I hope we would start to see some results before that. I go back to the point that I was making about this being more iterative. We would have to see some improvements in the NCAS and the NCAT tool before 2014, with some modelling results. There are already modelling results that NCAS does on soil carbon. We are about trying to improve those and develop those as we go on a per year basis rather than waiting for this end point in four years time or five years time.

**Senator MILNE**—Have you had any discussions with the Americans in particular about the work they have done on soil carbon? Is the methodology we are about to employ similar or consistent and compatible with the kind of monitoring the US is doing?

**Mr Gibbs**—Jeff Baldock is in constant touch with other countries, including America. I assume you are talking about the Chicago Climate Exchange work. Jeff has been involved in that, as has Peter Grace, who is on our expert panel looking at the nitrous oxide side. They have standards which are obviously applicable to American conditions. I am not sure how they translate into Australia-specific conditions. We have obviously quite different soils. But Jeff will be taking that into consideration when he does his standard methodology over the next few months.

**Senator MILNE**—Thank you. I now move on to the \$2.75 billion climate change action fund, where the government has committed to providing structural adjustment assistance for workers, communities and regions where a clear, identifiable and significant impact arises or is highly likely to arise as a result of the CPRS. How much are you expecting that your

communities would receive from that compared with the amount to go to the coalminers? Have you got a sense of what you expect rural communities might get?

**Mr Mortimer**—I will have to make the observation that that is an initiative from the climate change department. Correct me if I am wrong.

**Senator MILNE**—Yes, it is.

**Mr Mortimer**—We really cannot answer that. That is something that that department should talk about. I do not think—unless Mr Gibbs can correct me—that there is anything published on that. Until there is some public information given on that, I think we would have to defer to the climate change department.

**Senator MILNE**—I get very confused about a whole-of-government approach to climate change. There seems to be a silo mentality that remains. If we are talking about structural adjustment for communities and regions where there is a significant impact from climate change, you are talking about rural and regional Australia. Agriculture and agricultural communities are highly significant in that context, quite apart from the direct costs on energy in the CPRS. I would have thought that DAFF might have had some insight into that.

**Mr Mortimer**—On that, we clearly cooperate with the other agencies, but they have portfolio responsibility. Until something is announced and details of the program are given, there is really nothing we can say to be very helpful.

**Senator MILNE**—On the climate change research program under Australia's Farming Future, how much of the \$46.2 million that has been set aside for research development and demonstration activities is going to be now diluted because of the abolition of Land and Water Australia?

**Mr Mortimer**—We had a bit of a discussion about this earlier, I think.

**Senator MILNE**—Did you? I am sorry.

**Mr Mortimer**—That is okay. The Land and Water Australia funding is entirely separate and different. There is no direct correlation or substitution between the two. The funding for the research program is entirely new money. It is on new activities that were not previously being done elsewhere.

**Senator MILNE**—Of the \$130 million, how much did you spend in the last year and on what?

**Mr Mortimer**—I will find my briefing on this.

**Mr Gibbs**—I could probably answer about the climate change research program.

**Mr Mortimer**—The program funds a range of activities. It funds the climate change research program. On that, I think at this stage \$4.3 million has been spent. The department is in the process of negotiating contracts for the funding of all the other projects referenced earlier by Mr Gibbs and others.

**Senator MILNE**—So \$4.3 million has been spent in the first year?

**Mr Mortimer**—No, \$4.3 million has been spent to date. There is a budget for the first year of that program of \$10 million. We are confident that the \$10 million will be spent. Contracts

are being finalised with MLA, GRDC and CSIRO for the major initiatives that have been announced, and the payments will be made against milestones. There will be initial payments at the signing of the contract and then the money will flow through. Essentially it is a matter of timing. What I am saying is that we are confident that the \$10 million will be spent this year, and that also includes the biochar project that the minister announced last week.

**Senator MILNE**—So the biochar project, announced last week, was \$100 million—over how many years?

**Mr Mortimer**—No, it was not \$100 million. It was—

**Senator MILNE**—Sorry?

**Mr Gibbs**—\$1.4 million.

**Mr Mortimer**—\$1.4 million—much more modest, I have to say.

**Senator MILNE**—\$1.4 million over how many years?

**Mr Gibbs**—Over the four years of the program, so over this year and the next three years.

**Senator MILNE**—A very modest program.

**Senator HEFFERNAN**—Most people are alarmed out there about the Land and Water Australia decision. I note, Dr O'Connell, that there is \$4.9 million in your budget for your PR, with 40-odd employees. Can you just confirm that against the background of cutting \$13.6 million from one of Australia's most important researchers? You have 40-odd employees to send the message.

**Dr O'Connell**—No, we have I think 41 employees that are dealing with communications.

**Senator HEFFERNAN**—That is all I need to know, thank you.

**Dr O'Connell**—And the communications include areas such as AQIS—

**Senator HEFFERNAN**—Yes, that is right. I understand all that, yes.

**Dr O'Connell**—If you ask me the question I can probably give you more information.

**Senator HEFFERNAN**—Yes. Thanks very much.

**Dr O'Connell**—But the point is that there is a range of programs and regulatory arrangements that we have which require intensive communications on a whole range of important issues.

**Senator HEFFERNAN**—I understand they are very important messages.

**Senator Sherry**—And I understand it is down significantly from the previous government.

**Dr O'Connell**—It has reduced over the years. We could give you the figures.

**Senator HEFFERNAN**—What I really want to go to—

**Senator Sherry**—I am concerned that Senator Heffernan should get the full picture here because, as I understand it, there has been a significant reduction in the various media personnel across the departments since you were in government.

**Senator HEFFERNAN**—Except in the Department of the Prime Minister and Cabinet. My real question is to you, Mr Glyde. Earlier in the day you said you would—



**Senator Sherry**—If it was not a real question before, why ask it?

**Senator HEFFERNAN**—I just want to confirm the fact—you might think it is a laughing matter, Senator Sherry.

**Senator Sherry**—I do not think it is a laughing matter; I actually think it is good idea to ask a real question.

**Senator HEFFERNAN**—Your own mob stand there with a mystified voice and face wondering why the hell we got rid of Land and Water.

**CHAIR**—Senator Heffernan, it is getting close to tea time and we will be stopping at 6.30.

**Senator HEFFERNAN**—As I said earlier, you don't remember talking about the comparison with Doha with getting the carbon emissions together. I just want to remind you of what you said. You said it in an interview with *Rural Press* and I have had the opportunity to hear the tape. You said that the impact on agriculture from the scheme awaits, once it is included, and the impact will be far worse if there is no international agreement on climate change. That is fair enough. This is what you said, 'If the rest of the world does not come along and play the game and does not start to cut back on emissions,' and this is why Australian farmers are alarmed, 'during the course of the next few years then obviously the impact from the Australian farm sector will be larger.' You acknowledge that getting a new international agreement on climate change will be far from easy and likened it to the long running Doha. This is what you said, 'It is very similar to the Doha round: everyone collectively has got an interest in something. We all have different views about what that something should be and the real risk to the Australian farm sector is that despite the Australian government's best efforts to get other competing nations into the scheme'—they might say out of it—'there is a lot of work to be done'—we all agree with that—'on the international front to make this happen. But at the end of the day, farmers had to face the reality that the climate is changing, the land base is not going to get any larger, costs are going up, competition is going down, so these are all significant drivers to be striving for productivity improvement.' Mr Glyde, Australian farmers are standing at the edge of a cliff, they do not know whether they are going to offer them a parachute or a push.

**Dr O'Connell**—Is that a question about the—

**Senator HEFFERNAN**—I just wanted to confirm that I was not talking through my hat. Earlier on you said that getting this will be as tough as Doha. We know Doha is impossible.

**Mr Glyde**—No, what I think I heard you say, quoting back the *Rural Press* interview, was that it is a similar situation to Doha, where you have multilateral obligations, and a lot of countries involved, trying to iterate towards a solution.

**Senator HEFFERNAN**—All of that.

**Mr Glyde**—I do not resile from those comments.

**Senator HEFFERNAN**—Thank you very much for that. I just wanted to let you know that I did the work.

**Dr O'Connell**—Can I just clarify that I do not think that Mr Glyde said that Doha was impossible, and so it was of that nature; I think that is your suggestion.

**Senator HEFFERNAN**—Doha is a dead dog.

**Dr O'Connell**—From the perspective of negotiators Doha is still—

**Mr Glyde**—I do not recall saying that.

**Senator HEFFERNAN**—No, you did not say that—

**Dr O'Connell**—It is important that we do not have the impression left that Mr Glyde made any such comments.

**Senator HEFFERNAN**—It is very similar to the Doha round. That is what—

**Dr O'Connell**—That is in terms of the structure of different interests that must be brought together on a multilateral basis.

**Senator HEFFERNAN**—But can I say that not you personally, Dr O'Connell, but the system is holding Australia's farmers to ransom. We do not know what the ransom price is. All we know is that we have serious dangers of both equity and viability against the global food task, and you cannot tell us—I have asked here; I have asked in the climate change circus—what are the hurdles we have to jump so that we can tell Australia's farmers whether they are going to be in or out. What are the ticks and crosses? No-one knows the answer to that. You can make a motherhood bureaucratic statement. Do not repeat it because you made it earlier. Thank you very much, and I am going to dinner.

**Dr O'Connell**—If it would be useful, I would go again to the issues that I raised before that the government will be pursuing through its work program in order to get ready to make that assessment.

**Senator HEFFERNAN**—But we do not know whether you are waiting to see what the US does. We want to know what the bloody hell you are going to do.

#### **Proceedings suspended from 6.29 pm to 7.30 pm**

**CHAIR**—Welcome back, everyone. We will continue with climate change and ABARE.

**Senator COLBECK**—Mr Glyde, in the updated modelling that you released in March is there a threshold that was assumed for the inclusion of agriculture? The document talks about a number of thresholds for emissions intensity—1,000, 2,000, 3,000, 5,000 and 25,000 tonnes. Which is the baseline that you have taken in the modelling?

**Mr Glyde**—I would ask Dr Ahammad to take you through that.

**Senator COLBECK**—Sure.

**Dr Ahammad**—The purpose of including the threshold analysis in the paper is to bring home the idea of the importance of point of obligation and threshold.

**Senator COLBECK**—Yes.

**Dr Ahammad**—In our subsequent modelling we have assumed that agriculture as a whole—

**Senator COLBECK**—Everyone is in?

**Dr Ahammad**—Everybody is in.

**Senator COLBECK**—So, effectively, the baseline is the bottom.

**Dr Ahammad**—Yes. We have not modelled a different point of obligation as such.

**Senator COLBECK**—The reason that I ask the question is that obviously, if there were a threshold, the higher that threshold, the less the impact would be on agriculture.

**Dr Ahammad**—That is correct.

**Senator COLBECK**—Even if you had taken 1,000 tonnes of CO2 equivalent emissions, that would leave a proportion of the industry out. So effectively what you have done is model everybody in.

**Dr Ahammad**—That is right.

**Senator COLBECK**—Fine. We were talking about agriculture potentially coming into the CPRS in 2015 based on a decision around 2013. In that circumstance, there was a decision to be made on who took responsibility for the emissions and at what level, whether it was the processors, at farm level or whatever it might be, and we talked particularly in respect of the manufacturing sector of agriculture. If that were picked up at the manufacturing level, that would bring them into the threshold for trade-exposed assistance, which is a fairly significant point in the overall scheme of things because, effectively, if agriculture does not come into the emissions trading scheme and the decision is not made to apply the responsibility at that point then the manufacturing elements of those industries do not get trade-exposed status. Would that be correct?

**Mr Gibbs**—I would not want to speculate on that at this point. There is a whole program to go through before 2013 which will answer that question about whether it is practical for agriculture to come into the scheme, and the basis of making that decision will then also turn on how you apply EITE and those sorts of questions.

**Senator COLBECK**—I understand that, and I suppose it is slightly hypothetical, but it is also a significantly loaded gun, because if agriculture does not come into the emissions trading scheme and the decision is not made to apply the responsibility at the processing sector then the processing sector remains outside trade-exposed assistance, so it does not get permits allocated to it, does it? That has got to be how it works.

**Dr O'Connell**—I understand the point. Exactly how that plays out would depend on decisions made at that time, but your basic point is well taken.

**Senator COLBECK**—What I am getting to is that that is a fairly serious gun to the head of agriculture, because there is already significant concern about the impact of the processing sector not getting trade exposed and then passing that back at farm gate level because of their limited capacity to pass it into the market. We have talked about that. We saw dairy, for example, dropping its prices by 30-odd per cent based on international market movements, even for milk processed in Australia. So they are effectively trade exposed across the market. What you have is a huge cannon to the head of agriculture: the impacts on the processing sector which they are saying will get passed back to farm gate cannot be mitigated unless they come in and the level of responsibility is levied at processing level.

**Dr O'Connell**—I would want to leave it at saying your point is well taken, but I think there are many steps in all of that. I would not want to get to the point where we are trying to speculate on how behaviour occurs in the light of decisions that have to be made.

**Senator COLBECK**—But that is obviously something that the industry is going to have to seriously consider in the context of that scenario, isn't it?

**Dr O'Connell**—It is certainly a clear issue. How that plays out in terms of weight also depends, I think, on the capacity of behaviour change to occur in the time frame and how we manage it, and I do not—

**Senator COLBECK**—There are obviously factors to come into the process. I understand that.

**Dr O'Connell**—Yes, but your point is well taken.

**Mr Quinlivan**—They are not the only scenarios. The white paper, of course, says that if agriculture remains outside the scheme then some other kind of regime to achieve a similar outcome would be pursued. There is no definition around that, but there is quite a strong policy statement in the white paper that agriculture will be making a contribution, along with the rest of the economy, towards meeting the national targets.

**Senator COLBECK**—The thing that the modelling assumes is that everybody else is in, and we have had discussions about that. We have had discussions about how that affects the modelling versus perhaps the RIRDC modelling and who is right and who is wrong based on each of those different scenarios. I understand that there are other things that are going on, but again I come back to the situation that we are sitting around this table and we are being asked to make a decision on this legislation within a month, and there is so much of this that is not clear yet. We assume, rightly or wrongly, that there will be changes to the baselines based on Copenhagen later in the year, but we are being asked to pass this by the end of June. Even tonight we have heard in evidence that there is more modelling coming out that clarifies the impacts, particularly from the beginning of the process.

**Dr O'Connell**—I think the modelling will always improve and there is never going to be a point at which you cannot improve it. The elements that are known are the policy elements that are being placed in the agreement by the government.

**Senator COLBECK**—But, by the same token, the latest modelling that we have, without the new work that ABARE is doing being released, is the March document, which is based on the plans but also on the assumption that everybody comes in. One of the final conclusions in that under the CPRS scenario is that Australia is likely to maintain or improve its international competitiveness. If we are in and everyone else is not, that changes that. I will qualify that statement by saying that there are some other elements as part of that statement about our exports of crops, but it also has the base assumption that everybody is in, and we have already discussed the change in what the numbers might be based on other countries being in and not in. The evidence we heard during MLA specifically dealt with that. Senator Adams, you had some questions on the CPRS.

**CHAIR**—With your indulgence, Senator Adams, Senator Boswell has requested just five minutes and then he is going to rush off and annoy some other committee chair, he tells me.

**Senator BOSWELL**—I will not be long, because I got the prize tonight for being the most efficient question asker.

**CHAIR**—Well, don't blow it, Senator Boswell!

**Senator BOSWELL**—Who do I talk to about the superb parrot?

**Mr Mortimer**—Yes, you can ask that question at this point.

**Senator BOSWELL**—What is happening with forestry in the Riverina? Are the 800 workers still working or are they stood down—or when are they going to be stood down?

**Mr Mortimer**—Essentially, it is an environment portfolio issue in terms of the operation of the arrangements, because what it relates around is protecting an endangered species through arrangements under the EPBC Act rather than through an RFA, so what happens there is an issue that Minister Garrett—

**Senator COLBECK**—Is it endangered or is it threatened? What is its actual classification? Let's get the terminology right, because this often gets us into trouble.

**Dr O'Connell**—Mr Talbot can probably go through the state of knowledge, if that is okay.

**Mr Talbot**—Yes, I can give some details on it. At the present time the federal department of environment and the New South Wales government are working through the issue. At the moment nobody has been put down, in my understanding. The issue is around the superb parrot and some wetlands. You may have seen a press release from Minister Garrett which said that the federal government and the state government are trying to—

**Senator BOSWELL**—Yes, I have seen all that. I have got to go through these questions fairly rapidly. Is the department aware of research by the superb parrot group that shows parrot numbers have gone up by 50 per cent over the last four years, I think?

**Mr Mortimer**—I do not think we can really comment. To follow up an earlier question about the status of the parrot, as we understand it, it is nationally listed as vulnerable and it is listed under the Ramsar Convention on Wetlands.

