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SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT
LEGISLATION COMMITTEE

ESTIMATES

(Budget Estimates Supplementary Hearings)

MONDAY, 3 NOVEMBER 2003

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SENATE
RURAL AND REGIONAL AFFAIRS AND TRANSPORT LEGISLATION
COMMITTEE
Monday, 3 November 2003

Members: Senator Heffernan (*Chair*), Senator Buckland (*Deputy Chair*), Senators Cherry, Colbeck, Ferris and O'Brien

Senators in attendance: Senators Colbeck, Ferris, Heffernan, Hogg, O'Brien and Stephens

Committee met at 9.02 a.m.

AGRICULTURE, FISHERIES AND FORESTRY PORTFOLIO

In Attendance

Senator Ian Macdonald, Minister for Fisheries, Forestry and Conservation
Senator Judith Troeth, Parliamentary Secretary to the Minister for Agriculture,
Fisheries and Forestry

Department of Agriculture Fisheries and Forestry

Portfolio overview

Mr Michael Taylor, Secretary
Mr Don Banfield, Deputy Secretary
Ms Meryl Stanton, Deputy Secretary
Mr Daryl Quinlivan, Acting Deputy Secretary
Senator the Hon Ian Macdonald, Minister for Fisheries, Forestry and Conservation
Senator the Hon Judith Troeth, Parliamentary Secretary to the Minister for Agriculture,
Fisheries and Forestry

Business Groups

Management Services and Corporate Governance

Mr Bill Pahl, Chief Operating Officer
Mr Allan Gaukroger, Chief Financial Officer
Mr Peter Moore, Manager, Budgets

Food and Agriculture

Mr David Mortimer, Executive Manager
Mr Richard Souness, General Manager, Food Policy & Safety
Mr Roland Pittar, A/g General Manager, Field Crops, Wine & Horticulture Business
Mr Greg Williamson, General Manager, Meat, Wool & Dairy Business
Mr John McLWalter Chairman, Wheat Export Authority
Mr Glen Taylor CEO, Wheat Export Authority

Market Access and Biosecurity

Mr Paul Morris, Executive Manager, Market Access and Biosecurity
Ms Mary Harwood, Executive Manager, Biosecurity Australia
Mr Craig Burns, General Manager, Trade Policy

Dr Dennis Gebbie, Chief International Agricultural Adviser
Ms Virginia Greville, Special International Agricultural Adviser
Dr Brian Stynes, General Manager, Plant Biosecurity
Dr David Banks, General Manager, Animal Biosecurity
Dr Melanie O'Flynn, General Manager, Biosecurity Development and Evaluation

Product Integrity, Animal (including aquatic animal) and Plant Health

Dr Gardner Murray, Executive Director
Mr Steve McCutcheon, General Manager, Product Safety & Integrity
Dr Bob Biddle, Deputy Chief Veterinary Officer, Office of Chief Veterinary Officer
Assoc. Prof. David Adams, Senior Principal Research Scientist, Office of Chief Veterinary Officer
Dr Eva Maria Bernoth, Manager—Aquatic Animal Health, Office of the Chief Veterinary Officer
Mr Dean Merrilees, General Manager, Animal & Plant Health Policy
Mr Tim Roseby, Executive Manager, Emergency Risk Management Unit & National Residue Survey
Dr Graeme Hamilton, Chief Plant Protection Officer, Office of the Chief Plant Protection Officer
Mr Troy Cousins, Business Manager, National Residue Survey
Dr Peter Miller, Deputy Director, National Residue Survey
Dr Joe Smith, Acting Chief Executive Officer, Australian Pesticides & Veterinary Medicines Authority

Australian Quarantine and Inspection Service

Ms Meryl Stanton, Executive Director
Mr Greg Read, Executive Manager, Exports
Mr John Cahill, Executive Manager, Quarantine
Ms Jenni Gordon, National Manager, Animal & Plant Programs
Mr Tim Carlton, General Manager, Business Strategy Group
Mr Steve Bailey, National Manager, Food Inspection Operations
Dr Ann McDonald, General Manager, Market Maintenance Group
Dr Andy Carroll, National Manager, Cargo Management Group
Mr Bob Murphy, National Manager, Border Group

Australian Bureau of Agricultural and Resource Economics

Dr Stephen Beare, Acting Executive Director
Dr Terry Sheales, Chief Commodity Analyst
Ms Annette Blyton, Corporate Manager

Bureau of Rural Sciences

Dr Colin Grant, Deputy Executive Director
Ms Sharon Field, Program Leader, Executive and Business Management

Rural Policy and Innovation

Dr Cliff Samson, Executive Manager
Mr Tom Aldred, General Manager, Rural Support and Adjustment

Mr Brian Jones, General Manager, Science and Economic Policy

Mr Bob Calder, General Manager, Drought Taskforce

Fisheries and Forestry

Mr Daryl Quinlivan, Executive Manager

Mr Mike Macnamara, General Manager, Forest Industries

Mr John Talbot, General Manager, Fisheries

Mr Les Roberts, General Manager, Fisheries, Australian Fisheries Management Authority (AFMA)

Natural Resource Management

Mr Ian Thompson, Executive Manager

Mr Mike Lee, General Manager, NRM Team

Mr Gerry Smith, Acting General Manager, NRM Team

Mr Charles Willcocks, General Manager, Landcare and Sustainable Industries

Mr Peter Thomas, General Manager, NRM Strategies and Climate Change

Secretariat

Helena Redwin, Planning and Communication

Barbara Andrews, Planning and Communication

Melanie Williams, Planning and Communication

Leesa Bloomfield, Planning and Communication

Fran Lynch, Management Services

Gordana Juric, Management Services

Sandra Antonijevic, Management Services

Alison Cousins, Planning and Communication

CHAIR—Good morning, everybody. There was a frost in the central plains today which did a bit of damage to a few of the crops. Despite all that, I declare open this public hearing of the Senate Rural and Regional Affairs and Transport Legislation Committee. On 11 September 2003 the Senate resolved arrangements for the future examination of particulars of proposed expenditure in respect of the year 30 June 2003 for the portfolio area of Agriculture, Fisheries and Forestry. I propose to call on the estimates according to the format adopted in the printed program. Answers to questions taken on notice and additional information should be received by the committee no later than Friday, 19 December 2003.

The committee has authorised the recording and rebroadcasting of its proceedings in accordance with the rules contained in the order of the Senate of 23 August 1990. I welcome the Hon. Senator Ian Macdonald, the Minister for Fisheries, Forestry and Conservation, representing the Minister for Agriculture, Fisheries and Forestry, and the Hon. Judith Troeth, Parliamentary Secretary to the Minister for Agriculture, Fisheries and Forestry. Senators Macdonald and Troeth are accompanied by Mr Michael Taylor, Secretary, and other officers of the Department of Agriculture, Fisheries and Forestry and related agencies.

Officers are reminded that the Senate has consistently decided by way of continuing resolution that there are no areas in connection with the expenditure of public funds where any person has a discretion to withhold details or explanations from the parliament or its committees unless the parliament has expressly provided otherwise. Officers are also reminded that an officer of a department of the Commonwealth or state shall not be asked to

give opinions on matters of policy—and I am sure Senator Ian Macdonald will make sure that does not happen—and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or the minister.

Finally, witnesses are reminded that evidence given to the committee is protected by parliamentary privilege. I also remind you that giving false or misleading evidence to the committee may constitute a contempt of the Senate. Would you like to make an opening statement?

Senator Ian Macdonald—Thank you for the welcome. Your reputation as a chairman goes far in front of you, but it is surpassed today when I hear about the toasted sandwiches for lunch. I am sorry to hear about the frost out your way. Of our fisheries, forestry and agriculture enterprises in Australia, we require efficiency and cost-effectiveness. I am sure this committee today will be efficient and we may well finish early in the day if we can do things efficiently. Can I just thank the members of the committee for rearranging the program slightly to suit my personal convenience. Senator Troeth will be coming in for certain periods of the day and I will be here for other parts of the day. I thank the committee for its cooperation and the way that was organised.

Mr M. Taylor—I will just make a brief opening statement on behalf of the Department of Agriculture, Fisheries and Forestry. Importantly, we have tabled the annual report that reflects on the department's year 2002-03. It outlines in detail the structure and method of operation of the organisation and, importantly, some of the key achievements and corporate directions. Also, it contains a detailed letter from me to the committee of 30 October outlining some important highlights of the department insofar as 2003-04 is concerned.

I will just highlight a number of issues that might precede some more general discussions and questions from the committee. First of all, quite clearly the issue of drought and our role in continuing to assist farmers and rural communities with it continues to be a top priority of the department. While circumstances have improved, there is a continuing aftermath and implementation of government policy. There are some important challenges ahead through the building of business capacity and risk management issues.

I think it is worth saying that there are some important lessons to be learned from this drought. Minister Truss has already foreshadowed a national roundtable and has undertaken consultation with both industry leaders and ministerial colleagues from states with a view to establishing a small panel to assist and consult, and feed into the work and development of that national roundtable. This is likely to be held in early 2004, hopefully when the last vestiges of this drought are gone.

In the case of natural resource management issues, the issue of water has attained very high prominence, particularly focusing on the need to improve the security of access as well as the efficient, sustainable use of water for farmers and our rural and regional communities. The Council of Australian Governments met on 29 August. Importantly, it agreed to the development and subsequent implementation of a national water initiative, which is the subject of detailed work between Commonwealth and state government officials, along with consultation of stakeholder groups. This will lead to the framework for an intergovernmental agreement, potentially to be considered around April next year. That is a very important

initiative which is very much focused on improving the security of access to water and enhancing water trading markets. I think it is important that the COAG, as part of that package, agreed to a \$500 million program to address the overallocation of water in the Murray-Darling Basin area.

In respect of the NHT and National Action Plan for Salinity and Water Quality, there has been a major continuation of the implementation of both of these initiatives. These are very large initiatives which deal with regional investments that are very important and with our long-term changes to the natural resource framework of Australia. In the case of trade, there have been some very important developments, in terms of both bilateral work that has been undertaken by this department and, importantly, the work that continues within the WTO framework post the Cancun meeting and also with a number of the free trade agreements.

In the case of fisheries, we continue to work very hard to safeguard Australia's valuable fisheries against illegal, unreported and unregulated fishing, and some major work has taken place in recent times in respect of that. There is strong support for an emerging aquaculture industry. Clearly we continue to work hard on the issues related to forestry management practices. This is a particular area of focus in 2003-04—including promoting investment in the forest and wood products industries.

There is quite a wide range of other issues canvassed in that opening letter, but I thought perhaps it might also be important to deal with an issue that has been front and centre, at least in terms of newspapers, over the last month and a half, and that is the issue relating to the *Cormo Express*. First of all I would like to acknowledge this committee's decision to postpone a hearing towards the end of the week ending 24 October. That decision greatly assisted my department and its colleagues in bringing to a successful conclusion the landing of sheep into Eritrea on that day, so I would particularly like to thank members of this committee for assisting us in that matter. I would also like to acknowledge in dealing with that matter the great contribution made by ministers, by industry, by the staff of DFAT, by the staff of Prime Minister and Cabinet and especially by the staff of the Department of Agriculture, Fisheries and Forestry, who I think did an extraordinary job in dealing with a very complex and difficult issue which commercial interests had unfortunately failed to bring to a satisfactory conclusion towards the end of September.

I know this matter is likely to be one that will attract some detailed discussion, so the comments I am about to make are necessarily brief. The live animal trade is very important to Australia's agricultural industry. It is worth approximately \$1 billion. It involves around one million cattle, and \$600 million is associated with the export of those and around \$400 million associated with sheep exports. Those are very much round numbers, but they are about emphasising that those exports are important in terms of Australia's overall agricultural production and trade framework.

It is also worth noting that since 2000 more than 112 shipments, comprising some 5.7 million sheep, have been successfully delivered to Saudi Arabia, so the circumstances that arose around the *Cormo Express* were quite a surprise from our point of view and certainly sat quite contrary to all earlier circumstances. The ship departed Fremantle early in August with 57,000 sheep, which had been given a complete clean bill of health and which arrived in Saudi Arabia in the latter part of August with a clean bill of health; subsequently they were

diagnosed by Saudi veterinarians as having scabby mouth. Without going into a lot of detail, extensive negotiations took place industry to industry, supported by AQIS officials, in the month following the rejection of those sheep by the Saudis. It is fair to say that the Australian government moved to suspend further shipments of live sheep to Saudi Arabia on 28 August, knowing full well that, having had a previous shipment of healthy sheep, it could no longer be certain of sheep being accepted as had occurred in the previous period.

In that period the department also made sure it was continuing to monitor developments, as it does in a wide range of risk areas through its AFFA emplan. Towards the end of September, when there were no new developments in terms of those sheep being found an alternative market by their then owner, and following consultations that took place between the minister and industry officials on 23 September where consideration was given to the possibility of acquiring the sheep on behalf of the Australian livestock industry, developments took place quite quickly. On 24 September, a high-level group, convened by Peter Shergold, Secretary of the Department of the Prime Minister and Cabinet, met with me and Ms Joanna Hewitt, Acting Secretary of the Department of Foreign Affairs and Trade. We moved forward to activate those discussions with government and industry. The sheep were acquired late on 24 September, in terms of an offer to purchase only. That was subsequently agreed to by the Saudi principal, with the sheep actually being paid for on 17 October.

Important in ramping up the process once the government and the industry started to effectively control where the sheep were being directed was the establishment of a wide range of groups in support of this matter. I have behind me some of those colleagues, certainly the ones who led all of the key teams. The overview of this process was provided by me, Bill Pahl, Gardner Murray, Don Banfield and Meryl Stanton. Bill Pahl led the financial issues; Paul Morris led the issues relating to identification of markets; humane disposal at sea was led by David Mortimer; risk evaluation issues were led by Mary Harwood and David Banks; and animal welfare issues were led by Dean Merrilees, together, very importantly, with the on-ground teams we had in Kuwait, Gardner Murray and Gary Cullen, and the on-ground teams we had in Eritrea, led by Glen Hurry and Peter Pedersen from our department.

I think it is worth noting that the original expectation was that there was the serious possibility encouraged within Southern Iraq for the sheep at the end of September. When that opportunity did not arise, it led to us ensuring that the sheep were adequately fed and that the ship was adequately provisioned. We continued to seek a wide range of alternative markets because that was always the preferred option. That, as we know, successfully came to a conclusion on 24 October. Alternative options very much not preferred to that were obviously considered in the course of October. Those options are now quite clearly finished and ended, and have no continuing status.

I would like to thank in particular the national management group, an informal consultative framework we convened first on a telephone hook-up on 3 October to make sure we were linking both state chief executive officers of departments of agriculture and industry leaders. We used the framework of the national management group that exists within the exotic disease management framework, but, quite clearly, this was not a cost-sharing framework. Therefore, the consultative group nature of the national management group was all that existed. But it was very valuable and certainly assisted in some wide-ranging deliberations

before this matter was finally resolved. Importantly, now that the matter has been completed, John Keniry and a number of colleagues will be conducting an investigation into Australia's livestock export industry, with a particular focus on the *Cormo Express* incident.

Chair, I think that probably covers most of the issues in an opening sense. Clearly, my colleagues and I are happy to answer any questions that the committee might care to raise with us.

Senator O'BRIEN—I want to ask some questions about the *Cormo Express* fiasco. I appreciate that the officers who might be able to answer are available, as I understand it. I know this has been an exhausting issue for everyone and it must have been terribly draining for officers of the department involved. I would like to recognise the work that officers in the department have done to assist to bring a resolution to this fiasco.

Senator Ian Macdonald—Chair, it was an incident. 'Fiasco' is a judgmental word. I think it was a very well executed operation. It was an operation that occurred through no fault of the Australian government and one where I think the minister and the officers did very well. If we are going to trade insults during the day, I would suggest that is the wrong way to start off. Those sorts of judgmental descriptions do not help the course of the committee.

Senator O'BRIEN—I am sorry, but I regard this as a fiasco and I intend to refer to it as one. If we are going to have an interchange on that every time I do it, we will be a long time doing it.

Senator Ian Macdonald—I might call the committee a fiasco, then. If we are going to get down to petty name-calling, we might as well do it both ways. Get on with your fiasco-like questions. It is so petty.

Senator O'BRIEN—Mr Taylor, can you tell the committee—and I think you touched on this, but I just want to be sure—whether the department is still involved in developing protocols that would permit the return of a future rejected live shipment to Australia?

CHAIR—Before you answer that question, Mr Taylor, I wish to say, just to get this off on the right foot and to put a stamp of authority on the proceedings, that in fact—taking up the minister's remarks about a fiasco—in effect my view of what this was all about was that there was a very unfortunate bit of secret men's business which we have no control over. But, in terms of the way it was managed, can I put on the record that I thought that, given the circumstances, this was an exceptionally well-managed proposition in difficult circumstances. Can I point to the fact that the success of the outcome was due to the management, and part of the management was to keep the business of getting them to Eritrea a secret so that there was no more interference from whoever was continually interfering over there to the point where a lot of people in the media were—shall I say with great respect—pretty pissed off because they did not get a leak out of the people who were organising the arrangement, which in the long term ensured its success. I actually think that it was a very well-conducted covert operation in very difficult circumstances for which the people concerned should be sincerely congratulated. Thank you, Mr Taylor.

Mr M. Taylor—Senator O'Brien, the answer is no.

Senator O'BRIEN—So is the return of live animals that have been rejected by a market a plan B for future events like the *Cormo Express*, if any?

Mr M. Taylor—I certainly do not have a plan B. I think what is quite clear is that the Keniry inquiry will address a wide range of issues from the *Cormo Express*, and I have no doubt the government will make policy decisions in the light of that inquiry.

Senator O'BRIEN—Thank you for that. On what date did the development of protocols for the return of the rejected live shipment cease, and who directed that they should cease?

Mr M. Taylor—I suspect that you could say—and I would not actually claim it to be a formal direction—that 3.30 p.m. to about 4.00 p.m. on 24 October, when the sheep started coming off the ship and we started to have some sort of feeling of security, was when we clearly started to come to a view that further work on alternatives would no longer be pursued.

Senator O'BRIEN—What is the new plan B for rejected live export shipments?

Mr M. Taylor—I think it is pretty clear to say that the only place we have ever had shipments that have been rejected in a form that has not allowed them to land has been Saudi Arabia. We have had suspension of sheep exports to Saudi Arabia. Australia exports a wide range of produce to many countries of the world where we do not confront that situation. I am sure though, with respect to the *Cormo Express*, that the Keniry inquiry will also deliberate with respect to that market.

Senator O'BRIEN—Have the Keniry inquiry been tasked to look at that?

Mr M. Taylor—They have a wide-ranging brief. I have no doubt that they will cover that.

Senator O'BRIEN—We will come to that. Has the government ruled out the return of any future rejected live export shipment?

Mr M. Taylor—The government has made a policy with respect to only one shipment, and that is the *Cormo Express* one. There is no other policy.

Senator O'BRIEN—Can you confirm that two key trading partners, New Zealand and the United States, received a copy of an import risk analysis prepared in relation to the proposed return of the sheep aboard the *Cormo Express*?

Mr M. Taylor—I cannot confirm that.

Senator O'BRIEN—It did not happen—is that what you mean?

Mr M. Taylor—I certainly am not aware of that. It was certainly not formally from me or the Chief Veterinary Officer.

Senator O'BRIEN—Could you ascertain whether anyone from this department or the minister's office provided it?

Mr M. Taylor—We have no completed risk evaluation. The draft risk evaluation ceased to have any status as of late on 24 September, when that option evaporated in the light of the sheep landing in Eritrea. There is no live risk evaluation.

Senator O'BRIEN—But there has been a draft?

Mr M. Taylor—I am certainly unaware of that, and I am unaware of anything that you are suggesting might—

Senator O'BRIEN—So you are unaware that there has been a draft import risk analysis? Is that what you are—

Mr M. Taylor—No. I made it clear that we had been working on a draft in dealing with options other than the preferred option of finding a home for the sheep. A home for the sheep having been located, work on those drafts totally ceased. I am not aware of any draft involving New Zealand or the United States.

Senator O'BRIEN—Okay. Who did receive a copy of the draft?

Mr M. Taylor—The only people who received a copy of the draft were the members of the national management consultative group. I think they have exactly the same view as I do. They are industry leaders and state chief executives. Like me, they very much preferred the option of finding a suitable home for the sheep and when that occurred they would view the documents as having no further status.

Senator O'BRIEN—So how many individuals received a copy?

Mr M. Taylor—I could ascertain that, but it was the members of the National Management Group.

Senator Ian Macdonald—Are there about a dozen of them?

Mr M. Taylor—There might be 15 or 16. I am happy to find the names for you.

Senator O'BRIEN—Thank you. I appreciate that. They were the representatives, effectively, of the major animal industries in this country?

Mr M. Taylor—That is quite right.

Senator O'BRIEN—And what happened to these documents once they were distributed?

Mr M. Taylor—I suspect they operate in the same way as I do, Senator. They are working drafts, and they have no formal status.

Senator O'BRIEN—Were they collected?

Mr M. Taylor—No, they have not been collected. I do not doubt that senior industry leaders will look after those documents with the care that should be given to them. I have no reason to doubt their care.

Senator Ian Macdonald—Or the care of any state officials that might have had them either.

Senator O'BRIEN—So they were with the state officials and the industry leaders that comprise the management consultative group?

Mr M. Taylor—Yes.

Senator O'BRIEN—Mr Taylor, am I correct in assuming that you have established a committee task force or something like that to manage the department's response to the *Cormo Express*?

Mr M. Taylor—Let me describe two aspects for you, Senator. Until we began controlling the sheep on behalf of the Australian livestock industry our role was clearly one of not having any influence over those. The sheep were owned by a Saudi operator, and our role at that stage was the work that was undertaken by AQIS in assisting, as we do with any exporter, and also making sure within our AFFA emplan framework that we were monitoring any sort of issue related to what was occurring. That was not a period when we put anything beyond what I would call an information sharing framework.

Post the events of 23 and 24 September we convened a group of teams, which evolved as the demands both increased and changed. I described that earlier and I indicated that the overall leadership was by the people you see at this table—Don Banfield, Meryl Stanton, Bill Pahl, Gardner Murray and me. Importantly, we identified particular groups of people to deal with specific issues. These did not all form on 24 September, when we were still much more concerned about the possibility of disposal of sheep somewhere in the Middle East—most likely Iraq. But those teams over time evolved into Bill Pahl dealing with the financial matters, Paul Morris dealing with market opportunities, David Mortimer dealing with humane disposal at sea, Mary Harwood and David Banks dealing with risk evaluation, Dean Merrilees dealing with animal welfare issues and the on-ground teams in Kuwait and Eritrea that I described previously. We also had a wide-ranging group of colleagues who gave assistance to those people. We met regularly throughout that period. We were meeting five days a week—working days—either in the office or, if people could not be there, by way of telephone hook-up. So we met daily until 24 September.

Senator O'BRIEN—So would you describe it as a team of group leaders or—

Mr M. Taylor—Certainly.

Senator O'BRIEN—Did it have a title?

Mr M. Taylor—No, I do not think it needed a title. I think people were fairly unaware of the *Cormo Express*. We did not need to christen it.

Senator O'BRIEN—So was it established around 24 September?

Mr M. Taylor—The first day on which we would probably have started to have greater breadth was 25 September, but 24 September would have been the first day on which we actually started bringing people together.

Senator O'BRIEN—You have just said that its meetings were just about daily. Were its meetings minuted?

Mr M. Taylor—This was an issue that was extremely volatile. We did not operate on the basis of taking formal minutes, but I can assure you that my colleagues will have taken notes appropriate to their respective fields of endeavour. I am sure they are more than happy to be questioned in the course of discussions today.

Senator O'BRIEN—Did you participate in these meetings?

Mr M. Taylor—I certainly did.

Senator O'BRIEN—Did you have a note of what took place at these meetings?

Mr M. Taylor—I chaired each of those meetings. I was not in the business of taking notes while I was chairing.

Senator O'BRIEN—Was there a document compiled that reflected decisions taken and tasks to be performed?

Mr M. Taylor—People walked away from those meetings, as is often the case with emergencies, with specific tasks. That is the reason I described those specific team areas. And in fact they worked on those areas and reported back. We did not actually involve ourselves in extensive documentation; we involved ourselves in extensive activity.

Senator O'BRIEN—So you are saying that there were no minutes?

Mr M. Taylor—I made that point at the beginning.

Senator O'BRIEN—Yes. You have described the membership of the committee. I think you said the membership varied over time and people were brought in and out as required. Would it be fair to describe this body as the key source of advice to the minister during the crisis?

Mr M. Taylor—The body and members of the body—because we have a free interchange with our ministers.

Senator O'BRIEN—Is the committee or whatever you would describe it as still meeting?

Mr M. Taylor—No, it is not meeting on a daily basis, but if there were any issues relating to the *Cormo*, we quite clearly would meet. I also expect that when we finally have all our Australian colleagues back in this country we will have a meeting—if nothing else so as to have an overall reflection and particularly to commend some of the extraordinarily excellent work. We have been talking to Glen Hurry in the last 24 hours. He has still been working within Eritrea. So we certainly do intend having a final wrap-up meeting, when we have all Australians back in the country.

Senator O'BRIEN—How did this committee interact with Dr Shergold's committee at the Department of the Prime Minister and Cabinet? Was it through you?

Mr M. Taylor—It was principally through me and Ms Joanna Hewitt from DFAT, but it was also through other colleagues. So quite a lot of interaction occurred between senior colleagues of Peter Shergold's, senior colleagues of Jo Hewitt's and senior colleagues of mine.

Senator O'BRIEN—So there were several officers from PM&C, several officers from DFAT and several officers from AFFA, who would have liaised?

Mr M. Taylor—Who would have interacted as needs be over the course of that month.

Senator O'BRIEN—I take it that from AFFA's point of view that would have depended on the issue on which interaction was required?

Mr M. Taylor—Certainly. I think it is fair to say that there was close and open communication going on throughout that period.

Senator O'BRIEN—So could we take it that the people you described as having certain responsibilities on the committee would possibly have interacted on those matters with Dr Shergold?

Mr M. Taylor—Or his colleagues.

Senator O'BRIEN—What was the chain of communication? Was there a protocol or was it just direct interaction between those people on issues?

Mr M. Taylor—I think the process of just how things were managed is important. There was a very open management framework amongst my colleagues. I described that open meeting framework, with each of us gaining a strong understanding about the breadth of the issues but at the same time focusing on those for which we had key involvement. That was done as part of this process—likewise in the way we interacted with other organisations within government. It is fair to say that the procedure I am describing is fairly common in the management of emergencies. Its use is not unfamiliar to police and fire services, and I have been not unfamiliar with the practice in the past, having managed a range of natural resource and other issues at state level. So it is a common practice that has been used. It is a very important way of keeping briefed. I think the Army refers to this process as the bird cage.

Senator O'BRIEN—Yes. Prior to 24 September, what organisation within the department had responsibility for overseeing the matter—I think you talked about AQIS and AFFA in some loose involvement?

Mr M. Taylor—The matter, prior to 23 and 24 September, was quite clearly principally a matter of a Saudi exporter, with a Saudi—

Senator O'BRIEN—I understand that, I am asking—

Mr M. Taylor—Senator, just bear with me.

Senator O'BRIEN—You have given us a statement on that. I wanted to know whether there was someone who had responsibility for overseeing any AQIS/AFFA response on the issue?

Mr M. Taylor—Senator, I am just trying to explain that, if you could bear with me. The matter we were dealing with was one of a Saudi exporter who purchased sheep in Australia, had a vessel, which he had in fact commissioned, and was trading a product into Saudi Arabia. The only formal role that Australia had was its usual oversight of live sheep exports, provided by AQIS, and its usual role in government-to-government certification. While that Saudi exporter continued to explore other market opportunities, that was principally our role. It is a role we have played on many occasions in the past, although none have never ended in these particular circumstances.

Senator O'BRIEN—I think the shipment was rejected on 21 August. Are you saying that between 21 August and 24 September there was no person within the department—

Mr M. Taylor—Senator, I was still trying to complete my answer.

Senator O'BRIEN—I am sorry. I thought you had finished.

Mr M. Taylor—The second aspect, which I actually outlined when I first spoke, was that we continued to also monitor the situation through the AFFA emplan team under Bob Biddle,

looking at the issues that were evolving. At the end of the day the overall oversight of how the department operated, including that period, was a responsibility of mine, which I continue to exercise.

Senator O'BRIEN—Did you describe it as an AFFA implant?

Mr M. Taylor—We have actually talked to the committee, as you will recall, on past occasions about the important framework that is used as the emergency response plan within the Department of Agriculture, Fisheries and Forests. It is referred to as the AFFA emplan. That has been a very important framework, whether it has been used for a simulation of something like foot and mouth disease or something such as Newcastle disease or for a wide range of other incidents. It is a routine framework that the organisation uses to respond to anything that can possibly wind up as being unusual.

Senator Ian Macdonald—It is not an implant. I thought it was. It is the AFFA emplan, which stands for emergency management plan.

Senator O'BRIEN—So when was the AFFA emplan team established for this matter?

Mr M. Taylor—I would not want to guess, but my view of it would be that it was sometime late in August.

Senator O'BRIEN—And who was on the team.

Mr M. Taylor—It was led by Bob Biddle, and it certainly had other colleagues involved from AQIS in market access, biosecurity and product integrity. I am happy for you to talk to my colleagues about it in detail rather than trying to guess myself.

Senator O'BRIEN—Okay. Did that body keep minutes?

Mr M. Taylor—I do not know the answer to that. I am sure they will have notes at least in the way that I described before—of the particular issues that were evolving. Importantly, that body was actually documenting information rather than making decisions.

Senator O'BRIEN—Did that committee interact with Dr Shergold's committee at PM&C?

Mr M. Taylor—No, it did not, but the people involved in that committee, who were in many cases part of those other teams, would have certainly brought to bear in those discussions any of the information that they thought was relevant.

Senator O'BRIEN—So that committee was operating alongside the group of leaders?

Mr M. Taylor—A better way of describing it, Senator, is to say that there was a very important shift. That is why I described the circumstances. Up until 24 September and the meeting that had taken place preceding that with industry on 23 September, these animals were clearly in the control of the Saudi owner and they were the responsibility of the Saudi owner. We had no formal ability to go beyond what I would call oversight: that is, we could observe, as we do very strongly, the welfare of the animals onboard the ship and we could be aware of the ship's location and we could deal with any government-to-government negotiations that the ship and the sheep owner would raise with us. But we did not have any direct control. What occurred subsequently was what I described before, and that was that we moved to make an offer for those sheep, which gave us control of where those sheep could be

directed. Once that happened quite clearly a different set of circumstances prevailed and the role of the AFFA emplan team ceased. The people though, of course, continued to be part of the organisation that then managed the very detailed work that took place between 24 September and 24 October.

Senator O'BRIEN—So the AFFA emplan team ceased to function on what date?

Mr M. Taylor—I think it would be much better to direct that question to perhaps Dr Biddle or Mr Merrilees, but my guess is that it was somewhere around 22 or 23 September. It certainly ended in the week beginning 23 September I would have thought.

Senator O'BRIEN—So there was no interaction between that AFFA emplan team and the group of leaders, as you describe them?

Mr M. Taylor—No, there was plenty of interaction between the members of that team and the leaders.

Senator O'BRIEN—Perhaps we will come to that. The team ceased to exist and the other team was formed: is that how I should understand it?

Mr M. Taylor—I think you should understand it as being two different circumstances. Before 24 September we had no control of the sheep. We were carrying out our functions as the Australian Quarantine and Inspection Service and we were carrying out our overall oversight role in the same way, taking an interest as we would in any trade, but with no ability to control. As from 24 September, the circumstances changed so that we actually had the ability to control the sheep.

Senator O'BRIEN—The question has very little to do with that answer.

Mr M. Taylor—But there were very different roles for the teams.

Senator O'BRIEN—Did the AFFA emplan team continue to function after 22 or 23 September or thereabouts?

Mr M. Taylor—No, it did not as far as I am concerned.

Senator O'BRIEN—As a team it had no interaction with the controlling group of leaders, as you describe it.

Mr M. Taylor—No, it did not.

Senator O'BRIEN—The officers who had been on the AFFA emplan team went back to their roles in the department and their expertise, and it was possible to feed the work that the AFFA emplan team had done, in whatever form, into the group of leaders decision making body?

Mr M. Taylor—Correct.

Senator O'BRIEN—And presumably the group of leaders was providing advice to the minister—and to the Prime Minister potentially?

Mr M. Taylor—It was assembling a wide range of information, and certainly we were providing advice.

Senator O'BRIEN—And providing that material to Dr Shergold's officers and to him?

Mr M. Taylor—We were certainly interacting on a wide range of issues, yes. What we certainly were not doing was going back over the minutes or details or whatever the emplan had. What we were doing was bringing the knowledge of the people who were involved in that process to bear on all the deliberations after 24 September.

Senator O'BRIEN—So who can tell us who was on the AFFA emplan team?

Mr M. Taylor—I am sure if you were to ask Dr Biddle or Mr Merrilees, they would be only too delighted to do so.

Senator O'BRIEN—Perhaps they could come to the table and short-circuit the process.

Mr Merrilees—Just by way of clarification, the AFFA emplan task force first met on 26 August and it ceased, as Mr Taylor indicated, on 22 September. It was initially chaired by the Australian Deputy Chief Veterinary Officer, Dr Bob Biddle. Its membership included representatives from AQIS market access and biosecurity, product integrity and animal and plant health and occasionally our public relations group. Membership was not fixed. It was rather a matter for each business to send appropriate representatives. During that period it met approximately 16 times.

Senator O'BRIEN—Were there minutes of those meetings?

Mr Merrilees—Yes, the meetings were minuted.

Senator O'BRIEN—Where did the minutes go?

Mr Merrilees—The minutes are maintained on departmental records.

Senator O'BRIEN—Were they distributed?

