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SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT
LEGISLATION COMMITTEE

ESTIMATES

(Additional Estimates)

MONDAY, 8 FEBRUARY 2010

CANBERRA

BY AUTHORITY OF THE SENATE

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SENATE RURAL AND REGIONAL AFFAIRS AND TRANSPORT

LEGISLATION COMMITTEE

Monday, 8 February 2010

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, Parry, Payne, Polley, Pratt, Ronaldson, Ryan, Scullion, Troeth, Trood, Williams, Wortley and Xenophon

Senators in attendance: Senators Adams, Back, Bob Brown, Colbeck, Farrell, Hutchins, Ian Macdonald, Miles, Nash, O'Brien, Siewert, Sterle and Williams

Committee met at 9.00 am

AGRICULTURE, FISHERIES AND FORESTRY PORTFOLIO

In Attendance

Senator the Hon. Nick Sherry, Assistant Treasurer

Senator the Hon. Kim Carr, Minister for Innovation, Industry, Science and Research

Senator the Hon. Mark Arbib, Minister for Employment Participation and Minister Assisting the Prime Minister for Government Services Delivery

Department of Agriculture, Fisheries and Forestry

Executive

Dr Conall O'Connell, Secretary

Mr Daryl Quinlivan, Deputy Secretary

Ms Rona Mellor, Deputy Secretary, Biosecurity Services Group

Mr Phillip Glyde, Deputy Secretary/Executive Director, ABARE

Corporate Services/Corporate Finance/Corporate Policy

Ms Anne Hazell, Chief Operating Officer

Mr Steven Foley, Chief Information Officer

Ms Kate McRae, General Manager, Human Resources Branch

Ms Karen Nagle, General Manager, Audit and Evaluation Branch

Ms Leanne Herrick, Acting General Manager, Governance, Levies and Services Branch

Mr Darren Schaeffer, Chief Finance Officer

Ms Vanessa Berry, Deputy Chief Finance Officer, Budget Management Account Branch

Ms Amy Fox, Deputy Chief Finance Officer, Accounting and Operations Branch

Ms Elizabeth Bie, Acting Executive Manager, Corporate Policy Division

Ms Cathrine Stephenson, General Manager, Portfolio Strategy and Coordination Branch

Ms Cindy West, General Manager, Corporate Communications

Biosecurity Services Group (includes divisions formerly known as Quarantine and Biosecurity Policy Unit; Australian Quarantine and Inspection Service; Biosecurity Australia; and Product Integrity, Animal and Plant Health)

Ms Karen Schneider, Executive Manager, BSG , Animal Division

Dr Andy Carroll, Chief Veterinary Officer, BSG

Dr Mike Nunn, Principal Scientist, BSG,– Animal Division

Ms Jenny Cupit, General Manager, Biological Quarantine Operations and Marine Pests Branch

Ms Lee Cale, Acting General Manager, Animal Quarantine and Export Operations Branch

Dr Bob Biddle, General Manager, Animal Health Programs Branch

Dr Robyn Martin, General Manager, Animal Biosecurity Branch

Dr Bill Roberts, Principal Scientist, Plant Biosecurity, BSG

Mr Bill Magee, General Manager, Plant Biosecurity, Grains and Forestry Branch

Dr Vanessa Findlay, General Manager, Plant Biosecurity, Horticulture Branch

Mr Rob McGahy, Acting General Manager, Plant Quarantine and Export Operations Branch

Dr Paul Pheloung, Senior Manager, Office of the Chief Plant Protection Officer

Dr Mike Cole, Senior Manager, Office of the Chief Plant Protection Officer

Mr Chris Adriaansen, Director, Australian Plague Locust Commission

Mr Greg Read, Executive Manager, BSG, Food Division

Dr Narelle Clegg, General Manager, Residues and Food Safety Branch

Dr Mark Schipp, General Manager, Export Standards Branch

Mr Colin Hunter, General Manager, Food Exports Branch

Mr Dean Merrilees, General Manager, Export Reform Branch

Mr Tim Chapman, Executive Manager, BSG – Quarantine Operations Division

Mr Jonathan Benyei, General Manager, Cargo Branch

Ms Julie Hicks, General Manager, Co-regulation and Support Branch

Dr Chris Parker, General Manager, Passengers and Mail Branch

Ms Jenet Connell, Executive Manager, BSG, Regional and Business Services Division

Mr Tom Aldred, Executive Manager, BSG, Strategic Projects Division

Ms Nicola Hinder, General Manager, Partnerships Branch

Ms Kirsty Faichney, Acting General Manager, Biosecurity Policy Coordination Branch

Mr Russell Phillips, General Manager, Legislative Reform Branch

Mr Peter Moore, General Manager, Post Entry Quarantine Arrangements Branch, Quarantine Operations Division

Meat and Livestock Australia

Mr David Palmer, Managing Director

Dr Ian Johnsson, General Manager, Livestock Production Innovation

Climate Change

Mr David Mortimer, Executive Manager, Climate Change Division

Ms Fran Freeman, Executive Manager, Drought Policy Review Branch

Mr John Talbot, General Manager, Forestry Branch

Mr Mark Gibbs, General Manager, Climate Change Branch

Mr Andrew McDonald, Acting General Manager, Farm Adjustment Branch

Australian Bureau of Agricultural and Resource Economics

Dr Terry Sheales, Chief Economist
Dr Jammie Penm, Chief Commodity Analyst
Mr Peter Gooday, General Manager, Productivity, Water and Fisheries Branch
Dr Helal Ahammad, General Manager, Climate Change and Environment Branch
Ms Jane Melanie, General Manager, Resources, Energy and Trade Branch
Mr Bruce Bowen, General Manager, Agriculture Branch
Ms Annette Blyton, Acting General Manager, Integrated Research Branch

Bureau of Rural Sciences

Dr Kim Ritman, Acting Executive Director
Dr John Kalish, General Manager, Fisheries, Land and Forestry Sciences Branch
Dr John Sims, Acting General Manager, Climate Change, Water and Risk Sciences
Ms Annette Blyton, Acting General Manager, Integrated Research Branch

Sustainable Resource Management

Mr Ian Thompson, Executive Manager, Sustainable Resource Management Division
Ms Margaret Allan, General Manager, Landcare and Sustainable Agriculture Branch
Mr Tony Bartlett, General Manager, Business Systems and Grants Branch
Dr Sally Troy, General Manager, Communications and Reporting Branch
Mr Roland Pittar, General Manager, Domestic Fisheries and Aquaculture Branch
Dr John Kalish, General Manager, Fisheries, Land and Forestry Sciences Branch, BRS

Australian Fisheries Management Authority

Prof Glenn Hurry, Chief Executive Officer
Dr James Findlay, Executive Manager, Fisheries Management
Mr Paul Murphy, General Manager, Operations
Mr John Bridge, General Manager, Corporate Governance
Mr Peter Venslovas, Regional Director, Darwin
Mr Mark Farrell, Chief Information Officer
Mr David Perrott, Chief Finance Officer

Agricultural Productivity

Mr Allen Grant, Executive Manager, Agricultural Productivity Division
Mr Simon Murnane, General Manager, Livestock Industries and Animal Welfare Branch
Mr Peter Ottesen, General Manager, Crops, Horticulture, Irrigation and Wine Branch
Mr Greg Williamson, General Manager, Innovation, Productivity and Food Security Branch
Mr Richard Souness, General Manager, Food Branch

Wheat Exports Australia

Mr Peter Woods, Chief Executive Officer
Mr Ted Woodley, Chairman

Trade and Market Access

Mr Craig Burns, Executive Manager, Trade and Market Access
Mr Paul Morris, Deputy Executive Director, ABARE
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

Ms Sara Cowan, General Manager, Multilateral Trade

Australian Pesticides and Veterinary Medicines Authority

Dr Eva Bennet-Jenkins, Chief Executive Officer

Dr Raj Bhula, Program Manager Pesticides

Ms Joanne Mitchell, Program Manager Corporate Services

CHAIR (Senator Sterle)—I declare open this public hearing of the Senate Rural and Regional Affairs and Transport Legislation Committee. The Senate has referred to the committee for examination the particulars of proposed additional expenditure for 2009-10 and related documents for the Agriculture, Fisheries and Forestry portfolio. The committee has fixed Wednesday, 14 April 2010 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 this Friday, 12 February 2010.

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 extract read as follows—

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).

(Extract, Senate Standing Orders, pp 124-125)

As agreed, I propose to call on the estimates in the order shown on the printed program. We will take a break for morning tea at 10.30 am. Other breaks are listed in the program. I now welcome Senator the Hon. Nick Sherry, Assistant Treasurer, representing the Minister for Agriculture, Fisheries and Forestry; Dr Conall O'Connell, Secretary of the Department of Agriculture, Fisheries and Forestry; and, of course, officers of the department. Minister, do you or Dr O'Connell wish to make an opening statement?

Senator Sherry—No, thank you.

CHAIR—Thank you. We will go straight to questions.

Senator COLBECK—Welcome back everybody. I would like to go initially to management of the efficiency dividend designed by the government. You indicated to us at previous estimates that you would not be conducting a general graduate program this year. Can you give us the status of that, in particular, and what your plans are to re-implement that program for next year?

Dr O'Connell—We did put a pause on that program and we will restart it in the normal way. There were graduates taken on with one part of the department, ABARE, and Mr Glyde can fill you in on that. The intent is exactly as we said before: we will continue with the graduate program. Ms Hazell can take any more detailed questions on how we are going about that, but there is no change in that proposal.

Senator COLBECK—What was the saving from ceasing the graduate program for the year?

Ms Hazell—From memory it was around about \$2 million.

Senator COLBECK—If you continue to experience the efficiency dividends, as we have discussed before, to reinstate that you have to find \$2 million somewhere else in the budget. What are we reallocating? How are we going to find that \$2 million to bring it back in next year?

Ms Hazell—We have looked at how we do the recruitment for the program and made quite a few savings there, but the staff that we actually bring in as graduates will be filling positions in the divisions. So part of the \$2 million that we saved is in staff salaries. Next year those graduates will be filling positions in the divisions that would have to be filled by other staff otherwise. So it is not necessarily finding a \$2 million saving. We have cut our costs in terms of our recruitment program as well, but those staff will fill normal positions.

Senator COLBECK—Of what extent is the cost saving in the recruitment program? How much are you saving there and how are you doing it?

Ms Hazell—We have looked at the way we are running our recruitment program. We have cut back the amount of travel, we have cut back our assessment centres and we are doing a lot more things online. We think this year that the cost of our recruitment program will be around \$220,000.

Senator COLBECK—Down from how much?

Ms Hazell—It was nearly \$400,000. If you want an exact figure I would need to take that on notice.

Senator COLBECK—So that saving is effectively from cutting down travel and doing work online. What is the impact of that on the assessment process?

Ms Hazell—We will still run the assessment centres and we will still run face-to-face interviews; it is just that we will be a lot more streamlined and a lot more direct in how we do that. We are advertising on all university career hub websites. We are visiting 16 careers fairs nationally, mainly at universities where the bulk of our applications come from. We are doing assessment centres in Canberra, Sydney, Brisbane, Melbourne and Adelaide.

Senator COLBECK—If you are filling positions, are they positions that are currently vacant or that will be vacant? How does that fit in with the way that you usually run your graduate program?

Ms Hazell—By the time we get to 2011 the positions will be vacant positions. We still have a turnover rate in the department. They have a year's training, and then they go into positions in line divisions. While they are on training, they occupy positions in the divisions as well. We are currently in the process of talking to divisions about how many graduates they will want in 2011.

Senator COLBECK—That would have some impact on the productivity and the output of each of the divisions, wouldn't it? Obviously they are coming out of university, but they still need specific training within the particular programs that they are working on. What does that do to the productivity of the particular divisions?

Ms Hazell—That has always been the way that the graduate program has worked, so I do not see that there is any additional impact on productivity. They have always been placed in line divisions for that first year.

Senator COLBECK—Yes, but effectively you will have 50 fewer positions to start with, because that is where the graduates are going to go. So you are going to have fewer people in your divisions, effectively, and you will be filling those positions with the graduates.

Ms Hazell—I think you are making the assumption we would hold the 50 positions vacant all year.

Senator COLBECK—No, I am not saying that. I understand you are talking about turnover and things of that nature, but if you are going to make what is effectively \$1.5 million in savings that means you are going to have fewer staff overall. You have indicated that because you are putting people in there. So the efficiency or the output of your divisions is going to have to decrease, unless you are getting extraordinary productivity gains, which would be difficult given that you are putting inexperienced people into the positions to start with.

Dr O'Connell—I am not sure what the question then is that you are leading from that.

Senator COLBECK—I am just trying to get a sense of what the output of the agency is going to be. If your graduates are going into vacant positions and you are creating a saving of \$2 million across the division, \$200,000 of that saving is effectively going to be in your recruitment processes, so there is going to be roughly \$1.8 million of savings, which means fewer staff across the division obviously, including once you have got the graduates in there. So it has to have an impact on the output of the agency.

Dr O'Connell—Again, is there an assumption there that, as the graduates come out, they are not as productive as other staff? Otherwise there is no difference.

Senator COLBECK—Anyone starting a new job has a period of time to get up to productivity, but if you are using the graduates to fill vacant positions, which you have said they have done all along, it has to be that the agency is becoming smaller across the board. That has to be the case if you are using them to fill vacant positions. Where else is the saving coming from? How does the saving originate? You have said that you are using the graduates to fill positions, and that is fine. Then you said you always did that anyway. So where does the saving come from?

Dr O'Connell—Perhaps it is best to go back to the ASL numbers, which, as we went through last time, we are targeting. That does not change, so, other than any new measures that would occur, we will be looking at the same level of staffing. I am not sure that there is any sense in which there is a change in the role of graduates over time.

Senator COLBECK—So your overall staffing levels are projected to remain the same?

Dr O'Connell—Our overall staffing levels—we are talking about the reduction from the previous year to this year, and I do not have the exact numbers on me, but around about an ASL reduction of 250.

Senator COLBECK—Do you have a chart or a table that you can table for us?

Ms Hazell—In the portfolio additional estimates statements we are forecasting an ASL reduction of 147 for the year.

Dr O'Connell—Yes.

Senator COLBECK—So that is effectively where your savings come from for the efficiency dividend and the additional \$12 million, I think it was, that you had to meet as part of the special—

Dr O’Connell—That was across the board. That does not come just from the efficiency dividends. That comes from—

Senator COLBECK—No, that is a separate figure.

Dr O’Connell—separate things, like lapsing programs. If you recall, the full suite of changes that occurred from one year to the next included a relatively small savings measure, efficiency dividend, and a range of lapsing programs and others.

Senator COLBECK—Do you have—

Mr Quinlivan—The staffing reduction was part of our response to the change in our funding, so we have also made changes in the way we manage consultancies and travel and a variety of other things in the department. Collectively, they have been our response to our new revenue circumstances, and we have managed to adjust to that, but staffing has only been part of the adjustment that we have made—

Senator COLBECK—No, I understand that. Do you have a staffing chart that you can provide to us? I think you have provided one to us before and given us information on your staffing levels.

Mr Quinlivan—I think Ms Hazell has given you the most pertinent number—the number that is forecast in the additional estimate statements—already.

Senator COLBECK—The problem that I have when I sit down to do comparisons later on is comparing figures with figures. So if you have got something that is comparable with what you gave me previously I would appreciate that so that I can just sit down and have a look across—and if it has to be done on notice, it has to be done on notice; I understand that. I just want to make sure I have got a comparison to what I have had previously, that is all.

Dr O’Connell—Yes.

Senator COLBECK—And I would not mind, if you can provide to me—and you may not have it—a detailed impact of what specific areas you are looking at to achieve the efficiencies. We have had the staff reduction, and that has happened both locally and internationally as I understand it—we have talked about the staff in Brussels and the US—but in other specific areas where we have had to reduce our—

Dr O’Connell—I think we went through this after the previous estimates. We might just make reference back to those.

Senator COLBECK—Can you give me an indication of what the key pressure points in the agency are at the moment, with respect to those requiring funding and those that you are specifically having to manage?

Dr O’Connell—I am really not clear on the question, in the sense that we have a bucket—

Senator COLBECK—I am fishing a little bit. Where are the key areas within the agency where you have got costing pressures?

Dr O'Connell—We have the cost set for the year and we are operating within that, subject to the additional estimate's changes, and within that context, then—

Senator COLBECK—Are there any specific areas where you are struggling to meet the budget?

Dr O'Connell—I do not think so.

Mr Schaeffer—There is no indication at the present where we are struggling to meet our budget.

Senator COLBECK—No areas where you are struggling to meet your budget?

Mr Schaeffer—We managed within our constraints.

Dr O'Connell—We are managing the budget overall, as a departmental budget, of course.

Senator COLBECK—Yes, I understand that, but there must be some pressures in certain areas. We have had significant conversations, for example—and we will come to that later—with respect to biosecurity. That must create some pressures in certain areas of the budget?

Dr O'Connell—In terms of the budgets that we have been provided, I think the key point here, in terms of additional estimates, is that we have been provided with the original budget, that has been modified and we are on track to live within that budget.

Senator COLBECK—Let me give you an example. For example, what is the status of your business continuity and disaster recovery systems?

Ms Hazell—We have a business continuity plan for the department, and our disaster recovery plans are being reworked at the moment.

Senator COLBECK—What about your systems, though? Not the plan; the systems?

Ms Hazell—You are asking about our disaster recovery for IT systems?

Senator COLBECK—Yes.

Ms Hazell—We have plans that we are working on, and we are looking to upgrade our arrangements for our IT systems.

Senator COLBECK—Yes. So what is the status of your systems currently? How would you quantify that?

Ms Hazell—I am not sure what you are asking: status of the systems in terms of disaster recovery or status of the systems overall?

Senator COLBECK—No, in respect of disaster recovery.

Ms Hazell—We have disaster discovery arrangements in place for our systems. I am not quite sure what—

Senator COLBECK—My information is that the systems of the agency are, perhaps, the most fragile of any across government, so I am interested to know where they are at, what the pressure points are, and that is why I was interested in where your financing pressure points were. My understanding is that you have got severe issues with your IT systems in that particular area.

Ms Hazell—A number of our operational systems are quite old legacy systems. Disaster recovery is more about the arrangements we make for hardware and alternative sites for those systems. We have projects to work on some aspects of those fragile systems but, as you would be aware, the Beale report recommended funding for major rework of our operational IT systems.

Senator COLBECK—That is one of the reasons that I am concerned about, because we have not had, at this stage, any funding allocated. We have had, I suppose, what you could describe as a relatively significant barney over that particular issue through last year, which I would have to say I am pleased that we have managed to come to some agreement with the government on. But I am concerned that if a major event were to occur at this point in time what the impact of that might be and particularly, given that this agency continues to host our quarantine services, what the threats might be there and how we manage them. So if we have a particular problem there—and as my understanding is that we have got the most fragile systems across government—that puts a fairly significant threat in my mind.

Dr O’Connell—I will pass over to Steve Foley, our chief information officer, in a minute, but if you are referring, I think, to the issues around the Beale review—

Senator COLBECK—No, it is not specifically Beale review.

Dr O’Connell—Well, I am talking about Beale looking at the ICT requirements that we have, which I think goes to the same issues. The government did announce, as part of a \$14.7 million package to move on Beale, that there would be \$7.8 million spent on the two-part business case for the ICT processes, so if that is the area you are looking at, that is probably where the work is occurring that you are talking about. I might pass over to Mr Foley to talk about our broad business recovery plans for ICT.

Senator COLBECK—Sure.

Mr Foley—It is true to say there are risks in our operational systems. We categorise all our applications according to two families: the corporate applications and the operational applications. The operational applications do, indeed, support our biosecurity services activities. The corporate applications are low risk—they are very modern. The operational systems are, indeed, legacy systems in the true sense. They are nearing 20 years old. We have identified a number of what we call single points of failure which we are addressing at the moment. We have already done a fair bit of work to do that and the department has funded some capital projects to address what we think are the highest risks. So there is a plan of action in place.

As far as being high risk, I am not sure I would agree with that statement. In fact, we did have a large disruption in July last year and we were able to demonstrate, actually, given the nature of that disruption that we are able to recover those systems in a reasonable time using the expertise of those.

Dr O’Connell—On top of that Senator, as I say, there is a \$7.8 million process looking at the two-pass business case for the renewal of this biosecurity ICT.

Senator COLBECK—My recollection from Beale is that the injection required to deal with that was much more than \$7 million or \$8 million. It was more in the order of \$100 million.

Dr O'Connell—The process is that you go through, under the arrangements, a two-pass business process, at which point the government—

Senator COLBECK—That is the demonstration of the business case for need—procurement.

Dr O'Connell—Yes, and then the government makes a decision on what the investment is.

Senator COLBECK—I understand that.

Dr O'Connell—So we are well into all that process now.

Senator COLBECK—So it is effectively in that AQIS area where the greatest level of risk lies. Is that what you are telling me?

Dr O'Connell—No, I was not saying that.

Senator COLBECK—Perhaps Mr Foley could explain that.

Dr O'Connell—I am saying that the biosecurity ICT overall is what is being looked at in that \$7.8 million.

Senator COLBECK—In what areas of the agency's IT systems does the greatest risk lie?

Mr Foley—I believe it is fair to say the AQIS import management system and the export document system are probably the two major systems that we spend most of our time addressing.

Dr O'Connell—It is fairly clear that over the last decade or so there has been underinvestment in the area, and that is why the business case is being put through with the two-pass business case.

Senator COLBECK—That is why I am asking the questions about other pressure points within the agency for funding because, obviously, here is one particular area that requires some investment.

Dr O'Connell—And the investment track is going through.

Senator COLBECK—I am just trying to get a sense of what the priorities within the agency are to actually deal with that.

Dr O'Connell—I would suggest, Senator, that I have explained that there is a process going through to look at that reinvestment in the ICT. It is a major restructuring that we need to look at.

Senator COLBECK—So the \$7.8 million is purely for the preparation of the business plan at this stage in proceedings?

Dr O'Connell—The two-pass business case, yes.

Senator COLBECK—And that then provides the business case for funding for full investment?

Dr O'Connell—For full investment.

Senator COLBECK—In response to Beale?

Dr O'Connell—Yes.

Senator COLBECK—Within that time frame, are we confident that we can actually manage any catastrophic event? Mr Foley has indicated that we did have an event last year. Can you give us some detail on that?

Mr Foley—The major series of databases that these systems write into became full unexpectedly, and it was a matter of trying to fault-find and find what the cause of that was.

Senator COLBECK—So it was a capacity issue?

Mr Foley—Not really. It was a configuration issue. It did occur at the time we transitioned from major service providers. There was a bit of a knowledge gap in the fault-finding process. Perhaps if that particular disruption had occurred at some other time, rather than at the time we were transitioning, we may have been able to respond a little more quickly. It was a tricky one in the sense that the systems were not working and we had to fault-find right from the gateway, right through the servers, right through the application, and finally find out that the databases were acting abnormally and, as a result, became unexpectedly full. Once we diagnosed the fault, it was relatively easy to rectify.

Dr O'Connell—What I think Mr Foley pointed out earlier was that with a system failure we were able to recover quickly. So I would say that the disaster recovery approach—and certainly our broad, overall departmental disaster recovery—was quite sophisticated in terms of our ability to manage business continuity. Ms Hazell might be able to add more on business continuity issues.

Ms Hazell—The department does test its business continuity plan every year in a paper-based exercise. We do test elements of our disaster recovery in ICT space as well. We revised all our maximum acceptable outage times. These are the times that the various line areas say is the maximum time that they can do without their IT system, or whatever the functionality is. We have done quite a bit of work in the last year, Senator, on revising and updating our business continuity.

Senator COLBECK—Where does the agency sit in an overall sense on that? You are looking specifically at one area. Are you confident in the systems overall? You have obviously got a particular problem that you are addressing within the AQIS space.

Dr O'Connell—Senator, I think we are confident in our overall business continuity. Yes, we are confident. In fact, I think I would want to dispute the view that we are the highest risk. I think we are in very good shape in terms of business continuity, and I think we have had ANAO look at our business continuity at times, and us as well.

Senator COLBECK—How recently was the ANAO audit?

Dr O'Connell—I would have to get back on that.

Ms Hazell—They tend to look at our business continuity work and our risk management work on an annual basis. They are due to start that work again in February/March for this year. There were no concerns raised last year.

Senator COLBECK—They did not raise any concerns but you recognise that you have concerns yourself?

Dr O'Connell—Our concerns are known in terms that the Beale review ran the biosecurity ICT. They are well recognised and we have the plan in place to put—

Senator COLBECK—Put a case for some money, but you need the allocation of the funding.

Dr O'Connell—We need to do the job in the normal way, which is to go through the two-pass business process, make the proper business case for the exact investment and then make the investment.

Senator COLBECK—Yes, I understand the process.

Dr O'Connell—I guess the point we were making was that in the meantime we are confident of our business continuity and we have demonstrated, in a real case, that we can manage a recovery very quickly.

Senator COLBECK—Does the ANAO report annually on that process?

Ms Hazell—It is part of the financial statement audit. If they have a concern, that is normally where you would find it.

Senator COLBECK—I will chase that down. You indicated that you were going to have a reduction in staff of some 147 across the agency. Is that correct? Is that the number that you are talking about?

Ms Hazell—That is our estimate of the reduction at 30 June.

Senator COLBECK—Estimate of reduction? Can you give me an indication of where those staff might be—which locations?

Ms Hazell—They are across the agency. That staffing table you referred to earlier that we agreed to provide you on notice will show where the staffing numbers have changed.

Senator COLBECK—I am trying to reconcile that against a reduction in staff over a number of years but an increase in car parking costs of something of the order of \$93,000. If we are reducing staff, how come we are increasing car-parking costs? In Cairns it has gone from nothing to \$50,000, an \$18,000 increase in Brisbane and a \$25,000 increase in Melbourne?

Ms Hazell—Senator, the increase in Cairns is associated with new premises and new leases. Some of the costs for car parking, when you sign a new lease, do go up. It is not necessarily reflecting an additional number of car parks. Sometimes it does, sometimes it does not, but in Cairns it was new premises and—

Senator COLBECK—So we were paying nothing for car parking before and we are paying \$50,000 now?

Ms Hazell—Yes. It depends on the lease and the location of the office. And that particular lease is in the Cairns airport.

Senator COLBECK—So we are paying airport parking fees, effectively?

Ms Hazell—No, it is part of the lease—a certain number of car parks usually, Senator. For Cairns I would need to take on notice the exact number, but most leases that we do sign include a provision for car parks.

Senator COLBECK—So you have relocated offices in Cairns and it is a different configuration of the lease—

Ms Hazell—Yes.

Senator COLBECK—So you are now paying \$50,000 for car parking. What is the overall leasing cost variation?

Ms Hazell—I would need to take that on notice, Senator. I do not have the total cost of the Cairns lease with me.

Senator COLBECK—You have got no recollection as to whether it is a major increase or—

Dr O’Connell—We can try and get those numbers during the day.

Senator COLBECK—That would be good. So what about the situation in Brisbane?

Ms Hazell—I would like to take that on notice and check as well, Senator, and whether it was a change in the number of car parks or a change in the lease arrangements.

Senator COLBECK—And Melbourne?

Ms Hazell—Melbourne was associated with some new leases we signed.

Senator COLBECK—New premises or just new lease?

Ms Hazell—New premises as well—a different location.

Senator COLBECK—So the parking fees in Melbourne have gone from \$25,608 to \$51,359?

Ms Hazell—Yes, Senator.

Senator COLBECK—Is there any sense of what that is a reflection of?

Ms Hazell—I know in part it is a reflection of a new lease in different premises, but for the exact component of that increase that relates to the new lease I would need to take that on notice.

Senator COLBECK—What about here in Canberra where it has gone from \$1,028,477 to \$1,064,379; what has happened here in Canberra?

Ms Hazell—That reflects the annual increase in rent that we pay, Senator. The leases that we have in Canberra factor in an annual rental increase and that does also apply to the car parks.

Senator COLBECK—So that is in the new building which you moved into?

Ms Hazell—There are three premises in Canberra, Senator: 7 London Circuit, 18 Marcus Clarke and the premises in Fyshwick.

Senator COLBECK—That does not reflect any change in the number of spaces; it purely reflects an increase in parking costs in Canberra?

Ms Hazell—Yes.

Senator COLBECK—And that is associated with the buildings?

Ms Hazell—It is associated with the lease on the buildings, Senator, yes.

Senator COLBECK—Can you just run through those sites again for me, the Canberra sites?

Ms Hazell—7 London Circuit, 18 Marcus Clarke Street and we have a site in Collie Street in Fyshwick.

Senator COLBECK—So which one is the Griffith one?

Ms Hazell—No, that is Griffith, New South Wales; the town of Griffith.

Senator COLBECK—At the last estimates we asked you a question on retreats and you gave us a list of a number of retreats that occurred in answer to a question on notice, CSD17. Can you give us some detail on the PIAPH planning day that cost \$26,320?

Ms Hazell—The answer is, Senator, I cannot. The line area would be able to give you more detail on that planning day.

Senator COLBECK—There is no one here that can help us with that? What was achieved in—

Dr O'Connell—No, perhaps when we get to the—

Senator COLBECK—The set strategic directions for 2008-09, 2009-10.

Dr O'Connell—I think when we get to the Biosecurity Services Group we should be able to help you then.

Senator COLBECK—So the same point would arise with the \$17,699 for the AQIS managers conference.

Ms Hazell—Yes, Senator.

Senator COLBECK—Dr O'Connell, can you tell us where we are at with respect to a new executive director for AQIS?

Dr O'Connell—Yes.

Senator COLBECK—Do we have any smiling faces?

Dr O'Connell—I might invite the new executive director of AQIS to the table. I have recruited Rona Mellor as the Deputy Secretary responsible for Biosecurity Services.

Ms Mellor—Good morning, Senator.

Senator COLBECK—Good morning, welcome and congratulations or commiserations, as the case may be.

Dr O'Connell—I have to say that it is Rona's third day.

Senator COLBECK—Happy birthday.

CHAIR—So you are getting the cake at smoko, are you? You are bringing the cake?

Ms Mellor—Perhaps.

CHAIR—Perhaps.

Senator COLBECK—I was just interested in getting a cost of the process.

Dr O’Connell—I should be able to provide that. Again, probably by the end of the day, we should be able to get that, I think.

Senator COLBECK—Okay.

Ms Hazell—Senator, there was a price for the recruitment exercise of \$45,000.

Senator COLBECK—That was with a recruitment agency?

Ms Hazell—It was with a recruitment agency, Senator.

Senator COLBECK—I suppose it does not really matter who that was. What was the process of selecting the recruitment agency? Was that a competitive process or did you just go out and—

Ms Hazell—We approached a number of firms with a request for a quote, a proposal, and from the firms that responded we made a selection based on value for money and expertise.

Senator COLBECK—What was the range of quotes?

Ms Hazell—From memory, they ranged quite a lot Senator. The quote that we accepted was, if you like, in the middle of the range.

Senator COLBECK—So a value for money judgment was made in respect of—

Ms Hazell—Value for money, Senator, is not just about the dollar amount. It is also about the expertise.

Senator COLBECK—I understand that only too well. If you give us, perhaps on notice, the range of quotes that you received for a particular service?

Ms Hazell—Certainly, Senator.

Senator COLBECK—And if you see the need and, perhaps, it is probably fairer if you provide us with some background on how the determination was made on a value for money basis.

Ms Hazell—Certainly, Senator.

Senator COLBECK—I think that perhaps rather than just giving us a list of numbers it would provide us with some rationale as to why the process was undertaken and I think that is a more reasonable way to manage that process. Has the department done any analysis of the expenditure by state governments on rural R&D?

Dr O’Connell—I think we could answer that better when we get to the Agricultural Productivity Division in the program.

Senator COLBECK—It is obviously quite a topical issue that not only has been discussed pretty heavily through the rural media but also has had some prominence from government and, I think, it is generally recognised that state withdrawal from rural R&D is causing some issues, particularly in respect of extension. You want us to wait to talk about that a little bit later on?

Dr O’Connell—The Agricultural Productivity Division is where the R&D is managed.

Senator COLBECK—Okay. We talked earlier and previously about the departmental staff that came out of Paris, Brussels and Washington, and the indication you gave us was that you would be able to fill those tasks and roles from other postings and staff in other areas. What has been your experience in actually managing that process?

Dr O'Connell—I hate to suggest it, but, if we wait till Trade and Market Access Division, that is where that issue is managed.

Senator NASH—Can the department confirm whether a Mr French and a Mr Ruscoe work for the department?

Mr Quinlivan—We do have two members of staff with those surnames.

Senator NASH—I am going to take a wild stab in the dark here and think that maybe they are the guys we are talking about.

Mr Quinlivan—I think so.

Senator NASH—Thank you. It is just in relation to Copenhagen. I know it was in the media. I obviously do not want to jump to conclusions, but I understand those are the two fellows from the department that went to Copenhagen?

Mr Quinlivan—I am certain about one; not about the other, but we have a climate change group who are coming along later. They would be able to talk in detail about it.

Senator NASH—Do you want me to leave all these? Even though they are particularly corporate questions, would it be easier to get the information in the climate change section?

Dr O'Connell—I think it probably would be easier to handle it there.

Senator NASH—I am happy to do that.

Mr Quinlivan—If it relates to that conference and our participation in it, that would be the best time to talk about it.

Senator NASH—Marvellous. It gives you a bit of a heads-up to figure out if the other fellow went as well.

Mr Quinlivan—Yes, I am sure they know.

Senator NASH—I am sure they do.

CHAIR—Thank you, Senator Nash. Senator Colbeck, we have just over 15 minutes left.

Senator COLBECK—Yes. Can you give us the total cost of domestic travel undertaken by the minister or ministerial staff for this budget period to date?

Ms Bie—The only costs that we have are departmental costs. The Department of Finance and Deregulation funds the minister and his staff when they travel.

Senator COLBECK—Can you get that figure for me on notice?

Ms Bie—We would have to go to the department of finance.

Senator COLBECK—I am happy for that to occur, if you could do that. What about international travel undertaken by the minister?

Ms Bie—It is the same system.

Senator COLBECK—The same? I will put the same question on notice. We asked you a question, which I referred to a moment ago and we will come back to later, about retreats and conferences. I would like to put the same question on notice for this period too, if I can, please: the cost to the department of retreats/conferences undertaken by its staff, broken down by retreat/conference name, purpose and cost. You would not have that prepared, would you? No, I did not think so. Is the department planning for an additional 3.25 per cent efficiency dividend again this estimates period?

Mr Schaeffer—Yes, we are.

Senator COLBECK—You are not expecting, I hope, anything further?

Mr Schaeffer—They are decisions of government that we cannot see yet, Senator.

Senator COLBECK—But, obviously, you are heavily involved in the preparation process at this point in time. So what is the projected impact in the next financial year of an additional 3.25 per cent?

Mr Schaeffer—I think the figure is around \$5 million.

Senator COLBECK—How do you intend to manage that?

Dr O’Connell—You are talking about the next financial year? We will deal with that as we plan for the next financial year. We are dealing, at the moment, with our additional estimates for this financial year.

Senator COLBECK—I understand that. I am also trying to look forward a little bit.

Dr O’Connell—I would not want to speculate on the overall budget position I will have to deal with, so I would not be able to give you a very useful answer, at this stage as to how we will manage that. We will go through our normal preparation and planning process for next year’s budget as the budget settings start to emerge.

Senator COLBECK—But you are expecting a further \$5 million reduction in your overall budget, effectively, if you are going to have another 3.25 per cent.

Dr O’Connell—I will need to look at the net position of the department when we see all the ons and offs. A budget is a matter of ons and offs.

Senator COLBECK—So it will depend on terminating programs, new programs and things of that nature?

Dr O’Connell—New programs, renewed programs et cetera, yes.

Senator COLBECK—So we can speculate.

Dr O’Connell—That is what we would be doing, I think.

Senator COLBECK—But, effectively, it is in a range approximating that sort of money?

Mr Schaeffer—Those figures are in the forward estimates. However, as Dr O’Connell says, things come on and come off. There are some decisions that we have taken last year, for example, such that the impacts of those do flow on into the forward estimates as well.

Senator COLBECK—We might move on to biosecurity, unless anyone else has any questions on corporate?

CHAIR—Senator Adams has one very quick question; thanks, Senator Colbeck.

Senator ADAMS—It is just one very quick question. Regarding frequent flyer points and productivity, has there been any change in the policy of staff using frequent flyer points instead of it coming out of the department's budget for their travel?

Ms Hazell—Staff are encouraged to use official frequent flyer points where they can. Uptake is difficult, as you would know, if you are trying to use frequent flyer points at any time, but we have not changed our policy. They are still encouraged to use them where possible.

Senator ADAMS—Could you take on notice how many staff have used them?

Ms Hazell—To do that, Senator, we would probably have to ask each staff member who travelled separately because it would not come up and show through our systems because it is not a cost to the department if they have managed to use a Frequent flyer trip. We can.

Dr O'Connell—It is the difficulty in terms of the airlines with the frequent flyer points being attributed to individuals rather than to the department, so they are not accounts that the department can manage directly. Frequent flyer points, essentially, from the airlines' perspective, are attributed to individual staff members. So it is not amenable, really, to an overall approach which can give you a number straightforwardly.

Senator ADAMS—I am fully aware of that, but senators and members have to account, every month, for any frequent flyer points we have used. So I am just asking whether there has been any policy change because I am not aware that there has.

Dr O'Connell—No, there has not.

Senator ADAMS—I just thought that, in saving travel, you may be able to use those. So you have got no account of any of the points that are used for travel?

Ms Hazell—We do not hold a central record of any frequent flyer points that are used for official travel.

Senator ADAMS—Thank you.

Senator COLBECK—I just want to go back to plans for advertising campaigns over this budgetary period.

Dr O'Connell—Sorry, I am just not quite sure what the question is exactly.

Senator COLBECK—Can you give us the details of the advertising campaigns that have been—

Dr O'Connell—In terms of communication campaigns?

Senator COLBECK—Communication programs, yes.

Ms Bie—At this stage, we do not have any communications campaign running. Quarantine Matters was the last formal campaign which finished in July 2009.

Senator COLBECK—What about advertising for Australia's Farming Future program?

Ms Bie—A range of advertising is undertaken just as part of normal business, but there are no formal campaigns underway at the moment.

Senator COLBECK—There is no advertising occurring for Australia's Farming Future at the moment?

Ms Bie—I would have to check with the division.

Mr Quinlivan—There is no campaign advertising as such. I am sure there is advertising, broadly described, which is bringing the services those programs provide to the attention of potential users, as there is for all of our programs.

Senator COLBECK—Perhaps we are having a problem with definitions of advertising campaigns versus campaigns. We have established that there are no particular campaigns running, but I am interested in the advertising that has been conducted.

Ms Bie—There has been general advertising across the department for general business, though I could not say that it was specifically for Australia's Farming Future, and it was in the order of about \$171,000 year to date.

Senator COLBECK—What is the projected?

Ms Bie—I would have to take that on notice.

Dr O'Connell—That includes recruitment advertising as well.

Ms Bie—Yes.

Senator COLBECK—Given that you are taking it on notice, could give us the information detailing the purpose and the focus of each of the advertising campaigns and the projected total? You do not know how much has been allocated for Australia's Farming Future?

Ms Bie—There is no particular campaign, so no campaign strategy has been finalised at this stage.

Senator COLBECK—If there is no campaign strategy, how do you allocate the funding to the advertising of the service?

Mr Quinlivan—When I come to the table later, we will endeavour to answer that question. The point at this stage is that, for the kind of advertising you are talking about, we do not have a central budget. It is not managed centrally; it is done on a program-needs basis and generally managed by the people as part of their overall management of a program.

Dr O'Connell—There is a distinction to be made—for example, advertising availability of grants. Availability of grants in itself is not considered campaign advertising. You could have a larger campaign approach and that would involve not simply advertising availability but promoting. That is a bigger altogether. There is a scale issue. The Department of Finance and Deregulation provides the guidelines on those which we could provide to you. We are talking here about advertising availability of grants, for example, in the rural press as part of normal business. That does not constitute campaign advertising, unless it is part of a broader scale thing.

Senator COLBECK—You are saying that individual program advertising for a grants program or something of that nature is governed by the department of finance guidelines or the broader campaign?

Dr O'Connell—There are guidelines for the broader campaign. Central guidance is provided in a department of finance circular, which I am sure we could provide to you.

Senator COLBECK—If you are advertising a grants program, for example, it would be up to officers in the various areas to determine the level of expenditure to support that particular grant program?

Mr Quinlivan—Firstly, we would do an assessment of the need—the audience that we are trying to reach, the nature of that audience and the best ways of reaching them. Then the program managers would talk to our public relations people and work out what is the most cost-effective way of reaching the target audience. Then we would proceed with the advertising. But the principal thing is to understand the need.

Senator COLBECK—Wouldn't that sort of thing be considered in developing the budget for the program in the first place?

Mr Quinlivan—Yes, it would. In most programs, there would be an allowance for communications activities. It is obviously a critical part of running successful programs.

Senator COLBECK—The \$171,000 spent to date this year has not been spent on advertising grants programs and things of that nature but on broader marketing programs?

Dr O'Connell—It is really classified as routine advertising—recruitments, tenders, routine operational matters—but that could certainly also go to, for example, putting an advert in the rural press that says that FarmReady grants are available and advises the closing dates.

Senator COLBECK—As long as the information that you bring back provides that clarification and differentiation. What sort of campaign is Quarantine Matters?

Dr O'Connell—That is a communications campaign.

Senator COLBECK—Versus an advertisement?

Dr O'Connell—A single advert is not.

Senator COLBECK—On a specific government project or funding program?

Dr O'Connell—Up to certain levels of expenditure and things, yes.

Senator COLBECK—Okay.

CHAIR—Before we call officers from the Biosecurity Services Group, Senator Macdonald has a quick question of the corporate area.

Senator IAN MACDONALD—It is either for the secretary or the minister. How many pot plants there are in the minister's office?

Senator O'BRIEN—That is an important question.

Senator IAN MACDONALD—Who is paying for them? How much do they cost? Is the department aware that the government have decided the pot plants in senator's offices are too expensive and therefore have removed them? I am interested to know if the department is following the austerity line that is being imposed on senators.

Senator Sherry—Firstly, we still take that on notice. Secondly, the government does not determine the allocation of pot plants to non-ministerial offices. That is a matter for the budget committee of the Senate and the House, as I understand.

Senator IAN MACDONALD—I understood that it was a money issue, that there is not enough money for the Senate, so they are saving money.

Senator Sherry—It is a money issue.

Senator IAN MACDONALD—Minister, is your office as frugal and concerned about the money by giving up your pot plants?

Senator Sherry—That is a matter for economics, not for me here. The budget of the Senate and the House of Representatives is not determined by the government. How the individual allocations of money are spent is not determined by the government.

Senator IAN MACDONALD—My understanding is that it is a question of money. I am interested to know how many pot plants you have in your office.

Senator Sherry—Fine. Ask me at Senate economics and I will tell you.

CHAIR—Senator Macdonald, I did extend the courtesy.

Senator IAN MACDONALD—Yes.

CHAIR—You did get your point across. The questions are taken on notice. I thank the minister.

Senator IAN MACDONALD—Thank you. You are quite right, Chair.

2.05 pm

CHAIR—We will go straight to biosecurity. I welcome officers from Biosecurity Services Group, including the divisions formerly known as Quarantine and Biosecurity Policy Unit; Australian Quarantine and Inspection Service; Biosecurity Australia; and Product Integrity, Animal and Plant Health, also known as PIAPH.

Senator BACK—I just want to go back to the current issue that is before us: the intended lifting of the ban on the importation of beef from countries which are known to have had bovine spongiform encephalopathy. I wonder if you could tell me in what year we first introduced this ban—initially, I think, for the UK—and what legislation it was banned under?

Dr Biddle—Your question related to the initial quarantine responses after the first cases of BSE in the UK?

Senator BACK—That is correct. I want to know what year that was and under what legislative instrument we imposed that ban on beef and beef products coming in from the UK.

Dr Biddle—In relation to beef and beef products, the ban here, from memory, was around 2001. That was the time when the link was drawn between a few cases of variant CJD found in the UK population and the BSE agent.

Senator BACK—My recollection from the information available is that originally that occurred in 1996 and it was then expanded in 2001 to include beef and beef products from other European countries. I am particularly interested, going back to the original ban, as to the legislative instrument under which that ban first took place.

Dr Biddle—In relation to beef and beef products for human consumption, that was a decision made around the legislation for food safety. The implementation of that, applying the provisions of the Australian Food Standards Code, was done under the Imported Food Control Act legislation.

Senator BACK—So that would be the Imported Food Control Act of 1992?

Dr Biddle—Yes, it would be.

Senator BACK—Would you know which section or could you take on notice for me in which section of that act it would have been legislated?

Dr Biddle—We have a separate program that looks after that legislation.

Dr Carroll—The original ban, in my understanding, was not a legislated ban. It was put in place under the provisions of the act.

Senator BACK—Of which act?

Dr Carroll—The Imported Food Control Act. There was not a separate piece of legislation, but Dr Clegg might be able to clarify.

Senator NASH—I would assume there would have to be some sort of amending of the act, though.

Dr Clegg—No.

Senator BACK—So there never was a legislative instrument under which we banned British beef?

Dr Clegg—There was a Quarantine Act ban. Are you talking about 1996?

Senator BACK—I am, initially, yes.

Dr Clegg—Okay. 1996, then it would have been under the Quarantine Act because of the occurrence of BSE—bovine spongiform encephalopathy. After that, there was no standard in the Food Standards Code at that time. Once a standard was introduced into the Food Standards Code, the Imported Food Control Act was used to supplement—

Senator BACK—Do you know when that standard was introduced and the basis on which it was?

Dr Clegg—2001.

Senator BACK—So this was following this introduction of an emergency regulatory measure, as I understand it, in 2001?

Dr Clegg—I would have to confirm that, but I believe you are right that.

Senator BACK—Also, I would like you to confirm, if you would, under what legislation that emergency regulatory measure was undertaken. We then move to countries including those that subsequently were found to have BSE: the United States, Canada and Japan. What was the basis on which we chose to exclude beef imports from those countries?

Dr Clegg—In terms of importing animals from those countries, it was under the Quarantine Act.

Senator BACK—Live animals, yes.

Dr Clegg—In terms of the meat and meat products that would come, once we had a standard in the Food Standards Code we were using and continue to use the Imported Food Control Act.

Senator BACK—Can you tell me the process by which we arrived at these standards? Was that based on some import risk assessment or analysis?

Dr Clegg—For the Imported Food Control Act, the relevant standard is managed by FSANZ, Food Standards Australia New Zealand, and they undertook their process under their act to consult to determine a standard. The standard was that beef cannot be sold from animals that have had a case of BSE. That is still the standard, I think.

Senator BACK—Can you point to the publication of this standard and its origin under that FSANZ legislation?

Dr Clegg—I believe so. It is standard 2.2.1(11).

Senator BACK—What would be required to actually alter those standards?

Dr Clegg—I am sorry, I would have to look into that with FSANZ.

Dr O'Connell—I think that might be best put to the health portfolio. FSANZ is in the health portfolio.

Senator BACK—It certainly is relevant, is it not, because whether or not FSANZ wished to move from that standard, Dr O'Connell, would determine whether or not we could entertain the possibility of lifting the current bans from those countries that we know have had BSE. Would you agree?

Dr O'Connell—I guess I would go to the same point, though: the issues you raise in terms of FSANZ legislation and its management are ones for the health portfolio.

Senator BACK—Can I ask, in relation to the original emergency regulatory measures that were put into place, what role, if any, the state and territories had in relation to enforcing that particular regulation? Was there a requirement for compliance by the states and territories?

Dr Biddle—In general, the operation of the Food Standards Code domestically is a matter for the individual state and territory governments, usually the health portfolios. Some have specific food safety agencies. It is at that level that those obligations are discharged. There is a commitment to apply the provisions of the nationally agreed Food Standards Code. But, again, that is my general understanding of the way it operates; the health portfolio is best placed to answer in detail those domestic arrangements.

Senator BACK—So if there was the proposal for a change in that particular status, are you saying to me that the health authorities would be those best equipped to advise whether or not it requires consultation with the states and territories?

Dr Biddle—Again, there are established mechanisms around the formulation and amendment of the Food Standards Code. The states and territories, from my knowledge, are included in the consultation arrangements to any change to the code, but the detail would be best answered by FSANZ or the health portfolio.

Senator BACK—Thank you. In that case, I will defer to that agency to ask further questions.