**Senator BOSWELL**—There is a group of parrot watchers and I would imagine they would be out there. They have done counts on the bird and they say the bird has increased by 50 per cent in the last four years. So I do not know how it can be said that it is vulnerable.

**Dr O'Connell**—These questions are probably best put to the environment portfolio.

**Senator BOSWELL**—Yes, I know that, and I will put them to the environment portfolio—

**Dr O'Connell**—I understand there are differences of view—

**Senator BOSWELL**—but there is what you call a flick pass here that we have.

**Dr O'Connell**—No, I was going to say that I think we can still give you an account of where the issue is in terms of the forest use. My understanding is that there is no change at the moment.

**Mr Talbot**—There is no change at the moment.

**Senator BOSWELL**—What is 'no change'?

**Dr O'Connell**—You were asking originally if there had been impact on the forest use.

**Senator BOSWELL**—Yes. When is there likely to be a decision made on the forest use?

**Dr O'Connell**—The decision is being worked through between Minister Garrett's department and the New South Wales government and was to be hopefully at the end of this month. But I think it will be shortly thereafter.

**Senator BOSWELL**—Was your department consulted by Minister Garrett or the department of environment in the lead-up to this decision?

**Dr O'Connell**—My understanding is no.

**Senator BOSWELL**—No. Is the department aware of the environmental impact study currently being undertaken by New South Wales?

**Mr Talbot**—We are certainly aware of it from newspaper reports, but we have not been intimately involved in it.

**Senator BOSWELL**—So the department of the environment never talked to you about this at all, although you are the department in charge of forestry?

**Mr Mortimer**—It is fair to say, as I said earlier, that the action regarding the superb parrot is being managed under the EPBC Act.

**Senator BOSWELL**—Yes, I understand that, but you manage the forest.

**Mr Mortimer**—The point I am trying to lead to is that the states manage the forest under the arrangements of their own legislation or under a regional forest agreement. We have 10 regional forest agreements in the country. None of them actually covers the area in question. If it were an area that fell within the boundaries of the RFA, yes, we would be very much involved, but this area is not within an RFA. Therefore, the states manage it under their arrangements. But they, of course, have to have regard to the EPBC Act in terms of species that are listed as vulnerable.

**Senator BOSWELL**—How often is it the practice for the federal government to circumvent a state government in processes with no discussion and absolutely no forward warning? How often has that happened?

**Dr O'Connell**—That is—

**Senator BOSWELL**—It is a hard question—

**Dr O'Connell**—I think it is a slightly loaded question.

**Senator BOSWELL**—but I think you can have a go at it.

**Dr O'Connell**—Where there is not an RFA in place—and this is what we are talking about here—the state government activity still needs to meet the EPBC requirements where we are talking about listed species or Ramsar.

**Senator BOSWELL**—No, that was not the question. The question was: how often does the federal government overrule a state government department? Have you ever seen it before?

**Dr O'Connell**—Overruled a state government department?

**Senator BOSWELL**—Yes.

**Dr O'Connell**—I think what is being talked about there is the state government agency activity having to meet the federal requirements. That is not uncommon.

**Senator BOSWELL**—No, that is not uncommon, but to go in and put an order and say, 'You shall not log that forest,' when the state government is managing the forest would probably be something that has never happened before.

**Dr O'Connell**—But my understanding is that that is not where the issue is at the moment. My understanding is that the relevant department—and I think you should put this question to the relevant department—

**Senator BOSWELL**—I will.

**Dr O'Connell**—because we are talking second-hand here—is working with the state agencies to meet the common requirements.

**Senator BOSWELL**—Only because Macdonald went berserk when he was overridden by the federal environmental department.

**Senator Sherry**—But this is not the environmental department estimates, Senator Boswell. As the officers have well outlined, they have had no direct involvement in respect to the forestry matters in this case.

**Senator BOSWELL**—Thank you for that, Minister. Is your department aware of the environmental impact study? I think you said you were.

**Dr O'Connell**—The answer was yes.

**Senator BOSWELL**—So you are not aware of the research that suggests that the superb parrot numbers in the Central Murray red gum forests are in decline?

**Dr O'Connell**—I am aware that there are differences of view about the superb parrot populations, but the nature of those differences and precisely how they are being assessed, as I say again, are matters for the environment department.

**Senator BOSWELL**—I know they are matters for the environment, but are you aware of the research?

**Dr O'Connell**—I am aware that there are differences of view amongst research workers and people engaged in the spotting of parrots and the like as to the population. But the issue is not one that we can claim expertise on, nor responsibility. It really is one which needs to go to the environment department.

**Senator BOSWELL**—Thank you very much.

**CHAIR**—Are there any other questions? Senator Adams.

**Senator ADAMS**—Yes, I have got some, but they are on a different topic.

**CHAIR**—That is quite all right. Let's get rolling because we are miles behind.

**Senator ADAMS**—Is that all right? It is for ABARE anyway. Firstly, have you done any estimates on wheat? I wonder whether I have got the right people. As far as the warehousing on farms, have you done anything on the quantity of wheat that is being held back?

**Mr Glyde**—I assume you are talking about the reports that we do using the ABS data.

**Senator ADAMS**—That is right.

**Mr Glyde**—I will ask Dr Jammie Penm, who is our chief commodity analyst, to talk through what we do on that.

**Senator ADAMS**—Thank you. Have you done any studies on the amount of wheat that is being held back and being warehoused on properties?

**Dr Penm**—We have not done a precise estimate on on-farm stocks. What we have is ABS survey data or production data. So ABS, Australian Bureau of Statistics, provides survey results in terms of wheat disposals and we are using the difference as approximation for on-farm stats plus what wheat the dairy industry use for feed.

**Senator ADAMS**—So you have not got anything? The industry has been getting rather worried about the amount of on-farm storage and when it is going to be released, so I thought you might have done a survey on that.

**Dr Penm**—We have not because of a lack of precise data. That is the issue.

**Senator NASH**—This is interesting. When you say there is a lack of data, isn't it the data that you are trying to find? Isn't it up to individual farmers? Even if you wanted to figure out how much was being held on farm, how would you go about doing that?

**Dr Penm**—That is part of the difficulty. As I explained, we have production estimates for each season. The ABS is doing surveys in terms of wheat disposals and stuff, helped by bulk handlers and so on, and on how much is being exported and so on. What we currently do is use the residual of the estimates for on-farm stats plus stats on what the dairy industry use for feed. I am not a statistician. There could be some survey or the possibility of one if such an issue needs to be investigated, but I am not an expert on that.

**Senator NASH**—Thank you.

**Senator ADAMS**—On the container trade, could you tell me how much grain has gone out for the last harvest, in containers.

**Dr Penm**—I do not have the estimates with me. We can take it on notice, or I wonder whether any colleagues of mine have that. We produce numbers with disposal reports every month. I just do not have the numbers with me.

**Senator ADAMS**—The second question is: since deregulation of bulk handling for wheat, has the container trade reduced or has it increased? That is another one on notice.

**Dr Penm**—Yes, sure.

**Senator ADAMS**—Since the swine flu, has ABARE looked at what has happened with the sales of pork?

**Dr Penm**—We have looked at the data. If we are talking about in Australia, there does not seem to have been significant impact by swine flu on pork consumption. Internationally, it is still a bit difficult to make a precise assessment of its economic impact.

**Senator ADAMS**—Will you be doing further work on that?

**Dr Penm**—We are closely monitoring the situation because the swine flu is still developing and it is difficult at this stage to make a precise assessment of the economic



impact and so on. We have used other examples to examine, if there is an outbreak in Australia, what the impact would be on the GDP. Secondly, if there is a significant outbreak of disease in Australia, then there will be significant impact on economic activities in this country.

**Senator NASH**—Where does the old rural policy division fit now?

**Dr O'Connell**—Before my time, I think.

**Mr Quinlivan**—Because the main body of that division was drought and drought-related work and programs, that part of it is in this division. The other part of it, which I think was the R&D related work, is in the agricultural productivity division.

**Senator NASH**—Within rural policy, I remember in the past asking questions about general rural policy type issues. Perhaps I will ask here and you will tell me if it is not the right spot. The changes to youth allowance that the government has brought in in the budget obviously have a very specific impact on rural and regional areas in particular. Given your expertise in regional areas and communities, I wondered whether you were consulted at all before the government decided to make the changes and, if not, why not?

**Dr O'Connell**—We would have to check with our corporate policy area, but I do not think so. We would have to take that on notice and have a look at what the sequence of events was.

**Senator NASH**—All right, if you would not mind. I imagine that might not be too hard. I understand the taking on notice process, so perhaps by the end of the day tomorrow you might be able to advise the committee.

**Dr O'Connell**—I think we could do that.

**Senator NASH**—Given that one of the changes means that for students who are currently undertaking a gap year it is retrospective, and it has all been changed midstream, the regional community impact is that it is going to have a devastating effect. I would be very interested to know if the regional areas of the department were consulted and, as I said, if not, why not?

**CHAIR**—Thank you very much, Senator Nash. If there are no further questions of ABARE—

**Senator COLBECK**—Yes, there is another one. I want to go to the new modelling that ABARE released again in March on forestry. We discussed last time and Mr Glyde just said—and you say it in the conclusion of the report—that ABARE's projections should be considered an upper bound for afforestation potential. Can you give us any sense of scale as to what the realities of that might be? I know I have expressed my doubts as to the quantum in which it will be taken up, but can we get a better sense of what the realities might be? The chart that you put in the report, effectively, is the one out of the previous document from 2008.

**Mr Glyde**—We cannot give you any harder numbers. We are still working on those. What we did in that report that we published in early March was simply point out in a bit more detail what some of the limitations were to the analysis. If I could characterise it, the very first estimates were of the production potential or the scientifically available potential of the land for producing forests, and ABARE then came along to say, 'Okay, some of those uses have to

compete with agriculture. What is the upper bound of the commercially viable use of that land for particularly plantation forestry or environmental planning if you have a carbon price?’

In a quantitative sense, we are still working our way through to try and estimate. When you put in some more realistic assumptions about how the market would actually behave, how farmers might behave and what some of the real world constraints would be, such as native vegetation regulation, then you will come up with a number. Unfortunately, I cannot give you a precise number as to how close we would be between our current plantation state, which is about 1.9 million hectares, and what you might have in the CPRS minus five scenario. I think we said it was about 5.8 million hectares, but it is somewhere in between. We are still crunching the numbers to try to figure out what that might be.

**Senator COLBECK**—When might we get a better sense of that? I know that you said you are potentially a couple of weeks away from releasing the other stuff. When are we likely to see that information?

**Mr Glyde**—It is at least a couple of months away. There are some difficulties in terms of the complexity of it, but there is also other work in the pipeline, so I would not want to be too precise about exactly when. But it is of that order.

**Senator COLBECK**—Did you actually go out and test some of the market assumptions that you made as part of putting this modelling together? We talked before about the other modelling in that you were assuming that, because fertiliser was an internationally traded product, the market price would not move too much and yet Senator Heffernan—who is not here at the moment—has done a report that talks about the fact that we were paying significantly over—

**CHAIR**—Senator Colbeck, that is an ongoing inquiry that this committee is dealing with.

**Senator COLBECK**—Yes. But I am putting a point that comes out of it. It talks about the fact that the market was paying significantly over the international price, and I do not think I am saying anything out of order there because I have discussed that with Senator Heffernan. The point I am wanting to make is: do you actually go out and test some of the assumptions at a market level that you then apply in your modelling so that those sorts of things do not occur?

**Mr Glyde**—I think the general question you are posing is: do we go out and test in the real world what some of the constraints might be, what some of the real costs might be?

**Senator COLBECK**—Yes.

**Mr Glyde**—That is one of the things that we have been doing. We met with A3P last week just to talk through some of their concerns with the modelling that we had done and to seek from them other data that they might have and things like that. Our normal practice is to go and get the best judgment we can from the industry involved. The fundamental direction that we are heading in is that the current price is going to have to go really high if we are going to replace high-value agricultural land.

**Senator COLBECK**—Yes. I was going to talk about that in a minute, because you have got a chart in the document that talks about, I think, the cheapest price there as being \$158 per ton for carbon.

**Mr Glyde**—Yes.

**Senator COLBECK**—In a high rainfall area it needs to get to that level before it would overtake grazing land?

**Mr Glyde**—That is correct. That is why the work that we are doing is to try to find where in the landscape those parcels of land are that would be commercially competitive with agriculture or agricultural use or whatever other use it might be. Perhaps I could ask Dr Ahammad to run through those, if that would help.

**Senator COLBECK**—That would be good, thank you.

**Dr Ahammad**—In order to get a sense of potential land that can be converted into afforestation, we look 50 years or 100 years into the future—and that is speculative in many ways. We look at the potential returns from agricultural land and then compare that in present value terms. So we convert everything into today's dollar and then compare similar estimates from afforestation under various carbon prices. The carbon prices we got, for CPRS minus 15 and CPRS minus five—five and 15—from the Treasury modelling. So, using those things, we have specially detailed returns from afforestation and from agriculture and we see whether any particular land will be potentially converted to afforestation under this assumption.

**Senator COLBECK**—Sorry to interrupt. You took the assumptions at years 5 and 15 out of the Treasury modelling and used that as part of this process?

**Dr Ahammad**—Exactly, yes. Built into this are some of the assumptions about the processing cost, about the management cost and all that, and we have come up with an estimate of the amount of land that can potentially be converted into plantation, timber plantation, and the amount of land that can be converted for environmental plantings. That is how we come up with the estimates. In doing this, because we are looking to a very big time scale and a specially detailed one, we have not been able to include, for example, environmental restrictions on land users at a national scale. Also, one important thing is water interception. Because of large-scale plantation, there could be a substantial water implication, so we need to understand the hydrology at a local level. We have not been able to do it on a national scale.

**Senator COLBECK**—Pity about Land and Water Australia.

**Dr Ahammad**—Basically, these are some of the biophysical constraints that we have not included in our estimates. This is something which needs very detailed scientific information as well as economic information. Without those things we cannot come up with very precise estimates.

**Dr O'Connell**—It is probably useful to think of this more as helping to understand the drivers of the economics of the issue rather than trying to paint a real picture of what is going to happen, because if you do not have those real constraints, this does not relate directly to reality. So, to the degree that you are wondering if ABARE can produce a picture of what in reality is going to occur, it cannot at present because ABARE is modelling without the real constraints at all. So we are modelling and the effect of it is to give us a better understanding of what the drivers are of how behaviour will be motivated economically. But without those biophysical and regulatory constraints, this is not going to give you a number which says,

'This is where plantations will grow,' and we would be wrong to leave you with the impression that they could.

**Senator COLBECK**—No, I understand that. This is, I think, our third iteration of conversation on this issue as well, on this particular modelling. I saw the first round of modelling, the 2008 stuff, and looked at my home state, which I have a reasonable understanding of, and saw that under the CPRS 25 model effectively all of the agricultural land was potentially going to go into forestry. I just did not believe that that would happen. This second piece of work confirms what I thought, but what I am trying to get back to is a closer sense of what the reality might be. Mr Glyde said that there is further work being done; it is potentially two months down the track. I am not going to hold you to that, but that is the potential time frame. That will give us perhaps a closer idea, because the numbers in this document are still the 2008 numbers which we all agree are certainly upper bound. I was hoping to get a closer idea of what the real bound was. My next question is: has this work, the 2008 work, been used to inform the government in any way on the potential sequestration of carbon and how it might meet its targets in its overall modelling of the CPRS?

**Mr Glyde**—Certainly the report in 2008 was given to the Treasury. The extent of the use that they made of it, how they drew upon it in their modelling, we do not know.

**Dr O'Connell**—I think that really needs to be put to Treasury. They manage this process.

**Senator COLBECK**—I am sure they are watching this and we will deal with them later in the week, because it is an important question.

**Mr Glyde**—Yes.

**Senator COLBECK**—If Treasury have effectively used the results of this report, which are now considered to be upper bounds, it seriously diminishes their estimates in respect of how much carbon they may sequester through forestry under the CPRS.

**Mr Glyde**—The only thing I would add is that the report clearly states those limiting assumptions, so the material that they had with them had those limitations pointed out.

**Senator NASH**—The issue of interception from the plantations that you raised before, Dr Ahammad, is quite a serious issue, and over a number of estimates in various forms it has raised its head. Can you tell me: do you work with the department of environment in looking at the issue of interception, given the potential impact, particularly in areas that are going to have an impact on the Murray-Darling Basin from the interception, from the potential planning of forests?

**Mr Glyde**—We do a fair bit of work with the Department of the Environment, Heritage, Water and the Arts, and in fact they have given some funds to survey irrigators and the like to do economic analysis in relation to water. This is one of the factors that is in that mix and we talk with them on quite a regular basis.