Mr Merrilees—They were distributed to the members of that meeting—the members of the committee and of the task force who attended the relevant meeting.

Senator O'BRIEN—So there was changing membership and the minutes went to whoever was at a particular meeting?

Mr Merrilees—That is correct, Senator. We also set up an internal email group for this particular exercise and the minutes are distributed via that internal web group.

Senator O'BRIEN—So whoever was put on the email group got the minutes?

Mr Merrilees—That is correct.

Senator O'BRIEN—Who did this committee report to—presumably to the secretary?

Mr Merrilees—The committee reported to the departmental executive, yes.

Senator O'BRIEN—Does that mean the secretary, or somebody else, or a number of people?

Mr Merrilees—They would have reported to a number people within the executive, depending upon the particular issue.

Senator O'BRIEN—Would those people have been on the minutes distribution list?

Mr Merrilees—Yes, most of them are.

Senator O'BRIEN—Can you provide us with a copy of the distribution list?

Mr Merrilees—Yes, we can. I think I might have said 26 August was its first meeting, and I think it should have been 22 August.

Senator O'BRIEN—Did it provide information to any other department or other minister while it was functioning?

Mr Merrilees—Not to my knowledge. I was not on the task force. My area has responsibility for providing the secretariat support to that task force.

Senator O'BRIEN—Thank you for that, Mr Merrilees. Mr Taylor, was the Attorney-General's Department consulted in relation to the legality of available options for resolving the crisis?

Senator Ian Macdonald—Which crisis are you talking about?

Senator O'BRIEN—The one that we have been talking about for the last 15 minutes.

Senator Ian Macdonald—You mean the *Cormo Express* incident?

Senator O'BRIEN—Yes.

Mr M. Taylor—The Attorney-General's Department had advice sought from it, in terms of some of the issues.

Senator O'BRIEN—Okay. Do I take it from your answer that AFFA did not engage them—that they might have been engaged from somewhere else? I am trying to find out if AFFA sought advice from them or if that advice might have been sought by another agency.

Mr M. Taylor—We certainly sought advice. I cannot speak for other agencies.

Senator O'BRIEN—That is fair enough. I just was not sure from the tenor of your answer whether that might have been the case. Was that advice sought in relation to the legality of available options for resolving the crisis?

Mr M. Taylor—Certainly it was always legal for us to find another market for the sheep, and we were certainly working on that bit very strongly.

Senator O'BRIEN—What about the other available options? Was advice sought from the Attorneys-General on—

Mr M. Taylor—You are raising issues about whether or not we could have undertaken humane disposal at sea or things of that nature?

Senator O'BRIEN—Yes.

Mr M. Taylor—Well, yes, advice was sought in that area, as part of the many inputs into our thinking process.

Senator O'BRIEN—I will ask Mr Read some questions regarding the shipment's arrival in Saudi Arabia. I understand that when the *Cormo Express* shipment arrived in Saudi Arabia a protocol between Australia and Saudi Arabia governing live exports was not formally agreed?

Mr Read—No, we have had a health protocol in place with Saudi Arabia since the trade resumed in January 2000.

Senator O'BRIEN—Is that a government-to-government protocol?

Mr Read—It is a government-to-government protocol for both sheep and cattle.

Senator O'BRIEN—Where can one see that protocol?

Mr Read—I can provide you with copies of those protocols.

Senator O'BRIEN—Okay. So what did the protocol say about the issues relating to this shipment—that is, the scabby mouth issue?

Mr Read—The protocol made reference to 'free from scabby mouth'.

Senator O'BRIEN—So the protocol required the shipment to be free from scabby mouth?

Mr Read—The protocol made reference to 'free from scabby mouth'. In a meeting with the deputy minister in 1998, when discussions as to the resumption of the live sheep trade were conducted, that particular point was discussed at length, and it was communicated to the Australian delegation at that meeting that a five per cent threshold would be put in place, whereby less than five per cent was considered to be free from scabby mouth.

Senator O'BRIEN—Do I understand you to be saying that the protocol said the shipment had to be free from scabby mouth and there was some discussion of an interpretation of the term 'free from scabby mouth'?

Mr Read—There was an agreement as to what the term 'free from scabby mouth' meant.

Senator O'BRIEN—Was that agreement reflected in the protocol?

Mr Read—That agreement was reflected in bilateral discussions between Saudi officials at the ministerial level and the Australian delegation at that time and reinforced again at the recent meeting with the agricultural minister in Riyadh on 26 August. The five per cent has never been a percentage that has been called into question.

Senator O'BRIEN—So the protocol says 'free from scabby mouth'. There has been an agreement—which I take it is not recorded in writing anywhere—that 'free' means five per cent.

Mr Read—It has been minuted from the discussions of those meetings but it has never been an issue that has been contested.

Senator O'BRIEN—So no-one has signed it off but it has been said and it has been recorded in minutes?

Mr Read—That is correct.

Senator O'BRIEN—What provisions exist in the protocol where a dispute arises as to whether the shipment is 'free from scabby mouth'?

Mr Read—There are no provisions in the protocol relating to dispute resolution mechanisms.

Senator O'BRIEN—I take it that means that it is in the hands of the receiving country as to what happens in the case of disputes.

Mr Read—That is correct. And representations made at government to government level.

Senator O'BRIEN—Does the government issue a permit for each live export shipment?

Mr Read—An export permit is issued for each live export shipment.

Senator O'BRIEN—So each shipment that goes to Saudi Arabia is signed off by the government as permitted to be exported to that country?

Mr Read—Correct.

Senator O'BRIEN—Is there a health certification process?

Senator Ian Macdonald—Is the certificate signed off by AQIS or is there someone else?

Mr Read—It is signed off by AQIS.

Senator O'BRIEN—That certificate is some form of health certificate, I take it?

Mr Read—That is right.

Senator O'BRIEN—Does that certificate certify the sheep as being free from disease?

Mr Read—That is correct.

Senator O'BRIEN—At what point is the certification given: at the point of departure; some time before departure?

Mr Read—The certificate is signed at point of departure.

Senator O'BRIEN—Does the protocol say that the shipment will be accepted if the certification has been signed off by AQIS?

Mr Read—No.

Senator O'BRIEN—Does the protocol say who will make the judgment as to whether the shipment is healthy or 'free from scabby mouth'?

Mr Read—No.

Senator O'BRIEN—Is it the case that at the time this shipment was rejected AQIS and the department were fully aware that a formal agreement existed between Gulf states providing that a rejection by one state on disease grounds constituted a rejection by all Gulf states?

Mr Read—Yes.

Senator O'BRIEN—What was the purpose of your visit to Saudi Arabia soon after these sheep were rejected?

Mr Read—The purpose of my visit in fact had nothing to do with the rejected sheep consignment. The purpose of the visit was to follow-up an issue to do with the allegations about the whole underreporting issue that were raised on *60 Minutes*. In conjunction with that, it had been brought to our attention that there was another underreporting incident on the *Cormo Express*. Essentially, this was a discussion with the ministry to look at bilateral arrangements that could be put into place to mitigate the occurrences of these underreporting incidents and to better share information.

Senator O'BRIEN—So there were not any negotiations on protocols at that meeting?

Mr Read—No.

Senator O'BRIEN—What did you learn from the underreporting issue that arose from a previous *Cormo* voyage?

Mr Read—That was the intent of the discussions with the minister. Fortuitously or otherwise, I happened to be there at the time of the rejection, and the discussion at that meeting then focused on the concerns that the Saudis had with the *Cormo Express*.

Senator O'BRIEN—So you met with the responsible minister when you were in Saudi Arabia on 26 August or thereabouts?

Mr Read—That is correct—on 26 August.

Senator O'BRIEN—Going back to the protocol, who signs the protocol on behalf of the Australian government?

Mr Read—The protocol for Saudi Arabia was a protocol that followed on from a protocol that was in place back in the 1980s. As I recall, that protocol was confirmed by our officers in Saudi Arabia with the ministry as to the conditions that were required for certification prior to the trial shipments commencing in January 2000.

Senator O'BRIEN—Does that mean that officers of the department signed off on some document to reinitiate the protocol after exports had been banned for a considerable period?

Mr Read—It is a protocol that identifies what the Saudi Arabian requirements are for health certification, not what the Australian government will give to meet certification.

Senator O'BRIEN—Is this a government to government protocol that we are talking about?

Mr Read—It is the requirements of health certification with Saudi Arabia on livestock.

Senator O'BRIEN—So it is a protocol only on health certification?

Mr Read—As to what the Australian government will certify with regard to health certification.

Senator O'BRIEN—It is a protocol as to what the Australian government will certify to the Saudi government, is it?

Senator Ian Macdonald—I think the officer said—and correct me if I am wrong—that it is what the Saudis' requirements are, and they advise the Australian government that and the Australian government say, 'We'll tell you those things.' Is that right?

Mr Read—Correct. We provide certification against those requirements.

Senator O'BRIEN—So the protocol is not a signed agreement?

Mr Read—As I understand it, there are not two signatures on the bottom of the protocol.

Senator O'BRIEN—Is there one signature on the bottom of it?

Mr Read—There is agreement from the Saudis as to the conditions that are contained in that protocol for certification from the Australian authorities.

Senator O'BRIEN—So it is a document which sets out the Saudis' requirements?

Mr Read—Correct.

Senator O'BRIEN—And we have not signed off on that document; we are simply attempting to comply with it?

Mr Read—Correct.

Senator O'BRIEN—Is that document formally agreed?

Mr Read—That is correct. It is a formally agreed document with Saudi Arabia.

Senator O'BRIEN—How have we signified our agreement?

Mr Read—It is a document that was presented to the Saudi Arabian authorities by our officers in Saudi Arabia and it was confirmed that the conditions contained in that document are the requirements of the Saudi Arabian government.

Senator O'BRIEN—Have we written to the Saudi authorities to that effect?

Mr Read—I will have to take that on notice. I cannot recall whether or not we wrote at that time, but I know that the protocol was confirmed with Saudi Arabia with the ministry.

Senator Ian Macdonald—Senator, we seem to be going round and round in circles. The best thing might be if we table the protocol and you can read what it says. How would that be? There is nothing secret about it.

Senator O'BRIEN—I understand that it is not in the form of a treaty or the like and it is not a formal trade agreement.

Senator Ian Macdonald—Let us get you a copy and you can see what—

Senator O'BRIEN—That is fine—we are happy to get a copy. I think it is important for the purpose of other questions that I get a clear understanding. In terms of the process that departmental officers have followed, what authority did they have to accept the conditions as proposed by the Saudi authorities?

Senator Ian Macdonald—By way of trying to be helpful—I know less about this than most, I would suspect—what I understand the officers to say is that the Saudis said they want these things looked at and ticked off if they are going to accept animals, and the Australian people say, 'Okay, that's what you want. We'll tell you your answers.' Do not agree with me if it is not right.

Mr Read—That is correct. It was a case of Saudi Arabia identifying the requirements for certification—a disease-free status—for the animals that were exported to Saudi Arabia, and they charged the responsibility of certification against those requirements to the Australian government.

Senator O'BRIEN—I think I understand what you have said. Following on from that, I have some questions. When the Saudis proposed their conditions, at the time or at a later time they interpreted the term 'free from scabby mouth' to mean 'up to five per cent presence of scabby mouth'.

Mr Read—Correct.

Senator O'BRIEN—Did we propose to them a document which set out their conditions and how we understood them?

Mr Read—We have raised it with the Saudis on a number of occasions. There was no document, as I understand it, that was prepared on that point.

Senator O'BRIEN—So we have not proposed any other document to the Saudis as a proposal to be a formal protocol between Australia and Saudi Arabia?

Mr Read—Correct.

Senator O'BRIEN—Who made the decision to resume exports on the basis of what you describe as the protocol? When live exports were resumed in 2000, I think you said, presumably a decision had to be made that we would resume exports on the basis of that protocol. Who made that decision?

Mr Read—I have to confirm from the files at what level that decision was taken.

Senator O'BRIEN—Would it have been an officer of the department or a minister?

Senator Ian Macdonald—I doubt that it would have been a minister. You are getting into fairly technical things.

Ms Stanton—We will take it on notice.

Senator Ian Macdonald—Yes, take it on notice.

Senator O'BRIEN—Mr Read, you are not sure?

Mr Read—That is right.

Senator O'BRIEN—So it was not you?

Mr Read—It was not me.

Senator Ian Macdonald—This was back in—

Senator O'BRIEN—2000.

Mr Read—In 1999.

Senator Ian Macdonald—First of all in the late eighties and then in 1999.

Senator O'BRIEN—Minister, I am absolutely certain, given the publicity this issue has received, that the resumption of trade has exercised the minds of officers and ministers alike, and the decision made to resume it will have exercised the minds of officers and the minister alike. But, Mr Reid, you did not make the decision. Who above you would have made the decision?

Mr Read—We are taking it on notice, so I will confirm that.

Senator O'BRIEN—Would it have been Mr Taylor?

Mr Read—I do not think Mr Taylor was there when we resumed the trade.

Senator O'BRIEN—You were not there?

Mr M. Taylor—Certainly I am not saying that trade did not resume in the period that I have been here—it did—but as I understand it there was an extensive level of high-level negotiations going on between the Australian government and the Saudi government in 1998-99, which led to its resumption. As to the precise final decision, I cannot throw any light on that matter. Colleagues have indicated that we are only too happy to go back and look at the records.

Senator O'BRIEN—Have similar instances of trade arrangements exercised the minds in the department or is this a one-off? In this case you may be commencing trade. AQIS normally deals with these sorts of protocols. At what level is this matter normally determined?

Mr Read—It depends on the market and on the significance of the issues.

Senator O'BRIEN—Where do the sign-offs start? What is the lowest level at which such a sign-off would start?

Ms Stanton—We would have to check our delegations. I cannot answer that question. It will, as Mr Read said, depend very much on whether it is a significant issue or something that is far more routine as to the people in the department who would be involved and whether or not there would be ministerial involvement. I can certainly check the delegations to see what would be the lowest level at which somebody could make such a decision, but even the making of a formal decision does not necessarily mean that it would be made without consultation higher up the organisation.

Senator O'BRIEN—Presumably a delegate can sign, but the circumstances in which a delegate will sign would be governed by the practices of the department. Rather than the theoretical, can you let us know what the practice is—that is, what is the lowest level at which these sorts of authorities are executed? If there is a level of importance ranking, could you let us know that as well?

Ms Stanton—I will do that.

Senator O'BRIEN—Fortuitously or otherwise, Mr Read, you ended up in Saudi Arabia just after the *Cormo Express* cargo had been rejected under the protocol you described. You met with the responsible Saudi minister about that issue. What did the minister tell you?

Mr Read—I met with the responsible Saudi minister about the issue I told you was the purpose of the meeting. Obviously, though, the Saudi minister wished at that meeting to discuss the *Cormo*. What was conveyed to me was that the Saudi vets had rejected the consignment, given that it had a scabby mouth prevalence in excess of five per cent.

Senator O'BRIEN—How did you respond?

Mr Read—The Australian delegation responded that we did not have evidence to support that and put forward arguments that the consignment had been prepared in accordance with the protocol. Our information was that the vessel did not have a prevalence of scabby mouth, as reported by the Saudi authorities, and that it would be appropriate to reinspect the vessel on that basis.

Senator O'BRIEN—Can you confirm that the minister—or, presumably, his officers—offered to reinspect the sheep aboard the *Cormo Express* after seven days had elapsed?

Mr Read—All I can confirm is that we met with the ministry and their officials on the 26th. There was an undertaking that the Australian delegation would be notified as to the decision of the minister the following day. The following day we received what is called an unofficial telephone call. That was communicated to the MLA representative from the minister—allegedly—and asked whether the Australian government would be accepting of a reinspection in seven to 10 days.

Senator O'BRIEN—So that was on the 27th. What do you mean by 'unofficial'? Is there a protocol or practice in Saudi Arabia whereby government-to-government relationships are conducted on a 'Let's test this before it becomes an official proposal' basis?

Mr Read—What I am saying is that it was communicated via the MLA representative. It was not communicated to the embassy, and it was not communicated to me.

Senator O'BRIEN—So it was communicated, as far as you are aware, from the Saudi government to the MLA representative, who, I take it, was in your discussions with the ministers?

Mr Read—That is correct.

Senator O'BRIEN—Is there some practice or procedure that would explain that form of approach? Do you know whether the Saudis use some method of testing ministerial proposals, perhaps so there is no loss of face if they are rejected?

Mr Read—All I know is what was communicated to us, and that was the information.

Senator O'BRIEN—What expert advice did you have about the means of communicating the proposal? Was there any?

Mr Read—There was none provided, except for the expertise of the embassy staff in Riyadh that were involved.

Senator O'BRIEN—I took it that you had access to the embassy staff. Did they have any explanation for the means by which this alleged proposal came to you?

Mr Read—It was essentially not an unusual means for the way that they communicate information in that region.

Senator O'BRIEN—Did you and other officers accept that this was communication from the Saudi government?

Mr Read—We took it on that basis.

Senator O'BRIEN—It was seven to 10 days.

Mr Read—Correct.

Senator O'BRIEN—On the following day, 28 August, Mr Vaile was quoted in an AAP story as saying, 'Keeping the sheep on board the vessel for a further seven to 10 days would be unacceptable on animal welfare grounds.' Do you know whether any officer of AFFA gave Mr Vaile that advice?

Mr Read—I am unaware of where Mr Vaile got that advice from.

Senator O'BRIEN—Would it have been Dr Murray? Dr Murray is in the audience; he can tell us.

Senator Ian Macdonald—You can ask Dr Murray later—besides which, I am not sure that it is relevant to this committee to be going into advice that officers give to ministers, particularly when it is not a minister who is relevant to this particular estimates committee.

Senator O'BRIEN—What instructions did you receive, Mr Read, about the acceptability or otherwise of the Saudi proposal?

Mr Read—The point was not that they would, but that they may, reinspect the vessel; so there was nothing to confirm that a reinspection was to take place during that seven to 10 days. The second point was that we had vessels on the water preparing for transit to Saudi Arabia, so we clearly had an issue with potential vessels entering that market against the background of the *Cormo Express* incident. The advice I had was that the vessel had already left Jeddah, on the 21st. It had returned to Jeddah on the 26th, I think; so it had already had its five days at sea, and a counteroffer was made back to the Saudi authorities that a further 24 to 48 hours would achieve their objective of the seven days since the last inspection and that that would also sit reasonably in line with the concerns we had for not only the welfare of the animals on the *Cormo Express* but also any prospective vessels that may well be heading to Saudi Arabia.

Senator O'BRIEN—Was that your decision or was it a decision that was conveyed to you?

Mr Read—It was a decision that was conveyed to me.

Senator O'BRIEN—From Australia?

Mr Read—From Canberra.

Senator O'BRIEN—Was it the minister's decision?

Mr M. Taylor—So we can clarify this: this was a discussion that had taken place in the circumstances of sheep that were clearly healthy in the eyes of the Australian vet—less than 0.35 per cent scabby mouth, well below the understanding that had been reached with the Saudis. Extensive consultation had taken place, and there was a clandestine telephone call raising the possibility of a seven- to 10-day 'wait and see; maybe we might reinspect'. We were confronted with many more sheep about to be procured and loaded for the Saudi Arabian market. It was quite clear that we were not in a position to take a risk on having subsequent shipments rejected, given that this shipment already had healthy sheep on board.

Senator O'BRIEN—Which raises another question. But my question was in relation to this matter: was it the minister's decision to object? However you describe the proposal, the advice was that it appeared to have come from the Saudi government.

Mr M. Taylor—I think it is fair enough to say that, ultimately, there was plenty of consultation around that matter. Rather than anyone else, I was happy to make that judgment in talking with Mr Read when he was in Saudi Arabia.

Senator O'BRIEN—So it was your decision?

Mr M. Taylor—I am happy to say that. I want to put it in the context of healthy sheep being diagnosed by veterinary officials as being unhealthy. The same officials are now suggesting that, if the sheep stayed out to sea for seven to 10 days—by way of a clandestine phone call—something else might happen. That is the basis on which government decision was being made. If we had actually been given written undertakings, one might have looked at it differently.

Senator O'BRIEN—I suppose it is fair to say that, given that the sheep spent a considerably longer period on the ship, that decision appears to have been one which you might have wanted to think about some more.

Mr M. Taylor—Not at all. I am absolutely clear that the arrangements with Saudi Arabia had shown no shape of being modified in the course of the last month. Quite clearly, I think we were destined to have sheep return, whether they were reinspected by the same vets. Given the condition of the sheep was already healthy, there is no reason why these same people could not have correctly identified them. We deal with countries in straightforward veterinary-to-veterinary arrangements, and I do not shy away from that. We cannot deal with arrangements that operate under some other circumstances. We were confronted with a series of additional shipments going. We cannot afford to deal with a situation where all of a sudden healthy sheep are declared unhealthy. That is quite a practical issue.

Senator O'BRIEN—Yes. Historically, there had been a problem in this market of such events.

Mr M. Taylor—No. I think we have had a very good record since the year 2000.

Senator O'BRIEN—You know that I mean in the early nineties.

Mr M. Taylor—I think what is important, as Mr Read identified, is that there had been detailed consultation with Saudi officials in 1998 and 1999. A series of shipments had run quite normally from the period subsequent to that. All of a sudden we have officials identifying sheep as being unhealthy that are clearly identified as being healthy by Australian veterinary authorities and subsequently by international authorities.

Senator O'BRIEN—Did we propose that international authorities should intervene?

Mr Read—No, we did not. As Mr Taylor said, we had a clandestine phone call that occurred in the morning of the 27th, and we effectively had 20 minutes to return with an answer against the proposition. There was no dialogue that would have provided an opportunity for any exploration of that point.

Senator O'BRIEN—Initially in our discussions, we did not propose that as a solution? At the time you and other officers met with the Saudi ministers, did we propose a third party independent vet to—

Mr Read—We would have provided all the assistance we could have in terms of technical assistance with that consignment.

Senator O'BRIEN—But we did not propose an independent vet to inspect the sheep and rule on the difference between the two vets?

Mr Read—An important point to make on this is that, in that meeting with the ministry, as soon as we say that there is a problem with the diagnosis we are challenging the competency of the vets.

Senator O'BRIEN—There was a difference between the views of their vet and our vet.

Mr Read—That is correct.

Senator O'BRIEN—I am taking your answer to mean that we did not propose an independent vet from another nation to make a ruling on the health status of the sheep.

Mr M. Taylor—I want to clarify an issue here: nor would we in the case of a dispute between Australia and some other country. Let us say that we were dealing with a racehorse coming into Australia and we made a veterinary diagnosis here which was disputed by the

country bringing the animal to Australia. I can assure you that we would not be agreeing to a third party. I would be taking the advice of Gardner Murray as final.

Senator O'BRIEN—Indeed, in the absence of any other arrangements, a country seeking to send a shipment to another country would be bound to accept the view of that other country. As those sending shipments here are bound to accept Dr Gardner Murray's view, we were bound to accept the view of the Saudi vet. We had accepted that. You are nodding—does that mean yes?

Mr M. Taylor—The situation is that we quite clearly diagnosed scabby mouth and its incidence in the case of Saudi Arabia very differently to the veterinary diagnosis that was undertaken for the *Cormo Express* by Saudi veterinary authorities. Our identification through an Australian vet—and certainly supported not by the actual percentage but by subsequent sighting of those sheep by the Australian CVO and by a veterinary authority from a third party—does not support any idea that the sheep had five per cent, six per cent or a higher percentage of scabby mouth. Clearly there is a difference in terms of the veterinary diagnostic skill and, quite clearly, before we could resume any trade with Saudi Arabia, that matter now has to be addressed. That had not been the matter previously.

Senator O'BRIEN—Mr Taylor, we accepted a protocol which you have just accepted was dependent on the Saudis' interpretation of 'scabby mouth free'.

Mr M. Taylor—As we do in every other country that we trade with and as other countries do in trading with us.

Senator O'BRIEN—So we accepted that and we then found ourselves in a dispute and our vets had a different view. If they had been in Australia, you have just told us, we would have insisted on our view prevailing. In Saudi Arabia, apparently they were insisting that their view prevail. The question that I asked was: in the circumstances, did we propose, as a potential resolution, obtaining the views of an independent vet from another country?

Mr M. Taylor—The answer to that is no.

Senator O'BRIEN—I take it that Mr Truss took the decision to suspend the live trade with Saudi Arabia on that day—28 August? Is that right?

Mr M. Taylor—Yes.

Senator O'BRIEN—You took the decision about the rejection of the offer—or however you would categorise it—on the same day?

Mr M. Taylor—On 27 August.

Senator O'BRIEN—When I say 'you', I mean you, Mr Taylor. And the following day, Mr Truss took the decision to suspend the live trade with Saudi Arabia. Was that following consultation with you about the circumstances?

Mr M. Taylor—And a wide range of other officers. I would like to correct the record. I think it would be rather generous to characterise it as a Saudi 'offer'. What we had was a rather clandestine telephone call.

Senator O'BRIEN—That is the reason that I asked Mr Read how it was understood at the time and what advice was received from the embassy, given that there were clearly unusual

things happening and a very delicate situation—which, ultimately, was not resolved—became, as I have categorised, it ‘a fiasco’. Was 28 August the date on which the department commenced contingency plans to deal with the possibility that no market would be found for the sheep?

Mr M. Taylor—No.

Senator O’BRIEN—When was that—

Mr M. Taylor—Importantly, 28 August was merely the date on which the owner of the sheep, Mr Hmood, faced the reality that the Saudi Arabian officials were not accepting sheep owned by him on a ship managed by him. We were happy—as we are with any exporter when they raise the situation that they want to consider alternative markets—to investigate the appropriate government-to-government certification.

Senator O’BRIEN—In relation to this shipment, when was that decision made? When did you start investigating contingency plans to deal with the possibility that no market would be found for the sheep?

Mr M. Taylor—Importantly, the operator of the ship and the owner of the sheep was the person who was considering the markets that he might subsequently look at and then subsequently AQIS addressed the government-to-government arrangements. The sheep were owned and controlled by and were the responsibility and under the care of Mr Hmood. Our only responsibility at that time and both pre and post was ensuring that if he were to approach an alternative destination that destination would—as we were trying to get the Saudi Arabians to do—take the sheep by accepting their condition.

ACTING CHAIR (Senator Ferris)—We will take a break. I foreshadow that I also have some questions related to this which I will ask at some point.

Proceedings suspended from 10.30 a.m. to 10.47 a.m.

ACTING CHAIR—I call the committee to order.

Senator O’BRIEN—Just before the break I asked Mr Taylor when the department started working on contingency plans to deal with the possibility that no market would be found for the sheep. He has not actually answered that question.

Mr M. Taylor—Perhaps if I could just—

Senator O’BRIEN—I understand what you said about who owned the sheep and when the sheep were purchased; I am now asking a specific question about when the department started work on contingency plans to deal with the possibility that no market could be found for the sheep.

Mr M. Taylor—I am not straining in the sense of not being willing to answer. I think it is fair to say in terms of the sheep—which were, with hindsight, and certainly based on the advice of the Australian vet on board, clearly healthy—that there certainly was the expectation sitting in the minds of the owner of the sheep, AQIS and the industry that the sheep would be relocated; they would be sold by their owner into another market. Quite clearly in the first couple of weeks in September that did not happen, and there is no doubt

that we started to take more interest. We referred to that a little earlier when you raised questions around the end plan consultation and the work that AQIS was doing.

At that stage, given that the sheep were owned by Mr Hmood and that he was pursuing alternatives, the expectation was that he would actually find one. As a natural response, though, we started to feel some concern about what the alternatives were. We had not at that stage taken any detailed decision. This was not actually something I commissioned; it was colleagues reacting to a situation, asking ‘Can we be certain about the disease situation of the sheep, particularly in light of the assertions that have been made?’ and other questions of that nature. But there was no concerted effort by our department to drive a wide range of market alternatives, in any detailed sense, until the latter part of September. While there might have been some earlier thought about it, that started occurring in the light of Hmood not making any real progress. Certainly, once we were able to control the sheep, from around 24 September, it became very important to pursue not only the possibility of the sheep entering Iraq but also a wide range of other possibilities. So that started to take a lot of activity from 24 September. That is not to say that people had not thought about it or that AQIS colleagues had not worked actively with Mr Hmood, as the exporter, and also with LiveCorp and the Australian Livestock Exporters Council. But what I would call the concerted drive on alternative markets occurred after 24 September.

Senator O’BRIEN—The last resort options were slaughter at sea or return to Australia. That is a fair way of putting it, isn’t it?

Mr M. Taylor—It certainly is.

Senator O’BRIEN—Am I correct in understanding—I think you touched on this—that Mr Read, Mr Merrilees and Mr Mortimer would have been in charge of working on the slaughter at sea option?

Mr M. Taylor—Certainly they were key colleagues.

Senator O’BRIEN—And Dr Banks headed up work on the bringing them home option?

Mr M. Taylor—Dr Banks and Mary Harwood. Can I put the context around those, very importantly? The pre-eminent thought, the pre-eminent drive in all of our work, was very much focused around the finding of a market, an outlet, for these sheep. That was by far the driving emphasis. Every time I met with industry I gave that as what I used to call the first option, as opposed to the abhorrent options. That first option stood out strongly for us at all turns. The active work on those undesirable options did not really get serious development, in terms of thinking how we might draft them up in any substantive way, until early October.

CHAIR—Can I just put the ‘bringing them home’ option into a farmer’s context for you?

Senator O’BRIEN—Do you want to go and sit over there?

CHAIR—For a farmer, bringing them home would be much like telling the footy players they cannot sing *Waltzing Matilda*.

Mr M. Taylor—I think we would have a similar empathy with Australian farmers.

Senator O’BRIEN—When was the import risk assessment performed in relation to the ‘bringing them home’ option?

Mr M. Taylor—The concerted work to develop those alternatives—which were certainly not preferred by the government, the department or the community—started to occur in the period around 7 to 10 October. That is when the most serious, concerted activity went on. It is not that they had not been tossed around. It was at that time that we were particularly concerned at the failure to bring about anything within the Middle East region. It was also about that time that we were starting to, although with some difficulty, have fodder loaded onto the *Cormo Express*.

Once the ship was loaded with fodder, we were clearly going to be confronted with the Kuwaiti officials being able to do what they had been wanting to do all along: have us leave port. Clearly, once we left port, our ability to find markets was going to be confined to about seven days, before we were left with nowhere to go. We were working principally on trying to find market locations but were confronted with having to undertake work on those other options. I know my colleagues are more than happy to talk to you about how they went about that work.

Senator O'BRIEN—So there was no work on an import risk assessment, analysis or evaluation completed prior to 24 September?

Mr M. Taylor—No, no, no. Scientific assessment was being undertaken all along. You are asking about risk evaluation. Scientific assessment of the diseases on the ship was certainly an issue we had to address. That was an important issue, given the fact that the Saudis had suggested that these sheep had greater than five per cent scabby mouth and veterinary officials on board had suggested quite differently.

CHAIR—What is the cycle of scabby mouth?

Mr M. Taylor—I would prefer to have the ship's veterinary officer discuss that with you.

Senator O'BRIEN—If the chairman wants to do so, I am happy to give him a section and come back to my questions, although I would rather proceed the way I am proceeding. If you want to, you could ask some questions then.

CHAIR—I might decide to lighten it up a bit.

Senator O'BRIEN—I know you become impatient with people such as I who do not run sheep.

CHAIR—If you are silly enough to feed chaff to racehorses and expect to get a quid, then the best of luck to you!

Senator FERRIS—I also have some questions on this issue.

Senator O'BRIEN—Regarding the scientific assessment of diseases on the ship, did Dr Banks complete such an assessment on or around 20 September?

Mr M. Taylor—There is no doubt that they will have completed work around that time.

Senator O'BRIEN—At that time in the department, was the terminology 'import risk assessment' used?

Mr M. Taylor—I am sure a wide range of terms was used. I am not saying that term was not used.

Senator O'BRIEN—I assume there would have been some concern that, if that assessment were released, it might hamper negotiations for placing the sheep in a third country, because it would confirm an identified disease risk.

Mr M. Taylor—In any scientific assessment or any sort of evaluation, one should be careful about how information is communicated. We have seen in the past, when undertaking activity concerning disease, or in other scientific assessments, that it can be misconstrued in other places.

You might recall that, with the Senate estimates committee in the lead-up to Minotaur, we placed emphasis on one of the reasons for which we were very strong about keeping parties briefed. It was so they did not misinterpret Minotaur as actually being a disease. These matters must always be treated carefully.

Senator O'BRIEN—Mr Truss used the term 'scientific import risk assessment' in his press conference on 30 September—the media briefing.

Mr M. Taylor—I am aware of the media briefing you are talking about—yes.

Senator O'BRIEN—Who would have expressed concern about the release of this scientific import risk assessment, which might hamper negotiations—the minister, officers in the department, other departments?

Mr M. Taylor—All of the above, plus industry. We all know from handling issues like this that when you are talking about disease—even if the animals you are talking about are not diseased—you run the risk of being misinterpreted. I made that point when I was referring to the Minotaur simulation exercise. We went out of our way to talk to a wide range of parties about what was taking place so it was not misinterpreted as being a disease outbreak rather than a simulation. There is plenty of evidence to show that people are inclined to get half the story somewhere else in the world and then all of a sudden misinterpret the circumstances you are confronting.

CHAIR—Just to clarify—I do not know whether you did earlier—but Minotaur was the foot and mouth—

Mr M. Taylor—Simulation.

Senator FERRIS—Desktop simulation.

Mr M. Taylor—Desktop simulation.

CHAIR—I thought that was an interesting challenge—killing all the wild feral pigs. Best of luck.

Senator FERRIS—Minotaur is the basis of the questions that I actually want to ask. I do not know whether Senator O'Brien wants to take them now.

CHAIR—Away you go.