Senator NASH—On the same issue of the importation of beef from countries that have had BSE, or mad cow disease, why is there no import risk analysis being done on the changes?

Dr Biddle—In general, the provision we are talking about here is relating to food safety. At the original introduction, the policy position taken in relation to animal quarantine was that the food policy addressed any potential animal quarantine risks and, subsequently, that position has been maintained. Over a historic period there has been a reliance on the acceptance that risk was adequately addressed, and that is the position. In relation to the Senate inquiry into this matter, there was a question on notice which was along those lines and which the department provided an answer to.

Senator NASH—I know. I am just trying to further ask some questions on this because we are missing a bit of clarity, so we are just trying to clear up a few of these issues. Are you saying, just to be absolutely clear, that any of the risk is assigned to human health and there is absolutely zero risk of mad cow disease entering this country through animal form, or affecting any single animal in this country—absolute zero risk?

Dr Biddle—Senator, my answer related to beef and beef products for human consumption.

Senator NASH—No. I understand that.

Dr Carroll—We never maintained a zero risk policy. The measure was implemented in 2001 on grounds of human food safety. There were already existing policies on meat products. The decision to not allow beef in from countries that had had BSE was taken purely on the grounds of human food safety, not on the grounds of animal quarantine. There were existing measures which allowed beef from countries which had BSE to come into Australia before 2001. The quarantine requirements are still in place that apply to that. As I said, the measure was taken purely on a human food safety basis, and that came in after the variant CJD cases had developed and it had been shown that BSE had the potential to be a human health problem.

Senator NASH—Given that we are dealing with this just on the human health factor, is there an increased risk, because of the change in measures that are coming in on 1 March, of any non-human health pathway—increased, not negligible—as a result of these changes and, if so, what are the measures in place within biosecurity to deal with that?

Dr Carroll—There are a range of measures relating to BSE.

Senator NASH—Can we just do the first bit first? Is there an increased risk?

Dr O'Connell—To the pre-existing level? I think what Dr Carroll was saying was that prior to the BSE there were the pre-existing quarantine conditions, and those remain.

Senator NASH—I understand that. I am just asking is there an increased risk?

Dr O'Connell—So there will not be any risk over that.

Dr Carroll—I would think if there were any increased risk, it would be profoundly negligible given the conditions that are applying on the human health side, which tend to be a lot more conservative than the animal health side.

Senator NASH—What are those conditions? We have not even seen the protocols yet.

Dr Carroll—The actual policy statement, which says that a country has to be assessed to allow free importation of beef from a human health perspective, a negligible risk country, and to have, for a category 1 country, I think it is Bob—

Dr Biddle—Yes.

Dr Carroll—And a category 2 country, they have to remove the SRM. So the chances of the agent coming in, I think Professor Matthews outlined how remote that would be. On top of that, you then have to get the organism into the cattle and one of the reasons we have the ruminant feed ban in place is to break that pathway. You have to have a pathway all the way from the infection being in a product that comes in, getting through, then coming in, then getting across to a susceptible animal. The risks of that are, I would think infinitely small. There is just no coherent pathway there for that to happen.

Senator NASH—But it is still a risk. Even if it is incoherent, infinitely small, it is still a risk?

Dr Carroll—There is no zero risk policy.

Senator NASH—Okay.

Dr O'Connell—Only in the sense that technically it is a risk.

Senator NASH—Can I just go back to the second part of the question which you were going to answer about how biosecurity will manage the potential increased risk, however small, of the changes to the measures from 1 March, which you just started to answer before? I just want to know what processes are in place. You said that there are already the existing processes in place. If you could just outline those for the committee.

Dr Carroll—The existing quarantine policies were in place. Product will be inspected at the border to ensure that it complies with the conditions that are specified in the new policy for human cases, and for the quarantine policy with regard to animal quarantine. They are two separate processes under two separate acts.

Senator NASH—So how are the Australian people going to be sure that this process—flawed as it is because the protocols, as we have discussed, under the Food Safety Australia New Zealand, have not been delivered yet and may well be developed or be announced or put on a website or something, a minute before other countries can actually apply to have their beef imported from those that have previously had BSE—will be 100 per cent ironclad when there is no traceability in either the United States or Canada?

Dr Carroll—That certainly is developing. They have their own traceability systems and that. What they can do on 1 March, I think, is apply to have their countries assessed. So there is an assessment process, and that will be the first process, to determine whether they can meet the requirements of a negligible risk country, and that is a process run by FSANZ, and that will go through the system, and after they are assessed, then, if somebody applies for an import permit, the beef might be able to come in on the grounds of human food safety.

Senator NASH—Will somebody, for example, from the United States be able to apply to bring their beef in if their country as a whole has had the tick-off on traceability, or will it come down to every single individual application?

Dr Carroll—The system that applies is, from my understanding, these are questions where FSANZ is managing this process—

Senator NASH—I understand that, but it is definitely a biosecurity issue.

Dr Carroll—The country applies for its risk categorisation. It will either be category 1 or category 2 and then different certification requirements apply for human food safety. If the United States were granted, let us say, a category 1 country category, somebody could apply in Australia to import beef from the United States in the normal process that you would apply to import products from other countries. They would then receive the conditions for the import permit from a quarantine perspective, and then they could bring beef in if they met those conditions plus the FSANZ requirements for the certification required for a category 1 country. So there is the human health and the quarantine.

Senator NASH—All right. From the layman's perspective, if a producer in the United States wanted to export to Australia, will the traceability—and I am equating it to Australia where we have the National Livestock Identification Scheme, so we have full traceability of the animals, they do not have that in the US—beyond the level of certification that a country's traceability is okay and gets the tick-off, will there be individual assessment of the traceability from a particular farm?

Dr Carroll—No.

Senator NASH—There will not be. So how on earth can we be sure about the beef that is coming from that property?

Dr Carroll—The country will be assessed on its traceability, but that is a FSANZ process under their requirements.

Senator NASH—But does that not concern this department dealing with agriculture, forestry, fishery, and biosecurity? Does that not concern you, that we potentially have this situation where—and I am not picking on any particular country but just using an example—where we will not have on-farm traceability right back at the start of the food chain?

Dr Carroll—FSANZ is best placed to assess the human food safety risks and to determine what measures are necessary to address those risks. They have a process in place where they will be assessing the country for a range of parameters to ensure that they are negligible risk.

Senator NASH—Good answer, Dr Carroll. I will try again. Does it worry you that we will not have individual on-farm traceability from country of origin when we are making these very significant changes that have no parliamentary oversight whatsoever that are starting on 1 March?

Dr O'Connell—Senator, I think what Dr Carroll pointed out before was that the measures that will be in place from the animal health perspective are on top of the measures that will be in place from FSANZ for human health—and the human health measures you would expect to be very robust—and his assessment is that there is an extremely negligible risk here.

Senator NASH—Absolutely. Does—

Dr O'Connell—So your other issue about the traceability really is overtaken by that first set of initial concerns.

Senator NASH—What a load of rubbish. I realise it is another department, but obviously this announcement was made from all three departments, Trade, DAFF and Health and Ageing, in the very beginning, so obviously you have an input. In the view of this department—because it is a cross-departmental decision—is it appropriate that, with respect to the protocols that are going to be drawn up by FSANZ, there is no accountability or check and balance whatsoever? I suppose my question is: how can the Australian people be sure that the protocols of FSANZ—who have yet to draw them up—will be appropriate?

Dr O’Connell—I think that is a question for FSANZ and the health portfolio. You are talking about the human health standards here through the FSANZ process, so it would be best to put that to the health portfolio.

Senator BACK—Who has responsibility for implementing these protocols when they actually do see the light of day? Is it FSANZ who has the responsibility for implementing—

Dr O’Connell—In terms of the imported food?

Dr Clegg—Biosecurity Services Group or AQIS would do this.

Senator BACK—So biosecurity group, through AQIS, have responsibility for actually implementing, in practice, the protocols that FSANZ will impose?

Dr O’Connell—Similar to all the imported food health, yes. We act, essentially, as agents for the health portfolio to ensure that, at the import stage, they are looked after.

Senator BACK—So, presumably, then, you would be having some input into those protocols, into their development, if you are going to be responsible and accountable to the parliament for implementing them?

Dr O’Connell—I am sure there certainly will be work in that, yes.

Dr Clegg—The animal health expert from DAFF is going to be on that assessment committee to assess the applications as they come in. The protocol, as I think the new policy states, is going to be based on the OIE methodology.

Senator NASH—Oh, God!

Senator BACK—Gives none of us much confidence.

Dr Clegg—So it is outlined there now how it will be done. They are just working out the mechanics of that.

Senator BACK—Is there a budget allocation in this financial year and going forward for this particular task? Do you see it as being extra to budget already approved?

Dr O’Connell—For the health portfolio?

Senator BACK—No, in your portfolio, unless they are devolving it or outsourcing it to you with funds.

Dr Clegg—Well, as I understand it, Senator Back, we are absorbing any costs from our contribution into the assessment committee. That is my understanding.

Senator BACK—And what do you estimate those costs to be?

Dr Clegg—I am sorry; I would have to get back to you on that.

Dr Carroll—It would be a fairly negligible cost. We would have one officer involved occasionally in the assessment committee. With respect to implementing the conditions, if countries categorise as category 1 and export meat to Australia, the work carried out at the border is cost-recovered.

Senator BACK—Fully cost-recovered from that country?

Dr Carroll—The work at the border is fully cost-recovered from importers.

Senator BACK—At which border?

Dr Carroll—Our border.

Senator BACK—The border from the importing country or the border here?

Dr Carroll—The border here.

Senator BACK—But what—

Dr O'Connell—It is the normal AQIS way of working.

Senator BACK—But there would be overseas costs, would there not? Presumably as part of the protocol, AQIS officers would be visiting these countries to undertake some form of assessment?

Dr Carroll—The in-country audits, which are allowed for under the policy, come under FSANZ.

Dr O'Connell—FSANZ, yes.

Senator BACK—But undertaken by whom?

Dr Carroll—That would be up to FSANZ.

Dr O'Connell—It is up to the health portfolio to go through that process.

Senator BACK—I am confused now. 'In-country' being the country that will hopefully be exporting their beef, who in those countries would be undertaking these inspections—FSANZ officers or Biosecurity officers?

Dr O'Connell—Essentially it is a human health issue that is being dealt with.

Senator BACK—Yes.

Dr O'Connell—The human health standards are being set through the FSANZ process. The assessment of country applications then occurs by the health portfolio in the same way. So any need for overseas assessments there would occur through that portfolio. Our role in this is essentially that, when product comes to the border, we will be in the business of assessing whether or not they meet the import requirements.

Senator BACK—So the obvious question extending from that would be the current level of competence of FSANZ officers. Could you give this committee some understanding? Do they have, currently, a mechanism in place where they inspect in-country before—

Dr O'Connell—I think you would have to ask the health portfolio that.

Senator BACK—Fairly important question, is it not?

Senator NASH—Certainly is, Senator Back.

CHAIR—I think, with all due respect, Senator Back, Dr O'Connell has said that that is a question for another department.

Senator BACK—Absolutely, Chair. Thank you for drawing that to my attention. I do not have any other questions. Thank you.

Senator COLBECK—Welcome Ms Mellor. Perhaps you could give the committee a sense of what you bring to the portfolio—some history, perhaps, even.

Ms Mellor—Thank you, Senator. I have been a public servant for over 20 years—about 20 years in the Tax Office, where I was last the First Assistant Commissioner for Tax Policy working with the Treasury, involving things like the implementation of the GST, the design of laws et cetera. For the last 3½ years, I have been a Deputy Secretary in the Department of Human Services and Deputy Chief Executive Officer for Medicare Australia. I think, in summary, what I bring to this department is a commitment to Australia, a commitment to public service, a commitment to professionalism and a very strong administrative background. This is day 3.

Dr O'Connell—I probably should leap in there, I suspect, Senator, and suggest we would not normally go too much into the history of individual officers.

Senator COLBECK—No, I understand that.

Dr O'Connell—But I was just going to say that Ms Mellor has been responsible for some major reforms in the Medicare services area, including looking at the electronic refund system, for which there are many, many thousands of very grateful people, I think, in the country.

Senator COLBECK—It is certainly an important piece of reform, and I suppose, in the sense of reforming or going through an important reform process that this particular element of the agency is going through post-Beale, those skill sets will bring some particular value to what we are talking about, particularly given our previous discussion on our IT systems.

Proceedings suspended from 10.28 am to 10.45 am

CHAIR—Welcome back everybody. Senator Nash?

Senator NASH—I have some questions around the IRA and the possible importation of apples from China.

Senator COLBECK—That is a Tasmanian question.

CHAIR—Senator Colbeck, did you wish to ask the apple questions?

Senator COLBECK—Let us start with apples.

Senator NASH—Just to kick off, you could give the committee an outline of where the process is at at the moment?

Dr Findlay—The China apples process started in March 2008 and we released a draft on 21 January 2009. It went to the Eminent Scientists Group on 21 September 2009. We are currently preparing the provisional final.

Senator NASH—When was that due to be completed?

Dr Findlay—The middle of 2010.

Senator NASH—I am interested to know about the background work that has been on the ground in China. Obviously there have been concerns about fire blight in the past. Could outline for the committee who in the department has been involved in any kind of assessment or investigation into the existence of fire blight in China?

Dr Findlay—We have undertaken three verification visits in China—2006, 2008 and 2009. We have also had an expert panel involved in the preparation of the import risk analysis and, of course, the Eminent Scientists Group as well.

Senator NASH—Did the same officers perform each of those visits or were they different officers each time?

Dr Findlay—Different officers, although we try to keep the IRA teams as consistent and constant as possible but there will be movement around the edges with people coming in, depending on expertise. Of course, import risk analysis involves looking at expertise with regard to invertebrate pests, viruses, fungi et cetera. We bring people in as we need them.

Senator NASH—How many officers would have been on each of those visits?

Dr Findlay—At least two, but I would have to confirm that.

Senator NASH—Could you take that on notice so we can get the exact numbers?

Dr Findlay—Sure.

Senator NASH—Where did they go?

Dr Findlay—They visited a range of provinces in China. In the three visits, they went to 11 provinces. There are still two remaining that China is interested in exporting apples from. If we get to a point where China is nominating to export from those provinces, we will again have to go over and do another verification visit.

Senator NASH—Did they visit different provinces each time or did they go back and re-inspect previously visited areas?

Dr Findlay—I think there was a couple of double-ups, but of course we expand according to the areas that China is interested to export from.

Senator NASH—Could you take on notice which provinces were visited during each of those trip?

Dr Findlay—Yes.

Senator NASH—Is it possible that some of the areas visited in 2006 have not been seen since by an officer?

Dr Findlay—It is possible, yes.

Senator NASH—If one of those provinces, say, choose to apply to export apples to Australia, what is the process of checking the veracity of the 2006 tick-off?

Dr Findlay—If we have concerns around anything that may have changed since 2006, we would include it in our final verification visit. Of course, AQIS also undertakes an audit visit before exports start.

Senator NASH—What would raise your concerns? What would trigger that happening?

Dr Findlay—A change in disease status, a change in the prevalence of disease that occurs in those provinces, or a change in the processing, the way that the apples are grown and processed, before export.

Senator NASH—In terms of those visits, what is the process? Does the department ring up their counterpart Chinese department and say, ‘We want to go to X area’? How does the process actually work exactly on the ground where the officers end up?

Dr Findlay—We work with the exporting country to develop the program that answers the questions that we have and the information gaps that we have as we conduct the risk analysis process. We also have a standard process in the department to make sure that we tick off on all of the things that are concerning us or are information gaps. So it is almost like a standard audit process, but it is a verification for collection of data for the import risk analysis.

Senator NASH—Can you just tell them where you want to go and have a look?

Dr Findlay—Yes.

Senator NASH—Has that ever been refused at any stage, when you have requested to go to a certain area?

Dr Findlay—No. In fact, China has been very accommodating. There was a couple of instances where we said we would like to stop and look at that orchard and they allowed us to do that, even though it was not on the scheduled itinerary.

Senator NASH—I am happy for you to take this on notice: when you outline all those visits that you had, can you also outline any unscheduled visits?

Dr Findlay—Sure.

Senator NASH—How much time lag is there between the request for a visit to a certain region and when you actually do it, or does that vary?

Dr Findlay—It does vary, but we find that trading partners are very keen to provide us as much information as possible as quickly as possible because they like to expedite their processes.

Senator NASH—Have you got a minimum or maximum time frame from the request to them acceding to the visit?

Dr Findlay—No, there is nothing formal in place.

Senator NASH—So you can just ask and you try and organise it?

Dr Findlay—Yes.

Senator NASH—Historically, then, perhaps if you could provide for the committee the minimum length of time from request to actual visit and the maximum length of time from request to actual visit. That would be useful. Am I correct in understanding that China can import trees or rootstock from other countries who do have fire blight?

Dr Findlay—If it is trees or rootstock, we will have to refer to another colleague, I am sorry.

Senator NASH—Another colleague is fine.

Dr Roberts—Their arrangements for importing new varieties, new rootstock, is really China's business.

Senator NASH—I completely understand. I am just trying to find out if it is true.

Dr Roberts—We have not got any firm handle on the detail of that, but our understanding is that they do require that importers—this is importers to China—of that material source material from high health stocks that are certified free of various diseases. I do not think we can provide much more detail than that sort of statement.

Senator NASH—So you are not sure if the importation of rootstock or the trees that China undertakes is from fire blight-free countries. Is that what you are saying?

Dr Roberts—We do not seek to have that guaranteed as part of our trading arrangements with apples.

Senator NASH—Why would you not seek to have that guaranteed or at least to know?

Dr Roberts—Firstly, China is free, as far as we can humanly confirm. Secondly, the arrangements for trade, we believe, are robust enough to account for the slight possibility that fire blight might appear in a season of export and not be detected and action taken. Fire blight is an extremely important disease. It is a quarantine disease for China. They are very concerned that they will lose market access if they get the disease, so they do pay a lot of attention to that aspect. The export protocol requires them to report changes of pest and disease status as part of the export protocol. So we are confident that if it does occur in the export areas it will be brought to our attention pretty quickly.

Senator NASH—Who would bring that to your attention?

Dr Roberts—The Chinese government have got a responsibility to do that under the export protocol.

Senator NASH—What enforces that, the export protocol?

Dr Roberts—That is right.

Senator NASH—I am at a bit of a loss about this: even if it is low risk, as you are talking about, because of the processes that are in place, wouldn't you be keen to know, though, if China is importing any of that rootstock from a country that did indeed have fire blight?

Dr Roberts—Our focus, of course, is on the presence of fire blight in sourcing orchards and how that may affect our export protocol. You are aware that we have got conditions on export of apples from a country with fire blight. The measures that China has to use to export apples to Australia are very close to the export protocols for apples from a country with fire blight, so incidentally, if you like, the risks of fire blight, we believe, would be managed, at least in the short term, if—I stress, if—a few trees in a sourcing orchard did come down with fire blight.

Senator NASH—Could you just outline for the committee what the process is once access has been granted? What is the ongoing oversight mechanism to ensure that, once it has been granted, fire blight does not appear after that point in time?

Dr Roberts—The Chinese government will provide certification that it has not because they have got to meet the protocol. They have to certify in every shipment that it meets the

protocol, and part of that is freedom from fire blight and a proper management of all the other pests and diseases under the protocol. So every single shipment that comes in will have a government certification with it to that effect.

Senator NASH—So there is no actual assessment from this end. It is relying on the Chinese government to make that tick-off and say, ‘Yes, everything is okay.’ We do not actually have any kind of ongoing assessment role?

Dr Roberts—There is provision for ongoing audit, and the initial trade I think will be under a pre-clearance arrangement, which will mean that AQIS officers are actually in China undertaking the final clearance of that export fruit. So all of those mechanisms provide information and intelligence back to us about the status.

Senator COLBECK—While we are still talking about apples, can you give us a rundown of where the WTO dispute with New Zealand is?

Mr Burns—The dispute is still under way, Senator. We are expecting the report from the panel at the end of March.

Senator COLBECK—We have not had anything back apart from our submissions backwards and forwards?

Mr Burns—No feedback from the panel at all.

Senator COLBECK—Is that an interim report or a final report? I see, looking on the Department of Foreign Affairs and Trade website, that the panel’s final report is due in May. So is that coming in earlier or do we get an interim report?

Mr Burns—We would have expected it all to have happened by now, but it keeps being delayed. It could even be later than March. But we would see an interim report before there is a final report, yes.

Dr O’Connell—I may be corrected, but the provision of the report in March is to the relevant parties, so that will not be a public document. That will be later, I think—probably the May timetable with that.

Mr Burns—We would see the interim report released to parties, which would give us the opportunity to comment on any factual errors et cetera, and then the report would become public

Senator COLBECK—So what you are looking at getting is potentially an interim report during March.

Mr Burns—Correct.

Senator COLBECK—So that timetable for May is probably what you would hope to achieve, depending on what responses you might have put to the interim report that you received in March.

Mr Burns—Correct, but I just repeat that it has been delayed twice. We will see it when we see it, I suspect.

Senator COLBECK—Dr O’Connell, there was a bit of noise at the door when you said ‘to relevant parties’. I heard ‘not public’ and I understand that. So ‘relevant parties’ means, basically, the government?

Mr Burns—Yes, Australia and New Zealand.

Senator COLBECK—Both sides would have the opportunity to make some comment on the report?

Mr Burns—Yes. The intention is that it is confidential to the parties, but we cannot guarantee that it might not slip.

Senator COLBECK—Okay. There are a few more import risk things, but Senator Back wanted to be involved in those, so we will leave them until a little bit later on. I was going to move on to the export certification reform process and get a sense of where we are at with that.

Dr O’Connell—Maybe before that, Dr Findlay wants to clarify one point.

Dr Findlay—I said previously that we had visited nine of the 11 provinces that China was interested in exporting from. We have visited seven of the nine that they are interested in exporting from.

Senator COLBECK—There is potentially another two?

Dr Findlay—Yes.

Senator COLBECK—It could be 11?

Dr Findlay—No. It could be nine, but we visited seven.

Senator COLBECK—Thank you.

CHAIR—Mr Read.

Mr Read—Senator, your question was just a broad rundown on export reform?

Senator COLBECK—Yes, I am interested to know where we are at post the agreement that was reached prior to Christmas on the programs. I am sure industry groups are interested as well.

Mr Read—As a quick overview, from the rescind motion, which I think was about 25 November, all the fees commenced from 1 December which essentially then recovered full costs of all those export certification programs. In parallel with that, we have the equivalent of a 40 per cent rebate being applied to those fees, with the net balance then being the invoice charge back to the exporters. I have been party to just about all of those ministerial task forces now, which have met since December. The purpose of those meetings has been to reaffirm the reform agendas for each of those task forces.

We are in the process now of developing detailed reform blueprints for each of those sectors, and they will be completed by 28 February. We have established an export reform branch. Dean Merrilees is heading up that branch. We do not intend to staff it heavily, but we intend to staff it with very qualified individuals who have the skill set to help us drive these reforms forward. We will have a small section that runs parallel to our export programs in

assisting us to get those reforms in place. At this stage, we have \$127,400,000 over the two years. Up until 30 June this year, we are tracking on \$54,651,000.

Senator COLBECK—That is in outlays?

Mr Read—The program was funded, as you would have been aware, for \$127 million over the two years.

Senator COLBECK—You have spent about \$54,000 so far?

Mr Read—We are spending \$54 million up to 30 June.

Senator COLBECK—Yes, to 30 June.

Mr Read—2010.

Senator COLBECK—The larger proportion will come in the second year?

Mr Read—That is correct.

Senator COLBECK—All the project plans are due to be finished by 28 February?

Mr Read—Correct. There has been a set of full ministerial task force meetings to this point. The second round of those meetings are commencing; in fact, I have got one this Friday with horticulture. We will work diligently through those reform meeting processes to finetune those documents that we will use as our blueprint reform agendas, as I described, for each of those sectors. Finalising it on the 28th gives us an opportunity to use that document to formulate the various processes we need to do to drive each of the reform components.

Senator COLBECK—Have there been any modifications to the membership of any of the six groups?

Mr Read—There would be one or two that would have changed, but nothing significantly from what you would have been informed of. I will have to check with horticulture. Horticulture is typically a bit bigger than the others. I will take it on notice and tell you exactly which names have changed.

Senator COLBECK—It is more an interest in some of the discussions that we had with the government with respect to who might be represented and who might have particular issues. I am really trying to verify who has been added then I can effectively measure that against those that have been talking to us and making representations. I know in horticulture that there was a range of perspectives which was making life more than interesting for everybody, but there were small abattoirs, for example, within the meat sector. I think there had been during the process some modifications to the fish export program. I am interested to know what additions might have been made and the timing, so I can get a sense of the input into the process.

Mr Read—We will certainly provide you exact detail on that. As you know, the horticulture task force group has been amended and expanded. It includes AHEA now in a broader capacity to what it had before. The task force for the meat program has not changed, but there are a range of parties that have particular concerns and interests in that agenda, and where it is going to. We are undertaking very close consultation with the smaller participants and some of the by-product participants in that sector. It is not all about having everyone present at the table; it is also about the engagement of those sectors to ensure that the reform

that we are driving meets the broader interest. The financial analysis of the Ernst and Young report and so forth also needs to take into account some of those broader sector interests.

Senator COLBECK—Has the study on the legitimate costs of government commenced as part of the overall process?

Mr Read—That report is still being finalised by Ernst and Young.

Senator COLBECK—Is that the Ernst and Young report you refer to?

Mr Read—Correct.

Senator COLBECK—Is that different to the report that was being done through the meat group?

Mr Read—No, same report. That report started and obviously stopped when the funding stopped back in September.

Senator COLBECK—That was part of the meat export program?

Mr Read—Correct. That report has been recommissioned. There was some final input, I think, from the meat industry into that report. They are now responding to that and we will finalise it.

Senator COLBECK—Were there any changes to the terms of reference for the report post the negotiation?

Mr Read—It was broadened. As you would be aware, we changed the way we allocated registration charges on plants. They needed to take into account those changes in the formulation of the final document.

Senator COLBECK—The \$54 million being spent in the first year would significantly go towards the rebate. Have you got a breakdown of how much is projected to go towards the rebate and how much is projected to go towards development and implementation of the plans?

Mr Read—The budget breakdown is \$46,854, which will be the transitional funding component. There is \$5,797, which is the supply chain reform agenda, and there is \$2 million workforce reform, which totals \$54,651.

Senator COLBECK—That is effectively the redundancy programs that were being conducted?

Mr Read—Yes.

Senator COLBECK—Do the work plan process—

Dr O'Connell—I think that it might have been \$5,583,000. I think Mr Read might have said 5,000 accidentally.

Senator COLBECK—That was the 5,797 number.

Mr Read—Five million, yes.

Senator COLBECK—\$5,797,000. Yes, I figured that that might have been about right. What about cost recovery impact statements, how are they fitting into the development of the plans?

Mr Read—The cost recovery impact statements would have been all completed and provided to the department of finance. So there would have been—

Senator COLBECK—What about—sorry.

Mr Read—I am just saying the CRISs for all the revised fees and charges have been completed and submitted to the department of finance.

Senator COLBECK—What about their release to the industries themselves, though? That was a criticism that occurred during the process before, that the industry players themselves had not seen the cost recovery impact statements and considered them as part of the reform package. Now, I know that we have moved on significantly, but part of the discussion that the opposition had with the government at the time was around cost recovery impact statements for each industry sector and for them to be released publicly. I am just interested to see where we are with that.

Mr Read—I will take that question on notice just to confirm the process they are exactly at and just what the next step in terms of broader disclosure is.

Senator COLBECK—I cannot think of the name of the consultant we talked about a moment ago that is doing the review. Does that incorporate an audit of AQIS costs and processes?

Mr Read—It is a detailed look at all the costs of the export programs, which include the AQIS, what you might call, overheads and also the broader departmental overheads that feed into those fees and charges. So it is looking at the full raft of costs, the suite of costs, in the makeup of each of the program's budgets.

Senator COLBECK—And so that could legitimately be used as a reference point at various stages during the reform process to assess progress, cost savings and part of the ongoing review of fees and charges as the reform process progresses?

Mr Read—That is correct. The point to make also is that we are very transparent in all these numbers anyway. In terms of each of the programs with regard to overheads, the cost of AQIS programs, the cost of the officers that are on the ground, the services they are providing, are all provided to the industry consultative committee and have been certainly for the last eight or nine years. So they are very aware of the numbers we are providing. I guess this is a reaffirmation as to the accuracy and the structure of those numbers that Ernst and Young will conclude. That will then, as you say, provide us with the benchmark forward in terms of where these reforms bite in with additional benefits to the industry through reduced regulatory overlays.

Senator COLBECK—One of the objectives in the process in the first place was to reform the process, make it more cost-efficient for everybody, to make it operate better, and then reflect that as part of the full cost recovery. That was certainly one of the key things. It was the understanding of industry that the efficiencies could bring some savings. There were some question marks about those in certain sectors, obviously, but that was one of the underlying objectives of the overall process. Can you tell me the status of the debts incurred in the industry equalisation accounts since 1 July?

Mr Read—There was a question on notice, I think, that we responded to that gave you those answers. There was one of the industry sectors that had a deficit of 3.8 million, that was the meat industry, and I think there was a deficit of about 106,000, which was the dairy industry. The remainder of the industries have surpluses in the IEAs and, clearly, our intention is to ensure that at the conclusion of the two-year process those surpluses still will be present in their IEA accounts, and our intention also is, through these reforms, to ensure that those deficits are set at nil at the conclusion of the two years.

Senator COLBECK—One of the discussion points, and one of the things that the opposition agreed with the government on before the rescission, was that debts incurred until 1 July last year—because they had been accruing in various accounts because of the process and because of the cessation of other processes—would be removed and, as I understand it, the meat industry account had something like a \$700,000 debt at 30 June, from recollection, something of that order. It might have been more, but I am happy to take—

Mr Read—Just to make it clear, a range of those industries would have had surpluses and deficits as at 30 June 2009.

Senator COLBECK—Correct.

Mr Read—From the point of 1 July through to 1 December, given the changes in the charging arrangements, there was a range of debts that accrued across all those sectors. The 46,854 that I described, resets all those to zero. So, essentially, as of 1 December, there are no debts accumulated to any of those sectors from the period 1 July through to that point. Any of those surpluses that sit with those industry accounts as at 30 June 2009 will at least be present in two years time.

Senator COLBECK—Okay.

Mr Read—And in terms of those accounts—as I mentioned earlier, the 3.8 million and the \$106,000 deficit that sit with meat and dairy—our intention is to have those at zero, again, at 30 June 2011, which is in keeping with all the understandings of the groups at that time.

Senator COLBECK—What is the process by which you will achieve that?

Mr Read—We believe that in the reform agenda that we have for the meat industry at present, we have sufficient funds in there to offset that 3.8 million. Equally, in combination with that, the efficiencies and reforms we drive, we would expect to recoup significantly more than that in benefit.

Senator COLBECK—So, at the end of the two-year process, that \$3.8 million in that industry account will be effectively set to zero because of fees and charges received during the process and efficiencies that are gained in the process as part of the reforms.

Mr Read—Correct. Just to illustrate that point, as of today that program is already in surplus by half a million dollars, and that is through the intensive focus that we have had, in terms of our resource management side, to immediately take as many costs out of that program as possible, without any reform at this stage. So there have been some substantial improvements already in that program.

Senator COLBECK—And those areas where there was a surplus of whatever quantum would reflect that quantum at the end of the two-year period? The real concern that I had and

members of the opposition parties had—crossbench parties had at the time—was that there were significant debts being accrued in those funds during the period of negotiations that were going on. Really, what I am looking to clarify is that those are being removed, and it appears, through what you have said, that that is in fact the case.

Is there a program going forward for meetings of the ministerial taskforces? You have indicated there is another one this week, and there will be further meetings of them all prior to the end of this month when the industry plans will be finalised. Is there an ongoing program of meetings, or are they being set individually by the six different groups?

Mr Read—They are being driven by the progress of the work by each of those task forces, but each of those task forces understand the priority of getting those work plans finalised. So between late December and mid February those groups will be expecting to meet once or twice or three times, if they need to, to come to a conclusion as to agreement on the final framework—the reform agenda as I described, which we need to have finalised by 28 February. Once we get to that point then there will be another work agenda forward in terms of its implementation.

Senator COLBECK—What is the situation with release of the programs to industry more broadly once we get to 28 February?

Mr Read—Those documents will be made publicly available. There is already broad consultation with those documents with each of the industry sectors that we are working through. There is a high level of transparency with this process and program. So, yes, once those plans are finalised and signed on to, then we give effect to that.

Senator COLBECK—So you do not have a specific timeframe after the 28th when they will be released? Or will that be something determined by each of the different groups?

Mr Read—It will be very close to that. We need to consult with our internal process and minister, but we would expect that that would be done fairly shortly after that. We do not have a lot of time, so we need to keep progressively quite quickly.

Senator COLBECK—Is there intention to release the Ernst and Young report? Or is it being released effectively to the working groups?

Mr Read—Look, it is still in draft form now.

Senator COLBECK—Yes.

Mr Read—That report will be provided to the minister. As I said, the intention with this program, and it has been up to this point of time, is to make everything as transparently available as possible so that is our starting position. We will need to work through what that final report is, its conclusions and how we action them, and any sensitivities and so forth. But our expectation would be that those reports would be made available.

Senator COLBECK—It is quite fundamental to the process, obviously—whether it becomes a fully public document or goes to the committees for them to utilise. As you have said, the minister will make some decisions on that. But it is, I would have thought, quite fundamental to quite a number of things within the process. We had some discussion previously about the status of the fees collected during the period of the disallowance. What is the situation with those?

Mr Read—I think I advised the review committee on the standing of that. There was legal advice we received in regard to the collection of those fees. Certainly fees collected within the period of 1 July to 15 September for provision of service were legally collectable fees by the department. Those fees that fell across those boundaries in fact had to be rebated or returned. All that was done. I think horticulture raised it. There has been some concern in certain sectors that, as a consequence of that full-charge cost applying in that period, certain elements within those sectors may well be disadvantaged.

Those task forces have been provided the option to look into those claims, and if they believe that there is a need to rebate a sector or in some way deal with a sector to benefit them to the equivalent of the cost impact then they should provide those recommendations back to the minister for consideration. The only sector at this time that is still considering that is horticulture.

Senator COLBECK—There was quite a deal of discussion, not only within this sector but also in relation to other charges that were levied, as to the legality of the government keeping those. Specifically, I refer to the alcopops tax that was collected. I just wonder how there is this difference in treatment of the two different charges. It was quite clear as part of that process. In fact, I think the parliament ratified the collection of those taxes at end of the day versus the situation with these fees and charges. Is there a fundamental difference between the way that they are collected? That is why I asked the question, because it is quite a public discussion.

Dr O'Connell—We could not obviously here go to the alcopops. We would not have the knowledge here about that. But I think what Mr Read is just saying is that we have taken the legal advice and the position is clear. I cannot help you with the alcopops comparison. Obviously, I have not got the advice on that.

Senator COLBECK—I am still interested in knowing what the difference is. How can one tax be collected when the Senate has disallowed it and yet another one cannot? It is a legitimate question. Where the answer lies, I have no idea. I am not an expert on tax, but it is a question that has been raised with me. It is a question I have myself and I am just curious to know why the difference.

Dr O'Connell—I think the limit probably we could go to is the legitimacy or not of our own revenue.

Mr Read—We will have to take it on notice, but the issue does not—they are both not taxes. One is actually made under fees orders.

Senator COLBECK—That may be the explanation.

Mr Read—Elements are in the regulations. There are some elements that are considered taxing, but they are certainly not a broad based tax per se.

Senator COLBECK—Perhaps Minister Sherry might be able to assist me as to where would I go to get that advice.

Senator Sherry—I will be able to do but in the economics estimates.

Senator COLBECK—So if I were to ask that question in economics they could explain the difference?

Senator Sherry—Yes.

Senator COLBECK—Okay, I will see if we can get someone to do that for us. Thanks, Senator Sherry. I think that will do me on that program for the moment. We will obviously continue to look at it.

Senator SIEWERT—We may have dealt with some of these issues before, but when you have got people carrying out your quarantine checks, when you find other items that do not necessarily fit into DAFF's portfolio, what do you do?

Dr O'Connell—Senator, can we just be clear which program we are talking to. This is the food area, not the broad import operation. So Mr Read can only talk for a relatively limited—

Mr Read—That is right, a very narrow perspective.

Senator SIEWERT—Okay. What I am looking for is, when you are carrying out your broad quarantine checks, whether it is of food or—is it appropriate to ask this here or should I ask it somewhere else?

Dr O'Connell—We can ask it here certainly and Mr Chapman can, no doubt, help you. But we will be going into a different area. That is all.

Senator SIEWERT—Okay. What do you do when you find other prohibited imports? And I will go on to timber in a second, but DVDs, CDs, all those sorts of things, what do you do when you find those?

Mr Chapman—That sort of event which you are talking about happens on a reasonably regular basis, for instance, in airports. We have a close relationship with the other border agencies and the agencies will refer matters which they do not have competence or legislative ability to deal with themselves to the relevant agency and that works quite well.

Senator SIEWERT—How often would that occur?

Mr Chapman—In airports on a daily basis.

Senator SIEWERT—Okay.

Mr Chapman—In mail centres on a daily basis.

Senator SIEWERT—So in all the areas where you have responsibilities you just, on a daily basis, refer on to the other appropriate authorities?

Mr Chapman—That is correct.

Senator SIEWERT—Do you keep an eye out for illegal timber, or do you check for importation of illegal timber?

Mr Chapman—I do not believe we have any specific protocols for illegal timber. We are looking for the biosecurity risks that timber importations might have, so whether they have the appropriate treatments, whether they are infested with pests which may be of concern here. That is the focus of our attention.

Senator SIEWERT—So you would not know if timber is being logged illegally or not?

Mr Chapman—In most cases, no.

Senator SIEWERT—So what is most cases?

Dr O'Connell—I think that, in terms of the illegal timber issue, there probably is another area in the department that is better placed to provide you with the story on illegal timber or the potential for illegal imports of timber.

Senator SIEWERT—I appreciate what you are saying. What I am obviously looking for is: if there were a process introduced to flag what constitutes legal or illegal timber, would that be fairly easy to check when you are doing your checks, in the same way as you pick up other contraband activity?

Dr O'Connell—I think we probably should not stray too far into this, because it goes into speculation on what the nature of an illegal timber regime might be, and Mr Chapman cannot speculate in that area. Certainly, if there were arrangements put in place, no doubt they would be put in place with an eye to what the customs barrier was and how to manage that, but it would then be primarily a customs function, not a quarantine function. At that stage, yes, there will no doubt be cross referrals, but that is all many steps down the line from where we are talking about illegal logging policies. So my suggestion would be that the thing would be best discussed in the area handling the illegal logging policy rather than quarantine operations, which is really several steps removed from the issue.

Senator SIEWERT—Yes, I take your point. We were talking about how timber loads are checked for obvious hazards. What proportion of the timber that comes into Australia would you check?

Mr Chapman—All timber coming into Australia is required to meet Australia's import conditions, subject to quarantine.

Senator SIEWERT—I would hope it would be, but we do not check every—

Mr Chapman—Yes, that is right. So it all gets checked by us.

Senator SIEWERT—All timber coming in gets checked?

Mr Chapman—That is my understanding.

Senator SIEWERT—Thank you. That is appreciated. Thank you.

Senator BACK—I want to go back to some issues associated with the equine influenza, away from the current issue. Is that appropriate for this forum, Dr O'Connell?

Dr O'Connell—It is just, I guess, a question of whether we have finished with the food division.

CHAIR—I can help you out there, Dr O'Connell. If the equine influenza questions can be answered here, I would say Senator Back will have the call right up to 12 o'clock. So, in that case, yes.

Dr O'Connell—Yes, that is fine.

CHAIR—Is there an officer to handle equine influenza questions? It is Hobart Cup Day, I understand. Senator Back?

Senator BACK—Thank you, chair. I am just inquiring regarding the Primary Industries Ministerial Council. I understand they have an expert review panel on equine influenza?

Dr Carroll—That is correct, yes.

Senator BACK—Could you tell me: is that panel currently undertaking a review on behalf of the council?

Dr Carroll—My understanding is that the panel has completed its review and the outcome of that review is being considered by industry bodies and the Animal Health Committee as well. It was referred to them.

Dr O'Connell—I will just clarify what the review relates to; it relates to the issue of potential vaccination of horses and the management.

Senator BACK—Did you say that that review report is out?

Dr O'Connell—The review report was provided to the ministerial council, and the ministerial council has asked for consultation with industry players—I am just looking for confirmation here—with a report back to the ministerial council in April.

Senator BACK—Has that been made publicly available or can you table that report for the committee?

Dr O'Connell—I do not think it has been made publicly available. I will perhaps have to just take that on notice in terms of the processes of the ministerial council.

Senator BACK—Can you give us any indication as to what the recommendations or the various options of that report might be?

Dr O'Connell—It is a very complex piece of work.

Dr Carroll—It looked at a range of scenarios: if there were a disease outbreak, different vaccination scenarios, different control scenarios and subscenarios as well. I think there were four primary scenarios, and under those hung some various other scenarios, and there was an economic assessment of the impacts and costs of those.

Senator BACK—Can you give us any advice? You were saying, Dr O'Connell, that the review examined options associated with possible vaccination. Can you give us some indication as to what that range was? You were saying an economic analysis was also undertaken.

Dr O'Connell—Yes, there was a set of scenarios, essentially, that the panel suggested for analysis; it then undertook the analysis of those, if I am right in my recollection, on the basis of some expert opinion, plus the economic analysis of the costs and benefits of the activities. It then just provided it largely as a suite of scenarios and analysis. But I might stand corrected by my colleagues. So far not!

Dr Carroll—It did not make any specific recommendations. It provides information and, as I said, the Animal Health Committee, which includes the chief veterinary officers of each of the states plus me, is looking at it from a technical perspective and the industries are all looking at it from their perspective so we can make some recommendations to the Primary Industry Standing Committee, who can then pass information along to the ministerial council.

Senator BACK—My understanding at the moment is that the disease is, once again, regarded as exotic.

Dr Carroll—Yes.

Senator BACK—So we are in the process of attempting to keep the disease out of the country and quarantined?

Dr O'Connell—We have eradicated it and we are still looking to keep it out of the country.

Senator BACK—Sure.

Dr O'Connell—We have strengthened measures in place post the Callinan review on keeping it out of the country.

Senator BACK—Have we implemented the recommendations of Callinan?

Dr O'Connell—Yes, we have, and we have had independent assessments by Professor Peter Shergold to the minister to give assurance that that is the case as well.

Senator BACK—Sure. So with these various scenarios—I think you were saying vaccination—is it being considered that we might look at the prospect of a vaccination program for some within the horse industry?

Dr Carroll—The basis for a lot of the scenarios is looking at what would be the ramifications, the costs et cetera of a pre-emptive vaccination program. That is one of the drivers behind why the report was commissioned.

Senator BACK—What would that do to the status of equine influenza should we contemplate some form of vaccination program?

Dr Carroll—Officially, there are countries which are recognised as free from influenza that do vaccinate. There are only, I think, two or maybe three countries in the world which are recognised as completely free and are not vaccinating: us, New Zealand and, I think, Iceland, which does not have a big horse industry.

Senator BACK—I am not particularly familiar with the status of the industry in Iceland, but have you, in fact, read the review in the report?

Dr Carroll—I have read elements of it, yes.

Senator BACK—I just wonder: can you advise us, from an economic analysis point of view, of whether there is any one scenario that is shown as being more cost effective—maintaining our current status or part vaccination?

Dr Carroll—As far as maintaining current status, I think all of them are predicated upon, 'We are free of equine influenza'. Because you have to allocate a risk that it will come in, or a possibility that it will come in, in order to carry out the analysis, they have taken, I think, one in 30 years as a possibility. So it was predicated on remaining free, and it is about, 'What happens if it comes in? If you had done this beforehand, what would be the ramifications? If you had done that beforehand, what would be the ramifications?'

Dr O'Connell—For example, there is an issue of what would be the costs involved if you had a national response, which would do something similar but perhaps less restrictive to the last occasion. Of course, if we do not have the basis for a national response, in terms of the cost-sharing arrangement, in place, then we have to also look at options without the capacity. This is a complicated set of modelling that occurs there. It would probably be most useful, when we have gone through the process of working out how the report gets released, to provide that then.

Senator BACK—So from that summary, would it be the case that the status quo, as we have it, will be the most cost-effective process?

Dr O'Connell—I think it depends on a set of assumptions. The status quo is cost effective certainly in some areas, but this also then depends on distributional effects. So your concern is not simply for the overall cost benefit but other distributional and temporal effects. So if your costs hit a significant proportion of society worse than the rest, and if they do it in a certain time frame, you may find that that is more worrying than simply a broader cost benefit. So the thing is a very complex policy issue.

Senator BACK—So at the moment we have a scenario in Australia and New Zealand where there is a free movement of horses between the two countries for racing, breeding and other purposes. Yes? There is no restriction in the movement of horses at the moment between Australia and New Zealand?

Dr Carroll—There are permits required. There is a quarantine barrier that needs to be gone through and certain things have to be certified, but I am not an expert on the exact movement conditions between Australia and New Zealand and return.

Senator BACK—My understanding is that horses move freely for racing.

Dr Carroll—They do.

Senator BACK—They might race in Auckland today and then race in Moonee Valley and then back again. I wonder, have the New Zealand authorities been consulted in this process? If we were to move to some form of vaccination, would it alter our status with regard to equine influenza?

Dr O'Connell—The issue is one that is still under consideration by the ministerial council. Essentially, what the ministerial council was looking for was some preliminary work here to provide the ministerial council with analysis that could support that decision. So there is not a decision yet in that process, but New Zealand is part of the ministerial council process, so they would be fully aware of what is happening.

Senator BACK—So they would be consulted?

Dr O'Connell—Yes.

Senator BACK—Can you tell me whether or not compulsory vaccination of horses is being considered as part of this review?

Dr O'Connell—I do not think that compulsory vaccination of all horses is a part of any scenario that we have looked at all.

Dr Carroll—There is, from a Commonwealth perspective, no ability to put in a compulsory vaccination for horses.

Senator BACK—It would require cooperation from the states and territories.

Dr Carroll—I am not aware of any scenarios that assume compulsory state-regulated or Commonwealth-regulated vaccination.

Senator BACK—Not an option? Not being considered?

Dr O'Connell—It is certainly not flagged in that report that that panel produced.

Senator BACK—But is it something that is being considered at all?

Dr O'Connell—I do not think that I have seen it considered at all. It would be certainly extremely expensive.

Dr Carroll—I am not aware of any moves for compulsory vaccination of horses amongst the states.

Senator BACK—Sure. You were saying that it may be possible for this document to be tabled and made available to the committee?

Dr O'Connell—We will take that on notice, but, certainly, in due course, you would expect a document like this to be available.

Senator BACK—Its action from here is: industry is being consulted?

Dr O'Connell—Yes, and then we go back to the ministerial council, as I said, in April.

Senator BACK—Following input from industry?

Dr O'Connell—Yes.

Senator BACK—Thank you. Chair, those were the only questions I had on equine influenza. If there are no others, I do have a couple of questions relating to Hendra. I have no other questions on equine influenza, but, if time permits, I would be keen to go on and ask some questions with regard to the Hendra virus. Could I ask, Dr O'Connell, are you or your officers aware of the recent work, I think undertaken in Canada, in which there is the possibility of the Hendra virus transiting, rather than through horses, from bats, but to pigs? Is this something with which the department is familiar, or Dr Carroll?

Dr Carroll—Yes, we are.

Senator BACK—Is the department responding at all to this work?

Dr Carroll—Yes. We are getting details of the work from the Canadians. We have the paper, but it is important to know more details about routes of infection, doses of infection, and to look at the potential significance of the finding.

Senator BACK—My concern, and no doubt yours as well, is the prospect, should this be a route of transmission, particularly for feral pigs—obviously, domestic pigs as well—what would the capacity be for the department to actually influence any research here in Australia on that same route of transmission?

Dr Carroll—One of the key research organisations which would look at these issues within Australia would be the Australian Animal Health Laboratory, AAHL. We are on the strategic policy group of that and we work very closely with AAHL on an almost day-to-day basis. There is that, and through Animal Health Committee as well, which would have an interest in it. So there is scope for us to look at that. This was an experimental finding and we want to know exactly what was done and how it was done, in order to assess whether there is a practical implication to that or not.