**Senator NASH**—Not necessarily irrigators. I am not talking about irrigators.

**Mr Glyde**—Sure. No.

**Senator NASH**—I am talking about the interception activity that results from afforestation.

**Mr Glyde**—I think one of the complexities of trying to come up with, as Dr O’Connell said, estimates of what might be some likely futures, depending on carbon price and things like that, is what the impacts will be of afforestation of any type in the landscape. In order to understand that, we need to go down to a catchment level, because the geology, the hydrogeology, is different from catchment to catchment, and so to make informed judgements about that we need a quite detailed model, which we sort of have in some places. They are critical decisions when you think about where we are going with the National Water Initiative and water policy more generally. They are all linked.

**Senator NASH**—Absolutely. From what you have just said, a lot of the forestation that has happened thus far has really happened without enough detailed knowledge of the potential impact of the interception, hasn’t it? We actually do not know yet.

**Mr Glyde**—You are talking about deforestation since European settlement?

**Senator NASH**—No, forestation.

**Mr Glyde**—Sorry, afforestation.

**Senator NASH**—I am talking about putting them in and the trees sucking the water out. That is the interception.

**Mr Glyde**—Dr Ahammad might know a little bit more about our state of knowledge and the extent to which we can comment on interception and the afforestation that has occurred over the last 30 years. I would have to take that on notice, I think, unless Dr Ahammad can help me.

**Dr Ahammad**—I would like to take it on notice. I am not a scientist; by training I am an economist. In our analysis we looked at the growth potentials of forestry, and that has come from the Department of Climate Change, so it might have factored in some growth potential and have taken into account average rainfall and things like that, but not in terms of interception.

**Dr O’Connell**—I absolutely agree, and I am sure the scale that would be looked at would be, at a rainfall level scale, probably not much more than that. I think what you are looking at is: what do we know about catchment by catchment and what is the effect of plantations on the run-off and on recharge and others? That would obviously require a deal of input, for example, from the Bureau of Met, who are the major hydrology people around the place. But there is a very clear policy framework that is now in place with the National Water Initiative, which should, once fully in place, have an accounting framework for interception by plantations. Certainly, as I understand it, the states are going through the processes of developing that arrangement. That at least then should place the cost on the interception of water by plantations, which would then provide some limiting factor on the economics of plantations as well.

I think this is getting into areas where you are also interested in the broader environmental effects, even when there is not run-off into other water users. That may be a broader issue. There are a range of other constraints which need to be placed, and that is exactly why I was trying to emphasise that what we will not get out of this is a clear prediction of what the level

of plantation use will be as a result of the CPRS, because no matter really how far ABARE goes it is not going to get to this level of refinement in any reasonable time frame.

**Senator NASH**—Mr Talbot, did you have anything you wanted to add? This is obviously your bailiwick.

**Mr Talbot**—Unfortunately, there is nothing I can add to it.

**Senator COLBECK**—I will go on from that to segue into forestry itself, just to add to the questions that Senator Nash has been asking. Mr Glyde, it is not necessarily a question to you specifically, but the report done by Duggan et al in 2008 talks about interception. Are you aware of any other work that talks about the relationship of forestry and generating rainfall? I have a recollection of seeing some reports out of Western Australia in particular about the reduction in forest cover in Western Australia and a perceived reduction in rainfall associated with that. Is there any research that we are aware of that might be able to give us some advice on that?

**Mr Quinlivan**—We are aware of the recent publicity on this issue, and perhaps the Bureau of Rural Sciences, when they come to the table, would be ready to respond to your question.

**Senator COLBECK**—Okay. The discussion that I am aware of goes back some considerable period of time. Perhaps it is something that has raised its head again recently in conversation, but I was aware of some research on forests actually generating rainfall as part of their climate implications.

Let's move on to forestry itself. I want to go back to some questions that I have asked previously about the government's election commitments. Firstly, we will look at addressing forestry skills shortages. We were told at the last estimates that it has been moved to the Department of Education, Employment and Workplace Relations and that there is a skills council which will receive \$8 million. Does the department have any information on that or do we have to go to the Department of Education, Employment and Workplace Relations to get an assessment of that?

**Mr Talbot**—I do not have any further information here. I am quite happy to ring that department for you. We provided \$1 million to DEEWR to assist ForestWorks become the Industry Skills Council.

**Dr O'Connell**—Obviously it is past close of business tonight, but we could try and get some information for you tomorrow that we could then provide you with before the close of business. Would that help?

**Senator COLBECK**—Yes, I would appreciate it if we could get a response on that. I think I have seen some publicity on it but I would be interested to know specifically where that is at. The \$9 million on boosting the export of forest products: we were told last time that expressions of interest had been received and were being assessed and that we received \$118 million worth of expressions of interest for that \$9 million. Who were the lucky punters, or are there any yet?

**Mr Mortimer**—The lucky punters, as you put it, have not been announced yet. There was a selection committee set up to scrutinise the applications. They have given advice to the minister and that is now with the minister. At this stage there are discussions being had with

the project proponents to ensure that they are happy with the proposals and the government's response to those and, as soon as those discussions are finalised and settled, the amounts and the recipients will be announced.

**Senator COLBECK**—When was the selection committee process conducted?

**Mr Talbot**—I would have to check my notes, but I think the selection committee occurred in March this year. I am not exactly sure.

**Mr Mortimer**—Yes, that sounds about right.

**Senator COLBECK**—In March this year when we had estimates, you said they were being assessed that week, so I suppose we can agree to agree that it was March.

**Mr Talbot**—Yes.

**Mr Mortimer**—Sorry we do not have the detailed dates of that for you.

**Senator COLBECK**—And I cannot remember what date the estimates were last—23 February. We are now nearly at the end of May. How come it is taking so long to get from process to process?

**Mr Mortimer**—We may have touched on this last time. Essentially, the timing was that the minister wanted to have a discussion with the Forest and Wood Products Council about a preferred approach on this. Also, government processes required that guidelines for funding programs be assessed and agreed by expenditure review cabinet, so I think it is really just a matter of going through steps and—

**Senator COLBECK**—How many steps have we got to go?

**Mr Mortimer**—I think we are at the penultimate step. I think we are just shy of getting agreement between the preferred projects and the project proponents and—

**Senator COLBECK**—So the Forest and Wood Products Council has met?

**Mr Mortimer**—Yes, that is right.

**Senator COLBECK**—It has been ticked off by the Expenditure Review Committee?

**Mr Mortimer**—They were the guidelines for the program, not the actual expenditures. We are hopeful that the projects can be announced very shortly but, as I said, it really does depend on ensuring that the project proponents are confident that their projects are viable and can be done with the funding that has been agreed. As soon as that is settled, the minister will make the announcement.

**Senator COLBECK**—We will move onto the forestry industry database. We were told last estimates that there is a development process to put out a tender into the community. Where are we at with that?

**Mr Talbot**—A tender was conducted. We are finalising arrangements for a preferred tenderer at the moment, to develop an industry database over the next 15 months, and we are in the final stages also, with an industry body, to host the website.

**Senator COLBECK**—How many tenders were received?

**Mr Talbot**—I would have to take that on notice, but I think it was around eight.

**Senator COLBECK**—You say you are in the final stages of the process. Effectively, you are in contract negotiations with the tenderer.

**Mr Mortimer**—Yes, that is probably the best way to put it. There is a preferred contractor identified and agreed, and it is just a matter of, as is often the case in these things, agreeing with that contractor certain things that need to be done, the time frames et cetera. We are just closing off on those and hopefully, again, it can be settled very shortly.

**Senator COLBECK**—Your deadline for completing the database is 15 months from commencement. What is the term in the contract?

**Dr O'Connell**—September 2010.

**Senator COLBECK**—September 2010. Have to work pretty hard to make sure that we meet the election commitment; get it done before the next election. I am sure Mr Rudd will take that into account when he is determining the election date. Has September 2010 always been the preferred completion date or has that been informed by the tender process?

**Mr Mortimer**—We are not sure on that. I am not sure whether there has been a registered target date. I think the intention is to do it as soon as possible, rather than anything else.

**Senator COLBECK**—Are we able to divulge who might host it?

**Mr Mortimer**—We probably prefer not to, if that is okay.

**Senator COLBECK**—It will be a nice surprise for the minister to announce.

**Mr Mortimer**—It is not appropriate for us to do it.

**Senator COLBECK**—No, I understand. You cannot blame me for asking. Can you give us the current status of the \$1 million for the importing of illegally logged timber?

**Mr Mortimer**—The key thing is that we have settled a process for doing a RIS—a regulation impact statement—for the issues around and options for restricting illegally logged timber, and so that contract will utilise the bulk of the funds for this financial year, and then there are some associated projects with that which are also going ahead and which Mr Talbot might be able to take you through.

**Mr Talbot**—I will just add to what Mr Mortimer has said. There is currently an issues paper out for people to comment on. There have been over 80 organisations interviewed. There will be a draft options paper put out. I think I mentioned at the last Senate estimates that it would be put out at the end of May. It will now be mid-June that it will go out.

**Senator COLBECK**—So when did the options for the issues paper go out?

**Mr Talbot**—The issues paper is on the CIE website—the Centre for International Economics.

**Senator COLBECK**—Yes. When did it go out though? You said at the last estimates it would go out in March. Did it go out in March?

**Mr Talbot**—Yes, it did.

**Senator COLBECK**—The option to follow that, you are saying, is now June rather than May.



**Mr Talbot**—That is correct.

**Senator COLBECK**—You still expect it to be finalised by the end of June?

**Mr Talbot**—I would say it will be July before we have a final RIS, based on the fact that other dates have moved back.

**Senator COLBECK**—You are effectively looking at the end of July now?

**Mr Talbot**—I would say mid to late July.

**Senator COLBECK**—Where do we go once we have got that finalised?

**Mr Talbot**—Once the RIS is finalised, there are a number of tracks that it could take. It may well be a cabinet decision in terms of regulatory arrangements. At the last Senate estimates I mentioned that during this process we would look at a range of things from no regulation through to black-letter law regulation. It is a bit hard to say what government process it will take until we know what the final option is.

**Dr O'Connell**—Fairly obviously, though, I think in this area there is contemplation of the potential for significant policy shift, given the nature of the suggestion to implement an illegal logging constraint or ban, so that would require a whole-of-government decision which we would no doubt see in due course.

**Senator COLBECK**—I understand that, but I am just going back to your initial commitment, which was to commit \$1 million to work with regional governments and industry to:

1. build capacity within regional governments to prevent illegal timber harvesting
2. develop and support certification schemes for timber and timber products sold in Australia
3. require disclosure at point of sale of species, country of origin and any certification
4. identify illegally logged timber and restrict its import into Australia; and
5. argue for incentives within the emerging global carbon markets for avoided deforestation and better management of tropical rainforests.

That is a fairly broad and ambitious target and this is, effectively, an initial step in that process. Mr Talbot, you seem anxious to say something.

**Mr Talbot**—Thank you. In terms of those five points under the illegal logging policy, we have been dealing with points 1 and 2 through our Asia-Pacific forest partnership program. We have an amount of money under that where we are helping countries in the region with training in various areas, capacity building and in some areas looking at certification. So we have a range of projects now. We did round 1 last year and, obviously, we will be looking at further rounds. It is a four-year program.

**Senator COLBECK**—What is the total investment in that?

**Mr Talbot**—It is \$15.8 million over four years. The \$1 million that we talked about in this election commitment we are particularly applying to objectives 3 and 4 that you read out, and No. 5 really comes under the climate change portfolio, but we are working closely with that.

**Senator COLBECK**—I think I can accept that. I am aware of discussions in respect of that through that portfolio, so I understand that. So this process here gets us almost past the

first hurdle as far as dealing with the first four items in that list. Once we have got the RIS in place, what is the process from there?

**Dr O'Connell**—I think, as we mentioned, at that stage the government will have before it sufficient material to give consideration to where it wants to go and how. So I would be suggesting that, at that stage, we are back to the government looking at this material and making preliminary decisions as to how to manage it. So it goes to government decisions.

**Senator COLBECK**—The government has effectively already made a decision that it is going to crack down on the importation of illegally logged timber. That is what it has said. It was quite clear.

**Dr O'Connell**—The point I was making, on the point that Mr Talbot has been making, is that this process will provide options for government to meet its commitments. So it is a question then of what options it wishes to take and how to manage it.

**Senator COLBECK**—The question then is: when are we likely to get to this place? It has taken us 18 months to get to the stage of finding out what our options might be when the clear promise was: 'A Rudd Labor government will crack down on the importation of illegally logged timber.' It is suspected to be a significant proportion of the Australian timber market. We do not actually know, because a lot of the stuff is not in place.

**Senator Sherry**—That is a policy decision for government to take, Senator Colbeck.

**Senator COLBECK**—You are right; it is a policy. But it is a promise that you have already made, that you are going to do it.

**Senator Sherry**—Yes.

**Senator COLBECK**—We are 18 months in and we are still getting to the stage where we are finding out what—

**Senator Sherry**—We are halfway through our term, we are 18 months in, and when the government is elected it does not introduce in detail all of its election commitments from day one.

**Senator COLBECK**—I have not made that intimation. I am just trying to get a sense of a time frame of where we are going to be and what the policy options are. We have asked questions about this genuinely at each estimates to find out where things are at.

**Senator Sherry**—Yes. I understand.

**Senator COLBECK**—I am just trying to get a sense of what the time frame is going to be.

**Senator Sherry**—In terms of a final decision as to implementation, we cannot give that to you. That is a policy matter that would need to be determined by the minister and cabinet and the processes that it wants followed. But I will take it on notice and I will discuss it with the minister firsthand.

**Senator COLBECK**—Thanks, Senator Sherry. I appreciate that. Going on to the fifth one, preparing forest industries for climate change—

**Senator SIEWERT**—Can I just slip a question in? I did not realise you were moving on from the illegal logging issue. My concern is that the extent of the options that are being

canvassed by the discussion paper range from a code of practice to legally binding legislation, yet I would have thought a code of practice is not much more, with all due respect, than what the previous government was doing. So what confidence has the community got that you are actually going to be cracking down on and restricting illegal timber imports?

**Senator Sherry**—The community will make its judgment when the government has finalised its particular detailed approach.

**Senator SIEWERT**—Why is that approach being considered when it is surely what the previous government was doing?

**Senator Sherry**—There are options there.

**Dr O'Connell**—It is quite reasonable to put in front of the government the full suite of options that are available to it. That is what you would expect in a process of this nature, so the government can make the selection as to what—

**Senator SIEWERT**—I would expect them to put a suite of options in front of government that actually implements their policy, if their policy is to restrict illegal timber imports.

**Dr O'Connell**—What is being offered is the suite of options which will meet that election commitment.

**Senator Sherry**—Just by way of example: I get a whole range of briefs from Treasury in my superannuation and corporate law areas, which invariably include what the current regulatory supervisory practice is and their particular analysis of it as part of a range of varying options. That is relatively common.

**CHAIR**—Senator Siewert, Senator Milne has some questions on forestry too, so when you finish we will go straight to Senator Milne.

**Senator SIEWERT**—Thank you.

**CHAIR**—You have finished?

**Senator SIEWERT**—Yes.

**CHAIR**—I was not giving you the rush up.

**Senator SIEWERT**—That will do. They are obviously coming from a very weak position and it does not give us any confidence that in fact we are actually going to achieve the policy objectives that the government said they were going to do.

**Senator Sherry**—Yes, but we have not made the policy yet. We have not finalised the policy.

**Senator SIEWERT**—That is part of the problem.

**Senator Sherry**—No, it is not a problem, in the sense that no government introduces and resolves all of its election commitments from day one after being elected, let alone the first year. I can give you numerous examples in my own portfolio responsibilities where there are policy commitments outstanding. Many have been implemented; some have not.

**Senator SIEWERT**—This is a fairly easy one.

**Senator MILNE**—I note in the appropriation here that the Tasmanian Community Forest Agreement program concluded in 2008-09 and that there has been an allocation there. Do you have a full list of how that money was disbursed and is it on your website, or how can I get hold of that list?

**Mr Mortimer**—We do not have that full list at that stage, I understand. I am advised by Mr Talbot that it is not on the website, but we can take that on notice and provide that to you.

**Senator MILNE**—Yes. As you will recall, the Auditor-General had a few words to say about the administration of that grants program, so I would like to see how the money was disbursed. I presume all the money has now been disbursed and that is an end to it, or was any left over and transferred to something else?

**Mr Talbot**—The program terminates at the end of June, so there are still some payments to make. We can give you an update as at now and we can also give you an update when the program closes. We are happy to do that.

**Senator MILNE**—Okay. In terms of the program closing, am I to assume that there will be no moneys left over at the end of June?