Senator FERRIS—I will address the first question to you, Mr Taylor, but I suspect it will be Dr Gardner Murray who will want to answer them. I am interested to learn a little more about the way in which the experience of Minotaur may have been of assistance in dealing with this issue. As I understand it, in Minotaur there was a shipload of live animals that were offshore from Australia when allegedly they were found to have been sourced from a state of

Australia where foot and mouth had been found. Can you just take me through any lessons that came out of that and any assistance that came out of that? It was a very expensive exercise.

Dr Murray—In respect of Minotaur, which was an enormous exercise, as I recall, at the end of the exercise and during the exercise there were estimated to be 325,000 animals on the water—or in that order. The singular difference between the *Cormo* event and the simulation exercise was that in fact Australia had foot and mouth disease and therefore a return option would be the bringing back of potentially diseased sheep to Australian shores. Therefore, one of the major lessons to be learned out of Minotaur was the kind of contingency arrangements we needed to develop to prepare for an FMD emergency event.

If we put that aside and perhaps comment on the second part of your question—which was about what lessons we can gain from the *Cormo Express*—just going through this draft risk evaluation process gives us a number of pointers as to what and how things might be done, but more importantly how we need to consult more closely with industry and other parties in a Minotaur context.

Senator FERRIS—Given that you had a shipload of live animals potentially infected in Minotaur and the same in this case and that these animals might in fact have been coming back to Australia, did you then consider any contingency which may mean that in the future there would be a quarantined holding place—either in the country where the animals had been sent to but rejected from or alternatively somewhere between Australia and its overseas destinations—where animals could be taken for either checking, testing or, in the unfortunate case of them being found to have been infected, slaughter?

Dr Murray—If we go to the situation where you have a load of healthy animals which are refused entry, the issue of having holding yards in the importing country has been proposed for many years. In fact I suspect that international codes for animal transportation by sea and even by land will ultimately make that a standard. Whether countries that import agree to that standard is another issue. It is quite clear to me and many others that you do need to have a contingency arrangement for holding yards in countries in the event that minor clinical incidences occur.

Senator FERRIS—Which would have been the case with these sheep, surely?

Dr Murray—Yes, it would have been. In the case of the Australian situation, of course that has to be worked out drawing together a number of lessons we have gained from both the *Cormo Express* and Operation Minotaur.

Senator FERRIS—Can you outline some of those lessons for us?

Dr Murray—From Operation Minotaur?

Senator FERRIS—I am interested in a couple of aspects of some answers given this morning by some of the officers; one is that there was no opportunity for a third-party vet to come and have a look at these animals who was acceptable to both the Saudis and Australia. If there were to be an international protocol developed in relation to this, presumably that would be one of the quite important fundamentals since that would, if you like, take the politics out of both sides. So I am interested to know whether you explored that in Minotaur and whether

you think that would be something that you might look for in a future protocol. Minotaur received a lot of publicity. It was a very expensive exercise, and a very important exercise I might say. I am interested to know how that study was able to provide some assistance when a real situation developed—which I think some of us thought was more like one of those horrible hypotheticals than something you could believe was real. If it was not able to provide assistance, what were the lessons from Minotaur which might apply in a real situation?

Dr Murray—The first part of your question relates to dispute resolution. There are international dispute resolution possibilities. It goes without saying that to have a dispute you must have at least two parties, and unless one party agrees you cannot invoke these dispute resolution procedures.

Senator FERRIS—Does that mean that the Saudis would not look at a resolution of the dispute—because I am assuming that Australia would have very willingly.

Dr Murray—I can go back years ago to 1989 and 1990 when there were serious problems, and the answer is that they would not.

Senator FERRIS—What about this time?

Dr Murray—I think that, unless you have this written into a new and revised agreement for trade, the answer would be no.

Senator FERRIS—I am intrigued as to why we did not try to get a third party vet to come and inspect those sheep while they were still docked at the port.

Dr Murray—I can only restate the points Greg Read and Mike Taylor made. Firstly, there was a very short window to enable this to happen. Secondly, it would have required the agreement of a country most unlikely to agree. Thirdly, it would have required an international organisation—in this case OIE—to nominate an independent expert appropriate to the parties who had to agree. So in practical terms, in my judgment, it would have been extremely difficult if not impossible under the circumstances. In the context of Minotaur itself, I think one of the lessons is, quite clearly, the importance of having a location to bring animals back to if we have FMD—whether it is an island or a remote part of Australia. Alternatively, we may decide they should be bought back and slaughtered under quarantine conditions in a quarantine zone. These are the kind of options that now have to be worked through in extraordinary detail. I do not expect that we will get FMD, but we cannot discount it is an outside possibility.

Senator FERRIS—Given the strength of opinion of farmers in relation to any suggestion that these animals, or any future animals, come back to Australia, is the department looking at some form of offshore holding contingency location?

Dr Murray—I do not know if the department is looking at that issue right now, but it certainly will be with industry and others.

Senator FERRIS—Perhaps Mr Taylor might make a comment on that.

Mr M. Taylor—Even in the most difficult set of circumstances we were confronting, the National Management Group agreed to a suggestion we made, which was that when we have dealt with the *Cormo Express* we need to get back together and have at least a reconsideration. We loosely foreshadowed that at the end of November. That is contingent on

it fitting with the participants. Quite clearly there is a wide range of issues in respect of, at least, Saudi Arabia—but my guess is much more broadly—about a different set of contingencies that would provide into the future.

One can operate in a situation where there has been a good record and performance, but once the world changes, then you are in a different situation where you can say to people, ‘No, I am sorry. The contingency has to be much more stringent than your good undertaking.’ The contingencies are part of what the Keniry inquiry will look at, so I do not suggest that this is in any shape or form final. It is part of the sort of discussion which we hope to have with the Keniry inquiry and industry, and what I am about to say does not have any formal standing. Those contingencies could include such things as, when the sheep—or potentially any other live animals for that matter—have been assembled in Australia, having not just an Australian veterinary sign off, but a veterinary sign off for the country of destination.

Senator FERRIS—Do you mean in Australia?

Mr M. Taylor—Yes. These are not ideas that are necessarily going to happen, but they are certainly ideas that are worthy of consideration.

Senator FERRIS—That would not assist in the situation of the scabby mouth, though, would it?

Mr M. Taylor—It would have been very interesting if the Saudi veterinary authorities had signed off acceptance within Australia and then rejected the sheep on arrival. That is why I want to go through this. There is quite clearly the possibility we might ask some of those officials, given that they are for countries of destination, to be involved in the ship in terms of its transportation period—in other words, taking responsibility from the time they leave Australian shores.

Another contingency could be, as Dr Murray has already indicated, that the country would have a quarantine zone at the point of arrival. That would mean that, if they deemed that the animals did not meet their health requirements, they could be moved to that quarantine zone and slaughtered at the point of arrival. If we think about that, that has been a not-unknown set of circumstances applied in the case of, say, cattle that have gone from Australia to some North Asian destinations where there has been a dispute over the health status—and I say a dispute, because we have not concurred in most cases—and the animals have been slaughtered in their country of destination.

The important point that Dr Murray was making is that there is a whole raft of conventions on animal welfare in terms of animals being shipped long distances and countries being prepared to take appropriate action on their part.

Senator FERRIS—All of those suggestions sound like commonsense to me. I wonder why they have never been applied in the past.

Mr M. Taylor—In a practice sense they have worked quite well. I described the situation with the North Asian circumstances where that is exactly how it has worked. One normally takes the country of destination at good faith, and that is the normal way in which most trade is done. There are certainly a wide range of other issues that are addressed. Quite clearly, we are going to deal with some different circumstances. I do not think there is any doubt that we,

the industry and a wide range of other groups will discuss in more depth how we might put those things into formalised practice, will have discussions with the chairman of the Keniry inquiry and his colleagues and, importantly, in the light of the conclusions of that, will reach some new policy positions. But there will no doubt be change. I am sure that process will also include dealing with the issue that you, Senator, have rightly raised about, for want of a better way of expressing it, neutral offshore locations. We intend exploring all of those very thoroughly in that framework. I think you could pretty strongly deal with it. We do not envisage exploring a return to Australia option.

Senator FERRIS—I am pleased to hear that, and I am sure a number of Australian primary producers will be as well. This committee will look forward to following that through. Dr Murray, what happened to the thousand blood samples that were brought back to Australia for testing? Did those tests show any likely diseases which the sheep had contracted during the period overseas? What happened to them? Were they destroyed, or are the results going to be released?

Dr Murray—The thousand blood samples were taken in Kuwait with the purpose of examining them against samples that would be taken at a later date, probably 10 days later, the idea being to be in a position to compare any serological changes. These blood samples were not sent back to Australia. They are probably on the ship or have been destroyed, because the value of these samples to us from a scientific perspective now is very limited, if they have any value at all.

CHAIR—Were they frozen or chilled or left on the deck?

Dr Murray—They were put in a chiller, in the ship's refrigeration unit.

Senator FERRIS—Did taking the samples involve having to tag every sheep that a sample was taken from?

Dr Murray—Every animal from which a sample was taken was individually tagged and marked.

Senator FERRIS—What sort of cost was involved in that?

Dr Murray—It was done by the Australian vet on board, two stock inspectors and the Philippine crew, so the cost was the normal cost.

Senator FERRIS—It was as low as it could be but still considerable, I suspect.

Dr Murray—Yes, and a lot of weight was lost by the team who took the samples.

CHAIR—Please describe for the committee the life cycle of scabby mouth.

Dr Murray—Scabby mouth is a viral infection. It causes lesions on the face. In extreme cases these lesions or scabs can pass to the feet or other parts of the body. The disease occurs all over the world. It is not a disease that has an impact on international trade compared with, say, sheep pox or foot-and-mouth disease. It is just an endemic disease in all countries of the world. Normally the virus can spread in sheep flocks, particularly in young animals and lambs, when they are under stress. If the infection is of a minor nature, they can recover within a week; otherwise they can recover within a month. What people ordinarily do is put them in pens, treat them and let them recover.

CHAIR—We used to put power kerosene on them.

Dr Murray—Yes, you can put that on or you can use more modern treatments.

CHAIR—I have to say for the record—I have just done a rough calculation—that I have inoculated about 450,000 sheep for scabby mouth in the 40 years I have been on the farm. It is a very simple matter. It does spread, though, if you bring sheep from outside into an area where you have inoculated sheep, saffron thistles and things like that in the paddock. The prick of the saffron thistle will spread it, and I know it can be a bit of a pain in the backside with sale lambs. But, as you say, they quickly get over it and it is not a big deal.

Dr Murray—You are absolutely correct. It is a live vaccine, and that means if susceptible stock have wounds, as you say, they can become infected. But, as I understand it, the Saudi shipments receive vaccination as part of the protocol.

Senator O'BRIEN—Dr Murray, I took it from your demeanour at the back of the room to a question earlier that you were not involved in giving any advice on the issue of whether keeping the sheep on board the vessel—this is on 27 August—for a further seven to 10 days would be unacceptable on animal welfare grounds. Is that right?

Dr Murray—I did not quite catch your question but, no, I was not involved in that decision.

Senator O'BRIEN—On 27 August you did not give any advice on which that decision might have been made.

Dr Murray—That is correct.

Senator O'BRIEN—I take it there was no veterinary advice from the department to Mr Taylor when he made that decision.

Mr M. Taylor—I certainly did not ask Dr Murray. As to the decision, when an unnamed caller makes a clandestine phone call, that does not constitute an offer. If we had had a formal documented proposal by the Saudi minister or the Saudi chief veterinary officer, we would have been dealing with something of some substance. That is an important issue. It is very dangerous for Australian government officials to merely respond to a clandestine proposition by a Middle Eastern official that something should be done. We need something more concrete on which to make decisions.

Senator O'BRIEN—Preferably a fully written protocol dealing with all of the eventualities.

Mr M. Taylor—I think with hindsight that is absolutely true. As we just said to Senator Ferris, that is certainly an issue that we will be considering. It is fair to say that has not been the situation that has applied either in Saudi Arabia or elsewhere, but it is clearly an issue that arises out of this incident.

Senator O'BRIEN—Mr Taylor, I take it you had the benefit of advice from the local embassy as to the means by which these sorts of messages would be likely to come from the minister?

Mr M. Taylor—I certainly did not talk with the local ambassador at the time. I think it is very clear that I am not in the business of making a decision based on a clandestine telephone call and an ill-defined offer.

Senator O'BRIEN—My question was: did you have the benefit of advice from the local embassy that this was the way that the minister would be likely to communicate with the government on this issue?

Mr M. Taylor—I certainly did not have it, and it would be very unusual to take advice that one would go for a clandestine telephone call with a request for a decision within a couple of hours as a basis on which to make a decision of quite significant proportions. So, no, I did not go out and seek that at all.

Senator O'BRIEN—Mr Read said that was the advice that the officers who were present had from the embassy at the time.

Mr M. Taylor—I did not, and I said that. I did not go and seek that. I sought the advice of Mr Read. I certainly dealt with the circumstances that we were confronted with.

Senator O'BRIEN—Would Mr Read have reported what he knew, including what the local embassy was saying?

Mr M. Taylor—Certainly.

Senator O'BRIEN—In relation to the scientific import risk assessment, which I think we have established existed on around 20 September, can you confirm that the department considered releasing the import risk assessment to key stakeholders on or about 20 September? Dr Banks might be able to help you if he is here.

Mr M. Taylor—I cannot confirm that, but I would be happy for you to talk to Dr Banks directly about that matter.

Dr Banks—In answer to your question, Biosecurity Australia had done an initial scientific analysis but there was certainly no knowledge on my part that we were going to release it at the point you mention.

Senator O'BRIEN—So there was no consideration to release it publicly or to key stakeholders at that time?

Dr Banks—At that time I was not aware of any intention to do that.

Senator O'BRIEN—Was that considered at a subsequent time?

Dr Banks—At various stages throughout this incident, consideration has been given to that possibility.

Senator O'BRIEN—When was this considered?

Dr Banks—At various stages—particularly later on in the process after the early part of October, when the speed of this whole incident accelerated—the benefits and disadvantages of releasing were discussed within the department.

Senator O'BRIEN—And this scientific import risk assessment would have addressed the likelihood of diseases being introduced into Australia if the sheep were brought home?

Dr Banks—I would like to make a point here: this was not a scientific risk assessment.

Senator O'BRIEN—I am using Mr Truss's term.

Dr Banks—This was a scientific assessment of the risks pertaining to this particular issue.

Senator O'BRIEN—So where Mr Truss has referred to a 'scientific import risk assessment' it would be something else, would it?

Dr Banks—Normally, import risk analyses are done for normal trade. This was not normal trade.

Senator O'BRIEN—So it was a scientific assessment and not a scientific import risk assessment?

Dr Banks—I do not know that the terminology is that important.

Senator O'BRIEN—You are talking about something and Mr Truss was talking about something. Are we talking about one and the same thing? Do you know of a scientific import risk assessment that would have been available to Mr Truss on 30 September? I presume you would if there was one.

Dr Banks—We had done a very rough draft which had gone into some considerable detail. That was within the department after 20 September getting technical advice to see whether there were any holes, omissions or errors.

Senator O'BRIEN—Is this what you have described as a scientific assessment?

Dr Banks—Yes, that is correct.

Senator O'BRIEN—Is this likely to be what Mr Truss has described as a scientific import risk assessment?

Dr Banks—Possibly; I cannot answer that question.

Senator O'BRIEN—Do you know of anything else in the department that he might have described as a scientific import risk assessment done by Biosecurity?

Dr Banks—I am not aware of anything at that stage, no.

Senator O'BRIEN—Was there one done by Biosecurity at that stage?

Dr Banks—On 15 September Biosecurity Australia initiated a scientific assessment of the risks of the diseases that might be on board the vessel and looked briefly at risk mitigation measures that might be employed to manage them.

Senator O'BRIEN—The emplan body you were on was considering this scientific assessment of what diseases were on board the vessel?

Dr Banks—The first draft of that scientific assessment was, as I say, circulated within the department, including to members of that group.

Senator O'BRIEN—I am sorry; I did not quite catch the date you said it was circulated?

Dr Banks—The first draft—and it was a first draft—was completed on 19 September.

Senator O'BRIEN—Does that mean it was circulated then or shortly thereafter?

Dr Banks—That is correct.

Senator O'BRIEN—In the context of that draft, was the purpose to test the bringing them home option against the associated quarantine risks?

Dr Banks—Certainly at that stage it was very much purely a contingency measure that could be used later on if that decision was made.

Senator O'BRIEN—On 30 September, Mr Truss said:

A scientific risk assessment has been done to deal with any risks that might be associated from a quarantine perspective.

The questions are inaudible, so we have to interpret the questions from the answers. He continued:

I would like to emphasise that these were Australian sheep, so they are returning to their home country if ...

Then the answer is inaudible. Later he says:

There are some issues associated with feed that might have been loaded, so if they are to come back to Australia, they will have to be unloaded in a secure quarantine environment to minimise any risk that might be associated with it.

Are those the sorts of issues that this scientific assessment would have dealt with?

Dr Banks—As I said earlier, the assessment looked at the diseases that might have been transmitted to the sheep aboard the vessel and at the normal trade risk mitigation measures that could be applied to those sheep.

Senator O'BRIEN—If they returned to Australia.

Dr Banks—If a decision was ever made to return them to Australia.

Senator O'BRIEN—Did it consider where they might be unloaded?

Dr Banks—No, it did not.

Senator O'BRIEN—So it did not contain options in that regard.

Dr Banks—No.

Senator O'BRIEN—Was any other work being done on that option?

Dr Banks—I am not aware of any at that stage.

Senator O'BRIEN—Presumably some was done later.

Dr Banks—Yes, there was quite a lot of work done on that later.

Senator O'BRIEN—How much later?

Dr Banks—A specialist group was formed and had an initial teleconference on Wednesday, 1 October followed by two face-to-face meetings on Friday, 3 October and Wednesday, 8 October. We were tasked with determining how we would reduce those risks as much as possible if a decision was made to return the sheep.

Senator O'BRIEN—Who was part of the specialist group?

Dr Banks—There are about 15 people. Do you want me to read them out or give you a list of names?

Senator O'BRIEN—If you can give us the list shortly, that would be appreciated. Presumably, they were industry and government representatives.

Dr Banks—This was not a representative group; this was based on specialist expertise. So while there was one industry person on the group because of their expertise, the rest were federal and state government and university members.

Senator O'BRIEN—Did this document—the first draft scientific assessment of the diseases that might be in the sheep on board the vessel—contemplate the import risk assessment and make any judgment about the acceptability or otherwise of those risks?

Dr Banks—You are talking about the initial one done by Biosecurity Australia.

Senator O'BRIEN—Yes, the initial document which Mr Truss would have been talking about on 30 September.

Dr Banks—It made an assessment to some extent of some of those risks. For some diseases, the normal risk mitigation measures used in trade were considered.

Mr M. Taylor—It would probably be useful to reflect briefly, as Dr Banks is talking about the options, on an important bit of discussion that went on in all circumstances around those options that we did not like looking at—that is, the options other than finding a place where we could put the sheep. The options reflected only on a risk evaluation in the context of a return to Australian quarantine zone on the basis that the sheep were not diseased. There was no contemplation of returning diseased sheep to Australia. That is why, as those options were being developed, we were always developing ideas, debate and discussion around humane disposal at sea as well as evaluating risk—but very strongly on the basis that, should sheep be diseased, we would be looking at a non-return to Australia. I just wanted to give that some emphasis, because sometimes when we start to talk on a continuing basis about risk evaluation in Australia, it is almost on the presumption that if they had been diseased they might have been returned to Australia, and that was never contemplated.

Senator O'BRIEN—Dr Banks, I asked about whether the task force in which you were involved considered releasing the scientific assessment in September. Would you like to check your records before confirming that no consideration was given to releasing the scientific assessment to stakeholders or the public on or about 20 September?

Dr Banks—As I said earlier, I am not aware of any intent to release it at that stage.

Senator O'BRIEN—If that matter had been considered, you would have been aware?

Dr Banks—I can check on that, Senator.

Senator O'BRIEN—So you will check your records? I am sure, Mr Taylor, you recall the *Cormo Express* story on *60 Minutes* on 21 September?

Mr M. Taylor—I recall that story being on.

Senator O'BRIEN—It would have generated, as it did for me, a lot of email and other traffic into the department. Certainly there were emails, phone calls, faxes and letters tumbling into my office about the story. Cabinet considered the *Cormo Express* matter two days after that program, on 23 September. I understand that the work which had been undertaken by the department prior to 23 September was considered at the cabinet meeting on

that day and the department was asked to do more work on options following that cabinet meeting.

Senator Ian Macdonald—Mr Taylor would not be able to comment on what cabinet asked, what he advised cabinet, or what they asked him to do.

Senator O'BRIEN—I did not ask him what he advised cabinet—

Senator Ian Macdonald—What cabinet asked him to do—

Senator O'BRIEN—I am not sure that that is the nature of advice to cabinet. It is the nature of the work performed by the department.

Senator Ian Macdonald—It is work performed by the department to inform and advise cabinet. If cabinet needs some more, they ask for some more, and then they get advice back.

Senator O'BRIEN—I have not asked for the detail; I have asked whether there was a request to do work.

Senator Ian Macdonald—I do not know that that is particularly relevant either. What cabinet might ask the department to do or what the department might tell cabinet they are doing comes within that frame—

Senator O'BRIEN—I do not think it does, actually. If there is specific advice to the minister, I understand that. But in general, in terms of the work that the department performs—which is work paid for out of the budget—that is entirely within the realm of questions which can be asked. As you would have heard, those sorts of matters are not able to be declined to be answered.

Mr M. Taylor—Perhaps it would help if I discussed what happened in that subsequent week.

Senator Ian Macdonald—You should not talk about cabinet.

Mr M. Taylor—I certainly won't.

Mr M. Taylor—In the week beginning around 23 September, detailed consultations were undertaken between Australian livestock industry officials and the minister and senior officials from my department. Meryl Stanton would be happy to give you some guidance on some of those things. I have previously indicated that we also at that stage, in light of the discussions with the industry, moved to make an offer on behalf of the Australian livestock industry for the sheep. We also moved to control the destination of those sheep with a view to finding a market for them.

Senator O'BRIEN—Did you make the offer on the 23rd?

Mr M. Taylor—No, we made the offer on the 24th.

Senator O'BRIEN—When was it accepted?

Mr M. Taylor—It was probably accepted on the 25th.

Senator O'BRIEN—Are you sure about that?

Mr M. Taylor—Yes, I am sure about how the process went. An offer began with some formality late on the night of the 24th. There was some subsequent confirmation that occurred

on the 25th. These dates can get confusing because of the differences between Middle East and Australian times. We finally paid for the sheep on 17 October.

Senator O'BRIEN—Did they become the property of the government or the Australian industry on the 25 September or on the 17 October?

Mr M. Taylor—I think we actually gained some control and influence over direction quite clearly on the 25th but we became owners of them on the 17th when we parted with our money.

Senator O'BRIEN—You were in control from the 25th and the financial transaction was completed on the 17th?

Mr M. Taylor—The payment to acquire ownership occurred on 17 October.

Senator O'BRIEN—I will need Dr Banks to come back to the table again. I have a question in relation to Mr Truss's comments on the 30th. He said, for example, in relation to the return to Australia option of the *Cormo Express* sheep:

On the scientific work we've done so far, we believe it will be possible to manage the risks if we need to go down that route.

That is the sort of material contained in your scientific assessment paper, is it?

Dr Banks—The paper certainly identified risk management measures that might need to be taken.

Senator O'BRIEN—Didn't the minister describe the department's work as 'a thorough scientific assessment of how to manage any potential quarantine risks'?

Dr Banks—I have seen that press release, but I do not have it with me.

Senator O'BRIEN—It is actually a transcript that I am working off, not a press release. Was there any additional work on the document you have described to us between 20 September and the statement by the minister on 30 September? Was that work supplied to the minister?

Dr Banks—The very first rough draft was produced on 19 September and during the following week we were asking for comments on the technical areas within the department to refine the document.

Senator O'BRIEN—Was a refined document actually supplied to the minister?

Dr Banks—I did not supply that document.

Senator O'BRIEN—Did you supply it to somebody?

Dr Banks—No, it was circulated purely for comments within the department. I did not supply it formally to the minister.

Senator O'BRIEN—So it was circulating within the department; you would have sent it for comment. It was a refinement of the document that you released on 19 September, is that what you are saying? The document you released that was completed on 19 September was circulated.

Dr Banks—Correct.

Senator O'BRIEN—Was that amended in any way, either on a draft comment basis or otherwise, before 30 September?

Dr Banks—Yes, it was.

Senator O'BRIEN—Was that amended document circulated?

Dr Banks—I cannot recall how many cycles of circulation it went through, but there were several. We were receiving comments from a lot of technical people within the department and amendments were made accordingly.

Senator O'BRIEN—If Mr Truss received the document, it was not from you?

Dr Banks—No.

Senator O'BRIEN—Mr Taylor, did you supply Mr Truss with an updated document?

Mr M. Taylor—No, but I have no doubt that, given Mr Truss's senior advisers were closely involved in working with us, it is quite likely that there was constant consultation.

Senator O'BRIEN—So they were receiving updated documents were they, Mr Taylor?

Mr M. Taylor—They were in constant consultation with us across a wide range of matters.

Senator O'BRIEN—Does that mean they were receiving updated documents?

Mr M. Taylor—In the same way that Dr Banks was careful in the way he responded, I will say this was a document going through a series of iterations. I have no doubt they were picking the document up as it went through those iterations.

Senator O'BRIEN—Dr Banks, can you take on notice how many iterations of the document were circulated between 19 September and 30 September?

Dr Banks—I will have to take that on notice.

Senator O'BRIEN—Yes. That is all I have for you for the moment, Dr Banks. Mr Taylor, I understand Mr Merrilees was working closely with Meat and Livestock Australia on a slaughter at sea option.

Mr M. Taylor—And David Banks. Sorry, David Banks and David Mortimer. My apologies, Senator; I frightened the daylights out of David Banks.

Senator O'BRIEN—You just did, yes.

Mr M. Taylor—My apologies, Senator.

Senator O'BRIEN—I can see some premature ageing commencing.

Mr M. Taylor—At least it was humane disposal, rather than slaughter.

Senator O'BRIEN—Yes. Mr Mortimer, I take it you were involved in working with Meat and Livestock Australia on the slaughter at sea option or the humane disposal at sea option? I am not sure how else you want to describe it.

Mr Mortimer—I became involved in this option in early October, within the framework that Mr Taylor explained earlier, when it became apparent that work needed to be done on contingency options for the animals in the circumstance that a market could not be found for them or that they could not be landed in another country.

Senator O'BRIEN—Was no work done before early October?

Mr Mortimer—My understanding is that there had been some analysis and collection of data. I think it is fair to say that it was probably relatively low level.

Senator O'BRIEN—Was that part of the emplan process?

Mr Mortimer—Not as far as I am aware.

Senator O'BRIEN—Who could confirm that for us?

Mr Merrilees—My understanding from the DAF task force, which was formed under the AFFA emplan, is that there was reference to, Meat and Livestock Australia looking at the issue of slaughter at sea on a preliminary basis from about the middle of September.

Senator O'BRIEN—From the middle of September?

Mr Merrilees—Yes.

Senator O'BRIEN—Who would have been tasked with investigating that?

Mr Merrilees—I cannot tell you who within Meat and Livestock Australia was doing that work. It is recorded in the minutes that Meat and Livestock Australia were looking at the option of slaughter at sea.

Senator O'BRIEN—Was there any process of feeding information from that work back into the emplan meetings?

Mr Merrilees—I am not in a formal position to answer that one way or the other. I was not on the task force. To my knowledge there was no information fed back.

Senator O'BRIEN—Who would be in a position to answer that?

Mr Merrilees—The chair of that committee might be able to be more definitive on that.

Senator O'BRIEN—Who was the chair?

Mr Merrilees—Dr Biddle.

Senator O'BRIEN—Who else from the department was on that task force?

Mr Merrilees—That task force had representatives from all the relevant business groups within the department: AQIS, Product Integrity, MAB and others variously. The specific members varied according to the particular issues and availability of people. Its role is to share information and to coordinate activity generally within the agency.

Senator O'BRIEN—Mr Mortimer, were you involved in that task force?

Mr Mortimer—No, I was not. I became involved on 7 October, I think, when I was asked to coordinate some work on it in conjunction with industry.

Senator O'BRIEN—Did you have officers who were responsible to you involved?

Mr Mortimer—Essentially I worked in partnership with Mr Merrilees on the matter, from the AFFA point of view.

Senator O'BRIEN—When cabinet met on 23 September I take it that, in the event of an alternative market for the sheep not being found, it would have been considering options of bringing them home or slaughtering them at sea. That would be the set of options it had.

Mr M. Taylor—Senator Macdonald made it clear that none of the officers at the table are in a position to discuss cabinet deliberations on either the 23rd or any other date. They are not being unhelpful; they are just not in a position to do so.

Senator O'BRIEN—I understand what you are saying. But there has been a fair amount of public comment about this. The Prime Minister said in an interview with Jeremy Cordeaux of 5DN, on 1 October:

We had a very lengthy discussion in Cabinet about this yesterday and I spent a lot of time yesterday morning before the Cabinet Minister with Mr Truss. The Cabinet meeting ... going through all the options and there are two options if you can't find an alternative destination. You either endeavour to slaughter them at sea, which would involve a reconstruction of the ship because it's not set up for a slaughter.

There is then an intervening question:

Or you bring them back.

The Prime Minister says:

Or you bring them back. And that has to be the alternative.

Mr M. Taylor—That is on the public record.

Senator O'BRIEN—I am not seeking information which is not on the public record, or this *Hansard* will be a complete—

Mr M. Taylor—We are absolutely happy to confirm what the PM said, but we cannot confirm what the discussions at cabinet were or what information we provided to cabinet.

Senator O'BRIEN—Did the department do more work on the issue leading to the 30 September cabinet meeting and cabinet considering the options again?

Mr M. Taylor—I think I have answered the question before without revealing in any shape or form what was provided to cabinet. We had been principally working on trying to find a new location for these sheep. The principal efforts immediately after 24 September were focused very strongly on trying to deal with markets in the Middle East, and in particular Iraq. There was some concerted effort around that. Subsequently, when the option of Iraq or the option of delivery to Iraq via Kuwait did not emerge, we confronted the issue of having to ensure the ship had adequate fodder and the fact that, when that ship did have adequate fodder, it would almost certainly be forced to leave the port by Kuwaiti officials and that we would need to be considering a range of alternatives.

The preferred option at all times was to find an alternative market. We were also starting to consider in some detail those other alternatives which were not preferred, which included the humane disposal at sea or at least the humane disposal offshore from Australia, and the least preferred option, which, given the sheep were not diseased—and I give very strong emphasis to that—was how they might be brought within a quarantine zone. All those were being developed at that time.

Senator O'BRIEN—So the least preferred option was bringing them back to Australia?

Mr M. Taylor—Certainly from the point of view of our discussions with industry we made it clear at every turn that our preferred option was finding a market. We had extraordinary

efforts going on with that—literally 24 hours a day—and we made it really clear that it was our preference, no matter what the current circumstance might seem like, and that we would be working hard to deliver that in preference to any other option.

Senator O'BRIEN—And, as you just said, the least preferred option was bringing them back to Australia.

Mr M. Taylor—The least preferred options were either bringing them back to Australia or slaughtering them at sea. They were very difficult options to contemplate in any circumstances, and certainly the preference for finding a market for the sheep was pre-eminent in our minds and in our work activity while dealing with those nonpreferred alternatives.

Senator O'BRIEN—So were they equal options?

Mr M. Taylor—Importantly, we did not make a judgment as we were dealing with those. We were dealing with the facts about how would you go about dealing with humane disposal at sea if you had to go with that option. If the sheep were not diseased—and that could only be determined after a detailed investigation, proposed to take place off Cocos and Christmas islands—we could also be confronted with a return to a quarantine zone within Australia. But I would not want to put us in the category of ranking. We were exploring how, if they became options that we had to deal with, we would go about dealing with them in a factual and technical sense.

Senator O'BRIEN—I want to move to the National Emergency Animal Disease Management Group and its role in the matter. You chair that committee, Mr Taylor, and it is made up of state and territory agricultural CEOs and representatives of peak livestock industry bodies. In the *Memorandum of understanding: National response to a foot and mouth disease outbreak*, the National Management Group is described as one of two main decision making groups. It is a critical link between the Commonwealth, the states and livestock groups in relation to animal disease management. Is that right?

Mr M. Taylor—Before we go any further, it is important to note, as I explained when I opened my discussion today, that when the option for a market in the northern part of the Gulf was not realised we had a discussion with some agriculture CEOs about how we might keep people best informed. We believed that using the National Management Group framework provided a very good alternative to creating a brand new framework in terms of consulting with industry and states on the matter. We made it clear at the very first meeting we held of the group, which we have referred to as the National Management Group (ELSEM)—ELSEM standing for emergency live export management—that, because of the reasons I described before, this was not about an animal disease. We did that because we did not want to create in any shape or form either domestic or international alarm, which would have been the case if we had convened the formal National Management Group under the emergency animal disease framework. We also made it clear that this National Management Group would not be dealing in any shape or form with cost sharing arrangements—which are a very important part of the National Management Group framework under the emergency animal disease framework, because large sums of industry money are expended under that framework—and that the group would be a basis for facilitating consultation between various parties as

opposed to being a decision making group. We made that point clear at the first meeting and we reflected on those differences regularly—one, it was not a cost sharing body and, two, we were not dealing with an emergency animal disease as we did not want to give rise to any concern about that.

It is very important to understand that it was very much about using a framework for consultation, not using the NMG emergency animal disease framework, and I emphasis that, and we said it from day one. It is one of the reasons why we agreed, for instance, to have an observer member join from the NFF as opposed to an industry leader, which would have been required under an NMG. We ran it differently from that. It is also fair to say that the participation by some of the states meant that it was not always the CEOs there, which is also different from the National Management Group. It is important to understand that this was a consultative framework we convened, not a decision making framework.