Senator BACK—I think, from my reading of that research, they also experimentally infected guinea pigs, a couple of which died—which I guess would be something worth looking at, in terms of the companion animal aspect of closer contact with humans.

Dr Biddle—Senator, perhaps I could add a point here. As Dr Carroll said, these were artificial findings, in the sense that it was under experimental conditions.

Senator BACK—It was.

Dr Biddle—The pork industry in Australia has issues of concern here, but there was a very large survey conducted a number of years ago involving Queensland commercial pigs. This was at a time soon after the Hendra virus first emerged in a suburb of Brisbane. The findings of that survey and subsequent work involving routine examination of feral pigs have failed to produce any evidence of Hendra infection. So I think it is pretty important for the interests of our pigs industry, in particular, that we understand that this is an experimental finding of interest and one that needs to be closely followed, but it does not, in any way, demonstrate that there is an immediate risk to those working with pigs or to the productivity of the pig industry in Australia.

Senator BACK—No, I agree with that completely, except to say that we do have the precedent, do we not, with the Menangle virus some years ago, a virus not unrelated to the Henipa group, in fact, in which a couple of workers—I think in a piggery in New South Wales—were infected. So I agree with you completely, but I just was keen to know that the department is actually looking at it and the outcome. You were mentioning AAHL, Dr Carroll. I have been advised of the work being done with AAHL in association with the Commonwealth Serum Laboratories, or CSL, to develop a Hendra vaccine. Are you familiar with that work that is being done?

Dr Carroll—I am aware of the work that is being done—yes.

Senator BACK—What I have been told is that the estimate for the development of this vaccine is about \$900,000, of which AAHL, from within its resources, has been able to find a third—\$330,000. Would there be budgetary capacity for your department to be able to contribute towards the development of this vaccine? Obviously the veterinary profession, amongst others, has a very keen interest in its development.

Dr Carroll—I think primary carriage of that issue may well rest more with the Department of Health and Ageing than with our department.

Senator BACK—Although the vaccine has application for animals, as well as humans.

Dr Carroll—Correct, but at this stage it is more looked upon as the zoonotic potential, and the main drivers for the vaccine are human health considerations.

Senator BACK—Those were the only questions I had in that area. Thank you, Chair. Thank you, gentlemen.

CHAIR—Thank you, Senator Back. Are there any further questions of Biosecurity Services Group?

Senator SIEWERT—Just following up on the timber issue, all timber loads are assessed. Are all furniture loads made of timber assessed? I am thinking, in particular, about the cheap furniture imports.

Mr Chapman—There are import conditions which apply to items made of timber coming into the country. We will confirm that those timber items do comply with our import conditions.

Senator SIEWERT—Does that mean they are actually inspected?

Mr Magee—As Mr Chapman said, all of these products are subject to quarantine. In the case of some of the furniture items you referred to—indeed, some of the other higher quality items are made, such as guitars and things like that—there is a category of goods in there that are not subject to mandatory inspection but, on the basis of how they have been manufactured to address the risks, may be cleared on presentation of suitable documentation—that they are from an accredited source or they have been made in a high-quality manner, as assessed by us. So whilst they are all subject to quarantine, there is not a physical inspection, necessarily, in each case.

Senator SIEWERT—Is it possible to find out which categories are inspected and which are not?

Mr Magee—Yes.

Senator SIEWERT—Could you take that on notice and give us a list?

Mr Magee—Sure.

Senator SIEWERT—Thank you.

CHAIR—As there are no further questions of the Biosecurity Services Group, I thank the officers.

[11.50 am]

Meat and Livestock Australia

Senator NASH—Could you just briefly outline for the committee the reasons why MLA was supportive of the changes that are due to come in on 1 March?

Mr Palmer—MLA, strictly speaking, is not a policy-making body. For my own purposes, I have had the personal benefit of working in America for a number of years. I was there during the BSE incidents and I have been a ‘student’ of America ever since. So I have watched with some interest as to how they dealt with their BSE incident. On the basis that they had one indigenous case of BSE out of a herd of 97 million, they then went on to test 800,000 at-risk cows and never found one. The list goes on, in terms of what they have done to accommodate their issue. They have never had one domestic case of new variant CJD in humans. There were only three countries in the OECD—Turkey, Norway, and Iceland, I think—that were holding out a ban on American beef.

So for a whole lot of reasons, very much based on the evidence to which the Americans had undertaken, I certainly had formed the view that a relaxation to import protocols—based on import risk assessments and other such matters that I think the Australian industry would anticipate or expect—and to go ahead and reconsider the bans that were placed back in 2003 seemed to be justified, particularly given other sensitive markets, like Korea and Japan and others, had equally lifted their bans, as had New Zealand many years previously. So it was

really based on a whole lot of personal observations, backed up by some pretty strong and compelling evidence that the Americans had undertaken over the last four or five years.

Senator NASH—This, of course, applies to countries further than the US, though, doesn't it? I think Canada. What are the other countries that have been previously precluded that now will be able to apply?

Mr Palmer—Sorry, Senator, I am not hearing you too well. Other countries—

Senator NASH—Yes, the other countries. You were referring just to the US, but there are other countries, of course. I think Canada, some in Europe and—

Mr Palmer—Yes. I understand that the debate at the moment is about North America. So it would be Canada and the US, as I understand it. I could stand corrected here, but I am not aware if import protocols being considered for European countries.

Senator NASH—Okay.

Dr O'Connell—Senator, I just want to be clear that Mr Palmer was only talking about his own views. MLA, as I understand it, has not had a public statement on the issue, given, as he says, that it is not a policy body; it is an R&D body. It is just a question of ensuring that the discussion is one which is clear and that it is put in the light of a personal opinion rather than the organisation's views.

Senator NASH—Thank you very much, Dr O'Connell, but I was of the view that industry had been very supportive of the changes to the arrangements that were coming in on 1 March, which is directly related to MLA, being one of those industry bodies that had expressed their support for the changes. Am I incorrect?

Dr O'Connell—No, I think I am distinguishing between MLA as an R&D body, which I do not think had a policy position on the issue, and all the other industry bodies, which you, rightly, I think, were saying were supporting it. I was not saying MLA had a position against it; simply to distinguish the personal views of somebody from MLA's position, just for the clarity in terms of the—

Senator NASH—I am sorry, Dr O'Connell. That did nothing to provide any clarity. Is it appropriate to ask Mr Palmer questions around the changes in the arrangements that are coming in on 1 March with regard to BSE or not?

Dr O'Connell—Of course, in terms of MLA's position, yes.

Senator NASH—Thank you. That was exactly—

Dr O'Connell—That is the point that I was—

Senator NASH—what I was trying to ascertain. So, Mr Palmer, from the point of view of the MLA, obviously, and the support you have given to the changes, what did you see—and I am conscious of time—as the benefits that would result in that that led to your position to support the changes?

Mr Palmer—I think, primarily, a benefit is more to do with the consistency of applied trade policy on a universal basis. If the role was reversed and we had one cow in Australia seven years ago coming down with BSE and we had a shut-out from America, who we ship nearly 300,000 tonnes to, our industry would be going ballistic by now. The important thing is

about trade consistency, and it could be any country, but we are talking about America and Canada. If a country has gone through a whole lot of measures and they have satisfied the OIE, to which we are all subscribers, and they have moved to a category that allows for trade to recommence—notwithstanding the sovereign interest of importing countries, which one must always respect—then, I think, from a trade policy consistency point of view, we at least must give it serious consideration and, on the grounds of what I have explained, I think there were strong grounds for that reconsideration.

Senator NASH—Even though the department of trade has stated that even under the existing rules there is an unlikely but real possibility of having an indigenous case of BSE in Australia?

Mr Palmer—And I think that, going again on trade records, prior to the ban, the annual average importation of American beef was less than 40 tonnes per annum. It is difficult for me, I have to tell you, to extrapolate the risk probability of a primal cut—and here, again, I am not familiar with the import risk assessments—denuded of specified risk material, consumed on the Australian domestic market and consumed by humans and that is the end of it to, ultimately, a case of BSE in Australia. If we were importing meat and bone meal and feeding it to ruminants—which we do not—if we were importing live animals and, in turn, at the end of their life, rendering them for meat and bone meal and then fed to ruminants, we would be having a different conversation. But on the basis of imported primal fresh meat for retail or food service, I cannot, in my lay capacity, extrapolate that even remotely to a case of BSE in Australia.

Senator NASH—So you are confident that it would be zero risk?

Mr Palmer—Nothing is zero risk. It is like driving to Sydney. I cannot guarantee I am going to get there alive.

Senator NASH—I know, and I understand that. I ask the question because the committee has been advised that the import risk will be done on a human health basis. So, if it is not zero risk on the animal side, even though it may be negligible, or whichever term—in your opening statement you even mention ‘subject to import risk assessment’—are you then comfortable that there is not any kind of import risk assessment being done outside of the food safety Australia and New Zealand organisation?

Mr Palmer—Yes. In my capacity—and, as I said, I am not in a policy position, I am a servant of the industry—I must assume that the competency of technically minded people acting in the best interests of Australia and, most notably, our consumers, will act accordingly, and I really cannot deviate from that. I just assume that there are competent people who will look after the Australian consumers’ best interests.

Senator NASH—Okay. In this instance, the assumption lies with, as you would know, the officers that FSANZ, who will be developing the protocols. Are you aware that there is no accountability in terms of the development with those protocols and no ability for industry to have any kind of input into those protocols once they have been drawn up, if they feel they are not stringent enough?

Mr Palmer—Well, there are two parts. The key in that question is the word ‘accountability’. I am not familiar nor privy to the style to which the import assessments post-

March, I think it is, will be undertaken. Again, I would rely on the competency of others. I did, I think, in my opening statement, make a reference to industry, but it is not my exact role. However, I think that the import risk assessments are an important part of the equation. As I say, I am assuming that will be managed by others, and the welfare of the Australian consumer and the industry at large will be maintained and protected.

Senator NASH—Thank you, Mr Palmer. That is the point—there is not an import risk assessment as such; the decision by food safety in the determination of their protocols is the only thing that will underpin this, because there is not any parliamentary oversight. But can I just ask you: you just used the phrase, ‘a servant of the industry’—which, obviously, you are. To what extent was MLA able to consult beef producers more widely on the position that you have taken?

Mr Palmer—Again, that would have largely laid with the Red Meat Advisory Council, better known as RMAC, of which the industry policy bodies, such as cattle council, the lot feeders, the meat processors, retailers et cetera, are all a part. We are not actually members of RMAC but we are happy to observe and participate when asked to. Our consultative role with industry is confined to the development and execution of our annual operating plan based on our levy income, which is all around trying to drive demand here and around the world and manage an R&D investment portfolio. So it does not really extend to matters of importing products, other than to the extent, I suppose—thinking aloud—of any future marketing, but I do not see that and we have never seen that previously.

As I say, our tonnages from America—40-odd tonnes a year for the last three years—is a negligible component on the Australian market, in which 700,000 carcass tonnes of beef are consumed annually. We are not a part of that consultative process. I have been to a number of public meetings, I might say, since the announcement, where I have been asked to explain it. And I have, as best I can. It seems to be understood, certainly by those people, who can see a need for a consistent, even-handed approach to a trade policy.

Senator NASH—What was the nature of those meetings?

Mr Palmer—Last year MLA would have participated, either hosted or co-hosted, upwards of a hundred public meetings around Australia. I spoke to something like 10,000 producers. They are held routinely and regularly. We generally team up with stock agents or local state farm bodies or various groups. They are varied and many and are held all around the country, particularly last year, because we had a beef levy debate that was carried out throughout the year. They are random meetings held at various places.

Senator NASH—They are general meetings at which this issue may have arisen, or did you specifically—

Mr Palmer—Well, I do not know. It did not arise, because, with due respect, 98 per cent of the industry tended to get on with the business of being small business men and farmers and running their businesses as efficiently as they can, and there are only a few growers, if you like, that take national or state positions of influence, trying to assist and shape industry policy, and that is in the form of the Cattle Council and their state farm affiliates.

Senator NASH—Do you have any concerns that the changes in these arrangements, which are, by any account, significant? I remember you of your comment around the tonnages that

have come in. Of course, we cannot really predict with any certainty where those tonnages will go. I think Senator Williams had some very good statistics on the increase in pig meat that came into this country after we similarly changed some arrangements some time ago. I know he has some questions, so he might refer to that when he does. It could potentially have a very, very significant impact. Are you concerned at all from the industry perspective that there is no legislative or regulatory requirement that goes with this? Indeed, FSANZ is at liberty to change the protocols at any stage in the future with any kind of accountability. Does that concern you at all?

Mr Palmer—I was not aware, and I am picking up your tone, that—

Senator NASH—I thought I had a very nice tone.

Mr Palmer—I was not aware that any authority in Australia had the gay abandon that you seem to be pointing to. I assume that—

Senator NASH—I can assure you, from evidence that FSANZ gave us last week, that they are able to change the protocols.

Mr Palmer—Okay.

Senator NASH—Without accountability.

Mr Palmer—I cannot say too much on behalf of other people not present, but industry certainly would anticipate the import risk assessments as was announced, I think, back in November or October, whenever the announcement was first made. And I am assuming that spirit and intent continues.

Senator NASH—That might be something we should check on and maybe get a bit more certainty about. Again I just ask the question: from the point of view of industry, are you comfortable that that is indeed the case?

Mr Palmer—Sorry, was that a question or a restatement?

Senator NASH—I do not think I got an answer the first time around. I am just asking if you are comfortable with the fact that FSANZ can change those protocols after the introduction of the new measures on 1 March.

Dr O'Connell—I hate to harp on the point, but it is unclear to me whether you are asking MLA this question or Mr Palmer as an individual. I think it is important just to be clear on which sense we are talking about.

Senator NASH—I think I would be asking Mr Palmer as the representative of MLA, thank you, Dr O'Connell.

Mr Palmer—What is tricky about all this is that I feel as though I am a pipeline to industry.

Dr O'Connell—The point being that MLA is not a representative body of industry—that is what I am trying to say. It is research, development and promotion organisation.

Senator NASH—Isn't it? MLA is not a representative body of industry?

Dr O'Connell—MLA is not intended as a representative body of industry on policy issues.

Mr Palmer—We are not a policy body and not a political advocacy group. That is very clear and something we want to stick to.

Dr O'Connell—That is the point I was making, I think.

Senator NASH—That is very interesting. So any comments MLA make about being representative of industry in terms of their position on this should be discounted? Is that what you are telling me?

Dr O'Connell—Issues of research, development and marketing is the mandate for MLA.

Senator Sherry—That is correct, and you are putting words into the witness's mouth.

Senator NASH—No, I am genuinely trying to get an understanding of whether or not MLA is representative of the industry on the issue of the change in arrangements. Dr O'Connell is saying, no, they are not.

Dr O'Connell—I think Mr Palmer pointed to RMAC, the Red Meat Advisory Council, as being the body which is taken normally to be the representative body for policy matters.

Senator NASH—That is, indeed, very interesting. We will no longer count MLA as being representative of the industry in terms of their position on this matter.

Dr O'Connell—I think it needs to be quite clear what I said on policy matters.

Senator NASH—I would think the support or lack of support given to a measure such as this would be policy, given that the entire premise of this is a change in a policy decision, which is all it is.

Dr O'Connell—But I think the point I am making is that MLA is a research and development and promotions organisation, and the questions are quite reasonably put in that area, of course.

Senator NASH—That is, indeed, extremely interesting, Dr O'Connell. Given that MLA is no longer representative, I think I am done.

CHAIR—Thank you, Senator Nash, but I think you are putting words into the *Hansard* that are not quite correct.

Senator NASH—No, I do not think so.

Senator Sherry—We do not accept Senator Nash's interpretation.

Mr Palmer—If it means we do not get invited to estimates any more I will be very happy.

Senator SIEWERT—You do not get out of it that easily!

CHAIR—And if he is not coming I am not coming!

Senator NASH—No, I am genuinely very surprised that that is indeed the view.

Dr O'Connell—I probably should emphasise that I am not suggesting there is any change in status—none at all.

Senator NASH—Before I move on, obviously the Red Meat Advisory Council has been very involved in this whole process and put in a submission. Did MLA have some input into that submission?

Mr Palmer—Again, in the same capacity as I tried to introduce myself, I certainly provided my experience and observations that I have gleaned in America since 2003. I did provide those to RMAC and much of that is contained within the submission. It goes to the heart of the number of tests, the indigenous cases, the new variant CJD and the matters of other OECD countries. It just happens to be of an interest to me and they were picked up and reflected in the RMAC submission. But I would ask you not to read MLA front and centre in all this. For my sins I just happen to be very interested in what comes out of America.

Senator NASH—That is fine. I am very happy to accept that, but I think we do need a bit of clarity around what is an individual perspective and what is representative of MLA, because this is very important. The support that has been shown to be given to this change in the arrangements for beef coming in from countries that have had mad cow disease is extremely important. So I think we just need a little clarity around that.

Mr Palmer—I might just say, as I tried to touch on before—and this is not an overriding thing—that you must, from an industry angle, look at this in reverse. Australia has had some celebrated disasters over the last 20 years with some of the countries we export to and where things have not gone right here. And we have moved heaven and earth to fix it and win back those markets, which we have done on every occasion. I just think we need to pause for a moment and consider if this was all reversed and Australia had got one cow with the disease back whenever and we had tested a million cattle, just like we did with chemical residues back in the eighties. We took over one million carcass tests. We spent \$40 million on recall. We went to hell and back. In my opinion the Americans have done similarly in relation to BSE. That is even more remarkable given the fact that they export less than 10 per cent of their herd kill, whereas we export 70 per cent, which made it even more critical for us to win back those markets. So the story of consistency and even-handed approach between countries is something that I do not think we should overlook.

Senator NASH—I understand that entirely. Even with the perspective of what you were just saying, I think I am having a little trouble reconciling the need to make sure we do not have an outbreak because of the effect it would have on the industry with the evidence we are being given that the risk is so negligible even if we do change the arrangements on 1 March, as we are going to. It just seems rather inconsistent that on the one hand we are hearing, ‘We have to be well and truly prepared for if and when it happens because of the effect it would have on the industry,’ and yet, the other side, we hear from the Department of Health and Ageing in particular that there is not going to be no risk but there will be negligible risk. It just is very difficult to reconcile those two points of view, because I think they are entirely contradictory. Senator Williams, I think, has some questions.

Senator WILLIAMS—On that issue, Mr Palmer, you mentioned putting the boot on the other foot, if you want to put it that way, about American and Australia. Isn't this the very issue that Senator Nash has brought up—that we are an island continent?

Mr Palmer—Yes.

Senator WILLIAMS—We have had some disasters, with live sheep exports, for example, and some problems there. I do not know whether that is more about the quality of the product or the way money is treated in those areas, from what I hear. But surely it would be the

priority to protect what we have—our clean green image—to save these future markets. If we have a BSE incident in Australia, have you any idea what it would actually cost us in the export of beef, for example?

Mr Palmer—Of course I do not know, but I could speculate. There has been modelling done on foot-and-mouth disease, if that ever happened in Australia, and it is billions of dollars of lost market. A case of FMD has been modelled. It would be billions of dollars of market loss to Australia.

Senator WILLIAMS—There would be a huge cost.

Mr Palmer—Absolutely.

Senator WILLIAMS—I was a pig farmer. Senator Nash raised the issue, and we faced in the earlier nineties, I think, this situation where they allowed the importing of pig meat and the industry said: ‘Oh, it won’t be much. No, do not worry about it. It will be negligible, the amount of imported pig meat.’ I think it was 49,000 tonnes of boneless pig meat in the year 1999; 219,000 tonnes last year. Now, what it was very successful at was shutting down our domestic industries and these are the concerns we have about the importing of other meat. You say it is trade policy consistency. Well, it just appears to me a lot of this trade policy consistency is consistently destroying our domestic producers. I want to take you just to the point you made about random meetings. Have you had some of those random meetings of late and, hence, had an input from growers about how they feel about this?

Mr Palmer—We have had a couple, but the last major ones were mid-November, I guess. We had an annual meeting on 17 November, thereabouts, and we had a series of meetings leading up to that.

Senator WILLIAMS—Was that after the minister’s announcement about changing the rules?

Mr Palmer—It was after, yes, because we had one round of meetings at Glen Innes and Armidale and, at the Armidale meeting, it was a hugely popular meeting because Professor Ian Plimer was talking and that brings them from everywhere.

Senator WILLIAMS—It does, yes.

Mr Palmer—There were 300 people in the Armidale Town Hall. It was as big a gathering as I have ever seen, and the matter of BSE actually came up in the questions and I answered not dissimilar to the answer I gave to Senator Nash earlier. Whilst it would be the preference of every cattle producer that no beef came into this country, given that we consider produce ample ourselves, but on the technicalities—on the science and purity of it all—it was not challenged on the day, other than the emotional attachment to our marketplace. Can I just step back? You made a comment before about pork, and all these things, anything is possible, as I think we are all sort of saying.

The American beef industry is in decline. They have gone from a herd of 97 million down to 93 million. Their cow herd now is the lowest since 1942. Their herd is the lowest since 1959. Their population grows the equivalent of Australia every five years. The Hispanic communities moving up into America are just phenomenal and they are all meat eaters. By any measure, America is fast heading to be a net importing nation of beef. They will do some

cuts. They will do tongues to Mexico, livers to Egypt and some forequarter cuts into Japan and rib cuts to Korea, and the rest of it they will eat at home. The trends are all pointing in that direction. Whilst anything is possible, the scenario that you paint for pork does not readily appear the same for beef.

Senator Sherry—Chair, can I just point out, this is all very interesting, but there is another Senate inquiry into these matters. Now, as I understood, that has not concluded yet.

CHAIR—Good point, Minister. It is supposed to have concluded, but one senator was performing like a trained seal the other day and wanting to stretch it out for the rest of the year, but as far as your query goes, it will be the will of the Senate should that inquiry continue when it is finished.

Senator WILLIAMS—I just have some more questions. The AMPC, you are obviously very familiar with it? There are obviously some troubles there, some of the media reports about money going to wrong places, et cetera.

Senator Sherry—Sorry, Chair. What was the organisation? We did not pick up the name.

Senator WILLIAMS—AMPC.

Senator Sherry—What does that stand for?

Senator WILLIAMS—Australian Meat Processing Corporation.

Senator Sherry—There are so many acronyms.

Senator WILLIAMS—You need a college education to understand them all, Minister, do you not?

Senator Sherry—I have got enough trouble keeping up with them in the economics and finance area.

Mr Palmer—Sorry to interrupt you, and I am happy for the question, but I am completely outside any jurisdiction or any capacity that I have. I am very aware of AMPC.

Senator WILLIAMS—Yes, I am just very concerned with what is happening with it and I am just concerned about whether it is money for value and what it is actually doing.

Dr O'Connell—We are off MLA, in that case. Certainly, we can provide some help there, but probably the issue is, have we finished with MLA rather than—

Senator WILLIAMS—Well, I will go back to Senator Nash—

CHAIR—Well, Senator Siewert does have a question, Senator Williams. So if you are finished then we have got five minutes left, Senator Siewert.

Senator SIEWERT—Thank you. I want to talk about live sheep, and I suspect some of my questions have to go to trade rather than to you. With some of the issues around abattoirs closing—in particular, in my home state of Western Australia where there are several that have recently closed—but also in terms of the ongoing debate about live sheep export, I am wondering how much work the MLA is doing around looking at the long-term viability of the industry in Australia from the view of more production and processing in Australia rather than live sheep export?

Mr Palmer—I am just going to make an opening comment, and then I might ask Ian Johnsson, who heads up part of this area. There is some sort of historical repetitiveness about the whole relationship between live and boxed meat out of Australia. When the numbers are down then there is commentary between the two sectors. Of course, the industry here very much depends on a vibrant and viable meat processing industry, just as we also want to maintain a free and open competitive marketplace, given that we have a large and, I might say, growing market base in the Middle East and in South Asia, who are calling for live, imported animals. It suits their customs. It suits their religious requirements. It suits their whole disposition to fresh foods and Australia is in a marvellous position to satisfy these markets, as I say, in South Asia and in the Middle East for live animals.

Yes, at the moment, the numbers for the sheep, we expect, the middle of this year, the sheep flock to hit about a 69 million head, which is down from the 170s of yesteryear. Curiously, in that time, our lamb tonnage is at record levels. So despite having a flock considerably reduced, we are actually producing far more lamb than we ever did before, again, a great symptom of what the marketplace is doing. The marketplace is sorting itself out. Wool has been through the doldrums, so the wool cutters have been pulled back and, instead of getting four clips off a wether, you get one, put it on a boat and send it somewhere. So these are all purely sensible market responses. At the moment, the numbers are pinched and Western Australia is a good example, and I think that two-year-old mutton sheep is hard to find, but this will turn.

I think sheep numbers in Australia have, historically, been influenced by the state of the wool market and, whilst there has been a big shift to lamb production, the state of the wool market is still having a huge impact. It is encouraging to see wool has come off the bottom, it seems. It is up 200 or 300c in the last few months. This will stimulate a response from growers and you will see a retention. We are already predicting that the flock will hit 69 million, but then start to climb back up into the 70s in the next couple of years. It is a part of the fluctuating forces of the marketplace. We are great supporters of a free and competitive marketplace. We definitely want to keep a robust and vibrant meat processing sector, but, at the same time, we want a competitive live export business to suit and satisfy a very important and exciting market growth in South Asia and the Middle East. Ian, do you want to talk about any investments?

CHAIR—Sorry, Mr Palmer and Mr Johnsson. In one minute, we run out of time. I am keen that we are running to a very tight schedule today and all the senators on the committee have agreed to keep to that. Senator Siewert has one very quick one, and then Senator Nash.

Senator SIEWERT—Perhaps I will put my others on notice. I appreciate we are tight on time.

CHAIR—Thank you.

Senator SIEWERT—But just finishing that specific answer to that question, can we do that?

CHAIR—Yes, if we can round it off in less than 30 seconds, gentlemen, if you can, Mr Johnsson?

Mr Johnsson—I do not think I can really add to that. I can talk about some of the R&D we have done, but you are specifically talking about sheep numbers, I believe, and population.

Senator SIEWERT—No, not just sheep numbers. I am looking at: is MLA focusing specifically on how we can promote more processing and production in Australia rather than live export for two reasons. Firstly, there is the cruelty issue, but secondly, in WA, for example, we have seen a number of abattoirs closed, and I would rather see work in Australia.

Mr Johnsson—What we see in, I think, all our major export markets is that our boxed product follows. So in Indonesia, for beef, and in the Middle East, for sheep, the boxed market, the meat market, is growing in both of those. Once we establish the live trade then we grow our market as well. So over time it will depend on the market mix, so what those markets want.

Senator SIEWERT—So do you find that where the boxed product follows the live export declines, or do they both keep going up?

Mr Palmer—That will depend much on the ethnic base of the particular market. That certainly applied in the Japanese market. That was originally pioneered with live cattle going to Japan, and it is now a \$2 billion boxed beef market. So it does tend to when infrastructure improves—electricity, refrigeration and a whole bunch of stuff—but you cannot dismiss many of the Islamic countries, where fresh meat is considered to be warm and just recently processed. So there are some ethnic considerations that we cannot ignore, but the development in more Western-style supermarkets certainly has applied up in the Asian area and probably in places elsewhere. But we cannot discount or dismiss the religious requirements, the cause for those particular markets. And just in final comment, MLA's charter with industry funds around the world is far more devoted to boxed, chilled and frozen imports than it is to live cattle and sheep. Live cattle and sheep is very, very geographically based and not universal, like we are with our boxed programs.

Senator SIEWERT—Thank you. I have got more questions to put on notice. I just want to check whether I should do it as to that or whether I should ask Trade. They are around the OIE guidelines and enforcement. Should I be asking you, when I put my questions on notice, or should I be asking Trade?

Mr Palmer—We have no enforcement under OIE.

Senator SIEWERT—Okay. So I can ask Trade.

CHAIR—Thank you, Senator Siewert, and on notice Senator Nash has probably four.

Senator NASH—Unfortunately, we have run out of time. At a recent press club speech, Minister Burke indicated that he thought some holding positions in the research bodies were being paid too much, so perhaps you could give a response to the committee as to whether or not you agree with that.

Mr Palmer—Do you want to find out if I have an opinion?

Senator NASH—Now you know why we have run out of time.

Mr Palmer—You are asking for an opinion. I am happy to prolong it if you want to go down this line.

Senator NASH—I am sure you will be able to provide us with a very informative answer. Have you seen the terms of reference for the Productivity Commission inquiry? Are they available yet? Also, do you think the current levy system is working? I do want to go into that if you could come back to the committee.

Senator Sherry—The Productivity Commission is an issue that would go to Economics, which I coincidentally have administrative responsibility for.

Senator NASH—Thank you for your advice, Senator Sherry.

Senator COLBECK—But this goes to the subject of the inquiry that we are having now.

Senator NASH—Exactly, so if they could perhaps respond.

Mr Palmer—Yes, the first part of the question—

Senator NASH—No, not now, Mr Palmer. It is to take on notice, because the chair is going to yell at me now.

CHAIR—It is on notice, Mr Palmer. Sorry to cut you off.

Senator NASH—Sorry, Mr Palmer. The chair is going to yell at me because we have gone over time.

CHAIR—Is that it, Senator Nash?

Senator NASH—It is.

CHAIR—Thank you very much. Mr Palmer and Mr Johnsson, thank you, and we will now go to Climate Change, including forestry, drought and exceptional circumstances.

[12.25 pm]

Climate Change

CHAIR—I welcome the officers associated with Climate Change and for questions we will go to Senator Nash.

Senator NASH—Thank you very much, Chair. I have some questions, which I did start to ask earlier today, about a Mr Simon French and a Mr Ian Ruscoe and whether they work for the department.

Mr Gibbs—Both those officers are in the Climate Change Division and they did attend the Copenhagen meeting.

Senator NASH—So what is their role within the department?

Mr Gibbs—Simon French works within my branch. He works on issues to do with mitigation and emissions. Ian Ruscoe works with the forestry branch, and Mr Talbot could probably explain his role to you.

Mr Talbot—Ian Ruscoe is our man in the forestry branch who deals with a lot of the interactions between climate change and forestry. He had quite a bit to do with the forestry action plan that went to the ministerial council in terms of its development, and he has also worked on a grants program that involves forestry and climate change.

Senator NASH—Okay. And what is their classification? What level are they?

Mr Talbot—Ian Ruscoe is classified as an EL1 within the department.

Mr Gibbs—Simon French is the same.

Senator NASH—So what was the purpose of, in particular, sending those two DAFF officers to Copenhagen?

Mr Gibbs—We have been sending officers as part of these international negotiations focussing on the rules to do with accounting for land use. That is particularly important to this portfolio. They do not lead the negotiations, as the Department of Climate Change does, but they provide support to the Department of Climate Change in terms of looking at the rules about whether we count man-made emissions or natural emissions as part of the soil carbon and that debate.

Senator NASH—That is really another debate in itself, isn't it? So why, in particular, those two? Would there not have been people in the Department of Climate Change that would have been able to provide that advice? Why particularly from DAFF were their officers needed to give that advice? Does that advice simply not exist in the Department of Climate Change?

Dr O'Connell—It is really not uncommon at all for delegations to have members of a variety of departments to just ensure that there is the capacity to cover issues, especially with something as big and complex as the climate change negotiations. So it is not that there would not be people there who did not have expertise; in fact, there are people there of considerable expertise. But that can extend and help inform the discussions.

Senator NASH—So for what period were the officers in Copenhagen?

Mr Gibbs—They were roughly there for the first week of the negotiations.

Senator NASH—And what was the cost of sending them?

Mr Gibbs—The costing—I have it here in front of me—is \$25,700. That includes—

Senator NASH—Is that for both of them?

Mr Gibbs—It is for both officers: the travel and accommodation.

Senator NASH—So what advice did they give while they were there?

Mr Gibbs—They provided advice to the Department of Climate Change officers who were leading the negotiation and assisted them in terms of preparing for the meetings and the side-meetings that occurred around the land use change.

Senator NASH—Did they then have to report back to you the advice that had been sought and the advice that was given?

Mr Gibbs—They have two roles. They report back to the head of the delegation, which is with DCC, while they are over there and they provide advice back to us through the head of delegation.

Dr O'Connell—Again, it is probably useful to just emphasise that when officers go as part of a delegation like that they all report to the head of delegation. That is always the way we do business with the variety of different bodies. So while we provide the resource with the intent that they provide our set of issues, in the end the head of delegation is responsible for all the delegation.

Senator NASH—I understand that entirely. Perhaps this is best to you, Dr O’Connell. From the point of view of the efficacy of spending the \$25,000 to send the two officers there, what is the mechanism whereby you judge whether or not that has been an effective use of taxpayers’ money?

Dr O’Connell—In part it is prospective in that when the government is putting in place its delegation the relevant delegation head and the relevant departments will make a decision as to what is the most useful delegation structure that they want—depending on the sets of issues and the level of expertise that they have in the different departments—and will make a call as to what is the make-up of the delegation. In this case, obviously, it was identified that there was a useful input that our officers could provide to support that work.

Senator NASH—Sorry, I do not think I was very clear in how I asked the question, because obviously they would be identified as officers that could provide useful information. My question is whether or not they did provide that useful information. How do you, as the secretary, determine that they have fulfilled their role effectively and justified the cost to the taxpayer?

Dr O’Connell—Mr Gibbs and Mr Talbot would make the judgement call as to their performance, based on the report back to them and also the report back from the delegation leaders.

Senator NASH—And what form does the report back to you take from the two officers?

Mr Gibbs—Personally, it involves two mechanisms that we have used in the past. One is that the officer debriefs me on how the meeting has gone in terms of the progress.

Senator NASH—Just verbally?

Mr Gibbs—Verbally, but there is also a written briefing done on the progress of the meeting, the positions that different countries are taking and where the negotiations are going.

Senator NASH—How detailed was the written briefing that the officer came back to you with?

Mr Gibbs—Given the context of international negotiations, I thought it was relatively detailed.

Senator NASH—Was it one page or 30 or 100? Not being privy to how things work, I am just trying to get a handle on what he would actually do when he came back to provide you with some justification of him doing the trip.

Mr Gibbs—It would not be 30 or 100 pages. It would be about one to five pages.

Senator NASH—One to five pages. Is that enough to give you a very clear indication of spending half of \$26,000?

Mr Gibbs—Given that we monitor those meetings—

Senator NASH—It is about \$4000 a page, isn’t it? No, sorry. Go on, Mr Gibbs.

Mr Gibbs—With those meetings and the way we monitor those meetings, we do it on a fairly consistent basis. To the extent to which he needs to update me or the office, we do not require 30 pages every time he comes back.

Senator NASH—That is understandable. Would it be a similar process, Mr Talbot, with your officer?

Mr Talbot—Yes. From my recollection, a similar process, yes.

Mr Quinlivan—Senator, I do not think you can talk about value per page of report.

Senator NASH—It was a throwaway line. I really would not worry too much.

Mr Quinlivan—These people make a contribution in the lead-up to the meeting—

Senator NASH—I am quite happy to indicate that it was a throwaway line. I certainly did not measure it in dollars per page. In relation to your department, what do you think was achieved at Copenhagen?

Dr O'Connell—I think we probably need a clearer question than that. Are you talking about the officers who went or are you talking about the overall outcome from Copenhagen?

Senator NASH—Actually I was talking more about the general outcome from both of your areas and, indeed, generally.

Dr O'Connell—On the outcome from Copenhagen I would suggest that the climate change department, which is currently at the hearing, would be the best place to get a coordinated response.

Senator NASH—From the perspective of the two officers that went from DAFF, what did they feel they achieved while they were at Copenhagen?

Mr Gibbs—As I said previously, those officers were focused on the accounting rules around the land. One of the outcomes from those meetings was a similarity in developed countries' views, which was a good outcome, and the next work will be looking at coming to further agreements with developing countries about those land based rules in 2010.

Senator NASH—Before I pass to my colleagues, correct me if I am wrong, Mr Gibbs, but did you say something in answer to one of the initial questions about the counting of the emissions and natural causes versus man-made?

Mr Gibbs—Man-made.

Senator NASH—Would you explain that to me in a bit more detail.

Mr Gibbs—The principle that the Australian delegation has taken to the land based sector is that farmers should not be responsible for emissions that are not a direct result of their actions on farms. Those parts of the accounts are very heavily influenced by droughts, fires and other climatic conditions. Parts of the negotiations which happened in Copenhagen and in the lead-up to that meeting were about excluding those parts from the accounting rules.

Senator NASH—If they are excluded, the emissions are obviously still there, so doesn't it seem a little—

Dr O'Connell—I think that goes to the core policy issues around the position that the climate change department and minister would have responsibility for.

Senator NASH—It does and I completely agree with you, but this officer attended specifically, as Mr Gibbs outlined in the answer to his initial questions, on those issues.

Dr O'Connell—Yes, but that is the assistance and input into those issues. It is not the overall implications of the policy base on the climate change negotiations, which was the area I thought you were asking about.

Senator NASH—True. So questions of a substantive nature about that officer and the differences between the two would be all right, but not the overall policy sense.

Dr O'Connell—When the question goes to the broader policy setting, really it needs to be addressed to the climate change department or the climate change minister.

Senator NASH—Thank you, Dr O'Connell.

CHAIR—Senator Farrell has indicated that he wants the call.

Dr O'Connell—Chair, this might help or not. I did mention before that questions on illegal logging would be best asked under sustainable resource management. That was incorrect. They should be asked under this area.

CHAIR—Thank you, Dr O'Connell. Senator Farrell.

Senator FARRELL—I wonder if somebody can tell us a bit about the Farm Ready grants, such as what they do and how they are helping farmers at the moment.

Dr O'Connell—Those questions would best be answered under the agricultural productivity division, but certainly Mr Mortimer can provide a quick response.

Mr Mortimer—They are funded under the broad umbrella of the Australia's Farming Future program, which this division has responsibility for, but that actual subprogram is operated by the agricultural productivity division. In broad terms, though, there are two elements to the Farm Ready program. One is that it provides funding of up to \$1,500 per farmer for a training course for farmers to participate in eligible courses at their choice, and they can apply to do those courses. There is a second component of the program that provides funding in larger amounts, usually around \$100,000 or so, to farm organisations and industry groups so that they can tailor and prepare special training opportunities and activities for farmers.

Senator FARRELL—How many farmers have taken up the grant. If you do not know the answer—

Mr Mortimer—I might be able to give you something very quickly. The briefing in front of me says that so far 7,000 reimbursements have been paid to farmers who have attended Farm Ready courses, which I think have been operating for a bit over a year now, and 10,500 pre-approved applications have been issued.

Senator FARRELL—Do you know the geographic breakdown of that?

Mr Mortimer—No, I am sorry. I cannot help you on that. It would be very widespread. I think they are everywhere, actually, across rural Australia.

Senator FARRELL—Thank you.

Senator COLBECK—To follow up from Senator Nash's questions about attendance at the Copenhagen conference, judging by the questions you have already answered, the two officers attended for the first week. Is that correct?

Mr Gibbs—I do not have the exact dates, but it was approximately for the first week of the two weeks.

Senator COLBECK—Would you confirm the dates of their travel and what events they attended while they were at the conference?

Mr Gibbs—Yes.

Senator COLBECK—You do not have that information with you?

Mr Gibbs—No, I do not have that.

Dr O’Connell—We can try and get that by the end of the day.

Senator COLBECK—Thanks. And were there any events or meetings that they attended on their way to or from the conference? Have any feedback or reports been provided by the representatives on their return?

Mr Gibbs—As I explained to Senator Nash, I have had some briefings with the officers involved, verbal and written.

Senator COLBECK—There is nothing that you can provide to the committee from that process?

Mr Gibbs—I think I would have to take that on notice.

Mr Talbot—I would have to take that on notice too.

Dr O’Connell—This would go to delegation issues—the management of a delegation. You would not normally manage that, given that it is to do with government-to-government negotiations.

Senator NASH—Would you explain that, Dr O’Connell? I did not quite follow.

Dr O’Connell—We would not normally provide details of, if you like, blow-by-blow issues around how the delegation has managed itself, given the sensitivity of government-to-government negotiations and how a position is played out in international climate change negotiations. But we will look and see if—

Senator COLBECK—But what about outcomes of particular programs? If I go to forestry in particular, what is the situation with respect to carbon stored in solid timber products, for example?

Dr O’Connell—There is certainly—

Senator COLBECK—There are a range of things that I would have expected must have been progressed. Where we at with those particularly vital things?

Dr O’Connell—We can certainly provide that in consultation with the climate change department. I think we are talking more about the specific issues relating to a report by those two officers back to their branch heads, which may go more towards the nature of negotiations.

Senator NASH—Wouldn’t those responses be climate change policy, though?

Dr O’Connell—Sorry?

Senator NASH—Sorry, Dr O’Connell. I just want to traverse—sorry, Senator Colbeck—for a moment the questions that I was asking Mr Gibbs earlier about the difference between the man-made and natural causes, and you indicated that that was a question for the Department of Climate Change.

Dr O’Connell—Yes.

Senator NASH—Now we are saying that it is appropriate to get the answers back from this particular officer about those obvious policy development questions that are over there. It just seems a little bit inconsistent in what we can and cannot ask. I mean, it is called the climate change policy unit. To not be able to ask the climate change policy unit about climate change policy just seems a little odd.

Dr O’Connell—I was discussing more the overall outcomes from the climate change negotiations, which were led by a delegation led by the climate change portfolio.

Senator NASH—Okay. So we can ask about the specific developments and the progress that is being made on the policy issues surrounding the forestry branch but not general overall questions about climate change policy—is that correct?

Mr Gibbs—In each of the individual items on land use change or on forestry, there is a DCC representative who leads—

Senator NASH—Sorry—what is DCC?

Dr O’Connell—Department of Climate Change.

Senator NASH—Thank you.

Mr Gibbs—Sorry. The Department of Climate Change leads that delegation on behalf of Australia. So DCC always takes the lead in these negotiations.

Senator NASH—I understand all that. It was not quite the question. Sorry, Senator Colbeck; I cut across you.

Senator COLBECK—I am in the same situation. I am very interested in what has happened, for example, with REDD, with land use and land use change and with carbon stored. So where do we get this information if it is not—

Dr O’Connell—The Department of Climate Change. As I say, the issues around the overall management of the climate change conference and the progress and outcomes there are best put to the Department of Climate Change.

Senator COLBECK—Where is the key advice coming from on those particular issues?

Dr O’Connell—The advice, as Mr Gibbs pointed out, is from a combination of people in various departments, but the overall policy lead is from the Department of Climate Change and the Minister for Climate Change and Water.

Senator COLBECK—So, despite the fact that Agriculture had two people there dealing with specific elements, we cannot get any information as to the progress of those particular negotiations, even though we are having input into them from this department?

Dr O'Connell—No. What I did say was that I would look at providing information in consultation with our Department of Climate Change colleagues, but there is an alternative, obviously, in terms of the Department of Climate Change estimates as well.

Senator COLBECK—So any answer that you give to this committee has to be run past the Department of Climate Change before you can give it to us?

Dr O'Connell—In terms of the overall outcomes of the Copenhagen conference, certainly my preference would be—because that department was the leader of the delegation and the minister was the leader of the delegation—that we consulted with them to make sure that we had everything absolutely accurate. Yes.

CHAIR—Crystal clear.

Dr O'Connell—Yes.

CHAIR—Any other questions?

Senator COLBECK—I have not quite finished yet.

CHAIR—Good.

Senator COLBECK—Just in respect of the actual costs for the representatives, could you give us—and I understand this will have to be taken on notice—

Dr O'Connell—Certainly.

Senator COLBECK—the cost for the delegation broken down by hotel accommodation, airfares, events, food, alcohol and miscellaneous? I suppose that covers off on that.

Senator NASH—Can I just ask something on that, too. I am sure there is a normal process or protocol. Do officers fly business or economy when they attend these events?

Mr Gibbs—Of the officers attending the meetings, one flew business and one flew economy, but I would like to go back and check that.

Senator NASH—All right. Thanks. One flew business and one did not. Just within the department in general, Dr O'Connell, could you give us some guidance as to what the protocols are around the level of flying?

Dr O'Connell—Normally, on a long-haul flight of that nature, it would be business class, yes.

Senator NASH—So why did one fly economy? Do we know?

Dr O'Connell—I suspect it was very crowded going to—

Senator NASH—No room at the inn.

Dr O'Connell—Availability.

Senator NASH—Okay. If you could take that on notice and come back, that would be good. Did they toss a coin? Sorry. Could you just come back and take that on notice as to the protocols around it and the reasons why. Thank you. Sorry, Senator Colbeck.

CHAIR—We are four minutes—

Senator COLBECK—Yes, I am just trying to think of questions that might come within that time, Chair.

CHAIR—Sure.

Senator COLBECK—There is some stuff that I could go on to, but I would like to be able to explore it in some more detail. In answers to questions on notice—it was question CC07—you indicated that between 60 and 80 food processors, based on a 25,000 CO2 equivalent threshold, may have a direct liability for emissions under your scheme. Do you have any detail of those 60 or 80 processors?

Mr Gibbs—No, Senator. That is a calculation that, as you can see by the number, is quite high and quite broad. We do not have details, at the moment, of individual companies, if you like. That data is based on some information we collect through our productivity division, and I understand it is confidential.

Senator COLBECK—It is confidential?

Mr Gibbs—It is confidential. So, in terms of whether we can disclose the names of individual companies, I am not sure of that at the moment.

Senator COLBECK—If you do not know exactly how many there are, and it is only very loose numbers, how does that work in a policy development sense as far as impact on the sector goes?

Mr Gibbs—It is one of those issues, again, where the issue sort of stays with DCC in terms of managing the extent to which processes are covered under the CPRS.

Senator COLBECK—Yes, but this is the lead agency with respect to agriculture. We know that. We have been told that at successive estimates hearings and yet, when it comes to something that is quite fundamental to the cost that would be applied to agriculture—and we have discussed this ad nauseam; we do not need to go over all that again—we have a rough estimate but we are not sure how many.

Mr Gibbs—That is correct, and further work needs to be done by DCC in terms of reporting that it has set in place, under its energy reporting for the CPRS, to collect that information before they can make their judgment about who is above or below that threshold.

Senator COLBECK—But surely that is a fundamental issue to have an understanding of in the development of a policy in the first place and assessing the impact of it.

Dr O'Connell—I do think, again—and I hate to be repetitive—that that needs to be put to the Department of Climate Change, which is responsible for the overall policies around the CPRS. I am unclear, also, on the degree to which the changes which went with discussions with the opposition fully have any effect here or not. So maybe it would be most useful to have—

Senator COLBECK—As far as food processing goes, they do not have—

Dr O'Connell—Not on the face of it, but I—

Senator COLBECK—As far as food processing is concerned, under those negotiations it provides access to some funding.

Dr O'Connell—Yes.

Senator COLBECK—If the initial figures come through this agency but, at best, they are a best estimate, in terms of impact of the scheme—and we have had a lot of discussions about the impact on agriculture of the food processing sector in this committee, and I appreciate particularly the work that ABARE has done over the term of that process in upgrading their reports and producing new reports to assist us in that—I just think that, again, it shows deficiency in the development of policy. You might want to refer that to climate change; that is fine, but we are interested in impacts on agriculture in this committee.

CHAIR—On that, Senator, Colbeck, it is one o'clock. We will take a one hour break and we will be back at 2 pm sharp. Thank you.

Proceedings suspended from 1.00 pm to 2.00 pm

CHAIR—Welcome back, everybody. We are now with the agency of climate change, in continuation.

Senator NASH—Can we go to camels? Have I got the right people for camels?

Mr Mortimer—Probably not, really.

Senator NASH—I am sure somebody must know an awful lot about this. I seem to ask about camels a lot, but this is a slightly different perspective this time. On 2 July last year there was a joint ministerial release from Mr Burke and Mr Garrett titled '\$403 million investment for the Australian environment and sustainable agriculture' which stated:

Feral camels cover an estimated 3.3 million square kilometres and cause an estimated \$14 million in damage, including to fences, water troughs, bores, buildings and vegetation.

Can you provide a breakdown of how the government arrived at the figure of \$14 million in damage?

Mr Mortimer—I do not think that is an issue for this division. I think it is for the SRM division. It is being handled as a matter of sustainable agriculture.

Senator NASH—It actually relates to some comments about climate change as well, so perhaps we could pursue it here. If it is obviously not related we can leave that particular part of the breakdown of the \$14 million until later. On the department of the environment website, as part of the cost from their perspective, they say there is a:

... \$3.73 million per year contribution to greenhouse gas emissions and impact on global climate change.

Given the division of climate change is here, do you know how that \$3.73 million figure was derived for the impact on climate change?