**Mr Mortimer**—We cannot necessarily assume that, but it is unclear what the situation will be there. If there are underspends and to the extent of underspends, that is an issue for the minister and government to determine what they do with it.

**Senator MILNE**—If you will, just take on notice what is spent till now, and update me at the end of June including any money that is not spent at that point.

**Mr Mortimer**—Yes.

**Senator MILNE**—Now if I can go on to this issue of providing high-quality and timely policy advice on forestry issues and future directions, can you tell me whether the government has had any discussion—

**Dr O'Connell**—You are making a reference to the PBS?

**Senator MILNE**—No, I am about to go on to the managed investment scheme.

**Dr O'Connell**—Okay. I was wondering were you making a reference to the portfolio budget statement.

**Senator MILNE**—Yes. I was looking at that a minute ago. That is what I was reading from. Can you tell me if the government or the department had any discussion with Timbercorp and Great Southern as to the ongoing management of the plantations whilst they are in the hands of the receivers?

**Mr Mortimer**—I do not think that there have been discussions with Timbercorp or Great Southern.

**Mr Quinlivan**—The minister has met with the receivers of both and discussed the handling of, in one case, the administration; the handling of the process and any outstanding issues to do with workers and so on. I think there were departmental officials involved in some of those.

**Senator MILNE**—The issue I have is with regard to feral animals, weeds, thinning and harvesting, and fire, because from what has been in the press, there is no money for those management issues since they were placed in the hands of the administrators; and obviously there are varying time frames. Can you tell me whether the government is taking any role in trying to make sure that those plantations, established at considerable investment from the taxpayer by virtue of avoided income, are going to be maintained, communities protected from potential fire, and the wood value maximised by thinning and so on?

**Mr Mortimer**—It is pretty difficult, if not impossible, to say anything about that at this stage because the whole question of ownership of those assets is not clear. Timbercorp and Great Southern are both in the hands of receivers, so at this stage they remain owned by the current owners. No decision has been taken as to who the future owners might be or what the management arrangements for them might be, so what we have to do at this stage is await the outcome of the process that the receivers have to go through. The receivers have to follow corporate law in doing their job in terms of an orderly treatment, wind-up if that is the case, or whatever, of those corporations and assets in the interests of the owners. Then, from there on, I think there is a question as to how they might be managed, but it is impossible to say—and indeed we cannot really prejudge—what the ownership arrangements might be and what the management arrangements might be.

**Senator MILNE**—Having said that, I understand that that will be a normal process if a property goes into the hands of the administrators. The difference here is that it is going to take a long time to unravel the ownership arrangements of those plantations. Do you have a view, or has there been any indication from the meetings you have had with them, as to how long they expect it might take to unravel that ownership scenario?

**Mr Mortimer**—I do not think that is clear, but I was not at the meetings.

**Mr Talbot**—I think it is early days.

**Dr O'Connell**—Yes, it is very early days.

**Senator Sherry**—From a corporate law perspective, putting on my ministerial hat rather than my representative hat, it is not unusual to have complex—

**Senator MILNE**—I understand that.

**Senator Sherry**—arrangements and complexity in terms of a company. Companies in administration are not confined to just Timbercorp and Great Southern, although, having said that, I will say that they do appear on the reports given to me to be very complex structures. But the reports given to me are perhaps issues that would be dealt with in detail either through ASIC in economics or the Markets Group in Treasury. It is very early days yet in terms of the detailed examination and how, where, when and why all the interconnecting companies are wound up—very early days.

**Senator MILNE**—I understand that and that is why I am raising these concerns, because it seems to me that we could be looking at years even before that is sorted. In the meantime, we have got an asset that was established with a 100 per cent tax deduction from the taxpayer and we are going to see weeds and feral animals, and rural communities threatened by fire; not maximising the asset in terms of thinning and harvesting and so on. Some entity has to take

some responsibility for this, and it would seem to me that the government has some role in sorting out management.

**Dr O'Connell**—I think the level of government which would be appropriate here is the state government in terms of land use and management according to the fire risk, ferals, weeds and others. They are in the end privately owned pieces of land with privately owned assets on them and they therefore, first and foremost, run up against the same set of regulations that all other landholders and owners run up against in terms of state—

**Senator MILNE**—I am very clear about that. But the point is that you cannot give an abatement notice to an administrator when the ownership of it is not clear. I would argue that this is a unique set of circumstances in relation to the management of a large area of land, which is deteriorating by the month. I am not suggesting that the Commonwealth should invest further taxpayers' funds, but some arrangement must be made to protect communities and farmers, I would have thought, from weeds, ferals and fire.

**Senator Sherry**—The Commonwealth has no direct powers through the Corporations Act to direct the administrators in the carrying out of their duties. ASIC has some powers in respect of the corporate oversight, and you would have to put to ASIC whether it has powers in terms of the ongoing management of the asset. Whilst I do understand your concern, Senator Milne, because I have thought about it myself, the long-term tail liabilities, depending on the type of asset, go over many years and do require some active management. But the Commonwealth does not have the power to instruct in respect of those issues.

Whilst it is not directly comparable, with a company that has a partly constructed building site, for example, there are ongoing issues of maintenance and safety and a whole range of issues. They are not the same as a plantation, I accept, but there are ongoing management and supervisory issues beyond the direct commercial matters of disposing of the asset once you have identified who owns it, and liabilities and all the other things that need to be taken into account. The Commonwealth does not have a direct responsibility. In fact, I have had literally hundreds of emails from people in respect of Timbercorp, asking me to direct the receivers to do certain things, and I simply do not have that power—and rightly so, I have to say.

In respect of the corporate oversight of an entity in administration, ASIC do have some powers, but that is where it stops. Beyond that, the entities in administration do still have a responsibility to conform to various state acts, where they are relevant, in the same way, for example, as a partly built building site that is in receivership. I have no doubt there would be responsibilities to local government and state building codes.

**Senator MILNE**—In relation to both Timbercorp and Great Southern, has the government got a sense of what volume of timber is likely to come onto the market now as a result of the selling up of those two entities holus-bolus?

**Mr Mortimer**—It is unclear whether it would be in any of the affected parties' interests to actually go in and harvest here and now anyway. What I will say at the outset is that it is not certain that there will be any behaviour at this stage different from what would have been if the companies continued to exist and the assets had been managed in the normal fashion. Putting aside the complexities of the ownership, at the end of the day there are plantations of timber which have been planted against a program of growth and then sale, and it would seem

to be still in the interests of the owners that they continue that process to maximise the value and the return, albeit it is impossible to give any guarantees on that.

**Dr O'Connell**—I think it really is very early days to see how this will play out. More or less anything we say here is going to be speculation about how a very complex set of entities get managed in administration and then moving to whatever level of break-up they have. I would not want us to be speculating, to be honest.

**Senator Sherry**—For example, ASIC could give an approximate breakdown of each area of different type of plantation: eucalypt, and I think there were almonds and grape vines. However, it is just too early yet to get down to the level of detail about when those eucalypt plantations were put in, when they are due for harvesting—which is not just determined by when they were planted; it is obviously dependent on growth rates, local climate and all of those local factors—and what the servicing of each of those plantations located around Australia is. The receivers have only just commenced their work.

**Senator MILNE**—With the experience of the managed investment schemes, has the government given any thought to reviewing this mechanism of spending taxpayers' dollars?

**Senator Sherry**—There are three broad sets of policy issues that intersect here. Firstly, there are my responsibilities in respect of corporate law managed investment schemes—the direct regulation and supervision of the investment entities themselves. It is not appropriate for me to go into those issues here and now. The second group of policy issues relate to tax treatment. That is an issue for Minister Bowen and the Treasurer. The third set of issues which would be appropriate here are the various issues around the agricultural effect on production markets et cetera. So there are three separate issues in three portfolio areas.

**Senator MILNE**—Yes, but I asked: has the government got any idea about reviewing this mechanism, given the experience of what has happened with these managed investment schemes?

**Senator Sherry**—The department can give a response in respect to some areas. In respect to the regulatory supervisory set of issues, it would not be appropriate for me to go into them here and now because it is not the correct estimates. But certainly ASIC and I have had some preliminary discussions about regulatory supervisory issues in respect to the Managed Investments Act which apply to these entities.

**Senator MILNE**—I know that Dr O'Connell is going to say something but, before we go off your response, Minister, I would ask that, as you are considering that, you also consider the carbon sink forests legislation which will end up, in my view, in exactly the same set of circumstances. Dr O'Connell, were you going to respond on the MISs?

**Dr O'Connell**—I just want to mention the review of non-forestry MIS which was under way and the results of that are still with the government—and of course the potential for the Henry review of taxation broadly to capture everything in this field.

**Senator MILNE**—Have you done an assessment of the effectiveness of forestry managed investment schemes?

**Mr Mortimer**—No, that has not been done at this stage. As Dr O'Connell mentioned, the government, following one of its election commitments, has undertaken a review of non-

forestry MIS. There was no similar review done of forestry MIS. That review of non-forestry MIS is presently with the government.

**Senator MILNE**—Is there a reason why there has not been a review of forestry MISs?

**Mr Mortimer**—It was not a commitment of the government to do that.

**Senator MILNE**—In view of what has occurred, is the department going to do a review of them, given that we now have not only a management issue in terms of natural resource management but a market mechanism to manage in terms of a flood of wood onto the market?

**Mr Mortimer**—Clearly the department, along with other agencies, will be looking at what has happened with the managed investment schemes, Timbercorp and Great Southern, and will be examining the consequences with a view to advice to government on what it means and whether there are issues that need to be considered, or any issues to be taken up. But that is at the preliminary stage here and now.

**Senator MILNE**—In that discussion have you given any consideration to taking the competition out of the market in order to improve the price? By that I mean take out the native forests from the timber production market.

**Mr Mortimer**—We have not gone to that point.

**Dr O'Connell**—It is clearly government policy that native forests under RFAs will continue to be available for harvest.

**Senator IAN MACDONALD**—Are we now on—

**Senator MILNE**—Forestry.

**Senator IAN MACDONALD**—So we have moved from climate change to sustainable resource management, have we?

**Senator MILNE**—No, we are on forestry.

**CHAIR**—No, Senator Macdonald, but the two departments are rolled into one. To answer your question, we are not on sustainable resource management yet.

**Mr Mortimer**—But we are on forestries now.

**Senator NASH**—But we are very nearly on sustainable resource management.

**CHAIR**—Senator Nash, if I could lay London to a brick how many times I have heard you say that and still sat here two hours later frustrated. But, anyway, we will see how you go this time.

**Senator NASH**—That must have been somebody else, Chair.

**CHAIR**—Sorry, Senator Colbeck. Senator Milne, we have five minutes till tea-break.

**Senator MILNE**—That is fine. I am finished, thank you.

**Senator Sherry**—Senator Milne is raising some very important public policy issues across at least three different portfolio areas. I accept your genuine deep interest in this area, because certainly the events of the last month or so in my particular areas of direct responsibilities have led me to question some of the supervisory regimes in this area, as indeed other events over the last 18 months have led me to have to deal with other issues in the managed



investment scheme area. So I appreciate your interest. At this point in time, Senator Milne, without the detailed knowledge that is needed from the receivers, certainly in my area and probably in terms of the broader impact in the local communities and the broader industries where there are competitive plantations, it is just too early to have the facts, let alone to analyse the facts and the evidence to come to some policy conclusion and change, if that is necessary.

For my part, I will certainly take on notice your interest in terms of the outcomes in this portfolio to Minister Burke and if I can, in my particular area—the regulatory supervisory area of managed investment schemes—I am more than happy to arrange a briefing with ASIC in respect to the issues it is identifying. But it will take a couple of weeks at least, I suspect, before we have a full detailed picture of this.

**Senator MILNE**—I would really appreciate that, because foxes, weeds and fires do not wait for the administrators to sort out the ownership. They move in much faster than that.

**Senator Sherry**—Understood.

**Senator IAN MACDONALD**—The same might be said for national parks and forests that are no longer managed and those CRC figures on bushfire carbon dioxide emissions. They are all things we should be very concerned about.

**Senator COLBECK**—I want to go back to the election commitments on forestry and preparing forest industries for climate change. At the last estimates in February we said that there has been no expenditure recorded against this item. You were intending to spend \$1.65 million in 2008-09. What is the reality of that occurring?

**Mr Talbot**—We have had three projects that we commissioned this financial year. We have spent about \$1.5 million this year on climate change.

**Senator COLBECK**—Spent or allocated?

**Mr Talbot**—I have got expenditure here of \$1.585 to go to a number of projects. One project was commissioned to develop regional climate predictions and biophysical analyses to determine where management intervention is critical and necessary.

**Senator COLBECK**—So that project will be concluded by the end of this financial year?

**Mr Talbot**—I think it will go into next financial year. I do not have the dates they are concluded on, but I will provide them to you.

**Senator COLBECK**—Okay.

**Mr Talbot**—These are all preparing the forest industry for climate change. We have another one for a stocktake of climate relevant information needs. Then we have \$50,000 for a report on the implications of forest based bioenergy.

**CHAIR**—Senator Colbeck, do you have any more questions for ABARE or climate change? If you do, we will come back after the tea-break.

**Senator COLBECK**—I will put them on notice.

**CHAIR**—If there are no further questions, we will now go to a 15-minute break and then we will come back with Sustainable Resource Management, including domestic fisheries.

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**Proceedings suspended from 9.00 pm to 9.15 pm****Sustainable Resource Management**

**CHAIR**—Thank you very much. The minister is at the table, so we will kick off. I welcome officers from Sustainable Resource Management.

**Senator IAN MACDONALD**—How much of the Caring for the Country money has been set aside for competitive grants?

**Mr Thompson**—The current business plan that has just been finalised? Tony Bartlett can help you right away with that. He has the numbers at his fingertips.

**Mr Bartlett**—In the business plan it says that up to \$260 million, including the regional budgets, will be available each year through the business plan process, which is a competitive process.

**Senator SIEWERT**—What do you mean, including the regional process?

**Mr Thompson**—There is a baseline funding available for regional bodies. The business plan is an open call for funding but around half the money in the business plan is available for a guaranteed baseline funding for regional bodies, which they will get. But we have included that as competitive because they do have to put in submissions for projects against the targets in the business plan.

**Senator SIEWERT**—So it is called competitive funding even though it is not really?

**Mr Thompson**—The projects within it are competitive but the regions will get a share of it, which they already know about, that is not competitive.

**Senator IAN MACDONALD**—Are you clear about that?

**Senator SIEWERT**—As mud!

**Senator IAN MACDONALD**—How much is base funding—of the \$260 million, I assume? The \$260 million includes the base funding?

**Mr Thompson**—I believe \$138 million is the regional base funding.

**Senator IAN MACDONALD**—So that means the competitive grants money is \$122 million. Is that right?

**Dr O'Connell**—Yes, over and above the regional base funding.

**Senator IAN MACDONALD**—How much money has been requested through applications for the current competitive round?

**Mr Thompson**—Well in excess of the amount of money that is likely to be available. There have been over 1,300 applications.

**Mr S Hunter**—Seeking \$3.4 billion.

**Senator IAN MACDONALD**—\$3.4 billion? It is a word we have trouble saying in this parliament, but that is 'billion', is it, with a B?

**Mr S Hunter**—\$3.4 billion.

**Senator IAN MACDONALD**—And there is \$122 million available for it. Is that correct?

**Mr S Hunter**—The \$122 million excludes the amount of funding that is guaranteed to the regions, so you need to add that to it.

**Mr Thompson**—The \$138 million for the regions is included in that \$3.4 billion figure.

**Senator IAN MACDONALD**—My question was: how much has been requested through the applications for the current competitive round? You have told me the \$138 million is base funding, which means that of the \$260 million, \$122 million is left for the competitive grants. Stop me if I am wrong.

**Mr Thompson**—That is true, except for the \$138 million that is available for the regions. They are guaranteed \$138 million, but to receive that \$138 million they still have to put in applications under the business plan that address the target. So they are, in that sense, still having to put forward competitive projects for the sorts of things that will be funded from their guaranteed amount. The amount of money is guaranteed but the projects they have to get it for they have to put before—

**Senator IAN MACDONALD**—So hypothetically one NRM body could get the whole \$138 million? Is that how it goes?

**Mr Thompson**—No, sorry. Each region has been nominated a certain amount of money, which I think we discussed before, but they have had to put in a proposal through the business plan for the projects on which they would spend that money and it goes through a parallel assessment process to other projects that come in under the competitive round so that decisions that are made can compare the quality of those projects with others.

**Senator IAN MACDONALD**—This is going to be a long night. What then is base funding? What does base funding cover, or am I using the wrong terms? Tell me if I am using the wrong terms.