Senator O'BRIEN—Is that the one that was convened on 3 October?

Mr M. Taylor—The first meeting was held by way of a telephone hook-up, which is often the way we handle it when we are dealing with agricultural issues, because people live right around Australia. Most of my colleagues and I were located in Perth, and the meeting took place subsequent to a primary industries ministerial council that took place on 2 October.

Senator O'BRIEN—Why was it decided to wait until October before convening a meeting to discuss the animal disease implications of bringing the sheep home?

Mr M. Taylor—It is probably fair to say that the very first meeting we had was one where a fair amount of information sharing about a wide range of issues went on. I cannot be definitive about whether it was the first or second meeting, but certainly the first meeting involved the provision of a detailed update from the Commonwealth point of view, from a variety of state points of view and from a range of industry viewpoints. I know you have indicated that the various options might have only been discussed on the 4th. My recollection is that they were discussed on the 3rd. The only reason I think of that is that I recall Dr Graham Robertson of Western Australia discussing such a matter. That is why I am not sure whether it was also discussed at the very first meeting. But I am happy to stand corrected.

Senator O'BRIEN—I want to go back to the slaughter at sea option. Minister Truss, in a media briefing on 30 September, clearly ruled out the slaughter at sea option. He said it would be a logistical nightmare, it would be dangerous for the slaughtermen, and it would take three weeks. He relied on comments from the Australian Veterinary Association about animal welfare concerns relating to the slaughter option. Can we take Mr Truss's comments as indicating the decision of cabinet at the meeting that had taken place earlier that day?

Mr M. Taylor—I think Mr Truss was doing as he had done right through this process; he was raising the breadth of the very difficult issues that were confronting any option other than finding an outlet for the sheep. There is no doubt—and David Mortimer is much better equipped to comment on this than I am—that slaughter at sea would have been a very difficult option. In particular, if there were to be any sort of monsoonal conditions you would be likely to be dealing with rough seas and unknown territory in terms of obtaining a range of skills by people who may not be used to operating on shipboard slaughter arrangements, given that it is an unusual set of circumstances. Certainly slaughter at sea and a return to the quarantine zone

within Australia for disease-free sheep were going to be incredibly difficult options. For that reason, we were absolutely determined and working hard on the preferred option of finding an outlet for the sheep. All the work that we have done in terms of slaughter at sea for the numbers of sheep involved are clearly speculative by all parties, because it has not been done before.

Senator O'BRIEN—The reason I am asking is that the transcript of the media briefing reads:

The government's also giving consideration as to what we might do in the event that these commercial negotiations do not succeed. We have ruled out the option of slaughter at sea.

I am asking you: does that mean that that is what cabinet decided?

Senator Ian Macdonald—You can draw your own conclusions, Senator, but it is not for the officers to say. They were not there. I might add that I was not there, either. You can draw your own conclusions.

Senator O'BRIEN—I am asking if that is a cabinet decision.

ACTING CHAIR (Senator Ferris)—I think this is the third time you have asked, Senator O'Brien. It is quite clear that you are not going to get the answer you want, so why don't you move on?

Senator O'BRIEN—The minister at the table may not know, but I am sure Mr Taylor would.

ACTING CHAIR—He said he does not.

Senator O'BRIEN—I am sure Mr Taylor would.

ACTING CHAIR—Mr Taylor has indicated that he is not able to answer your question; therefore, quite apart from wondering about the relevance of it being asked in the first place, it is clear you are not going to get the answer you want, so you might as well move on.

Senator O'BRIEN—I am sorry you do not understand why it is relevant. Clearly it is relevant. The minister says, 'We have ruled out the option of slaughter at sea'—

ACTING CHAIR—The officers at the table cannot tell you the answer to your question. You have asked it three times.

Senator O'BRIEN—They cannot say whether the cabinet has decided something.

ACTING CHAIR—They are unable to tell you the answer to the question that you have asked three times.

Senator O'BRIEN—Is that some direction of government?

Senator Ian Macdonald—We do not want to go into a long discourse on how governments operate. Portfolio ministers make decisions. They discuss things in cabinet and get the collective wisdom but I suspect that decisions are made in the name of the relevant portfolio minister. It is not for me to understand why this is so important to you. As I say, you can draw your own conclusions, but neither I nor the officers have personal knowledge of these things. If you would like I could ask Mr Truss, but I doubt that he would give any information in addition to what I have given you.

Senator O'BRIEN—As at 30 September, how developed was the slaughter at sea option? Had consideration moved beyond a preliminary stage?

Mr M. Taylor—As I have indicated a number of times, we put all the focus on looking at a market, an outlet, for the sheep. We had quite clearly been at least wide-eyed to what I would call those undesirable alternatives. There had been thinking going around a range of those activities that you have drawn out before. It was not until the sort of period that David Mortimer referred to before—of the 7th, 8th, 9th, 10th and beyond—that the more detailed work in respect of either slaughter at sea or the very detailed work in terms of risk evaluation began to be undertaken. It was at that time, off the back of a very difficult weekend, around 3, 4 or 5 October, that it became clear that we would be not offloading the sheep into Iraq. That is when a lot of that work started to gain a greater intensity. In the same way as the risk evaluation was in its preliminary form at that time, so would have been the slaughter at sea option.

As David Mortimer has previously referred, there was some active work beginning on the 7th—and much more active work likewise in the subsequent week in terms of the risk evaluation. For reasons of the ship being reprovisioned with fodder and expected to depart from Kuwait, it was clear that we were at that point in time going to have to at least deal with the possible contingency of not finding a market.

Senator O'BRIEN—As at 30 September, did Meat and Livestock Australia support the view that slaughter at sea was not a feasible option for the reasons outlined by Mr Truss on that day, including the extended slaughter time?

Mr Taylor—I do not know the answer to that.

Senator O'BRIEN—Do you know, Mr Mortimer? As at 30 September, did Meat and Livestock Australia support the view that slaughter at sea was not a feasible option for the reasons outlined by Mr Truss, including the extended slaughter time?

Mr Mortimer—I cannot comment on that, Senator. I would have to take it on notice. I am not aware that they said that then.

Senator O'BRIEN—Sorry, I did not quite hear your answer.

Mr Mortimer—I am not sure that that was their position at the time.

Senator O'BRIEN—Had they communicated a position to you or the department at that time?

Mr Mortimer—I am not sure that I would put it like that. Essentially, all parties were trying to find out what the issue might entail and there were a lot of questions around it. As has been previously referenced, it has not been done before. Indeed, there was work to be done to see whether it could be done.

Senator O'BRIEN—It is my understanding that the initial negative Australian Veterinary Association's position on the slaughter at sea option was based on an understanding that offloading the sheep in a third country was a live option—that is, why would you slaughter healthy sheep at sea if you could unload them somewhere else? But, when 'slaughter at sea' and 'bring them home' appeared to be the only live options, the Australian Veterinary

Association strongly supported the slaughter at sea option. Is that a fair representation of their position?

Senator Ian Macdonald—Senator, we have been very generous. What other agencies like the MLA or the vet association might think, say or tell us is not really relevant to this department's actions. It has been very clear to anyone who has followed this that the department and the government were in contact with any number of stakeholders, getting their views. Those views would, I suspect, change from day to day, depending on the situation. At all times everyone was working flat out to try and get a resolution and there were lots of consultations. Putting to these officers what others might have suggested as options seems to me to be an inappropriate task. If you want to know that, you should give the vet association a phone call and find out what they told us. It is their business, not ours.

Senator O'BRIEN—But Minister Truss referred to the Australian Veterinary Association's position on slaughter at sea in his media briefing—it is on the record—on 30 September. In my view, that makes it germane to the process.

Senator Ian Macdonald—But what did Mr Truss actually say? Whatever he said, the words will speak for themselves.

Senator O'BRIEN—He said:

I thought the Australian Veterinary Association with their press release a few days ago highlighted some of the serious unacceptable animal welfare outcomes that would result from slaughter at sea. We therefore believe that the only practical fall back option if the negotiation does not succeed in the next few days is for the sheep to be brought home to Australia.

They are the sorts of subjects we are discussing at the moment, Minister.

Senator Ian Macdonald—He is commenting on a press release put out by the vet association two days earlier. He says what assumptions he draws from that, and so where does that take us? Mr Truss has clearly said what he thought in that media release.

Senator O'BRIEN—One wonders about the basis of the stated position of the government at that time, as enunciated by the Prime Minister on 1 October and Minister Truss on 30 September. That was clearly that the preferred option for the sheep, in the absence of an overseas market, was to bring them home. I am ascertaining the role of the department in the development of information upon which that decision making process might be based.

Senator Ian Macdonald—It should be very clear—I know you have followed this very closely—from today and over the last two months. You would be very well aware that lots of suggestions were coming forward. The newspapers were full of different suggestions on what might or might not be done; some of them were really harebrained, I suspect. But the department followed everything through. We were working around the clock to get a solution and all of these things were being considered. They were being spoken about—spoken about in our party room, if I recall. We had some pretty good discussions and suggestions there—some of them not very practical—and I suspect that the same happened in your party room, Senator. All the advice and suggestions coming forward were being looked at. Eventually the government has to make a decision, and the government makes a decision.

Senator O'BRIEN—And I would have thought that the Australian Veterinary Association's view on the matter would be germane to the issue.

Senator Ian Macdonald—It would have been taken into account, without doubt. But that does not mean to say it is right and that it would be followed; it would certainly be taken into account. It is a very respected and good organisation.

Senator O'BRIEN—On 3 October they said:

While not the preferred option, in the current circumstances it may be necessary for the sheep to be humanely destroyed outside the Australian exclusion zone rather than bring them back to the mainland for destruction.

The AVA would require, as a minimum, that teams of veterinarians and trained slaughtermen maintain as high a standard of animal welfare as possible in this very difficult situation ...

The AVA is prepared and able to assist in the co-ordination of this group.

Senator Ian Macdonald—That is fine. That is their media statement you are reading from, and no doubt that would have been taken into account.

Senator O'BRIEN—What weight did the department give to the AVA's views on this animal welfare issue, Mr Mortimer?

Senator Ian Macdonald—As much weight as was appropriate in the circumstances. All suggestions were given appropriate weight. Some of the suggestions I heard some of your colleagues putting forward, such as bombing the ship, were not given much consideration, I can tell you.

Senator O'BRIEN—I think you are thinking about your own colleagues there.

Senator Ian Macdonald—It might have been some of them too. It depends on who was making the suggestions and how sensible they were. But it all went into the pot and, as you well know—with respect, Senator O'Brien—the officers would leave no stone unturned to get the right result out of a very difficult situation.

Senator O'BRIEN—What was the source of the three-week estimate relied upon by Mr Truss on 30 September for the time taken to slaughter at sea?

Mr Mortimer—I cannot comment on that directly as I was not involved in the exercise then; I am not quite sure where he would have got it from.

Senator Ian Macdonald—Perhaps I can throw a bit of light on that. Certainly I heard one of my colleagues who has spent a lifetime working with sheep and been involved in the meatworks business for many years—I do not know whether this is what Mr Truss relied on—indicate what his view was. But I am sure his comments and comments from other people—without knowing exactly Mr Truss's mind—would have all been taken into account in the government coming to the conclusion it had to come to.

Senator O'BRIEN—Mr Mortimer, are you aware of any formal advice the department had on that?

Mr Mortimer—No; I am not aware of any advising on that matter.

Mr M. Taylor—Just on that, though, perhaps I can be a little helpful. It was interesting to listen to meat industry leaders, MLA experts and people from the Australian live export

industry all contemplate what the time length might be in the circumstances of the *Cormo Express*. From all those experts there were some quite widely varying views. Most of them tended to centre around the 14 to 28 days, resting on around 2,500 a day for 50,000 sheep but with all sorts of different bases on which that might have been done. I am just reflecting; I think David Mortimer in subsequent consultations with colleagues saw a range of people who are expert in land slaughtering give differing estimates about what might happen in a circumstance that no-one had ever actually dealt with.

Mr Mortimer—That is right.

Senator O'BRIEN—Mr Truss told ABC radio on 9 October that a slaughter at sea process could take two months to complete.

Mr Mortimer—I am not aware of that, to be quite frank.

Senator Ian Macdonald—It depends on the circumstances. They were talking about getting other boats in alongside and shipping some sheep over—whaling boats. It depends on the situation such as whether there are calm seas or uncalm seas. There is a range of options. All I can say with absolute confidence is that the departmental officers would have gone through every sensible suggestion very carefully and taken them all into account with the advice they offered to Mr Truss.

Senator O'BRIEN—I see also that the Prime Minister is quoted as having said 40 to 50 days is a reasonable estimate. A lot of numbers were floating around. Are you aware of the source of these numbers, Mr Mortimer?

Mr Mortimer—No, to be quite frank, I am not. As has been indicated, there were varying estimates put on the table. There were a lot of uncertainties because it had not been done before on a ship—and there are a lot of factors that are relevant there in terms of whether or not the weather was stormy, whether it can happen before the monsoon season and what that means in terms of sea swell. A lot of people have different views, but it is impossible to really say that so-and-so said that and that was right or so-and-so said that and that was right; it was simply people expressing opinions.

Senator O'BRIEN—From what you told us, Mr Mortimer, detailed work within the department on the slaughter at sea option did not commence until about 7 October.

Mr Mortimer—That is right.

Senator O'BRIEN—So comments ruling it out as at 30 September, 1 October or any date before 7 October were not based on any advice the department had provided?

Mr Mortimer—Certainly not advice that came from the group that I was responsible for.

Mr M. Taylor—I do want to make a point clear here. I know I have said it before. I think 'ruled out' is being taken in a particular context. I can assure you that, throughout that period, the preference that the minister had at all times was for us to identify a market or an outlet for the sheep. Secondly, he encouraged us throughout that period to continue to explore, if that was not to be the case, the alternatives. At no stage did we not explore. I think it is important, in the context of what we are dealing with here, to note that the department worked assiduously on a wide range of technical matters that related to these options. Yes, they got

more refined post the set of circumstances that occurred around the 7th, 8th and 9th, but they had been talked about vigorously with industry.

As I think Minister Macdonald reflected, there was also a wide range of public debate going on. So there were people in the public—including people with quite expert knowledge—making estimates around slaughtering times and different matters. But I do want to make the point that we, under the minister's leadership, were exploring the principal and prime focus of finding a market and were continuing to explore in parallel with that—certainly with no joy—what the alternatives would be if there was not a market. At all times we were exploring those alternatives, and that is one of the reasons that I reflected on different groups that were working.

Senator O'BRIEN—Sorry—at all times you were exploring it?

Mr M. Taylor—There were people who were—and you heard earlier that there were people even without any formal direction—exploring a range of concepts back in early and mid-September. So the thinking around these issues was for constant debate.

Senator O'BRIEN—So work was being done within the department in September on the slaughter at sea option?

Mr M. Taylor—Not the department. You heard that the MLA began the work.

Senator O'BRIEN—Okay.

Mr M. Taylor—But the discussions were going on. People actually turned to people who had expertise. In the case of slaughtering, the discussions most likely had to take place with those skilled in the slaughtering sphere, including meat industry people.

Senator O'BRIEN—No-one within the department seems to know about any formal advice before October.

Mr M. Taylor—I do not think there was any formal advice about these. I do not think there was formal advice about any of the alternatives. The preference prior to the nearing of the completion of the feed on board the *Cormo Express* was to find a market. We continued to work flat out on that and we did find a market.

Senator O'BRIEN—In terms of the issue that I am pursuing, I am—I think quite reasonably—presuming that, if this matter was discussed at cabinet, it would have been based upon material prepared for the minister by the department. I am not asking if that has been done, but I thought that that was quite a reasonable assumption.

Senator Ian Macdonald—Not necessarily. If cabinet considered this, they may have relied on their own views, different experiences and different expertise those in cabinet have and things that people have said to them. They can read the papers and read the letters to the editor. They can listen to the news and the airwaves.

Everyone—with respect, except you—seemed to be offering suggestions that might get a conclusion to this. We cannot go through the department and find every single officer who every second of the day followed up some suggestion. They would have been doing work all the time and relying on other things. Whilst the government have the utmost confidence in the

department, they are not the only source of advice that the minister or cabinet, if they discussed it, would rely upon.

Senator O'BRIEN—Perhaps not. I would have thought that, given the work that the department were doing, they would have been the primary source of options.

Senator Ian Macdonald—I am sure they were the primary one.

Senator O'BRIEN—Mr Taylor, I understand you chaired a meeting of the National Management Group on 9 October, which the minister also attended.

Mr M. Taylor—I do not think I chaired a meeting that the minister also attended. The minister chaired an industry meeting on the 9th. I attended the minister's meeting; the minister convened the meeting, which was of industry leaders. It did not have the state CEOs, who were also part of the consultative group that I met with.

Senator O'BRIEN—Did the consultative committee on animal emergency diseases and the trade market advisory group meet on the same day?

Mr M. Taylor—Let me describe something slightly differently to the way you have described it. There was a consultative committee looking at emergency live sheep export management which did meet and which had been convened separately from the industry group that you are discussing. Certainly, in the consultations with industry that we had on the 9th that were chaired by the minister, we discussed a range of matters, including the preference for finding a market. We discussed a range of issues around slaughter at sea, and we also discussed a range of issues about a return to a quarantine zone within Australia. It is fair to say that most industry leaders reflected on their adverse view about a return to Australia option. There was some detailed discussion around the slaughter at sea issue, which I might add indicated a wide disparity of views about how it might best be undertaken by a range of industry leaders. There was also a discussion around trade matters, and at that meeting two things were agreed. One was that there would be a subsequent meeting on the same day to further elaborate on some work that David Mortimer had been doing with respect to slaughter at sea. There was also some discussion around the establishment of what I think was loosely called a trade group, which Meat and Livestock Australia convened.

Senator O'BRIEN—You said 'most of the industry group representatives'. Which ones did not have the view that you ascribed to most industry groups?

Mr M. Taylor—I do not recall.

Senator O'BRIEN—I thought it was all. That is the reason I am asking that.

Mr M. Taylor—I do not think it was clearly all. I am almost certain it was not clearly all, but I do not want to reflect on individuals from either direction. This was an open discussion. It was not an issue of people's votes or opinions being recorded for posterity. There was certainly on balance a view that was in the description I described.

Senator O'BRIEN—Did Mr Truss agree to take the slaughter at sea option to cabinet on the afternoon of 9 October?

Mr M. Taylor—Apart from not getting into the matters that go to cabinet, Mr Truss has always made it clear to industry leaders that he would be representing their views wherever he was.

Senator O'BRIEN—I do not know what he did. I am asking: did he tell that group?

Mr M. Taylor—He certainly has always gone out of his way to represent industry leaders' views.

Senator O'BRIEN—Did he tell that group that he was going to take the matter to cabinet?

Mr M. Taylor—I cannot recollect that. But, if he did, he would have certainly said he was going to represent their views too.

Senator O'BRIEN—Sure. Their view was no to that option?

Mr M. Taylor—There were a wide range of views discussed, and not just on that option. We discussed in some detail the issues around markets and how we might better work together on some of those. We discussed the issues of trade that you have just reflected upon. We covered a wide range of issues.

Senator O'BRIEN—I take it that, if Mr Truss told industry representatives at a meeting that, having heard their view on slaughter at sea, he was going to take that matter to cabinet that afternoon, he would do just that.

Mr M. Taylor—I am sure he would have if he gave an undertaking like that, Senator.

Senator O'BRIEN—And you do not recall whether he did or he did not?

Mr M. Taylor—I was not at the cabinet meeting.

Senator O'BRIEN—No, I am asking whether, at the meeting of industry representatives that he addressed, he gave that undertaking that he would take that matter to cabinet.

Mr M. Taylor—He probably did, Senator. It is not coming immediately to light. I am not doubting it at all. I am certainly not doubting that he would have represented the meeting's views on all issues with his cabinet colleagues.

Senator O'BRIEN—Can you confirm that industry representatives and officers from your department worked on the slaughter at sea option during the day of 9 October?

Mr M. Taylor—I think I have just done that, Senator. I indicated that there was a meeting convened straight after that by David Mortimer. That brought together a group of the people who had been commenting at the meeting. They worked on and elaborated on a paper that David and colleagues had previously worked on in earlier days, which David has been referring to.

Senator O'BRIEN—Was MLA engaged in that process?

Mr Mortimer—Yes, I believe they were.

Senator O'BRIEN—It seems that, whatever had previously been considered at the meetings of 23 or 30 September at cabinet, the input for the 9 October meeting had very broad input.

Mr Mortimer—As has been mentioned, there was a paper prepared which looked at how slaughter at sea might be done, and that was provided to the minister.

Senator O'BRIEN—Can you confirm that the meeting on 9 October—that is, the meeting of departmental and industry representatives, including MLA—believed the slaughter at sea option was both feasible and legal?

Mr Mortimer—I do not think it said quite that, and I do not have it with me. I think it said it would be feasible under certain circumstances. In terms of legality, I am not sure that it actually expressed a view on that, to be quite frank.

Senator O'BRIEN—Could you have a look at this particular document. There are two there.

Senator Ian Macdonald—There is only one document.

Senator O'BRIEN—No, two copies of it.

Senator Ian Macdonald—There is only one copy here.

Senator O'BRIEN—There are two pages of the one thing.

Senator Ian Macdonald—Yes.

Mr Mortimer—We have looked at the paper and it seems to be the paper that was provided. You are quite right. It says, 'This option has been investigated in detail by industry and the Department and is feasible,' and then it sets out the sorts of issues that would need to be done and the considerations that would need to apply. In terms of legal issues it says 'no apparent legal impediment'. However, it goes on to say that Australia would look to provide environmental assessments during this process to ensure it met the terms of the London convention et cetera and similar UN conventions. Then it references that the decision on a slaughter at sea would need to be agreed jointly by owners of the sheep, owners of the ship and the charterer of the vessel, and also indicates that the vessel is flagged to the state of Philippines and must abide by Philippines law. It indicated no indication of problems with that.

Senator O'BRIEN—The dot point under the legal issues reads:

- No apparent legal impediment to this option.

Is that a statement of finding by the group—the people who put together this document?

Senator Ian Macdonald—It is the industry view, I would imagine.

Mr Mortimer—I have to say that, essentially, I think the senator is right there. It references the sorts of legal questions that would need to be dealt with and sets those out fairly clearly. Indeed, I think there are a number of fairly significant issues there.

Senator O'BRIEN—Or obligations. Were there obligations that Australia would look to provide environmental assessments during this process?

Mr Mortimer—That is essentially the issue of what would need to be done if dumping at sea was to happen, given that Australia is a signatory to the London convention, as is the state of the Philippines.

Senator O'BRIEN—Under the convention, the Philippines flagged vessel would need to abide by Philippine law. That is what that means, isn't it?

Mr Mortimer—Yes. The convention puts an obligation in the first instance on the country under which the ship is flagged.

Senator O'BRIEN—And the statement of 'no indication of problems with this' is to indicate that there is no Philippine law that they would be contravening?

Senator Ian Macdonald—In the view of whoever wrote that document, yes.

Mr Mortimer—That issue had not been thoroughly researched, to be quite honest. It was further researched later.

Senator O'BRIEN—So that is the document that was given to Mr Truss following that meeting?

Mr Mortimer—Yes, and essentially what it is saying is that it is indeed quite feasible for the animals to be slaughtered at sea and it sets out a process, but it also sets out the considerations that are required. It sets out the issue in its totality.

Senator O'BRIEN—Mr Taylor, had the department prepared a slaughter at sea options paper prior to being involved in the preparation of this document?

Mr M. Taylor—I think quite clearly, Senator, I indicated that David Mortimer had had material that had been prepared back on 7 or 8 October and clearly was part of the discussion that took place at that meeting on 9 October.

Senator O'BRIEN—That was not prepared before the 7th or the 8th?

Mr M. Taylor—I am sure there were various bits of material. I do not think any of these documents that we have been referring to had any great finality about them until a week or two later, in any case. They were documents we continued to work on and refine. Unfortunately, we had to work on and refine them much harder as the prospect of leaving the port of Kuwait emerged, and then, as we started having to wind down that seven days, quite clearly the urgency increased as the risk grew of not being able to find an outlet for the sheep and offload them. So I think it is fair to say all these documents continued to evolve.

Senator O'BRIEN—Mr Mortimer, I thought you told us that you were not aware of any documents that had come into your possession from earlier work on the slaughter at sea options.

Mr Mortimer—No, I did not have them, to be quite frank. I came in and chaired that meeting on the day. Essentially, what happened was that people from industry who had experience and understood the issues came together, and also a couple of departmental officers, and they put that on the table.

Senator O'BRIEN—Mr Taylor, if I understand you correctly, you say that there were some documents which related to the slaughter at sea option prior to this. Can they be supplied to the committee?

Mr M. Taylor—I am happy to see if we can dig them out. Let me just go back, though, and make it quite clear. We were putting the principal focus on the markets. We were being forced to think about alternatives like slaughter at sea, slaughter on Cocos, slaughter on

Christmas, return to Australia—a wide range of issues was being discussed, including back in late September. The reason I am familiar with that is that, although I cannot say I can put my hands on the pieces of paper, I recall officers raising those issues with me quite early in the piece. I can recall some fairly vigorous discussions that took place in Perth around some of those slaughter at sea type options, and slaughter on Christmas and Cocos type options. So I am well aware that those issues were being raised, including a range of the issues around them. I am happy to see what we can identify, Senator, but I think I would want to put every one of those documents, in the case of early draft, and not to be taken out of context in that sense, because our preference at that stage—as it was always, but at that stage—was very, very strongly focused on trying to find a market, with an early belief at that period that it was quite likely we would. We then went through a fairly difficult period, as most senators would be aware, and positively came out of it after that difficult period.

Senator O'BRIEN—Talking about difficult periods: earlier I asked you some questions about the beginning of hearings into the AWI about the *Cormo Express* and I asked you whether possible problems with the Saudi live trade had been raised with you in August. You said no-one had expressed concerns. I am sure you will take this on notice for completeness; you can check your diary. Did you have meetings with the livestock industry on 13 and 20 August? And could you let us know not only whether it is possible but also whether concerns were raised with you on either or both of those days, formally or informally, with regard to animal welfare issues and the live trade.

Mr M. Taylor—I am sorry, Senator, but could you just put that question to me again?

Senator O'BRIEN—I think the *Hansard* will reflect the question. I am asking you to take it on notice.

Mr M. Taylor—If it was true it would be a help so I could chase it up for you.

Senator O'BRIEN—At the commencement of that AWI hearing I asked some questions about the *Cormo Express*. I specifically asked whether possible problems with the Saudi live trade had been raised with you in August. You said no-one had expressed those concerns. I am asking if you could check your diary to see if you had meetings with the livestock industry on 13 and 20 August, either or both, and if you could tell us whether concerns were raised with you on both of those days or either of those days, formally or informally, with regard to possible problems with the Saudi live trade.

Mr M. Taylor—Who did I have those meetings with, Senator?

Senator O'BRIEN—The livestock industry, livestock industry people.

Mr M. Taylor—‘Livestock industry’ is fairly broad. I am just wondering if you can be a bit more definitive for me.

Senator O'BRIEN—I am sure your diary will tell you.

Mr M. Taylor—Senator, I can tell you right now that I do not recall anyone raising issues of the Saudi trade with me. I am not saying that someone does not believe they did, but I can assure that I do not. You might be able to help me with the name.

Senator O'BRIEN—I certainly cannot at this stage.

Mr M. Taylor—It would be much more helpful in seeking back in the diary—

Senator O'BRIEN—I understand what you are saying. The document that we have been discussing says with regard to the slaughter at sea:

This option has been investigated in detail by industry and the Department and is feasible.

I take it that that is an accurate reflection of the outcome of the meeting.

Mr Mortimer—As I said earlier, the meeting brought together people from the industry who had experience in this issue and a couple of departmental officers, and they examined the issue. I have to emphasise that they did what I would call a prima facie examination of the issue, and this is what they found on the basis of that. I think it is fair to say that the issue has been further researched and developed since then, and I think that has changed as a consequence of that further research and analysis.

Senator O'BRIEN—When was the further research and analysis done?

Mr Mortimer—Essentially what came out of this paper was a commitment for a similarly constituted working group to develop a paper which looked at the issues in more detail, and they were discussed at two different industry-government working groups that happened consequent to 9 October.

Senator O'BRIEN—When?

Mr Mortimer—Once on 16 October and again on 23 October.

Senator O'BRIEN—Was there a determination on 16 October in terms similar to the document you have before you?

Mr Mortimer—It essentially was far more detailed, went to many more pages and looked in greater detail at a number of the practicabilities, including the doing: what needed to be done to the ship and what needed to be done in terms of getting a team together that had the right skills. It looked at issues relating to weather conditions and looked more thoroughly into the legal issues.

Senator O'BRIEN—Was that 16 October, 23 October or both?

Mr Mortimer—The paper on 23 October essentially refined them further in the light of getting more information, because essentially the matter is very complex. The more closely you look into it, the more you realise that you need to look at specific issues of detail to make sure it is workable.

Senator O'BRIEN—So was the paper that was devised on 16 October a pre-prepared document that was approved or was it actually prepared at the meeting?

Mr Mortimer—No. Essentially what happened was that there were a couple of meetings and, following those meetings, documents were prepared in draft and circulated around all the different participants. They gave their views and then settled off on that for further discussion.

Senator O'BRIEN—So in essence all we have seen is a process which seems to have led to some sort of documentation on 9 October and further development of that documentation on 16 and 23 October?

Mr Mortimer—I would put it another way. I would say that essentially the document on 9 October was the starting point—that was the first time the information was assembled—then that was further developed and refined through the meetings of the government officials and industry members. That process went through two iterations in terms of developing a paper. I think the last one was finalised on 24 October.

Senator O'BRIEN—So any pronouncements on the least preferred options made earlier than certainly 9 October—but probably much later than 9 October—were based on inadequate information?

Mr Mortimer—I would suggest it was probably incomplete information.

Senator O'BRIEN—The document, which you have seen, states that it:

... would take approximately 3 days of preparation and around 10-16 days (weather and ocean conditions taken into account), with teams working 10 hours per day.

Was that figure substantially refined or extended?

Mr Mortimer—The figure of three days preparation stayed pretty much the same. The number of working days was roughly in the ballpark. The real issue revolved around how you would organise it in terms of teams, shifts et cetera.

Senator O'BRIEN—What about human resources?

Mr Mortimer—I think a later paper referenced a specialist team, of about nine or 10 people, from memory, to do the slaughtering on the boat.

Senator O'BRIEN—It was a refinement of what this document titled 'Cormo Express Shipment—Industry Agreed Option' had found?

Mr Mortimer—Essentially, this document was building off the current crew, which is largely sailors or seamen. I think there was one veterinarian and a couple of stockmen on it. Then they say, 'Add three specialists.' So I think there has been a significant shift in terms of thinking about the composition of the team that would be necessary.

Senator O'BRIEN—What about the location?

Mr Mortimer—In what sense, please?

Senator O'BRIEN—Was there a substantial refining of the four points that appeared in the document?

Mr Mortimer—Essentially, the options are somewhere between the port of Kuwait and Australia. As the notes reference, it is clearly desirable in terms of Australian law that any such activity happen outside territorial waters, in terms of any activities that might have an impact upon the sea environment. Indeed, for trafficking, it would be desirable that it happen outside commercial shipping lanes.

Senator O'BRIEN—I cannot understand why Mr Truss and the Prime Minister chose to use inflated figures up to 50 days, given that the department has been working on an option which could have seen the animals slaughtered within 16 days.

Mr Mortimer—Let me just emphasise that, essentially, this came from industry advice and the department was party to those discussions on the day. I cannot comment whether the

department had a view on that beforehand, but my expectation was that it would not, because it is not the sort of thing that the department typically does.

Senator O'BRIEN—In terms of the legality of the slaughter at sea option, Senator Macdonald told the Senate on 15 September:

It also appears on legal advice that it would contravene the London convention on dumping at sea. Is Senator O'Brien suggesting that we should just thumb our noses at this international convention?

How does the international convention make this slaughter at sea option dumping at sea?

Senator Ian Macdonald—You cannot ask officers for legal advice or legal opinion. You know that. Get your own advice.

Senator O'BRIEN—So you had that advice, did you, minister?

Senator Ian Macdonald—I had advice from somewhere, yes.

Senator O'BRIEN—You had a PPQ?

Senator Ian Macdonald—I am not sure—it might have been verbal advice before question time.

Senator O'BRIEN—Did the department have legal advice that the slaughter at sea option would involve dumping at sea that would contravene the London convention at that time, on 15 October, Mr Mortimer?

Mr Mortimer—Sorry?

Senator O'BRIEN—I am asking whether the department had legal advice as at 15 October that the slaughter at sea would involve dumping at sea, contravening the London convention.

Mr Mortimer—The department had legal advice on that matter at 15 October. The legal advice basically set out the issues involved in terms of dumping at sea and made comment on those.

Senator O'BRIEN—So the answer is no?

Mr Mortimer—No, I am not saying that. It is actually quite complex and there is a range of issues involved that are part of it.

Senator Ian Macdonald—Nothing is ever simple, Senator. One of the complications was that this was not an Australian ship, but Australia is a signatory to the dumping at sea convention and the government has to follow the spirit of conventions as well as the letter of the law.

Senator O'BRIEN—So the department had some advice, but I have asked a specific question about whether it had legal advice that it would contravene the London convention on dumping at sea to slaughter at sea and dump the bodies overboard.

Mr Mortimer—Can you say that again?

Senator O'BRIEN—I am asking whether, on 15 October, the department had legal advice that it would contravene the London convention on dumping at sea to slaughter the animals and dispose of their bodies overboard.

Mr Mortimer—The department had the legal advice. The legal advice pointed out that Australia was a signatory to the convention and that, as a result, there were certain implications.