Dr O'Connell—It is the sustainable resource management division you will need to talk to. You might be able to pick it up there. Even then we might need the Department of Climate Change, but we will perhaps have a look in sustainable resource management. Certainly this division has not had any involvement.

Senator NASH—I am very happy to do that but, because I have questions that relate to the climate change issue, I do not want to be told when SRM gets here: 'Sorry, that's actually Climate Change. You should've asked it this morning.'

Mr Quinlivan—There are two separate issues. One is the issue of camels as a feral species causing damage to the natural environment. That was the subject of the press release and the program that was announced and our sustainable resource management division can answer questions about that. Questions about camel emissions and those sort of things are accounting issues, which, as we discussed earlier, we would refer to the Department of Climate Change. If there is something more specific, we may be able to help. It depends just what they are.

Senator NASH—There is a bit of a crossover though, because the release by Mr Burke, your minister, referred to the \$14 million, and within that \$14 million is this \$3.73 million climate change impact component. So it is not just all about impact on fences, land degradation and all those types of thing. There is a very specific greenhouse gas emission component to the \$14 million. I assumed that it would also fit in here, given that you are the climate change policy people.

Dr O'Connell—It may be that the department of the environment component was involved there, but we will have a look and see what we can work out.

Senator NASH—I do not want to see what we can work out. I specifically want to ask these questions, and they are of a climate change nature.

Dr O'Connell—They certainly cannot be answered by this division and we may need to take them on notice.

Senator NASH—It actually relates to your minister, which is why I am persevering here a little bit. There seems to be a direct contrast between what your minister has said and what the minister for climate change has said. That media release by your minister referred to '\$3.73 million per year contribution to greenhouse gas emissions and impact on global climate change' being from these camels, and Minister Penny Wong this morning in a media article said that feral camels do not count. If she does not count it, you do not count the emissions. So I think it does relate here, because your minister has directly made a comment about the cost, which included the \$3.73 million greenhouse gas emissions. Yet Minister Wong this morning was saying that they do not count at all. I am trying to determine who is right: your minister, the minister for agriculture, such that there is indeed an emissions cost from these animals; or Minister Wong, who this morning said that there is not because it cannot be counted.

Dr O'Connell—I would have to look at the media release. My recollection was not that the media release talked about a cost related to emissions but rather the \$14.7 million. On the other point about the accounting details, you are working there off reports in the media. The accounting details obviously relate to the Department of Climate Change. To the degree to which any commentary was around what is accounted and not, it would really be best placed there.

Senator NASH—You are right, Dr O'Connell: from memory the \$14 million did not refer directly to a component being for the emissions from camels. But the \$14 million figure does indeed contain that camels emission component. So, if Mr Burke has been referring to the \$14 million, then he has by association referred to that \$3.73 million. I do not think you can say he did not refer to it in the release. It was part of the \$14 million.

Dr O'Connell—I was looking to what the minister said. Whether or not there is an association to another document is something I would have to look at and take on notice. Obviously I do not have that in front of me. As I say, this division is not the relevant division for the camels issue. The relevant division is the sustainable resource management division.

Senator NASH—But it is the relevant division for climate change as it relates to agriculture. Obviously there is some relativity there, because a couple of officers went over to Copenhagen. There is obviously some relativity here for agriculture and climate change. I am merely trying to determine whether or not there is a conflict between your minister—it is quite appropriate to ask a question about your minister here—and the minister for climate change, Penny Wong. Very simply, one is saying that the emissions from camels do count—indeed, that they cost \$3.73 million—and the other is not.

Senator Sherry—As it goes to a claimed ministerial view, I will take it on notice and ask the minister for you.

Senator NASH—All right. That would be great. We may well revisit this later with SRM with the appropriate officers who deal with camels. It seems rather extraordinary that emissions can be counted only if they count in terms of the rural environment. Surely one animal's ejections from the rear end, whether or not they are on the accounting rules, would have the same effect on the atmosphere. Perhaps that is better asked of the officers who deal with camels when they turn up in SRM.

Dr O'Connell—Senator, that goes to the emissions accounting issues. I said that is better put to the Department of Climate Change.

Senator NASH—I know, but I am sure there probably are people within agriculture who understand the emissions from camels and who perhaps can give me some more information on that. I am happy to ask SRM later. Thanks, Dr O'Connell.

Dr O'Connell—I do not necessarily—

Mr Quinlivan—So that you do not become frustrated when we get to that stage, let me clarify that what we are saying is that if you ask questions on that particular subject to those people, our answer will be the same then as it is now: there are counting issues, which we would refer to the Department of Climate Change.

Senator NASH—Mr Quinlivan, thanks for your assistance, and I do appreciate it, but I am finding it a little bit contradictory. On one hand we are being told that officers are going to give advice because they have knowledge of a specific nature, so it is appropriate to go to Copenhagen and give advice to the Department of Climate Change on these specific agricultural issues. I merely will be asking the officers if there is any difference in the flatulence of camels if the camels they are feral or non-feral. That is not necessarily a carbon accounting question.

Senator WILLIAMS—Mr Gibbs, there is a report in the *Canberra Times* of 6 February called 'No ETS but 150 staff on the job'. Is it the situation that seven months ago about 150 people were put into the department to work on an emissions trading scheme but—

Dr O'Connell—Senator, I think that is referring to staff in the Department of Climate Change, not this department.

Senator WILLIAMS—Where could I get the opportunity to ask that question?

Dr O'Connell—In the climate change department's estimates.

Senator WILLIAMS—That is Minister Wong.

Dr O'Connell—Yes.

Senator WILLIAMS—You are responsible for drought; is that correct?

Dr O'Connell—Not personally, no.

Senator WILLIAMS—I wish you were. We could go crook at you!

Dr O'Connell—I might try for divine intervention!

Senator WILLIAMS—Minister Burke said he would like to see some changes in the drought policy in relation to criteria for exceptional circumstances et cetera. There has not been any change in that policy as yet. It is still under the previous government's policy. Is that correct?

Ms Freeman—The current government recognises that the current EC arrangements are no longer appropriate in the context of a changing climate. The government is continuing to look at a number of changes to existing measures.

Dr O'Connell—Just to answer your question directly, though, yes, currently we are operating under the same basic rules as the previous government, pending any change.

Senator WILLIAMS—Can you explain to me any of the proposed changes that might be looked at in the future? Do you know of any of them at this stage?

Ms Freeman—The government has yet to reach a final landing point. Basically, there have been a number of reviews undertaken by the Bureau of Meteorology, CSIRO, the expert social panel and the Productivity Commission, which is all fed into the government's ongoing consideration of the matter.

Dr O'Connell—It goes at the moment to the government still considering its policy position.

Senator WILLIAMS—One of the problems up in the area where I live, at a place called Bundarra, which is just south of Inverell, is that the whole area was taken out of EC in March 2009, but Bundarra had really missed out on the rain. There has been a lot of publicity. Just recently, NRAC had been up there. This is one of the problems that could be solved. Instead of it being a blanket case where the whole area is taken out, can they look at more individual, smaller areas that have been devastated through the terrible seasons yet were removed from EC?

Dr O'Connell—Mr Mortimer can explain the current rankings.

Mr Mortimer—Senator, essentially NRAC reviews areas on an annual basis, and they assess the condition at that point. That resulted in the Bundarra region being taken out EC. The consequence of that is that under the current Commonwealth and state agreed framework there needs to be a new application made by the state minister. That state minister puts together that case and sends it through to the Commonwealth. Then the minister usually asks NRAC to examine it.

Senator WILLIAMS—If an area is put back into EC, what is the time line before the benefits start arriving to those people affected by drought in EC?

Mr Mortimer—There are two standard measures of assistance from EC. There is the relief payment and the interest rate subsidy. The relief payment is available through Centrelink and farmers can apply for that immediately. So as soon as an area goes back in, if it goes back in, they can go to the Centrelink office, talk to the rural support officer and put their application in. That moves through fairly quickly. Also, they can apply for interest rate subsidies, and that goes to the Rural Adjustment Authority. That might take a little bit longer, in terms of a few weeks, because they have to pull together the documentation and assess the viability of the farm. But, again, it happens immediately on the announcement of the declaration.

Senator WILLIAMS—Has there ever been a situation where the EC has been backdated?

Mr Mortimer—It has never been backdated.

Senator WILLIAMS—If EC is granted, what is the usual length of time it would be granted for? Does it simply depend on rainfall in the area, is there a standard minimum of time or is it purely on the rainfall the area receives?

Mr Mortimer—It can be done a number of ways. Sometimes it is provided for a specified period of time, but typically a declaration is made and it is reviewed on an annual basis. That is more normal, particularly for the drought declarations. The declaration is made, and then 12 months later there would be a review to see whether assistance is justified against the situation on the ground.

Senator WILLIAMS—My last question relates to the climate change and Copenhagen and Kyoto. Mr Gibbs, I believe Kyoto did not recognise soil carbon. Was there any recognition of carbon in the soil after the Copenhagen agreement, especially considering that the two largest sinks on the planet are the oceans and the soils? Do they actually recognise soil carbon now?

Mr Gibbs—Soil carbon is recognised in the international accounts. However, it was decided that it was not in Australia's best interests to accept soil carbon into our accounting framework domestically, because it can be an emissions source.

Senator WILLIAMS—It can, but it can also be a huge storage of carbon. So you are saying because it can be an emissions source—for example, ploughing the ground releases carbon—that is why the Australian government did not wish to recognise that. Is that what you are saying?

Mr Gibbs—Correct.

Senator WILLIAMS—Farm practices are changing, with a lot less ploughing and more direct drilling, but what you are saying means they still do not recognise if the carbon levels increase in the soil, which has a huge potential to do just that.

Dr O'Connell—A great deal of work is underway on soil carbon and the potential sequestration which will inform future positions. What Mr Gibbs is talking about is the historical position we took.

Senator WILLIAMS—Is there a timeframe when there will be a decision on the recognition of soil carbon? Is it months away, weeks away or years away?

Dr O'Connell—That relates to the international negotiations and then the CPRS arrangements, depending on what goes through parliament. So it is a question that is moot at the moment.

Senator WILLIAMS—So, because there was no agreement in Copenhagen on this very issue, we will have to at least wait for Mexico, until there is perhaps an international recognition of soil carbon. Is that correct?

Dr O'Connell—Questions about the overall timetable on how the negotiations are going to play out, again, are best put to the Department of Climate Change, who are looking after that, and the minister for climate change.

Senator MILNE—I want to follow up on the budget allocation for the Climate Change Research Program and follow the questions asked by Senator Williams relating to soil carbon. According to the budget papers there was \$46.2 million in the Climate Change Research Program to help primary producers prepare for climate change, with important work being done in soil carbon, livestock emissions and nitrous oxide. Can you detail exactly what is going on and what is the spend? According to the budget papers in 2008-09, the government committed \$25.5 million to that program. Presumably that funding will continue in 2009-10. Can you tell me where we are up to? Exactly what is the department doing in researching soil carbon? Where are your projects, who is doing them and what preliminary research has been done? Obviously you have had 18 months or whatever within which to do this research so I would appreciate knowing where you are up to.

Mr Gibbs—An amount of \$9.6 million was allocated to the soil carbon program. We have gone through an important and lengthy process to identify where to conduct samples. Around Australia, we have based samples on management techniques and also on where we can match the management technique to a history, as soil carbon takes some time to increase. It is important to have a history of what has been happening on a piece of land under a certain management technique. We have sites across Australia in every state and in the Northern Territory, and those sites have mainly been identified. The CSIRO has driven down the cost of samples taken from those sites from about \$2,000 or \$3,000 down to about \$40 per sample, which is a significant decrease.

The number of samples we hope to take out of that program is of the order of about a couple of thousand—a significant increase in the amount of sampling from what happened in the past. Our current schedule is for about 20 per cent of the samples under the program to be taken and analysed by the middle of this year. Some sampling underway in Western Australia is specifically targeting perennial pastures. Some questions have been asked in certain areas of the soil carbon debate about growing perennials within crop rotations. With that program we have taken on board that we have a lot of sites; however we have also tried to build on those sites that other organisations or other researchers have had. I have been talking to the Keileys, Dr Jones and those sorts of groups to get access to their sites in New South Wales.

Senator MILNE—Have we done any sampling to date, or are you saying that by the middle of this year 20 per cent of the sites will be sampled for the first time—is that right?

Mr Gibbs—Sampled and analysed—collecting the samples that then go to the laboratory to be analysed.

Senator MILNE—How many samples have been taken to date across the country?

Mr Gibbs—I do not have the exact figure with me now, but if you would like I could come back to you on that question.

Senator MILNE—I would like to know how many samples have been taken and the breakdown of those states in which they have been taken. If that is the first lot of samples that comes in by the middle of this year that will have been analysed, presumably that will be your baseline? What will be the parameters of the research framework? How many samples need to be taken before you determine what will be your baseline, and where do we go from here with it?

Mr Gibbs—The baseline will be based not only on the number of samples—we are doing a large number of samples—also on knowing the management practice on that site for a number of years. We are collecting and analysing data about what has happened on that site, which is why it is important to establish that baseline. Over the life of the program—we are talking about four years—we are sampling quickly over the first couple of years to try to get a time difference over the course of the program. Soil carbon builds up very slowly, so the samples that we take between this year and 2011 that are analysed will form that baseline.

Senator MILNE—On that time line, you could not make a judgment between now and four years about whether you have any permanent sequestration of carbon in soils?

Mr Gibbs—You can make judgments about the rate of capture of carbon in the soil. You would be able to make judgments about how much certain practices have contributed to carbon capture in those soils. We already know that the level of carbon goes up and down. How much is permanently sequestered is part of a program that is being done by the DCC. It has a model that it is developing as part of a \$16.1 million program, which will help to answer the issue relating to permanency. It is not just about what has happened in the past; it is also about what happens in the future and how we model that going forward.

Senator MILNE—Given the sampling and the work being done in the Department of Climate Change—and the CSIRO is obviously working in collaboration with you—where else is this work that you are coordinating being done? Who is bringing all this together across Australia? Is that being done under CCRSPI or are you doing it? What is happening?

Mr Gibbs—It is not being done under CCRSPI. It is being led by the CSIRO. The CSIRO has the departments of primary industries in Victoria, Western Australia and New South Wales pulling together their samples that they have taken over the years, and they are actually taking new samples. We have some researchers in Queensland who are undertaking new samples in some of the rangelands up there—again, basing it on past evidence. There is some Caring for our Country work that is being done in Victoria which is not being funded under our program but, again, we are bringing those samples into our program and trying to analyse them as well.

Dr O'Connell—Mr Gibbs might be able to give a short account of the National Carbon Offset Standard, which I think is relevant to the development of that.

Mr Gibbs—The other piece of information is that DCC released in December the National Carbon Offset Standard, which goes to the issue of permanence and additionality, the standards that you would have to go through to ensure that a tonne of carbon sequestered in the soil is additional and permanently can be traded in years to come.

Senator MILNE—Given all that, where is the development of that standard up to and who will oversee the compliance and enforcement of the standard?

Mr Gibbs—The standard has been prepared by the Department of Climate Change, so they are responsible for that.

Senator MILNE—So it ‘will’ be prepared. When do they expect to have it?

Mr Gibbs—The National Carbon Offset Standard was released in December.

Senator MILNE—Sorry, I interrupted you. Who is going to do the compliance and enforcement?

Mr Gibbs—The standard sets the broad principles about additionality and permanence. What will happen in years to come, in terms of crediting soil carbon, is that methodologies will have to be developed so we know that a certain practice permanently sequesters and is additional over time. It is envisaged that those methodologies will go through a process announced by the government, where an independent offsets committee will be established containing experts. The secretariat for that offsets committee will be run by the Department of Climate Change. The approving of methodologies and identifying what is permanent and what is additional fall under the Department of Climate Change.

Senator MILNE—Given by midyear we will be up to 20 per cent of the samples in the sampling and assessment stage and given the need to develop the accounting frameworks, when would you expect Australia could reasonably deliver? What sort of time frame are we talking about where you could reasonably deliver a rigorous assessment of soil carbon so that people could actually start engaging in the trade?

Dr O’Connell—That is probably an issue to take up with the Department of Climate Change, insofar as that portfolio will be managing the offset standard and the integrity committee will be working through the process, and the regulator would be involved there as well.

Senator MILNE—I understand all of that from the point of view of implementing that, but you actually have to have the data before you can do that. If we are only going to get 20 per cent of the samples by the middle of this year, when would you or CSIRO expect to have the data on which to base all the accounting et cetera?

Mr Gibbs—The data will go to DCC in a fairly seamless way and the modelling will be used to estimate how much carbon is sequestered. But it depends on the development of the methodologies and whether the offset committee approve those methodologies. There is a fairly long work program there and it is hard for me to speculate about a date. There are a lot of issues.

Dr O’Connell—Again, this is a work program and a process which is handled in the climate change department. My preference would be that we do not second-guess their judgment calls on how long this will take or what the information needs are for the integrity

committee, because it will require the integrity committee also to come to its assessment of information needs.

Senator MILNE—I understand that but people in rural Australia want a sense of the time frame at which they are looking. When can they expect something to be in place? When would you expect 100 per cent of the sampling to be done? You said that 20 per cent of the sampling would be done, say, by July.

Mr Gibbs—Twenty per cent by about the third year of the program, leaving time to analyse those samples.

Senator MILNE—Twenty per cent by when?

Mr Gibbs—Twenty per cent by the middle of this year, and the remainder to be done between now and the last year of the program.

Senator MILNE—And the last year of the program is which financial year?

Mr Gibbs—It is 2011-12.

Senator MILNE—So by the end of 2012, 100 per cent of the sampling and the assessments will be done. Could we go on to the next part, or do you want to follow up on soil carbon?

CHAIR—Senator Colbeck, did you have any questions on climate change?

Senator COLBECK—The only questions I have are on soil carbons. It is my recollection that some work was done by the Bureau of Rural Sciences—unless it was compilation work that was presented at the Outlook conference in Devonport late last year—that had some general mapping of regional soil carbon storage capacities. Does that form part of this process, was it derived from part of this process, or is it work that provides some initial indication as to what to look for in the overall sampling process?

Mr Gibbs—I think that question is best put to the BRS, who will be following us. From my understanding that is based on existing work that has occurred. As of yet it is not coming from data from the program.

Senator COLBECK—Are we drawing on that work in informing current work that is occurring?

Mr Gibbs—When we start to analyse the samples and the work done by the BRS, the CSIRO and the DCC, we will be drawing quite heavily on the program.

Mr Quinlivan—As I recall, in the BRS publication *Science for decision makers*, they endeavour to describe the state of science at that time, which was what they were doing in that case. Of course, the CSIRO, in undertaking this work, is drawing on the entire body of previous research in the area, necessarily capturing all the work that the BRS were using for their desktop publication.

Senator COLBECK—Senator Milne, do you have any more questions on drought?

Senator MILNE—I am not doing drought; I am doing climate change.

Senator COLBECK—I would like to finalise some questions on drought. Senator Williams asked a few questions on drought and I have a few final questions.

CHAIR—Why don't we not finalise drought? Is that the last of the drought questions? In all fairness, Senator Milne has a few questions on climate change.

Senator COLBECK—As do I.

CHAIR—Senator Nash also has questions on climate change. Let us finish drought.

Senator COLBECK—I have some statistical stuff on regions. If you do not have the information readily to hand, you can come back to us so that we can utilise our time in the best possible way. How many EC applications have been received from state governments in the past six months?

Mr Mortimer—In the past six months there would have been the application for the gulf in Queensland, for a Eurobodalla extension in New South Wales, and for Bundarra in New South Wales. I think those are the three.

Senator COLBECK—Do we know what stage those have reached?

Mr Mortimer—No, none of them has yet been settled by the government.

Senator COLBECK—Do we have a time frame on when they might be settled, or is there a statutory time frame to the process?

Mr Mortimer—There is no statutory time frame. Referring to the Bundarra one—working backwards—that is still being investigated by the NRAC. It has not yet finalised its report and recently it did a tour. The Eurobodalla extension area has just been finalised and put to the minister, and the gulf application has also been wrapped up and is in the hands of the government.

Senator COLBECK—Of those that are currently in the EC how many regions are due to expire?

Mr Mortimer—34 are about to expire at the end of March.

Senator COLBECK—Out of how many in total?

Mr Mortimer—The 34 are due to expire at the end of March, and another five are due to expire—

Mr McDonald—Currently there are 47 EC areas across Australia.

Senator COLBECK—Okay. Thank you. And there are a further five due to expire?

Mr Mortimer—If I can just step you through this. There are 34 due to expire at the end of March, five due to expire at the end of April and seven due to expire at the end of June.

Senator COLBECK—I might get you to give me on notice a detailed listing of those. At what stage of the process is NRAC in their visitations?

Mr Mortimer—In terms of the 34 that are due to lapse at the end of March, that has all been wrapped up and the advice has gone to the minister. In terms of the five that are due to expire at the end of April, I think all those visits have happened.

Mr McDonald—That is correct.

Mr Mortimer—Yes. All those visits have just been done in the last week or so. The program for reviewing the other seven, which are in Queensland and South Australia, is just being commenced now.

Senator COLBECK—I do not suppose you can answer the next question I have written down because you said, ‘When will they know?’ But that is with the minister and it is a decision for the minister. It is with the minister.

Mr Mortimer—Yes, that is right.

Senator COLBECK—Senator Nash asked about this. Do you have a response time to the drought reviews?

Mr Mortimer—To what?

Senator COLBECK—Drought reviews. Senator Nash asked some questions about this before.

Mr Mortimer—Are you talking about the EC reviews or the broader policy review?

Senator COLBECK—The three drought reviews which have been undertaken. That is the terminology I have, but it would be the three EC reviews.

Mr Mortimer—That is still with government.

Senator COLBECK—That is still with the government.

Mr Mortimer—There has been no announcement.

Senator COLBECK—Is it correct that the new policy has been signed off and is waiting for the minister to release it?

Mr Mortimer—It is still being considered by the government.

Senator COLBECK—So it is not true that it has been signed off by cabinet and the Prime Minister and is still waiting for the minister to release it?

Mr Mortimer—I think there are still details being settled.

Dr O’Connell—Obviously we would never talk about what has gone through cabinet.

Senator COLBECK—I know you would not, but I had to ask the question anyway.

Dr O’Connell—But, broadly speaking, the minister has made it clear that he wants to make sure that he gets the policy settings right and has discussions with a range of industry players before he settles his position.

Senator COLBECK—Okay. There are couple more questions that I will put on notice.

Dr O’Connell—Okay.

Senator MILNE—I would like to get an update from you on FarmReady. I see in the budget there is a substantial allocation for this financial year for reimbursement grants to primary producers and Indigenous land managers to attend climate change training activities. I would like you to give me a number of primary producers and Indigenous land managers who have actually attended anything.

Dr O'Connell—You may not have been here, but Mr Mortimer provided some advice earlier on.

Mr Mortimer—It was advice about the number of farmers. Essentially 7,000 farmers have used their vouchers, which pay for their training, to do the training. They have completed the training. But are you looking for a bit more detail than that?

Senator MILNE—I wanted to know how many of them were Indigenous land managers.

Mr Mortimer—We will have to take that on notice.

Senator MILNE—Yes, if you could do that. Also were you asked previously—and I apologise if you were—about industry grants?

Mr Mortimer—What was the question?

Senator MILNE—I would like a list of the industry grants that have been made to date under this particular program.

Mr Mortimer—We will need to take that on notice too. I do not have that information with me, not in that detail.

Senator MILNE—Okay. In relation to information services, you are supposed to be implementing a communication strategy. What can you tell me about that?

Mr Mortimer—Work is being done to develop a communication strategy. It has not been finalised yet.

Senator MILNE—So we do not have an information strategy as yet?

Mr Mortimer—Activities have been happening. There have been a number of communication activities to advertise different elements of the program, such as FarmReady and such like, but an overarching communication strategy for the Australia's Farming Future suite of programs is not yet finalised.

Senator MILNE—When would you expect to have that finalised?

Mr Mortimer—Probably in the next month or two.

Dr O'Connell—It depends on decisions of government.

Senator MILNE—What has happened with the community networks and capacity building? I am interested to know what you have done with particular target groups—women, for example.

Mr Mortimer—Probably we need to come back to you with a list of projects. That money is being spent on a range of projects. I do not have them all listed here. Sorry, I just do not have the detail with me.

Senator MILNE—Can you tell me how many re-establishment grants have been provided? It says up to \$150,000. Can you tell me how many have actually been granted and how many have been granted for the full amount?

Mr Mortimer—This is for the climate change action program?

Senator MILNE—Yes.

Mr Mortimer—Mr McDonald might be able to answer that.

Mr McDonald—There have not been any re-establishment grants made yet.

Senator MILNE—Is there a reason for that?

Mr McDonald—No-one has been found eligible yet.

Mr Mortimer—The key issue there is that the EC exit grants are more beneficial for farmers, so farmers tend to go for EC exit grants. They are easier to access and, because so much of the country has been in EC, those grants are being used.

Dr O'Connell—So it is really a function of the current grant.

Senator MILNE—What is the difference between eligibility for re-establishment or exit under extreme circumstances versus this climate program?

Mr Mortimer—It might be best to take that on notice, just to make sure we get the detail right.

Dr O'Connell—It will be a question of the decision on the guidelines, so we would need to take that on notice.

Senator MILNE—I know you were saying you would come back to me with the detail of some particular projects, but how many of the community network and capacity building projects have actually been funded?

Dr O'Connell—If you are okay with this, we might leave it to the agricultural productivity division and answer that question then, when we have the relevant person who runs that area.

Senator MILNE—That is fine. In terms of the large-scale research projects with cross-sectoral application, there were meant to be a minimum of 12 projects this year. Can you please tell me what those projects are?

Mr Mortimer—Are you talking about the Climate Change Research Program there?

Senator MILNE—Yes.

Mr Gibbs—We have exceeded that number. For example, under the livestock program there are at least 18 projects. I can get a final number for you of the number of projects across the whole program, if you like.

Senator MILNE—I would like to know the number of projects that you are funding under the Climate Change Research Program and what they are actually for. Are they all in livestock?

Mr Gibbs—No. There is the Soil Carbon Research Program, which we have discussed already, and the Reducing Emissions from Livestock Research Program. About \$11 million comes out of the Climate Change Research Program for those projects. There is the Nitrous Oxide Research Program, for which about \$4.7 million comes out of the program.

Senator MILNE—Who is managing that?

Mr Gibbs—GRDC is managing a number of projects. There is a biochar project being managed by CSIRO. There are also a number of projects dealing with adaptation.

Senator MILNE—Thank you. Can you give me an update on the Climate Change Adjustment rural financial counsellors service program?

Mr Mortimer—That program has currently not been expended. There is funding in place for the Rural Financial Counselling Service from their baseline funding.

Senator MILNE—Why isn't it being expended?

Mr Mortimer—Because it has not been necessary. Essentially, the Rural Financial Counselling Service contracts were settled in 2007-08 from baseline funding. I think there has been some use of the Rural Financial Counselling Service for some top-up activities in Queensland, but the rest of it is still available.

Senator MILNE—How much money is sitting there unexpended for this financial year?

Mr McDonald—That is \$1.6 million.

Senator MILNE—So \$1.6 million has not been expended. And that is just because people have not applied for it?

Mr Mortimer—That is right.

Senator MILNE—Do they know about it?

Mr Mortimer—I am not sure. I cannot answer that. The contracts were put in place for the Rural Financial Counselling Service in the 2007-08 financial year. Those organisations have been operating on that basis. The extra money, I suppose, is fallback.

Senator MILNE—Is it part of the information service that is going to be implemented?

Mr Mortimer—No, it is a separate allocation.

Senator MILNE—Who is responsible for publicising the fact that this money is available?

Mr Mortimer—That is not the nature of it. It is money that government made available if need be, but there is no need to publicise it as such.

Dr O'Connell—You might explain how the rural financial counselling contracts work. That might be the most useful way of explaining.

Mr Mortimer—The rural financial counselling services are provided through a competitive tender process, and that was done in the 2007-08 financial year. The services negotiated a financial package for those three years, which is currently in train. We are now halfway through that funding cycle for the rural financial counselling services.

Dr O'Connell—So to date there has been no need to go beyond the funding base that was provided before this. I think that is the point, isn't it?

Mr Mortimer—Yes.

Mr McDonald—I should clarify that \$400,000 was expended under that element in 2008-09.

Senator MILNE—I am interested in that because at the dairy inquiry hearings we held all over the place—admittedly that is not climate related—every single one of those farmers said they needed more financial counselling services in rural Australia. I am sure they do not know that there is money available.

Senator IAN MACDONALD—In relation to the EC applications for north-western Queensland arising out of the floods that occurred this time last year, I understand that

eventually the Queensland government got around to putting in the application—I think it was in July or August. It has been to NRAC and come back. The last I heard from the north-west was that it was with the Treasurer. Can someone give me an update on the EC application? I am assuming that it has not been announced in the last couple of days.

Mr Mortimer—No, nothing has been announced. What happens with these applications is that NRAC does its assessment, including on the ground. It makes a recommendation to the minister, and then, depending on the recommendation, the minister needs to get whole-of-government approval, which includes policy approval from the Prime Minister and funding approval from the finance minister. That is the pattern that has always been followed in relation to these matters.

Dr O’Connell—It is in that process.

Senator IAN MACDONALD—At what stage does it need whole-of-government approval, Prime Ministerial and finance minister approval?

Mr Mortimer—It has always been the case with EC applications, for two reasons. Originally, many years ago, they went to cabinet as a matter of course, and then the process was streamlined. Essentially the matters are now settled through correspondence. Our minister will write to the Prime Minister seeking his policy approval. If additional assistance is being sought, that needs to be signed off by the finance minister because it will require additional resources.

Senator IAN MACDONALD—Are you telling me that if it goes through the settled exceptional circumstances procedures—that is, NRAC recommend it—then it has to go to the Prime Minister for tick-off?

Mr Mortimer—That has always been the way of it under the previous government. Under this government it is the same procedure.

Senator IAN MACDONALD—When did it go to the Prime Minister or the finance minister for approval?

Mr Mortimer—It went to our minister just before Christmas.

Senator IAN MACDONALD—To your minister.

Mr Mortimer—Yes.

Senator IAN MACDONALD—When did it go from your minister to the Prime Minister?

Mr Mortimer—I do not have that information with me.

Dr O’Connell—We will take that on notice.

Senator IAN MACDONALD—Was it long after that—the next day or a few weeks?

Senator Sherry—We will take it on notice.

Senator IAN MACDONALD—It has gone, has it?

Senator Sherry—Yes, it has.

Dr O’Connell—It is in that process and we expect it to be wrapped up very soon.

Senator IAN MACDONALD—Perhaps I should not say this, but I assume that, if your minister was not very keen on it, it would not have gone much further. But I take it from the fact that it has gone on that there is some merit in the proposal. What is the procedure? Is it just that the minister writes a letter, or does it go in a submission to cabinet? What is the process?

Mr Mortimer—These days, our minister writes to the Prime Minister. That is a streamlined process to deal with these matters expeditiously.

Senator IAN MACDONALD—The minister just writes a letter. There is no formal cabinet submission.

Mr Mortimer—That is right.

Dr O'Connell—The process is similar to what it was under the previous government. It is essentially an authorisation for spending new money in there.

Senator IAN MACDONALD—You say that your minister got it just before Christmas.

Mr Mortimer—That is right.

Senator IAN MACDONALD—Can you tell me when he dealt with it?

Dr O'Connell—We have to take on notice any steps beyond that point, just to clarify the timings.

Senator IAN MACDONALD—Does the department understand that people are desperate? This happened a year ago. It is a most unusual event. As you know, the water covered the landscape for up to eight weeks and killed every blade of grass and every single seed. Even now, when it should be a bumper season with the latest rain, nothing is growing. These people are absolutely desperate and it has been over a year now. Is there anything we can do? Perhaps I should be asking the minister to speed the process. Is there anything anyone can do?

Dr O'Connell—Our expectation is that this will be settled very quickly.

Senator IAN MACDONALD—I have just been told by an adviser from Senator McGauran's—this is the glory of modern technology—that it used to take about two weeks to go from the minister to the Prime Minister.

Mr Mortimer—I cannot comment on that.

Senator IAN MACDONALD—That is on the record. Is there anything anyone can do to speed up the process? I know Mr Rudd is very busy and regularly overseas, but is there anyone that can speed up the process to give these people some, hopefully, comfort?

Dr O'Connell—As I mentioned, I do expect that this will be settled very quickly.

Senator IAN MACDONALD—I take you at your word and hope you are correct in this instance.

Senator Sherry—We will see what we can do, and we will take it on notice.

Senator IAN MACDONALD—Thank you very much, Minister. I would appreciate it—but it is not that I would appreciate it. The people up there are really desperate. Anything you could do would be greatly appreciated.

Senator NASH—I have a mass of questions. I will put a lot of them on notice, though, as I am very conscious of the time. One thing I did want to explore today was the issue of agricultural emissions. Given we are discussing climate change policy and agriculture, I am sure this is the right spot to discuss this. Can I take you to an article from the well-regarded Sophie Morris writing for the *Australian Financial Review* on 17 November:

The government's decision to exclude agriculture indefinitely from its carbon trading legislation does not guarantee farmers will escape paying for their emissions.

... ..

Climate Change Minister Penny Wong says the government is considering "how farmers can contribute to the task of reducing emissions".

But she has not clarified whether this would be through a system of rewards, or through making farmers pay for their emissions through regulation or taxes outside the emissions trading scheme.

This generated quite a deal of concern among farmers who, even without the introduction of an ETS, may well be in the position of being regulated to pay for their agricultural emissions. Has any work been done in the department on alternative payments or incentives for farmers in terms of agricultural emissions?

Dr O'Connell—Some of the issues you raise are probably in terms of what Minister Wong expressed as her intent and are obviously best put to either her or her department. Clearly the arrangements that have been proposed by the government for the CPRS provide some additional potential incentives in terms of the structure that is there.

Senator NASH—I was not talking about what is contained within the ETS. I was asking if the department has done any work on alternative measures for reducing agricultural emissions, be they incentives or things like regulation.

Dr O'Connell—The key area probably has been the research and development work we have undertaken through Mr Gibbs's area, to which he has pointed before.

Senator NASH—Has there been any work done by your division at all in terms of a regulatory avenue?

Dr O'Connell—The offsets area that we talked about before is the area where the single obvious line of incentives is going to occur, and we discussed that issue before.

Senator NASH—So the department has not done any work on the possible introduction of regulations to have farmers pay for their agricultural emissions?

Dr O'Connell—No.

Senator NASH—Thank you.

Senator COLBECK—I just want to go back to measurement of emissions, and I have been reading some documentation that has come out of the Australian Farm Institute on cattle and their emissions. Are you aware of work that indicates that FAO reports, in their view, significantly overstate the global significance of direct livestock emissions?

Mr Gibbs—I mainly went through the press that the AFI have released on the report. I have not examined it in any detail.

Senator COLBECK—It also refers to some accounting from an organisation called Worldwatch that last year attributed 51 per cent of all man-made greenhouse emissions to livestock production but did so by including carbon dioxide breathed out by livestock in the lifecycle analysis. Has the department got any research on that, and does it have any view on the veracity of that sort of work?

Mr Gibbs—The department does not have work on a figure of emissions from cattle worldwide or domestically.

Senator COLBECK—So what is the baseline? What are the calculations that are being fed through our measurement systems into what we are looking at here in Australia? What is the basis of that information?

Mr Gibbs—The Department of Climate Change manages that. When it comes to cattle, it is methane emissions and nitrous oxide emissions. They do not account for carbon dioxide emissions.

Senator COLBECK—But what is the basis for that calculation? Is it based on advice that they received from here within Australia, or is it based on the FAO calculation process? What is the basis of how we are calculating our emissions here in Australia?

Dr O'Connell—You really would need to go to the Department of Climate Change to go through the detail of the national carbon-accounting regime.

Senator COLBECK—Why am I not surprised?

Dr O'Connell—It is carbon accounting, and they are the department responsible for carbon accounting.

Senator COLBECK—But this is the lead agency on agricultural issues. I would have thought there would have been something—

Senator Sherry—But they are not—

Dr O'Connell—But these are accounting issues you are talking about.

Senator COLBECK—But, given that these are emissions from, if you like, an agricultural product, does this department not have any information or advice or view on it? I am just trying to work out where the data comes from.

Dr O'Connell—What I want to do is make sure that the advice with which you are provided is precisely accurate with regard to the carbon accounting framework that we have, and that it occurs through the national carbon accounts.

Senator COLBECK—That determines where the methodology would come from?

Dr O'Connell—The methodology is the methodology that they have produced.

Mr Gibbs—With regard to what you are referring to, we have not looked at those reports so we do not know the methodology that they have used. If you want to know the methodology used for our national accounts, which is a different report, I suggest you go to the Department of Climate Change.

Senator COLBECK—Who would do that work to make the comparisons? The Australian Farm Institute is a reasonably reputable organisation. One of the things they do is research

into these sorts of things to inform the farming community, perhaps even governments, of these sorts of things. We have not had a look at this at all, as far as you are aware. You are aware of it, but you have not looked at it?

Mr Gibbs—The Department of Climate Change has the methodology for measuring emissions that come from livestock.

Senator COLBECK—Have they asked you for any advice on your views on their methodology versus the other methodologies there might be?

Mr Gibbs—The Department of Climate Change?

Senator COLBECK—Yes.

Mr Gibbs—No, because those methodologies are based on work they have been doing for a number of years, and their methodology is agreed through the UNFCCC and international accounts.

Senator COLBECK—In other words, as I assumed earlier, we have no input into that methodology. It is something that is just decided globally and we take that as part of the overall process.

Mr Gibbs—The Department of Climate Change negotiates those arrangements internationally.

Senator COLBECK—So despite the view that the FAO reports result in a significant overstatement of those emissions, this department does not have any view on that.

Mr Gibbs—Once again, I am not aware of the particular FAO report to which you refer, Senator.

Senator COLBECK—I am not sure I can take it any further. To be honest, I am really not sure why we bother asking questions. It is a complete waste of time.

CHAIR—We are happy to pack it all up, if that is the case. I am—no dramas. In terms of fairness, we have only half an hour. I know Senator Milne, Senator O'Brien, Senator Colbeck and Senator Nash will have questions. In all fairness, we will commence questions from my right.

Senator O'BRIEN—I want to ask about the Forest Industries Development Fund and find out if any projects have been funded. Can you give us a summary of the types of projects that have been funded under that program?

Mr Talbot—There have been two rounds of the Forest Industries Development Fund. In the first round, eight projects were funded to a total of \$3.6 million. In the second round, 14 projects were short-listed and contracts are being negotiated at the moment. Due to the Christmas-New Year break—they were approved just before Christmas—the potential applicants have been given until mid-February to decide whether they take up the projects.

Senator O'BRIEN—So there are 14 contracts out there waiting to be signed, are there?

Mr Talbot—That is correct, Senator.

Senator O'BRIEN—And of the projects approved, how would you describe them?

Mr Talbot—Senator, there was a broad range of projects. It is probably better if I take that on notice and try to put it in writing to you because they were quite broad in terms of their outlook.

Senator O'BRIEN—No doubt by the time the deadline for answering questions on notice has arrived, you will be able to supply us with the details of the round 2 outcome?

Mr Talbot—I hope so.

Senator COLBECK—Why is it that, particularly under round 2, applicants were given five weeks to make their application. As I understand it, that was before projects were announced for round 1, so applicants for round 1 were not aware of the results of the first round. Applicants for round 2 would not have been aware of the outcome of the first round because it had not been formally announced. Yet it has taken 4½ months to get to the stage of announcing this process. There seems to be a fair variance. Applicants are given five weeks to make applications, yet it takes over 4½ months to assess the outcomes.

Mr Talbot—Once these projects are approved one of the delays relates to the applicants taking up the offer. I do not have all the details in front of me but I am quite happy to provide them to you. One of our challenges in processing these applications relates to the fact that once we have approved and notified the applicants it is for them to decide whether they will take up the project.

Senator COLBECK—I can understand that that might be the case. What issues are you finding that cause hesitancy? I do not know whether there is a reticence or a hesitance to take up these projects. What issues are causing applicants to take so long in taking them up? I know that, at the moment, things are pretty tough in some sections of the industry. Is that one of the reasons?

Mr Talbot—I think things are very tough in some sectors of the industry. I think financing is another issue because the fit of funding takes around only 30 per cent of the final bill, so they have to find the other money. I think a number of factors are in play. I think some applicants who go into the process are not confident that the projects will get up so they have not made any financing arrangements at all.

Senator COLBECK—As part of this overall process access to finance appears to be an issue. Perhaps the effects of the global financial crisis are still working their way through the forest sector?

Mr Talbot—Senator, I have not looked at all the factors in any detail but in relation to the financing issues, when they put in an application and they have to take up the project, they have a re-look at their application and wonder whether it is viable in the current environment.

Senator COLBECK—Obviously there are particular issues, including downturns in sales for certain products, for example, that are impacting throughout the production stream. Are those sorts of things coming through as part of the process?

Mr Talbot—I suspect that there are also those sorts of things. I certainly have not done any analysis of all the reasons why there has been a slow take-up rate. But I suspect that it is around all the things we just discussed.

Senator COLBECK—While we are on the subject, in a Tasmanian sense I know that there is enormous stress in the contracting sector. Have there been any approaches to the department or to the government in respect of assistance surrounding those applications? Is that something that is coming up as part of this process?

Mr Talbot—Senator, the Tasmanian forest contract is not relevant to this program; it would not fit in the guidelines.

Senator COLBECK—That is a reasonable answer and I am content with that. I suppose we could still ask that question as to whether there have been any approaches on behalf of those contractors.

Mr Quinlivan—I think we can say there have been no official approaches. I am sure people's concerns about the commercial difficulties in that sector have been raised with the minister and other members of the government, just as they have obviously been raised with you. But to our knowledge it has not crystallised into a specific request.

Senator COLBECK—I see it as important in respect of the government's response to the global financial crisis. That circumstance of the Tasmanian contractors is one particular element of it. It appears as though this project, the Forest Industries Development Fund, may be another one where the impacts of the global financial crisis are still being felt and having an effect on the government's capacity to implement its election commitment/policy. Would that be fair?

Mr Quinlivan—That might be a bit of a stretch. These investment programs typically have the kinds of difficulties that Mr Talbot talked about. That has always been the case with these programs. They may have been slightly worse in this case, but I think it is too soon to say.

Senator COLBECK—I have spoken to one contractor who said, instead of his bank lending up to 70 per cent of asset values, now they are lending only up to 40 per cent, and that is as a direct result of the global financial crisis. How do you factor that in? Contractors or players in the industry might be looking at investment in their sector, and you say the program that you offer provides 30 per cent. Then suddenly their overall consideration of how they might be going to fund a project is thrown out by a decision of the banks to change their lending policies.

Dr O'Connell—It may not be completely relevant, but the timing of the funding rounds was not when the GFC settled. We are talking about last year, with contracts being completed, probably with people having a reasonably good understanding of the lie of the land in terms of funding. To some degree this might just be people, as they go through, having those normal difficulties but under constrained market conditions, which are clearly right.

Senator MILNE—I would like to follow up on the contractor issue that Senator Colbeck just raised. The Commonwealth provided in excess of \$42 million recently in three grants in order to assist the forestry industry to move out of native forest logging and into the plantations. What evaluation has been done by the department to see whether the money that was spent actually led to people moving out of native forest logging? Has there been any evaluation done? How can I be assured that the equipment that was purchased by many of those contractors was not just equipment that they needed and that they would use for native forest logging anyway?

Mr Talbot—Currently there are negotiations between Tasmanian and Australian government officials to set up an evaluation program for a number of the programs that were run under the Tasmanian Community Forest Agreement. At the moment we are in negotiations to set up those evaluations.

Senator MILNE—So you can assure me that there will be an evaluation of the spending of that money. Since you are setting up the process to do that, what is your timeframe on when you expect the evaluation to be completed?

Mr Talbot—I would expect it to be done this year. However, I would not want to put anything definitive around it because at the moment we are still in the negotiation phase. But I would expect us to make significant process this year, Senator.

Senator MILNE—I refer to another issue and note that providing high-quality and timely advice on forestry issues is one of your objectives. Can you tell me whether the Australian Forestry Standard is acceptable to overseas customers any more, or whether FSC is what is being required and that that will lead to readjustment in the industry.

Mr Talbot—The Australian government has a policy position of recognising all internationally recognised forest schemes. I have not done a survey to see what schemes are recognised overseas. I recognise, Senator, that at the moment there is pressure on some businesses within Australia to consider getting FSC certification.

Senator MILNE—I am fully aware that the Australian government recognises all and sundry forestry standards. My question relates to the markets to which we try to sell our product. Do they still accept the Australian Forestry Standard, or are they putting on pressure to go to FSC? Is this one of the reasons why Tasmanian woodchips are being excluded from the Japanese market?

Mr Talbot—The Japanese market is certainly demanding FSC certification. Businesses are considering going to FSC certification but, as I stressed earlier, I have not done any sort of proper survey of what is exported from Australia and what is accepted under PFC, which is the overarching one for AFS, or FSC. I am saying that I recognise there is some pressure, particularly from parts of the Japanese market, for some Australian businesses to get FSC certification.

Senator MILNE—Since the Japanese have moved to FSC certification, can you tell me how the government is encouraging that through the department, and through these various grants, meetings and so on that you are having?

Mr Talbot—Senator, the Australian government would see that as purely a commercial decision.

Senator MILNE—Why did the Australian government put so much effort into the development of an Australian Forestry Standard if it is a purely commercial decision?

Mr Talbot—When we go back through the history of certification we find that when the AFS was originally being developed the wish was to try to develop a sustainable forest management standard in Australia. At the time the belief was that a standard was needed in Australia, and the AFS was developed out of that process. I also know that during the development of that process the NGOs left the process.

Senator MILNE—I can tell you that the FSC pre-dated the Australian Forestry Standard, but we will not go there as it is a long argument and not one to be had with the department. I want to ask one question in particular. You were going to deliver a forest industry database and also a forest industry climate action plan. Can you tell me where the database is up to and where the action plan is up to?

Mr Talbot—The database is due to be completed by July 2010. We expect,—I think by March or April this year—we will have a working copy of the database to look at, but the project will be completed in July 2010.

Senator MILNE—What is the purpose of this database and will it be public?

Mr Talbot—Yes, it will be a public database that people can use. The database is a planning tool for industry. It looks at things such as where industry will be, what the employment needs are and what are the requirements around that. It looks at those sorts of issues.

Senator MILNE—According to the budget papers, the climate change action plan for forestry is progressing the action plans for fisheries and forestry. What stage has the climate change action plan for forestry reached?

Mr Talbot—On 6 November 2009 the Primary Industries Ministerial Council endorsed the Climate Change Commercial Forestry Action Plan 2009-12, so the plan has been finalised.

Senator MILNE—What in that plan has to be implemented this year?

Mr Talbot—Each government has to go away and look at what has to be implemented. On a federal level the types of things which we are looking at in terms of climate change are forest-scale climate projections and biophysical analyses of a lot of the main forest areas in Australia. The Bureau of Rural Sciences will deliver that to us in July 2010. Another thing we are doing at the national level is running a grants program that is looking at things we need relating to forests and climate change. At the moment we have received applications for that particular grants program. They have gone to a selection panel and on, I think, 4 February this year they went to the minister's research panel, so we expect them to be approved soon.

Senator MILNE—Thank you. I might come back to you for some details relating to the other grants and the first one that you mentioned. However, I will do that on notice.

CHAIR—Thank you Senator Milne. Senator Brown, do you have questions on the same subject?

Senator BOB BROWN—Yes, relating to forestry standards.

CHAIR—Senator Brown, we have 12 minutes left, and you and Senator Colbeck have questions.

Senator BOB BROWN—What funding has the Commonwealth offered or given to the Forest Stewardship Council?

Mr Talbot—Senator, to my knowledge no money has been given.

Senator BOB BROWN—How much money has been given to the Australian Forestry Standard?

Mr Talbot—I would have to take that question on notice, Senator.

Senator BOB BROWN—Would you do so?

Mr Talbot—Yes. I do not know off the top of my head, but I will take that question on notice, Senator.

Senator BOB BROWN—What is the government's role in the accreditation processes that are occurring in Australian wood industry processes?

Mr Talbot—Senator, it has none.

Senator BOB BROWN—These now have a big bearing on global forestry management and saleability. Can you tell me why the Australian government is taking no interest and why it has funded one accreditation system but not the other?