**Mr Thompson**—No, it is not a wrong term. There are a range of terms. There is an absolute minimum amount of money that regions have for what I would call their baseline funding for administration. That is 10 per cent of their guaranteed funding.

**Senator IAN MACDONALD**—Ten per cent of their guaranteed funding? What is their guaranteed funding?

**Mr Thompson**—The guaranteed funding is \$138 million for the 56 regions.

**Senator SIEWERT**—I do not recall the 10 per cent figure before. I recall that we got to the fact that not every regional group is going to get its 60 per cent. Ten per cent of historical funding?

**Mr Thompson**—No. The regions as a whole get \$138 million guaranteed. That is then split up between the regions, taking into account a range of factors such as the number of targets they have and extent of capacity. Of that amount of money, 10 per cent is available for the regions for administrative purposes. They do not have to apply that against one of the targets in the business plan, so it is to employ a chief executive officer and an administrative officer.

**Senator IAN MACDONALD**—So \$13.8 million—10 per cent of \$138 million—goes to administrative works in how many regions?

**Mr Thompson**—Fifty-six.

**Senator IAN MACDONALD**—Fifty-six regions.

**Senator SIEWERT**—But they do not all get the same amount, or they have to compete for that as well?

**Mr Thompson**—They do not all get the same amount. The \$138 million is not divided by 56. They get varying amounts depending on the number of targets they have had, the capacity they have, and the importance of or number of targets that need to be addressed.

**Senator SIEWERT**—Who decides that 10 per cent?

**Mr Thompson**—The 10 per cent is just a straight calculation.

**Senator SIEWERT**—No, who decides which region gets what?

**Mr Thompson**—The ministerial board.

**Senator SIEWERT**—So they make an application saying, ‘We’ve got this many targets,’ and this is against the business plan?

**Mr Thompson**—No, sorry. The \$138 million was decided as the amount available to give to the regions for what we would call their guaranteed funding. The ministerial board then, on advice, on the number of targets they had in the region, the capacity of the region to deliver and those sorts of factors, splits that \$138 million across the 56 regions. That becomes their guaranteed funding for delivery of projects.

**Senator SIEWERT**—Ten per cent of which is used for admin, which is \$13.8 million. Who decides if the Swan Avon gets \$2 million or \$1 million for its admin?

**Dr O’Connell**—I stand to be corrected here, but the ministerial board decided the split of the \$138 million between the regions based on a set of criteria which were put before them. That is the basic method.

**Senator IAN MACDONALD**—Is what you are saying that the \$138 million is available for the 56 regions; once each region has their share of it, whatever the ministerial board decides, they can use 10 per cent of whatever they get for administration. Is that correct?

**Mr Thompson**—That is correct.

**Senator IAN MACDONALD**—Phew! I assume the ministerial board is Mr Garrett and Mr Burke, is it?

**Mr Thompson**—Yes, it is.

**Senator IAN MACDONALD**—So they simply decide—on advice from you, I assume, is it?

**Mr Thompson**—Yes, it is. The board is provided with advice from the department.

**Senator SIEWERT**—Is there any external review of that, or does the department solely do the regional groups assessment?

**Mr Thompson**—The methodology used to determine regional allocations did involve some external advice on the methodology.

**Senator SIEWERT**—On the methodology, but not the assessment? Was an external advice process also used for assessing groups' applications against the application form for methodology?

**Mr Thompson**—No. The external advice was just on the methodology to be applied, not on the actual assessment of the groups against it.

**Senator SIEWERT**—The department and the minister made the decision about what each region gets?

**Dr O'Connell**—The minister has made the decision.

**Mr Thompson**—The minister has made the decision.

**Senator SIEWERT**—On the department's advice?

**Mr Thompson**—Taking into account the department's advice.

**Senator IAN MACDONALD**—Has the advice been followed in all cases?

**Mr S Hunter**—Ministers were provided with a range of options as to how they might give effect to their commitments, and they made choices from amongst those options.

**Senator IAN MACDONALD**—But do the ministers sit there with a whiteboard, going through saying, 'Yes, we will give this group'—

**Dr O'Connell**—Certainly not with a whiteboard.

**Senator IAN MACDONALD**—What do they use these days? One of those electronic screens?

**Senator SIEWERT**—At least you can print them.

**CHAIR**—A doodle pad where you pull the magnet across.

**Mr S Hunter**—The broad advice that was given to ministers was based on the following principles: the amount that regions needed as a minimum threshold funding level to function effectively; that regional funding is to be invested to achieve Caring for our Country priorities; and that allocations to regions will be based on their capacity to achieve the priorities. Then within those principles, a range of different alternatives and options were available to ministers.

**Senator IAN MACDONALD**—You say you are giving advice to the ministers, but then do the ministers conduct independent assessments to perhaps not take your advice? Do they pick up the phone and ring people, or talk to the local Labor Party branch? What do they do?

**Mr S Hunter**—I could not tell you precisely what considerations, other than departmental advice, ministers took into account.

**Senator IAN MACDONALD**—I find this quite incredible. So the department—without the assistance of on-the-ground panels, as used to apply—is now the sole provider of advice, that you are aware of, to the minister on what these 56 groups get?

**Mr S Hunter**—What we are talking about here are the allocations to the regional bodies. That is the \$138 million. As Mr Thompson has said, the methodology around which the

department based its advice was the subject of consultation. The further process of providing advice to ministers on the competitive grants under—

**Senator IAN MACDONALD**—No, we are not even up to that yet. We are just trying to get the base grant.

**Mr S Hunter**—I was trying to make sure that you had the—

**Senator IAN MACDONALD**—We want to come to that. So these people all put in their bids, they are assessed by department officials, nobody else?

**Mr Thompson**—Excuse me, Senator. For the baseline funding, the regions did not have to put in a bid. What we did, as Mr Hunter advised, was on the basis of factors like the minimum threshold funding needed for a region to operate the sorts of targets they had, the \$138 million was split between those regions. Having got their allocation, whether it be \$10 million or \$5 million, they then, as part of the business planning process, develop projects for funding up to that amount of money which was allocated to them by the regional allocation process.

**Senator IAN MACDONALD**—Mr Thompson, if you are trying to confuse us, you are succeeding very well, with no disrespect. With the \$138 million now, are you saying they did not apply for a competitive grant, that you just allocated them a figure? I mean ‘you’ the department.

**Mr Thompson**—The department did an analysis of the capacity of the region, the number of targets in the region, and said, ‘Here’s an allocation of money that will ensure that your regions will have funds to operate, because you know you will be getting that amount of money.’ But we then have to subsequently look at the projects which we are going to fund from that amount of money.

**Senator SIEWERT**—So you had to then do an investment plan essentially.

**Mr Thompson**—Yes, essentially.

**Senator IAN MACDONALD**—So you make an assessment, on what material you have before you, of what each NRM region is to get—is that right?

**Mr Thompson**—Yes.

**Senator IAN MACDONALD**—Can you let us have details of that assessment?

**Mr Thompson**—I would have to take that on notice, because I do not have the details of the assessment in front of me.

**Senator IAN MACDONALD**—I am sure you do not have them in front of you, but you can give that to us?

**Mr Thompson**—The regions were notified of their regional allocation back in April.

**Senator IAN MACDONALD**—No. We will get there a lot quicker if you answer the questions. Can you give us those figures? Not now, but on notice.

**Mr Thompson**—The regional figure, the amount of money per region?

**Senator IAN MACDONALD**—No, the amount of money you told each region that they could be allocated.

**Mr Thompson**—We can do that.

**Senator IAN MACDONALD**—Once you have told them that, they then have to justify to you how much of what you have told them they can get they can actually get—is that right?

**Mr Thompson**—No. What we have asked them to do is to present, as Senator Siewert said, an investment plan or a suite of projects that add up to that amount of money.

**Senator IAN MACDONALD**—That is to get that share of the \$138 million that you have already advised them they could get?

**Mr Thompson**—Yes.

**Senator IAN MACDONALD**—All right. Apart from your department, does anyone else have any say in what those figures are?

**Mr Thompson**—The figures to each region?

**Senator IAN MACDONALD**—Yes.

**Mr Thompson**—The department provided advice to the minister, as I said. The process was subject to some consultation with a scientific panel, some of the regions, and the states were advised as well.

**Senator IAN MACDONALD**—No. You said there was not a scientific panel. You said there was a process.

**Mr Thompson**—There was a scientific panel that helped advise us on the nature of the process, but the absolute numbers were by the advice from the department.

**Senator IAN MACDONALD**—A scientific panel? What, are they scientific mathematicians?

**Mr Thompson**—No. They were helping us with the process of saying, ‘If you have so many targets in a region, what might be a way of balancing that between the regions?’

**Senator IAN MACDONALD**—So they are not environmental scientists. They are mathematical or process scientists.

**Mr Thompson**—Some were environmental scientists. Some were mathematical scientists as well.

**Senator IAN MACDONALD**—Can you give us the names of who that ‘scientific’ panel were?

**Mr Thompson**—Yes, we can do that.

**Senator IAN MACDONALD**—You don’t have it with you?

**Mr Thompson**—No, I do not.

**Senator IAN MACDONALD**—Okay.

**Senator SIEWERT**—You said some regions were consulted. Could you tell us which regions?

**Mr Thompson**—They were consulted on the process, not on the numbers. We can tell you the regions that participated in that process.

**Senator SIEWERT**—That would be appreciated, thanks.

**Senator IAN MACDONALD**—As I understand it, you do not allocate. You advise the two ministers, who then allocate. Dr O’Connell or, if not, Senator Sherry, can you tell us then whether the ministers conduct other assessments inquiries, or do they simply use their own understanding to approve or deny, or do they, as a matter of course, simply tick off departmental advice?

**Senator Sherry**—Are you asking about this particular issue and this particular department or more generally?

**Senator IAN MACDONALD**—No, on the things we have been talking about for the last half-hour.

**Senator Sherry**—Yes, okay. Don’t get steamed up! I thought the inference was that you might have been asking me generally. But, no, I will have to take that on notice and ask the minister.

**Senator IAN MACDONALD**—You are aware of what I am after?

**Senator Sherry**—Yes.

**Senator IAN MACDONALD**—Do they make their own assessments, and then, if they do, could they let us know what other investigations they make, apart from the advice they get from the department?

**Senator Sherry**—Yes.

**Senator IAN MACDONALD**—So then, having got their share of the \$138 million, they then justify it, and if they can justify it, that is their base funding, \$138 million.

**Mr Thompson**—Yes.

**Senator IAN MACDONALD**—How is the \$122 million dealt with?

**Mr Thompson**—As part of the business plan process, groups, regions, non-government organisations, government departments across Australia can put in applications for funding against the business plan. Those applications closed last month. Those projects, which were the ones we were talking about earlier, the 1,300 projects, are now going through a process of assessment by a range of panels—community panels, government panels and scientific panels—and then advice gets provided to the ministers on whether those projects should be funded.

**Senator IAN MACDONALD**—So when you get to that there are community panels?

**Mr Thompson**—Yes, there are community panels.

**Senator IAN MACDONALD**—Can you give us a list of the community panels and the personnel of those community panels across Australia?

**Mr Thompson**—We are able to do that.

**Senator IAN MACDONALD**—Do they advise the department or the minister?

**Mr Thompson**—They are part of the advice that gets assembled by the department for provision to the ministers.



**Senator IAN MACDONALD**—What sort of format do these applications by the NRM groups take?

**Mr Thompson**—There was a standard application form in the form of a Microsoft Word document placed on the internet for people to complete. They could submit it electronically or in hard copy. It was an application that ran through the usual sorts of things: where the project is; which targets they were addressing; how much it was going to cost; what were the expected benefits; who the proponents were.

**Senator IAN MACDONALD**—Is it true that there are rules about word counts; that applications cannot exceed a certain word count?

**Mr Thompson**—In various places in the application form, in the interests of both assisting the applicants putting succinct applications and making it fairer for the assessment, their responses had—

**Senator IAN MACDONALD**—Your answer is yes.

**Mr Thompson**—Yes, there were some word counts in certain places.

**Senator IAN MACDONALD**—Are they applied religiously or is it just a bit of a guide?

**Mr Thompson**—We would have liked them to have been applied rigorously but, because it was a Word document on the web, a number of people expanded the sizes of some of those text boxes and—

**Senator IAN MACDONALD**—Were they automatically rejected then because they had exceeded what the rules say?

**Mr Thompson**—No, no-one was automatically rejected because they put too much information in.

**Senator IAN MACDONALD**—So those who abided by the word counts but perhaps did not explain their project fully because they thought the word count requirement actually meant something would have been penalised.

**Mr Thompson**—That is something that I could not comment on. There is no reason to believe they would be penalised.

**Senator IAN MACDONALD**—Why have a word count if it does not mean anything? Those that used the word count religiously then are constricted in flowery support, perhaps letters from politicians saying, 'We support this.' They would exceed their word count, so they did not do that. If people ignore the word count, they can perhaps be more expansive, more flowery, more persuasive.

**Dr O'Connell**—That would be one of those calls which is natural to all programs. If you place a constraint of that nature to help people, some will go one side, some will try to go the other. If we had drawn a hard line and said, 'Anybody over 500 words gets their application rejected,' we would then reasonably come under criticism for being excessively regulatory.

**Senator IAN MACDONALD**—But that seems to be the style of this government. There was a major telco who left out what many think was a very small item and they were rejected from what was quite a significant process.

**Dr O'Connell**—I could not possibly comment.

**Senator IAN MACDONALD**—I am serious about these things. The department is dealing with \$260 million worth of money, which really means the jobs and livelihoods of many people working in these NRM groups. What probity assessments do you have in the department to make sure that these recommendations are appropriate?

**Mr Thompson**—The whole process for applying for and receiving applications and assessing applications has been done on the advice of a probity auditor.

**Senator IAN MACDONALD**—That is the department's internal probity audit?

**Mr Thompson**—The department's legal service provider has provided us with a probity auditor.

**Senator IAN MACDONALD**—Do they sign off a certificate saying, 'These are probity qualified'?

**Mr Thompson**—On each of the steps in the process—the application form, the assessment forms and the steps we have taken along the way—they have signed off that we have met appropriate probity guidelines.

**Senator IAN MACDONALD**—Is that told to the applicants? Are they given a copy of the probity auditor's report?

**Mr Thompson**—I am not sure whether they are given a copy of the whole probity auditor's report, but the probity guidelines under which we operate have been made available to applicants.

**Senator IAN MACDONALD**—Is it possible for the committee to have a look at just one of the probity auditor's tick offs so that we know what you are talking about? Any one. You pick it.

**Mr Thompson**—We would be able to provide you with some advice on notice as to the probity auditor's advice on part of the process—on the assessment process or the application form or something.

**Senator IAN MACDONALD**—What I am wanting to see is where the probity auditor actually ticks off what he says, what form he uses. As I said, pick any one. I just want to try and understand the system, and I know a lot of the NRM groups would like to understand it too. Could you make that available to the committee?

**Mr Thompson**—Yes. I can see what form it is in and we can make something available to you.

**Senator IAN MACDONALD**—A representative one, of course. I am sure you will do that.

**Mr Thompson**—Yes.

**Senator IAN MACDONALD**—I understand other senators might want to ask some questions, but could I quickly run through the rest of mine. Are there any limits on the size of the grant in the competitive grants?

**Mr Thompson**—There were some guidelines given but—

**Senator IAN MACDONALD**—No. Are there limits on the size of the grant?

**Mr Thompson**—There are no limits.

**Senator IAN MACDONALD**—No limits. Good. There were no marine targets in the Caring for our Country applications. Is that correct?

**Mr Thompson**—That is correct.

**Senator IAN MACDONALD**—Why is that?

**Mr Thompson**—That was a policy decision by the government.

**Senator IAN MACDONALD**—Do you know why that is, Senator Sherry?

**Senator Sherry**—No, I do not. I would have to take that on notice.

**Senator IAN MACDONALD**—Could you find out for me why marine targets were not in Caring for our Country when they were in the previous similar program. Could you give me a breakdown of how many applications have been received in the large, medium and small categories from each state? Is that readily available, on notice?

**Mr Thompson**—Yes, that is readily available. We can do that.

**Senator IAN MACDONALD**—Will the successful applicants be divided in any other way, other than on merit, with those applications, such as on the basis of which state they are from or which region they are from? Is there any allocation between the states, for example?

**Mr Thompson**—There is no allocation between the states, but ministers will have to take into account the spread of targets and outcomes that exist under Caring for our Country to ensure that there is a spread of projects between those outcomes, because they vary from national reserves through to sustainable agricultural practices.

**Senator IAN MACDONALD**—Do you know if any allowance is made in the differing quality of the allocations, (a) for those who followed the word count, but (b) for those groups that do not have the resources to make as stylish an application as some other groups? Is the fact that some groups have more resources to apply than others taken into account?