CHAIR—Ladies and gentlemen, it is time for steak and egg—

Senator O'BRIEN—I do not think we have agreed to steak and egg.

CHAIR—or a gourmet salad sandwich. Thank you.

CHAIR—Thank you, ladies and gentlemen. It's time for steak and eggs, or a gourmet salad sandwich.

Proceedings suspended from 1.00 p.m. to 2.00 p.m.

CHAIR—We now resume the hearing and Senator O'Brien can continue.

Senator O'BRIEN—Was there a market trade advisory group meeting on 9 October?

Mr M. Taylor—I go back to what I said before lunch. We indicated that there was a meeting that the minister chaired between the industry. Two groups were convened out of that meeting. One was on the humane disposal at sea, or slaughter at sea, and a second one was on a market trade advisory committee—I am not sure of the precise title. My recollection is that that group was actually convened by the MLA at the National Farmers Federation offices. The groups were both convened off the back of the meeting that was held with the minister.

Senator O'BRIEN—Is it true that an officer from the Australian Government Solicitor attended that market trade meeting?

Mr Williamson—In terms of the meeting that was chaired by Meat and Livestock Australia on 9 October, my records indicate that no officer from the Australian Government Solicitor attended that meeting.

Senator O'BRIEN—Did you attend any other meetings on that day?

Mr Williamson—No, Senator, I did not.

Senator O'BRIEN—That was the meeting of the NFF officers?

Mr Williamson—The meeting that I attended of the trade working group actually occurred in the department. I am not aware of any other meeting on that day, but I did not attend those meetings.

Senator O'BRIEN—So was there another meeting?

Mr M. Taylor—I think what you are probably referencing, Senator, is the meeting that we discussed before lunch that was held in the NFF offices, and that generated the paper that you have put on the table. My recollection is that there was no staffer or any person from the Australian Government Solicitor or A-G's present at that meeting.

Senator O'BRIEN—Did PM&C or DFAT provide the department with any legal advice in relation to the slaughter at sea option?

Mr Mortimer—Not that I am aware of.

Senator O'BRIEN—So the advice that the department has it obtained itself?

Mr Mortimer—The department obtained advice from the Australian Government Solicitor.

Senator O'BRIEN—Mr Williamson, can you advise the committee whether or not you have been involved in planning to manage a *Cormo Express* type scenario before 21 August?

Mr Williamson—No, I have not.

Senator O'BRIEN—Mr Chairman, I ask that the document entitled '*Cormo Express* shipment—industry agreed option' be tabled for the committee.

CHAIR—So be it. Did that fall off the back of a truck?

Senator O'BRIEN—Yes, a big truck.

CHAIR—It fell off the back of a truck?

Senator O'BRIEN—I guess so.

CHAIR—It is very clean, so it did not hit the road.

Senator O'BRIEN—Mr Taylor, it is clear, is it not, that around 30 September the government made a critical decision to rule out the slaughter at sea option and rule in the option of bringing the sheep back to Australia at least a week before this department did any serious work on the slaughter at sea option? I have to say that is alarming news for Australia's livestock producers.

Mr M. Taylor—That is not true. Let me reiterate what I have probably said on numerous occasions. First of all I indicated that the prime option right from the beginning was to find a market or an outlet for the sheep. We worked continuously on that matter. I also made it clear that we had not as a department ruled out any options at any stage, and we continued to work on all of those options. I also made it very clear that the point of 30 September to 1 October was the first point at which it became clear that it was getting difficult to see a market in Iraq being brought to fruition. Until that time, parties had been quite confident that the option of Iraq as well as other possibilities was quite likely. As we started first of all to gain entry to the port of Kuwait—we had not even gained entry as of 30 September; as I recollect it, the ship did not enter the port of Kuwait until about 2 October—those issues started to be then fleshed out in parallel. Importantly, at all times the prime focus remained on finding a market for the sheep. The two other options were addressed equivalently.

Senator O'BRIEN—It is interesting that you are contradicting the minister. The minister said on 30 September:

The Government's also giving consideration as to what we might do in the event that these commercial negotiations do not succeed. We have ruled out the option of slaughter at sea.

That is what the minister—your minister—said on 30 September.

Mr M. Taylor—I am not contradicting that.

Senator O'BRIEN—The point that I made that you said was untrue was that it was clear that the government made a critical decision to rule out slaughter at sea and rule in bringing these sheep back to Australia at least one week before this department did any serious work on the slaughter option.

Mr M. Taylor—And all I am saying is that we were doing work of a serious nature on the whole framework for some considerable time, and that remains a correct fact.

Senator O'BRIEN—Mr Mortimer did not know about it, and he was charged with looking after that issue in the task force that you established on 25 September. He did not know about it.

Mr M. Taylor—No, Mr Mortimer did not actually play a role at that stage. He made it quite clear earlier that his first work was on 7 October. There were other colleagues in my department who had been working on a range of issues that long predated that, and I have indicated that before.

Senator O'BRIEN—Yet Mr Mortimer was not made aware of that when he took up the role that obviously you were asking him to take up.

Mr M. Taylor—It is probably true that I did not give him chapter and verse, but I can be quite assured that David will have acquired what information he needed from my various other colleagues. I am also quite clear in my mind that the department was working on slaughter at sea issues prior to 30 September—and slaughter offshore from Australia. I think I indicated before lunch that I recall having a vigorous debate on about 2 October with some other parties which was based on some fairly detailed knowledge that had come out of the department's thinking in discussions with me.

Senator O'BRIEN—Well, I would have to say—

Mr Mortimer—So all I am saying, Senator, is that I know it is a fact we were discussing slaughter at sea well before the 30th.

Senator O'BRIEN—You were discussing it?

Mr M. Taylor—Yes.

Senator O'BRIEN—But there was no serious work done on it before 7 October?

Mr M. Taylor—I think the fact that I had colleagues working on it, using their time, was indicative that it was a serious deployment of their efforts.

Senator O'BRIEN—Can you produce for this committee the work that was done prior to 7 October?

Mr M. Taylor—No, I am not in any shape or form suggesting to produce documents. I am more than happy to say that we had colleagues working on it at that period in time. Much of the work that happened in terms of both markets and the sorts of risks that might need to be assessed for slaughter at sea did not take place purely in written form.

Senator O'BRIEN—I think the only conclusion that can be reached on the material before this committee is that there was a critical decision made to rule out the slaughter at sea option on 30—

Senator Ian Macdonald—Well, Senator, you can make—

Senator O'BRIEN—No, I am saying what the minister you are representing said.

Senator Ian Macdonald—You can make whatever conclusions you like. We only deal in fact here and I do not know how much more specific we can be. You quote Mr Truss.

Senator O'BRIEN—Yes.

Senator Ian Macdonald—I could quote you any number of other comments Mr Truss has made, quite openly, that every option was being considered. And certainly it was.

Senator O'BRIEN—On the afternoon of the cabinet meeting, Mr Truss said, 'We have ruled out the option of slaughter at sea.' The following day, the Prime Minister confirmed that the cabinet met and extensively considered the issue and that the slaughter at sea option was not a pre-eminent option.

Senator Ian Macdonald—They are your quotations. I do not accept them.

Senator O'BRIEN—That is right; they are on the public record, Minister.

Senator Ian Macdonald—There is also on the public record—I am very, very confident—Mr Truss saying that every option was being pursued. If you want to get a bit excited about being quoted in the media so soon during this estimates, keep going, keep talking to yourself. But we are really here to give you answers. I think we have given you exhaustively the comments and they can be summed up in one sentence: the department and the government were exploring all avenues to try and get a conclusion to what was a very, very difficult situation, and to the great credit of Mr Truss and this department and others an acceptable solution was eventually found. And that does not just happen. It requires a lot of hard work by a lot of people, knowing at times information that others who are making fairly uninformed comments were not privy to.

Senator O'BRIEN—I would have to say that the statements about ruling out slaughter at sea would alarm many of Australia's livestock producers who rely on the government to maintain Australia's quarantine status free of many diseases that apply to the rest of the world.

Senator Ian Macdonald—It is very good that that is your opinion. We are very pleased that you have shared that with us.

Senator O'BRIEN—There was a suggestion on 3AW this morning that some of the sheep that we delivered to Eritrea had been on-sold to Saudi Arabia. Can anyone provide the committee with any advice on that claim? I can only categorise it as a claim.

Senator Ian Macdonald—We have not been listening to 3AW, unfortunately. We have been here listening to you all morning, Senator, so I am sure no-one could.

Senator O'BRIEN—I am sure you have not, Minister, but nevertheless. Mr Taylor has taken a considerable amount of time, the *Hansard* will show. Can we rule that out? Essentially that is the question. I ask it only because it has been brought—

CHAIR—With respect, though, I do not know what it has got to do with the expenditure of government funds. We do not own the sheep; the Eritrean government does. What they do with them is their business. I do not know what it has got to do with estimates.

Senator O'BRIEN—It is to do with the fact that we have presented them with effectively \$10 million. If the sheep are going to Saudi Arabia, or any of them, there are a lot of people concerned with the fact that we have spent \$10 million on fixing a problem. If the Saudis are going to receive the sheep, we should be well aware that that is the outcome and deal with it.

Senator Ian Macdonald—Senator, it is a free country. You can make whatever conclusions and comments you like, but at the estimates committees we are only required to give you facts—not opinions—on things the department has been involved in.

Senator O'BRIEN—So I take it the answer is that you are not aware of any circumstance which would lead to the sheep being on-sold to the Saudis.

Senator Ian Macdonald—I am certainly not.

Mr Pahl—Senator, I did not hear the 3AW report this morning—

Senator O'BRIEN—None of us did, obviously.

Mr Pahl—so I cannot comment on that in any way. As far as we are aware, Eritrea did not intend to on-sell the sheep.

Senator Ian Macdonald—Who was the source of this 3AW comment?

Senator O'BRIEN—I am sure we can find something.

Senator Ian Macdonald—Was it just someone ringing up, or was it someone in some position that you might take some notice of?

Senator O'BRIEN—I do not have a name at the moment. It is a matter that was raised on 3AW this morning. I take it from what I have been told that it was one of the announcers saying that that was the information that had been passed to him. Whether that is responsible or not, I do not know.

Senator Ian Macdonald—With the greatest of respect to the particular announcer involved, whom I do not know, and I am not even sure I have the name of the radio station right, from day one some of the commentators have made some fairly interesting comments about this incident which you would not want to repeat.

Senator O'BRIEN—In the context of that happening, it would be useful if that could be absolutely ruled out.

CHAIR—Is the department aware of whether the Eritrean government actually made a statement to the effect that they would not be on-selling them?

Mr Pahl—My understanding is that the minister for agriculture in Eritrea has made some public pronouncement to that effect, but I have not actually seen that in the form of a press release or a similar document. But it is my understanding that that has been stated, yes.

Senator Ian Macdonald—I think I saw something in a newspaper article to that effect, Chair, as you perhaps did. Senator O'Brien no doubt would have his staff looking at that as well.

Senator O'BRIEN—I have seen stories to that effect, but I guess I am not here to say what I have seen. The department and the minister's representatives are here to say what they say are the facts. Can the committee be supplied with a copy of the legal advice on the slaughter at sea option which AFFA received from AGS at their request?

Senator Ian Macdonald—I will have to refer that to Mr Truss.

Senator O'BRIEN—What model will be used to raise funds from the industry to recover moneys expended on this fiasco?

Mr Pahl—The minister is currently considering a range of policy options to deal with the levy issue. As far as I am aware, nothing has been finalised as yet.

Senator O'BRIEN—I take it that means that the rate at which the levy will be struck has not been finalised?

Mr Pahl—No, it has not been finalised as far as I am aware.

Senator O'BRIEN—I did see 50c a sheep as a number that was floating around in the ether. I am not sure where it came from.

CHAIR—It might have been me.

Senator O'BRIEN—50c a sheep? That is only if you are buying them, I think. So that is not a government proposal in any way, shape or form?

Mr Pahl—As I say, the minister is presently considering his position on the policy options available to deal with the levy issue.

Senator O'BRIEN—Has a decision been made that moneys to cover the government's expenditure on this matter will be recovered from the industry?

Mr Pahl—I have certainly seen public pronouncements to that effect, yes.

Senator O'BRIEN—Is that right, Mr Taylor? Is that government policy?

Mr M. Taylor—I think Mr Pahl has already answered that. A range of different views have been expressed in the public arena, but the government has actually got a range of policy options before it and it has not yet made a decision on its policy options.

Senator O'BRIEN—So there is no government policy on actually recovering the money from industry?

Mr M. Taylor—No decision has been made with respect to a policy on that matter.

Senator O'BRIEN—Therefore, there is no policy if there is no decision. Is that right?

Senator Ian Macdonald—There is no decision made on how to do it. There is a policy that it will be recovered. There is no definition of how that is going to happen at this stage.

Senator O'BRIEN—And it will be recovered from the live export industry?

Senator Ian Macdonald—That has been the announcement, yes.

Senator O'BRIEN—Do we know how much will need to be recovered as of now?

Mr Pahl—That will be in the order of \$9½ million to \$10 million.

Senator O'BRIEN—When will we have the final detail on that?

Mr Pahl—As Mr Taylor said earlier, we have some people coming back; they are flying back from Eritrea and so on right now. There will be a lot of tidying up in terms of travel costs and similar costs. We are a couple of weeks at least away from being in a position to do the final tally, but I would not think any of those costs will significantly move it out of that \$10 million bracket.

Senator O'BRIEN—Will Mr Read's costs be recovered?

Mr Pahl—Mr Read's costs?

Senator O'BRIEN—Yes. Mr Read was in Saudi Arabia on 26 August.

Mr Pahl—I believe he told you before that he was there for another reason which just happened to coincide with this incident.

Senator O'BRIEN—That is why I am asking. Are you going to recover costs in relation to his travel?

Mr Pahl—No. I would not be recovering Mr Read's travel, as he did not primarily go there to deal with the incident.

Senator O'BRIEN—What about any other departmental officer who was in the Gulf around this issue? Are their costs going to be recovered?

Mr Pahl—There would be some where we specifically sent the officers there to deal with the incident. We will look to recover those costs, yes.

Senator O'BRIEN—What mechanism is available to the government which would ensure that any levy placed on the live export industry will not see those costs passed on to producers—for example, through lower prices in the saleyard?

Senator Ian Macdonald—To producers?

Senator O'BRIEN—Yes, producers of the cattle and sheep here that are purchased for the live export industry. I am asking: what mechanisms are available to government in placing a levy on the live export industry to recover these costs which would make sure that those costs could not be passed on to producers? The answer may be none. I am simply seeking—

Senator Ian Macdonald—Let me have a go at this, but the chair is probably the best one to answer.

CHAIR—I will tell you if you are wrong.

Senator Ian Macdonald—I would imagine that, if you are selling overseas and there is a levy, the people overseas if they are paying a particular price will pay that much less because they have got to pay the levy. I imagine then when the exporter buys them locally he will take into account what his prospective sale price is. So I guess the market will determine where that falls, but the actual levy, as far as I understand it so far as the government is concerned, will be on the exporter. How that plays back down the market is something that the market would determine. How did I go, Chair?

CHAIR—All right. Senator O'Brien, it is a bit like the wheat export, whether you take it out of the pool; it is the same sort of problem you are flagging. I realise where you are heading.

Senator O'BRIEN—I take it that the answer is that you have not identified a mechanism which would escape this market forces outcome?

Senator Ian Macdonald—Until we start controlling the prices of what people can buy and sell sheep for in Australia, I think the market will determine the price.

Senator O'BRIEN—I am just looking for your innovative skills, but we missed them again.

CHAIR—In any event, you can be sure of one thing: the producer will be paying the cost.

Senator Ian Macdonald—I am sure—sorry, I should not say ‘I am sure’—I know the producers—

CHAIR—It all goes backwards.

Senator Ian Macdonald—You can say that, Chair, as you are one. Perhaps I should not be so bold or insensitive.

Senator O’BRIEN—Perhaps. Can you confirm that the unloading of the *Cormo Express* concluded last Thursday?

Mr Banfield—I can confirm that I received a phone call at 10 past one last Friday morning from Massawa to say that the unloading had finished.

Senator O’BRIEN—From a reliable source, I hope.

Mr Banfield—It was from Mr Hurry, our lead person on the ground, who is indeed very reliable.

Senator O’BRIEN—I thought you were going to end that answer without answering my question. I was a bit worried.

Mr Banfield—I think I heard the answer correctly at that hour of the morning as well.

Senator O’BRIEN—What was the mortality number reported in the Masters report received by the department on that day?

Senator Ian Macdonald—Which day?

Senator O’BRIEN—The last day that the animals were on board the vessel; in other words, the final number.

Mr Banfield—I certainly do not have those details. I am not aware that anyone in the department does but I will stand corrected if somebody has that information.

Mr M. Taylor—Meryl Stanton will arrange for us to get that number to you this afternoon.

Senator O’BRIEN—If you would, please; thank you. Who signed the memorandum of understanding with the Eritrean government on behalf of the Australian government?

Mr Banfield—Our high commissioner in Nairobi. It was jointly signed by the Eritrean Minister of Agriculture and Mr Paul Comfort, our high commissioner in Nairobi, who is accredited to Eritrea.

Senator O’BRIEN—Where and when was that memorandum signed? I presume both signed at the same time.

Mr Banfield—Yes. My recollection, subject to correction by Mr Morris, is that it was signed on 16 October.

Senator O’BRIEN—In Eritrea?

Mr Banfield—In Eritrea.

Senator O’BRIEN—I presume that it does not preclude the Eritrean government from doing anything they like with the sheep.

Mr Banfield—I might invite Mr Morris to come and talk to the detail of that, if that is okay.

Mr Morris—The MOU, which was signed between the government of Australia and the government of Eritrea, does not provide that they do anything in particular with the sheep other than to dispose of them as quickly as possible, either through slaughter or other distribution arrangements.

Senator O'BRIEN—Dispose of them? Does it say dispose of them?

Mr Morris—I will check the exact wording if you give me a moment. All it says is that they be slaughtered or distributed as soon as is practicable after they are unloaded at the port of Massawa.

Senator O'BRIEN—Okay. Does the memorandum commit Australia to the provision of goods and services other than free sheep, 3,000 tonnes of free fodder, free vaccination, free technical advice and \$1 million?

Mr Morris—No. I think that covers it.

Senator O'BRIEN—So you were wrong, Senator Heffernan. There were no steak knives. I am sorry; that was Senator Ferris.

CHAIR—As far as we know there are no Swiss accounts either.

Senator O'BRIEN—No Swiss accounts? No steak on a sheep. What was the basis of the selection of Dr Keniry to chair the review panel that the minister has established?

Mr Banfield—That was a process of trying to establish an eminent Australian who would undertake a rigorous analysis of the issues and who was independent in the sense of having no particular interest, so it was for those reasons that Dr Keniry was invited to chair the panel.

Senator O'BRIEN—How will the Keniry review function? Has it commenced? When or if will it call for public submissions? Will it hold public hearings?

Mr Banfield—The answer to both those questions is yes and yes. Dr Keniry has already held a meeting with departmental officials to request some background briefing and also to set up the modus operandi of the inquiry. Dr Keniry is also meeting again this week, as I understand it, with other members of the committee. In answer to the second part of your question: yes, Dr Keniry issued a press release dated 31 October in which he invited any interested individual or organisation to make any comment on the terms of reference. I should also say that the issue of the provision of submissions and advice to the committee has been outsourced from the department. The secretariat services are being undertaken by a private organisation so that we have absolute confidence that the information input into that inquiry will go direct and not through the department.

Senator O'BRIEN—Who is the private organisation?

Mr Banfield—The name of the company is Secretariat Australia.

Senator O'BRIEN—You said initially that your answer to both of my questions is yes. You talk about a press release from Dr Keniry on 31 October inviting people to make comment. Where will the public hearings be held?

Mr Banfield—My understanding is that the precise arrangements for public hearings have not been determined as yet. Whether, when and how they might occur will be discussed when the committee meets this coming week.

Senator O'BRIEN—Is it the intent to advertise, calling for submissions?

Mr Banfield—Already Dr Keniry, on behalf of the livestock export review, has issued a media release.

Senator O'BRIEN—That is not an ad.

Mr Banfield—Additional advertising of it, to my understanding, has not yet been further discussed or considered, but we certainly would want those individuals or organisations who have an interest to be aware of the inquiry and to have input into it.

Senator O'BRIEN—So, to date, the steps taken to achieve that have been to issue a press release?

Mr Banfield—Yes.

Senator O'BRIEN—When is this inquiry to be completed?

Mr Banfield—The due date for completion is the end of the year, 31 December.

Senator O'BRIEN—That is about 60 days.

Mr Banfield—That is correct.

Senator O'BRIEN—Can the committee be provided with a copy of the review panel's formal terms of reference?

Mr Banfield—I will have to take that on notice, but I am sure the answer to that is yes. There is no reason why we should not provide the terms of reference.

Senator O'BRIEN—How were those communicated to Dr Keniry? Was there a letter charging him with a responsibility and setting out his terms of reference or was there some other instrument?

Mr Banfield—There was a process involved in the development of the terms of reference which might be worth providing a bit of background on. First of all, as you know, with any live sheep shipment or live animal shipment where mortalities exceed two per cent, there is a requirement for there to be an investigation into that incident. So the *Cormo Express* incident itself necessitated an investigation. In parallel with that, discussions were held by Commonwealth and state ministers in Perth at the Primary Industries Ministerial Council. There was a decision by the council to undertake a wider review of the live animal export trade. The minister subsequently decided to amalgamate the formal requirement for an investigation into the *Cormo Express* incident and the wider aspects of the livestock review which were agreed by Commonwealth and state agriculture ministers in Perth.

Senator O'BRIEN—I take it that the press release is not on the department's web site?

Mr Banfield—I will have to check.

Senator O'BRIEN—Could you provide a copy if it is not? If it is there we can find it.

Mr Banfield—By all means. I have an annotated copy, but, again, there are no problems there. While I have been talking, I have been given a little note to say that the secretariat has written on behalf of Dr Keniry to all of the key stakeholders as well. So, in addition to the press release, we have letters of invitation to key stakeholders.

Senator O'BRIEN—So, for the record, do we have an email address, a fax number and a postal address to which the submissions can be forwarded? Are they in the press release?

Mr Banfield—Yes, we do. They are on the press release.

Ms Stanton—I have a clean copy of that.

Senator Ian Macdonald—Can I just indicate that I will be leaving the committee now. Senator Troeth is on her way down to take over. Also, Mr Taylor has a commitment and he has to leave here at about 3.30 p.m.

CHAIR—Can I just clarify that by asking whether Mr Taylor will be returning after that commitment?

Mr M. Taylor—I was not, but I am happy to meet the Senate's request.

Senator Ian Macdonald—The answer, really, is no, I would have thought. I was just doing that because the committee might want to break on this issue if there were things it particularly wanted to question Mr Taylor personally about before he goes. It should not be necessary, of course, because the other officers of the department are equally competent.

Senator O'BRIEN—The contact details are: Livestock Export Review, P.O. Box 3318, Manuka ACT. The email is liveexportreview@secretariat.com.au, in case anyone desperately needs it and has not seen a media report. Has a budget been allocated for the review?

Mr Banfield—Not at this point in time, as I understand.

Senator O'BRIEN—Presumably, Dr Keniry and members of the review panel are being paid? Is that right?

Mr Banfield—Yes.

Senator O'BRIEN—And there is a cost to the secretariat?

Mr Pahl—There will be, yes.

Senator O'BRIEN—Presumably there are no costs of accommodation?

Mr Banfield—No, but, obviously, there may well be costs. If they undertake interstate consultations and visits, there would be additional costs involved.

Senator O'BRIEN—Who will meet this cost? Will it come out of the department's budget or will it be added onto the funds that are to be recovered by levy?

Mr Pahl—I do not believe that has been addressed as yet, but I would expect that it will come out of the department's budget.

Senator Ian Macdonald—I do not think that would be the case—I do not think it is something you would collect by way of a levy.

Senator O'BRIEN—Would you confirm that on notice?

Mr Pahl—Yes.

Senator O'Brien—So the reporting date is no later than 31 December?

Mr Banfield—That is the formal reporting date. Of course, if Dr Keniry and the committee, between now and then, make a request for an extension of the time, that is a matter the minister would need to look at, at the time.

Senator O'Brien—What decision has been taken as to the publication of the report of the panel under Dr Keniry?

Mr Banfield—That matter has not been addressed at this point in time.

Senator O'Brien—I presume that Dr Keniry will be advised of that intention before publishing a report?

Mr Banfield—At the end of the day, Dr Keniry's report will be a report to the Minister for Agriculture, Fisheries and Forestry. It will be a matter for the minister for agriculture to determine the release of that document. That would be my expectation.

Senator O'Brien—Given that is going on, is the work of the live export industry consultative committee on the implementation of the action plan now suspended?

Ms Stanton—I am best placed to answer that. No—there was a meeting of the LEICC last week. There are still certain things that it is dealing with which can continue. Obviously, that committee will not do anything to pre-empt what the Keniry inquiry may come up with in the next eight weeks. The committee still exists and is proceeding with its work.

Senator O'Brien—Mr Read, you said that one of the purposes of being in Saudi Arabia on 26 August was to deal with some matters arising from an earlier voyage of the *Cormo Express*. I understand that related to a July 1999 voyage, when the *Cormo Express* left Fremantle laden with sheep and cattle—bound for Jordan and Egypt. I understand that 3,975 cattle were loaded in Townsville on 16 July 1999 and that 51,600 sheep were loaded in Fremantle on 26 July. Can you confirm that the sheep were destined for Agaba, in Jordan, and that the cattle were destined for Adabia, in Egypt?

Mr Read—I cannot confirm any of the dates you have just outlined. You mentioned 1999, but that was not the *Cormo* voyage regarding which I had discussions.

Senator O'Brien—Does AQIS hold daily reports for the master of the vessel for that journey, Ms Stanton?

Mr Read—For back in 1999? We will have to take it on notice and research that.

Ms Stanton—You asked a question regarding the master's report, in respect of the last day of the recent voyage of the *Cormo*. The master's reports are made to AMSA, not to us. At the end of a voyage, we would receive the master's reports—some time later. In answer to your previous question, I have just checked. I understand we do not yet have the master's report for the most recent voyage. We would, presumably, have masters' reports for any voyage that took place some time ago, which relates to your question to Mr Read.

Senator O'Brien—Going to the *Cormo Express* latest voyage issue, Minister Macdonald confirmed to the Senate that the master was providing a daily mortality report. I was referring to that.

Ms Stanton—I think the daily mortality report provided is a veterinary report, not a master's report. If you are asking for the best information we have about the mortalities, then I can certainly provide something on those.

Senator O'BRIEN—That would be good.

Ms Stanton—At the moment, we do not have the master's reports.

Senator Ian Macdonald—We tabled one in the Senate, did we not?

Senator O'BRIEN—Yes, some time ago. I am seeking the final figure. Do we know the final mortality figure?

Mr Read—The best figures we have are based on the animals discharged. By the numbers I have been provided with here, which are yet to be confirmed, 52,246 animals were unloaded from the *Cormo* and 57,937 were loaded onto the *Cormo*. The difference between those numbers is 5,691. That is around 9.8 per cent.

Senator Ian Macdonald—The department has been vigilant in tracking down the 3AW station where John Burns and Ross Stevenson—two very responsible announcers—were the comperes and the producer was Wes Crook, who used to be in Townsville. He is a good fellow. Under the heading 'Rumour File' it says 'Caller'. It says that a technology and communications expert told him sheep given to Eritrea will now be sold to Saudi Arabia. It is fairly authoritative. That is just from the clippings. There might be a fuller story elsewhere.

Senator O'BRIEN—See if you can find the full story!

CHAIR—I welcome Senator Troeth to the table. Thank you very much, and thank you, Senator Macdonald, for your usual robust performance.

Senator O'BRIEN—Mr Read, on the basis of the data obtained from the July 1999 *Cormo Express* voyage, did AMSA and AQIS undertake a mortality investigation?

Mr Read—I will have to take that on notice.

Senator O'BRIEN—Okay. Did no-one look at the performance history of the *Cormo Express* during the current fiasco?

Mr Read—Certainly I am not aware of anyone who looked at the data in 1999 on the performance of the *Cormo* for that trip.

Senator O'BRIEN—Is the department not aware of allegations that this particular voyage experienced unacceptable mortality?

Mr Read—I am not aware of the trip. I will have to take that on notice.

Senator O'BRIEN—On 10 September I asked Minister Truss a series of questions on notice relating to live exports. The minister has so far failed to answer them. I will ask a number of those questions now, but I do note that ministerial compliance with Senate standing orders in answering these questions would have sped up this hearing. On what date did the department first become aware of the allegations of misreporting of mortality numbers relating to a journey of the livestock vessel *Al-Khaleej* in 2001?

Ms Stanton—I am prepared for the questions in relation to questions on notice. We have answered a number of questions on notice on this topic this year, but it is true that there are

some outstanding. I do not have in front of me the details, though, in relation to those questions that relate to that question on notice. We certainly know that we have those questions on notice and that those questions are still outstanding. That is a question asked in September. You have three questions, I think, that you asked during September which are still outstanding.

Senator O'BRIEN—So you cannot give me the information now on the *Al-Khaleej*?

Ms Stanton—I have not got the information with me at the moment.

Senator O'BRIEN—Can you tell the committee whether the department commenced an investigation into this matter before the allegations were aired on the *60 Minutes* program on 27 July this year?

Ms Stanton—I cannot tell you.

Senator O'BRIEN—Has the minister issued any directions to AQIS in relation to allegations concerning the *Al-Khaleej* and the 2001 voyage?

Ms Stanton—I do not have that information. Ms Gordon may be able to answer.

Ms Gordon—Following the *60 Minutes* program, the minister asked the department to investigate the allegations made on that program.

Senator O'BRIEN—Do you know the date on which the department first became aware of allegations of misreporting?

Ms Gordon—The department was advised by Livecorp, I think a day or two before *60 Minutes* went to air, that there were allegations to be made in that program.

Senator O'BRIEN—Has the investigation that the minister requested been concluded?

Ms Gordon—The investigation was undertaken by the AQIS Compliance and Investigations Unit, and they have completed a report on it.

Senator O'BRIEN—And what did they find?

Ms Gordon—The basic conclusion from the Compliance and Investigations report was that there had been no breach of Australian legislation by anybody associated with that voyage. There were some questions raised about the issues related to the industry's quality assurance program and the way that program operated.

Senator O'BRIEN—Was there any misreporting of mortality numbers related to the journey of that livestock vessel?

Ms Gordon—The exporter and the veterinary officer involved in that advised that they had provided mortality figures to the Saudi importing authorities that were not consistent with the report of the master of the vessel on return.

Senator O'BRIEN—Does that mean that the master of the vessel under-reported?

Ms Gordon—No. It is our understanding that the master of the vessel reported the mortality figures accurately.

Senator O'BRIEN—But the on-board vet had a different view as to the mortality figures?

Ms Gordon—No, the on-board veterinary officer and the exporter advised in the Compliance and Investigations report that it was routine. If in fact the mortality figures might cause some concern to the Saudi authorities, rather than having the vessel held up in port they would sometimes under-report the figures, because the consequence of having the vessel held up in port would often be a spike in mortalities because there would be no air flow and the animals would start to suffer from heat stress.

Senator O'BRIEN—So are there any actions proposed to be taken following that investigation?

Ms Gordon—We have not had a chance to fully consider the report from the Compliance and Investigations Unit as yet, but there will be a review of the arrangements that operate in terms of obligations for reporting mortality figures.

Senator O'BRIEN—With respect to your presence in Saudi Arabia on 26 August, Mr Read, you said earlier you were investigating allegations about an earlier *Cormo Express* voyage. Which voyage was that?

Mr Read—It was the *Cormo* voyage that discharged around 4 April in Jeddah.

Senator O'BRIEN—Why were you investigating that? What allegations had been made?

Mr Read—Because they discharged cattle on that occasion from that vessel, the Saudi authorities raised the issue with us that between the ship's information and the count-off they conducted of the cattle there was a discrepancy. That was advised to the department around 13 July this year. I subsequently responded with a letter seeking further information from the Saudi authorities in later July, and then I took the opportunity to meet with them in August on that issue.

Senator O'BRIEN—So does that mean we have a dispute with the Saudis about the quantity supplied from that vessel that has not been resolved?

Mr Read—No, there was no dispute. The issue was a concern about the accuracy of the mortality data that was given with regard to various consignments, particularly that one.

Senator O'BRIEN—And you had gone there to negotiate with them about that? What were you going to Saudi Arabia to do about that?

Mr Read—The purpose of meeting with the ministry was to show that we did take that issue seriously and to identify mechanisms between the competent authority in Saudi Arabia and AQIS whereby we could share information to ensure that under-reporting was something that could be controlled, particularly from the Saudi side.

Senator O'BRIEN—So the Saudis were concerned that a previous *Cormo Express* voyage had involved under-reporting of mortalities?

Mr Read—Correct.

Senator O'BRIEN—What specifically was their concern? How should we understand that?

Mr Read—It was a communication that was provided back to the department that the mortality data on cattle appeared to be an under-reporting and therefore it led the Saudi authorities to be concerned as to why such under-reporting would occur.

Senator O'BRIEN—Did they raise those concerns in relation to any other vessels?

Mr Read—Not to my knowledge.

CHAIR—Did it only call into the one port? Did they discharge any cattle before they got there, in other words?

Mr Read—My recollection was that in fact it was a sheep and cattle consignment; there was no issue with the sheep. The cattle were discharged in Jeddah.

CHAIR—So they didn't call in at a previous port? They weren't duffed, were they?

Mr Read—If the consignment is going to Saudi Arabia, Saudi Arabia has to be the first port of call.

Senator O'BRIEN—Had the *Cormo Express* returned to Saudi Arabia since the voyage over which the concerns were being expressed?

Mr Read—I will have to take that on notice, but my quick calculation is that it would have.