Mr Talbot—I think there are a couple of things in what you just said. As I mentioned earlier, the Australian government is certainly very supportive of accreditation; it supports sustainable forest management. I think it goes to a point that we made earlier—that we see accreditation as part of a commercial decision of businesses, and we expect each scheme to be treated equally in Australia. That is the government's view.

Mr Quinlivan—Senator, I think the government provided funding for the development of the standard because at the time it perceived there to be a deficiency. The use of the standard, its maintenance, its administration and so on have become commercial matters and the government is no longer involved.

Senator BOB BROWN—Why has the government not provided funding for the Forest Stewardship Council or the other accreditation scheme? Why did it provide funding for one and not for the other?

Mr Quinlivan—At the time the government judged there to be a deficiency in the availability of certification for Australian forest products, so it supported the development of the AFS. As I understand it, the forest stewardship certification scheme has been a successful scheme. It is commercially attractive and so—

Senator BOB BROWN—Does it have a standard in place in Australia?

Mr Quinlivan—No.

Mr Talbot—No.

Senator BOB BROWN—So how can it be successful if there is no standard in place?

Mr Quinlivan—It is obviously attractive in international markets.

Senator BOB BROWN—But Australia does not have a standard. Isn't that a glaring omission that should be rectified?

Mr Talbot—I know there is a group of businesses and NGOs who are working up a domestic FSC standard at the moment. I have not been involved in any of the discussions; however, I know work is being progressed.

Senator BOB BROWN—But you said that the government has not assisted by giving funding, although it did to the Australian Forestry Standard. Why is it that it has not funded this process which businesses and NGOs—that sounds good—are apparently involved in?

Why has it not seen fit to give funding to the Forest Stewardship Council in the same way it did to the earlier standard?

Dr O'Connell—We may be confusing time periods as well. The AFC, as I understand it, was a program under the previous government. The point I am making is that it was a decision of the previous government.

Senator BOB BROWN—Please explain. What is the difference with funding under the previous government and this government funding it? Are you indicating to me that there is a political difference in attitude towards funding standards by this government compared to the last government?

Dr O'Connell—No. I am just saying that you appear to be asking why one was funded and the other was not.

Senator BOB BROWN—Yes.

Dr O'Connell—I am saying that the decision to fund was made by the previous government, so obviously the decision not to fund was also made in that context.

Senator BOB BROWN—So there has been a decision not to fund made by this government?

Dr O'Connell—No, I did not say that; I was talking about the previous government. The AFC decision in the first place was made under the previous government. I am simply trying to get the time frame right in terms of who was making the decisions and when.

Senator BOB BROWN—Can you tell the committee what the previous government's reasons were for funding the Australian Forestry Standard but not the Forest Stewardship Council?

Senator Sherry—He cannot, and nor can I because it was a decision that was made by the previous government. Senator Colbeck might have an idea, but I do not know. I can take on notice the current government's attitude.

Senator BOB BROWN—Would you, please?

Senator Sherry—I will take on notice the previous government's attitude, but I am pretty confident that I know what the response will be. That was advice to the previous government and we cannot disclose that—we do not have access to it, actually.

Senator BOB BROWN—I ask you, Minister: will you now look at the failure of the current government to fund the Forest Stewardship Council, given the evidence we have just heard that the Japanese purchasers of wood products from Australia are interested in—if not insisting upon—the Forest Stewardship Council? You may be aware that Gunns Limited in Tasmania is now saying it would support such a standard and, indeed, so is the Tasmanian government, but we do not have one.

Senator Sherry—I will it on notice.

Senator BOB BROWN—Can you see that this would be an obstruction to further progress for some pretty important investment decisions in Tasmania—regardless of which side of the fence we might be on—about, for example, Gunns pulp mill?

Senator Sherry—That is something that Minister Tony Burke will express a view on, not me, so I will take that on notice.

Senator BOB BROWN—Would you please let the committee know—and you can take this question on notice—about approaches from the Forest Stewardship Council for funding and assistance? When were they made? What response is the government making to them? When will it make those responses?

Senator Sherry—We will take that on notice.

Senator COLBECK—Mr Talbot, would you be aware whether or not a Forest Stewardship Council standard in Australia prevents Australian companies from achieving FSC certification?

Mr Talbot—I will have to take that one on notice. The reason for that is that I know there is an international standard that a number of Australian companies have used.

Senator COLBECK—Correct. That was the point that I wanted to make. There is an international standard. Australian companies can access it if they want to, and have accessed it. The fact that there is not an Australian standard in existence does not prevent Australian companies from accessing FSC accreditation if they should want to choose it for commercial decisions. I wanted to square off on the record that companies were not being prevented from accessing FSC accreditation, as may have been an inference by another senator. Is the Forest Industries Climate Change Research Fund the fund you were referring to in response to Senator Milne's questions?

Mr Talbot—That is correct.

Senator COLBECK—There is an application process in place. Applications have gone to the assessment panel and to the ministerial research panel on the fourth of this month.

Mr Talbot—That is correct.

Senator COLBECK—So that is where that is at.

Mr Talbot—Now they would go to the minister for approval.

Senator COLBECK—Is that for the full \$5 million? Are we looking to expend the full fund immediately?

Mr Talbot—That is correct.

Senator COLBECK—So we are looking to spend the \$5 million upfront. Senator Siewert tried to ask some questions this morning in respect of illegal logging. When does the government expect to have the risk process finalised?

Mr Talbot—We have just received the final report from CIE. As you are aware, it went through quite a few consultation processes on its way. We will now go through a process where the department will prepare the final RIS based on that work by CIE. The comments that came in from stakeholders during the CIE process, particularly the submissions at the end—

Senator COLBECK—What do you mean by 'particularly the submissions at the end'?

Mr Talbot—I did not mean anything in particular by it; it is the way it came out. A number of the submissions that came in at the end of the CIE process were quite detailed. We even had the European Union lodge a submission

Senator COLBECK—And the US? Were there some representations from the US Senate and the House of Representatives?

Mr Talbot—That was not a submission to that process but, yes, I have seen that as well.

Senator COLBECK—But it was a reaction to the process, if you like.

Mr Talbot—It was certainly putting a point of view forward, yes.

Senator COLBECK—So, what influence would the European and US submissions have had on the process, or do I have to wait until the final RIS is brought out to actually find that out?

Mr Talbot—I think from here on we do the final RIS and then it is a final process. I expect it would be by cabinet. Obviously, the EU and the US have put in place particular policies.

Senator COLBECK—Has the government responded to the letter from the US members of Congress including those in the House of Representatives?

Mr Talbot—I would have to take that on notice. We have not seen the letter in this department.

Senator COLBECK—I will have a chat to you later and I will show it to you.

Dr O'Connell—We will take it on notice.

Senator COLBECK—It was a letter to the Prime Minister, so I do understand that you may not have that information provided to you directly. But I would be interested to know whether the government, through the Prime Minister, has made any response. Is there any view in respect of the process we are considering versus the FLEG process that is used in the EU?

Mr Talbot—We are still going through our processes at the moment. There are two parts to the EU process. There is the FLEG process where they make arrangements with countries such as Indonesia. They have just notified us of the due diligence arrangements that they are putting in place as well. They are just things for us to consider.

Senator COLBECK—What role do you see processes such as certification, which we have just had a conversation about, playing in all of this? It appears that the consistency of processes within certification regimes is going to be extremely important and a vital part of the recognition and the identification of legally logged timber products.

Mr Talbot—The draft CIE report that was out for public submissions talked about a range of options going from no regulation through to full regulation. I think if you talked about anything from co-regulation with a code of conduct for importers and onwards from that obviously full certification was one of the things considered in that. The CIE report also considered a number of the options in terms of certification that are a lot less than that, too. So certification was at the top of a range of options. Some of the options in the CIE report talked about simple verification of legal options. Then there were a number of other categories in

between that would be quasi-certification type schemes. But they are all things that we would consider in the processes in the final RIS.

Senator COLBECK—We might explore it later at later estimates hearings.

Mr Talbot—Chair, I would like to make one comment. I think I might have misled Senator O'Brien in an earlier statement.

CHAIR—Yes, you can, Mr Talbot.

Mr Talbot—In round 1 of FIDF eight projects have been funded to a total value commitment of \$3.6 million. I did not mean that \$3.6 million had gone out the door. My apologies for that.

Senator COLBECK—That was the funding commitment to date?

Mr Talbot—That was the funding commitment for eight projects for round 1.

Senator COLBECK—For round 1?

Mr Talbot—Yes.

CHAIR—Thank you, Mr Talbot.

[3.33 pm]

Australian Bureau of Agricultural and Resource Economics

Bureau of Rural Sciences

CHAIR—I welcome officers from the Australian Bureau of Agriculture and Research Economics and the Bureau of Rural Sciences.

Senator NASH—Thank you, Mr Glyde, as you very kindly came back to me in answer to a question on notice asked during the discussion on the definition of marginal land. There is a lot of commentary around marginal land in various forms. In your answer you say that ABARE generally refers to land or farms with relatively low value in terms of the potential return from agricultural pursuits. You go on to say that it is this land that will move into environmental plantings as the potential returns from carbon sequestration per hectare exceed the returns from agriculture and that the amount of land falling into this marginal category will change as the carbon price changes relative to the value of agricultural pursuits on any given parcel of land, so mapping would depend on these variables. I have tried to decipher that little bit. The thing that concerns me is the comment that it generally refers to land or farms with relatively low value in terms of the potential return from agricultural pursuits. Given the very cyclical nature of returns on commodities and the extremely variable returns, is there more around how you actually class that? At the moment you class farms that are growing wheat as marginal. If you were looking at returns and purely that potential return from agricultural pursuits as a stand-alone, that would not seem definitive enough to define marginal land because of the nature of the availability of commodity income.

Mr Glyde—It is a good point. Farmers make judgments on a regular basis—daily, weekly, monthly, yearly and longer term—against the backdrop of extreme variability in the Australian climate. When they are making judgments about what they turn their land to they take those things into account. They take into account the variation in commodity prices and

the variation in technology that might come on board from one year to the next. In making the judgment about marginal land, it is an extremely difficult thing to say from an office in Canberra that one parcel of a farmer's land is marginal. It is really a judgment that farmers make and they make it on a regular basis.

The purpose of thinking about marginal land is that land uses do change over time in response to all the variables you talked about. When we are looking at changes in policy or practice, you would expect that the areas of land that have lowest returns would be the first parcels to be changed over in their land use. Whether that happens on a whole farm basis or on a portion of a farm is a decision that the individual landowner makes.

Senator NASH—I suppose that is okay, as long as it is the individual landowner making that decision and it is not in a policy sense moving into any kind of area that defines a certain use that may be applied to marginal land.

Dr O'Connell—Senator, it is quite clear that that is not where we are looking.

Senator NASH—I just wanted to clarify that because Mr Glyde has been very helpful in this area. There is a lot of discussions around certain farming practices that should not happen on marginal land. Were that to turn into some kind of definitive policy sense, with the definition of marginal land that you are using, I can see some real difficulties. Thank you for the assurance, Dr O'Connell, that that is not the intent at all.

I refer to mapping land use. In respect of agricultural land, are you mapping that land use in terms of whether its utilisation for agriculture is expanding or shrinking or whether a particular region's locations are changing?

Dr Ritman—We undertake a land use program called ACLUMP, the Australian Collaborative Land Use Mapping Program, which is a collaboration across state and territory jurisdictions. We do not collect catchment scale land use information; we rely on the state agencies to collect that because they have cadastral information and access to other information that we do not have. They compile that to a national standard and provide it to us. It is a static map, in that when the call goes out to produce a land use map it is a one date, it is not dynamic.

In addition to that sort of catchment scale mapping, we undertake national scale mapping, which is based on ABS statistics. ABS statistics are to a parcel—let us say a statistical division or statistical local area. Somewhere within that you know there is an area of canola being grown and an area of wheat, but you do not know whereabouts in that statistical local area. So we apply satellite techniques to disaggregate the ABS statistics to be able to locate, on a probability basis, where they are, based on the satellite imagery. We then do produce dynamic maps, so that they are timed with the ABS statistics across Australia, but they are at a coarser level—they are a one-kilometre-square minimum resolution.

Senator NASH—You have a very interesting job. Are they available on the website?

Dr Ritman—Yes.

Senator COLBECK—This morning we were discussing soil carbon. I think the advice we got at the time was correct about a science for decision makers document that talked about general regions and soil carbon storage in those particular regions around the country. Is any

work being done to update that in conjunction with some of the other research being done, given the specific interest in that matter?

Dr Sims—The publication we put out last year, which was the *Science for decision makers: soil carbon management and carbon trading*, was basically a review of available information. I think the map you are talking about was a map from the National Land and Water Resources Audit. We are currently in the process of updating that publication. We have been talking with our co-authors in the CSIRO and the University of Queensland about any information that is available to update that publication at this point in time.

Senator COLBECK—Will that actually collect some of the data that has been obtained through the testing process that other elements of the department are dealing with?

Dr Sims—No. At this stage that data is not available for us.

Senator COLBECK—What is the age of the information in the document you have produced? How recent would that data be?

Dr Sims—It is current scientific research that is in the public domain. So it could be anything up to very shortly before the publication was released. We released the publication in March last year, so it would have been any material that was available in the public domain up until that time.

Dr Ritman—I think the map you are referring to is from the 2001 National Land and Water Resources Audit. That is the most recent collation.

Senator COLBECK—So that is the most recent data?

Dr Ritman—At the national scale.

Senator COLBECK—The issue with that is that we have had nine years of drought in some areas since then. That potentially impacts on where that data is. Is there any research on actual potential capacity of particular regions? It is all very well to say that that is what the level is at this point in time, but does any of the research available to date give an indication of the capacity of various soils and regions to take up carbon?

Dr Sims—That is correct in a generic sense. A lot of this information is probably available through the Australian Soils Resources Information System, ASRIS. It has a national database of soil information. There are some generic rules about the nature of the soil and the climate in which the soil sits that changes the capacity of that soil to either take up or increase its carbon levels.

Senator COLBECK—But there is nothing that gives any indication of what the potential capacity might be? Some region might be sitting at, say, five per cent. What is the limit to which you might be able to take it? Is there a saturation point, or is there a point at which it reaches a maximum capacity? Is there any information on that?

Dr Sims—Yes. A lot of soils will have a maximum capacity in terms of attainable soil carbon levels. We talk about attainable soil carbon levels, which would be soil carbon levels that could be achieved by changing land management practices. Then we talk about potential soil carbon levels, which are the sorts of levels you could achieve if you added extra carbon into the soil.

Senator COLBECK—That is using biochar and things of that nature, which you are effectively burying in the soil to increase the capacity of the soil?

Dr Sims—That is right. The CSIRO has done some estimates in different parts of the country about different levels of potential and attainable levels of soil carbon under different management regimes.

Senator COLBECK—There is a lot of discussion about management regimes, no-till and things of that nature. What about in regions where product types—for example, intense horticulture—where no-till is probably not a suitable land management practice? What parameters might exist there?

Dr Sims—Things like the level of moisture in the soil. In an intensive irrigation area the level of moisture in the soil can affect the level of soil carbon that can be accumulated. Changes in temperature regimes are also an issue. From a year-to-year basis changes in temperature regimes can change the level of uptake or loss of soil carbon at any particular time.

Senator COLBECK—I will go to somewhere I know, because it is where I live and it is one of those areas. I refer to the north-west coast of Tasmania where there is intensive agriculture. Turning the soil over is one of the practices used in vegetable growing, for example. It is not like growing broadacre wheat or something of that nature. I know that there are a range of potential impacts, including traffic and so on. How does that fit into some of the broader scale processes that are being considered in wider policy suggestions?

Dr Sims—I am not familiar the nature of the practices used in northern Tasmania specifically.

Senator COLBECK—A large proportion of that land would not be no-till. What opportunities exist in those sorts of circumstances for farmers to take up opportunities with regard to soil carbon?

Dr Sims—In a generic sense, if you look across the country and the potential in cropping lands, for example—and I do not think we are talking about cropping lands particularly—if no-till practices are being undertaken then probably most of the potential for soil carbon improvements have already been captured. So it is only in those areas where no-till practices are not employed where potential occurs.

Senator COLBECK—So, aside from adding carbon through biochar and things of that nature—that is, changing practices—they are the sorts of things that bring about the potential benefits, plus soil moisture and things of that type?

Dr Sims—Yes, that is right.

Senator COLBECK—Mr Glyde, there has been a sequence of upgrading a lot of the reports we have seen on the impacts of agriculture, or climate change and agriculture, on forestry. I think Senator Nash referred to one of those. Are there any plans for further updates to some of the publications that we have seen over the last 18 months?

Mr Glyde—Yes. At the moment we are working on the changes to the work we did in the first half of last year—the changes that the government has put in relation to the CPRS. We

are still working those through. As the settings change on the CPRS we will strive to keep up with that.

Senator COLBECK—Do we have any sense of time on those? I know the negotiations were conducted late last year.

Mr Glyde—Not that I would be confident in providing. We are getting to the stage where it is getting fairly difficult. We are looking to get something that is going to be quite useful. For example, in terms of looking at the consequences of land use change we have to upgrade our models to be able to handle things at a finer degree of resolution, such as changes in water et cetera. We are working on refining the models at the moment and we have not actually begun to run them. I would not like to give you an estimate of how long that might take.

Senator COLBECK—I have two specific pieces of work in mind. The first is the forestry one and there was discussion about what type of farm return values you would see—

Mr Glyde—Land use change.

Senator COLBECK—and potential forestry becoming competitive with the current land use. Then there is the impact on agriculture by climate change policy per se. So are you working effectively on models that define those things at this point in time more than updating the data?

Mr Glyde—We are doing both. I was really saying that it is updating of the models that makes it a little difficult to give you a precise estimate of how long it might take for us to finish that work.

Senator COLBECK—What about inputs from changes in processes that are going on at an international level—how do they impact and feed into this, given that we have just had a negotiation in Copenhagen with some outcomes? We have had some discussion about that morning.

Mr Glyde—That is a good point. I think over the longer run we have to make sure that we keep up with those changes to, for example, accounting rules that will occur as time goes on and as more information comes in. We will need to keep up to date with those, but as far as I am aware there has not been terribly much change to those in recent times. They are factors we have to take into account.

Senator COLBECK—Progressing, but not final decisions.

Mr Glyde—Yes. We think it is important to model what the current policy settings are that the government has and what the current settings are internationally.

Senator MILNE—I have some questions about soil carbon, accounting and so on. In the models you are developing or working on, how are you attributing risk? The main issue in all the global negotiations is permanence and the reason Australia has not gone into article 3.4 is that we lose so much in a drought, and with bushfires and drought we will have massive loss of carbon to the atmosphere. In looking at soil carbon, while there is clearly an upside—and I am wholeheartedly supportive of that—there is also the downside if you lose that soil carbon that is not permanent. You would have to incorporate risk in any kind of modelling. Can you explain to me how you are thinking about that in terms of looking at the modelling for soil carbon and potential?

Mr Glyde—I think there are two elements to that question. One would be how you deal with it from the scientific perspective. Do we have enough knowledge to be able to come up with what will be the consequences one way or the other of, say, a land use change? Will soil carbon increase over time or decrease over time? There is that uncertainty and that risk to be managed. Dr Ritman can perhaps tell us about the state of knowledge there. Then, having got to that stage, how do you deal with the economic modelling of that and the risks around that? I would have to say that at this stage it is all rather imprecise with regard to knowing exactly whether or not you are going to get a win or a loss out of a particular land use change. They are questions that the Department of Climate Change and others are contemplating at the moment.

Dr O'Connell—It also goes to the standards in the sense that if you are talking about something that is intended to make an economic benefit it will depend on whether or not it is marketable, and that will depend on whether or not the standard allows for it. So a whole range of things would have to be settled before you could sensibly do that.

Dr Ritman—From a scientific perspective, we do not do any soil samples. We would rely on the work done in the past and currently being done by the CSIRO and apply that where we will be asked to our land use data, or whatever, to come up with particular outputs. That obviously would be worked through the Department of Climate Change.

Senator MILNE—In terms of the science, if a certain type of soil had a certain type of practice over a period of time, you could expect that you could model a ratio of improvement in soil carbon. But surely you would have to overlay what the likely response would be, in terms of permanence and so on, if the temperature rises by half a degree, one degree, two degrees, three degrees. The issue of risk associated with this is critical because if farmers are getting paid for permanence then somebody will bear the cost if it is lost. You cannot have accounting that is a one-way street where you pay people upfront and then somebody else pays if it is lost. I am interested in who is bringing all this together. Earlier we had evidence that the CSIRO is supervising soil sampling across the country and doing that monitoring. How are you pulling this together? How is this being done on an interdepartmental basis?

Dr O'Connell—Interdepartmentally, the Department of Climate Change pulls this together. The national offset standard is the mechanism by which some of these judgments will be made. Your points are quite solid, but they will be handled obviously in that context.

Mr Glyde—It is a whole-of-government effort in the sense that the expertise that sits in this portfolio relates around the agriculture and forestry area, and we can contribute that to that debate, but there are a whole lot of other areas that have to be contemplated. As you are alluding to, you do not want to be setting up policies where you cannot be guaranteed that you will deliver the additionality or the permanence over the longer run.

Dr O'Connell—But, as we discussed in the climate change division, the processes are being run through the Department of Climate Change.

Senator WILLIAMS—Dr Sims, are you saying that if farmers go to a minimum till that is maximising the carbon in the soil over the years?

Dr Sims—Can you clarify that?

Senator WILLIAMS—Did I hear you say that if farmers have gone to a minimum till farming practice and they have been doing that for some years, because they are digging the soil gently once a year they will maximise the level of carbon in the soil on that land? That is my understanding of what you said earlier to Senator Colbeck.

Dr Sims—That is not quite what I was intending. That change of management practice from conventional tilling processes to minimum till would reduce the amount of carbon lost from those soils through those practices.

Senator WILLIAMS—Is it correct that roughly 60 per cent of humus is carbon?

Dr Ritman—I think the 60 per cent figure would be highly variable.

Senator WILLIAMS—I agree with you that testing the carbon levels will vary based on temperature or moisture and you may see that, but you will certainly see a trend over time in the level of carbon. I know agricultural land around places like Moree and Wee Waa—good, deep, black soil farming plains country—that used to have five per cent carbon. Now it is down to 0.5 of one per cent carbon. These areas are depleted mainly through putting nitrogen on the land, which makes the microbes very hungry to actually consume the humus and the carbon in it. I just wanted to bring that point to your attention. There is a lot of room to store a lot of carbon in the soils.

Dr Ritman—Yes.

CHAIR—We will take a 15-minute break and recommence at 4.15 pm on the dot.

Proceedings suspended from 3.59 pm to 4.17 pm

Sustainable Resource Management

CHAIR—We will now deal with Sustainable Resource Management, which includes Caring for our Country, Landcare and domestic and international fisheries. Before we go to questions it has been agreed by the committee that instead of putting questions directly to the Australian Pesticides and Veterinary Medicines Authority all questions will be on notice. We will let respective officials know—it might upset them—that they do not have to hang around for this round of Senate estimates. I now welcome Senator the Hon. Kim Carr. Welcome, Minister.

Senator Carr—Good afternoon.

Senator NASH—I want to ask a few questions about camels. Mr Thompson, are you my camel man?

Mr Thompson—We can answer some questions on camels.

Senator NASH—I want to make this point absolutely clear. How much do camels emit?

CHAIR—Emit in relation to what?

Senator NASH—How much do they emit in methane flatulence?

Dr O'Connell—Senator, I am not sure that we are in a position here to be precise about the emissions from camels.

Senator NASH—Do you have a rough ballpark figure?

Dr O'Connell—I do not think I have a rough ballpark figure for the camels overall, but it is possibly one that we could get from the climate change department.

Senator NASH—Thank you, Dr O'Connell. I would appreciate it very much if you could do that. I ask this question for clarity. There would be no difference in the flatulent emission from a camel whether it is feral or domestic. Would that be correct?

Mr Thompson—As Dr O'Connell said, I do not think we could give you a definite answer on that. There are variations.

Senator NASH—Sorry, Mr Thompson. I was talking more about the operation of a camel, not about the emission.

Mr Thompson—I was talking about the operation of a camel. There could be differences between domestic and feral camels because of the nature of the feedstock.

Senator NASH—Excellent. If you could take that on notice for me and provide an answer that would be extremely useful. I do not think you were here earlier, Mr Thompson, when I was referring to a joint ministerial media release on 2 July last year from your Minister Burke and Mr Garrett relating to a \$403 million investment for the Australian environment and sustainable agriculture. The media release states:

Feral camels cover an estimated 3.3 million square kilometres and cause an estimated \$14 million in damage, including to fences, water troughs, bores, buildings and vegetation.

Would you have given the minister advice—perhaps by way of a background brief—relating to that media release?

Mr Thompson—We would have provided the minister with some background to that media release and we would have given him some information about the impacts of camels on the Australian environment.

Senator NASH—Would it be fairly safe to assume that you would have given him a breakdown on what the \$14 million went across, just for his understanding and knowledge of what it would go to?

Dr O'Connell—We would have to take that on notice to recall exactly what the information was rather than second guessing what we did at the time.

Senator NASH—Nicely done, Dr O'Connell. Mr Thompson, if you could take that on notice and perhaps provide for the committee the exact breakdown of the \$14 million that you provided to the minister at that time that would be useful. I wish to continue to referring to camels but I will refer to closer ground than emissions, which, according to you, are questions for Climate Change. Last time we had some discussion about the management of camels. I refer to Ninti One. Is that where the proposal came from?

Mr Thompson—That is the name of the project proponent.

Senator NASH—What stage in the process has that proposal reached?

Mr Thompson—The contract to implement the project has been signed.

Senator NASH—When was that signed?

Mr Thompson—I think it was signed in January. The work on the ground is expected to commence shortly—that is really within the hands of the proponent—and discussions by the proponent are continuing with the states for more collaborative work between some of the things that the states might be doing and some of the things that might be funded under this project.

Senator NASH—What is the life of the project?

Mr Thompson—It is a four-year project.

Senator NASH—Commencing from when?

Mr Thompson—It has been funded from this financial year for this year and a future three years.

Senator NASH—The total value of the project is \$19 million—is that correct?

Mr Thompson—It is \$19 million.

Senator NASH—In answer to a question on notice you kindly broke that down to reveal the proposal prepared by Ninti One. If I am not reading this correctly please tell me, but there is a \$2,882,000 component for administration for this proposal. Could you give the committee a breakdown of that? Will well over half a million dollars a year be spent on administration?

Mr Thompson—I do not have that detail with me. That would be something that we could take on notice.

Senator NASH—In the proposal that has been put forward how many staff are involved in this project

Mr Thompson—I am not familiar with the exact detail of it.

Senator NASH—Does anybody have the detail?

Dr O'Connell—Do you mean our staff or do you mean people on the ground putting the project together?

Senator NASH—Sorry; I should have been much clearer—people on the ground that Ninti One is providing to the proposal.

Mr Thompson—I do not have that number. Clearly, a small number of staff is involved and they will be contracting staff to do the culling.

Senator NASH—So you would only expect a small number?

Mr Thompson—I would expect a small number of administrative staff.

Senator NASH—Why would it cost over half a million dollars a year to administrate?

Mr Thompson—As I said, I am not sure of the detail of that, but a range of costs are possibly involved in managing contracts for the harvesters, and for arranging transport and training.

Senator NASH—It seems to me to be quite an extraordinarily high figure. I am happy for you to take that question on notice, but as it will be in a project proposal document somewhere perhaps before the end of this evening you could undertake to find the details of that administration.

Mr Thompson—We will see whether we can do that.

Senator NASH—I imagine it will be sitting somewhere in a folder that could have come with you.

Mr Thompson—It should be in the project budget.

Senator NASH—That would be very useful.

CHAIR—Are there any other questions on camels?

Senator ADAMS—Wild dogs continue to be dangerous and destructive pests. In Western Australia many pastoralists are no longer able to run sheep; they are running cattle and they are experiencing problems. Does the Commonwealth regard wild dogs as a significant or increasing threat to live meat export industries? We are having a lot of problems with tails being bitten off and those sorts of issues that make sheep ineligible for export. Do you have in place any programs?

Mr Thompson—We are aware of the impact that wild dogs are having on agricultural enterprises and we are aware of the impact that they are having on some elements of the natural environment. This year some elements of wild dog management are eligible for assistance under Caring for our Country.

Senator ADAMS—Have the baits that are being used for wild dogs been increased?

Mr Thompson—From the Commonwealth point of view we have made wild dogs eligible for funding assistance in this year's Caring for our Country's business plan. Those projects would not start until the beginning of the 2010-11 financial year, so Commonwealth funding of direct wild dog management on the ground would be unchanged at present.

Senator ADAMS—How much more money is being put into it for the 2010-11 year?

Mr Thompson—We cannot give an exact number for that because it would depend on the nature of the projects that come forward for funding. But there is money in both reducing the impact of invasive species and where it impacts on sustainable agriculture. There is money in those areas whereby projects controlling wild dogs could be funded. But the amount of money available will depend on the nature of the projects and their relative merit under the submissions that will be received in the next couple of months.

Senator ADAMS—The Commonwealth is locking up pastoral properties in environmental situations. We are now having huge problems with that as they are not being monitored properly or the caretakers are not doing the work that they should be doing, so the dog population is building up even more. Does the Commonwealth have any role to play on those particular properties?

Mr Thompson—I think those are questions that you would have to ask of our colleagues in the environment department. They fund reserves. For reserves funded by the Commonwealth they are responsible for the outcomes that are being achieved through those things. But primarily they are managed by the states or by the private firms involved in purchasing properties. This department does not have any direct influence over how reserves are managed in the states.

Senator ADAMS—You would not have any jurisdiction in the area of baiting?

Mr Thompson—We do not have any direct jurisdiction, no.

CHAIR—Senator Nash, you had a question about dogs?

Senator NASH—No, I do not have any questions about dogs; I just wanted to ask a couple more questions about camels. I meant earlier to ask about the process. Did proponents tender and through what process did you go to sort through those tenders if there was more than one? What criteria were based against them and why was this proponent successful?

Mr Thompson—This project for camel management was one of a number of projects whereby expressions of interest were received for large-scale projects. This one was the only large-scale project that went beyond the expression of interest stage to negotiate a fuller project.

Senator NASH—How many others were there and why was this the only one that went on after the expression of interest stage?

Mr Thompson—I am just looking to see whether we have the number of other expressions of interest. Some others were received. Again, I do not have the exact details to show why this project was selected, but it was a project that addressed an issue of some significance, and it had a methodology that was well supported. It was based on some good science undertaken by the Desert Knowledge CRC, and it had the involvement of quite a number of relevant parties in the states and in the science community. So it was a well-developed project.

Senator NASH—And I am sure that it is very worthy. Did any others put in an expression of interest? It is my understanding that often with a range of different projects, departments will go back to some of those proponents to flesh out a bit more what they have on offer. Did that happen at all?

Mr Thompson—The purpose of an expression of interest is for a person or a proponent to put in enough information so that you have an idea of what he or she was trying to achieve. Proponents were able to do that without putting a vast amount of detail into the application. If you then thought that the project was one worth pursuing you could go back and develop the project more fully. This was the only one that we felt was far enough down the track to be worth developing it up to full consideration for contracting stage.

Senator NASH—Referring to the process, does the department then write to those proponents who put in an expression of interest and explain why they were not successful in going further down the process?

Mr Thompson—I think we wrote to all proponents advising them of the outcome of the process. We certainly made it available to all proponents to seek advice and feedback on their applications.

Senator NASH—After they had been told that they were not going any further in the process?

Mr Thompson—Yes. All proponents were able to seek further advice.

Senator NASH—Did any of them choose to do that?

Mr Thompson—I would have to take that question on notice; I do not know.

Senator NASH—What a shame you did not bring the folder with you. It would be great if you could also take that question on notice, Mr Thompson. If you can get any of this to us by the end of the day it would be very useful, given the length of time it has taken to get back questions on notice. If you could do that by the end of today it would be much appreciated.

CHAIR—Thank you, Senator Nash. I take this opportunity to welcome Senator the Hon. Mark Arbib, representing the Minister for Agriculture, Forestry and Fisheries. Welcome, Minister. Are there any questions? Senator Siewert?

Senator SIEWERT—I want to ask some general Caring for our Country questions as we have done dogs and camels, et cetera. The business plan has finally been released. Can you tell me the exact date on which the business plan was released?

Mr Thompson—On 7 January.

Senator SIEWERT—As I understand it, it was released much later than it was originally anticipated to be released. Why did it come out so much later?

Mr Thompson—I think, as we have indicated previously, we went through quite a consultation process with a range of stakeholders to get feedback on what they wanted in the business plan—changes to targets, changes to application processes and assessment processes and, in particular, some changes to the application form and the electronic application form. The plan includes quite a number of those changes. We have also made quite a few changes to the process by which the applications are received online. We had to get all that right. We felt it was better to get that right rather than to put out a rushed business plan that could generate quite a degree of confusion.

Senator SIEWERT—Could you take us through the assessment process? How will the new assessment process operate?

Mr Bartlett—I will answer that question as I am one of the general managers in Australian Government land and coast. At this stage we have not finalised the process for assessing applications that we receive. We are working on that at the moment but we have not finalised it. Again, we have separated all the comments that we have received through the consultation process, we have dealt with the assessment process, and we are now working out how to build those into a revised process.

Senator SIEWERT—Are you still going for the fairly centralised panel process, or will you incorporate some more state and local assessment processes?

Mr Bartlett—Those decisions have not yet been made.

Senator SIEWERT—When will you be making those decisions?

Mr Thompson—Those decisions will be made in the coming weeks. We are mindful of the comments that were received from many in the community about the assessment process that was undertaken last time, and those requests for greater linkages to people with regional and local knowledge.

Senator SIEWERT—What is the timeline for your decision-making process, and who is helping to develop where you go to from here?

Mr Thompson—The applications for Caring for our Country close in April and we are hoping to go through the assessment process and again announce projects as early as we possibly can in the new financial year, or at the end of this financial year.

Senator SIEWERT—Thank you for that useful information. However, I will try again: when will you finalise your assessment process? I am referring to the process that will be used and not the assessment itself.

Mr Thompson—As I have said, I do not have that data with me. We expect to have that process finalised in the next couple of weeks.

Senator SIEWERT—I will have to wait until May to find out, or can you take that question on notice and as soon as you have finalised it you can send it out to us? I will be asking this question again at the May estimates committee hearings. You know why I am asking this question; I am looking for an acknowledgement that there will be improvement in the process and I would like to know what that will be.

Dr O'Connell—Referring to the timeframe, Senator, I think we can probably successfully take that question on notice. It will probably be finished by the time our questions on notice are being returned to you, so we should be able to tell you when it is sorted out. You are looking at the timeline for finishing that process?

Senator SIEWERT—I am looking at the timeline for finishing that process and I am also looking at the actual process.

Mr Thompson—Perhaps, as the secretary said, if we take that question on notice, it should be in the timeframe of questions on notice.

Senator SIEWERT—It would be appreciated if you could do that. I refer to the allocations of resources for this next round. How much is available for this next round?

Mr Thompson—Under the business plan?

Senator SIEWERT—Yes.

Mr Thompson—As we have said, for the business plan itself there is, over the forward years of the program, a total of up to \$171 million. Notionally, we expect to spend \$38 million on national reserves; \$10 million on Indigenous protected areas; \$10 million on environmental stewardship; \$6 million on World Heritage areas; \$6 million on increasing native habitat and invasive species; \$49 million on protecting the Great Barrier Reef; \$29 million on community coastcare; \$7 million on Ramsar wetlands and high conservation value aquatic ecosystems; and \$15 million on sustainable farm practices.

Senator SIEWERT—You intend to spend \$15 million on sustainable farm practices?

Mr Thompson—Yes.

Senator SIEWERT—Does that include the Landcare component?

Mr Thompson—That includes Landcare, yes.

Senator SIEWERT—Of that \$15 million what amount is for the Landcare component?

Mr Thompson—We do not have that broken down. That will depend on the breakdown of the applications we receive. There is no hard and fast line in there between Landcare and sustainable practices.

Senator SIEWERT—I thought that a separate allocation of Landcare funding was incorporated into that.

Mr Thompson—There is a separate appropriation for Landcare and that separate appropriation for Landcare is combined with some appropriations for Caring for our Country that come from the Natural Heritage Trust. Together they form sustainable practices. Many of the sustainable practices projects are Landcare projects.

Senator SIEWERT—What happens if you have used up all the Landcare money that has been allocated for land care under sustainable farm practices? Do you keep funding those projects or do they cut out?

Mr Thompson—I should mention that, in addition to those sustainable practices, the business plan also announces that there will be a further round of community action grants, half of which are Landcare projects and half of which are other projects. So there is around \$2.5 million for pure Landcare type projects in there. This is the process that we go through. Under sustainable farm practices we have asked for a number of projects across a range of scales. Some of the larger ones we do as expressions of interest, although we would not categorise those as Landcare projects. With the rest the majority of the money is Landcare money and would go to Landcare type projects. So it is a matter, when you have run down the projects after they have been ranked, of going down in rank order until the money is exhausted.

Senator SIEWERT—Until the Landcare money is exhausted?

Mr Thompson—Yes.

Senator SIEWERT—Can you tell me how much that is? If you run through the projects to which you just referred until the money is exhausted how much of that money is for Landcare?

Mr Thompson—This year the overall appropriation for Landcare is \$32 million this year, but some of that is already committed to a range of ongoing projects.

Senator SIEWERT—How much of that is committed, and how much will be allocated in this round?

Mr Thompson—The amount of money that would be available for new Landcare projects next year is \$9.056 million.

Senator SIEWERT—So the rest of it is for projects that have already been committed?

Mr Thompson—Yes, projects that have been committed from previous years.

Senator SIEWERT—Yes.

Dr O'Connell—Senator, can we just clarify that we stand corrected as the 2010-11 total for Landcare appropriations is \$37.825 million.

Senator SIEWERT—Thanks for that. So a bit under \$30 million has already been committed through the funding of other projects and the carrying of other projects. I presume that that is the case.

Mr Thompson—In this financial year, yes. That \$9 million would be the money available in 2010-11. Further money would become available in 2011-12 and 2012-13 as some of those previously approved projects run out to completion.

Senator SIEWERT—I refer to the NRS money. Is the assessment of that funding done through the other assessment process or is it done separately?

Mr Thompson—The application process for the natural reserves is broadly the same, but the detail of it is done through a process that is a little bit separate to take into account the nature of the reserves program. Minister Garrett makes decisions about the reserves program so it would be best to pursue the detail of the reserves funding with Environment.

Senator SIEWERT—Yes. I realise that I can take that up tomorrow. So it is best to chase up tomorrow the detail of how that is assessed. People have raised concerns with me about milestones and payments not matching up. Projects are reporting on milestones but their ongoing payments are not matching up with their milestones. Has the reporting of their milestones issue been reported to you?

Mr Thompson—It has not been reported to me. Mr Bartlett might be closer to it than I am.

Mr Bartlett—I am not aware of any individual proponents who have had problems with receiving their payments. Generally, when the reports come in—and some reports are actually overdue—people in my team and in other teams monitor those. However, once a report is received—assuming that the report is in accordance with what we were expecting to purchase—then the payment is made fairly quickly after that, usually within two weeks of us receiving the report.

Senator SIEWERT—And that goes straight to the proponents from the Commonwealth?

Mr Bartlett—That is right.

Senator SIEWERT—We no longer have intermediaries, as do the states?

Mr Bartlett—It depends on what you are talking about when you are referring to proponents. If a small organisation that has a Caring for our Country project, then the payment goes directly to a proponent. If it happens to be a regional body managing the project, it could well still go through the state, depending on whether it is a competitive project or one of the ones that are covered in the regional base funding arrangements.

Senator SIEWERT—What happens if it is covered in the regional base funding arrangements?

Mr Bartlett—All those payments are made via Treasury. We receive the report, we advise Treasury that we have received the report and that we are happy with it, and it makes the payment. Again, that is done in a fairly timely manner. It has to be done by a certain date each month. I think it makes its payments only on the seventh day of each month. If we receive the report in time generally the payments are made on time.

Senator SIEWERT—In those cases direct to the regional group?

Mr Bartlett—It varies from state to state. Each state has its own wishes as to how the funds should be received. Most of them go to the state government and they are then paid to the regional bodies.

Senator SIEWERT—Okay, I beg your pardon. How does it operate now that there is no longer a bilateral between—

Mr Bartlett—We still have interim bilaterals that cover all the guaranteed regional base funding projects.

Senator SIEWERT—Are bilaterals purely about the delivery of those specific projects?

Mr Bartlett—Yes.

Senator SIEWERT—But you no longer have those broader bilaterals where a state is committed to other natural resource management priorities?

Mr Bartlett—At the moment we still have the broad bilateral which includes schedules with the very specific details of the particular projects that we are purchasing, if you like. We are in the process of developing new national partnership agreements. However, we still operate under the old interim bilateral agreements that were developed at the start of Caring for our Country.

Senator SIEWERT—Those are the bilateral agreements that you are talking about?

Mr Bartlett—Yes.

Senator SIEWERT—What is the time frame for developing the new partnership agreements?

Mr Bartlett—We are working with the relevant jurisdictions, but we expect that to be in place on 1 July.

Senator SIEWERT—How will they differ from the interim ones? Are they just replacing the interim ones, or will they be different?

Mr Bartlett—No, it is a whole new arrangement. There will be a national partnership agreement that sits over the top and is the same for all jurisdictions, so all jurisdictions would sign it. Underneath that there is a detailed implementation plan for each state, and that is where the variations would come in both in terms of the arrangements that a particular state wants to have with the Commonwealth and the specifics of the individual projects attached in schedules.

Senator SIEWERT—And those are the individual projects that have already been approved through the past funding process?

Mr Bartlett—That is correct, yes.

Senator SIEWERT—Presumably with each assessment process there will be a new attachment?

Mr Bartlett—That is correct.

Senator SIEWERT—Does the state have to sign off on each project?

Mr Bartlett—No.

Senator SIEWERT—Why are they an attachment to the state bilateral agreement?

Mr Bartlett—Because that is the arrangement for making payments and facilitating the implementation of it. However, the decisions about funding the projects rest solely with the Commonwealth.

Mr Thompson—Under the COAG agreement, broadly speaking, all payments to the states are now made from Treasury to Treasury. To make that payment there is a national partnership agreement to cover it. If it is a payment to a state agency in any shape or form, unless it went through a purely competitive process to which states and others could apply, they go through that payment arrangement. That is the COAG agreement they are working under now, so it has changed.

Senator SIEWERT—I refer to the states making payments. How do we know that the states are making payments in a timely manner? If the money is going to the states and it is held in a state Treasury, how do we know whether the states are making timely payments to the regional organisations?

Mr Bartlett—If one of the regional bodies feel like they are not getting the money, generally they will talk to us and we then liaise with our state counterparts. Again, I look after New South Wales and the ACT—that is the only one I can speak of in any detail—and I am not aware of any late payments in that jurisdiction.

Senator SIEWERT—I have a couple of other questions that I would like to ask, but does anyone else have any general questions?

CHAIR—Are there any other general questions?

Senator WILLIAMS—Mr Thompson, thank you for your replies to questions that I asked about Landcare at Inverell. You replied to my questions on notice, which was good. I note that the Border Rivers-Gwydir CMA allocated \$60,000 to Landcare at Inverell, which is a pittance. You also indicated that the government is working with the Border Rivers-Gwydir CMA to address particular issues, including a budget reduction. What stage has that reached?

Mr Thompson—I can give a broad answer and Mr Bartlett can perhaps fill in some of the detail. We have had discussions with Border Rivers-Gwydir. One of the reasons that they reduced funding for some elements of Landcare in that catchment was their belief that because there was not a map in the previous business plan saying that there was a sustainable agricultural problem in the Gwydir River area they could not fund Landcare. We have spoken to them about that and said, ‘That is not the case. You could still fund a range of activities. You just have to explain to us where the problem is.’ We believe that that problem and that confusion will go away in the new business plan because the sustainable practices targets are no longer appearing as a geographic target. Where groups of farmers or Landcare groups have identified a problem that lines up with the sorts of things we are trying to address, they can seek funding for that project. There is nothing causing the same sort of confusion that Gwydir had in the last financial year.

Senator WILLIAMS—Hopefully, they can look forward to a better budget to keep their Landcare funded next year?

Mr Thompson—That will be a decision for the Gwydir CMA. CMAs have been encouraged to work with community groups to address environmental and resource management problems. The funding for Gwydir has been assured, and they have been encouraged to consider Landcare groups as quite important groups for delivering projects on the ground. As I said, Gwydir does not have the problem now. On the maps it was an area that was not identified as experiencing soil erosion problems, even though we were aware—and I would have thought that they were aware—that part of the catchment is subject to some of the sorts of problems that the plan was trying to address.

Senator WILLIAMS—I will keep a close eye on that. If Landcare is not funded, it runs the risk of farmers simply leaving the organisation, which in my opinion would be a tragedy. I want to take you to a property just out of Ashford—I do not know whether or not you are familiar with it—by the name of Tarrangower which comprises 12,000 or 14,000 acres. Under a project there they are planting 1.4 million trees on the property. I have friends who worked for many years on the property. It is a large sheep and cattle property. I believe that it is partly funded by the Border Rivers-Gwydir CMA.

My concern is about the loss of food production and the effect of the run-off from the countryside into the nearby Severn River and, of course, the Murray-Darling Basin. Has your organisation done any research in any way into, firstly, loss of food production when countries plant a lot of trees and, secondly, the effect of run-off in the Murray-Darling Basin as a result of river flows?

Mr Thompson—Research has been undertaken by the CSIRO and analyses have been done by BRS of changes in run-off as a result of tree planting.

Senator WILLIAMS—Yes?

Mr Thompson—I do not have the particular results. Around the different stages of the growing cycle, trees reduce run-off. As part of the National Water Initiative and new water arrangements, interception by major plantations is something that has to be taken into account in land use change or acquiring water for those purposes. I do not know the nature of our particular funding for that tree planting. We could be a party to part of it; we might be planting trees for biodiversity purposes or whatever. But it is up to the individual proponent to take into account its requirements for getting approval to do those sorts of things. As you are probably aware, planting trees has its pluses and minuses. There are the benefits of sequestering carbon and there are the benefits of reduced erosion. There can be benefits for water quality and there can be downsides associated with the water, but they are not questions that we—

Dr O'Connell—Senator, without a closer look at the particular project it would be hard to make any call about what the benefits would be. Some of these are there for good salinity management reasons, or erosion control, or who knows what, so we would only be able to carry on talking in very general terms if we did not get a closer handle on the specific project.

Senator WILLIAMS—Fair enough.

Senator SIEWERT—I want to go to the monitoring and evaluation, MERI, strategy. Were there ever any plans to have this as a single national database? Is work being done on that?

Are there any plans to collect this information so that it be part of a national database or even that each state have its own database?

Mr Thompson—Troy might provide some more detail on this. Quite a number of things are going on in that space. First, the MERI strategy that we apply to our program cascades down through all our projects, so there is a consistency of reporting frameworks from the program down to the smaller scale projects. We are only collecting data on the impact of our projects and any data we collect is in accordance with the national standards that various working groups have for vegetation monitoring or soil monitoring or whatever. So there are consistent data standards and our data can be lined up alongside data that other people may be collecting for other purposes.

Through the Natural Resources Ministerial Council we are working with the states on coordinating a framework for resource condition monitoring, which is separate from Caring for our Country. It is about coming up with a framework for using the data that is collected and held by the states, collected and held by the Commonwealth and, in some cases, collected and held by other people so that it can be pulled together and used for a range purposes such as state of environment reporting by the states or the Commonwealth or audits of various natural resources. But Caring for our Country monitoring and evaluation is focused very much on monitoring the implementation of our projects, the outcomes of those projects and doing it in such a way that any resource condition data we collect can be aligned with national data management exercises.

Senator SIEWERT—Thank you. Does each project now actually have in it meeting the requirements of MERI?

Mr Thompson—The requirement for the first milestone payment is to have a MERI plan for all projects other than the very small ones. Community action grants do not have a full MERI plan. Every project \$80,000 or over has a full MERI plan. All projects have to report biannually on progress towards their measurable targets and all projects have to provide a final report detailing the results of the progress towards the targets.

Senator SIEWERT—How did you pick \$80,000?

Mr Thompson—That is the break between small projects and large projects and taking into account the cost and the effort required to produce a comprehensive MERI plan for an \$80,000 project, I think we would have been putting a fair onus of responsibility on what can be quite small groups. The smaller projects still have to report on their performance. We do that in a way that aligns us as much as we can but we do not go into the detail of having to produce a comprehensive plan.