**Mr Thompson**—It is taken into account to the extent that, in the category of projects that are loosely called ‘small projects’, small projects will be compared against other small projects and not compared against much bigger medium or large sized projects, which have tended to have come from the better resourced and connected networks or groups. So the smaller projects will be compared against each other in the first instance.

**Senator IAN MACDONALD**—Do you have any idea of the cost to the applicant of preparing an application for both the base funding and the competitive grant? Is that something you would have some data on?

**Mr Thompson**—It is not something that we have data on. We do not fill out the applications, so we are not sure how much time and effort groups may have spent. Some of them may have spent a couple of days. Considerably more time or effort may have gone into the completion of some of the larger projects.

**Senator IAN MACDONALD**—It has been suggested to me by groups from all over Australia that the cost of making applications is quite large. Would you think that would be true?

**Mr Thompson**—Given the amount of money available and the number of applications we have, if people spend two or three days preparing an application, the number would add up. I have heard there are some people in the community, particularly for some of the medium and larger projects, who spent considerable resources pulling those projects together.

**Senator IAN MACDONALD**—Would it be appropriate, do you think, to try and get a handle on just what the cost of the process is to the applicant?

**Mr Thompson**—Over the next few months, in preparation for the next business plan, we are conducting a review of the targets and we are also conducting a review of the process by which the grants and applications were put together, and that is the sort of thing we would be looking at with a view to streamlining processes where we can, making them more efficient, providing better information or reducing the cost of applications where that can be done.

**Senator IAN MACDONALD**—Mr Thompson, many of your department would, like me, remember the tortuous process under a previous government, where hours were spent of departmental time and of applicants' time, and the processes in getting investment plans and—I forget what else we called them. There seemed to be a never-ending set of plans that cost a lot of money. I assume all of that is now wasted money under the completely new process.

**Mr Thompson**—No, I do not think it is wasted money. The investment plans, regional investment strategies and catchment plans put together by regional bodies were quite robust documents, looking at the priorities within a region and developing up partnerships. That sort of capacity and knowledge and information is something that would very much underpin any group putting together a large or medium sized project for funding. That sort of work is something they build on for their new projects, one would expect, so I do not think it was wasted.

**Senator IAN MACDONALD**—Although the 30 per cent funding cut to DAFF is challenged, there will certainly be some funding cut. Will that have any impact on the Caring for our Country program? Will there be fewer people on the joint team—staff cuts?

**Mr S Hunter**—As the secretary indicated in his opening statement today, we are working through the implementation of the reductions—

**Senator IAN MACDONALD**—Can you take on notice, when those decisions are made by the secretary, just how the Caring for our Country branch has done out of the assessment—whether they have lost staff, have the same staff or have increased staff?

**Dr O'Connell**—I do not want to leave the committee with the impression that there is a 30 per cent cut to the department. As I said before, there was only a 1.2 per cent cut over and above the other efficiency dividends.

**Senator IAN MACDONALD**—Thanks, Dr O'Connell. I did acknowledge that it was an arguing point—

**Senator Sherry**—A matter in dispute.

**Senator IAN MACDONALD**—and did not expect you to accept that. I know the constraints under which you work. Deficits are building and we are projected to—what are we up to?—\$300 billion in the out years. There is a concern amongst NRM groups that they may be squeezed. As I understand it, Caring for our Country is set to end in 2013, and I am wondering if there are any plans to provide certainty to NRM groups for future funding of the regional base allocations before the end of that program.

**Dr O'Connell**—That goes to government's future decisions, which we clearly could not entertain at the moment.

**Senator IAN MACDONALD**—Okay, I accept that. Is there to be an annual review of Caring for our Country?

**Mr Thompson**—An annual report card on projects funded and outcomes achieved will come out every year. The first one will come out later this year. Like all programs, there will be a series of rolling reviews—monitoring, evaluation—of Caring for our Country.

**Senator IAN MACDONALD**—Will you be meeting with the NRM groups in those reviews and will you give them notice of your intention to discuss that with them?

**Mr Thompson**—We meet with the regional NRM groups regularly. We also have just completed a monitoring, evaluation and improvement strategy. We have been out consulting with regions and other stakeholders over the last few weeks as to how that is to be implemented, and any review of the programs would be done taking on board their information but also in consultation with them.

**Senator IAN MACDONALD**—I am concerned that some regional groups were invited to meetings in their capital city to review certain processes and they were given 10 days notice. Is that the sort of notice that the department intends to give on these consultations?

**Mr Thompson**—The amount of lead time given for consultations varies. That one must have been 10 days. Other times they are provided with more extended periods of time. On other occasions we meet with executives of the NRM regions, who convey the information back to their groups. There are a range of mechanisms.

**Senator IAN MACDONALD**—Do you think 10 days notice is sufficient, where people have to come long distances at fairly great expense and have to get prepared? Do you think that is appropriate?

**Mr Thompson**—In some cases it may be appropriate and in others I think it could be short, but we are always available to talk with regions over the phone. There is a joint team which has responsibility for states and meets with those regions on a frequent basis and can give them briefings. There is a fairly frequent dialogue and an open door in terms of asking questions.

**Senator IAN MACDONALD**—Do you think that perhaps 10 days to get people from all over a large state to the capital city for assessments is appropriate?

**Mr Thompson**—I am not sure which particular instance you are referring to or the nature of the meeting held.

**Senator IAN MACDONALD**—I do hesitate to be too specific. I know there would be no retribution from the department, but by the same token can I tell you that NRM groups in New South Wales, Victoria, Queensland and Western Australia are all concerned and have been in touch with me about the lack of understanding apparently by departmental officials, who expect them to drop everything and be practically summoned to meetings in capital cities at what they consider—and I agree—is relatively short notice, bearing in mind that some of these people live in places whereby you certainly cannot hop in a car and slip down to Sydney in a couple of hours.

**Dr O'Connell**—I would be quite happy to take an examination of that and try to make sure that we have an engagement where those NRM groups are comfortable that they are not being pushed on time.

**Senator IAN MACDONALD**—Thank you for that, Dr O'Connell. I appreciate that. It was suggested to me that groups in the Northern Territory were given two days, but perhaps that is not correct. I do not want to be more specific than that.

Is the department aware that NRM groups will have a gap in funding between July and September this year? That is the transitional period, where funding will run out at the beginning of July and it is unlikely that contracts will have been signed for the first real year of Caring for our Country. Is that something you are conscious of?

**Mr Thompson**—With the regions concerned, we are conscious of the potential for a gap between 1 July and when all of the money can be paid. We are very conscious of that, too, and we are monitoring the situation very closely and looking at a range of options to ensure that sufficient money is available to regions that are receiving money into the future so that their business can be continued.

**Senator IAN MACDONALD**—Can you let us in on the range of options? I know you do appreciate, Mr Thompson, that these are jobs of people, many of them living in areas where it is not easy to walk next door and get another job. There is some great expertise in these groups and they are very fearful, and so are their families and the local schools that might not have kids there next year. There is a great concern in that period, so could you give us the options that might be able to be put in place.

**Dr O'Connell**—I think probably the most useful thing is for me to make it clear that the ministers are taking action to ensure that that gap will be covered.

**Senator IAN MACDONALD**—So I can assure every NRM group that their jobs will be safe until at least September?

**Dr O'Connell**—You can certainly assure them that there will be action taken to cover that gap, and that will be made clear very soon.

**Senator IAN MACDONALD**—That is a great relief to me but, more importantly, I am sure that will be a great relief to those involved.

**Dr O'Connell**—And the ministers will make that clear very quickly.

**Senator IAN MACDONALD**—They have or they will?

**Dr O'Connell**—They will. It is just a question of very quick timing. Given that you are asking very directly—

**Senator IAN MACDONALD**—We need a photo opportunity for Mr Rudd.

**Dr O'Connell**—No, it is just a question of the process going through. As I said, it is something that we are dealing with right this minute and we are—

**Senator IAN MACDONALD**—I withdraw that last comment as a question to the departmental official.

**Dr O'Connell**—I was trying to be helpful.

**Senator IAN MACDONALD**—Yes, and I appreciate that. My colleagues have been exceptionally generous.

**Senator SIEWERT**—I have got some more. Are you right?

**Senator IAN MACDONALD**—I am not finished, but I shall pass over in the hope that we might get back.

**Senator SIEWERT**—I would like to go back to the assessment of the \$122 million. I understand the scientific panel consulted for developing the methodology assessment for the \$138 million. What I would like to know is what process is being used for the \$122 million for deciding, of the \$3.4 billion worth of applications, who gets the \$122 million. There are \$3.4 billion worth of applications for \$122 million worth of funding. That is correct, isn't it?

**Mr Thompson**—Yes. The process involved is that initially departmental staff assess each application received using a standard assessment tool, by which they can extract information from the projects in a consistent form.

**Senator SIEWERT**—Could we have a copy of that assessment tool?

**Mr Thompson**—I would have to take it on notice. I do not have it here.

**Senator SIEWERT**—That is fine. On notice, yes.

**Mr Thompson**—Then we have multijurisdictional community panels look at the projects. We are also using scientific advisory panels to provide us with advice on the overall balance of projects and whether there are, particularly with the larger projects, risks associated with implementing the projects and whether they are using the best of the right sorts of science. Then that material is pulled together and advice is then provided to ministers for their consideration.

**Senator SIEWERT**—Can you explain what multijurisdictional panels are.

**Mr Thompson**—That means we have got a community panel that is made up of people from more than one state.

**Senator SIEWERT**—So you have only got one panel?

**Mr Thompson**—We have a number of panels. The panels have geographic representation, but also expertise in the various areas at which they are looking to make sure we have got some balance on the panels.

**Senator SIEWERT**—How many panels do you have and how are they divided up in terms of expertise?

**Mr Thompson**—I would have to take on notice the detail of the number of panels and how they are divided up.

**Dr O’Connell**—Mr Bartlett can provide some further information.

**Mr Bartlett**—I can tell you there are three panels. One is meeting today, another is meeting later this week and the third is meeting early next week. The one that is meeting this week is looking after Victoria and New South Wales, so they are largely divided up on geographic representation. The next one is meeting up in Queensland at the end of the week.

**Senator SIEWERT**—Is that a Queensland based panel?

**Mr Bartlett**—It is more than Queensland, but I would have to get you the details of which one covers what. We basically tried to ensure that each panel had approximately even workloads to assess the applications.

**Senator IAN MACDONALD**—Where are they meeting in Queensland?

**Mr Bartlett**—In Brisbane, I believe, just out of the CBD.

**Senator SIEWERT**—What is the third one?

**Mr Bartlett**—It is meeting in Adelaide next week.

**Senator SIEWERT**—Does that cover South Australia?

**Mr Bartlett**—And Western Australia, I think.

**Senator SIEWERT**—What sort of expertise is on these panels?

**Mr Bartlett**—There is a wide range of expertise from people who are intimately involved on ground with natural resource management. We sought expressions of interest. We had already a large list of people who have helped us out, for example, through previous Coastcare and Envirofund panels, and we approached a lot of people to see whether they were available in the time slot that we had. So the best thing would be to provide you with a list of the names and the sorts of people.

**Senator SIEWERT**—That would be very much appreciated.

**Mr Bartlett**—You will see it is a wide range of expertise, and from various geographic areas. The idea is to supplement the knowledge of the departmental people to ensure that we make good assessments.

**Senator SIEWERT**—Having been involved in all these assessment panels, and with all due respect to your colleagues, the local community knew far more than the department’s people knew, and they relied extensively on community expertise to be able to assess these projects. What assessment framework are these panels using?

**Mr Bartlett**—We have one assessment methodology for the whole process and it describes the role of the departmental assessment panels, community panels, the scientific panel and then the final departmental pulling together assessment of the input from all of those different processes.



**Senator SIEWERT**—What criteria are being used to carry out the assessment?

**Mr Thompson**—The criteria are contained in the assessment tool. They pick up the same criteria that were in the business plan. I do not have the tool with me, but they are things like value for money, extent to which they achieve against the targets, use of best science, risk associated with the project and those sorts of things. There are scores against them.

**Senator SIEWERT**—So that is the tool that the department used in the first cut?

**Mr Thompson**—The department used that in the first cut to assemble a summary analysis of all the projects, then the subsequent panels use that information and they also have access to the raw project applications to complete their advice on the project.

**Dr O'Connell**—Mr Bartlett can give you the criteria that are laid out in the business plan, which are the ones that are used.

**Senator SIEWERT**—I know the criteria from the business plan. What I am interested in is a deeper sort of analysis that goes on about whether the project is achievable or the best value for money et cetera.

**Dr O'Connell**—I think we could probably give you on notice the assessment guidance that is given to the panel. I do not think that will be problematic, if that is helpful.

**Senator SIEWERT**—Okay. Given that one of the major accusations levelled at NHT was the lack of transparency in decision making and achieving outcomes, what have you done to improve the transparency of that decision making to ensure achievement of projects against expected outcomes?

**Mr S Hunter**—As I said, we are using a more transparent assessment tool to do the assessment, and the projects themselves will be reported on annually in the report card in terms of the cost of implementing them and the extent to which they achieve against the targets. The major criticism of the NHT was that, without targets, it was very hard to compare one project against another in terms of how far they went towards achieving what was wanted, so value for money was much harder to calculate.

I should just add to that that the business plan itself represents a significant advance in terms of describing the kinds of outcomes that are being sought and providing a template against which the success and suitability of projects to be funded can be checked.

**Senator SIEWERT**—If you could supply all of the criteria and tools that are used for the assessment process, that would be much appreciated. When the assessment panels have completed their assessment, what happens to it? Does it go back to the department or straight to ministerial council?

**Mr Thompson**—It comes back to the department and there is an executive review, which assembles it into a package for consideration by ministers.

**Senator IAN MACDONALD**—You make a recommendation?

**Mr Thompson**—We make a recommendation to ministers.

**Senator SIEWERT**—When does this process finish?

**Mr Thompson**—The process finishes at the end of June.

**Senator SIEWERT**—They will be publicly announced at the end of the June?

**Mr Thompson**—The assessment process will be completed at the end of June. I am not sure when they will be announced at this stage.

**Senator SIEWERT**—We went through a pretty extensive discussion about Landcare during last estimates. Has there been any change to the process that we discussed in February around Landcare being Minister Burke's project which is separate from the rest of Caring for our Country?

**Mr Thompson**—Nothing has happened with the process, but Landcare is not totally separate from Caring for our Country. The applications for Landcare money are made via the business plan. I think probably what we said in February was that, for Landcare projects, that is a decision solely for Minister Burke.

**Senator SIEWERT**—Yes.

**Mr Thompson**—But the application process is through Caring for our Country. Nothing has changed.

**Senator SIEWERT**—Are Landcare projects considered as part of that process that we have just discussed?

**Mr Thompson**—Considered through exactly the same process.

**Senator SIEWERT**—And it is just Minister Burke who makes the actual decisions?

**Mr Thompson**—He makes the actual decision, yes.

**Senator SIEWERT**—From what I can tell from the PBS and what we discussed last time, the funding is exactly the same. It has not changed?

**Mr Thompson**—The funding has not changed.

**Senator SIEWERT**—Other than I still cannot find the extra additional \$5 million for the sustainable agriculture project.

**Mr Thompson**—That would not show up in the portfolio budget statement. I think there is an appropriation in the portfolio budget statement for Landcare.

**Senator SIEWERT**—Yes, there is.

**Mr Thompson**—Then, as part of the Caring for our Country money that is appropriated out of the Natural Heritage Trust, that is where there is an additional \$5 million for—

**Senator SIEWERT**—\$5.6 million?

**Mr Thompson**—Yes, \$5.6 million for sustainable practices, which is not quite the same as Landcare.

**Senator SIEWERT**—Yes, I understand that. I chase that through environment estimates?

**Mr Thompson**—Yes.

**Senator SIEWERT**—Thank you. There is not going to be another small open grants process, is there?

**Mr Thompson**—There is not going to be another open grants process in the way there was one done last year, because we now have the business plan out there.

**Senator SIEWERT**—So we are not going to see those anymore at all?

**Mr Thompson**—I could never say we will not see anything anymore. They are matters for the government.

**Senator SIEWERT**—In terms of the \$3.4 billion, I presume that includes funding requests for more than one year?

**Mr Thompson**—It includes funding for up to the end of Caring for our Country. The target can take three years to complete, and people can make applications for those three years, so that is \$3.4 billion for most of them for multiyear projects.

**Senator SIEWERT**—Yes. Out of the \$3.4 billion, how much is being requested against the \$122 million; in other words, the first year's worth of funding?

**Mr Thompson**—I do not have that split by year with me. We could take that on notice.

**Senator SIEWERT**—One of the fundamental problems we have always had with these grants is how much people are applying for in the first year, as opposed to how much you then commit to the second and third years. Have you made a notional allocation against the years into the future? Because when you commit to a three- or four-year project you are committing to funding it into the future.