Senator O'BRIEN—In terms of this particular incident, have there been ongoing discussions about their concerns, or did they cease when the latest fiasco with the *Cormo Express* took place?

Mr Read—Since the latest incident with the *Cormo*, there has been no further engagement on that particular issue with the Saudis.

Senator O'BRIEN—What thought has been given to the possibility that the *Cormo Express* actions have been in response to some simmering amongst the Saudis about problems with previous shipments with this vessel?

Mr Read—I have no knowledge on that, Senator.

Senator O'BRIEN—No-one has thought about that being connected in any way?

Mr Read—The only information we had was that the *Cormo* was rejected due to concerns as to scabby mouth levels.

Senator O'BRIEN—So that has not really been seen as an issue as far as the department is concerned? It just seems to be an incredible coincidence: you were due to be there shortly after the *Cormo Express* arrived, and conveniently there is a big issue about the ship. They were expecting you? When was your engagement with the Saudis arranged?

Mr Read—It was probably arranged about the 14th.

Senator O'BRIEN—Before the ship arrived.

CHAIR—Have you any idea why they rejected the sheep?

Mr Read—There is a lot of speculation, but the only reason I have heard of was their concerns with the health status of the consignment.

Senator O'BRIEN—Which I take it the government does not accept? In fact the government seem to be saying, 'We can see no logical reason for the shipment being rejected.'

Mr M. Taylor—Let me help here. You are quite right: the government does not accept that the sheep were diseased. More importantly, nor do international independent veterinary reports indicate that the sheep were diseased; no do any of the Australian livestock exporters suggest that they were diseased. So all the evidence points to the fact that these sheep were not diseased; they were healthy sheep. I might ask Gardner Murray to comment on that.

Senator O'BRIEN—I am not contesting that. We could take up the time of this hearing to say what has been said several times. It just seems to me that there is a possible other conclusion which no-one has discussed which Mr Read has led me to speculate on, and I am wondering whether any thought has been given to that.

Mr M. Taylor—I can say that we have heard no shortage of possibilities as to what might have happened in Saudi Arabia—but they are all hearsay. They are all rumour. We do not have any factual basis for any of them.

Senator O'BRIEN—The only factual basis for this is that Mr Read had arranged an appointment shortly before the ship was due and arrived shortly after the shipment had been rejected—and it is the same vessel.

Mr M. Taylor—I certainly do not see that Mr Read has been responsible for the whole—

Senator O'BRIEN—I am certainly not suggesting that he personally is responsible either, Mr Taylor, if that is what you are assuming my questions are designed to achieve. I am wondering why there has been no connection between these two events before.

Mr M. Taylor—We have done all sorts of speculation. What we cannot do in this room is deal in some of the rumours that we have heard, for which we have no factual underpinnings.

Senator O'BRIEN—At least with this there is a factual underpinning that the Saudis were unhappy about previous under-reporting of mortality events on the *Cormo Express*. That is right, isn't it, Mr Read?

Mr Read—That is correct, but I also need to say that that issue that you have raised was certainly not communicated to the Australian delegation in Riyadh. There was no connection made between the incident that we are referring to and the rejection of the *Cormo*.

Senator O'BRIEN—And they were hardly likely to put it that way, were they, when they were rejecting other shipments? We will leave it there. What action has the minister taken to investigate claims of serious animal cruelty involving Australian export cattle slaughtered at the abattoir in Bassatin, Egypt? Is anyone able to answer that?

Dr Murray—I have a couple of comments and perhaps I will ask Dean Merrilees to add to them. Basically, in terms of the issue that you raised in Egypt, we—I am talking about a large number of people within the department—have discussed this with Meat and Livestock Australia and Livecorp because of the need for follow-up servicing. Dean Merrilees mentioned some of the activities that have been undertaken. I have also written to my counterpart in Egypt, asking that we can perhaps have some discussion on the matter. I have had no reply from him, but I anticipate talking to him personally over the next six months. But perhaps Mr Merrilees can make some additional comments.

Mr Merrilees—I think you are referring to the allegations that were published in the *Australian Veterinary Journal* by Dr Petra Sidhom in June. I think, as Dr Murray has

indicated, that has been followed up directly at the Chief Veterinary Officer's. More broadly, though, the Meat and Livestock Australia veterinarian based in the Middle East has been working with that abattoir since early 2000, as we do with other meatworks that source Australian stock. More recently, in 2002, a slaughter box was put into that abattoir, and we are continuing, through Meat and Livestock Australia, to provide animal husbandry and assistance in training of stockmen.

Senator O'BRIEN—So that is the outcome to date.

Mr Merrilees—That is the current situation. It is part of Meat and Livestock Australia's program of after-sales service to all clients in the Middle East and North Africa.

Senator O'BRIEN—How does the government monitor animal welfare at foreign abattoirs that slaughter Australian animals exported to those countries?

Mr Merrilees—In a formal sense, we have no formal monitoring program at foreign abattoirs. It is a matter for the sovereign country to put in place any practices that they wish.

Senator O'BRIEN—So we have no protocols with any foreign nation about how animals will be treated upon landing?

Mr Merrilees—No.

Senator O'BRIEN—Does AQIS receive advice from Livecorp on all withdrawals of accreditation and accreditation downgrades under the live export accreditation program?

Ms Gordon—AQIS would receive notification from Livecorp of any actions they have taken to withdraw accreditation under the LEAP program.

Senator O'BRIEN—Can the department provide a schedule of such accreditation withdrawal since 2000 by year, including for each withdrawal the name of the company and the reason for withdrawal and consequential action by AQIS?

Ms Gordon—Yes, we can provide you with details of any advices received from Livecorp.

Senator O'BRIEN—Are you able to provide the same advice for accreditation downgrades?

Ms Gordon—Yes, we should be able to provide you with that advice.

Senator O'BRIEN—Which countries have banned, suspended or varied conditions of export for Australian live animals in recent years?

Ms Gordon—I am sorry, Senator; I do not understand the question.

Senator O'BRIEN—Have any countries banned, suspended or varied conditions of export for Australian live animals in recent years?

Ms Gordon—I need to take that on notice, just to be sure that we have fully considered the question itself.

Senator O'BRIEN—Has the department done any analysis of the potential impact of last week's Israeli court decision on Australia's live exports to that country? Senator Ian Macdonald referred to the case in the Senate last week, so I am assuming that some action is taking place.

Mr Merrilees—We have made inquiries through the Department of Foreign Affairs and Trade and through our mission over there. In short, the report that featured in the *Australian* newspaper is slightly inaccurate to the extent that the action that has been taken by an animal welfare group in Israel does not actually specifically relate to Australian livestock. It actually relates to the transport and slaughter of all imported stock. It is really a matter at this point in time for the Israeli authorities to respond to that court case. Through the Department of Foreign Affairs and Trade and our mission over there, we will be continuing to monitor that case.

Senator O'BRIEN—Is it true that there was a significant amount of evidence about the *Cormo Express* and other matters relating to Australia?

Mr Merrilees—I cannot comment on the details of the evidence that was provided. We have no information on that.

Senator O'BRIEN—I will move to management services now.

Mr M. Taylor—Before you do, you asked me a question before lunch to which I have been able to ascertain an answer, if that would assist. You indicated to me that you had asked me on 17 September:

Can you confirm that you were advised in person on 20 August that Australian exporters were about to confront major problems accessing the Saudi Arabian market?

And I said:

I cannot confirm that ...

I have been back and reviewed my diary. You gave me two diary dates: one was 13 August and the other was 20 August. I can ascertain that the only possible livestock industry person I might have met on 13 August—or one of two of them—would have been at the National Food Industry Strategy at which the matter of livestock exports was not discussed, and I have asked David Mortimer about that matter. On the morning of 20 August, Gardner Murray and I both visited Sydney. We had a very important meeting with the Australian Meat Industry Council. We were dealing with the very important issue of Australia's management of BSE, importantly our testing regime and how we might best manage that in light of changing practices, particularly post the Canadian incident. That meeting saw Gardner and I both leave quite soon thereafter.

The only thing that I can speculate might have prompted the question you put to me was that we probably had some engagement, although fleeting, on both occasions with people. It is possible that the issue of live sheep was raised with me, because there were meat industry people there and live sheep—and live animal exports—were certainly on the agenda post the Channel 9 airing of issues a couple of weeks earlier. I do not, and cannot, confirm that I was advised in person on 20 August that Australian exporters were about to confront major problems in accessing the Saudi Arabian market. I made that comment back on 17 September. I have no evidence to suggest other than that. I am not saying that we did not meet with meat industry people, but Gardner Murray might like to comment on the meeting and the circumstances.

Dr Murray—As Mike Taylor said, the formal meeting was to discuss BSE and Australian measures, and we touched on other issues such as anthrax and market access. We had a quick cup of tea or a cup of coffee on the way out, because as I recall Mike had to go to Adelaide and I had meetings in Sydney. Issues may have been raised at that point, but certainly not during the formal meeting.

Mr M. Taylor—Senator, I do not know whether—

Senator O'BRIEN—I did say it was in the formal.

Mr M. Taylor—But I can assure you it was not, in my recollection of events, about major problems in accessing the Arabian market. That would have sat in my mind. Certainly I am not saying we were not nailed on a range of issues—anthrax and a number of other matters—but they were informal. Just before we close I would like to again just note that the—

Senator O'BRIEN—But we do have a limited time with you.

Senator Troeth—Yes, we do have limited time, Senator, but there are just two points—

Senator O'BRIEN—No, I do not think it is fair that we now close off an option to question. But if Mr Taylor wants to put a statement on the record and can do that in appropriate time, now or at another time—

Senator Troeth—Mr Taylor has one comment and I have one comment which I would like placed on the record. Mr Taylor?

Mr M. Taylor—I am fine.

Senator Troeth—There is something I would like to say, Senator. I think the *Hansard* will show that you have been repeatedly calling the *Cormo* handling a fiasco. The government does not accept that it is a fiasco, and I wish to point out to you that, after the sheep were rejected, the government took charge of this situation and we managed the situation. It may have taken some time and a degree of negotiation, but ultimately the situation was resolved, and government and industry are very happy at the outcome. We totally reject your words.

CHAIR—There you go. Have you got anything to add to that, Mr Taylor?

Mr M. Taylor—No.

CHAIR—Could I completely change the context in which you are asking questions and ask whether we have got anyone from the Murray-Darling Basin Commission that can answer questions.

Senator O'BRIEN—Natural resource management is later this evening.

CHAIR—I want to ask Mr Taylor in particular. Mr Taylor, you may take these questions on notice or advise me to go somewhere else with them. Could you explain to the committee what role Leith Bouilly has in the Murray-Darling Basin Commission or the provision of advice on water and the environment.

Mr M. Taylor—The role Leith Bouilly has is as chairman of the community advisory committee, which is an advisory body to the ministerial council.

CHAIR—What sort of advice do they provide to the ministerial council?

Mr M. Taylor—In addition to the advice that is provided by commissioners, the community advisory council provides advice on a wide range of matters to the ministers who form the ministerial council. That covers the whole breadth of—

CHAIR—So that would be a role in which you would influence government policy?

Mr M. Taylor—I would have said that that is a role that they provide advice on.

CHAIR—Which may lead to the influence of government decisions.

Mr M. Taylor—Ministers take advice from a wide range of sources.

CHAIR—Correct. I have a strong view that some of the blunders that we have made at a state level, where the control of water has always been, have had a federal consequence. In the COAG paperwork recently there was a line that we are going to look at water harvesting and the impact of plantation forests on the run-off. I would like to ask some questions about that, but maybe they have to be directed to a state body. My understanding is that Leith Bouilly also has a role as a facilitator of a community reference group. Are you familiar with that?

Mr M. Taylor—I cannot say that I am. I am sure she has roles beyond the Murray-Darling Basin Commission.

CHAIR—Do you understand what the role of a community reference group is?

Mr M. Taylor—I presume it would be in the same form as we would have. It would be one in which you would be seeking advice from various members of the community if you were a government body, but I do not know about the specifics that you are talking about.

CHAIR—My understanding of a community reference group is to draw out the issues and the propositions. In this case I am referring to the Lower Balonne reference group, which involves all those waters that flow over the weir at St George in Queensland and then go down through the Culgowa and various rivers. In particular, it has developed a proposition, which has been put to the Queensland government, for an A and B licence regime in Queensland. Are you familiar with that?

Mr M. Taylor—I am aware that there has been quite a bit of consultation.

CHAIR—For the record, an A licence is the proposition that if you bund water off your property you can receive an allocation or a right to pump water in certain years at certain volumes, made out on the amount of land you bund the water off et cetera. The B licence is a water harvesting licence. Could there be a possible conflict of interest?

Mr M. Taylor—Anything to do with what the Queensland government is doing in a reference group would be a matter for the Queensland government.

CHAIR—Would it be fair to say though that a person would at least have a vested interest as a facilitator? As I understand it, a facilitator would probably have the capacity to draw out issues within the community, to probably influence the balance and emphasis of those issues, and perhaps even filter some. To put it on the public record, if you were a possible major beneficiary of some of those decisions might you have an intolerable conflict of interest?

What is proposed as the A and B regime, which the community reference group have put to the government, has a consequential effect, I have to say, on the downstream Lower Bolonne people because they have built, as you may be aware, a million megalitres of water harvesting

storage—which is 1,000 gigalitres—between below Dirranbandi and the Queensland border to harvest water. Part of that proposition is the A and B licence regime. From a discussion with Leith Bouilly, I understand that she may have the potential to have a 7,000-megalitre water licence come out of that proposition, which has been put forward by the community reference group. Professor Cullen at our water inquiry hearing the other night raised some sort of a question mark over the sensibility and the outcome of a fairly substantial water harvesting regime in Queensland.

I further understand that Leith Bouilly may have a joint venture arrangement with Cubby Station. I just wondered what your advice would be for me of where to take the inquiry if someone would have a vested interest that needs to be declared or perhaps a conflict of interest which may exclude them from having a role as a paid facilitator in a group that puts such a policy forward.

Mr M. Taylor—I think, Chair, the matters that you raise are matters that seem to me to sit with the Queensland government and Leith Bouilly and are not matters within the Murray-Darling Basin Commission.

CHAIR—So her role as far as the Commonwealth is concerned is just the chairman of—

Mr M. Taylor—the community advisory committee to ministers.

CHAIR—I guess I have got a series of questions which maybe I should find a forum for to put them to the Queensland government. Thank you very much.

Senator O'BRIEN—It is appropriate that I raise this matter now. Remuneration of departmental executives is detailed in a table on page 349 of the annual report. It says that the remuneration for the highest paid officer broke through the \$400,000 barrier last financial year. I think it is fair to say that the department has not always reported the secretary's salary—I am assuming that it is the secretary—accurately in its annual report. Is the figure reported in this year's annual report accurate?

Mr Pahl—Yes, Senator.

Senator O'BRIEN—So the new internal procedure you were telling us about last May, Mr Pahl, in relation to Mr Taylor's salary has been followed?

Mr Pahl—Yes, Senator.

Senator O'BRIEN—Was there a salary review?

Mr Pahl—Secretary Taylor's salary is paid in accord with the section 61 determination under the Public Service Act 1999, which sets out the terms and conditions for departmental secretaries.

Senator O'BRIEN—So there has been no special event to the change?

Mr Pahl—No special events, but—I could not recall the date—certainly in the not too distant past there has been an adjustment to all departmental secretary salaries, and Secretary Taylor's salary has been adjusted the same as others.

Senator O'BRIEN—At the commencement of this committee's consideration of estimates on 26 May, Senator Heffernan advised the department that the committee is required to report to the Senate by Thursday, 19 June 2003 and that answers to questions taken on notice and

additional information should be received by the committee no later than Friday, 11 July 2003. The committee received answers to questions taken on notice not on 11 July but on 13 October 2003. Why did the department disregard the request from this committee for provision of these answers by 11 July 2003?

Mr Pahl—I do not believe the department has disregarded the request by the committee, Senator. I think it is worth pointing out that in 2001-02 we provided responses to 39 questions on notice. In 2002-03 we provided responses to 221 questions on notice. That is a 500 per cent increase in workload. Additional to that, in the same area that is responsible for the coordination of this sort of activity within the department, we have had a 30 per cent increase in our ministerial workload as well, primarily attributable to both the drought and more recently the *Cormo Express* and so on. We were just under a lot of pressure with a huge workload. I would add that we have put additional resources to this. We have created a ministerial writing unit to try and turn these things around much more quickly and I recall also that Minister Truss, I think, wrote quite recently, saying that he would be taking the matter up with Secretary Taylor to see what we could do to improve the performance.

Senator O'BRIEN—So what was done on 10 July to ensure that the department complied with the committee's request for the provision of answers by the following day? Nothing, I presume.

Mr Pahl—I am not sure whether I can recall anything specifically being done on 10 July.

Senator O'BRIEN—Senator Heffernan, the chairman, wrote to the minister seeking the provision of these answers on 19 August, 25 September and 9 October. Perhaps Mr Taylor can tell me why he did not write to the committee advising that the department was unable to provide answers to questions taken on notice by the due date or at some other time—or any advice subsequent to that date.

Mr M. Taylor—I think Mr Pahl has provided the answers, Senator. I will certainly endeavour beyond this question to further investigate.

Senator O'BRIEN—On what date were the draft answers provided to the minister's office?

Mr Pahl—I do not have the information for individual questions on notice with me.

Senator O'BRIEN—Can you provide that to the committee?

Mr Pahl—I can certainly look and find that information for you.

Senator O'BRIEN—I know this department's relationship with this committee has been very constructive and that generally the timeliness and quality of its answers to questions on notice have been very good.

Mr Pahl—And we are very keen to maintain that record.

Senator O'BRIEN—Has there been a delay in the chain somewhere?

Mr Pahl—As I said, with a 500 per cent increase in workload we have devoted additional resources to that, but there have been a lot of strains on the department over the course of the last 12 months. As you would be aware, the single issue of the drought required a task force within the department. We were required to divert resources to that and we did that. We will

divert additional resources and we have already diverted some additional resources to dealing with ministerial issues, to questions on notice and so on. As I said, Minister Truss wrote to the President of the Senate on 15 October pointing out that he would raise this issue with Secretary Taylor and see about putting some more resources in.

Senator O'BRIEN—Has resourcing in the minister's office been an issue with the answering of these questions?

Mr Pahl—I could not comment on behalf of the minister's office; I do not know. But I would imagine that it would be fair to say that, if you increased the workload as significantly as we have, they would feel some pressure as well.

Senator O'BRIEN—Mr Taylor, the letter of transmission published in the opening page of the department's annual report is dated 1 October 2003. Is that the date the annual report was submitted to the minister?

Mr M. Taylor—It is the day I actually completed the report and handed it to my colleagues. I will ask Mr Pahl. Mr Pahl, Senator O'Brien was asking me about the date I signed the letter which was 1 October. Is that the date we actually transmitted the report to the ministers?

Mr Pahl—I believe so, yes. I can check that for you, Senator.

Senator O'BRIEN—Yes. The report was not tabled in the Senate until 28 October.

Mr Pahl—Which is fully in accord with the guidelines issued by the Department of the Prime Minister and Cabinet which require the annual report to be tabled by 31 October.

Senator O'BRIEN—So tabling as late as possible is permissible? I mean, it was available 27 days beforehand—

Mr Pahl—No, Senator; I merely made the observation that we are required to table our annual report by 31 October in accordance with the Department of the Prime Minister and Cabinet guidelines and we met the deadline.

Senator O'BRIEN—I simply make the point that, having had the document for a fairly short time, given that these estimates are about the annual report, it will probably necessitate the placing on notice subsequent to these proceedings of a whole lot of other questions which may have been answered in these proceedings. In answer to a question on notice in May, the department provided the committee with a table detailing changes in ministerial service support costs. It shows a leap in the number of departmental ministerial support staff of 36 per cent between 2001-02 and 2002-03. What is the explanation for this increase?

Mr Pahl—I recall that we covered this ground at a previous hearing. My recollection is that at that time we explained to you that the ministerial council secretariat function had transferred into that area. That function comprises four staff members. You cannot really make the comparison between the two financial years without factoring in that the ministerial council secretariat had moved in. If you take those four out I think you will find that the overall increase reduces to one and very substantially reduces the percentage that you just mentioned.

Senator O'BRIEN—Obviously it would, if five equals 36 per cent.

Mr Pahl—We have four staff engaged in ministerial council secretariat work. I think it is in the *Hansard* somewhere but I do not have it with me: at the time we explained that we saw that the alignment between the other work of the ministerial unit and the work of the council secretariat was pretty good, so we thought it was organisationally a more effective way of going about our business.

Senator O'BRIEN—A note on financial performance on page 186 of the annual report says that in 2002-03 'the department generated an operating surplus of \$14.97 million'. On the same page it says:

The surplus included a \$5.5 million underspend relating to Exceptional Circumstances Drought Relief payments and Sugar Industry Reform delivery costs (due to a lower than expected take-up rate). The 2002-03 operating result will help rebuild the department's financial capacity by reducing previous accumulated operating losses and strengthening its solvency.

Is the department plundering funds budgeted for drought-stricken farmers and struggling sugar growers to rebuild its financial reserves?

Mr Pahl—No.

Senator O'BRIEN—Why did the department attribute the strength of its operating surplus to the underspending on funds earmarked for struggling farmers?

Mr Pahl—As we have said in the annual report, the surplus was generated by the fact that the take-up rate for those programs was lower than was originally budgeted for. We ended the year, therefore, with part of our surplus being attributed to those payments, both for the exceptional circumstances drought relief payments and the sugar industry reform delivery costs. We do our best to estimate what the take-up rates will be when we put our estimates forward. Clearly, had applicants come forward who met the appropriate criteria and so on, we would have made the payments.

Mr Banfield—It is worth making the point that the amount you have referred to—the \$5.5 million—relates to the cost of delivery of support; it is not the actual support made available to farmers.

Senator O'BRIEN—That is sugar industry reform, isn't it?

Mr Banfield—It is sugar industry reform delivery costs.

Senator O'BRIEN—Yes, but not exceptional circumstances drought relief payment.

Mr Banfield—Subject to confirmation by my colleagues, my understanding is that it is delivered by Centrelink. In both of those cases my understanding is that it relates to the cost of delivery of the assistance rather than the level of the assistance itself, which, as you know, is demand driven for most of those programs.

Senator O'BRIEN—I accept that that is what it says in relation to sugar industry reform but it is not represented in that way in the financial accounts.

Mr Banfield—Rural policy innovation is coming up later in the program. I suggest that we confirm that under the drought component of rural policy innovation.

Senator O'BRIEN—Is the achievement of a surplus relevant in the consideration of payments such as bonus payments?

Mr Pahl—We budget overall within our departmental framework to ensure that we generate a moderate operating surplus. That is in accord with an agreement between the department and the Department of Finance and Administration which was signed between the respective secretaries, I think, some two-odd years ago. What we are aiming to do, Senator, as we have said under the financial performance note, is to ensure that we live within the means that are appropriated to us by government and that we deliver on the programs and so on that the government expects of us.

Senator O'BRIEN—We have raised the Hewitt matter a number of times.

Mr Pahl—Yes, Senator.

Senator O'BRIEN—Can you update us on what is happening?

Mr Pahl—We certainly can.

Senator O'BRIEN—It is no laughing matter, is it?

Mr Pahl—No, it is not, Senator. The Hewitt claim remains outstanding. I had hoped that when I came along today I would be able to say otherwise. It is very close to resolution and I would expect that in the very near future we will be in a position to move to resolve that issue—the very near future being prior to Christmas.

Senator O'BRIEN—Those are very brave words.

Mr Pahl—I know they are very brave words.

Senator O'BRIEN—I might quote them back to you next year.

Mr Pahl—I am sure that you will remind me of them at some point in future if I do not deliver. It has been a long and protracted matter, as you know, but I expect that we will be in a position to bring it to resolution.

Senator O'BRIEN—How much has the consideration of the Hewitt claim cost to date?

Mr Pahl—Up to and including 24 October, \$176,589.

Senator O'BRIEN—Thanks for that. I would like to ask some questions about the plan to restructure ABARE—‘structure it out of existence’ is probably a better way of putting it. Why was that plan abandoned?

Mr Pahl—If you are referring to the ABARE-BRS review, Senator, and I will presume you are, at the conclusion of the review, as I recall it, and taking account of the various views of stakeholders around the place, it was concluded that it would not be possible to amalgamate the two bureaus without the identity of one or the other bureau being subsumed in that process. At the end of the day the judgment was made that the two bureaus would continue on as separate entities.

Senator O'BRIEN—And at what level was that decision taken?

Mr Banfield—Ultimately that was a decision by the secretary of the department, as both ABARE and BRS are administrative agencies of the department of agriculture.

Senator O'BRIEN—Had cabinet discussed the proposal and rejected it?

Mr Banfield—I cannot comment on what cabinet may or may not have discussed but what I can say is that there were consultations, obviously, with a number of key stakeholders as part of that process.

Senator O'BRIEN—Were there discussions with other agencies or departments about the process?

Mr Banfield—There were. At the time, my recollection was that there were discussions with a number of key stakeholders both during the process of the review and subsequent to that—leading up, as Mr Pahl has indicated, to the ultimate decision by the secretary not to proceed with the proposed merger of the two bureaus.

Mr Pahl—My recollection is that Mr Bannam consulted with about 100 or so interested parties and key stakeholders—and I might not have the number exactly right, but it was in the order of 100 or so—as a part of the overall process.

Senator O'BRIEN—Have any changes to the department's research activities been implemented following the review?

Mr Banfield—No substantive changes, as I understand it. The two bureaus have prepared their annual operating plans. Obviously, both executive directors will have taken into account some of the feedback and discussions that surrounded the review. Mr Pahl might add something further.

Mr Pahl—I think that is a fair comment. I was only going to add that I think there has been strength and collaboration between the two bureaus following the review, which is in accord with one of the recommendations that came out of the review.

Senator O'BRIEN—In relation to ministerial support, page 21 of the annual report notes the preparation of more than 9,000 replies to 'campaign style' correspondence. What constitutes 'campaign style' correspondence?

Mr Pahl—I think what constitutes campaign style correspondence is where you have a very large number of people essentially sending you the same letter about the same issue.

Senator O'BRIEN—So it is a form letter thing?

Mr Pahl—Yes. People often give out a letter and say 'Sign here', and they are not just to the government either. Quite often people see it as a way of establishing their strength of feeling and the numbers.

Senator O'BRIEN—What explanation is there for the explosion in the number of ministerial briefs over the past year? They are up by 30 per cent.

Mr Pahl—I would say it is probably a reflection of the broad range of issues that have confronted the organisation and the portfolio in the past 12 months. I think it is just indicative of increased workloads overall. As we have said before, we are getting more ministerials coming in and that often requires more advice and so on.

Mr Banfield—I would have thought, just off the top, that the drought would have created quite a significant increase in workload and briefings as one example of the issues that Mr Pahl has referred to.

Senator O'BRIEN—Can we be certain that that is the reason, or would you like to consider that and provide us an answer on notice?

Mr Pahl—I would have thought it would be very hard to give you an exact answer as to why we have had an increase in the number of briefings going to the minister. It might be that we can identify a couple of issues that have required extensive briefing and a large number, but I think it is just the nature of the work.

Senator O'BRIEN—On 4 August, Senator Faulkner asked the minister question on notice No. 1717 concerning revised corporate branding requirements for the department. The minister has not had the courtesy to provide a reply. Can you tell me when the department was notified by PM&C of the new requirements? What cost has the department incurred in relation to these changes?

Mr Pahl—I understand that Senator Faulkner asked two questions—one was in respect of corporate branding. The response to both those questions has been handled centrally by the Department of the Prime Minister and Cabinet, and I understand that those responses were lodged with the Table Office last Friday.

Senator O'BRIEN—I have not had a chance to see them. Perhaps you can tell us.

Mr Pahl—I can certainly get you a copy of them.

Senator O'BRIEN—I asked question No. 2122 in mid-September concerning the impact of the Prime Minister's revised branding requirements on rural research and development corporations. It has not been answered.

Mr Pahl—It falls into the same category as your previous question. That is my understanding. What number was that?

Senator O'BRIEN—No. 2122.

Mr Pahl—I am sorry, I am mistaken. That is not the case. I will have to check that one for you, Senator.

Senator O'BRIEN—Do you know whether the department notified the research and development corporations of the new requirements?

Mr Pahl—We certainly would have, yes.

Senator O'BRIEN—Will each RDC be required to adopt uniform branding as a result of the revised requirements?

Mr Pahl—I do not know that it is uniform, but certainly any corporation that has not been exempted would be required to conform with the government's guidelines on branding.

Senator O'BRIEN—Have any sought an exemption?

Mr Pahl—Certainly at least one, if not more, yes.

Senator O'BRIEN—Has any estimate been made or actual information been received on the cost each RDC will have to pay to meet the requirements?

Mr Pahl—Not so far as I am aware.

Senator O'BRIEN—Will these costs be met from a levy or matching government funds?

Mr Pahl—I could not say. I really do not know. I imagine each of those corporations would need to look at those costs and also look at any requirements that are attached to the revenue coming to them, either in the form of matching payments from the government or from a levy.

Senator O'BRIEN—I will look forward to the formal answer. Earlier this year, the department dealt with a freedom of information application that I made concerning the government's consideration of ethanol policy. You would also be aware that I complained to the Ombudsman about the department's handling of the application.

Mr Pahl—Yes.

Senator O'BRIEN—Page 214 of the annual report said:

The Ombudsman enquired into the department's handling of an application under the *Freedom of Information Act 1982*. The matter was resolved without formal investigation or report."

As you are also aware, the Ombudsman found that the department could have done better with its handling of my application. Pursuant to the act, the department should have partially referred the application to the minister's office and it should have provided a more detailed explanation of its decision to withhold certain documents. Why was the decision taken to publish a section in the report headed 'Comments by the Ombudsman' without any comments from the Ombudsman?

Mr Pahl—My understanding of the matter was that the Ombudsman, as is set out there in the report, did not need to resort to a formal investigation or report to resolve the issue. He wrote to the department pointing out that the department could have handled things better, as you have just pointed out. We have since undertaken a number of measures that are designed to ensure that officers working on FOI requests are well advised of the proper procedures and so on, including an FOI training session which was held in July for a number of officers likely to be involved in FOI and related matters. We have also reminded all of our senior staff of their responsibilities in respect of freedom of information issues, and we have taken steps to monitor FOI deadlines more rigorously as well. So we have internally taken on board the matters that the Ombudsman drew to our attention as a result of your complaint to him.

Senator O'BRIEN—I am grateful that the resolution of that has led to some positive action but my question was: why weren't those matters recorded under the heading 'Comments by the Ombudsman' or why weren't the matters upon which he commented referred to under that heading? It raises the question why you have that provision and, if you believe the department is required to, why the department does not ensure that it actually publishes the comments by the Ombudsman or extracts that are relevant?

Mr Pahl—I think the bottom line is that, as it was resolved without an investigation by or a report from the Ombudsman—there was just an exchange of correspondence—it was not seen in the same way as a formal report by the Ombudsman, although, having said that, we have treated it very seriously and internally we have taken the steps that I outlined a short while ago. With the benefit of hindsight, it may have been better, as you point out, to have actually recorded those steps and the Ombudsman's findings under that section.

Senator O'BRIEN—It certainly would have been of benefit. It floors me that you have a section in the report that is about comments by the Ombudsman but in the one instance where

apparently he has made comments you have chosen not to include them. Does the transfer of the department's HR contract from PricewaterhouseCoopers to United KFPW in December last year mean that there is a secondary market operating in government HR contracts?

Mr Pahl—No, I do not think so. There may be a secondary market—I am not qualified to make a comment on that—but in this particular case what we have is a company, United KFPW, that is looking to strengthen its position. You had PricewaterhouseCoopers, along with other accounting firms, which were looking at it off the back of the changes in the US so far as auditing and consulting were concerned. You will recall that, following Enron and other things in the US, companies were basically required to divest themselves of their consulting arms if they wanted to continue as auditors in that market. My understanding is that in the case of PWC they applied that. Notwithstanding that it was not a requirement in the Australian market, they applied that across their business worldwide. As a result, they looked to move out of the consulting field and to stay in their core business of auditing. They therefore put their business on the market. United KFPW were very keen to pick up that sort of business. That is where their core business is. It was one of those things where people were quite happy with the outcome.

Senator O'BRIEN—The department's contract list contains details of a contract with United KFPW valued at \$11.4 million, with a contract period between 1 September 2000 and 31 October 2003. Is that simply a transfer of the entirety of the PricewaterhouseCoopers contract value?

Mr Pahl—Yes. We were consulted about the sale of the contract and asked for our formal consent to that. Before we agreed to any of that, we did a financial viability check to determine whether or not we felt that the new contractor would meet all the requirements that the old contractor met. Following that investigation, we were satisfied that the risk involved in transferring to United was no greater than staying where we had been previously, and we agreed. The original contract was a three-year contract with two two-year options. We have been in negotiation for some time now, looking at exercising one of those options.

Senator O'BRIEN—How do we know whether PricewaterhouseCoopers took some value out of the contract? In other words, are they being paid a fee without providing the services which therefore reduces the return?

Mr Pahl—Being paid a fee by whom?

Senator O'BRIEN—By United KFPW when they purchased the contract. Do we know whether there was a consideration paid for the transfer of the contract?

Mr Pahl—I am not familiar with the commercial arrangement between the two companies that took place when the contract was transferred. The terms and conditions, including the pricing schedules that do concern me—that is, what we pay for the services—were retained. From our point of view, we are not paying any more than we were previously, and we are still getting the same services.

Senator O'BRIEN—If some lesser amount, in effect, is now payable to United KFPW because they paid a premium to PricewaterhouseCoopers, are you saying that there are no potential performance issues?

Mr Pahl—I am saying that the contractual obligations of United KFPW are the same as they were when PWC had the contract and that they are required to perform to the same standards as the previous provider. If they do not, we have the same rights under the contract that was transferred to correct the situation, should it arise.