Senator SIEWERT—Thank you. Who funds the work being done to align the MERI process with the resource assessment process?

Mr Thompson—Anything the states do on resource condition, by and large, they are paying for that. With regard to our resource condition work, the BRS for example, collect work on plantations which feed into that. We are funding internally at the Commonwealth level a number of projects to improve our own data management around Caring for our Country, and that comes out of some of the money that is allocated for implementation of Caring for our Country.

Senator SIEWERT—How much of that?

Mr Thompson—This year we have estimated we may spend up to \$14 million. We may not spend all of that, but we have allocated that amount of money. In 2008-09 we spent \$7 million. That is what I am saying, we have allocated notionally an amount of \$14 million but we may spend only \$7 million. We spent that last time.

Senator SIEWERT—If you do not spend the whole lot, does that roll over for continuing implementation of MERI or does it go back into the pool?

Mr Thompson—Decisions about the reallocation of money from delayed projects, underspends or changed priorities are made by ministers across the whole of the program. Some of it may be put into MERI in future years and some of it may actually go into more projects on the ground.

Senator SIEWERT—How much will be spent on general admin for Caring for our Country this year?

Mr Thompson—Excluding monitoring and evaluations, we expect to spend \$41 million.

Senator SIEWERT—On admin? That is excluding monitoring and evaluation?

Mr Thompson—That is excluding monitoring and evaluation.

Senator SIEWERT—You may have been going where I was going to go anyway. That includes the cost of all administration? What do you call administration?

Mr Thompson—That includes all costs of administration at the at the Commonwealth level—salaries, travel, any necessary consultancies that we need to undertake, those sorts of things.

Senator SIEWERT—Salaries of departmental people who are in the unit?

Mr Thompson—Yes, of those working on Caring for our Country.

Senator SIEWERT—Were there assessment panels et cetera?

Mr Thompson—Yes.

Senator SIEWERT—What is the overall funding for regional organisations?

Mr Thompson—This financial year it is \$138 million.

Senator SIEWERT—What happens to the funding for regional organisations that do not meet their milestones? What is the process?

Mr Thompson—If regional projects are running behind schedule, we normally become aware of them before their milestones are due or thereabouts. We work with them to ensure their milestones can be met if we can help in any way. In some cases there may be quite valid reasons why their milestones are not being met—floods, hail droughts, loss of staff or whatever. We work with them. If it is a small amount, we can agree to variations, otherwise ministers can agree to variations perhaps to accelerate some projects and slow some others. It is part of the management of the project. We try to ensure that milestones are met or projects are renegotiated if there are unforeseen circumstances to ensure that the outcomes are achieved to meet both the regional needs and our own needs.

Senator SIEWERT—How many regional organisations are not meeting their milestones at the moment?

Mr Thompson—At present I think we are paying all regions on schedule, but we do reviews on a monthly basis.

Senator SIEWERT—So none of them have fallen behind in the last 12 months?

Mr Thompson—Not that I am aware of.

Mr Bartlett—If I could just clarify something. Only three payments are made in the year to the regions for regional base funding. They get 60 per cent at the start of the year and then there are two subsequent 20 per cent payments. The last one of those 20 per cent payments is scheduled to happen in March. A few regional bodies did not get their second payment exactly on time, but they are pretty well all caught up. We still have sufficient time to work with them and make the payments in the financial year. We have not had a situation in the last few years where people actually did not get all the money they are entitled to.

Senator SIEWERT—So that is for their base funding?

Mr Bartlett—That is correct.

Senator SIEWERT—What about their other project funding—most projects are just starting?

Mr Bartlett—In those cases the milestones are negotiated at the start of the project and they are fairly dependent on what activities and the timing of those activities that the proponent put forward—it does not matter whether it is a regional body or another organisation. We normally contact each of those proponents around the time that a milestone report is due to see how they are going and remind them that one is due. If they have some delays or something, we will work out a way to work with them. But we cannot make a payment that is based on a contractual commitment if they have not been able to meet the commitment.

Senator SIEWERT—Have all the major and additional projects for regions that were approved—and we talked about the camel project—been signed off? I am referring to the ones that were approved last year?

Mr Thompson—Of those approved in the large round—competitive projects—one project has not been signed off yet, but the contract is with the proponent at present.

Senator SIEWERT—Which project is that?

Mr Thompson—It is a project working with landholders on sustainable practices with the Grains Research and Development Corporation. There were some detailed negotiations about the detail of that. It is quite a large project.

Senator SIEWERT—I have been asking questions and have not had a chance to add \$38 million, the \$10 million and so on. Do you have an overall figure that you can give me to save me adding it?

Mr Thompson—There is \$171 million for projects under the business plan, plus \$138 million for the regional base. It adds up to \$300 million.

Senator SIEWERT—It is \$171 million plus \$138 million?

Mr Thompson—Yes.

Senator O'BRIEN—I am not sure whether you covered this but I want to find out about the changes made to the application process that made it easier for organisations to apply for funding.

Mr Thompson—For community organisations?

Senator O'BRIEN—Yes.

Mr Thompson—The first thing that made it easier for community organisations was the introduction of the Caring for our Country Community Action Grants—a \$5 million program which only community groups apply for. The other thing that we have done—and I will use an example within sustainable agriculture practices—is to separate out the project that involves an expression of interest in larger projects versus the ones that community groups can apply for. The application has been extensively redesigned. It is now fully automated and online, so everybody puts the same amount of information in each box. Therefore, bigger groups cannot put in bigger ones and smaller groups smaller ones—everyone has to fill in the same application. As I said earlier, we have also reminded regions that we would like them to work with community groups to help them as well. We have funded up to 56 Landcare coordinators across the country to help community groups to apply for funds as well.

Senator O'BRIEN—I understand that reducing the impact of pest animals is one of the targets of the business plan. Can you tell me more about that?

Mr Thompson—That target has been broadened to pick up pests and animals that have impacts both on the environment and sustainable agriculture. The range of pests has been expanded. We now pick up pigs and wild dogs. In the case of weeds, we have improved the description of the projects so that people can better understand how they link into Weeds of National Significance. We have expanded the definition of which sorts of weeds they can effect. Not only can they look at weeds that are outliers or at the frontier, but also, where practical and where they can make a big difference, to go into the core infestations if they can make a significant impact on getting them to manageable levels.

Senator O'BRIEN—What sort of particular weeds are you talking about in that group?

Mr Thompson—The outliers and frontier weeds are spreading rapidly. That is the rubber vine or prickly bush in the tropics. The ones where it might make sense to go to more of a core infestation is because of the nature of control might be something like bridal creeper or gorse. It can be cost effective to hit the centre of gorse in those parts of Victoria or Tasmania where gorse is common.

Senator O'BRIEN—There is plenty work to do there. Thank you for that.

Senator SIEWERT—I would like to follow up on the question about Landcare coordinators. Are they a new group or the group put on earlier last year?

Mr Thompson—They were put on in August or September last year.

Senator SIEWERT—I thought some had started around June.

Mr Thompson—They were announced on 5 June.

Senator SIEWERT—So you have not put another lot on?

Mr Thompson—No, but this is the first opportunity they have had to actually work on a business plan.

Senator SIEWERT—Okay. I am aware that in Western Australia, for example, that one of the officers worked with a couple of regional groups to get their bids up to scratch. Are they the same people?

Mr Thompson—Yes, and this is the opportunity to do it because last year they were not there for the business planning submission process that went through from November to March. This time they are in place for the business plan application process.

Senator SIEWERT—Did you say there are 56?

Mr Thompson—There are 47 actually appointed at the present time.

Senator SIEWERT—Did I mishear?

Mr Thompson—We have provided funding for 56, but some regions have not completed contractual arrangements at present and three have chosen not to employ.

Senator SIEWERT—I see. So it is not that there is funding for 56; there is supposed to be one for each regional organisation?

Mr Thompson—There is supposed to be one in each regional area of Australia.

Senator SIEWERT—Can you provide a list of where they are?

Mr Thompson—Yes. We will have to take that on notice.

Senator SIEWERT—That would be appreciated. How much is that program worth?

Mr Thompson—Total amount of funding us up to \$33.6 million over four years.

Senator SIEWERT—So officers could be in place for four years?

Mr Thompson—Yes, they could be in place for four years. At present their contracts are for 6 months and are currently being negotiated for another four months. The process for continued funding is still being finalised.

Senator SIEWERT—Who make applications for that funding? Does each organisation have to apply for one, or is the Commonwealth doing as it did previously with the overall state coordinators?

Mr Thompson—For this interim process we invited each of the regional bodies in those regions to provide a short submission on whether they could use one of these facilitators and what they would use them for.

Senator SIEWERT—So when you say ‘interim’, that was an interim process and they are now doing it for a longer term?

Mr Thompson—That was for the process that was announced in June last year. Arrangements for the future three years of the program are still being finalised.

Senator SIEWERT—When is that likely to happen?

Mr Thompson—We would expect that to be settled fairly shortly, but I do not have an exact date at this point in time.

Senator SIEWERT—Is it expected that the officers currently employed—provided they are meeting the job requirements—would be rolled over, or will they have to go through the process again?

Mr Thompson—It will depend on who actually delivers the services. They could be rolled over in some cases and in others changes might occur. In others the same person might be employed by a different body. Clearly, continuing employment does make sense—that is, for the individual to keep doing the job—but their employer might change. We cannot say until we know what the longer term process will be.

Senator SIEWERT—This question may be classed as a request for policy advice.

CHAIR—Try it and see what comes back.

Senator SIEWERT—The department is working with the 56 regional organisations now. I am aware of a couple of situations where a number of the regional groups may want to split or change. What is the department's position on that?

Mr Thompson—In some cases we are working with regional organisations that are state statutory bodies, such as in New South Wales or Victoria. If those states wish to change the number of regional bodies, we do not object to that. Normally the states talk to us about that and then we can take a decision whether we still wish to invest with the new split bodies or merged ones. For example, Victoria has announced that it wants to merge some regional bodies. In those cases where they are community based organisations, we have an interest in the bodies being well managed and sensibly governed. Both the Commonwealth and the states under previous arrangements have agreed on what should be the regional body for an area. When a group is merging or splitting it normally liaises directly with us to explain what is going on and to keep us in the loop. We provide advice on what our expectations are for management and governance arrangements. We also frequently indicate some options about how they might like to establish themselves or provide some examples from other states. They might then come forward with fewer bodies or more bodies.

Senator SIEWERT—So you do not have an in-principle position that regional community based organisations have to stay come what may? If they present a reasonable option you are prepared to consider it?

Mr Thompson—If they present a reasonable option, ministers look at endorsing different regional bodies.

[5.18 pm]

Australian Fisheries Management Authority

CHAIR—I welcome officials from the Australian Fisheries Management Authority.

Senator SIEWERT—If I talk about the 10-kilo rule, do people know what I am talking about? There are rumours going around that there is going to be a shift from the 10-kilo rule. Is that a correct or incorrect rumour?

Prof. Hurry—The 10-kilo rule has been in the southern blue fin industry now for probably six or seven years. It is a method we use to estimate a weight of the fish we have in our pens. This year after the decision in the Southern Bluefin Tuna Commission industry asked us to vary the rule. We said we would not vary it unless there was something better than what we had to replace it. We have offered stereo video as an alternative.

Senator SIEWERT—What was that?

Prof. Hurry—We have offered a method of stereo video filming to measure the size of the fish. We will trial that probably next year, because I do not think anyone wants to carry through under-10-kilo fish this year.

Senator SIEWERT—Does that mean you would actually physically measure them?

Prof. Hurry—The idea of the stereo video technology is to give you an actual measurement of the fish. Then you have a set of length and weight tables that you use to convert the fish length to a weight equivalent.

Senator SIEWERT—So what you are talking about is a much more accurate assessment. Is that correct?

Prof. Hurry—Trials to date indicate that you would. But I would not say that I got a bad estimate out of the under-10-kilo rule that we apply across the fishery at the moment.

Senator SIEWERT—I was not meaning to imply that.

Prof. Hurry—That is okay; I was just clarifying that.

Senator SIEWERT—I am not saying it until we have seen data. Do you intend running trial for the next season?

Prof. Hurry—There was an agreement taken in the Southern Bluefin Tuna Commission that we would run 10 per cent of our fish using that method in the 2010-11 year. Our 2010 year starts on 1 December 2010.

Senator SIEWERT—Until that point are you still running with the 10-kilo rule?

Prof. Hurry—We are.

Senator SIEWERT—Will you still be running the 10-kilo rule while you are carrying out the trial?

Prof. Hurry—That is our intention.

Senator SIEWERT—Except for the percentage that you are running through the trial?

Prof. Hurry—That is correct. Part of that is that we want to make sure in a commercial sense that this technology works properly for us.

Senator SIEWERT—You will acknowledge concern that if you go under the 10-kilo rule there is the potential that more tuna could be taken. That is the concern that has been outlined to me.

Prof. Hurry—Absolutely. The allocation under the Southern Bluefin Tuna Commission is a tonnage, not a number of fish.

Senator SIEWERT—I understand that. But we still have issues with reduced stock.

Dr J Findlay—That is quite complex science with regard to the relative impact of different sized classes of fish ultimately on the spawning stock. There has been work done on that in the past. A long time ago when Australia first started catching fish we used to catch very small fish. When our allocations were first done we were catching smaller fish than we are now. The move back will certainly catch more individuals but not more in tonnage. There is a trade-off there about natural mortality and a few other bits and pieces. It is not as simple as you catching more fish and that is therefore more fish out of the stock.

Senator COLBECK—I will start with the DAFF but similar questions will also apply to the AFMA so we might as well deal with this stuff together. The recent decision on listing of mako sharks, long fin, short fin and porbeagles. What consultations did DAFF have with the Department of the Environment, Water, Heritage and the Arts on that process?

Mr Pittar—As you would be aware, DEWHA is the lead agency for matters of listing under the EPBC Act.

Senator COLBECK—I understand.

Mr Pittar—DEWHA did consult with DAFF on a number of occasions during course of last year. That included consultation with us on their proposed approach with the listing of mako shark and the other species that you mentioned and sought suggestions from us on who they should consult with on the approach they were proposing to take. We did have a number of consultations with DEWHA during latter part of last year.

Senator COLBECK—The latter part of last year?

Mr Pittar—Correct.

Senator COLBECK—What about consultations prior to the CMS meeting in Rome in December 2008?

Mr Pittar—I do not have information going back that far I am afraid. I presumed you were talking about consultation post the meetings of the CMS in late 2008.

Senator COLBECK—That is where damage was done, or the actual decision at an international level to list them was made. Obviously Australia went into that with a position. I am interested to know what consultation your department had with DEWHA going into that decision.

Mr Pittar—I would have to take that on notice; I do not have that information in front of me.

Senator COLBECK—That is my perspective as a critic at this point in time. Was the department consulted in relation to the makeup of the delegation?

Mr Pittar—I do not have details about the nature of consultations between DEWHA and DAFF in the lead-up to that November 2008 meeting. I will have to take that on notice.

Senator COLBECK—Can you give me dates of consultations post the December 2008 meeting?

Mr Pittar—We can include that in our answer.

Senator COLBECK—And since the tabling of the listing in November? I hope you are taking notice of this Professor Hurry, because they are all coming your way as well, unless you would like to chime in now on that initial round. Did you have any consultations prior to December 2008 with DEWHA on the potential listing?

Prof. Hurry—I would have to go back and check that. I remember a discussion about white sharks at about the same time. I cannot remember whether that was CMS or CITES. But in regard to porbeagles and makos, I thought the discussions we had were just prior to this last round. I will check that and come back formally.

Senator COLBECK—By white sharks do you meant big ones—great whites?

Prof. Hurry—Yes. There was a listing of them some time ago. I thought that would have been around 2008. But I do not remember any prior discussion on porbeagles and makos. I will check and come back to you formally.

Senator COLBECK—You cannot remember so you obviously cannot answer this next question. What consultations have either of you had with the commercial and recreational fishing sectors prior to December 2008 and post the announcement of the listing?

Mr Pittar—We will have to take that on notice.

Senator COLBECK—I understand that you will have to take that on notice, because you cannot remember whether you were consulted. Obviously that question provides some memory issues.

Mr Thompson—It is not just a memory issue; it actually goes back before our time and we would have to consult the records.

Prof. Hurry—I will have to do the same.

Senator COLBECK—That is fine. Mr Pittar, with respect to the consultations that you do have records of, was advice provided to DEWHA on the process? Given that it has actually been listed, what nature of advice could you have given to DEWHA after the process of listing had been finalised? Can you give us a sense of what the conversations were about?

Mr Pittar—I think DEWHA would have been aware of the implications of a listing of those species under the convention for migratory species and the follow-on effect that that would have in relation to the listing under the EPBC Act, because they are responsible for that legislation. The sorts of conversations we had with DEWHA, once those species were listed on the convention for migratory species, related to questions they asked about the potential effects that that might have on the commercial fishing sector and the recreational fishing sector.

Senator COLBECK—Which brings me quite nicely into the report that Minister Garrett was provided indicating a negligible impact on the recreational fishing sector. Did you have any input into that report?

Mr Pittar—I do not recall whether we had input into that report specifically.

Senator COLBECK—Are you aware of the document that I am referring to? I do not have it here to table, but you are aware of the document that indicated negligible impact on the recreational fishing sector?

Mr Pittar—I am not aware of the specifics of that document.

Senator COLBECK—If they asked you about the impact can you give an indication of the nature of the advice that you provided?

Mr Pittar—We outlined to DEWHA that given that recreational fishing is essentially a matter that is regulated by the states and territories that it should consult with the states and territories in order to get a better understanding of the impacts on the recreation gaming and charter sector. That was the nature of the advice that we provided to DEWHA in relation to convention on migratory species.

Senator COLBECK—So the department does not hold any information?

Mr Pittar—We do not hold data that we would consider would be able to answer that question particularly well given that responsibilities for wreck, charter and so on rest with the states and territories.

Senator COLBECK—What about the commercial sector?

Mr Pittar—The commercial sector in relation to Commonwealth fisheries? The Australian Fisheries Management Authority has information that can help understand and gauge the impact of such listings on the sector.

Senator COLBECK—In effect there has been a couple of conversations between DAFF and DEWHA on the issue and the result of that would be that recreational fishing issues were flicked to the states for consultation and commercial issues were flicked across to AFMA to provide advice?

Mr Pittar—We suggested that DEWHA engage with those agencies that were likely to have the best data and information.

Senator COLBECK—I refer to you Professor Hurry in respect of discussions on the commercial fishery.

Prof. Hurry—Can I ask Dr Findlay to take these questions?

Senator COLBECK—Certainly.

Dr J Findlay—We provided a lot of data back to DEWHA about the catch of makos, porbeagles in our eastern and western tuna and billfish fisheries and also sought clarification about how the listing would affect rules currently in place for those fisheries. That clarification made it clear for those fisheries that are currently accredited under part 13 of the EPBC Act that there would not be an impact beyond the requirement now to release live sharks at the time of catch. A dead shark should be retained as per the current rules.

Senator COLBECK—Given that there is a management plan in place to oversight the catching of those sharks, that provided the circumstance under section 13 for an exemption under the EPBC Act, but the management plan has to be modified to incorporate that live sharks be released?

Dr J Findlay—That is right.

Senator COLBECK—That is essentially the effect. Can you provide us—perhaps best on notice—with some of that catch information? I am happy for that to be on notice.

Dr J Findlay—Sure.

Senator COLBECK—Are you aware that any commercial fishermen are actually targeting makos as part of their catch? That is not my information.

Dr J Findlay—That is certainly not our understanding. We have no evidence of that and certainly talking to the fishers there is no-one claiming they are doing that.

Senator COLBECK—My information is that they are a bit of a pest because they tend to cut through gear and lead to expensive efforts to recapture it.

Dr J Findlay—That is true. We banned wide trace in our fishing gear for tuna and billfish some time ago to deal with the bycatch of sharks. We hoped we would see fewer sharks coming up on the lines. The fishers generally do not want to catch sharks. Mako sharks are a reasonably good product and are reasonably well sold, but they are not catching big quantities and it is not a high value issue at the moment. Certainly they are not—

Senator COLBECK—The indication to me from professional fishermen is that they prefer to be in waters where there are not large numbers of them because they cut their gear off and it is expensive to get it back. When you provide that information can you break it down by region to give us the capacity to assess that?

Dr J Findlay—I caution that there are some limitations on the scale at which we can provide you data. We have a policy that prevents us data publicly below five boats. With that caution we can go to as fine a scale—

Senator COLBECK—I do not necessarily want it to that level of detail. I am looking for some overall numbers and perhaps some regional numbers. I do not know whether that creates any sensitivity based on who fishes in what areas. But I am happy to work within the parameters that you might have to provide some data. I am interested in getting a sense of the broader data.

Dr J Findlay—We will do our best.

Senator COLBECK—This is another question that could go across both elements. With respect to other species that are being considered as part of a listing process, can I get a sense of your awareness of those? What consultations are occurring and what involvement is there?

Mr Pittar—My understanding in relation to the convention on migratory species is that that conference of parties is not scheduled to meet again until late in 2011. So, if you like, there is nothing immediately on the horizon for us in relation to the Convention on migratory species. Dr Findlay from AFMA might have different information, but that is my understanding.

Dr J Findlay—That is my understanding as well under CMS.

Senator COLBECK—So no preparatory work is being done on any other species at this stage in proceedings that you are aware of?

Dr J Findlay—Not that I am aware of. DEWHA leads on that process, so it is really a question for DEWHA.

Senator COLBECK—Do not worry, I will be asking them that. If you are not aware of it there has obviously been no consultation with either AFMA or the department on those

species or what the impacts might be. Are you aware of any lists that might exist of species that might be being targeted for listing?

Dr J Findlay—I am not aware of any list like that.

Senator COLBECK—I do not think you have any responsibilities in the Darling River do you, Professor Hurry? Or you would hope not, anyway. A suggestion was made in December by a river ecologist from Charles Sturt University that fishing be banned in large portions of the Murray-Darling Basin to prevent a native fish from becoming extinct. It was suggested that Australian governments have been working on that for some time. Do we have any knowledge in DAFF about that and have we been working on such protected area?

Mr Thompson—That is probably a question best directed at DEWHA. Prior to some departmental restructuring, the department was involved in some issues related to native fish management in the Murray-Darling Basin area. The Murray-Darling Basin Authority does have a native fish strategy. My recollection is that it is just part of an agreed strategy, but it does not propose banning fishing in any area in any shape or form as far as I am aware. It is not something we have been directly involved in.

Senator COLBECK—So you do not have any direct involvement, so we can pester DAFF about that tomorrow. Going back to the marine bioregional planning process that we had some discussion about at the last estimates hearings. There has been a fairly minimal involvement from DAFF in that process. Is that still the case—that there is still little engagement of DAFF in the marine bioregional process?

Mr Thompson—From our point of view the process is fairly much as it has been before. DEWHA take the lead on that. We liaise with DEWHA and monitor what is coming back from consultation sessions. We also liaise with industry about what submissions they are making and with DEWHA on where the process is at. AFMA takes a closer involvement and the Bureau of Rural Science also monitors it.

Mr Pittar—The Bureau of Rural Science has input to DEWHA on some of the biophysical aspects for the proposed bioregional areas. So there is scientific input from the BRS, which BRS can talk more about.

Senator COLBECK—What about in respect of impacts on recreational fishing, which obviously does not fall necessarily within the commercial side of things. I am sure AFMA is doing some work on the bioregional planning process from a commercial perspective at the moment. Can you give us a sense of where that is at?

Dr J Findlay—Fishers are very concerned about that and we have been quite active in trying to make sure that DEWHA has the best available data and information about the commercial fisheries that they need in the planning process. As we advised last time, we have also attended nearly all the stakeholder meetings and have certainly engaged with DEWHA on this process in terms of making sure they are informed about various gears and methods and what that means in terms of assessing impacts as part of their planning process. We are quite actively involved, but at the end of the day it is a DEWHA process.

Senator COLBECK—I understand that. One of the things that would concern me from the process that we have just experienced is getting a real understanding of the potential

impacts. I do not think it could be said that anyone had a good handle on potential impacts on the recreational fishery, although I think that has probably changed since the events over Christmas—I am pretty sure that would be case. For example, during development of the recreational fishing plan that I know has been occurring over recent months, has there been any consideration of involvement or consultation in the development of that process?

Mr Pittar—There are two distinct threads there. DEWHA consults with the recreational fishing sector as part of its bioregional planning process. So, there is a conduit for information directly from the recreational fishing sector to DEWHA, which it can then consider as part of that bioregional planning process.

Senator COLBECK—But one of the weaknesses in that process is the structure of the recreational fishing sector, which is obviously something that might feed over into the other side of the equation and that is something that could be considered as part of the recreational fishing policy review that the government is currently undertaking.

Mr Pittar—That is the second element. The Recreational Fishing Advisory Committee has been charged reviewing 1994 recreational fishing policy and making recommendations to government in relation to the future direction of that policy. So it is a broader approach than focusing on the marine bioregional planning process.

Senator COLBECK—I understand that that committee has completed its final report and that it is with the minister. Correct me if I am wrong, of course. When is that report likely to see the light of day?

Mr Pittar—Government is considering the report from the RFAC and decisions on when it might be made public or currently being considered by government.

Senator COLBECK—Can you give us an indication of how much was expended on developing the report?

Mr Pittar—The committee undertook extensive consultation as it was developing that policy. I believe it has expended in the order of \$80,000 to \$90,000 over the course of the current and last financial years in consulting and then putting a proposed policy forward or developing the discussion paper.

Mr Thompson—The total cost since that started is \$150,000.

Senator COLBECK—\$150,000?

Mr Thompson—Since it started.

Senator COLBECK—That is the cost to date?

Mr Thompson—That is the cost to date—the operational costs of the Recreational Fishing Advisory Council. Some of the things they have been doing may well have gone beyond the strategy, but most of it is the strategy.

Senator COLBECK—Given that their work is effectively completed, that would be extent of expenditure for that process, or is there any more projected expenditure for that part of the process?

Mr Thompson—There may be some additional expenditure because there may be further consultation on a draft document that the committee may wish to consider and there may be

further meetings as they do that. Over a year and a half they have spent \$150,000. That gives you an idea of the cost.

Senator COLBECK—I understand that the committee has completed its final report.

Mr Pittar—That was a draft document. It has completed a draft report, which government is currently considering and government will then—

Senator COLBECK—So it is not the final report; it is a draft report at this stage?

Mr Pittar—I think that is the best characterisation.

Senator COLBECK—Okay. So there may be further consultations through the policy review committee process on potential government responses?

Mr Pittar—We would anticipate that there would be some further public consultation over the draft document that the committee has prepared, but they are ultimately decisions for government.

Senator COLBECK—I would like a schedule of the consultations to a date. I am happy to put that on notice as part of the process. Given that the program is supposed to be completed by 30 June 2011—that is according to your policy document—would you expect to be implementing recommendations prior to that date?

Mr Pittar—That would be the expectation—to be in a position for those recommendations to be actioned and picked up prior to 30 June 2011.

Senator COLBECK—The funding commitment for the program in the government's policy document was \$2 million. Given that you have spent \$150,000 so far—and let us be generous and say further consultations will cost you another \$50,000, —which is \$200,000—there is \$1.8 million sitting there in the kick. What will happen to that money?

Mr Pittar—That money is available for strategies, for actions and for projects that are in support or will support the further development of the recreational fishing sector. To the Recreation Fishing Advisory Committee in its draft document has made some suggestions on the sorts of things that could further support the sector as a whole.

Senator COLBECK—So there is a \$1.8 million fund that can be gleefully announced in the lead up to a federal election?

Dr O'Connell—I think we should leave it as Mr Pittar put it.

Senator COLBECK—I am sure that is what you would like. You can have your interpretation, Dr O'Connell, and I accept that. I have no issue with that, but others may have a different interpretation and I understand that will vary. Is it realistic to expect that we will spend that extra \$1.8 million by 30 June?

Dr O'Connell—2011 is the date.

Mr Thompson—Money is spread over the next two years.

Senator COLBECK—So you expect that you will finish spending it by 30 June 2011?

Mr Thompson—Yes, Senator.

Senator COLBECK—Does the government have a view on the potential life of Recfish, which as I understand it is getting close to the end of its operational existence because it has been effectively defunded?

Mr Pittar—I think we have covered some of these issues at the previous estimates hearings. It is not so much a question of being defunded, as I think we have covered at previous estimates. Recfish was provided with some funding to look at future funding options that would be independent of government streams of financing. They are matters for Recfish and the stakeholder groups that they liaise with.

Senator COLBECK—So it is up to Recfish to determine its future in that context?

Mr Thompson—It is up to Recfish, business, industries and individuals who comprise that rec fishing sector. They received some money in the past to look at their future. But how they continue on into the future as a representative or consultative body is really up to that sector the same as with other organisations.

Dr O'Connell—As a point of information, our understanding is that Recfish has joined an alliance of recreational fishing, boating and marine groups that goes under the title of Boating and Fishing Council of Australia. It may be that that is how they are looking at their future.

Senator IAN MACDONALD—Can I get some information on which bioregional marine process that either DAFF or AFMA currently engaged in with DEWHA?

Mr Pittar—There are four bioregional planning processes currently under way around the country. There is the east bioregion, the north, the north-west and the south-west. All of those processes are currently active on which DEWHA has the lead. As Mr Thompson was indicating earlier, DAFF liaises with DEWHA on the process, consultations and that sort of thing. Again, at the last estimates hearings AFMA indicated that AFMA officers attended stakeholder meetings. I believe that, as we covered a little earlier, AFMA provides information and data to DEWHA on the commercial fishing related aspects so that they can be considered in that bioregional planning process.

Senator IAN MACDONALD—Does the department of feel that it has the role of being advocate for the fishing industry where it takes part in those bioregional marine planning processes?

Mr Thompson—The department does not see itself as the advocate for the fishing industry, but we try to ensure that the fishing industry has a proper place in the consultation process, that its views are heard and that the facts, as much as possible and as they are known, are available to the relevant decision-makers in the relevant process.

Senator IAN MACDONALD—This is of course a hypothetical question. Does the department understand that if the bioregional process ends up in closure or reduction of fishing areas that the fishing industry within Australia is disadvantaged? Does the department accept that proposition?

Mr Pittar—I think the department, as does DEWHA, understands that in relation to any closures, declarations of marine protected areas or whatever might happen in the future as part of the bioregional planning process, will have potential socioeconomic impacts. Part of the decision-making process that government would need to go through would be balancing the

nature of those impacts and where particular marine protect areas, for example, might be declared. There are costs and those costs would need to be considered as part of government's deliberations on the process.

Senator IAN MACDONALD—So you feel it is your job as part of the process to alert DEWHA of the impact on fisheries should certain things happen? Is that something you proactively offer—you do not wait to be asked by DEWHA about that sort of thing?

Mr Thompson—In a broad sense, yes, we do. But we do make comments to DEWHA in accordance with the process that they are following. We do think it is our role to ensure that the government is aware of the cost of these sorts of decisions as well.

Senator IAN MACDONALD—Is it correct that the east coast is the most advanced process?

Mr Pittar—I think south-west of Western Australia might be. I understand that in relatively recent times the department has extended the east bioregion for another six months.

Senator IAN MACDONALD—At what point are the northern and north-western processes?

Mr Pittar—I do not have the detailed information on that in front of me. Those questions would be best put to DEWHA.

Senator IAN MACDONALD—Are you aware of concerns expressed by Gulf of Carpentaria fishermen, including the prawners, about the impacts of the possible north regional plan or a marine planning process? I must say that perhaps it is fear of the unknown rather than fear of the known, but is the department aware of concerns from gulf fishermen?

Mr Pittar—We are aware that there are concerns, depending on where future marine protected areas might be declared, but those decisions have not yet been taken. Those decisions will need to take account of the potential economic impacts on fishers, on prawn fishers, and on any other industries that potentially could be impact upon by marine protected areas. But, yes, the department is aware that there are some sensitivities around that; that there are prawn trawl areas in the north that are of high value and that any decisions taken will need to take those sorts of factors into account in terms of where ultimately marine protected areas might be declared.

Senator IAN MACDONALD—There are also state fisheries involved, so it is not just the prawning industry. A complaint to me is, 'Nobody tells us anything'. Can I alert you to that as part of the process, or should I be alerting Environment, or can you alert Environment that, whether it is right or wrong, there is a perception or an understanding among fishermen that something is happening, but that they cannot get information on it; nobody knows anything about it; they are not being consulted, in spite of assurances to me that they are part of the consultation? Part of that may well be that, as Senator Colbeck was saying, they are not well organised these days, if they ever have been. Is that a request I can put to you, or should I put it to DEWHA to make sure that fishermen are advised and are consulted?

Mr Pittar—Probably to both of us. But I think it is also important to make the point that bioregional planning processes occur in state waters as well. Some of those processes may well be state driven, if I can put it that way, as opposed to Commonwealth driven.

Senator IAN MACDONALD—Typically with bioregions, they do really stop at state and federal boundaries, do they not? The thought of having them all done together by one process would be far too sensible to suggest?

Mr Pittar—If I understand the process correctly, part of the consideration process for anyone to be aware of particular marine protected areas that might occur in Commonwealth waters is that we seek to take into account what is going on in state waters as well.

Senator IAN MACDONALD—Okay.

Prof. Hurry—Senator Macdonald, just on that, we provide a regular fortnightly newsletter out to industry about just what is happening in fisheries. One of the things we have tried to do for the last 18 months is provide a regular update on what is happening in bioregional marine planning. We will continue to do that. What we might be missing in this is some of the state fisheries. I am not sure we could pick that up, but for the Commonwealth fisheries, we try to cover it quite regularly. We make sure that our officers are at most of the meetings that are held. Discussion is regularly held about bioregional marine planning at the management advisory committee meetings. In the Commonwealth sense, I think we have it reasonably covered, but you could be correct on the state fisheries point.

Senator IAN MACDONALD—Are those reports on your website?

Prof. Hurry—Yes, they should be up on that, the same as we put our newsletter up on the website.

Senator IAN MACDONALD—Okay. I do not want to spend too much time on the Coral Sea fishing permits, but you introduced a new permit on 1 November—this is AFMA, I think.

Prof. Hurry—Yes.

Senator IAN MACDONALD—It coincided, unfortunately, with Environment doing what some might say is ‘pue’ process. What additional obligations have been imposed upon both recreational and commercial fishermen in the Coral Sea section of the eastern tuna and billfish fishery since 1 November that were not there before?

Dr J Findlay—As a result of the Coral Sea Conservation Zone declaration, there has been no change as a direct result of that with regard to our permits. The only condition put on us was to preclude further development to additional permits being issued or new fisheries being developed in that area. There are no permit conditions that we impose to deal with the issue. We are awaiting the assessments, and those things will eventuate further down the track, I suspect.

Senator IAN MACDONALD—Okay, but AFMA did require a Coral Sea permit. Is that right?

Prof. Hurry—If it was the Coral Sea, we would have had permits for all those fisheries for some time. They probably would not be new within the 12 months.

Senator IAN MACDONALD—But was this not something new that happened from 1 November?

Prof. Hurry—No.

Senator IAN MACDONALD—That does not ring a bell?

Prof. Hurry—No. Let me have a look.

Senator IAN MACDONALD—What the question on notice would be is whether you can assure me that since, say, 1 July last year there have been no additional requirements imposed on commercial or recreational fishermen from your point of view.

Prof. Hurry—Yes, I will check. I will also check if there are any WTO restrictions that might have come through for the fishery—any model of trade restrictions. But I am sure it would have just been a rollover of the previous permit.

Dr J Findlay—Senator, noting that we do not manage recreational, we are happy to contact DEWHA and provide that information to you.

Senator IAN MACDONALD—I will ask DEWHA as well. It was really that I have a note here that they now require a Coral Sea fishing permit from 1 November albeit from AFMA. That is the note I have.

Prof. Hurry—No.

Senator IAN MACDONALD—I am happy to hand it over. Have a look at it. It might be wrong.

Chair, I indicated earlier—and thank you for keeping the Caring for our Country people for me—that I will put any questions I have on notice. The only other question I had in that area was on international fishers, but on my list of people who are here, I do not see anyone who is responsible for international fisheries, even though I indicated that is what I would require.

Prof. Hurry—Senator Macdonald, they are probably out the back.

Senator IAN MACDONALD—Well, they are not on the list. That is what I am simply saying.

Dr J Findlay—Senator, what is the question?

Senator IAN MACDONALD—It is about the Indian Ocean Tuna Commission.

Mr Pittar—We can take that.

Senator IAN MACDONALD—I thought I had given notice that I would be asking a couple of questions. Mr Pittar, did you say you would take the question, or was it Mr Thompson?

Mr Pittar—Yes.

Senator IAN MACDONALD—Very helpfully at the last session, in an effort to assist me in an area in which I take an interest and in Australia's and the world's fishing interests, Professor Hurry provided me with a series of reports from the 12th and 13th sessions of the IOTC. You also provided an answer at 108 dated 19 October 2009 about failure to reach a consensus. The matter was considered at the 11th and 12th sessions of the commission when it was agreed that the commission would await the results of the performance review before making a decision. Then you have the results of the performance review, and thank you for giving me those.

According to your answer, the IOTC has adopted a resolution which, among other things, encourages members to bring forward draft resolutions for consideration by the commission

at its session in 2010. The draft resolutions were about the inefficiency and inoperability almost of the IOTC because of its FAO connections. Where are we at? When is the next meeting? Who is attending? What draft resolutions have yet been received? What is Australia proposing? I acknowledge we are a small player in fishing in the IOTC.

Mr Pittar—The next meeting of the 14th session of the IOTC takes place from 1 to 5 March in Pusan in the Republic of Korea. The papers for those meetings are currently coming through bit by bit and we will be assessing those and deciding on approaches to take in relation to the various resolutions in consultation with other Commonwealth agencies. We would anticipate that the delegation to the IOTC meeting will comprise officers from DAFF and from AFMA as well. The precise composition of the delegation has not yet been finalised.

Dr O'Connell—Positions to the commission would probably be agreed by ministers before we go. We need to make that caveat around it.

Senator IAN MACDONALD—I am sorry?

Dr O'Connell—We would go to our ministers, or our minister, on the position that Australia would take. You were asking what would the Australian position be.

Senator IAN MACDONALD—Yes.

Dr O'Connell—We would have to accept that that would be a matter for ministers to agreed before we went there.

Senator IAN MACDONALD—My colleague cynically says, 'And we'll never find out what that position will be.'

Senator SIEWERT—We were just saying that that was the answer we got last time.

Senator COLBECK—The answer we got the last time was that it was a secret.

Senator IAN MACDONALD—Not for this—not for the IOTC, surely.

Senator SIEWERT—No.

Senator COLBECK—No.

Senator IAN MACDONALD—Just briefly, I take it Australia is not actively leading the debate on this at all, which it was some time ago?

Mr Pittar—There are a number of ways in which Australia is involved in the IOTC. We are involved through the IOTC scientific committee, which is looking at the assessment of various stocks and which is the forerunner to the IOTC's remit. We are actively engaged in that. We are engaged also at the commission level and expect to be able to prosecute the Australian agenda at the next commission meeting.

Senator IAN MACDONALD—But I am talking about—I do not need to tell you this because you know—the problem about the biggest fishers. You or AFMA gave me the figures on who are the big players and who are the little ones. The biggest player of course is Taiwan-China, which is not a member of IOTC. It is not even a recognised fishing entity, and that is the problem with the IOTC, as you know. I am not telling you how to suck eggs, but that that is the problem that I thought Australia was keen to address. That has not figured in your preparatory considerations for the March meeting.

Mr Pittar—Senator, I guess the issues in relation to the fishing entity of Taiwan in an FAO context are always going to be difficult. There is no simple solution to it. There is no silver bullet solution through it.

Senator IAN MACDONALD—Do not give me the bureaucratic platitudes. I accept and understand. There was a time when Dr Kalish was an active player in trying to get a resolution by taking the IOTC out of the FAO so you could get China in and actually do something serious with the fish stocks in the Indian Ocean. I regretfully get the feeling that Australia has dropped the ball a bit—out of sight, out of mind. Tell me I am wrong, please.

Mr Thompson—We are still pursuing the same objectives in the Indian Ocean. We are trying to get international cooperation on sustainably managing fish stock out of it. That is the broad picture.

Dr O'Connell—Senator, your point made about the difficulties in the IOTC are well made and understood. We are working to do something constructive to address them.

Senator IAN MACDONALD—But they have been well understood for the last four to six estimates committee hearings. What I am trying to ascertain is what the Australian government is doing towards addressing it. It would involve a bit of DFAT work as well. But it was being handled out of this department in the past. As I recall, Dr Kalish was very much involved in it. I do not seem to detect the same sort of enthusiasm, expertise or interest in that. I am asking someone to assure me I am wrong rather than just saying, 'Ah yes, it's complex, and we're looking into it.' Nobody can give me any comfort. Perhaps it is something I should take up with the minister. I will not ask Senator Sherry to do it because he does not seem to be with me.

Senator Sherry, I am just expressing that my assumption that the Australian government seems to have lost its enthusiasm and expertise in this area. I was asking someone to assure me that that is not right and correct. There has been a bit of silence. I do not blame the officers: they can only do what they can do. Is it something that you could refer to the minister for me, Senator Sherry? Perhaps I will also write, but perhaps you could refer the minister to this part of the estimates. You might like to take that as a question on notice to which you could respond to the whole committee in relation to.

Senator Sherry—I will.

Senator IAN MACDONALD—Thank you.

CHAIR—Thank you, Senator Macdonald. Senator Colbeck?

Senator COLBECK—Thanks, Chair. I will just follow on from the point that Senator Macdonald was making, but I am not sure whether Senator Macdonald was talking specifically about China or Taiwan, or both. My recollection is that there was some recognition of Taiwan into one of the other regional fishing management organisations recently. I am curious about what other work is going towards that process, given that they are significant players in regional fisheries.

Senator IAN MACDONALD—Could I give you the briefest answer, rather than putting that to the officers? The IOTC is difficult because it is FAO, which is UN, which does not recognise Taiwan, whereas in the other RFMOs Taiwan is the fishing entity of Taiwan.

Senator COLBECK—But Taiwan does have status in some of the UN organisations, as I understand it. But not in fisheries?

Mr Pittar—I do not think that is the case. The most recent RFMO where that issue was discussed was, as Senator Macdonald was saying, a non-UN body. That would have been negotiations for the establishment of the South Pacific Fisheries Management Organisation.

Dr O’Connell—Essentially, Senator Macdonald has it dead right.

Senator COLBECK—While we are talking in that particular region, do we have any news, activity or action with respect to the Spanish trawlers that were working in the waters between Australia and New Zealand?

Mr Pittar—Senator, in the context of the South Pacific Regional Fisheries Management Organisation discussions, which took place late last year, there were a series of resolutions relating to interim arrangements that would be in place prior to the formal establishment of the SPRFMO. Some of those interim arrangements related to the use of gill nets. Those resolutions were carried, which would essentially, if I recall correctly, require countries either to state that they would not enforce a ban of gill nets or, alternatively, would enforce a ban on gill nets. I think the date for that was either the beginning or the end of February. I cannot remember whether it was 1 or 28 February. The intention would be that there would be bans in place for gill netting in that area which would be covered by the SPRFMO agreement.

Senator COLBECK—Has that directly raised with the EU and Spain?

Mr Pittar—It has been. I would need to take on notice the precise detail of that, but my understanding is that the European commission has now agreed that that ban on gill netting would apply in the interim until establishment of the SPRFMO. If I am not entirely correct, I will correct that on notice. [6.15 pm]

Senator COLBECK—Okay. What are the broad effect on that, apart from the big Spanish vessels coming in? That does not cause any grief to any other fisheries? I think that is basically a practice that is not used in our waters. Is that correct?

Mr Pittar—The SPRFMO was covering the high seas, Senator. My understanding is that the activity from Australian fishers in that area was very limited or negligible.

Senator COLBECK—Okay. While we are talking about deciding the management of our fisheries, can you give us a sense of what value we got out of the *Oceanic Viking* over the last six months?

Mr Pittar—Senator, they are probably questions that are best directed towards AFMA.

Senator COLBECK—That is the quickest handball I have heard for a while.

Senator IAN MACDONALD—No, but from a serious point of view, with AFMA fisheries on board and patrolling the Southern Ocean, which is what the ship was to be acquired for—not to act as a motel for illegal immigrants—I think Senator Colbeck’s question related to AFMA’s point of view. Have the patrols continued? Are they still being effective in the Southern Ocean? How often have we been down there after the event? Of course we never ask what happens in advance of the event, for obvious reasons. But I think that was the nature of Senator Colbeck’s question.

Senator COLBECK—All of those questions were coming, Senator Macdonald.

Senator IAN MACDONALD—Indubitably.

Senator COLBECK—You are brilliant in your anticipation.

Senator IAN MACDONALD—Okay. Sorry. I thought you had finished.

Senator COLBECK—That is okay.

Mr Venslovas—I will try to answer the questions one by one. In relation to the *Oceanic Viking*—**Senator COLBECK**—I take it there is no significance in the fact that you are based in Darwin, is there?

Mr Venslovas—No, Senator.

Senator COLBECK—It is a long way from the Southern Ocean. That is all I am trying to say.

Mr Venslovas—No. We run a fly in, fly out model. Our officers attend every patrol. There are two to three officers on every patrol. They are based in Darwin, although they may be deployed from other southern states.

Senator COLBECK—Okay.

Mr Venslovas—In relation to coverage by the *Ocean Viking*, there has been one patrol to date.

Senator IAN MACDONALD—This calendar year, do you mean?

Mr Venslovas—In this financial year. Essentially the patrols are spread equally over the calendar years and the financial years. On average there are four per year, regardless of whether you are talking about calendar year versus financial year. One patrol has been undertaken to date, and another three are scheduled prior to the conclusion of the financial year. That makes four patrols.

Senator COLBECK—Okay. Did that patrol predate the last estimates?

Senator IAN MACDONALD—When was it?

Mr Venslovas—The first patrol concluded on 31 July 2009. Border Protection Command coordinates the patrolling of the Southern Oceans with those conducted by the French Navy patrol vessels so that there is maximum coverage of the area and so that we are not down there at the same time. There was a French patrol that essentially went for two months from October through to the end of December 2009. When the *Oceanic Viking* was not on station, the French patrol essentially was covering the area.

Senator COLBECK—That was by design that the French ship was there? Did there have to be any rescheduling or any renegotiation of patrols with our partners in patrolling the region to ensure that the region was covered when we could not be there?

Mr Venslovas—They are probably questions that are better directed to the Border Protection Command. The BPC coordinates with the French and deals directly with the French.

Senator IAN MACDONALD—Tell us this: how many French patrols, and on what dates, have your officers been involved in? As I understand it, the system is that your officers or Customs officers go onto the French ships and patrol relevant areas.

Mr Venslovas—There were two AFMA officers on board a French patrol from 19 October 2009 to 19 December 2009.

Senator COLBECK—Did the event that occurred with the people who were picked up by the *Oceanic Viking* disrupt any planned patrols?

Mr Venslovas—There was one patrol scheduled for October 2009. However, that had to be postponed and taken up later in the year. That patrol now will take up one of the three scheduled for the remainder of the financial year.

Senator COLBECK—So in fact it did disrupt planned patrols in the Southern Ocean? Those circumstances did disrupt that planned patrol in the Southern Ocean.

Dr O'Connell—I think it is worth clarifying that that still does not prevent the full four trips per year occurring.

Senator COLBECK—Oh, no?

Dr O'Connell—In either financial or calendar year.

Senator COLBECK—I do not infer that. I understand that there is planned to be four for the year. We can deal with what happens over the rest of the year when we get to that particular time to ask some questions.

Senator IAN MACDONALD—You hate to highlight this, and we are doing this for all the right reasons. The people who watch these things will understand that we had no Australian patrols there from 1 July or 31 July, or from 6 October until what is it?

Senator COLBECK—Until today.

Senator IAN MACDONALD—Until whatever today is—8 January.

Senator COLBECK—February.

Senator IAN MACDONALD—Until 8 February.

Senator Sherry—This is sounding like a Barnaby Joyce presentation.

Senator IAN MACDONALD—It does, does it not? Time moves so quickly.

Senator Sherry—I will let you continue.

Senator IAN MACDONALD—The fact of the matter is that there has been no Australian presence.

Senator COLBECK—For over six months, there has been no Australian presence in the Southern Ocean.

Dr O'Connell—For six months. Again, in that context, if we are trying to emphasise it, we need to emphasise that there was a French patrol, which was a cooperation exercise.