**Mr Thompson**—We have given the normal sort of notional thought to that. Final decisions on that have not been made. They are matters for ministers on the basis of when they see the projects, but I can give you an indication. Say we had the \$260 million available for 2009-10—which is both the regional baseline, the \$138 million, plus the \$122 million. We would be looking at perhaps \$450 million over the next three or four years so that you have got opportunity for new projects to be funded in future years.

**Senator SIEWERT**—Sorry, I thought the \$138 million is but it is not part of the competitive tendering process. The \$3.4 billion is against the \$122 million, isn't it?

**Mr Thompson**—The \$3.4 billion is against everything and it is over four years.

**Senator SIEWERT**—Thank you. The \$3.4 billion is against \$260 million.

**Mr Thompson**—Yes.

**Senator SIEWERT**—So does the \$3.4 billion include the applications that the regions are putting in?

**Mr Thompson**—My understanding is, yes, it does.

**Senator SIEWERT**—I appreciate you might need to take this on notice: how much of the \$3.4 billion are actually requests from regions?

**Mr Thompson**—We would have to take that on notice.

**Senator SIEWERT**—Is it fair to assume that when you told regional groups how much their notional allocation is they would apply for funding up to that point of allocation?

**Mr Thompson**—Yes.

**Senator SIEWERT**—I have got a shake of a head and a ‘yes’.

**Mr Thompson**—And they would have also—

**CHAIR**—A shake of the head does not appear in *Hansard*.

**Senator SIEWERT**—Hansard note: Mr Hunter shook his head.

**Mr Thompson**—They would have put in bids up to their share of the \$138 million and, in addition, they would have made bids—

**Senator SIEWERT**—Against the competitive—

**Mr Thompson**—against the purely competitive component.

**Senator SIEWERT**—Yes. But surely, if they were smart, they would have made sure that they were not going to get knocked back for their \$138 million and then put in another request for the \$122 million.

**Mr Thompson**—Yes.

**Senator SIEWERT**—So I am going to assume that \$138 million for four years comes off the \$3.4 billion.

**Mr Thompson**—Yes.

**Senator SIEWERT**—That is not a lot coming off there, really.

**Mr Thompson**—No.

**Senator SIEWERT**—Can we go back to a statement you made before, because I did not follow it. I apologise. Do not worry about the already allocated regional money. Of the competitive money, how much have you allocated into the future against that?

**Mr Thompson**—We have not allocated any money as yet. That will be something that ministers will take a decision on in the basis of their projects. All I was saying was that, in the normal course of things, we would perhaps approve all or most of the money in 2009-10, but in 2010-11 and 2011-12 there would be a declining amount of money approved, so that would leave room for new projects to be funded in those years.

**Senator SIEWERT**—Yes, I appreciate that. That has always been the issue with any of these projects when they do not tell you. Given that it is such a little pot of funding compared to the number of applications that you have had, you could potentially right now allocate all of the future funding against that \$3.4 billion.

**Mr Thompson**—Theoretically we could, if all the projects were considered meritorious.

**Senator SIEWERT**—Yes.

**Mr Thompson**—But I am sure ministers and others will want to be able to consider projects further on as people develop their projects and those sorts of things.

**Senator SIEWERT**—I am sure that they will too. Thank you.

**Senator BACK**—Can you clarify again for me: there are 56 regions involved in this process?

**Mr Thompson**—Yes.

**Senator BACK**—Can you explain why there are 56? Does it not seem an inordinately large number?

**Mr Thompson**—The regional bodies vary between states. In some states they are statutory regions established by the state government and they are of a reasonable size around catchments or, say, in the case of Tasmania, north-south and north-west—traditional regions in that state. There is only one region in the Northern Territory. In Queensland and Western Australia they are regions that the communities themselves formed and, if they reached a standard of governance and existence that was considered capable of managing funds, they were accepted as regional bodies. The regional bodies were established under previous programs.

**Senator BACK**—Yes. I took your point earlier that there is a wide discrepancy in the size of regions, but if you were to divide the 56 regions into the \$138 million, it seems to be automatically base allocated. That is about \$2.5 million each. Therefore, there is about a quarter of a million dollars represented by that 10 per cent in each of those regions that immediately is allocated to administration, on average, yes?

**Mr Thompson**—If you work on an average. It does vary a bit from region to region.

**Senator BACK**—I know you have mentioned that there are large, medium and small allocations which eventually come out, but can you help by giving some indication of the sort of quotient of a large, medium or small allocation—just in ballpark figures.

**Mr Thompson**—The small applications were those under \$100,000 a year. The applications that we have received are of the order of \$300,000, because it is \$100,000 per year. The business plan itself defined the medium- and large-scale projects, and I do not want to mislead you. Large-scale projects are of the order of \$20 million over four years, and medium-scale projects are \$2 million to \$3 million per year.

**Senator BACK**—So if a grant is approved, it is approved in its totality in relation to the application. You do not go back and negotiate with a party to say, ‘If you were to prune it here or there you would stand a better chance.’ Do they stand alone?

**Mr Thompson**—Essentially they stand alone. The business plan and the assessment process do provide some provision for negotiating the size or scale or partnership of some projects, if there is some pressing need to. It is not something that we would try to do on many projects but it might be something we do on some of those very large ones.

**Senator BACK**—Given the relatively small amount of money that is available in the pool and the large number of applications, there would be some regions that would not be successful in any year in having any of these competitive projects in their region at some time. Would that be correct?

**Mr Thompson**—Theoretically that could happen but, given that all regions have some of the targets under Caring for our Country and we are concerned that we are able to advance progress on each of those targets, I would be surprised if any region did not receive any money out of the competitive component.

**Senator BACK**—Right.

**Mr Thompson**—But I cannot say whether they will or they will not at this stage.

**Senator BACK**—Coming back to the questions asked earlier with regard to the audit and accountability processes, in the application is there a sum allocated to the audit process or is this expected to be included over and above what you eventually will allocate for a project?

**Mr Thompson**—Each project application and funding is expected to be able to provide audit and accountability arrangements and provide data on their project in accordance with the monitoring and evaluation strategy. They do not have to do everything, because there are some things we might want to measure at a state or national level.

**Senator BACK**—Sure.

**Mr Thompson**—But each project is required to be able to report on its own performance.

**Senator BACK**—On milestones progressively through the—

**Mr Thompson**—On milestones and on progress against their outcomes, yes.

**Senator BACK**—Where are these advertised for the community to get some form of assessment of them?

**Mr Thompson**—They build that into the project that they are seeking funding for.

**Senator BACK**—Sure. As these are audited, are they made public progressively during the course of a project as well as, obviously, at its conclusion?

**Mr Thompson**—There will be a report card produced each year on the progress of Caring for our Country. It will list, at a high level, the progress of the program initially against its targets and, underneath that, it will list some further detail on achievements against particular targets and the details of progress of individual projects and milestone payments. I am not sure how we intend to make that available at the present time—I would have to take that on notice—but how fast projects are progressing is not secret information.

**Senator BACK**—Do applicants have the opportunity or are they encouraged to actually seek part funding for a project outside this system and, if so, would they be advantaged in the selection process?

**Mr Thompson**—As the business plan said, we are after applications from people who are partnering with a range of other people who can help deliver projects. To seek external funding would, of course, help us achieve our targets. Some projects do not lend themselves to getting external funding, but they might still be quite critical projects. That was one of the factors taken into account in the assessment but not an absolute one. The range of potential partners is important in ensuring projects get traction at the community level and that they involve other people who might have expertise or capacity to deliver projects.

**Senator BACK**—My final question relates particularly to perhaps some of these larger—up to \$20 million over four years—projects. Do the successful applicants have confidence in knowing that the funding is going to be there for the entire course of the project?

**Mr Thompson**—With the very large projects, applicants were asked only to put in expressions of interest. When the projects are decided upon by ministers and negotiations are completed—because the large ones might involve a degree of negotiation—they will have confidence in the funding in terms of the contract that is signed with that body. In some cases they may be implemented as a pilot in the first year, or something of that sort, but by

agreement with the parties. Normally, when projects are finalised, contracts are entered into and they have security that those projects will be funded to completion.

**Senator BACK**—For the full term?

**Mr Thompson**—Yes, subject to progress et cetera.

**Senator BACK**—Yes, sure, subject to satisfactory conclusion. Thank you.

**CHAIR**—Are there any further questions?

**Senator IAN MACDONALD**—We have only dealt with Caring for our Country. We have a heap more in this area, Chair. Yes, I do have further questions. I am concerned about the ghost nets program run by the ghost nets group, mainly consisting of Indigenous people in the Gulf of Carpentaria. Is there any guarantee that that will receive funding into the future? They have had a couple of years work doing this, in an exercise that has been world—and I emphasise ‘world’—renowned for the work that has been done, but the people are uncertain whether that program will continue.

**Mr Thompson**—I could not say at the present time whether funding for that is assured or not. If a submission has been made through the business plan for the continuation of those projects, it will be one of the ones that is being considered. Ghost nets fits into a number of areas in the program to do with community engagement and Indigenous engagement, as well as protection of the environment in some of the coastal areas. It will be one that would have to be considered during the process, so I could not say whether it is being funded or not. But we are very much aware of those projects.

**Senator IAN MACDONALD**—Dr O’Connell, in relation to your very helpful comment earlier that the minister is about to make an announcement, will that cover groups like the ghost nets group? They will not, as I understand it, really know until September if their funding is going to be continued. Who is going to cover the recurrent costs between July and September until they find out if it is going to be continued and, if the NRM group can do it out of its own funds, will they be reimbursed for funding it?

**Dr O’Connell**—The comments I was making earlier on were to do with the regional bodies, where the issue had been raised. I am not aware of the situation with the ghost nets project, but I could take that on notice and let you know.

**Senator IAN MACDONALD**—Okay, if you would not mind, because there is a concern. It is a separate allocation but it is supported by an NRM group, and if they know they are going to get funding they would underwrite it through to September. If they did that, would they get reimbursed?

**Mr Thompson**—I think the ghost nets program you are referring to is the one that is run through the Northern Gulf Natural Resource Management Region.

**Senator IAN MACDONALD**—Yes, that is right.

**Mr Thompson**—They received funding last year outside the open grants process. I am not sure whether they have put in a competitive bid—I have not gone through all the projects yet—or whether their project is part of the funding that would be received as part of Northern Gulf’s base level of funding. To the extent that that project is supported through a regional

body, the work that we are doing to try and ensure that regional bodies can survive and maintain key projects would try and pick that sort of work up. I just do not have the detail on that particular project at the present time.

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

**Senator IAN MACDONALD**—Diverting now to some other matters, I asked earlier about the Defeating the Weed Menace program. Thank you for your answer to my question at the last estimates in relation to what the replacement program is and what money is involved. I was told that \$2.5 million has been allocated for 28 weed research projects. Is that it in the weeds area, coming down from \$44 million over four years to \$2.5 million for 28 weed research projects?

**Dr O'Connell**—My understanding—and I stand to be corrected—is that the commitment is \$15.3 million over four years for the National Weeds and Productivity Research program and that the \$2.5 million is simply the initial investment that has been made.

**Senator IAN MACDONALD**—There is \$15.3 million over four years to fund the Australian Weeds Research Centre and then \$2.5 million. That replaces the \$44 million weeds project which terminated?

**Mr Shaw**—No, that is not correct. The Defeating the Weed Menace program, as you quite rightly point out, was \$44.4 million over four years. It had a number of components, as you might be aware, involving on-ground activities and some research. The research component of the Defeating the Weed Menace program was only \$5.4 million over four years, so in terms of the research component alone the new National Weeds and Productivity Research program of \$15.3 million over four years is far more significant than what was under Defeating the Weed Menace for research projects.

**CHAIR**—Senator, I am sorry to interrupt. You have quite a few questions, as does Senator Colbeck. Because it is half past 10, can I just get the okay by the committee to send home officers from AFMA and Trade and Market Access rather than keep them here? Thank you.

**Senator IAN MACDONALD**—The Australian Weeds Research Centre was really a replacement for the CRC, wasn't it?

**Mr Shaw**—That is correct. Before the election, there were a lot of stakeholders requesting that something be established to replace the CRC, which did not receive further funding.

**Senator IAN MACDONALD**—But that is the \$15.3 million.

**Mr Shaw**—That is correct, yes.

**Senator IAN MACDONALD**—But the CRC was previously funded separately from the \$44 million Defeating the Weed Menace program.

**Mr Shaw**—That is correct, yes.

**Senator IAN MACDONALD**—So the \$15.3 million simply replaces a retiring CRC program, and the \$44 million for weeds has been replaced by a \$2.5 million program for 28 weeds research projects.

**Mr Shaw**—No. In 2008-09, we funded 28 projects worth \$2.5 million for this current year.



**Senator IAN MACDONALD**—I am really trying to get from you: what, if anything—if the answer is nothing, then that is the answer I want from you—is replacing the sorts of things that used to be covered by the Defeating the Weed Menace program?

**Mr Thompson**—Some things are also funded through Caring for our Country, actual projects on the ground.

**Senator IAN MACDONALD**—They always were. That is correct. The old Natural Heritage Trust, the NRM groups, all had their own weed projects as part of their business plans.

**Mr Shaw**—In some of the research aspects you are quite right: the \$15.3 million will be used to undertake research into projects probably similar to what was covered under the CRC, but it also probably overlaps with some of the projects we have funded through the Defeating the Weed Menace program. Under the R&D, the \$5.4 million, I think—I will just check—there were about 200 projects funded through the Defeating the Weed Menace on research. But there will be an overlap between the two basically. So the new research centre will fund projects along the lines of what were funded under Defeating the Weed Menace but also some of the work covered by the CRC.

**Senator IAN MACDONALD**—You wouldn't know the funding for the CRC over four years, would you?

**Mr Shaw**—I do not. I would have to take that on notice, I am sorry.

**Mr Thompson**—It was about \$20.3 million.

**Senator IAN MACDONALD**—Yes.

**Mr Thompson**—Over 2001 to 2007-08.

**Senator IAN MACDONALD**—Yes, thank you. So it was \$20-odd million in that period, replaced by a \$15 million research program. That is one. The \$44 million program is replaced by no specific program.

**Dr O'Connell**—The \$20 million CRC was a seven-year program. That is over a seven-year period.

**Senator IAN MACDONALD**—So it was a \$30 million program. It has been replaced by a \$15 million program. But that is a fair point.

**Mr Shaw**—Under DWM there was only \$5.4 million for research. Of the \$44 million, there was only \$5.4 million for actual research itself.

**Senator IAN MACDONALD**—Sorry?

**Mr Shaw**—Under the Defeating the Weed Menace, of the \$44.4 million, only \$5.4 million of that was actually for the research component of it.

**Senator IAN MACDONALD**—Yes, in addition to the CRC of \$20 million.

**Mr Shaw**—Correct.

**Senator IAN MACDONALD**—So that \$4 million has been replaced by \$2.5 million, and the \$40 million, which is the balance of the \$44 million, is replaced by—

**Mr Thompson**—The \$2.5 million is just one year's funding for the weeds research.

**Senator IAN MACDONALD**—Okay. Well, what is happening for next year?

**Dr O'Connell**—That is the \$15.3 million.

**Senator IAN MACDONALD**—Is it? I thought it was for the Australian Weeds Research Centre, the successor to the CRC.

**Dr O'Connell**—Which is the body that is providing that funding for research now. It is being funded at that level, and the \$2.3 million is part of that.

**Mr Thompson**—Correct, yes.

**Senator IAN MACDONALD**—So is the \$2.5 million part of the \$15.3 million?

**Dr O'Connell**—Yes, it is.

**Mr Thompson**—Correct.

**Senator IAN MACDONALD**—Okay.

**Dr O'Connell**—That is what I am saying. The \$15.3 million over four years is the National Weeds and Productivity Research Program.

**Senator IAN MACDONALD**—This is like getting the b-word out.

**Dr O'Connell**—What is the b-word?

**Senator SIEWERT**—Billion.

**Senator IAN MACDONALD**—We have replaced the CRC with the AWRC and we have replaced the funding that the CRC is to get for projects with the \$2.5 million, give or take. But that still leaves the \$44 million Defeating the Weed Menace program.

**Dr O'Connell**—It is probably best to look at it this way: the \$15.3 million over four years plus the Caring for our Country component that would pay for weeds is the effort that will go to it, and anything around the Weeds of National Significance.

**Senator IAN MACDONALD**—Dr O'Connell, you do not have to defend—

**Dr O'Connell**—I am not defending it; I am just trying to simplify it, so that it—

**Senator IAN MACDONALD**—But you are not; you are confusing it. Under the Natural Heritage Trust, each NRM had its own weeds programs, which is the same as the Caring for our Country.