Senator O'BRIEN—Did the department have to approve the sale for it to go ahead?

Mr Pahl—They asked for our 'consent' to the sale, yes. I think that was the word they actually used.

Senator O'BRIEN—The word 'consent'?

Mr Pahl—Yes.

Senator O'BRIEN—I had not heard of United KFPW—perhaps others have—until I saw its name on the contract list. According to that company's web site, it is a property management firm that partners with corporate and government organisations to manage their property portfolios.

Mr Pahl—The KFPW component of it has been in the outsourcing market for some time, in the property outsourcing side of things. In fact, KFPW goes back to the old Knight Frank company—I cannot remember the rest of the company's name. The United side of it is a very large group that deals in I think heavy earthmoving and engineering. It has a number of contracts with Telstra and others.

Senator O'BRIEN—Is that HR?

Mr Pahl—No. It is on the other side. The HR arm has been added—and they would need to speak for themselves; I am speculating here—as a way of rounding out their outsourcing business.

Proceedings suspended from 4.00 p.m. to 4.15 p.m.

CHAIR—Does anyone want to dominate Senator O'Brien in the questioning department?

Senator FERRIS—Who would want to take on that challenge.

Senator O'BRIEN—I am not rotating the strike; is that what you are complaining about?

CHAIR—Go ahead, Senator O'Brien.

Senator O'BRIEN—Before the break, we were talking about the United KFPW. Its web site says that corporate real estate is its core business. What experience do they have in HR to the department's knowledge?

Mr Pahl—To my knowledge, they bought their experience by buying the PWC HR services business lock, stock and barrel, including the people.

Senator O'BRIEN—So they bought their track record.

Mr Pahl—No, they bought their capability.

Senator O'BRIEN—They bought their HR capability.

Mr Pahl—Yes.

Senator O'BRIEN—They must have bought both; they have no track record in HR.

Mr Pahl—That is what I am saying. It is not like they bought a contract and then went out to source personnel to fulfil the provision of the services; they have actually taken all the people as well.

Senator O'BRIEN—When does the department expect negotiations on the new certified agreement to conclude?

Mr Pahl—They have concluded, I am happy to report.

Senator O'BRIEN—When was that?

Mr Pahl—I think it was some time in July. I cannot remember the date now.

Ms Stanton—The certification date of the agreement was 25 September.

Senator O'BRIEN—I am asking the question because there is a passage in the annual report which indicates that agreement has not been reached. It says that it was anticipated that it would be reached early in 2003-04.

Mr Pahl—The annual report is up to and including 30 June and at 30 June it was not concluded.

Senator O'BRIEN—That is true, although it talks prospectively. According to the annual report, a gross gender imbalance exists at senior levels of the department. The report says that at SES band 1, the department engages 11 women out of 43 available positions—roughly 25 per cent of the positions; at SES band 2, there are two women out of 17—almost 12 per cent; and at SES band 3, it is one woman out of five available positions—that is 20 per cent. Is there a program in place to address this imbalance?

Mr Pahl—I want to make a few comments about that. I think it is worth recording that we have actually improved our gender balance over time. Recruitment of females each year in recent years has exceeded the recruitment of males. We have appointed a deputy secretary—she is sitting down the table from me—in very recent times.

But the nature of a lot of the work we do just does not attract female staff. Meat inspection, for example, is not something a lot of females are particularly interested in, and the plant veterinary work is in a similar boat. We have certainly been working on this. Like most organisations, we need to do more, and we will continue to work to improve it. But, at the end of the day, the merit principle, in accordance with the Public Service Act, decides promotions within the Australian Public Service, and we apply the merit principle in our selection processes.

Senator O'BRIEN—No other measures are being taken to address the imbalance at the Senior Executive Service level?

Mr Pahl—At each round of SES recruitment we certainly go out of our way to ensure there are no barriers to female potential applicants. In fact, in the latest round of SES recruitment, which is currently under way, the chairperson of the committee is female. We make sure we have female representation on all our selection committees to ensure that males do not dominate the situation. Like other agencies, we have worked quite hard to do something about this. As I say, when you look at the numbers you can see there is a greater

representation of females in the ranks, but I expect in the not too distant future we will start to see more women taking up senior roles.

Ms Stanton—I would just add that we are active in the service-wide programs that exist—for instance, the Senior Women in Management program. In the current round of that program I think we have four participants. So we certainly take what opportunities we can, from that point of view.

Senator O'BRIEN—The annual report notes that the department has decided to disconnect its 24-hour toll-free customer feedback line because in its last year it received 'no calls of a feedback nature'. What was the line cost in 2002-03?

Mr Pahl—I thought I had provided that information to you once before.

Senator O'BRIEN—It may be the case that you have, but I was not certain that they were necessarily the final figures.

Mr Pahl—If you would just bear with me for one moment I might be able to find it from a previous time. The figure of \$1,300 appears in the *Hansard* of 26 May.

Senator O'BRIEN—Is that the final figure?

Mr Pahl—That was the figure at the time. I think that was an annualised figure. I do not think it would be very much different to that on an annualised basis.

Senator O'BRIEN—So that line has been discontinued?

Mr Pahl—That is correct.

Senator O'BRIEN—In February and May we discussed an outstanding account from the Department of Finance and Administration for Mr Truss's police escort costs during the 'thriller in Manila' as I have described it—his trip to Manila. That was in February 2002, but in May this year the department was apparently still disputing the payment.

Mr Pahl—In the end, we paid the amount in question.

Senator O'BRIEN—What was that amount again?

Mr Pahl—I do not recall the amount, but I can get it for you again.

Senator O'BRIEN—It has been referred to previously; I am sure we can find it. So that amount has now been paid in full?

Mr Pahl—Yes.

Senator O'BRIEN—Why did the department decide to pay it, when it considered it was not liable for that amount?

Mr Pahl—In the end, Senator, the Commonwealth was liable for the amount. The dispute was an internal dispute between departments about who should actually meet the cost. I took a judgment in the end that too much time and effort was being wasted on something that would ultimately need to be paid by the Commonwealth. I did not see that there was any point in continuing to have people distracted in two separate departments over what, at the end of the day, was a smallish sum.

Senator O'BRIEN—So the department does not accept that it ought to have been responsible, but it paid it on other grounds?

Mr Pahl—No, the department's view was that it ought to have been paid by another government department, but at the end of the day, as I say, it was clear that that was not going to happen. We made the payment.

Senator O'BRIEN—It was clear that that was not going to happen. In other words, Finance had said, 'You will pay it, one way or the other'?

Mr Pahl—They had a very strong view that we should bear that cost.

Senator O'BRIEN—How would they be able to enforce that view, if you were of a different view?

Mr Pahl—I do not know. You would have to ask them that.

Senator O'BRIEN—I am sure you have got some ideas, Mr Pahl.

Mr Pahl—I am sure I have.

Senator O'BRIEN—Perhaps next year's budget?

Mr Pahl—I do not believe that they would resort to that sort of behaviour, Senator.

Senator O'BRIEN—You are required to be honest with estimates committees, you realise?

Mr Pahl—Yes, I do.

Senator O'BRIEN—I think you have just lost entirely your credibility. I understand that in 2001 the Australian government accepted an invitation from the Director-General of the FAO to assist in the preparation of its first report on the state of the world's animal genetic resources. Is it the case that, despite accepting the invitation and appointing a national coordinator to oversee the preparation of a country report, Australia has not done so?

Mr Banfield—Senator, that is not a question to be directed to the management area of the department. Off the top, it is probably a Bureau of Rural Sciences issue. Maybe we could defer it until a later program this evening, and we will confirm which business will respond to that for you.

Senator O'BRIEN—I have no more questions under this heading. I want to go to food and agriculture next.

[4.28 p.m.]

ACTING CHAIR (Senator Ferris)—I welcome the witnesses to deal with food and agriculture. Senator O'Brien, I think you are leading off with these questions.

Senator O'BRIEN—How is the effectiveness of the government's 1998 sugar package evaluated?

Mr Mortimer—I do not think there was any explicit major review as a result of that. My understanding is that the 1998 sugar package was essentially the outcome of the NCP review of the sugar industry arrangements and, as a consequence of that, there were a number of actions taken. These related to the removal of the tariff on sugar, the corporatisation of

Queensland Sugar and questions of how sugar was priced for export. Also, the Commonwealth put funds into research which were expended by the SRDC. But my understanding is that there was not an explicit review of the totality of that. The SRDC may have reviewed its expenditure as part of its ongoing activities, but I think it is fair to say that those measures were put in place to help the industry adjust to the outcome of the NCP review. They essentially stood, and the industry operated accordingly.

Senator O'BRIEN—So what sugar industry outcomes can be attributed to the package?

Mr Mortimer—Exactly the issues I have referenced, Senator.

Senator O'BRIEN—I am still struggling to understand them as sugar industry outcomes. They may be market outcomes.

Mr Mortimer—Essentially, previously, before the NCP review and the package there had been a tariff on sugar. Queensland Sugar was not corporatised. Export pricing of sugar was done in a different way, and there was not the same level of expenditure on research.

Senator O'BRIEN—So what was the increase in research expenditure attributable to the package? Remind me of that.

Mr Mortimer—I think \$13 million extra was put into research.

Senator O'BRIEN—What feedback has the government received as to the outcomes from that research expenditure?

Mr Mortimer—I expect that will be reported in the Sugar R&D Corporation annual report. I do not have it with me.

Senator O'BRIEN—Presumably there is some accounting process for the additional expenditure.

Mr Mortimer—Yes, absolutely. Those expenditures are accounted for by the corporation and reported back.

Senator O'BRIEN—How has the effectiveness of the government's 2000 sugar industry package been evaluated?

Mr Mortimer—The 2000 assistance package had a number of measures to help the industry deal with the unfavourable circumstances it was facing. That assistance came in a number of forms, including income support and suchlike. It is fair to say that that was effectively done by the Hildebrand report that was done in 2002.

Senator O'BRIEN—By identifying continuing problems—is that what you mean?

Mr Mortimer—No, not at all. The Hildebrand report was required to assess the state of the sugar industry, to consider the issues in front of it and to provide a wide-ranging report on the state of the industry and what potentially needed to be done.

Senator O'BRIEN—It certainly did that. I am not sure it falls within the category of evaluating the 2000 package. But what outcomes can be attributed to the expenditure of \$60 million of public money?

Mr Mortimer—If I can step back to pick up your earlier comment, the 2000 assistance package had this part of it: a conscious position by the Commonwealth that it would evaluate

the situation of the industry. I have made the point that the mechanism by which it was done was through the Hildebrand report. In terms of the outcomes of that package, clearly the package was designed to help sugar farmers deal with the very adverse set of conditions in front of them. I would suggest that it was instrumental in doing that. However, it also has to be acknowledged that the circumstances facing the sugar industry have not got any easier in the interim.

Senator O'BRIEN—How about the effectiveness of the \$120 million sugar package introduced last year? How has that been measured?

Mr Mortimer—At this stage we have not done an assessment of that. It is rather early. Certainly the Commonwealth has agreed that it will do an assessment of that towards the latter part of the program. But the program has effectively been in place for a year to 18 months and many elements of that program are still being implemented and it is perhaps a bit early to do a review to see exactly what the outcomes will be, particularly as these outcomes can take a while to emerge.

Senator O'BRIEN—Are there plans in place to measure its effectiveness down the track?

Mr Mortimer—The framework for evaluation will be developed further when we actually set up doing that. One observation I would make is that, given the number of reviews and the amount of change in the industry, I think there is probably a fairly good set of data available to help do that.

Senator O'BRIEN—Can you provide details on the progress of negotiations with the Queensland government and the cane growers organisation on proposed state legislative changes to meet the Commonwealth's demand for industry reform?

Mr Mortimer—I am not really in a situation to do that. Those negotiations are happening between the Queensland government and the cane growers association as they relate directly to Queensland legislation. We are not actually party to those negotiations and are not having any part in conducting them.

Senator O'BRIEN—So the federal government is not part of the negotiations with the Queensland government about industry reform over which the federal government is withholding moneys at the moment?

Mr Mortimer—What I am saying, and you have picked up two strands of it, is that, as you alluded, there is an MOU between the Commonwealth and the Queensland government about a range of issues to do with the sugar industry. One part of those is the issue of possible reform change and deregulation of the Queensland government's legislation and those negotiations are being done in a direct hands-on way by the Queensland government.

Senator O'BRIEN—How does that relate to the federal government's reform package measures?

Mr Mortimer—The relationship is that further changes within the scope of the MOU will be implemented when the Queensland government has settled a position on that legislation with cane growers in Queensland.

Senator O'BRIEN—So do I understand you correctly to be saying that when the Queensland government and canegrowers have an agreement, federal government money will flow?

Mr Mortimer—When there is an agreement between the Queensland government and cane growers on that issue of the legislation, certain elements, particularly the longer term restructuring elements of the package, will come into play as set out in the MOU.

Senator O'BRIEN—Which MOU are you referring to?

Mr Mortimer—The memorandum of understanding between the Queensland and Commonwealth governments on their joint approach to the sugar industry. I think it is a public document and I think it might have been provided to you earlier.

Senator O'BRIEN—I am certain that we have seen that. In terms of that particular measure, are you saying that the Commonwealth has no preference for the nature of any legislative changes? Or are you saying that certain changes are required and you are just waiting for the cane growers organisation to agree with the Queensland state government promulgating those changes?

Mr Mortimer—My understanding is that the Queensland government is engaged in negotiations with the cane growing industry in Queensland. The Commonwealth has not stated that it wants any particular outcome; it has simply asked the two parties to negotiate and to come to an agreement. That will come back to the Commonwealth in terms of forming part of the total framework.

Senator O'BRIEN—What does 'come back to the Commonwealth' mean? Does that mean that there is another set of negotiations after the cane growers and the Queensland government address the issue? I am trying to understand this process.

Mr Mortimer—I am sorry if that is not clear. The Commonwealth has indicated that it will engage in further funding of long-term restructuring activities when those negotiations have come to fruition.

Senator O'BRIEN—So when those changes have come to fruition, what will they be benchmarked against before moneys flow?

Mr Mortimer—To be honest, I am not aware that there are any benchmarks. I think it is expected that both parties will negotiate to get a favourable settlement or outcome and that will be the basis upon which the industry proceeds.

Senator O'BRIEN—So the \$60 million in restructuring funding will not be released until changes to the industry's regulatory regime are agreed between the Queensland government and cane growers?

Mr Mortimer—That is part of it, Senator. In terms of figures, there are two elements to the \$60 million. There is \$30 million in restructuring funds and \$30 million in funding for exit grants and that funding for exit grants is currently available.

Senator O'BRIEN—Sorry, how much is currently available?

Mr Mortimer—The exit grants are currently available. Effectively, what I am saying is that farmers can access them here and now.

Senator O'BRIEN—Is that equivalent to Farm Help?

Mr Mortimer—That is right; similar conditions.

Senator O'BRIEN—If they apply, are they being funded under Farm Help or under the sugar industry package?

Mr Mortimer—No, it is a separate allocation and it was always identified as such as part of the package.

Senator O'BRIEN—What is the difference between the packages—one is sugar and one is not?

Mr Mortimer—No, we are talking about the sugar package. Farm Help is a separate program, as you will appreciate. There is a separate line of funding provided for that in the budget.

Senator O'BRIEN—That is actually paid for out of consolidated revenue; the sugar package is paid for out of the sugar tax.

Mr Mortimer—That is right, Senator. You are quite right.

Senator O'BRIEN—What is the difference other than that?

Mr Pittar—Under the sugar industry reform program the exit grant had some additional concessions that related to curtilage areas around the farmhouse that growers could continue to have access to and there were different arrangements in relation to the assets threshold. It was slightly higher for sugar producers accessing exit assistance under the sugar industry reform program as compared to the farm milk program.

Senator O'BRIEN—You say 'slightly'. What difference are we talking about?

Mr Pittar—I do not have those figures directly in front of me so I cannot give you the specifics at this stage.

Senator O'BRIEN—Can you provide the committee with updated data on household and business support expenditure under this program—if possible by sugar region? You may need to take the latter part of the question on notice.

Mr Mortimer—That is fine, Senator; we will do that.

Senator O'BRIEN—How much was raised by the sugar tax in the last financial year; do we know?

Mr Pittar—On the sugar levy that has been collected I have figures until 31 October this year, so it would be for the latter part of the last financial year and the first four months of this financial year. A total of \$4.7 million has been collected under the sugar levy.

Senator O'BRIEN—How much was collected last financial year?

Mr Pittar—I am afraid I only have the figure in aggregate for the latter part of last financial year and up until 31 October this financial year.

Senator O'BRIEN—Can we get the last financial year separated?

Mr Pittar—We can do that.

Mr Mortimer—The levy was not in place for the whole of that financial year, so it would be a partial number for about six months or so, I think.

Mr Pittar—That is right.

Senator O'BRIEN—On what date did the industry guidance group submit its blueprint for the sugar industry to the department?

Mr Pittar—The industry guidance group provided its industry reform plan to the minister, as it was chartered to do, and it did that on 30 June this year.

Senator O'BRIEN—Can the committee be provided with a copy of that plan?

Mr Mortimer—I think we would need to take that on notice and get the agreement of the minister, Senator.

Senator O'BRIEN—How much funding was provided to the IGG for the production of the blueprint?

Mr Pittar—The industry guidance group spent \$1,340,000 in 2002-03. For 2003-04 the estimated expenditure was as outlined in the PBS—\$3.3 million.

Senator O'BRIEN—When was the evaluation of the Dairy Structural Adjustment Program, the Supplementary Dairy Assistance Scheme and the Dairy Exit Program commissioned?

Mr Williamson—That evaluation was commissioned in May this year.

Senator O'BRIEN—Of all those three programs?

Mr Williamson—No. The evaluation looked at the dairy structural adjustment package and the supplementary dairy assistance measures as well as the Dairy Exit Program. It did not include an evaluation of the Dairy Regional Assistance Program.

Senator O'BRIEN—Was it completed in September 2003 as planned?

Mr Williamson—No.

Senator O'BRIEN—Sorry, you just said it was not commenced until May this year. So I had the wrong year.

Mr Williamson—Yes.

Senator O'BRIEN—Is it scheduled for completion shortly?

Mr Williamson—It is scheduled for completion this calendar year.

Senator O'BRIEN—Can you advise the committee of the percentage of the overall shipping costs for wheat met by the Tasmanian wheat freight scheme in 2002?

Mr Mortimer—If I understand your question correctly, you asked what the expenditure was under the Tasmanian wheat freight scheme for the last financial year?

Senator O'BRIEN—I asked what percentage of the overall shipping costs for wheat the Tasmanian wheat freight scheme met in 2002-03.

Mr Mortimer—Essentially, a fixed amount is allocated for this purpose. We do not have with us the calculation of what percentage of the wheat freight costs that would come to,

because that varies from year to year depending on traffic and the cost of freight. We can take it on notice if you would be happy about that.

Senator O'BRIEN—At page 88 of the annual report it says this about Tasmanian shipping:

Final assessment is not possible until after the end of the financial year, when the Tasmanian Government will publish its annual report. Preliminary data indicates the subsidy rate has fallen by almost 30 per cent since 2001–02 when the Tasmanian Wheat Freight Scheme met 56 per cent of overall shipping costs for wheat to the state.

Mr Mortimer—What that essentially reflects is that funding for the Tasmanian wheat freight subsidy scheme is an annual amount that has not varied for a number of years and the amount of wheat freighted appears to have gone up. Indeed, as 2001–02 covered what was largely a drought year, I would expect that those shipments would be particularly high, as feed would have been needed in Tasmania. At the end of the day, the percentage of freight costs covered by the scheme is always a residual amount depending on the two factors I referenced earlier.

Senator O'BRIEN—Perhaps you could take my original question on notice, given that there is reference to a percentage in the past, and see if you can update that figure.

Mr Mortimer—Yes. Essentially, as I said, it tumbles out of other figures in the way it is calculated.

Senator O'BRIEN—What was the ADP Reaping the Rewards of Innovation conference?

Mr Souness—The Reaping the Rewards conference was part of the New Industries Development Program run by the department. The conference occurred in May this year in Melbourne.

Mr Mortimer—Senator O'Brien, from memory you asked some questions about this at the budget estimates, and indeed I think we provided some information to you.

Senator O'BRIEN—I did get an answer, which I am intending to pursue now. You told me that the Commonwealth arranged for Dr Courtney Price to fly to Australia to speak at the Reaping the Rewards of Innovation: Profiting from Agricultural Change conference. The total cost was \$35,897.77, made up of a speaker's fee of \$10,000 per day for two days—she prepared and delivered the keynote address, prepared and delivered the Accelerating Innovation workshop twice, prepared and delivered the intellectual property workshop twice and was a speaker in the final panel discussion—plus an international business class air fare of \$13,000. That should be first class, shouldn't it?

Mr Souness—No, that is a business class air fare.

Senator O'BRIEN—Is that around the world?

Mr Souness—No, it was US-Australia return.

Senator O'BRIEN—That sounds an awful lot for a US-Australia return. Travel, meals, accommodation and transfers in Australia were \$2,098.68. It seems a very large speaker's fee at \$10,000 a day.

Mr Souness—The suggestion for Dr Price to be brought to Australia originally came from the New Industry Development Program's advisory committee. When the suggestion came for a conference of this nature, they suggested that we look at bringing in an overseas expert in entrepreneurship and innovation development within industry. As we further investigated and sought advice on an appropriate person, Dr Courtney Price's name was brought to our attention. Her normal speaking fee in the US is \$US20,000 per day. After some negotiation, we were able to come to an arrangement where she would provide the services listed in our response to your question on notice at \$10,000 a day plus the air fare, incidental expenses, accommodation and meals.

Senator O'BRIEN—So it worked out at about \$16,000 a day.

Mr Souness—The total cost? Yes, for the two days.

Mr Mortimer—That is the summation of the total package divided by two, although she would have had to have spent a bit of time travelling.

Mr Souness—This also included the preparation time for the two workshops that were presented twice. Dr Price also participated through the workshop. We had 200 participants in the workshop, the majority being small business people from every state and territory in Australia. Dr Price participated not only in presenting those sessions that we listed in our response but also through the other sessions in the conference and gave of her knowledge in the small groups that were arranged in the break-out sessions.

Senator O'BRIEN—So will we be inviting Dr Courtney Price to address any more departmental conferences?

Mr Mortimer—This is a difficult issue. I appreciate that it is a large amount of money, but it is a question of what needs to be paid to get people of international stature to come to these functions. Dr Courtney Price is clearly well regarded. She has a solid CV. For example, she consults with Boeing Corporation in the USA and she also speaks internationally in many countries around the world. So I guess that, at the end of the day, it is a question of judgment as to whether it is worth while bringing those sorts of people to these conferences to get some contributions from them.

Senator O'BRIEN—I guess it is a matter of judgment. Thank you for that. I want to ask some questions about the Wheat Marketing Act and the amendments thereto which were passed in June this year, to cause an independent review of AWBI performance in respect of the single desk for wheat and other matters. There are some questions I have for the Wheat Export Authority. But first, more than four months have passed since the act was amended. What progress has been made in determining who will conduct the review?

Mr Mortimer—There has been some consideration given to the different aspects of the review: the nature of the panel of expertise and its membership and the specific terms of reference for the review. At this stage, those issues are currently before the minister and he is settling his position on those.

Senator O'BRIEN—Do we know when the review will actually begin?

Mr Mortimer—I expect the review will begin very shortly.

Senator O'BRIEN—The minister is about to make an announcement as to who comprises the panel?

Mr Mortimer—That is not what I am saying, Senator.

Senator O'BRIEN—No?

Mr Mortimer—I am saying that it is clearly an important issue and I am sure the minister wishes to expedite it.

Senator O'BRIEN—Do we actually have a time line? Is soon some time this financial year or this decade?

Mr Mortimer—I would expect very soon, Senator.

Senator O'BRIEN—On what basis do you expect very soon?

Mr Mortimer—It is an important issue that needs to be done.

Senator O'BRIEN—So you expect that it would happen very soon.

Mr Mortimer—Yes.

Senator O'BRIEN—I wonder if you would inquire of the minister as to whether he has a view on when the inquiry will commence and when he will make the announcements relevant to the panel to conduct the review.

Mr Mortimer—I am happy to take that on notice.

Senator O'BRIEN—Thanks.

[5.01 p.m.]

Senator O'BRIEN—I have a couple of questions of the Wheat Export Authority. Thank you for attending, Mr Walter and Mr Taylor. I want to find out how the day-to-day work of the Wheat Export Authority has changed since the passage of the amendments to the act.

Mr Walter—As no doubt you are familiar, the authority was given a basis for funding. As a result of amendments made to the Wheat Marketing Act, it was also given a basis to require the provision of information and documentation by AWB(I) and the other AWB companies to it. With respect to the funding process, there are arrangements in place to provide interim funding through the Department of Finance and Administration to the authority such that its processes are to continue on the basis of firm and prudent budgeting processes. I omitted to mention something which has been mentioned by you, Senator, and that is the process of the 2004 review being carried out by a panel to be appointed. We have, in the course of our planning, taken steps to plan for the role of the panel and the process of budgeting comprehends that. The processes which the authority has under way comprehend, as is provided for by the legislation, that information and support be provided to that enterprise, which will of course be separately resourced because it must make its own report.

With respect to the powers which have been given to us under the act, of course that has been part of the consideration by the authority. The authority has exercised those powers and has received information from AWB and AWB(I) as a result of the exercise of those powers. It continues to receive information from AWB(I) and AWB as a result of the exercise of those powers. The basis of the exercise of those powers has been specifically related to the

provision of raw data and documentation to the authority which it was not previously the entitlement of the authority to receive.

Senator O'BRIEN—Should I deduce from what you are saying that the authority's funding needs have been reduced with the transfer of the review function away from the authority?

Mr Walter—We have certain budget figures, and I might ask the chief executive to speak to this issue, but we of course still have the substantive obligations of monitoring, reporting and administering the export of wheat in addition to providing assistance to the panel process.

Mr G. Taylor—The WEA's budget anticipates that in the 2003-04 period the Wheat Export Authority and its support role or assistance role to the review panel will incur a cost to the authority in the vicinity of \$230,000. The other two key functions of the Wheat Export Authority, being the export control function and the annual performance monitoring activity of AWB(I)'s export performance, continue.

Senator O'BRIEN—So how much have you budgeted for the export control function?

Mr G. Taylor—The export control function estimate for 2003-04 is \$922,000—that is for the July 2003 to June 2004 financial year.

Senator O'BRIEN—And the monitoring function?

Mr G. Taylor—For the annual performance monitoring of AWB (International) in the same period, the budgeted amount is \$1,167,000.

Senator O'BRIEN—So a bit over \$2 million for the ongoing functions per year?

Mr G. Taylor—That is correct.

Senator O'BRIEN—What sort of levy will growers be looking at? Are there any preliminary figures?

Mr G. Taylor—The levy has been introduced for the period commencing 1 October on exports of wheat from Australia. The levy has been struck at 22c per tonne of wheat exported from Australia, to fund the operations of the Wheat Export Authority. As indicated by the WEA chairman, that funding will be supplemented by a loan facility from the department of finance.

CHAIR—How do you actually work out who pays, though? You might raise the levy at 22c on all wheat, but who actually pays?

Mr G. Taylor—From the WEA perspective, the levy is struck on exports of wheat but it may that—

CHAIR—That is bullshit. As you know, of any big stack of wheat, some is exported and some sent to the local mill. How do you actually determine who pays, and isn't that your job?

Mr Walter—Those questions are probably better directed to departmental officers. From our point of view, we get the money. The mechanics are probably best addressed to that end of the table.

Mr Pittar—As Mr Taylor indicated, the export charge, export levy, is payable by exporters on the tonnes of wheat that, essentially, go across the wharf. The charge then becomes, under pooling arrangements, where costs and revenues for the operation of a particular pool—

CHAIR—So who actually pays?

Mr Pittar—It is the exporter—

CHAIR—The exporter deducts it, but who pays it? No doubt it all goes backwards to the truck of wheat coming in to the silo and everyone pays it, not just the exporter.

Mr Pittar—What I was going on to say was that it becomes a pool cost and so is a deduction from pool proceeds that would ultimately go to a grower. If the entire pool, hypothetically, was exported, the entire 22c would be borne out of that pool. If 50 per cent of the pool is exported, it is half of that amount. So it is pro rata.

CHAIR—So the only people who would escape it are those who sell for cash to a local Manildra or something.

Mr Pittar—That would be correct when you talk about escaping it. If a pool were in place and none of that pool were exported, none of the export charge would apply.

CHAIR—What if I delivered my wheat and took the cash price from the wheat board at the silo and they then dump it into the pool?

Mr Pittar—If you get a cash price on delivery at the silo and some or all of that wheat goes into a pool and a proportion of that pool wheat is exported, the charge would feed back.

CHAIR—Yes, but when I get the cash price from the Wheat Board at the silo they pay me the cash price because I am short of money. Then they decide the best thing to do is to dump it into the pool—as they did with two million tonnes last year—to make a quid for the shareholders. The poor old pool has to fund that and the profit that comes out of the pool for the payment goes to the shareholders.

Mr Mortimer—It is not really possible for us to get into an argument about how the AWB—

CHAIR—It is possible for me to get into one, though.

Mr Mortimer—That is fine. I respect your capability to have that argument. I guess what we are saying is that essentially the charge is collected when the product is exported across the wharf. As you have intimated, there are a number of ways in which it can go from a farmer, potentially to an export pool and then across the wharf.

CHAIR—The point I was trying to make is that when you make a cash sale to the Wheat Board, as I understand it, the wheat becomes the property of AWB Ltd, who then have the option of putting it into the pool, which is then an integrated international operation. I just wondered whether AWB Ltd pays its dues on the levy.

Mr Mortimer—Let me put it another way in the interests of keeping it as simple and as readily comprehensible as we can. If you are paid a cash price by AWB Ltd you get your cash at that point. There is clearly no further comeback to you and you appreciate that. In terms of what goes into export markets from AWB(I), the charge is applied at that point, so people who have contributed to that point effectively have that charge taken out of the pooled return.

CHAIR—So you think it is fair for AWB Ltd to be able to drop wheat into the pool.

Mr Mortimer—I am making no judgment about fairness.

CHAIR—How do you blokes arrange in your minds the possibility of a conflict of interest between AWB (International) and AWB Ltd, given the growth in the aggressive style of AWB Ltd—and I commend them for it—for instance, buying Wesfarmers, grossing up the company and having ASIC obligations to look after the best interests of the shareholders in an aggressive, expanding company? At the same time there is a vague clause in the constitution, which I do not know has ever been tested, which says that, despite all that, they have to look after the interests of the poor old grain growers. How do you come to terms with that?

Mr Walter—We do that by looking at the operations of the pool and the way in which the operations of the pool benefit growers.

CHAIR—Yes, but how do you do that? Do you just look at some sort of benchmarking?

Mr Walter—There is an aspect of benchmarking in that approach.

CHAIR—All right. So when they dumped that two million tonnes of wheat into the pool in recent times, which we were told in Perth, how did you derive that that did not in some way interfere with the marketing of the pool?

Mr Walter—The pool is obliged to take all wheat presented to it.

CHAIR—It is indeed.

Mr Walter—Because that is the deal. That is the way the legislation operates. So the pool cannot refuse to take that. But what we do is look at the implications of those arrangements between those who sell to AWB Ltd for cash—being growers who have made that decision—and then the activities of AWB(I) and the way in which AWB structures its purchases for cash and its dealings with the pool.

CHAIR—But you will admit that at the silo, generally, unless there is a local mill that is short, AWB Ltd has the capacity to set the market for the cash price.

Mr Walter—It certainly is a market leader.

CHAIR—It has all the market intelligence. So how do you clear it in your mind, on behalf of the poor old wheat growers, that when they set the price they have not knowingly left a margin in it so that they can dump it into the pool to get a profit for the shareholders out of the pool?

Mr Walter—I do not wish to say that we have a conclusive perspective, but we are looking and do have data with respect to the—

CHAIR—You might provide your mechanism to this committee sometime because I think it is all vague. For instance, regarding the trading through the Geneva desk, we were told that AWB Ltd has an obligation to consult internationally as to that particular market. Could you provide us with an example of the paper flow and the paperwork that is involved around that so that we know it actually happens and it is not just hearsay?

Mr Walter—We have received information from AWB. I do not seek to say anything other than it is certainly going to be one of the focuses of our report this year. You may recollect

that the amendments which were made to the legislation particularly by, I think, the Senate said that information we received as a result of, or incidental to, the directions had certain very significant secrecy obligations around it. You might remember that—

CHAIR—I do recall.

Mr Walter—we get to go to jail for 12 months if we breach those secrecy arrangements.

CHAIR—Probably go to June. It is not a bad—

Mr Walter—Absolutely. Unfortunately—or fortunately, depending upon one's perspective—the Senate and this committee are not included in the groups who are given the capacity to receive that information from us, so there are limits on what we can say to you.

CHAIR—But a continuing curiosity for a lot of people is how you walk the tightrope that says that the operations of an aggressive public company—which, I might say, a lot of small wheat growers still think is the Wheat Board—can maintain the best interests of its shareholders and maximise the profit at the same time as it has the obligation to look after the wheat growers. I have never seen that tested. Have you seen that tested publicly in a court or anywhere?

Mr Walter—I do not believe it has been tested.

CHAIR—I look forward to the test that it has the obligation to look after the wheat growers. That is very interesting.

Mr Walter—‘To maximise returns’ was the terminology.

CHAIR—So when they dump wheat from the cash operation, which is the shareholder operation of the board, into the pool to make a profit then I wonder whether that is not the profit that should have gone to the grain growers in the first place. I look forward to your adventure in discovering all that.

Mr Walter—As I said, there are limitations on what we are able to say, but certainly the issue of transactions between the pool and data, with respect to transactions between the pool and AWB, and the relationship between that and markets are things that we are looking at.