Senator IAN MACDONALD—There was one Australian involvement for two weeks on a French patrol.

Dr O'Connell—No, two months. That was a two-months presence. I think we need to make sure we have the correct sector.

Senator IAN MACDONALD—I am sorry, I missed the date: which October to which December?

Prof. Hurry—October through to December.

Mr Venslovas—The Australians were on the French vessel from 19 October 2009 to 19 December 2009, so two months.

Senator ADAMS—Is it correct to say that there were no patrols whatsoever from 31 July and 19 October in that particular area. Is that correct?

Mr Venslovas—That would be correct.

Senator COLBECK—At the time that the *Oceanic Viking* intercepted the vessel, were there fisheries officers on board at that point in time?

Mr Venslovas—There was one fisheries officer on board at that time.

Senator COLBECK—Once the interception was made and they arrived in Indonesian waters, was that officer was taken off the vessel and returned to other duties?

Prof. Hurry—She stayed on there until when?

Mr Venslovas—She essentially stayed on there for about a week until logistical arrangements could be finalised by Customs to remove part of their crew, and the fisheries officer who was on board, and she was returned to Darwin.

Senator COLBECK—Obviously there was some uncertainty at the time about what was going to happen with the vessel and with logistical arrangements, so I think a week is reasonable. Did the officer take any role with respect to the people who were taken onto the ship, do you know?

Mr Venslovas—Our approach is that where officers are deployed on patrol boats that become involved in the apprehension of SIEVs, our officers normally do not get involved in the law enforcement aspects of that program. However, from a logistical point of view, where there is practical value that can be added by the officer, they become involved in certain areas. On this occasion, the female officer, or AFMA officer, on board was assisting in the searching of female asylum seekers.

Senator COLBECK—Okay. I understand if you have to take this on notice, but could you give us the cost implications of the time that was lost during that particular process from the time that the people were picked up to when the officer was repatriated to Darwin and the costs associated with that, please?

Mr Venslovas—Yes.

Senator COLBECK—Just in respect of the vessel's operations since then, obviously from your comments it has in the Southern Ocean since that event, but has it been involved in any other interceptions or arrests of people breaching our fisheries laws since then?

Mr Venslovas—No.

Senator COLBECK—So it has not been involved in any sightings or arrests of poachers, obviously not in the Southern Ocean, but in northern waters either since that particular time?

Mr Venslovas—That is correct.

Senator COLBECK—I could ask where the ship now is, but I do not think I would be told because we do not necessarily want the people who wish to know to know where it is. But hopefully it is patrolling somewhere.

Senator IAN MACDONALD—The evidence given is that it will not be patrolling until later in this financial year.

Senator ADAMS—It has to do three trips and a bit more.

Senator COLBECK—It could be patrolling in northern waters.

Prof. Hurry—We would prefer not to comment.

Senator IAN MACDONALD—Okay.

Senator COLBECK—Professor Hurry, just in relation to this year's SBT catch—I think we can probably do that pretty quickly—anecdotal information coming to me was that the catch was rounded up pretty smartly this year. The reports coming back from the industry are that numbers appeared to be up from their observations and that they were able to pick and choose, if you like, as to optimal schools or groups of fish to catch. Is there any sense or perception of why that might be the case, given some of the other reporting that has been given to us on overall stocks? I know the fishermen think that other jurisdictions might be complying with their quota limits. Is there any sense of that, or are you getting any reporting back on that?

Prof. Hurry—I am getting the same reporting that you are getting, Senator—that it has been a very good year down in the Great Australian Bight. The information from the commercial spotters that I am getting, the operators off the vessels whose judgment I tend to trust, and from the CSIRO surveys that we are now getting in daily, indicate that there are significant schools of fish down there. I guess we would wait until the end of the season, until all the spotting data is in and the scientists get a chance to collate it, to begin to see what it is telling us. But it has been a fairly positive response from the fishermen. You are right: they did catch the quota fairly quickly and the fish that on the tow on the way appear to be fairly good fish.

Senator COLBECK—The anecdotal information coming from the fishermen is being supported by evidence that is being collected by the CSIRO researchers?

Prof. Hurry—The spotting information from the CSIRO aerial survey flights and from the commercial spotters are both indicating quite large and quite regular patches of fish, but I prefer to wait until the end of the season when we can collate it.

Senator COLBECK—I understand.

Prof. Hurry—We will just see what picture it shows us. But your information is consistent with what we are hearing out of industry as well.

Senator COLBECK—Hopefully that is something that is positive coming forward. I think we had some discussion at an earlier estimates hearing in relation to recognition of statutory

fishing rights. The department or AFMA was doing some work on the recognition of those where they sat. Is there anything further that you can report to me on that, or is there any information that you might be able to give us as far as how they are being recognised? I understand there was some legal advice being sought on the actual statutory nature of the rights.

Prof. Hurry—I think we took that question but it is going back a while.

Senator COLBECK—It is a little while. I am just wondering if there is anything further on that.

Prof. Hurry—Unless Dr Findlay has something, I would probably be better placed to take it on notice and come back to you.

Senator COLBECK—All right.

CHAIR—I am just looking across at fellow committee members. Do we have a lot more questions of AFMA? If we do, we will break and then come back; but if there are not, shall we continue into the dinner break, and then go to the dinner break a bit later? If I can indulge the committee, with the acquiescence of Hansard and broadcasting, we can wrap AFMA up, and then we can come back after the dinner break, all clear. But on that, can I let officers from Sustainable Resource Management know through you, Dr O'Connell, that there will be no further questions, and that they get an early exit badge.

Dr O'Connell—Thank you very much.

Senator COLBECK—We talked earlier about CMS listings and both AFMA and the department indicated that they did not have any information or knowledge of potential listings. Apart from the obvious ones, one of which is tuna that is out there now, what about any other forums for listing? CITES is one, I suppose. I do not necessarily want to go into tuna specifically, because I know that there is some work that is being done on that. But can you give us a sense of other species besides that—everyone knows about that one—might be being considered and where things might lie with those?

Prof. Hurry—The only one that we have provided comments on recently has been the Atlantic tuna one, and whether there are provisions under CITES that would impact on us if it meant that Atlantic tuna was listed. They are the only comments we have provided to DEWHA. I am not aware of any other species that we have commented on.

Senator COLBECK—I have seen a list that has a number of others. It has about 17 items on it. I just wondered what the situation is and where some of that stuff is heading.

Prof. Hurry—I might get Dr Findlay to assist.

Mr Pittar—While Dr Findlay is getting settled, there are a number of other shark species that will be considered at the upcoming CITES meeting in March as well as some coral. I can run through the individual shark species, if you would like me to.

Senator COLBECK—If you would, please.

Mr Pittar—If I can start with the scalloped hammerhead shark—to have that listed in appendix II of CITES in the US and Palau—there have been a number of lookalike species in relation to the scalloped hammerhead. They are the greater hammerhead, the smooth

hammerhead, the dusky shark and the sandbar shark, which have been nominated as lookalike species under appendix two. Then there are some separate sharks, the oceanic white-tipped, the porbeagle and the spiny dogfish. As I mentioned, in addition there is the Atlantic blue fin and various coral species as well. They are all the species that we understand have been considered at the upcoming CITES meeting in March.

Senator COLBECK—What consultation has been undertaken with respect to those that might be impacted on through those potential listing processes? How do those people have input into the process and influence what might be Australia's position at that particular event? I know I can ask you what our position is going to be but you will not tell me, so what is the process for being involved in that process?

Mr Pittar—Again, the process is led by the department of the environment. From a government perspective, the DEWHA consults with other Commonwealth agencies on the potential approach to take with those species in the CITES context. As far as consultation with industry and wider stakeholders is concerned, I do not have the information in front of me, but they are perhaps questions that you could raise with the Department of the Environment.

Senator COLBECK—Okay.

Mr Quinlivan—The department has certainly consulted with the SBT industry, but I am not sure about any other domestic industries.

Dr J Findlay—Certainly there has been some consultation with AFMA. We have provided information again on the catches by commercial fishers in those areas, and again we liaised from the fishers groups back through DEWHA to make sure they are informed about what is going on in those processes.

Senator COLBECK—But that is effectively from a commercial perspective.

Dr J Findlay—That is right, yes. I should make the point to clarify that the lookalike provisions—for the benefit of those people who will be looking at *Hansard* or who are otherwise looking at these proceedings outside—applying to dusky sharks and sandbar sharks are not because we believe they look a lot alike to hammerhead sharks. It is the fact that the fins look alike when they are taken off the sharks. That is so that we avoid an eruption tomorrow when people think we are being silly.

Senator COLBECK—I think it is important to make the clarification, because there is quite a deal of interest in what is going on at the moment. Can you give me a sense of the impact of those potential listings?

Mr Pittar—The nature of listings and the very shark species that are being proposed for appendix II?

Senator COLBECK—Yes.

Mr Pittar—Appendix II under CITES—the Convention on International Trade in Endangered Species of Wild Fauna and Flora—includes species that although they are not necessarily currently under the threat of extinction may become so unless trade is strictly controlled.

Senator COLBECK—Okay.

Mr Pittar—So the CITES focuses on the trade elements. The issue then relates to the extent to which, for example, in the Australian context, management arrangements can be put in place to minimise interactions with those particular species. It then becomes something that the Fisheries Management Authority would need to take into account in establishing the management arrangements in those fisheries where there may be interactions with those particular species.

Senator COLBECK—What about in a recreational sense?

Mr Pittar—The interactions with recreational fisheries would depend again on the nature of regulations that the states and territories have in place for those particular species.

Senator COLBECK—But that would apply in state waters. What about Commonwealth waters?

Mr Pittar—The states and territories also have regulatory responsibility for recreational fishing in Commonwealth waters. The Commonwealth does not regulate recreational fishing in Commonwealth waters; it is a state and territory responsibility.

Prof. Hurry—Senator, it is about the international trade in species.

Senator COLBECK—Yes, I understand, which would be why the reaction of the Victorian Government might have been influential in the recent Mako situation. I have one final question. I refer to the reopening of the Bass Strait central zone scallop fishery. I have been trying to find some information on the website relating to dates, how the season went and all that sort of stuff. Could you give us a bit of information on that? I was trying to look at the guide for the 2009 fishery but it took me to a 2005 guide. A lot of the basic data was probably the same but some of the specific data on the site—

Prof. Hurry—We reopened this year. I think, from memory, we fish from April through until 15 December and we then close the fishery. We had a TAC set for scallops at 2,500 tonnes, of which I think we took 2,400 tonnes. However, I cannot remember the exact figure. The price held up reasonably well throughout the period of the fishery. We had our management advisory committee meeting in Melbourne in early January, and also a public meeting with industry. We will go to the AFMA commission with a proposition to set this coming year's TAC at 3,000 tonnes. The surveys in the fishery have been fairly positive. It seems as though we will have fish there for a number of years to come and it appears as though it will be a reasonably good fishery around about that level of take. It appears to be a fairly positive turnaround, and we are fairly confident that it will be a workable fishery into the future.

Senator COLBECK—Is there a management regime for fishing the zone that has been practised by industry? In the state fishery that exists around Tasmania, there is a paddock system and it rotates around different regions so that it gets a cycle of about a six-year or seven-year rest before it goes back into that particular area. Does a management regime apply to this particular fishery that might be similar to that?

Prof. Hurry—The same group that undertakes the science for the Tasmanian fishery undertakes the science for the central zone Commonwealth fishery and for the Victorian fishery. From the surveys that we have done to date we have mapped the known beds of

scallops and the sizes of scallops in the Bass Strait central zone. I am in no way claiming that we know where they all are. However, we have worked out where we can harvest, and we have put lines around the areas in which we want to harvest in the coming year. We have closed areas that we think should not be fished because they have too big a percentage of small scallops in them. Under our harvest arrangements we have a set of rules that govern the fishing practices in those fisheries.

Senator COLBECK—That is interesting news, thank you.

Prof. Hurry—Can I quickly clarify something for Senator Siewert relating to her first question on the under-10-kilogram rule? Under the Southern Bluefin Tuna Management Plan, both Dr Findlay and I can make alternative arrangements for a penner fish that comes in where a significant proportion of fish obviously is under 10 kilograms. We can do that under a provision of the plan. We have not done it for this year and it is unlikely that we will. However, the fact that industry has been interested in doing it has forced us to do some thinking about whether we would and, if we had to do it, how we might do it. I think it is unlikely that it will happen because the messages coming out of industry are that it is difficult to make money on fish under 10 kilograms anyway. I do not think there will be any targeting of them. I just wanted to clarify that with you.

Senator SIEWERT—Thank you.

CHAIR—Thank you, Professor Hurry, and I thank officials from the Australian Fisheries Management Authority.

Senator Sherry—I want to clarify one point. Effectively we have moved 45 minutes ahead of schedule. Does that mean we can assume that the witnesses and the blocks of time will be moved forward by 45 minutes?

CHAIR—Absolutely.

Senator Sherry—I am just seeking clarification.

CHAIR—Yes, we can, Minister. The secretariat will work that out with Dr O'Connell. So everyone is on notice. We have spoken to the Australian Pesticides and Veterinary Medicines Authority. Questions will go on notice and it is not required.

Proceedings suspended from 6.42 pm to 7.40 pm

Agricultural Productivity

CHAIR—Welcome back. Sorry the break was a little bit longer than expected, but thank you for your patience. I welcome officers from Agricultural Productivity. Yes, Dr O'Connell?

Dr O'Connell—If I could raise an issue with you: throughout the proceedings today, we have taken a few questions which we have assured senators that we would try and answer before the day is over. With your agreement, we can table answers to 12 of those questions, and I have provided copies to the secretariat.

Senator Sherry—That is super efficient!

CHAIR—Dr O'Connell, it is always a welcoming thought to be working with such a wonderfully efficient department and the agency.

Dr O'Connell—I would like to take the opportunity to clarify one of the points that I made, and it goes to BSE in-country audits. The team that will go to conduct these audits will include an animal health expert from this department. I might have given the impression that it would not, but it will.

CHAIR—Thank you, Dr O'Connell. Mr Grant?

Mr Grant—In light of what Dr O'Connell said, earlier in the day Senator Milne asked some questions about FarmReady—

CHAIR—She did.

Mr Grant—which Mr Mortimer took on notice. We have the answers to those if you are comfortable with me entering those into the record.

CHAIR—If you could table them, that would be fantastic, thank you, Mr Grant. Is there any other tabling before I go to Senator Williams?

Mr Grant—I was going to read the answers in.

CHAIR—You can read them. How many have you got?

Mr Grant—There are three short answers, that is all.

CHAIR—You can read them and table them. So go for it, Mr Grant, because Senator Milne is not in the room.

Mr Grant—Senator Milne asked how many Indigenous managers were funded under the FarmReady program, and the answer to that is around 30. She also asked about round 2 industry grants under the FarmReady Industry Grants program. Those grants were announced on 28 January 2010. There were 20 applications in total announced, 18 of which were funded under FarmReady and two of which were funded under the Community Networks and Capacity Building program, and a list of those projects is on the DAFF website.

The third question she asked was about activities under the Community Networks and Capacity Building program and how many projects had been funded under the four themes. Under the theme of 'women' there have been 82 projects funded at \$2.96 million to date; for 'youth' there have been 54 projects funded, worth \$2.27 million; under the 'Indigenous' stream there have been six projects funded, to the value of \$1.046 million; and under the 'culturally and linguistically disadvantaged' theme there have been five projects funded, to the tune of \$605,000.

CHAIR—Thank you, Mr Grant. Questions, Senator Williams?

Senator WILLIAMS—Thank you, Chair. Mr Grant, I want to refer to the sheep industry, especially abattoirs et cetera. We have seen some problems with sheep abattoirs. Fletchers retrenched some 300 staff in December in their Dubbo works and Burrangong at Young closed last week. Hundreds of people have lost their jobs in the last couple of months. What do you see as the major problem affecting our export processes in the sheepmeat industry? Is it simply lack of numbers? Is it people holding their stock back for breeding purposes? It is in serious trouble, obviously.

Mr Grant—You have probably identified two of the major reasons. There is a stock build-up in response to really quite positive prices for lamb meat over the last little while. So my

understanding is that there is some reconsideration of stock build-up on farms, and that is restricting the flow of meat to abattoirs. As I think was pointed out earlier, the sheep flock number is well down.

Senator WILLIAMS—Did you know that the current sheep flock population in Australia is between 75 million and 80 million?

Mr Grant—Yes, it is between those numbers.

Senator Sherry—It was entered into evidence earlier. I think it was about 70 million or 75 million. There was a fair discussion about this.

Mr Murnane—Yes, current estimates of the flock number are in the order of 75 million to 80 million. When he was at the table this morning, Mr Palmer from MLA went through some of the reasons that he believes are behind the current situation with lamb slaughters, and we have no reason to dispute his analysis of the situation.

Senator WILLIAMS—From memory, at the peak of the wool boom back in the late eighties, early nineties we had 180 million sheep.

Mr Murnane—Yes, that is my recollection of the peak size of the flock too.

Senator WILLIAMS—Do you see the sheep numbers increasing? We know the lamb prices are excellent. We have seen \$120, \$140, even \$150, and the mutton prices are also exceptionally good. I am concerned about the productivity of the sheepmeat industry and whether numbers are going to increase, whether these jobs are going to stay there and how many more abattoirs are going to fall over. I do not suppose you have a silver bullet for the solution, of course.

Mr Grant—The ABARE forecast for 2009-10 is that they will continue to decline. The industry is hopeful that they will pick up again, but obviously we are not likely to see them ever get back to the sorts of levels that you would have thought about before. It really depends on world markets and demand in the end.

Senator WILLIAMS—What about the beef industry? Even though the recent rains have put a sting in the cattle prices somewhat, the industry is still pretty depressed compared to 10 to 12 years ago. How are our cattle numbers looking at this stage as far as the production of beef?

Mr Grant—Again, it is cyclical, isn't it? Prices are well down at the moment. Again, there has been some stock rebuilding. I have the cattle numbers here. Do you have them in more detail, Mr Murnane?

Mr Murnane—No, I do not think I have anything more detailed than what you do. Senator, your analysis is correct. ABARE expects that the saleyard price of cattle will fall slightly over the current year. Again, I think we are seeing an interplay of a number of disparate trends: international market conditions, the Australian dollar, climate conditions in Australia—a combination of floods in North Queensland and drought in other parts of the country. I do not think it is possible to draw a single conclusion or to point to a single cause of the prices we are seeing at the moment. It is an interplay of a lot of disparate factors.

Senator WILLIAMS—Fair enough. I want to take you to another issue, Mr Grant, which has been a concern of mine for many years, and that is the productivity of cereal crops and the condition of our soil and fertiliser. Two years ago we had exceptionally high fertiliser prices—I think MAP was around \$1,700 a tonne. I know we have one phosphate mine in Queensland but I think it exports every ounce it produces. Is it the situation that we import all of our fertiliser?

Mr Grant—I do not know the exact proportions of imported versus domestic production. I do know we import a lot, but I would have to take on notice the exact proportions of imports versus domestic production.

Senator WILLIAMS—If it is the case that we import most of our fertiliser, surely it is time—even the government might help in this way—to do some exploration in Australia for more deposits of phosphate. We seem to have every other mineral in the nation. Why wouldn't we have phosphate and other ingredients to make our fertiliser?

Mr Grant—If the world price of fertilisers keeps rising as it has done in the recent past, I am sure industry, like they do in the mining sector, will be exploring and investing in those sorts of developments.

Senator WILLIAMS—The general feedback I get from farmers is that they are winding back on fertiliser due to the cost. I even have a friend who would not buy any fertiliser with a nitrogen base—he just bought single super—simply to cut back on the cost. If this were to continue, it would certainly affect the yields of our cereal crops in time to come.

Mr Grant—I guess farmers need to make a judgment as to the expected returns on their investments. In one case, the less they put into their investment the less the returns are, so it is a matter of weighing up the input costs versus what their expected returns are. It is an individual judgment that that farmer would have had to make.

Senator WILLIAMS—On overall production of agricultural products in Australia—lamb, mutton, beef, cereal grains—say since early 2002, have we dropped off much due to the drought or have we maintained a reasonable level of production throughout our cereal crops and our livestock industries? Have you any idea, or would that be more an ABARE statistic?

Mr Grant—ABARE should certainly have that. Certainly there was a drop-off in grain production over the period of the drought. That has picked up within the last two years and production is very positive again. I do not have the exact numbers, but I could certainly get those on notice from ABARE if that would help.

Senator WILLIAMS—And with the irrigators, with the winding back in, basically, water quotas and the government buying licences et cetera, no doubt that has had a large effect on our agricultural production as well.

Mr Grant—I have not seen numbers on horticulture production. There has not been a big issue about declining production. There has obviously been some anecdotal evidence about leaving the horticulture industry where their water allocations were reduced. I have not seen numbers that showed that that has had a significant impact on total production. In fact, if you look at wine grapes, the wine grape production has kept increasing during that period. That is due to a whole range of other reasons, of course, and that is causing some problems in that

industry. So it is a bit of horses for courses, and it varies by area and it varies by issue and type of farming.

Senator WILLIAMS—Moving on to the wine grape industry, I was at Mildura a few months ago where grape growers were telling me it costs them \$270 a tonne to grow grapes and they were getting paid \$150 a tonne. In fact, one chap I talked to had 65 acres of wine grapes and he just let the lot die.

Mr Grant—Yes.

Senator WILLIAMS—The wine industry is obviously in some serious trouble as far as demand and supply.

Mr Grant—The wine industry has itself acknowledged that it has some significant structural problems with oversupply. It recently joined together the two statutory authorities—the Grape and Wine Research and Development Corporation and the Australian Wine and Brandy Corporation—and the two peak industry bodies. The grape growers and the wine makers joined with an action agenda to try to address that. They released a document to all wine producers and grape growers identifying the extent of the problem, identifying that the problem simply was not all in low-cost, low-quality grapes but there were significant problems in the prestige end of the market.

One of the strategies they identified was regional visits, starting early this year, to try to identify particular structural problems within each regional area and to try to provide advice to growers about whether they should stay in the industry or get out of the industry. So they have acknowledged they have a significant problem, but they have actually put together a plan of how they are going to try to address that problem.

Senator WILLIAMS—With the oversupply of wine, are we making any headway into huge markets that are obviously available in places like China?

Mr Grant—There is more and more investment in export facilitation into China and there are some early encouraging returns. While our total exports on a quantity basis are about consistency, our total return in value terms has gone down significantly from our export industries. The exception to that is in China and parts of Asia. The industry does recognise that its future is in countries in Asia—in particular, China—so they are refocusing their strategy into those markets.

Senator WILLIAMS—Does China have a large import tariff on wine such as countries like Thailand have? I think Thailand has 370 per cent, or some outrageous level, of import tariff. Do you know if China has also got large barriers up as far as importing wine?

Mr Grant—I do not know. I would have to take that on notice.

Senator WILLIAMS—Could you take that on notice for me, please. I would be interested.

Mr Grant—Yes, I can.

Senator WILLIAMS—As I said, it was 370 per cent. I think that, under the free trade agreement with Thailand, it might have come down a bit, but a basic bottle of wine in Australia for \$10—you would pay A\$55 in Thailand. Of course it is nearly all import duty,

which is holding the market back enormously, especially with their tourist industry. These are obviously barriers we have to try to get over.

Mr Grant—I have not heard from the industry that tariffs are a problem, but let me take that on notice and I can find out for you.

Dr O'Connell—At least from the perspective of Hong Kong it is a zero tariff, as I understand it, and then is essentially transhipped into—

Senator WILLIAMS—Mr O'Connell, has it always been a zero tariff to Hong Kong?

Dr O'Connell—No.

Senator WILLIAMS—They have reduced it down. Has that helped the actual sales into Hong Kong? Have we benefited from the reduction of those barriers?

Dr O'Connell—Certainly when the minister visited Hong Kong and China recently he signed two memoranda of understanding with China and Hong Kong, and Hong Kong provided the opportunity for our industry to participate in Hong Kong's development as essentially the hub for wine supplies in the area, because they are going to this zero tariff arrangement. Also, they are providing the storage arrangements, which will help wine producers manage their stock. So it is a very sophisticated operation in Hong Kong.

Senator WILLIAMS—Senator Nash, do you have some questions?

Senator NASH—Thank you very much, Senator Williams. I want to talk about food labelling laws. Am I in the right spot? Is there someone I can talk to about food labelling?

Mr Grant—Yes, you are in the right spot.

Senator NASH—Mr Grant, how are you?

Mr Grant—Or Mr Souness may be able to help.

Senator NASH—Can I refer you to the document *Labor's plan for primary industries*, election 2007, page 19, which says:

A Rudd Labor Government will simplify and strengthen food labelling laws. This will include:

- A new 'Grown in Australia' label under the Trade Practices Act for products that are not only made in Australia, but also grown in Australia.

Thank you very much for the answers you have provided. I gather that DAFF met with the ACCC on 29 August 2008 to discuss the viability of amending the TPA. Then there was not another meeting, I gather, till 1 October 2009, according to the response. Why was there such a time lag of over a year before the discussions recommenced?

Mr Grant—We had an initial meeting with the ACCC to work out what might be facilitated; how we might amend the Trade Practices Act, or if it could be amended, and what implications there were. Since then, policy responsibility for amending the Trade Practices Act sits with the Department of Innovation, Industry, Science and Research, so we have had most of our dealings with that department and they have been working with the ACCC on issues around that election commitment.

Senator NASH—It is now January 2010 and this started on 29 August 2008. Why is the process taking so long?

Mr Grant—I guess we have had a discussion around food labelling in the past. It is a complex issue and it is quite difficult and we have been trying to find a solution where we will be—

Senator NASH—You are not saying it is in the too-hard basket, are you, Mr Grant?

Mr Grant—No, I am not. We have been trying to find a solution where we are actually going to provide the consumer with more information that is clear and consistent rather than simply more information that is confusing. So a lot of the discussions we have been having, both internally in the department and with our colleagues in the Department of Innovation, Industry, Science and Research, are about trying to work out how the new ‘grown in Australia’ label would fit with the provisions which are already in the Trade Practices Act, which is product made in Australia. So that has been the centre of a fair bit of the discussion to date, and we have struggled to work and find an equitable solution that is easy to implement and easy to understand, but we are continuing to work on that.

Senator NASH—Do you have any idea or a rough ballpark on the time frame of when you might actually reach some conclusions about all this?

Mr Grant—We are working as hard as we can to try to implement that election commitment, and we are continuing to raise those issues with our colleagues in the industry department.

Senator NASH—I am sure, Minister, that I would be right if I were to say the government is still intending to honour all their election commitments.

Senator Sherry—It was an election commitment and we have three years, I would point out, to implement election commitments. I will take it on notice and see if there is anything further from the minister.

Senator NASH—All right. But, as with all of the election commitments, they will be fulfilled, as has been the government’s view? Senator Conroy spends a lot of time in this room saying that you are going to fulfil all your election commitments.

Senator Sherry—The Prime Minister has made it very clear about election commitments. But as far as this specific issue is concerned I will, as I say, take it on notice and we will see if the minister can provide you with further detail.

Senator NASH—Thank you, Minister. I appreciate that. Given that it is an election commitment—and the government is honouring all of its commitments—why would the department refer to the possible introduction of a new ‘grown in Australia’ label if the new ‘grown in Australia label’ is an election commitment?

Mr Grant—I think that is probably a Freudian slip of some sort.

Senator NASH—I did not know you had Freudian slips!

Mr Grant—There is no doubt in our mind it is a commitment that we have to honour and implement. I cannot explain that one for you.

Senator NASH—You cannot explain that one. Dr O’Connell is not here.

Senator Sherry—I think you are being overly sensitive about the adjectives that are being used by the department in explaining the implementation of the election commitment. I will certainly pass it on to the minister and see if he has anything to add.

Senator NASH—Thank you, Minister. I do appreciate that and it has got nothing to do with being sensible. If something in front of me says the possible introduction and it is an election commitment that is supposed to be honoured, of course I would pick that up and think, ‘Well, is it not going to be honoured when we’re being told that it is?’ But thank you very much, Minister.

Senator Sherry—As I said, we have three years to look at the election commitments.

Senator NASH—I am not arguing the fact that you have three years, Minister.

Senator Sherry—In fact, it is not giving anything away.

Senator NASH—Not at all.

Senator Sherry—I am reminded, because I had a look at the legislation tonight, of our election commitment, for example, to introduce a clearing house for small business payment of superannuation. It is a complex issue, but the minister announced the mechanism for doing that and the legislation will be introduced in the parliament very shortly, two years after the election. You do not introduce every election promise the day after the election or, indeed, the year after the election. Some election promises take, for quite reasonable reasons, a little longer than the first year in government.

Senator NASH—Absolutely.

Senator Sherry—We are elected for a three-year term.

Senator NASH—I do not dispute that at all, Minister, and have not. You might have been caught up on something else. I take your point entirely. Often I am sure it could take three years to implement election commitments, but when the indication is that the introduction of that election commitment is only a possibility, having been led to believe that it was a definite, then of course it would give rise to some questions. But we look forward to that being implemented in the first term of the government. Thank you.

Mr Grant—We will have to amend the legislation in order to implement that commitment as well. That would be another process which we have to go through before it is actually implemented.

Senator NASH—I am sure, and I am sure that the minister responsible has taken that into account and will ensure that that happens within the three-year time frame.

CHAIR—And I am looking forward to you voting this—

Senator NASH—Thanks, Chair.

Senator Sherry—That is right. If you would stop opposing some of our election commitments—

Senator NASH—Oh, Minister, you’ve woken up! I am delighted.

Senator Sherry—including ones you promised yourself, the world would be a far simpler place.

Senator NASH—Welcome to the committee, Minister. It is delightful to see you have finally joined us. Thanks, Chair.

Senator COLBECK—On the current situation with labelling, obviously there is a process that has been under way—and we have just heard some passionate discussion about that. Is there any concern in the department about the capacity to circumvent our country of origin labelling requirements by processing or bringing product through New Zealand?

Mr Grant—That has always been an issue. Under the CER, produce can come through New Zealand and into Australia.

Senator COLBECK—Perhaps highlighted by a decision of a recent major manufacturer in McCains to move their vegetable processing from Australia to New Zealand.

Mr Grant—I have not heard of any rationale for that in order to get around the country of origin rules.

Senator COLBECK—No, I am not saying that it is, but that has certainly highlighted the sensitivity of the issue.

Mr Grant—We are not aware, and it has not been drawn to our attention, that there is a significant amount of trade that would come through New Zealand that would be circumventing the country of origin labelling sufficiently enough to cause concern among consumers or among industry.

Senator COLBECK—Would you know?

Mr Grant—We would only know if the industry or consumers had come to us to complain or had gone to the ACCC to complain.

Senator COLBECK—How would they find out? If product is being imported into New Zealand, processed there and being brought across here, how would anyone know where it came from, unless you are involved?

Mr Grant—Presumably it would have to have some labelling on it, if it is a mandatory country of origin label. If it has got 'Australia' on it, then it is up to the states and territories to ensure that that labelling is accurate, so there would be a process of audits and examination of products to ensure that the labelling that was on the product was correct.

Senator COLBECK—So you would need some form of advice that that was actually occurring at some level before you would be in a position to really know.

Mr Grant—Yes, we would. We do not monitor the labels in the supermarkets or in shops or anywhere. It is the relevant states who—

Senator COLBECK—No, I understand that. That has been the feature of the debate all through.

Mr Grant—It has.

Senator COLBECK—Regardless of who has been actually running the show at the time. With respect to home branded product, the only identification on the label for a home branded product made by one of the major supermarket brands or black and gold is that if it is a Woolworths product it is labelled as a Woolworths product. There is a source for the

ingredients but no sense of where they might be made or processed. It is an issue that has been highlighted perhaps more during the recent discussion on generic milk supply, where the processor is in fact also one of the major suppliers in the market, but the consumer has no idea what the trail of the product is. The only place that they know is that it comes from Woolworths. Is there any thought, suggestion or consideration for ensuring that there is a trail or some knowledge of where those generic products are processed?

Mr Grant—Under the code, those products should be branded with the country of origin labelling, regardless of—

Senator COLBECK—They are branded with the country of origin label. That is not the issue. It is slightly different.

Mr Grant—Right. Are you talking about ingredient labelling?

Senator COLBECK—It is effectively having some provenance of the product. As I said, the majority of generic milk in Australia at the moment is supplied on a contract basis through both Coles and Woolworths by National Foods. But the consumer has no idea what that supply chain is. Unless there is some identification of that process, they have no idea. We have had discussions with both Coles and Woolworths through another Senate committee inquiry about some identification of that process. I am asking: is that an issue that has been raised, in a labelling sense, from your perspective?

Mr Grant—No, it has not been raised with me, but Mr Souness might help.

Mr Souness—Under the Food Standards Code, all packaged food is required to have the contact details of the manufacturer of the food on that container. The details in the case of a generic product would be, for example, Woolworths, but if you look at the package it will have a contact telephone number—usually a 1800 number—and an address on there. We advise consumers as well that it is open to them to contact that telephone number and ask about the provenance of the food in that situation. We advise consumers if they want more details of the food, for example, in a manufacturing environment or whatever it happens to be, that there is that point of contact and it is required by law on every packaged food.

Senator COLBECK—So, again, it is a consumer activity that would provide them with that provenance; it is not a feature of labelling requirements. I have not had the opportunity to look into the detail of what might occur, but if you look across a range of generically provided products in the supermarkets—and they do cover a broad range of products these days—Woolworths, for example, have got an openly stated policy of attempting to have 30 per cent of their sales as generic products, but there is no provenance on any of that product, apart from the fact that it is Woolworths branded. As far as I am aware, they do not process anything; they contract the processing out to various parties in a range of locations. And I think in the case of milk, about 45 per cent of their sales is generic product.

So what is the provenance of the product is the question that I ask—and Mr Grant has obviously given me the answer. It is not something that has been considered as part of this process. The question I suppose we will ask as part of the other committee process is whether it should be. I just wanted to investigate where, if anywhere, it had gone to date, but it is nowhere.

Mr Grant—It is not something that is raised in correspondence and complaints to the minister or the department.

Senator COLBECK—It is something that I have come across, and it has been raised with me through a fairly significant dispute in the dairy industry over the last six months, I suppose. It has been quite interesting to see the reaction of consumers once they start to understand the provenance of it. That will do me on labelling.

CHAIR—No further questions on labelling? No? Senator Colbeck, the floor is yours again.

Senator COLBECK—I asked some questions this morning about interaction with state governments on expenditure on R&D, what conversations the government has been having and what their perspective on the spending on R&D is. I do not think I have actually got the article that highlights the fairly significant decrease in R&D spending by states over recent years.

Mr Grant—I did hear the question this morning and I did extract some information in preparation. The main data on broad expenditure on R&D across the various parts of sectoral analysis in Australia comes from the Bureau of Statistics, and their latest data is 2008. They show that while investment on R&D in Australia has risen from \$0.75 billion in 1996-97 to \$1.67 billion in 2006-07—

Senator COLBECK—Sorry, what was the first year?

Mr Grant—1996-97. So it is 10 years.

Senator COLBECK—Yes.

Mr Grant—So there has been a significant increase. They show that, for example, the Commonwealth investment in 1996-97 was \$172 million, which represented 23 per cent of investment, and in 2006-07 it was \$349 million, which represented 21 per cent of investment. So the Commonwealth share is roughly the same, even though our expenditure has gone up. For the states and territories, their investment in 1996-97 was \$402 million, or 53 per cent of the total contribution, and in 2006-07 it had gone up to \$501 million but only represented 30 per cent of total expenditure. So their expenditure had gone up, but in relation to the growth in expenditure of some of the other sectors, it had not increased by the same amount. Therefore, its proportional share had gone down. Basically, the major increase was in the business sector, which in 1996-97 had about \$59 million invested in R&D and in 2006-07 had \$428 million invested, which represented 26 per cent of total investment.

Senator COLBECK—So what was the percentage in—

Mr Grant—It was eight per cent in 1996-97.

Senator COLBECK—Do you have any sense of what the driver was for the significant change in business, or is it driven by things like statutory levies?

Mr Grant—No, I think it is probably driven by basic R&D research by private companies. I do not think it is necessarily linked to the statutory levy money. I just think it is businesses investing in that sort of area of their own accord.

Senator COLBECK—Where would that statutory levy investment come in then, in those figures?

Mr Grant—It comes into the Commonwealth investment. The matched funding and statutory levy moneys are within the Commonwealth money—

Senator COLBECK—So both amounts are in that \$349 million?

Mr Grant—Yes, they are in the \$349 million.

Senator COLBECK—Are you sure that is right? My recollection is that it was in excess of half a billion dollars in that time frame, 2006-07, and it is still more than that.

Mr Grant—That is true, yes. I would have to check those figures, wouldn't I, because the investment in—

Senator COLBECK—Because I think we cracked half a billion dollars during 2005-06.

Mr Grant—Yes, my apologies. I would have to check where the industry levy moneys go. So certainly the Commonwealth matching money would be in the \$349 million.

Senator COLBECK—Yes, I am happy to accept that.

Mr Grant—So \$200 million of that would be—but I would just have to check. Yes, and CSIRO is in there as well, so it is probably the total of those two.

Senator COLBECK—I would suggest there is very little chance of the—

Mr Grant—On balance, you may be right that the industry levy moneys may be in business investment, but I would have to confirm that with the data.

Mr Glyde—We should be able to provide the table and the sources of information after we have consulted with the ABS on that.

Senator COLBECK—So the total spend has gone from \$0.75 billion to \$1.67 billion—

Mr Grant—Yes.

Senator COLBECK—in that 10-year period. What is that in terms of real growth?

Mr Grant—I do not have that figure. I would have to check. I would have to take that on notice.

Senator COLBECK—I would be interested in that calculation to get a sense of where it has actually gone—and I understand that there are fluctuations, particularly in the matching funding, depending on—

Mr Grant—The timing of payments and drought and other—

Senator COLBECK—drought and other conditions within the markets.

Mr Grant—Yes.

Senator COLBECK—I have seen variations to levies, for example, to maintain spending in industries where the crops have been down badly. So have there been any conversations through PIMC or other means to keep the states to maintain a reasonable level of funding?

Mr Grant—Yes. One of the key things that the ministerial council is working on at the moment is the national research development and extension framework.

Senator COLBECK—So has that been done through the Primary Industries Ministerial Council—

Mr Grant—Yes.

Senator COLBECK—or through the industry?

Mr Grant—No, through the Primary Industries Ministerial Council. It is a collaborative effort on behalf of the states, the research and development corporations, the universities and industry. It is designed to try and develop a framework for future investment across each individual sector of the agricultural industry. There are about 15 sectoral studies being done—wool, beef, cotton, wine et cetera—and then there are seven cross-sectoral studies being completed as well. The aim of that is to identify what the long-term demand for R&D is; what are the capacity issues that exist at the moment; where will be the future demand for key components of that capacity? Is it in infrastructure; is it in skills and labour; is it in basic research through universities; is it in various other areas—particular types of occupations, for example. Then try and identify, once you have got a map of what the future requirements are, where should that research, by and large, be conducted around the country.

It is trying to identify where you have got overlaps in institutional arrangements at the moment. Where you have got a number of different, potentially, state or even private industry or university centres who are doing similar research on similar issues, try and identify those overlaps and, similarly, try and identify gaps where you might identify a long-term need and you might, similarly, identify that you really do not have capacity for that at the moment. It is about trying to have a map that plots where all this should be done into the next 10 to 20 years. Through the ministerial council, we are trying to get states, industry and the Commonwealth to sign on to this plan, to say, 'This is our long-term investment strategy in R&D.' It is an ambitious project, but so far it is going very positively through that process.

Senator COLBECK—So what is the time to complete that?

Mr Grant—Out of those 23 studies, there have only been three that have been approved to date, and they were approved at the last ministerial council. The next ministerial council is likely to have up to eight or nine further sectoral strategies to approve and hopefully the others will be finished within the next 12 to 18 months. Then it is a matter of: (a) you have got to keep those strategies up to date as things change; and (b) there are a whole lot of other cross-sectoral strategies that we have not yet touched on that will need to be done. For example, we have not identified yet a cross-sectoral strategy on water, which is a big cross-sectoral issue.

Senator COLBECK—Good luck. What about extension?

Mr Grant—Yes, extension is part of that analysis as well. To date, the focus has been more on research and development, but we are working through that process and identifying extension needs and identifying who is best placed to deliver those extension services.

Senator COLBECK—Has there been any analysis of the closure of research centres and stations that is occurring in various states, or any concern about that and the loss of skills bases in certain areas?

Mr Grant—Certainly there has been concern expressed by industry about some of those closures. The focus of our work to date has not been on trying to address why the closures have happened but to try to look forward and to say, ‘What do we need into the future?’ and if governments are forced to make decisions about investment, then they should try and make investments based on this plan rather than based on other rationale.

Senator COLBECK—We may have discussed this before, and I am not sure whether or not that process was suspended, but the Research Quality Framework that was being prepared—I am not sure if that is the right term—that was being discussed through education was also driving some concern through the R&D sector, in particular in agriculture, because of the status given to peer reviewed and published documentation, where a lot of the R&D done through agriculture and agricultural R&D corporations was more of a practical and applied nature, and I know that some of the rural universities were a bit concerned about how that process might impact it. I think it might have been suspended—I am not sure—but have you got any further advice on that?

Mr Grant—No, I do not. That has not been raised as a big issue in this discussion.

Senator COLBECK—It may have been suspended and not progressed, so that is why it is not cropping up.

Mr Grant—Maybe. And, as I say, we have got a representative of the university sector on every one of the sectoral strategies.

Senator COLBECK—What underpins this is the growth in agricultural productivity, which has been an offsetting factor over a long period of time for reducing terms of trade, and that is I think one of the reasons why the investment that Australia has made through its R&D corporations and its matching funding and CSIRO has been so important. That productivity growth has matched or exceeded slightly the reduction in terms of trade. Has there been any observed slowing of the rate of productivity growth in the sector that has shown up as part of this research and work that has been done?

Mr Grant—Again, ABARE regularly does work on productivity growth. Maybe Mr Glyde—

Senator COLBECK—Lucky that you are here, Mr Glyde.

Mr Glyde—Yes. That is correct. ABARE through its farm surveys has been monitoring productivity trends over the last 30 years and over the last couple of years it would appear as though the rate of growth in agricultural productivity has fallen—it has certainly eased off—and we have been over the last couple of years trying to investigate why that is. Given that there is a lot of movement because of seasonal conditions, weather and the like, and the drought, it is very hard to be very firm about that conclusion, but certainly the work we have done is indicating that there are factors other than drought that are impacting on agricultural productivity growth, and certainly our conclusion at the moment is that pretty much since the turn of the century agricultural productivity growth has fallen. It is certainly not going up anywhere near what it did in the nineties.

Senator COLBECK—Is that based on plateaus in knowledge or—you know, obviously we have been in drought almost since 2001, so that could potentially be a factor.

Mr Glyde—Yes.

Senator COLBECK—And I understand the separation issues, but—

Dr O'Connell—It is probably important to say this is quite preliminary work at the moment and really ABARE is investigating hypotheses around what might be at play.

Senator COLBECK—Can I say that my questions were purely as a matter of interest.

Dr O'Connell—I understand totally.

Senator COLBECK—Not any other attribution in any sense at all.

Dr O'Connell—Yes. I did not want to give the idea that this was definitive work at all.

Senator COLBECK—It is a matter of sincere interest as to where we might be heading in the sense of productivity.

Mr Glyde—I guess the answer, as the secretary has pointed out, is that we have been looking at some of the possible causes. Some of it might be to do with not a decline in R&D expenditure but a slowing down in the rate of growth of agricultural R&D expenditure over the last 20 years. Another factor—other than the one you have already mentioned in relation to seasonal conditions, drought and the like—could be age of farmers. As we have discussed around this table before, the average age of farmers is going up. Perhaps they are less willing to innovate. It could be that, as we have gone through the drought, capital is harder to get, so it is harder for farmers to introduce innovations and the like as we have gone forward. That is why we are fairly cautious about saying that there has been a definitive fall-off in the rate of agricultural productivity growth. If you look at it over the last 30 years, it goes up and down, but the overall trend has been very positive. It is certainly a lot more positive than the average for the Australian economy.

Mr Grant—I think there are some sectoral variations as well.

Mr Glyde—Yes.

Mr Grant—Traditionally the grain sector has led productivity growth, with significant—

Senator COLBECK—They certainly have been quite strong.

Mr Grant—That is right, and I think there are some early signs that there may be a slight fall-off in grains, but the livestock and mixed farming industries have actually increased productivity in the last little while. So it is not a similar pattern across the whole economy either.

Mr Glyde—We have put out a number of publications on this and there is going to be a further publication come out at the time of Outlook, early March. We would be more than happy to provide those documents to you, if that would help—

Senator COLBECK—Yes, I look forward to that.

Mr Glyde—to explain what we know and I guess, more importantly, what we really do not know about what is driving productivity growth in the country.

Senator COLBECK—There has been plenty of discussion with respect to population growth and demand, and I would have thought that productivity growth in agriculture, given

all of the other pressures on agricultural land that we have talked about over the last 12 months or so, is going to be a vitally important part of the overall equation.

Mr Glyde—Yes.

Senator COLBECK—A horticulture code of conduct: a hoary chestnut, I suppose it could be described as. Where are we at with that at the moment? Waiting for a cabinet submission or a ministerial decision?

Mr Grant—No, we are still assessing the report of the Horticulture Code of Conduct Committee against the recommendations that the ACCC made. There have been a number of discussions with industry around preferred outcomes and industry's views on the way forward. Some of the recommendations that were made had some quite complex legal issues associated with them that we have been trying to resolve, so the issue is still with the government, considering the way that it should take its response forward.

Senator COLBECK—So it is, effectively, with the minister at this stage of proceedings?

Mr Grant—No, it is still with the department. We are still working through the options for response.

Senator COLBECK—You are continuing to consult with various sectors, or you have got your consultation done and now you are trying to work out how to make it work?

Mr Grant—We do, but we will continue to consult with various sectors as well—some of the peak industry groups. We are consulting with drafters and the legal people as well. There is a range of consultations happening on trying to make sure we get the options right.

Senator COLBECK—So asking you to give me an idea of a time frame would be an ambitious question?

Mr Grant—Yes.

Senator COLBECK—Do you have any response to criticisms from various industry groups with respect to our nonattendance at the Fruit Logistica trade fair?

Mr Grant—I do not. Mr Ottesen, have you heard anything in that area?

Mr Ottesen—No.

Mr Grant—No, the issue of attendance or otherwise has not been raised with the department to my knowledge.

Senator COLBECK—It was fairly recent—3 to 5 February the trade fair occurred.

Mr Grant—Is this Australia's attendance or the government's attendance?

Senator COLBECK—It is the government's attendance or Australia's attendance through DAFF at the trade fair in Berlin on 3 to 5 February.

Mr Grant—I am not aware that the department has ever gone, but I can take that on notice.

Senator COLBECK—Okay. The criticism is quite recent—it is today—from AUSVEG, the issue being that Australia now imports more fruit and veg than it exports. This is

obviously seen by AUSVEG as a major international fair that promotes those particular products.

Dr O'Connell—I am not aware of AUSVEG approaching us before the event either seeking our attendance. We could talk with AUSVEG—

Senator COLBECK—As I said, the press release that I have is very fresh—it is today's. I understand that you may have been otherwise occupied today—

Senator Sherry—You have outbriefed us, Senator Colbeck, because it is not in here but you have it!

Senator COLBECK—Do you have any sense of the fair itself: who attends and its composition?

Mr Grant—I think it is a trade fair. It buys and sells, basically. I really do not have much of an idea, but that is usually what trade fairs are about, so that is all I can guess. I can find out more information for you on notice.

Senator COLBECK—Okay. Let's leave it at that point. In relation to the Regional Food Producers Innovation and Productivity Program, can you tell us the status of round 2, which I understand closed in July last year.

Mr Grant—Yes. Assessments of the applications that were received have been made by the expert panel and the documentation is with the department to make final decisions.

Senator COLBECK—So the department will make final decisions?

Mr Grant—The department in this case is the decision maker for this program.

Senator COLBECK—Why has it taken so long to finalise that process, from July last year?

Mr Grant—They are very complex applications. Trying to assure ourselves that the applications are within the scope and guidelines and then trying to put priorities around them is a time-consuming task, but I expect that there will be decisions on those round 2 grants very soon.

Senator COLBECK—Is that the final round of grants?