**Dr O'Connell**—I was trying to say what would be the total effort. I was not trying to say what was replacing anything, because that is not language that I would use. One program ceases and a different program starts. These are not replacing funds, from my perspective.

**Senator IAN MACDONALD**—The NHT and NRM groups had weed programs.

**Dr O'Connell**—Yes.

**Senator IAN MACDONALD**—Under Caring for our Country, NRM groups will have weed programs.

**Dr O'Connell**—Yes.

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**Senator IAN MACDONALD**—That is the same.

**Dr O'Connell**—Yes.

**Senator IAN MACDONALD**—It used to be a CRC. Now—

**Dr O'Connell**—There isn't.

**Senator IAN MACDONALD**—there is an AWRC, with about the same money. In addition to that, there used to be \$44 million for a Defeating the Weeds Menace. Apart from those things that—and I do not want to repeat them.

**Dr O'Connell**—Some aspects of that were research.

**Senator IAN MACDONALD**—Yes, \$4 million, they told me.

**Dr O'Connell**—So, there is, if you like, a comparison between the research there and the research under the current National Weeds and Productivity Research Program. I am trying to be helpful here again. What you are trying to point out is that the component of the Defeating the Weeds Menace, which was not research, has no analogue now.

**Senator IAN MACDONALD**—Yes. Please tell me that is not right.

**Mr Thompson**—No. There is no stand-alone program equivalent to Defeating the Weed Menace. There is not.

**Senator IAN MACDONALD**—Is it true that weeds cost our country something like \$4 billion every year?

**Mr Shaw**—Correct. That is what has been estimated by people like the former CRC. Correct.

**Senator IAN MACDONALD**—I will not say anything more, but if my questioning can alert someone to the fact that weeds are a huge problem in Australia, and they are not sexy, but not getting the funding that in my—

**Mr Shaw**—We do have a number of targets under Caring for our Country which are specifically targeting the Weeds of National Significance, and in 2008-09, under Caring for our Country, we estimate—although it is difficult to say; they are not solely and specifically weeds—up to about \$11.5 million was spent on projects which had a significant weed element in them. So under Caring for our Country there is a strong linkage and we are targeting weeds as part of that program.

**Senator IAN MACDONALD**—Thanks, Mr Shaw, and I recognise that that was the case under the NHT and the NRM group, although perhaps not exactly the same thing. I thank the Recreational Fishing Advisory Committee for your response to my previous question at estimates that the fishing advisory committee held its first meeting in February and a report of this meeting will be made available to the committee. Have we got that?

**Mr Thompson**—They did hold their meeting. I do not think we have a public report at this stage.

**Mr Pittar**—At this stage a report is not available. The committee is finalising its first report to the minister and we would anticipate that following that there will be a report that would be available.

**Senator IAN MACDONALD**—That is a program, as I recall, that has been given \$2 million, \$3 million, \$4 million or something like that to support peak groups. Is that right?

**Mr Pittar**—That is not entirely correct. It has funding of \$2 million over three years. The purpose of that funding is to assist in reviewing the 1994 recreational fishing policy and, within that framework, develop a recreational fishing industry development strategy.

**Senator IAN MACDONALD**—So we are going to get something before the next election, hopefully?

**Mr Pittar**—The committee will be developing those policies and strategies for this report.

**Senator IAN MACDONALD**—So this report that we are going to get from that 25-26 February meeting will be the first stage of what they are thinking about? It will start the development process?

**Mr Pittar**—The committee has met three times—once in February, once in March and earlier this month—so the report will cover the work of the committee for those first three meetings.

**Senator IAN MACDONALD**—Any idea when you will be able to discharge your commitment to make that report available to this committee?

**Mr Pittar**—That will be up to the minister.

**Senator IAN MACDONALD**—It did not seem so, from the answer you gave me last time. It just said, 'It will be made available to the committee once it's finalised.'

**Mr Pittar**—The point I should have made was that the committee would like the minister to consider its report before the report is made public.

**Senator IAN MACDONALD**—For those of you that are interested, I might just tell you that on Sunday we opened the Rollingsstone fisherman's landing project to great joy from hundreds of people who were there. It was a long time coming but it got there and it really demonstrated how the program does make it much easier to access the recreational fishing experience. I want to now go on to Great Barrier Reef issues. I do thank you for giving me information about the actual projects; someone gave me that on notice. Does someone else want a go before I get into that? Perhaps I should pause and give someone else a go.

**Senator COLBECK**—I will come in on the back. I am assuming that the project that Senator Macdonald just mentioned was funded through the Recreational Fishing Community Grants Program.

**Senator IAN MACDONALD**—Yes.

**Senator COLBECK**—So that is correct. And all of those projects are now completed?

**Mr Pittar**—No, not all of those projects are completed.

**Senator COLBECK**—Is all the funding allocated?

**Mr Pittar**—The funding has been allocated and there is a small movement of funds into next financial year.

**Senator COLBECK**—Is that about \$400,000?

**Mr Pittar**—Correct, to accommodate those projects that have experienced delays.

**Senator COLBECK**—Is there, anywhere on the website, a complete list of the recipients of those grants?

**Mr Pittar**—I cannot answer that. I will have to take that on notice. I believe that our Recreational Fishing Community Grants Program website should contain that information, but I am not entirely sure.

**Dr O'Connell**—It should be up on the web.

**Senator COLBECK**—If it is not, is it possible to provide us with a list of those grants?

**Mr Pittar**—Yes.

**Senator COLBECK**—And could you give us an indication of those projects that have had some delay?

**Mr Pittar**—Do you mean an indication of the reasons for delay or which projects have been delayed?

**Senator COLBECK**—I would be interested to know which projects have been delayed, and that constitutes that \$400,000 that we talked about, and some sense of the reasons for the delay.

**Mr Pittar**—I think we will take that on notice.

**Mr Thompson**—There are a range of reasons for the delay. They can include access to land and that sort of stuff.

**Senator COLBECK**—Yes. Senator Macdonald has just talked about the Recreational Fishing Industry Development Strategy. We have had three meetings of the advisory committee that the minister has set up. I notice that the minister has made the decision to defund Recfish Australia. There was \$100,000 traditionally provided to Recfish Australia on an annual basis to assist with their operations, but the decision has been made to cease that. Is there any relationship between the establishment of this new group and the decision to defund Recfish Australia?

**Mr Pittar**—The government provided \$200,000 to Recfish Australia to undertake a study into alternative revenue streams separate from government. That process is drawing to a conclusion. The Recfish advisory committee that the minister has established is not designed to replace Recfish Australia. The committee is there to assist in reviewing the 1994 recreational fishing policy and to develop a Recreational Fishing Industry Development Strategy.

**Dr O'Connell**—Just a clarification: when you said the government decided to defund that, my understanding is that there was a program between 2004-05 and 2007-08, of \$100,000 a year, which was supporting Recfish operations. That program just ended, as it was scheduled to do, and then the government, in May 2007, provided an additional \$198,000. So it was not a decision to defund. Simply, the previous existing program had reached its planned conclusion, with further funding then being provided by the government in 2007.

**Senator COLBECK**—My understanding, though, is that Recfish Australia did make representations to have that funding continued. Is that right?

**Dr O'Connell**—They may have done but, as I am saying, the program had a planned period and simply reached the end of its planned period. At the end of that time the government provided an additional \$200,000 for Recfish to pursue the development of the policy and strategy.

**Senator COLBECK**—So on the strategy that was funded with the \$198,000, did that come to government? Was there a report to government as part of that process?

**Mr Pittar**—A report on funding options for Recfish Australia has recently come to the government and the department is considering that at the moment.

**Dr O'Connell**—That was a project about how to create a revenue stream essentially for Recfish as an alternative, yes.

**Mr Pittar**—The idea was for a funding stream separate from government.

**Senator COLBECK**—So not funded by government—that is the idea. If the report is supposed to provide a process where the government does not fund Recfish Australia, what role does the government have in considering the report?

**Mr Pittar**—The government contributed funding to the development of that report, so the government will consider the findings from that report.

**Dr O'Connell**—My understanding is that that project is not yet finalised, so that has not been considered yet. I think it is in the process of being finalised.

**Mr Pittar**—Yes.

**Dr O'Connell**—In April-May. I could clarify that on notice if I have not got that right.

**Senator COLBECK**—Does Recfish Australia have a deadline to complete it?

**Mr Thompson**—They would have the normal deadline associated with the project. A project report has been received, which is being considered, but it is still being finalised. So they have not fulfilled all the obligations of that grant yet.

**Senator COLBECK**—So a project report has been received. Does the department have some issues with the report that it wants sorted out?

**Mr Pittar**—I think the point Mr Thompson was making was that the finalisation of that project has not been made and that—

**Senator COLBECK**—Apart from receiving the report, what needs to be done to finalise the project?

**Mr Pittar**—Receipt of audited information about the project expenditure. The normal sorts of steps that would be involved in wrapping up a project.

**Senator COLBECK**—What is the time frame for completion of that?

**Mr Thompson**—It must be very short. We received the project report in April this year. The finalisation of other statements et cetera would not take too much longer.

**Mr Pittar**—Not that long.

**Mr Thompson**—I do not have the completion date of that project.

**Senator COLBECK**—There is \$50,000 in the 2008-09 budget for the Australian Seafood Industry Council. I think we discussed this morning that that organisation met its demise some time ago. I think it is more than 12 months, if my memory serves me correctly. Can you tell me what the \$50,000 is for?

**Mr Pittar**—The Australian Seafood Industry Council I think wrapped up in 2006. The \$50,000 was there to assist the establishment of a new peak industry body, if industry was in a position to come forward with a proposal to government.

**Senator IAN MACDONALD**—Haven't we been funding the Commonwealth Fisheries Association in the place of ASIC?

**Mr Pittar**—No.

**Senator IAN MACDONALD**—Have they been doing the work of ASIC?

**Mr Pittar**—The Commonwealth Fisheries Association represents Commonwealth fishers per se. ASIC had a broader remit than that, including seafood processors and other fishing industries beyond Commonwealth fishers.

**Senator IAN MACDONALD**—But the whole idea of funding them was to make sure that the industry had a resourced voice to deal with the Commonwealth in issues which impacted upon Commonwealth fisheries.

**Mr Thompson**—That was not the sole purpose of ASIC. ASIC was a peak industry body to deal with a range of seafood issues right along the supply chain, both Commonwealth and state. There were various amounts of money provided over various periods of time to support that body in some of its activities and then subsequent funding to the industry to help establish a new peak industry body. The CFA has been doing the work that ASIC used to do in terms of making representations to the Commonwealth on Commonwealth fisheries, but it has not been doing the broader supply chain work or the work on state fisheries or other fisheries issues.

**Dr O'Connell**—So it is really looking after stakeholders.

**Senator IAN MACDONALD**—The rationale for the Commonwealth giving them money was so that they could deal with someone in the Commonwealth but, anyhow, that is a debating point. It does not matter.

**Senator COLBECK**—At the last estimates or at additional estimates I asked some questions about the fisheries research program, which is about \$5 million over three years, and there was quite some uncertainty on how much money had been spent and what it had been allocated to. Do we have a better idea now?

**Mr Pittar**—Yes, we do.

**Senator COLBECK**—You were allocated \$1.9 million in 2008-09. Do we know what the projects are for that and what the overall allocation is?

**Mr Pittar**—I can run through those if you like. I will round things to an extent. There is \$1.6 million to the Bureau of Rural Sciences to undertake work on reducing the number of species listed as uncertain in Commonwealth fishing stock status; \$85,000 to ABARE for performance measures in fisheries; \$87,200 to CSIRO to estimate total allowable catches for

Northern Prawn Fishery major prawn species; \$23,400 to CSIRO for management strategies for multispecies longline fisheries; \$53,000 to the CSIRO for south-west Pacific swordfish stock assessment; and \$25,000 to the CSIRO for population biology of albacore in the Australian region. That comes in at \$1.87 million, so just on that \$1.9 million amount.

**Senator COLBECK**—Is there any progress on projects for the next financial year? What planning is being done for the next financial year?

**Mr Pittar**—That will require the minister to consider and agree upon a business plan, if you like, for 2009-10 and that has not been put to the minister at this stage of the game.

**Senator COLBECK**—Has preparation commenced on that process?

**Mr Pittar**—Not specifically. The main focus would be around continuing the reducing uncertainty in stock status project, not in relation to other projects at this stage.

**Senator COLBECK**—What was the number count on those?

**Mr Pittar**—There were six.

**Senator COLBECK**—Of those six projects, what is the status of completion of each of those projects? Are they projected to be completed fairly soon or do they flow through into the next financial year?

**Mr Pittar**—The reducing uncertainty in stock status work will flow through into next financial year and I believe the financial year after that. I cannot give any information as to—

**Senator COLBECK**—That project was \$1.5 million?

**Mr Pittar**—It was \$1.6 million.

**Senator COLBECK**—So the funding out of that would then naturally be paid over those three years. You would not be paying it all up front, would you?

**Mr Pittar**—That funding is for this financial year.

**Senator COLBECK**—It is \$1.6 million for this financial year?

**Mr Pittar**—Correct, it is this financial year.

**Senator COLBECK**—So you have an agreement for that project that extends over three years?

**Mr Pittar**—That is correct.

**Senator COLBECK**—Has the minister signed off on the entire project, or only this financial year's part of the project?

**Mr Pittar**—I believe he has considered the project in its entirety. He will need to consider some of the specifics within that—

**Senator COLBECK**—So you cannot tell me what the funding for that project is in the two out years?

**Mr Pittar**—I cannot. Not at this stage.

**Senator COLBECK**—But with only \$300,000 in 2010-11, there is not much left if this is a significant project that is going to run over three years.



**Mr Pittar**—The effort in the project is front-loaded.

**Senator COLBECK**—I thought I might try and get something but it did not work. Going on to the Promoting Australian Produce program, what is the level of commitment to those particular projects and has the \$5 million been committed?

**Mr Pittar**—I believe the Promoting Australian Produce program fits within the Agricultural Productivity division.

**Senator COLBECK**—I am happy to come back to that. What about the seafood industry productivity program? It is the same thing, is it?

**Mr Thompson**—That is also part of the Agricultural Productivity program.

**Senator COLBECK**—Okay, I will leave that till tomorrow too.

**Senator IAN MACDONALD**—Is the work against the patagonian toothfish pirates and the work with Customs part of the international fisheries?

**Mr Pittar**—Yes, international.

**Senator IAN MACDONALD**—Dealing with the Customs boat is international as well, although it is a domestic Australian fishery?

**Mr Pittar**—Yes.

**Senator IAN MACDONALD**—I shall leave that then. The only other thing I have is the Reef Rescue package. Did the budget provide any new funding for work on the Great Barrier Reef water quality programs in all of their different forms and different names and different recipients?

**Mr Thompson**—The management of the Great Barrier Reef per se is part of the environment portfolio, but in terms of Reef Rescue, which is the program that we are involved in through Caring for our Country for addressing non-point-source pollution of the reef, there was no change in funding through the budget.

**Senator IAN MACDONALD**—Can I ask the department if you were consulted by the environment minister before he made his announcement on Coral Sea national park, or whatever it was?

**Mr Thompson**—Yes, we were aware that that announcement was going to be made.

**Senator IAN MACDONALD**—You were consulted?

**Mr Pittar**—We and a number of other portfolios were consulted.

**Senator IAN MACDONALD**—Can you explain to me what impact that announcement will have on the fishing industry in Australia?

**Mr Pittar**—Obviously these are matters handled out of the environment portfolio. The declaration of the Coral Sea Conservation Zone is designed to not impose any additional regulation on the commercial or the recreational fishing sector. The intention, as we understand it, of the declaration of that conservation zone was to protect against any additional pressures that might be placed on that region whilst the region is assessed as part of the broader east bioregional planning process.

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**Senator IAN MACDONALD**—You say it is an environment matter, which clearly the declaration is, but it does cover a Commonwealth fishery, doesn't it?

**Mr Pittar**—It covers two Commonwealth fisheries.

**Senator IAN MACDONALD**—Which are?

**Mr Pittar**—The Coral Sea Fishery and the Eastern Tuna and Billfish Fishery.

**CHAIR**—On that, Senator Macdonald, it is 11 o'clock. If we do have more questions for Sustainable Resource Management, we will bring the officers back tomorrow. Any more questions?

**Senator IAN MACDONALD**—I am halfway through a question, so, yes, there will be more questions.

**CHAIR**—We will do it tomorrow.

**Senator IAN MACDONALD**—That would suit me better too. The media will be more interested at nine o'clock in the morning than they will be at 11 o'clock at night.

**CHAIR**—Thank you very much. That concludes today's hearing.

**Committee adjourned at 10.59 pm**