Mr Grant—There has been no round 3 announced. There is still funding in the program. We do want to review with industry whether the program is still targeted to produce the best outcomes for both industry and government investment, so we are thinking about further consultation. We have had some consultation with the Food and Grocery Council about possibly slightly changing the direction of the program or keeping it the same. So we are currently reviewing what the future direction of the program will be.

Senator COLBECK—How much has been expended to date, or committed, perhaps, given that you have a bunch of applications that are imminent in respect of their approval?

Mr Grant—\$6.4 million was committed in round 1, so that is all that has been committed.

Senator COLBECK—What do you expect to approve in round 2?

Mr Grant—I think that is hypothesising what the decision maker might choose.

Senator COLBECK—Not unless you only approve one, because I have no idea—and I am not going to ask you—what the breakdown might be. I am just asking roughly how much. There is \$35 million in the program.

Mr Grant—Let's assume you might approve a similar amount of money. That might be the ballpark figure, or thereabouts. That would leave \$20-odd million.

Senator COLBECK—How many of the round 1 projects would be completed, or are they still working their way through?

Mr Grant—No, they are still working their way through. We have not yet signed funding agreements with all the applicants.

Senator COLBECK—For round 1?

Mr Grant—For round 1.

Senator COLBECK—What are the issues there?

Mr Grant—Negotiation with the grantees. As you are aware, this is a matched funding program, so the grantees have to provide matching funding according to a set of milestones. In a lot of cases that is often difficult to work out. When the grantees see the conditions in the funding agreements, it often takes a little bit of negotiation to explain what those conditions mean and what their obligations are on providing matching funding and reporting arrangements and so on.

Senator COLBECK—So they do not get to see those things when they put their initial applications in?

Mr Grant—They would be able to see a standard funding agreement, which would have the standard conditions on funding, but in some cases the expert panel and the decision maker in the department put some additional conditions on the funding—that is, that only a certain proportion of their application was eligible under the guidelines and therefore they had to discriminate between some elements of the project they were working on. There might be conditions like that that were imposed on the original grant, so they had to be negotiated with the applicant.

Senator COLBECK—So there are no other logistical issues, as we discussed earlier in the evening, of people being able to get hold of finance or not having finance organised before the process was completed or changed financial circumstances inhibiting—

Mr Grant—That is a possibility. One of the conditions that we would evaluate in assessing the grant is the financial viability of the applicant and we would do some financial checks. I think they need to be able to provide evidence of their financial stability and so on. Potentially that could be an issue that might hold up some of the negotiations.

Senator COLBECK—What proportion of the \$6.4 million in round 1 would be contracted?

Mr Grant—I do not have that figure on me. I do not know whether Mr Souness does.

Mr Souness—No. All we can say is that we have negotiated and signed off on eight funding agreements out of the 15, I think it was, but I do not have the proportions in front of me. That is something we would have to provide on notice.

Senator COLBECK—Do the eight have completion dates on them?

Mr Souness—They would do. Each funding agreement has a schedule—a timetable—in there of activities against funding, so each would have a funding agreement that could extend anywhere between 12 months and 24 months.

Senator COLBECK—The remaining seven would have a completion date that would be determined in accordance with the final sign-off, if it occurs, of the funding agreement.

Mr Souness—That is correct.

Senator COLBECK—Have the discussions and negotiations during the round 2 tender included conversations about issues that might have been raised in round 1 of getting the projects off the ground?

Mr Grant—There were applicants who did not get up in round 1 who were invited to apply again in round 2, and there was guidance given to them about how they might improve or otherwise their application. Apart from that, I do not think there have been any major discussions with the applicants at this stage.

Senator COLBECK—Has the department had any feedback from the industry about the impact of the new national Horticulture Award?

Mr Grant—What sort of impact?

Senator COLBECK—Impact on harvests, I suppose, would be a key issue, given that it is a bit difficult for us to decide which day the cherries or the apples or the apricots need to be picked.

Mr Grant—There was certainly a fair amount of discussion with the industry at the time that the draft award was made, and there was much less discussion when the AIRC announced the final provisions. I did see some media, I think, from the vegetable industry that was unhappy about the transition arrangements, but there has not been a lot of feedback from the industry about the final arrangements that were settled in December, I think it was.

Senator COLBECK—Did the department have any role in advising Minister Gillard's department on potential impacts and how the new award structure might affect the industry?

Mr Grant—Not to my knowledge, but there could have been some discussions at officer level which may have conveyed some of the concerns of industry back into the department. That is likely to have happened, but in the end the responsibility rested with DEEWR.

Senator COLBECK—So you have, effectively, not heard much at all. There was an article on 19 January in the *Weekly Times*, again citing concerns raised by AUSVEG, which is the—

Mr Grant—No, we have not heard anything. There was some other media around from NFF about the same time, that they were sort of happy that their concerns had been addressed.

Senator COLBECK—I know there was a mixed range. I have certainly had some feedback on the ground, particularly from industry during the harvest season, about what flexibility they have, particularly around weekends and evenings and things of that nature, and what sorts of things they have to do to work in with the awards.

Mr Grant—There has not been a significant campaign at all.

Senator COLBECK—Can you give us some information on the status of the VegVision, which began in 2007.

Mr Grant—The government's involvement in that is finished. We put some money into helping the industry develop that vision and it is now completed and the industry is essentially implementing that vision.

Senator COLBECK—But what about the work that was supposed to occur to explore social, economic and environmental impacts? We talked about this, I think, last time. There were some studies that were being done but have not seen the light of day yet.

Mr Grant—I do not recall that. I am happy to take that on notice. Mr Ottesen, do you recall that?

Mr Ottesen—No.

Senator COLBECK—I think we took particular attention of action 2.4.1, which is:

Undertake specific studies to support industry policies on a range of issues relating to current and likely market expectations on the current economic, environmental and social impacts of vegetable production and marketing. This should include energy, greenhouse, climate change, biotechnology, etc.

Mr Grant—I am not aware that the department has had any involvement in that work. Our involvement in that project was completed over 12 months ago.

Senator COLBECK—You get a mention in the 'Primary responsibility' column.

Mr Grant—I am not sure what document you are reading from.

Senator COLBECK—I am reading from the VegVision 2020 document.

Mr Grant—I have not seen that, so I cannot comment on what it says.

Senator COLBECK—According to you, when did your involvement cease?

Mr Grant—I cannot give you the exact date, but it was 2007-08 or early 2008-09. Again, I can take that on notice, but I am pretty sure the last payments that we made were around that time.

Senator COLBECK—So as far as you are concerned all VegVision actions that the government might have been responsible for are completed?

Mr Grant—We helped to fund the VegVision, which is sort of a forward-thinking strategy for the industry.

Senator COLBECK—I remember it very clearly. You do not have to remind me.

Mr Grant—I guess our involvement was to facilitate the funding and the conduct of the survey, not then to implement it.

Senator COLBECK—No, I understand that. But there are some reports, as I understand it, that have not seen the light of day which the department were involved with and that is what I am trying to get to the bottom of. That is all.

Dr O'Connell—It is probably best we take that on notice.

Mr Grant—Yes. I do not have—

Dr O'Connell—Both to be very clear about the reference to the department in the vision and also to work through—

Senator COLBECK—Because we had this discussion in November.

Dr O'Connell—It evades me, I am afraid, but that is probably the hour.

Senator COLBECK—My diligent staff have reminded me of it, so here we are. I mentioned the food task earlier. What work is the department doing on the projections in relation to that?

Mr Grant—What was the issue?

Senator COLBECK—The food task, with the discussion about population approaching 35 million by 2050 or whatever the date is.

Mr Grant—The broader food security issues?

Senator COLBECK—What work is being done in the department? We have talked about productivity growth. We have had some discussion about that. But outside of the work that ABARE is doing, trying to work out what is happening with productivity growth, what policy work is being done within the agency about managing the food task within the country? We are probably fairly fortunate that we export a fair chunk of what we need, but in certain circumstances, as we have discussed earlier in say fruit and veg, we are growing our importation significantly, and if there are going to be population pressures here there are certainly going to be in other countries. Where that stuff might come from would have to be something that we would need to be considering.

Mr Grant—There are a whole range of activities happening across government in which we are involved. In our own patch there is that strong focus on investment in R&D and to drive productivity growth, which we have talked about. There are the food innovation programs, which we have touched on today, and Promoting Australian Produce and Promoting Australian Produce major events, which are designed to help industry actively produce or market their food to a greater extent. We are helping to fund the CSIRO Sustainable Agriculture Flagship which was launched today, which will obviously have a key input into looking at broader food security issues. There is a range of funding that has been applied mainly to AusAID in terms of the Food Security through Rural Development initiative. The government invested over \$180 million over four years in the World Food Program on a guaranteed basis. In a broader responsibility for food continuity, there have been a whole range of issues that have been happening. I might get Mr Souness to identify and take you through some of the food continuity issues.

Mr Souness—I think we have discussed this at previous meetings. We have been doing work in trying to ensure the food supply in the event of a major failing, a flu pandemic or other major events. The government has shifted from a critical infrastructure protection to a greater emphasis on building resilience as well. So there is a change in direction a little bit in that sense to have that greater focus on resilience. We are expanding our Ausfood Plan for pandemic to an all hazards approach now. I think we have talked about the Ausfood Plan previously. We are building the emphasis away from not just a pandemic preparedness but to

also covering all hazards—so any other major national catastrophe that could impact the food supply as well.

Senator COLBECK—What work have you done on projections for food imports, processed or otherwise?

Mr Grant—We have not done a lot of work specifically on that issue, to my knowledge.

Senator COLBECK—Surely that must fit into the overall equation.

Mr Grant—Yes, it does, but in a sense the market will drive that. A lot of the food that we import at the moment is processed food into niche demands, so there are certainly swings and roundabouts in terms of our exports of large bulk commodity grains and imports of highly processed foods. But, as I say, we have not done a huge amount of work on modelling where that is likely to go.

Senator COLBECK—But that does not really address food security issues, does it, if you say, ‘The market will provide.’ I think that is one of the concerns that underpins the loss of manufacturing facilities here in the country at the moment. The cost to re-establish those sorts of things is significant and the impact of competition has been one of the elements that have impacted on their viability over time. But if, as demand grows—

Mr Grant—I guess part of our response to that will be our endeavours through the international trade involvement, the multinational Doha agenda and through individual country negotiations in trying to develop long-term arrangements about trade with countries.

Mr Glyde—I think the difference is perhaps in understanding what you might mean by ‘food security’. There is food security and there is also food self-sufficiency. I think when people use those terms they often use them—

Senator COLBECK—I agree, Mr Glyde. They are used in an interchangeable sense. Food self-sufficiency, I think, potentially could be a part of the deal if the globe’s population starts to move ahead in the terms that have been talked about.

Dr O’Connell—I think the overall broad analysis, from our perspective, would be that liberalising trade is probably one of the major things we need to do to ensure food security, in the sense of ensuring that countries around the world have the capacity to purchase food at the lowest prices they can manage in the market, and certainly the minister has been very keen to emphasise that the capacity of food to move around the world is critical to food security, as opposed, I guess, to the food self-sufficiency argument.

Mr Glyde—If you look, over the last 30 years, at what has happened to our exports of food and fibre and our imports of food and fibre, the nature of our exports and the nature of imports has changed as conditions around the world change, as our relative level of competitiveness changes. As you would expect, some countries are better at producing certain types of food than others and they tend to win out over time because they have got those natural efficiencies, just as we are very efficient in the production of wheat, for example. But at the end of the day—

Senator NASH—It is not helping at the moment.

Mr Glyde—I think we are a lot better off if we were not in that position, but anyway.

Senator NASH—Indeed. Pardon my interruption.

Mr Glyde—But I think that, really it does come down to making sure that, in terms of the global food security task, the ideal is for most countries to be able to produce their own food in the same way we do, and one of the programs that Mr Grant has mentioned—the \$464 million that the Australian government is providing, primarily through AusAID—is about transferring technology, transferring governance, transferring those sorts of skills to the developing world, and, as the secretary has mentioned also, the importance of freeing up trade so that the right price signals are going to those countries to encourage their own farm sectors to develop over the course of the next few generations.

Senator COLBECK—I am not sure whether we covered this this morning, Dr O’Connell, or not. The staff removed from Paris, Brussels and Washington, are there any plans to reintroduce these in the future?

Dr O’Connell—If we could look at that under the Trade and Market Access area.

Senator COLBECK—Okay, I think that might be where you told me to go this morning.

Dr O’Connell—I probably did, yes.

Senator COLBECK—All right.

CHAIR—Guess where I told you to go.

Senator COLBECK—I do not listen to you when you say those sorts of things to me though.

CHAIR—I thought we had already answered it.

Senator COLBECK—No, you did not.

CHAIR—Are you sure?

Senator COLBECK—Absolutely positive.

CHAIR—Are you sure?

Senator COLBECK—Yes. Otherwise my staff would not continually email me asking where the answer to the question is—because they have been listening too. Thanks, Chair.

CHAIR—No worries. Are there any other questions of Agricultural Productivity? If there are no questions, I thank you. We will now call What Exports Australia.

[8.53 pm]

Wheat Exports Australia

CHAIR—I welcome Mr Woods and Mr Woodley. Questions, Senator Nash.

Senator NASH—Thank you, Chair. Thank you, Mr Woods and Mr Woodley. Nice to see you again. Can you just enlighten the committee: have there been any staffing cuts over recent times that the committee has not previously been aware of? No?

Mr Woods—No staffing cuts.

Senator NASH—So you have still got the same amount of staff that you had when it was all initiated. All right. Is there any move to have any staffing cuts?

Mr Woods—Not at this stage.

Senator NASH—Not that you would say now, I am sure, but not at this stage.

Mr Woods—No. We have a Productivity Commission review under way. We do not know what the outcome of that will be, if that is going to create more work or less work, and for the past year or 18 months we have got along by having consultants doing a lot of the work for us. So instead of increasing staff levels to cope with our workload, we have been managing project managing consultants.

Senator NASH—All right. Which Productivity Commission inquiry is that?

Mr Woods—That is into wheat marketing and the Wheat Marketing Act and the scheme.

Senator NASH—Yes, sorry. There is another one that we are waiting on the terms of reference from.

Mr Woods—About to start, so I believe.

Senator NASH—Exactly, so I was just clarifying which one it was. When is that one actually due to report?

Mr Woods—My understanding is that the draft report will come out sometime in March, late March, with the Productivity Commission to report to the government no later than 1 July, and the report—my understanding—should be tabled in parliament within 15 sitting days of that.

Senator NASH—All right. I have got some rather longer questions to ask later, but before we go to the break, you would be aware that there has been a call recently for a national single body to market Australian wheat, and I think, if my memory is correct, that the WEA was touted as one possibility for doing that. Is that correct?

Mr Woods—There are lots of things like that floating around at the moment, and certainly that is part of the terms of reference for the Productivity Commission—to look at all sorts of things in that regard.

Senator NASH—Good answer. Have you been approached to gauge interest from the WEA itself about whether or not it would be interested in potentially taking over that type of role?

Mr Woods—No, and I do not think anyone would approach us, because that would mean a change in policy, and we implement policy, we do not write it.

Senator NASH—Of course you would not have a view, I am sure. Chair, they are my short ones. So if you would like to go to the long ones—

CHAIR—No, you have got four minutes to go. You can shorten your long ones if you want to continue, Senator Nash.

Senator NASH—That sounds like an excellent idea.

CHAIR—We would be in favour of that.

Senator NASH—Don't you like my long questions, gentlemen?

CHAIR—And we will talk about Senator Nash for humour, but we will leave that until the break, okay?

Senator NASH—Chair, you are being very provocative. Senator Williams might like to kick off with a few.

Senator WILLIAMS—You are doing a fine job. Keep going. I can ask some if you want—if we keep doing this, the four minutes will be up.

CHAIR—We will do a deal. You ask the questions quickly and the officers can answer ‘yes’ or ‘no’ and we will move on.

Senator NASH—No, I will ask them very quickly. What sort of response have you been getting from growers, if any? I know that you are probably not the normal port of call for this, but I would just be interested to know if you have had any feedback from growers about concerns with the current price for wheat across the board? Is that something that is raised with you at all, even anecdotally?

Mr Woods—No-one has rung me and complained about the price of wheat, though anecdotally there are people saying that the price of wheat is low, but it is in relation to world price.

Senator NASH—So have you done any—I guess I would put it—sort of benchmarking on the pricing performance of this season; real prices achieved of this season compared to last season?

Mr Woods—In our last report—or the report that we published in late December that was the first report under the scheme—we actually completed some analysis on that. From memory, it is pages 24 and 25. This is a report for growers published by the WEA on the 2008-09 marketing year, on the first year of operation of the new scheme, and we released the fact sheet earlier on in the year. Quite clearly, we have tried to let everyone know what has happened with price, and the reason we are sitting at a low price is that in 2007 we had some of the lowest world stocks of wheat around. In 2008 and in 2009 they have grown, and they are now sitting at a ratio of around 30 per cent stocks to use, where prior to that they were around 20, which is the lowest since 1988. Because of that turnaround in the stock situation, we have seen a consequential fall in price, and it is consistent with all of the major wheat pricing benchmarks that we would use.

Senator NASH—Apologies, too, that I have not seen it. It had not been drawn to my attention. So I do apologise for having to ask now.

Mr Woods—That is okay.

Senator NASH—So 20 per cent of stocks to use, you are saying, is obviously very low. Which year did you say that was?

Mr Woods—2007.

Senator NASH—Is there a particular sale season that you measure? Is it just the financial year, or do you go on a month-to-month September to September, or—

Mr Woods—No, 2006 is the calendar year.

Senator NASH—So it is just the calendar year.

Mr Woods—Yes.

Senator NASH—So you are saying the jump to 30 per cent is quite a significant increase.

Mr Woods—In 2009.

Senator NASH—I am happy to take a ballpark figure or for you to take this on notice: what would be an average stock-to-use type percentage?

Mr Woods—Looking at somewhere about 30, I would say, just looking at this graph.

Senator NASH—All right.

Mr Woods—We can give you one here, if you like. But that is certainly—

Senator NASH—Thank you.

Mr Woods—We published similar data in a fact sheet that we released earlier last year and in this one, and this is data that we use that comes from USDA.

Senator NASH—Okay. So if that is what you would say is an average stock to use, the correlation then of the very low price, is that because of the sudden increase, because otherwise—

Mr Woods—That is because of the sudden increase, and that is why last year and the year before the price started to increase, because as stocks get lower the price goes up, because everyone is worried it is not going to be there. In relation to the price going up, there is a consequential increase in the amount that is sown and, therefore, hopefully an increase in the harvest and it turns around relatively quickly.

Senator NASH—Okay. Chair, do you want me to—

CHAIR—This was Senator Nash who had one or two questions for Wheat Export Australia. We will suspend for a quick break.

Proceedings suspended from 9.01 pm to 9.13 pm

CHAIR—Welcome back. Thank you, everyone. In continuation: Senator Nash.

Senator NASH—I think we were just discussing that the 30 per cent was the average sort of stocks-to-use figure but in your view it had had a particular impact because of the sudden increase from the 20 per cent to the 30 per cent, just to be clear. Do you ever consider any other factor on the price of wheat at any point in time? You were quite definitive then about how saying it is the world price and so that is what you were looking at. Are there any other factors at all that you consider?

Mr Woods—Yes, the exchange rate is certainly something that we consider there and whether there is a drought in Australia. Quite clearly, we had drought effects so the domestic market was above export parity in the period from about October 2006 through to almost July 2007 where that was a pretty ordinary harvest in that respect. Because the domestic market was competing for a very short amount of wheat at that stage, the export market was very low and the domestic market was high, so we saw very high prices then. Therefore, we are operating on a domestic situation not a world situation.

Senator NASH—So you do not take any kind of legislative changes and the impact potentially on the market into account? That does not have any impact at all in your view?

Mr Woods—Zero.

Senator NASH—I had a feeling you might be going to say that. Unfortunately, there are a lot of growers out there who do not agree with you, Mr Woods, but that is entirely your opinion and I accept that.

Mr Woods—They are allowed to have a differing view.

Senator NASH—You have pre-empted me. I said that is entirely your own opinion and you are entirely able to have your view on that particular issue.

Mr Woodley—The only point I would add is that when you look at figure 17 in that report, and that goes back a number of years, it is very clear that the Australian price for wheat is pretty well in sync with the world price. So Australia's price is largely determined by world prices and, as Mr Woods has said, that is largely determined by the supply and demand situation in the world scene and stock levels are a major influence on that.

Senator NASH—How does the present value of a tonne, or whatever you use for your average pricing mechanism, compare with, say, 15 years ago?

Mr Woods—I have not got that.

Senator NASH—I apologise that I do not have that in front of me. How far back would WEA have looked into the comparative values of wheat, year on year? How far back have you gone?

Mr Woods—I think we have done some numbers back till 1999, the start of WEA. On 27 November we produced our final report on the performance of AWB in managing the single desk. We gave it to the minister and published it on our website. In that report, we have data going back to July 2001.

Senator NASH—Thank you. I suppose it is not really your role but do you have any interest in tracking it back further to get a longer term history comparative view of where the price is sitting at the moment?

Mr Woods—In a previous life I used to do things like that. The Australian wheat price, Kansas and Chicago have very good correlations, so we have always operated on world parity export pricing.

Senator NASH—One of the things that has been raised—and again you might have an entirely different view—is that, in the view of some of the growers, the premium is forgone because of the change in arrangements and moving to a deregulated environment, hedging, currency price risk and those sorts of things. Do you accept that that is a premise? I will start there. If you say yes or no, I will keep going.

Mr Woods—That premiums have gone? It is a premise that premiums have gone?

Senator NASH—No, the premium is forgone by the changes: so where farmers saw that there used to be a benefit in terms of hedging and currency and the ability for those types of things to be managed, they have a view now that the premium is forgone. Do you have a view on that?

Mr Woods—Our report would say that there never was a premium.

Senator NASH—Then I certainly will not ask you if you have done any work on it, if you do not think it exists.

Mr Woods—We have. All the old WEA and EWC reports and this final report on AWBI's performance in managing the pool largely indicate that AWB did a very good job at managing the currency risk but everything else is not forgone.

Senator NASH—So there was no premium in any of those, anywhere, that has been forgone, in your view?

Mr Woods—We did longitudinal analysis in this over a number of pools, and we quite clearly state that AWB was not able to price discriminate across grades or across pools.

Mr Woodley—We looked at this in great detail because this final performance monitoring report and the associated *Growers Report* cover the last two national pools and is the final such report. We looked at the last two pools, 2006-07 and 2007-08, and we also looked back over the last 10 years to try to get a bit of an analysis because, as I said, this is the final report. We also, in this process, devised a number of different benchmarks to those that had been used historically. If I can just quote the main finding in that regard from this report:

- Taken together, WEA's CNF pricing benchmark and price discrimination analyses indicate that while to some extent AWBI allocated wheat between markets to take advantage of differences in market price sensitivities, it did not achieve prices in those markets that fully captured Australia's relative freight advantage.

Senator NASH—Okay. So that is your view of your annual report. Thank you.

Mr Woodley—Also there is some detail behind that comment.

Senator NASH—The 2008-09 season that you were talking about, that obviously was as a result of the world price. Do you do any indicative pricing of where you think this season might end up? No? Not a clue?

Mr Woods—Do not have a crystal ball, I'm sorry.

Senator NASH—Gentlemen, thank you very much. Unfortunately no joy there for wheat growers, is there?

CHAIR—Senator Adams and then Senator Williams. We have got 10 minutes, so fire away.

Senator ADAMS—Senator Nash says there is no joy for the wheat growers, so my first question is: what are the benefits of the new wheat marketing arrangements, from your point of view?

Mr Woodley—Of course there has been a dramatic change. The main benefit for growers is that they have more choice and there is competition. In the past, in terms of wheat going to export in bulk, there was only one company that they could deal with. Now there are 28 accredited organisations. Not all of those are active in the market at any time, but at least 15 or more of them are actually active and buying for their business. With competition, we are already seeing innovative products and new approaches and these companies are all competing with each other to gain that grain. So I am sure that over the coming years there will be further new products that will be devised and developed that will give growers even further choice in how they sell their grain.

Mr Woods—One of the other things I would like to point out is that, through this process of accrediting, we have asked for exporters to provide us with a proposal of what they think they are going to export or what they would like to. In every case we have been looking at that and doing some assessment on the financial facilities that they need available to complete that export proposal and in every case they have had more than enough financial facilities, usually at \$100 to \$150 more than what the current price of wheat was because we have looked at it as if we had a rising market. If you look at the actual proposals in total compared to what has been exported, the proposals double the total exports. So we have a lot more liquidity in the market than we have had previously.

Senator ADAMS—That is good. As far as the current shipping stem rate, this time last year we had a lot of chaos out there with the ports, and ships not being able to be loaded because of the up-country problems of getting the grain down to the ports. How is that going now? Could you tell us about that?

Mr Woods—I think we are in a different situation this year. Again, because the world price is low, growers did warehouse, as they did last year. They have not sold all their wheat. I am hearing that in some states 40 per cent, 50 per cent is believed to be still in warehouse, although no-one really knows and, with growers taking a position that they do not want the price at the moment or they do not need a cash show, they are just looking at the market in that respect. Therefore, that does have some impact on what grain can go to port and what is available to be shipped. So I think there are some changes in that respect, as to the volume and what quality is going out, largely.

Mr Woodley—The other thing, too, is that this is the second year. There were some teething problems in the first year. Since then the parties have worked together in finessing their arrangements. Of course we are operating now under access arrangements that have been developed by each of the bulk handlers, with the ACCC, and those more specifically outline the procedures and processes with respect to operating the shipping stems.

Senator ADAMS—I have just had a look at your submission to the Productivity Commission inquiry. I note that on page 34 in your conclusions you say:

WEA considers that the transition from the previously highly regulated bulk wheat export arrangement to a more liberalised environment has occurred relatively smoothly.

What do you see as the future role for Wheat Exports Australia?

Mr Woodley—Our role at present, and until we are told otherwise, is to continue to administer the scheme. We will continue to do that. As I mentioned earlier, there are 28 accredited exporters—there are possibly a few more in the pipeline—and we need to continue to monitor their performance, audit their operations, to ensure that they continue to meet our fit and proper test and we will continue to do that.

Senator ADAMS—Have you had any problems with anyone not reaching the standard that was expected of them?

Mr Woodley—No. That is one of the comments in our report: that the whole process has gone remarkably smoothly, from one exporter to multiple exporters. We have certainly had a lot of work, as have those who have been accredited to go through those processes. But there have been no major issues or problems.

Senator ADAMS—Thanks.

CHAIR—Senator Williams has a couple of questions and then back to Senator Nash and Senator O'Brien.

Senator WILLIAMS—Thank you, Chair. How many exporting companies do we have now registered in Australia?

CHAIR—Twenty-eight.

Senator WILLIAMS—Twenty-eight? I was reading emails.

CHAIR—Was it about those lemons, Senator Williams?

Senator WILLIAMS—It was quite a bit to email, Chair.

CHAIR—Twenty-eight. There are a few more in the pipeline, was the evidence.

Senator WILLIAMS—I'm a male, I'm not a female. They can concentrate on two or three things at once.

CHAIR—Oh, turn it up.

Senator NASH—Well said, Senator Williams!

CHAIR—That is totally wrong!

Senator BACK—Chair, would you require him to ask his question.

CHAIR—Senator Williams has waited patiently. Senator Williams, do you have a question—

Senator WILLIAMS—You collect 22c as a levy from each tonne exported. Is that correct? What does that tally up to in a year, roughly, on your figures, since the start in July—

Mr Woods—It depends on what is being exported, but we also get 22c for all exported wheat, so that is non-bulk—anything in containers and bags as well. Depending on what the tonnage exported is—last year it was about 12 million tonnes.

Senator WILLIAMS—You haven't had any incidents with the 28 companies who are exporting? You have not had any reports of bad debts or anything like that? Everything has been going smoothly, has it?

Mr Woods—No-one has made us aware of any issues at this present stage.

Senator WILLIAMS—Good. So no news is good news. With the exporting of wheat out of the port of Sydney, is there much going out of Sydney? Are there any problems in the way of railing wheat in et cetera? I know that other people wishing to use that port are having terrible trouble with logjams there at Sydney. Has it been going okay?

Mr Woodley—There are two ports in New South Wales—one in Newcastle and one in Port Kembla.

Senator WILLIAMS—So there is no wheat export out of Sydney?

Mr Woodley—No. The Sydney terminal closed 20 years ago.

Senator WILLIAMS—I am up to date with that, aren't I?

#Senator O'BRIEN—Doesn't time fly when you're having fun, Senator Williams?

Senator WILLIAMS—It is. You learn something every day.

Mr Woodley—I can say that in terms of Port Kembla, which is probably the closest to Sydney, there have been no problems, although I think it is a bit disappointing that the expected exports out of that terminal will only be about 800,000 tonnes this year.

Senator WILLIAMS—What about Newcastle? Obviously the state government is planning to upgrade the port to double the export of coal from 90 million tonnes a year to 180 million tonnes. How is the traffic at Newcastle in relation to grain?

Mr Woods—Grain is one of those things that people are juggling around coal. Our understanding is that coal gets priority. The GrainCorp has slots booked and they have to bring it over the mountains, so there are only so many movements that can happen. Our understanding is that that seems to be working okay.

Senator WILLIAMS—So it is coping, is your understanding. With the upgrading of the port, have you had any discussions with the New South Wales state minister? In relation to doubling the export of coal out of Newcastle, have you had any discussions with the minister in relation to holding your fair share of quota with the grain exports out of that port?

Mr Woods—That would be something that GrainCorp would be doing and it is not our role.

Senator WILLIAMS—Thanks, Chair.

CHAIR—Thank you, Senator Williams. We are running very desperately close to the wind. Senator O'Brien.

Senator O'BRIEN—An issue that you raised in your earlier evidence was the amount of grain that has been held by growers on farm in storage. I take it that means that we are seeing a greater development of farmers managing the sales of their crops, not growing and wanting to get the crop off as quickly as possible. Have you any information on quantities—how much of the crop is being held on average on farm—or is that something beyond your remit?

Mr Woods—That is something beyond our remit and certainly very hard to judge. Certainly a lot of people—exporters—are trying to determine how we can get that data. All exporters generally want stocks information, but how do you go about collecting what you or I have on farm?

Senator O'BRIEN—I guess that is empowering the growers, if they have the information that others have controlled in the past.

Mr Woods—Yes.

Senator O'BRIEN—In terms of the marketing of grains, I have in the past asked for information on market penetration—whether we are exploring new markets or increasing sales into particular markets that we have opened up. Do you have any further information on that subject?

Mr Woods—Only what we published in our report for growers, so the first report on the scheme. If I remember correctly—and we have a pretty neat little graph in there on page 21—we exported to about 42 countries in the last marketing year. It has been quite some time since we have done that. It might have been 2002, from memory, when that was the case. In the

recent past, two or three years ago, it was only 17 countries. So it is not just the number of countries that we are exporting to; we have more than one buyer in each country. As we have multiple exporters, you can expect that we have multiple buyers. So it is also reaching different markets within the countries.

Mr Woodley—I think one of the things we pointed out in this report too is that there are some countries that are now receiving Australian wheat that have not received Australian wheat for eight years or more.

Senator O'BRIEN—Is that the case generally or are some just receiving containerised wheat, or are we getting bulk into more markets as well?

Mr Woodley—No, they were the bulk. I think also, from our experience with these accredited exporters, we can see that some of them have relationships in different countries. They have developed them over some years, sometimes through the containerised trade but also through trading internationally anyway. Certainly there has been an opening up of further countries who are receiving Australian wheat that have not received Australian bulk wheat for quite some time, if ever.

Senator O'BRIEN—In terms of the potential expansion of the number of exporters, can you indicate whether we are likely to see entities enter the market that have track records elsewhere but have not been operating in Australia before, or are we likely to see home-bred businesses expanding into the market?

Mr Woods—We have had inquiries from a few more exporters, or potential exporters, some of them in the container trade, and others. We would expect that, once they proceed with an application, we will end up with a bigger diversity of exporters, but I think the scheme has already shown that we have a wide diversity already and it is able to cope with nearly any application that we get. We have accredited a company as a grower to export his own wheat right through to multinationals.

Senator O'BRIEN—That's good to hear! I was hoping that individual growers would be strong enough to manage their own crop to port and beyond. Thanks for that.

CHAIR—Senator Back?

Senator BACK—Thanks, Chair. This time last year in Western Australia we had the scenario offshore Fremantle—the allegations, anyhow—of ships queuing up, lack of control, delays and unfair treatment by some exporters to others. Can you comment on the situation this time this year into Kwinana?

Mr Woods—Given last year's issues, CBH has implemented some changes in how they are managing the shipping stem and they have moved to a dual system of allocating slots for harvest and then auctioning them for the rest of the year. Associated with that is that people are able to pay a premium to get a slot that they want, if that is how the auction ends up. If something changes along the way, my understanding is that there is also a secondary trade in that but that has to be allocated through the system so that people can manage those in a better fashion. It is a little bit early to tell how that system is working.

Senator BACK—Industry participants are satisfied as to the independence of the process, in your observation or feedback?

Mr Woods—To date everyone has been relatively quiet on their feedback to us, or comment to us, about it. When we have asked exporters, they have said, ‘Look, we want to give it a fair go and we’re not saying anything yet.’

Senator BACK—On a related topic, with the greater volume of wheat stored on farms, to what extent do you have any involvement—and, if you do, are you satisfied—with security over vermin control, weevil control et cetera?

Mr Woods—We have no control over it at all. No grower can store grain anywhere as can an exporter. But there are a number of organisations looking at on-farm quality assurance programs to assure that the chemical control for insects is done correctly, because one of the things that everyone is aware of is that we have MRLs—maximum residue levels—and the last thing anyone wants is a boat being loaded with any grain that is going to exceed the residue level for the company it is going to, because no-one wants to have to change a ship in transit somewhere.

Senator BACK—Can you explain your relationship with GRDC? Is it formal or informal?

Mr Woods—We have an informal relationship with GRDC. We have no role with them and vice versa.

Senator BACK—No role at all? There is no association between the two bodies?

Mr Woods—Only that we do presentations to GRDC on where we are up to. We certainly are aware of what is happening with the committee that is looking after end-point royalties and those sorts of things.

Mr Woodley—I should add that, by coincidence, one of our members is also a member of the GRDC, but that is not by design.

Senator BACK—Sure, that is coincidental. The 22c approximates how much in a year? Did you say 12 million tonnes are exported?

Mr Woods—Yes, 12 million tonnes are exported, so we get about \$3½ million.

Senator BACK—How do you account for it? Where does it go? How do you account to growers?

Mr Woods—It goes in running the organisation. The whole lot is in the annual report, as to how that money is spent.

Senator BACK—Is there any formal mechanism of feedback and auditing? Not auditing of how you spend the money but feedback from growers on satisfaction levels and effectiveness levels?

Mr Woods—No.

Senator BACK—Should there be? Has there been a demand from growers?

Mr Woods—No.

Mr Woodley—No, there has not. We have asked ourselves that question, but really we did not see any point in spending more money on seeking growers’ views on how we are going. I think we have a reasonable fix on growers’ perceptions. Peter particularly—but also other managers within our organisation and our board as a whole—meets regularly with grower

organisations and we have meetings also with other stakeholders in all of the states. So we feel that we get a reasonable view as to how people are gauging our performance and really do not see the need to have surveys of the tens of thousands of growers in Australia to see what their views are of how we are performing.

Senator BACK—Just very briefly, what proportion would be grower representatives on your board?

Mr Woodley—We do not have a grower representative on the board per se but we have a range of criteria for our members, one of those criteria being grain growing. On our board I think we have one large grower and one grower who grows grain in a smaller capacity, but they are not there as representatives of grain growers.

Senator BACK—Thank you.

CHAIR—Thanks, Senator Back. One final one, Senator Nash—just one!

Senator NASH—Thanks, Chair. Mr Woodley, I noted, in your response to the question from Senator Adams about the benefits to growers, that you said one of the benefits was that the exporters were vying for the grain, which was a good thing. But when we see instances at silo, at harvest, of no traders posting a price at all for a period of time, you could not really classify that as ‘vying for the grain’, could you?

Mr Woodley—I think you raised this question once before, and I am not aware of any—

Senator NASH—I do not know that I have, actually.

Mr Woodley—A couple of meetings ago, yes. I am not aware of any silos where that happens, but I will take your word for it that there may be one or two.

Senator NASH—Actually, I will undertake to provide that information for you. I am surprised I have not offered to do that in the past.

Mr Woodley—Okay. But I think, in a general sense, there are 17 or more exporters vying for grain, together of course with buyers for domestic grain, and that introduces greater competition compared to the arrangements that applied previously.

Senator NASH—In terms of the overall tonnage for the last harvest—and I know it is difficult because of the on-farm storage—do you have an overall ballpark figure?

Mr Woods—I think ABARE is looking at 21 million tonnes.

Senator NASH—We certainly have not had a harvest with any kind of glut or anything like that, so this competition really is going to be tested, isn't it, when we have an oversupply in the market, as to whether this is going to stand up, given that to date we simply have not had that?

Mr Woods—World supply and demand is what is operating the Australian price, not the single desk.

Senator NASH—I did not refer to that at all, Mr Woods. I am surprised you brought it up.

Mr Woodley—I just repeat the point that Peter made. Our 28 accredited exporters, when you add up their individual targets for grain, add up to a figure of at least twice the amount of grain that is available, so they clearly cannot all achieve their targets. So, looking at that, just

on the surface of it there is a significant amount of competition there, and that disparity between the actual amount of grain available and their targets increases in years 2 and 3 because they are all collectively seeking to export more grain in future years.

Senator NASH—I think I will leave it at that. Thank you, Chair.

CHAIR—Thank you, Senator Nash, and to Mr Woodley and Mr Woods, thank you very much. We will now call Trade and Market Access.

[9.42 pm]

Trade and Market Access

CHAIR—Lucky last. I welcome officers from Trade and Market Access. Questions? Senator Colbeck.

Senator COLBECK—Let's go back to Brussels, Paris and Washington. We know that positions have been removed from those three posts. Are there any future plans to consider reintroduction of those posts?

Mr Burns—I think the minister was asked this question just in the last couple of weeks, and he indicated that if he had the funding he would not necessarily look at those particular locations but he would indeed look at perhaps a wider geographical spread, looking at some of the newer and emerging markets.

Senator COLBECK—So we are effectively always looking outwardly as to where we can best utilise our resources for maximising our trade opportunities?

Mr Burns—Correct.

Senator COLBECK—What feedback has the department had from industry or other governments regarding withdrawal of the officers to date?

Mr Burns—Certainly no feedback from other governments. Industry, of course, regretted the withdrawal of the positions, particularly from Washington and Brussels. They made that point clear to us at the time, but there has not been an ongoing issue with it.

Senator COLBECK—You indicated to us when we discussed it at, I think, budget estimates that you would use staff resources from other posts or other locations to manage issues that cropped up in those three particular posts. What have we needed to attend to in those three posts to date since they have been removed?

Mr Burns—As I think I indicated last time, in the case of Brussels and Washington, when we withdrew a person we left the more senior person there. They are supported by locally engaged staff, so they each have two locally engaged staff who assist with their work. Where necessary, we have supplemented that with more missions from Australia—for example, if we need to be discussing a particular technical market access issue we might have sent some people from the Biosecurity Services Group who have detailed knowledge that can assist with negotiations—and we have tried to schedule more regular Canberra based visits.

Senator COLBECK—So how many times have we had to send people out to any of those posts?

Mr Burns—I could not give you an exact answer off the top of my head. I could take that on notice. But it is a combination of scheduling—if somebody is in the region, maybe visiting Brussels as well—and we have had a couple of particular negotiations where we have sent people. For example, when we were talking about the new beef market access, the extra tonnages of beef that we have recently got into the EU, we had some people go and specifically discuss that, including myself.

Senator COLBECK—Let's go to Russia then. Where are we at with our current negotiations with meat access?

Mr Burns—Russia?

Senator COLBECK—Yes. Kangaroo and beef.

Mr Burns—I might ask Ms Anderson to answer that. She has recently been in Russia.

Ms Anderson—On beef, you are talking about the beef quota access or technical market access?

Senator COLBECK—We have got quota issues that we are negotiating, obviously.

Ms Anderson—Yes.

Senator COLBECK—But we also have the access issues that we have had.

Ms Anderson—Yes. On the quota issue, we have received word from Russia that they will allow us to access the 'other country' quota for frozen beef of up to 448,300 tonnes. That was a very good outcome. There was some discussion of a restriction to a much smaller number.

Senator COLBECK—Seventy thousand or something, wasn't it?

Ms Anderson—Even lower than that, actually. It was about 10,000. So that was based on some historical—

Senator COLBECK—Back to EU quota levels.

Ms Anderson—So that has been a positive outcome.

Senator COLBECK—What do you mean by 'other country' quota?

Ms Anderson—It means we do not have a country specific quota. Some countries have a specific quota and then all other countries are pooled.

Senator COLBECK—So there is a parcel sitting there in that big pool.

Ms Anderson—Yes, that is right.

Senator COLBECK—How many other countries are accessing that?

Ms Anderson—Basically anyone who does not have a country-specific quota, but it is largely South American countries that have the potential to access that quota on a practical level. On the technical market access issues there have been some quite positive developments over the last six months or so. As you may recall, there are a number of establishments suspended. I am talking about meat other than kangaroo meat here. But there have been a number of establishments relisted recently, some as recently as last week—some pork establishments and some boning rooms and things like that—so we think the signs are quite good on the technical side of things as well. We have made some progress. I think there

are eight establishments that remain suspended. In terms of the details of that, it is our Biosecurity Services Group that manages those listing and relisting processes because they provide the technical information to support that, but overall, while there are still a few suspensions, generally things are looking up.

Senator COLBECK—Is that really a matter of each of the individual facilities working their way through the particular individual issues and then reapplying and being accepted for listing?

Ms Anderson—Yes, that is largely the case. There is usually a report done by the establishment. AQIS then endorses it and it gets sent over at a government level to the Russian side. They assess it and make a judgment as to whether to relist or not.

Senator COLBECK—So we are down to eight?

Ms Anderson—Yes.

Senator COLBECK—Kangaroos.

Ms Anderson—The Russians suspended all kangaroo exports from 1 August last year pending some improvements that they requested to our process, from harvest through to processing. They had some concerns about that. They came out to audit earlier last year and the suspension came through in August following that audit. Since that time Biosecurity Services Group has been working with the state regulatory authorities and the state governments, obviously, and the industry to try to put together some information and make some improvements to the supply chain. The next step is a submission to Russia. I cannot give you an exact date on that. The Biosecurity Services Group is managing that, with the state regulatory authorities, but I expect that to be in the next few months. The next step after that would be either, hopefully, a re-establishment of the trade, or there is potential that Russia may seek to visit and audit some of those facilities before they re-establish the trade.

Senator COLBECK—Given that we are working with the states, is there a national protocol or are there individual protocols in each state? How is that process working to develop it?

Ms Anderson—There is a working group, but as to the detail of how that is working, that would probably be a question for the Biosecurity Services Group. We can take it on notice and get you an answer.

Senator COLBECK—Okay. So again we are working through issues that they have raised within the supply chain and it is a matter of time to deal with that?

Ms Anderson—Yes.

Senator COLBECK—Can I just go to the implementation of the Australia-New Zealand-ASEAN Free Trade Agreement, which came into force from 1 January, as I understand it. How many of the countries have finalised their sign-on process and where are we at with those that have not?

Mr Ross—You are correct. The agreement came into force on 1 January. Most countries have completed their domestic processes. Just allow me to check my notes. Indonesia, Laos and Cambodia, I believe, have not finished their processes.

Senator COLBECK—Do we know how far away that might be, or that is an internal issue for them?

Mr Ross—It is a timing issue for them, but they have given assurances that it will be early in this calendar year.

Senator COLBECK—What is the process of bringing all that online then?

Mr Ross—It is Laos, Cambodia, Indonesia and Thailand that have not completed their domestic processes. As I said, their commitment is to endeavour to have those completed early this year.

Senator COLBECK—How does that impact access into those particular markets?

Mr Ross—The undertakings under the agreement do not apply until they ratify the agreement.

Senator COLBECK—So that works in a bilateral sense, obviously, so until those things are finalised we do not get access. There has been some concern raised out of the horticulture sector of the agreement. Where does the balance, as you see it, lie in that particular area?

Mr Ross—If you look across the range of countries involved, I guess you would probably characterise the outcomes for horticulture as a little mixed. In most cases there are opportunities to enhance access. For instance, for vegetables there are good gains to be delivered in Malaysia and Vietnam, but there are a number of high tariffs on products in Indonesia that will remain, and in the Philippines there will only be some modest reductions on vegetables. For fruit, most tariffs are going to be eliminated, except for mandarins and mangoes in Indonesia and a number of tropical fruits in Malaysia. For processed fruit and veg, tariffs are bound at zero on entry into force or will phase to zero in most countries.

Senator COLBECK—What is the time frame for the phasing?

Mr Ross—I do not have that detail in front of me, but I can provide it to you. It differs between countries.

Senator COLBECK—Is there any expectation of prioritisation of import risk assessments as part of the agreement?

Mr Ross—No.

Senator COLBECK—That will do me.

CHAIR—Thanks, Senator Colbeck. Senator Back.

Senator BACK—Thanks, Chair. Just going back to new markets or shoring up of markets for meat, you mentioned Russia. What other markets for Australian meat are looking optimistic in terms of new opportunities?

Mr Burns—We would not normally go through a process of assessing which markets ourselves. That is really an issue for industry to look at the opportunities, and certainly a major role that MLA has. What would happen is that we would consult with MLA in particular, as the relevant body in this case, and also we have a red meat market access committee which all the meat industry is represented at. They meet with us. They give us an assessment of where they think there are commercial opportunities and if there are technical

market access issues, or other access issues which the government can assist them with, then we adjust our priorities in terms of our work accordingly. But really where the new opportunities might be arising is a matter that industry takes the lead on.

Senator BACK—Can you comment then on any markets for meat that we either have lost or are likely to lose? Are you in a position to comment on that?

Mr Burns—I am not aware of any at the moment that have been drawn to our attention, but Mr Morris might be able to help.

Mr Morris—I am wearing my previous hat as Trade and Market Access executive manager at the moment. In terms of meat, we actually have very good access globally for meat and a lot of our efforts are really to try and improve the existing arrangements into those markets. So, for example, in Indonesia we have good access for meat already and live animals, as you are aware, but the effort is on the offal side where we see potential for expanding the range of offal that we can export into that market. Similarly, we are looking at prospects for getting the offal side of the business going in other markets internationally as well. Again, as Mr Burns says, we are working very closely with the red meat industry and trying to make sure we identify their high-priority markets and working through those.

Senator BACK—The final group of questions under the new free trade agreements: I understand Chinese apples are now being imported into Australia, or are about to be. Is that correct?

Mr Morris—Not yet. There were some questions earlier on in the hearing about Chinese apples and Biosecurity Australia answered the questions on those. There is an import risk assessment process currently under way on apples. That is at a fairly advanced stage of completion. From memory—someone may correct me on this—it was due to be finalised around the middle of the year, I think I heard Biosecurity Australia say.

Mr Burns—I would just add that that is separate to the free trade agreement negotiations. That is purely an import risk assessment that Biosecurity Australia has had on its books for a long time. It is in no way a part of the free trade agreement negotiations.

Senator BACK—I apologise, I was not here earlier. Was there a question asked about Australia's fast-rising food prices in terms of other OECD countries? Okay. The comment that has been made is that OECD data shows that Australians are paying the fastest rising food prices of any developed nation. Would anybody care to or have the capacity to comment on that assertion?

Mr Burns—I do not think that is an issue that we would comment on, and in fact I have not seen that data. So I would prefer to see that data first.

Senator BACK—That is great. I will put it on notice and that might give you the opportunity, if we can point to it. Chairman, that concludes the questions I wanted to ask. Thank you.

CHAIR—Thank you very much, Senator Back. If there are no further questions—great! I thank Trade and Market Access. Dr O'Connell, to you and your officers, thank you very much. Once again, to Hansard and Broadcasting, thank you, and the secretariat and Minister.

Senator Sherry—Thank you. Extraordinary set of questioning, I have to say, compared to previous hearings.

CHAIR—Yes, it has been a very collegiate day of questioning.

Senator Sherry—Joint effort.

CHAIR—Yes. It is a case of how we can achieve a lot of things if we all work together.

Senator Sherry—We have not had tomorrow yet.

CHAIR—Thank you, Minister. That concludes today's hearing and the committee now stands adjourned.

Committee adjourned at 10.00 pm