CHAIR—Would it be fair to say that you are hopeful, as a consequence of the hearing into the levy, that you will be better equipped legally to deal with these issues?

Mr Walter—At the end of this year we will be in a position to provide a valid and, I think, reasonably complete perspective of those issues, at least based upon the information we have.

CHAIR—Better than you could have provided last year?

Mr Walter—I believe so. Let me rephrase that: better than last year.

CHAIR—I look forward in great anticipation.

Senator O'BRIEN—Has the authority sought legal advice with regard to the amended act post the Senate inquiry? I want to know how you are working in practice under the new arrangements—how they are impacting on your operation.

Mr Walter—We have sought and have received legal advice.

Senator O'BRIEN—You have sought and received it?

Mr Walter—We have sought and received legal advice on the amendments. We have sought an interpretation of the amendments.

Senator O'BRIEN—What do they mean in practice for you?

Mr Walter—We see the amendments, as it were, lifting the bar—as no doubt was intended—in relation to the activities of the authority. In particular, we see the information gathering powers as requiring the authority to ensure that the reports it makes are based upon verified and complete information, because that is indeed the power which has been given to us by the parliament of Australia. I would say that previously it was clear that we were dependent upon flows of information to us and such information as was given to us was the basis of our reports. Now, as a result of the power, I think it is necessary for us to be comfortable and confident that the information we have is complete and verified.

Senator O'BRIEN—How do you do that?

Mr Walter—We have the power to do that. We have exercised those powers. I do not seek to draw analogies, but we will certainly exercise the range of powers we have to achieve what we believe to be the most complete and verified basis for report we can have.

Senator O'BRIEN—Do you roll around there and look at their material on computer and in documentation or do they send you something?

Mr Walter—The format of the legislative basis requires information to be provided in form and content specified by the authority. We have specified the way in which we should receive documentation. Some of that documentation is raw documentation. Other documentation is documentation which has been made available to us within their premises because indeed it is financial documentation which is not easily separable from their premises. I suppose it is fair to say there is an element of debate about the process for the provision of a certificate with respect to the material which is provided for us as to its completeness.

CHAIR—The operation of the Geneva desk has always fascinated me. You could actually control every train in New South Wales from one place. We used to have train control for a certain section of the railway line at Junee, now it is done out of a bricked in building somewhere else. I do not know why you actually have to be in Geneva to do it. Is that an operation by Wheat Board Ltd?

Mr Walter—I believe the Geneva office is an AWB Ltd office.

CHAIR—So it generates a profit for the shareholders—if it profits?

Mr Walter—That is not our focus, of course.

CHAIR—But it is about to be.

Mr Walter—I assume that AWB has looked at this matter as to its appropriateness for shareholders.

CHAIR—So could you provide us with the format in which you ask for the information to determine, before a sale is made, that a sale made by AWB Ltd Geneva of Pakistan or a third party's country to a second country which does not include Australia—nothing to do with Australia—will bear a profit if it is profitable for the shareholders? Can you provide for us the

format in which you ask for the information to prove that that is in the best interests of Australia's wheat growers?

Mr Walter—Subject to the issues I have identified as to our restrictions on the data that we can provide I can see no reason for not providing it.

CHAIR—Have you got any idea what the format is?

Mr Walter—Yes, we do.

CHAIR—So there is a solid paper trail?

Mr Walter—I do not want to go further, but—

CHAIR—There is a solid paper trail?

Mr Walter—I cannot answer it in those terms—

CHAIR—It is not a wink and a nod down the telephone?

Mr Walter—but let me say of the Geneva office that it is something that we have sought material about and have received material about. The analysis of that material is not complete.

CHAIR—My point is that it has been in operation now for—how long? You are supervising it—how long?

Mr Walter—I cannot precisely recall.

CHAIR—Is it 12 or 18 months?

Mr Walter—I think it is of that order.

CHAIR—So up until this point you really have not got any information? There have been several sales.

Mr Walter—That is not true. We do have information. We have sought information and we have received information.

CHAIR—At the time, though, were you satisfied when a sale was made? I do not even know when the sale was made, but I do know that Pakistan and other places have traded wheat to other countries through the Wheat Board. How can an Australian wheat grower be confident that was in his best interests?

Mr Walter—It is possible to say, 'Trust us, we have looked at it,'—

CHAIR—But I don't.

Mr Walter—but I am conscious that may not be satisfactory for you.

CHAIR—I got the impression from earlier questions that it was a fairly vague sort of a proposition that did not get beyond a wink and a nod and perhaps a vague telephone call or two. No-one can say, 'Well, here's the document. We asked them to tick these questions and fill in that bit there.'

Mr Walter—I can say to you that we have asked the question, we have sought data and we have sought effectively the internal material upon which the material is based.

CHAIR—For which I applaud and congratulate you.

Mr Walter—But you will understand when I have a certain reluctance to go further, because of the difficulties that—

CHAIR—I am quite relaxed about that.

Mr Walter—If the legislation said we could tell you, we would tell you.

CHAIR—I am really worried that there has been a lot of business done in the meantime and people might have been getting away with God knows what.

Mr Walter—We are not policemen in the sense of being able to prosecute anybody. Our role is a bit like telltale-tit in certain respects. We can tell after the event whether people have done the right thing, and report on that.

CHAIR—I look forward with great interest.

Mr Walter—The chief executive wants to add to my answer.

Mr G. Taylor—The WEA's performance monitoring functions are retrospective so any transactions that have been undertaken by those officers and their relationship with the pool will be captured by the WEA's performance monitoring activity.

CHAIR—But there have been 18 months of operation. Can you tell this committee that what you have observed of the sales that have been conducted so far and which have been checked by you has been in the best interests of the Australian wheat growers? Or have you not checked any of the sales?

Mr G. Taylor—I can say that data and material has been received by the Wheat Export Authority.

CHAIR—You have not got an answer.

Mr Walter—It is not that we have not got an answer but there is certain difficulty in the way we can communicate.

CHAIR—I bet there is.

Mr Walter—If I can say so, do not feel suspicious about that. You should read nothing at all into that.

CHAIR—I am not reading a thing into it. I am just very interested in how you come to a determination. I am just interested in the format or the formula that you use.

Mr Walter—One of the issues we confront is to make our growers' report as meaningful as possible. I know that from other committee hearings we have discussed this issue, which is an issue that you share.

CHAIR—You would know where I am coming from.

Mr Walter—Absolutely.

CHAIR—There must be this contest in the minds of the directors of AWB Ltd who are also directors of AWB(I), who have an obligation to the best interests of the shareholders at the same time as having an obligation to the best interests of the growers. Often the profit for the shareholders comes out of the margin for the growers, so it is quite a unique construction.

Mr Walter—That is why the issue of the transactions between L and I—each and every sale, transaction and swap—is something we have data about and are analysing to see if there is anything which is inappropriate.

CHAIR—Your capacity to do that has been much more strengthened, has it, in recent times?

Mr Walter—As I see it, the basis upon which our powers have been provided by the parliament requires us to say, ‘This is complete and verified information.’ It is fair to say that that approach means that, in the discharge of our responsibilities, we really have to be comfortable that that is the information that—

CHAIR—So you are happy that under the generosity of the 22c levy for the wheat exports, the poor old grower is going to kick in for that? My take of the previous operation of your operation was that it was constrained somewhat by legal constraints.

Mr Walter—It is for others to judge the value of money but—

CHAIR—Yes, but obviously I am saying this is my interpretation. Are you in a better position now with better legal capacity to demand that information?

Mr Walter—We have the power to get information and we have exercised that power.

CHAIR—Right. On behalf of all Australia’s wheat growers I wish you all the very best.

Mr Walter—Thank you.

Senator O’BRIEN—What was the previous year’s budget for monitoring the performance of AWB (International), as distinct from export control function?

Mr G. Taylor—For the previous year—2002-03—the actual expenditure on monitoring AWB(I)’s performance was \$956,000.

Senator O’BRIEN—So it is a couple of hundred thousand dollars extra for the benefit of having access to information.

Mr G. Taylor—It is broader than that, Senator. It was always anticipated by the Wheat Export Authority that in 2003-04 there would be additional performance monitoring activity which may have additional budgetary impact.

Mr Walter—The contemplation being that the process would lead into the 2004 review. It still will inform the 2004 review carried out by the independent panel.

Senator O’BRIEN—So is any additional cost attributable to the additional powers?

Mr Walter—I would suggest that some part of it must be attributable, because the issue of the additional powers gives rise to the receipt of additional raw data as opposed to processed data. It also required, and has required, as you have referred to, advice and consideration as to the basis of the exercise of powers.

Senator O’BRIEN—There has been something in excess of 20 per cent increase in expenditure in this area, and I am just seeking to chase it down to causes. Some of it, you are saying, is additional monitoring, perhaps because of the review’s timetable or perhaps for some other reason?

Mr Walter—I believe that it is the consequence of the lead-in to the review process and that the monitoring process was to inform that. If you go back and look at the performance monitoring review items, you will see that effectively they were designed to feed into a 2004 review. We now have the benefit of material over a number of years, and we do look backwards. But, as you would know—I was almost going to say lies, damned lies and statistics—the ability to have a series of data makes the material which you have much more credible in terms of drawing conclusions. And I think it is that which explains most of the increase, not the issue of having additional powers.

Senator O'BRIEN—So why does the export control function cost so much to run?

Mr G. Taylor—It is a labour-intensive activity. The Wheat Export Authority has due process which it must follow. The Wheat Marketing Act sets out certain processes the WEA must engage in, including the receipt of the application and consultation with AWB International, consideration of the application against the guidelines and then a decision by the Wheat Export Authority members on each application that is received by the WEA. In researching applications and markets there is a need to sometimes purchase information for the Wheat Export Authority's export control function, and that activity continues.

Senator O'BRIEN—Is there any ability to cost-recover that function?

Mr Mortimer—I think that that is a question for me on behalf of the department—WEA does not have a direct role in that. Effectively that issue was debated and led to the imposition of the charge which was discussed earlier. Effectively the government took a decision and that has now been implemented.

Senator O'BRIEN—How many applications is the \$922,000 expected to cover in terms of the cost of export control?

Mr G. Taylor—I think that would be based on about 500 applications. The Wheat Export Authority anticipates, based on its experience to date, that in a normal year there are about 500 applications received.

CHAIR—Does it cost any more, from your perspective, to process a Futuris type 400,000 tonne application as in recent times, or a 5,000 or 10,000 tonne application from durum growers? How do you base your costs to them—on time or tonnage?

Mr G. Taylor—I think the issue you may be raising is about the application fee. A fee is attached to applications for export consent that must accompany the application. That fee is \$50 and was set by the minister.

CHAIR—So whether it is five tonnes or 500,000 tonnes the fee is \$50?

Mr G. Taylor—That is correct. The Wheat Marketing Act does not facilitate for different levels of fees to be applied to different applications—it is basically one cap fits all.

CHAIR—I won't ask you to comment on that. During the last harvest the price of wheat went back \$50 a tonne over two days. Did you have a look at why that happened? It went from about \$320 or \$330 back to \$280 or \$270 over a weekend.

Mr Walter—Are you talking about pool guidance?

CHAIR—The cash market—the domestic market.

Mr Walter—Commodity markets are volatile, Senator. I do not know that we have particularly—

CHAIR—It was just out of curiosity to make sure that someone was not manipulating the market, which would have had an export implication for the pool. You may have looked at that.

Mr Walter—To the extent that it has a pool cash implication it is certainly caught by the approach we had.

CHAIR—It certainly sent one or two organisations broke, I have to say. I would be curious as to—

Mr Walter—We are happy to take that on notice, Senator.

Senator O'BRIEN—With regard to the Futuris application for a bulk permit, where is that process up to?

Mr Walter—We cannot comment on applications before us. Applicants may make statements about applications before us, but that is up to—

Senator O'BRIEN—So it is current?

Mr Walter—As they say in the classics, I can neither confirm nor deny, but Futuris may have made a statement, in which case presumably their statement is accurate.

Senator O'BRIEN—Let me ask you this: what is the relevance of an applicant's claim that the potential purchaser of their shipment will not purchase from AWBI? Is that a relevant consideration in the exercise of the Wheat Export Authority's determination of the issue?

Mr Walter—Consistent with our guidelines, Senator, it is one of the issues that are relevant. It is not expressly referred to but the extent to which a potential customer is or is not a customer of AWBI is one factor that is looked at in considering applications.

Senator O'BRIEN—In terms of a bulk application, AWB has a veto?

Mr Walter—Unless AWBI consents, we may not provide a consent for the export of wheat in bulk.

CHAIR—I put another question on notice. During our hearing on the levy, we were given some evidence by Brooks, the wheat traders down at Barooga or wherever they are, that they made an application to you fellows, appealed it and lost it. It was for some Rosella wheat, I think it was, which is a biscuit wheat. I have forgotten how many tonnes were involved but I can get the details for you—5,000, 10,000 or 15,000 tonnes. They did a deal with the Wheat Board, who bought the wheat off them, replaced that wheat in their inventory, as I understand it, and then put some money in their pocket to the tune of \$300,000 to \$400,000. Could you see whether that was—

Mr Walter—If you have information—

CHAIR—It is all in *Hansard*. I would be interested, as a question on notice for you, in whether you looked at whether that particular deal was in the best interests of Australian wheat growers or whether it was in the best interests of the shareholders of AWB Ltd.

Mr Walter—This matter was raised by you—

CHAIR—It is well documented and I can provide the—

Mr Walter—Thank you, Senator; that will make it a bit easier.

CHAIR—Have you any reflection on whether it is a fair thing to charge \$50 for a five-tonne application for export, perhaps in half-kilo bags, as it well may be, and a 400,000 tonne application for an export permit? Do you think that that is a reasonable system?

Mr Mortimer—I do not think it is appropriate for me to make any reflection on that, Senator. Essentially it was a decision of the government.

CHAIR—I just thought I would highlight it so that you had something to think about.

Senator O'BRIEN—I am aware that there has been considerable debate in the grains industry about the effectiveness of the canola industry stewardship protocols prepared by the Gene Technology Grains Council. Have those protocols been signed off by the GTGC?

Mr Mortimer—I am not in a situation to answer that. That matter is handled by the technology branch of the Rural and Policy Innovation division. If there is someone in the room who is familiar with that, they might be able to answer that.

Mr Banfield—We might take that under Rural Policy and Innovation.

Mr Mortimer—The right person is not here.

Mr Banfield—I am aware that the industry stewardship guidelines have been developed. As to whether they have been formally signed off, my understanding is that they have but we will confirm that under Rural Policy and Innovation.

Senator O'BRIEN—So all issues relating to GM crops would be handled by that division?

Mr Banfield—Yes, by Rural Policy and Innovation.

Mr Mortimer—They were all handled by the technology branch of the Rural Policy and Innovation division.

Senator O'BRIEN—Then I have no further questions for this division.

Mr Mortimer—Thanks very much.

[5.41 p.m.]

Market Access and Biosecurity

CHAIR—We now move to Market Access and Biosecurity. If no-one wants to make an opening statement, we will go to Senator O'Brien.

Senator O'BRIEN—Can someone advise the committee on the progress in developing a protocol with New Zealand to permit the export of honey from Western Australia to New Zealand? I think the issue has only been running since the late eighties.

Ms Harwood—That is actually an export issue that is handled by AQIS, and I think they would be happy to take that in their section a little later.

CHAIR—Would they also take questions about the implications for Australia in our New Zealand agreement for their program of putting human genes into cows?

Ms Harwood—Um—

CHAIR—Judging by your blank look, you do not know.

Senator O'BRIEN—Let us start with some questions about a number of import risk assessments under development, starting with bananas, which I am sure you were expecting questions on. What is the nature of Biosecurity Australia's consultations with the Department of Foreign Affairs and Trade, including the Australian embassy in the Philippines, in relation to the import risk assessment on bananas?

Ms Harwood—Is there some specific aspect you want me to cover?

Senator O'BRIEN—Specifically, what subjects are you consulting the Department of Foreign Affairs and Trade and/or the Australian Embassy in the Philippines on in relation to bananas? Is there an ongoing discussion? Do you occasionally talk to them?

Ms Harwood—We have discussions on a range of things. Firstly, we use the mission in Manila at times to convey communications, to make sure that our counterpart authorities in the Philippines agriculture department are receiving documents that we want to get to them or to seek documents from them. So they assist us in communication with the Philippines department of agriculture.

Senator O'BRIEN—Do you have discussions with them about trade implications of the import risk assessment?

Ms Harwood—Yes, that takes place on occasion.

Senator O'BRIEN—Is that communication through particular individuals or is it a widely used communications link, that is, used by a number of people within the agency?

Ms Harwood—It would depend on the issue at hand.

Senator O'BRIEN—What about the Philippine banana issue?

Ms Harwood—In relation to Philippine bananas, it might be with the Philippines desk or with the agricultural trade area of DFAT.

Senator O'BRIEN—Is it possible to get a schedule of those communications, details of who has been involved in the communication and what the nature of each communication was?

Ms Harwood—The import risk analysis has been going since early 2001. In fact, it was initiated in 2000. There would be quite a number of occasions on which we would have discussed things with DFAT. Is it possible to scope the request to a particular subject matter?

Senator O'BRIEN—What about in the last 12 months?

Ms Harwood—So it is all interactions with DFAT in relation to the Philippines banana IRA?

Senator O'BRIEN—Yes.

Ms Harwood—We will take that on notice.

Mr Banfield—I think Ms Harwood is saying that there are ongoing consultations, telephone discussions and a range of things and it would be difficult to put a definitive list together retrospectively over the last 12 months but if it helps she is happy to have a go at known meetings. It is a logistical exercise.

Senator FERRIS—I have some questions on this too. Would it be possible to do it from July 2002 which I think was the date the draft IRA was released?

Ms Harwood—There is no formal consultative group as such with DFAT; we would just handle issues with them as they arose, sometimes on the phone and occasionally in writing. So it is not an easy request to respond to.

Senator O'BRIEN—Is it possible to respond in terms of more formal communications? I am not sure that we necessarily want to know that someone has rung up to ascertain that a particular document has arrived or when a document will be sent. But we would like to know when there has been a discussion about the issue of the import risk assessment in any way, shape or form.

Mr Morris—Perhaps I might have a go at this. Just for clarification, we have an extremely close working relationship with DFAT across a range of issues in this particular area of the department because we deal with trade issues across the board. Our interactions with DFAT are on a daily basis across a broad range of issues. A lot of the interaction on this particular issue, the Philippines bananas, would have been of that nature. It would have involved informal discussions backwards and forwards and occasional meetings to discuss the range of issues involved. The only formal communications are probably going to be things like cables where a cable has come from the post which has reported on a particular situation there as opposed to there being a formal working group with minutes of that working group and so forth.

Senator O'BRIEN—In terms of the embassy in the Philippines were you able to document the communications?

Mr Morris—That would be more possible, at least in terms of cables.

Senator O'BRIEN—And I take it from your answer that the ongoing and daily contact with DFAT would include extensive consultation on the import risk assessment on bananas?

Ms Harwood—Not really. The consultation with DFAT would probably in general be on broader matters to do with upcoming visits to the Philippines by ministers or things of that sort. The business of the import risk analysis and our scientific work do not regularly involve DFAT.

ACTING CHAIR (Senator Ferris)—What about contact with the Philippines government on issues relating to the draft IRA? I understand that Dr Stynes has been in consultation with the government—

Ms Harwood—We have direct communication with the Bureau of Plant Industry in the Philippines on matters to do with the IRA. They provide formal communications to us which are placed on a public file.

ACTING CHAIR—Has the Philippines government responded to Dr Stynes's letter asking for some information related to quarantine pests? If so, is that letter available?

Ms Harwood—There has been a series of exchanges through the IRA following up on matters starting with the hazard identification and then later through the risk analysis, and all of those are on the public file for the IRA. We could provide copies of those if you wished them.

ACTING CHAIR—That would be very helpful. I am sure you are aware that the banana growers are very concerned about the draft IRA, in particular the data in relation to the prevalence of moko disease. It is probably not a surprise for you to know that I, certainly, have been contacted by them because they believe that you have been less than helpful in your communications in relation to some of those concerns that they have.

Senator O'BRIEN—Why is Biosecurity talking to the Philippines embassy and DFAT about the trade implications of the banana import risk assessment?

Ms Harwood—That was not what I was actually talking about earlier. It was on broader matters to do with tropical fruit trade issues, and also if a minister is visiting and needs to be briefed on the update of where the IRA is up to, or information of that sort.

Senator O'BRIEN—I thought you were saying that you had had extensive consultation with DFAT. My original question was about the trade implications. That is why I make that comment. Are you saying there have not been extensive discussions with DFAT about trade implications?

Ms Harwood—AFFA has a very close working relationship with DFAT. My colleagues in the trade policy area would probably be the ones with more ongoing communication on trade relations and trade policy issues with their counterparts in DFAT.

Senator O'BRIEN—So the trade policy division of AFFA would be talking to DFAT about the trade implications of the impasse with the Philippines?

Ms Harwood—Yes.

Senator O'BRIEN—And would the trade policy people then be discussing that matter with Biosecurity Australia?

Ms Harwood—If issues arise where they need an update on where the IRA is up to or matters like that.

Mr Morris—Maybe we should make it clear that the import risk assessment is going to be purely based on a science based assessment of the disease risks to Australia in comparison with our appropriate level of protection. To the extent that there is any trade discussions that are had, they are quite separate from the analysis that is actually done as part of the IRA process. But of course DFAT and AFFA do have constant discussions across a whole broad range of trade related issues, on a range of matters, including this one. But that is quite separate to the way we undertake an IRA, which is a purely science based assessment.

Senator O'BRIEN—Thank you for that. I am also interested in communications with the minister and his office in relation to the banana import risk assessment. I do not want briefs themselves but a schedule of communications, their form, the nature of them and the name of the officer involved.

Ms Harwood—This is a list of briefings from the department to the minister?

Senator O'BRIEN—Or communications to the minister or his office.

Ms Harwood—We can take that on notice.

Senator O'BRIEN—Could I have the same information in relation to contact between officers of this department, the Prime Minister's office and PM&C in relation to the import risk assessment?

Ms Harwood—We can take that on notice as well.

Senator O'BRIEN—Thanks. The most recent Biosecurity plant policy memorandum, 2003/30, as I understand it anyway, refers to the considerable time it has taken the risk assessment panel to work through relevant technical issues. This risk assessment panel, with the full resources of Biosecurity Australia available to it, has had 12 months to undertake that task. Are we going to see a final import risk assessment shortly, or are we going to see another draft?

Ms Harwood—That is not something that is determined. The panel is finalising its recommendations and we hope to have the report out soon.

Senator O'BRIEN—If what emerges is another draft, how long will stakeholders who are not as well resourced as the department, and who lack the same access to technical expertise, have to comment on the draft? Is there a set time under the handbook?

Ms Harwood—Under the handbook, if a revised draft were issued, the consultation period would be 60 days.

Senator O'BRIEN—Is that the same as the last consultation period?

Ms Harwood—Yes.

Senator O'BRIEN—Were any responses received and accepted after the 60 days?

Ms Harwood—I would have to take that on notice to be accurate. I think the banana growers' comments may have come in one day late, or something like that.

Senator O'BRIEN—What about input from the Philippines? Have they been limited to that which fell within the 80 days?

Ms Harwood—In terms of responses to the draft import risk analysis, their responding submission came in within the comment period. The panel has made it clear throughout the risk analysis that, if there is technical information which is relevant and which stakeholders wish the panel to consider, stakeholders are welcome to submit that at any time. In fact, that has been a matter of discussion with the Banana Growers Council as well. So the panel has made it clear that people, if they have new technical information which they consider relevant and which the panel should usefully have, are welcome to provide it.

Senator O'BRIEN—Again, are you expecting a final or a draft import risk assessment?

Ms Harwood—As I said, that has yet to be determined.

Senator O'BRIEN—When will it be known?

Ms Harwood—It is not possible to give a precise date for that.

Senator O'BRIEN—So it could be this year or next year?

Ms Harwood—Hopefully, this year.

Senator O'BRIEN—But there has been no indication from the panel?

Ms Harwood—No.

Senator O'BRIEN—Do you know whether the panel are still seeking information? Or are they just deliberating at the moment?

Ms Harwood—The panel is finalising its recommendations.

Senator O'BRIEN—So they have concluded their deliberations?

Ms Harwood—They are in the final stages of preparing their report and finalising their recommendations.

ACTING CHAIR—Dr Stynes suggested to the Philippines government that they should carry out research projects in relation to moko. To what extent would those research projects be taken into account in the final paper? Have they all been completed? If so, are the results of them available for public scrutiny?

Ms Harwood—Yes. The reports on the Philippines' moko research were received some time ago, and those reports have been on the public file since they were received. So yes is the answer to that question, and the panel has had those—

ACTING CHAIR—Are you happy that they carried out all of the research programs that Dr Stynes suggested—that they completed them all?

Ms Harwood—I would not comment on that report. It was received and passed to the panel, who have been looking at it. The Australian Banana Growers Council submitted comments on that report as well, which were forwarded to the panel.

Senator O'BRIEN—Can you guarantee that, if there is a further draft, it will not be released so that time runs over the Christmas period? That would limit the ability of industry to respond.

Ms Harwood—I am sure we would take matters like that into account. As we do not yet have a precise time for when the report will come out, it is a rather hypothetical question.

Senator O'BRIEN—We have been waiting some time. We are approaching Christmas. You are suggesting that you are expecting the report to be handed down soon. 'Soon' meaning 'today' would mean that the 60 days runs to about New Year's Day. Delay it a month and it will run through the Christmas period. That is soon as well. So, on the basis of your answer, it is not quite hypothetical; it is a distinct possibility. Can the industry be guaranteed that that will be taken into account and that, if required, it will receive an appropriate extension, having regard to the disruption of the consideration period because of the Christmas period? That is a power that is available to the department, isn't it?

Ms Harwood—When we know the release date, we will take into consideration whether that spans the Christmas period and what to do about that.

Senator O'BRIEN—So you might or might not take it into account.

Ms Harwood—We will take into account where the 60-day period falls and what the ramifications of that are.

Senator O'BRIEN—I am asking the manager of Biosecurity Australia to guarantee to the banana industry that, if the import risk assessment spans the Christmas break, that break will be added to the available time for a response.

Ms Harwood—I have said that we will take into consideration the ramifications if the 60-day period contains the Christmas-New Year break. I feel that is the appropriate commitment for me to give here. I do not feel it is appropriate for me to give guarantees here as to what I will or will not do in particular circumstances.

Senator FERRIS—This is an issue that the apple industry had a couple of years ago. I think that is probably what Senator O'Brien is referring to. The apple industry found themselves in a very time-pressured situation because Christmas, New Year and the January holiday were part of the 60 days which they had to respond. It was extremely difficult for them. I am sure that other horticultural industries learnt from that that they should not be caught in the same way and should do everything to make sure that they were not. I suspect that that is what Senator O'Brien is referring to. It is certainly the issue that has been raised with me by the growers council.

Senator O'BRIEN—Not only that, but I think it is possible for that guarantee to be given. So I am asking that, if you cannot respond now, you take it on notice and seek to obtain that guarantee. I can assure you that industry organisations feel that they are at a significant disadvantage in that the availability to conduct business, contact people, obtain the necessary information and put it all together is severely limited by such an extension. We have seen, for example, in the apple import risk assessment that it did not proceed and another one was concluded after such a shortened deadline was imposed upon them. Can you confirm that the Australian Banana Growers Council has sought access to certain departmental documents under freedom of information?

Ms Harwood—Yes, I can.

Senator O'BRIEN—Who has been appointed as the decision maker in relation to this application?

Ms Harwood—I understand that Jeff Maldon is the decision maker.

Senator O'BRIEN—At what point is that application?

Ms Harwood—At the moment there is consultation between the department and the legal firm representing the Banana Growers Council relating to the scope of the request.

Senator O'BRIEN—If there is a request for an internal review, who would be delegated the responsibility for that task?

Ms Harwood—I do not know. I will have to take that on notice.

Ms Stanton—It is not a matter of taking it on notice; that is something that the secretary would decide at the time.

Senator O'BRIEN—Ms Harwood, have you discussed this FOI claim with the FOI officer?

Ms Harwood—With the Commonwealth's—

Senator O'BRIEN—Yes.

Ms Harwood—Yes, I have.

Senator O'BRIEN—What was the nature of those discussions?

Ms Harwood—They related mainly to the scope of the request.

Senator O'BRIEN—So there is a dispute about the scope of the request. In other words, they want information that the department is not proposing to provide under freedom of information—is that right?

Ms Harwood—No, it is not a dispute. The fact is that the amount of information sought is so large as to be, in resource terms, unreasonably demanding on the department. It would be a huge amount of work to service the request as currently drafted.

Senator O'BRIEN—How many pages of documentation are they asking for?

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

Senator O'BRIEN—I have had a bit of personal experience with one where it was suggested that there were hundreds of pages and I ended up with 32.

Ms Harwood—It would be a very large request if it were serviced in the form in which it is currently constructed.

Senator O'BRIEN—Has Biosecurity Australia had discussions with officers from DFAT and the Department of the Environment and Heritage in relation to freedom of information applications lodged by the Australian Banana Growers Council with those departments?

Ms Harwood—The FOI contact officers for those various departments have been in communication with each other as there are many intersecting aspects of the request.

Senator O'BRIEN—So they have had a discussion about the intersecting aspects of the request, I take it.

Ms Harwood—I understand that there has been communication between them as to how to handle those aspects.

Senator O'BRIEN—In relation to the AFFA FOI are you saying that the FOI request is unreasonable?

Ms Harwood—In essence, yes. The scope of the request covers such a huge volume of documents to be extracted and assessed in terms of the act that it is a very large and unmanageable piece of work to do that. That is the consultation we are having at the moment, as is provided for in the act, between AFFA and the legal representatives of the Banana Growers Council.

Senator O'BRIEN—The FOI officer is not you, is it? The decision maker is that officer, not you.

Ms Harwood—Yes.

Senator O'BRIEN—Why is your view as to the reasonableness of the request or otherwise relevant?

Ms Harwood—I am giving you the department's view.

Senator O'BRIEN—What is the department's view, as against the officer's view?

Ms Harwood—The officer has written a letter informing the legal representatives of the Banana Growers Council that the department considers the request to be unmanageable in scope, and consultations have proceeded to follow up on that.

Senator O'BRIEN—Is the officer the decision maker or the department?

Ms Harwood—Sorry?

Senator O'BRIEN—Is the officer the decision maker in this regard or is Biosecurity Australia's secretary the decision maker?

Ms Harwood—No, the officer I referred to is the decision maker in terms of the request. Is that what you mean?

Senator O'BRIEN—Yes. I am just interested in whether the officer's view, as the decision maker, is one component and whether the department's decision as to the reasonableness of the request forms another component.

Mr Pahl—The freedom of information legislation sets out the arrangements that we are bound by in terms of any freedom of information requests. I cannot remember all the relevant clauses, but there are opportunities for the department to go back to applicants and seek to narrow the scope of the request where we believe the scope is so wide that it would divert the resources of the organisation. There is also the issue of costs. It is quite usual for us to go back when people come forward with a request which is a catch-all, for example, all documents relating to the business of AFFA. When you go back, that is not what they wanted at all and the cost to them would have been horrendous were we able to process such a wide ranging request. We quite often engage in dialog with applicants to try to narrow the request down to what they actually want. That helps them and us and keeps the cost down from their point of view.

Senator O'BRIEN—Has Biosecurity replied to the Banana Growers Council's legal representative's letter of 16 September in relation to the FOI matter?

Ms Harwood—Not as yet.

Senator O'BRIEN—But did you tell me that there were discussions between—

Ms Harwood—There were, prior to that letter.

Senator O'BRIEN—So there were prior to that. Is it expected that that reply will take some time or is it imminent?

Ms Harwood—I expect that it will go very soon.

Senator O'BRIEN—Earlier this year the Prime Minister announced a forum between Australia and the Philippines to discuss areas of difference. He said:

We have some areas of difference in matters such as quarantine and the Australian view is that our quarantine laws and procedures are utterly based on science, and from time to time some countries have a different view and that is perfectly legitimate, we have made some progress in certain areas and the view is that if we can establish a mechanism that can bring all these issues together we can get better outcomes for everybody and that is what is agreed.

Has that forum met yet? Does the department, and in particular Biosecurity Australia, participate in forum discussions? Is Biosecurity Australia expecting to participate if it has not met yet?

Ms Harwood—It has not met yet.

Senator O'BRIEN—Is Biosecurity Australia expecting to be involved?

Ms Harwood—It would depend on the agenda for when a meeting is set up.

Senator O'BRIEN—Would it be appropriate for it to be involved?

Ms Harwood—If it was having technical discussions. We have bilateral forums with a number of countries where technical quarantine matters are discussed between counterpart officers. It would be reasonable.

Senator O'BRIEN—At what officer level would you expect Biosecurity might be involved?

Ms Harwood—I cannot say until I knew what sort of meeting was being set up and what the subject matter was.

Senator O'BRIEN—So, if the forum were to interact with technical groups from the department, that would be the extent of any involvement—technical advice, technical consultation?

Ms Harwood—By Biosecurity Australia?

Senator O'BRIEN—Yes, Biosecurity Australia.

Ms Harwood—Our engagement would be on matters relating to technical quarantine issues.

Senator O'BRIEN—How does that forum fit with an import risk assessment process which, in the banana case, appears to have been pretty consistent with the process that has been laid down in the handbook?

Ms Harwood—Perhaps I could describe it by referring to other bilateral relationships where such forums exist and where there are risk analyses in train either by the trading partner or by us. It would normally just be to provide an update of where that analysis is up to—essentially for each side to describe where the various pieces of work that they are doing on market access requests are up to.

Senator O'BRIEN—In relation to bananas, that process has been completed, hasn't it, unless there is a further draft issue?

Ms Harwood—The process is still in train in terms of the import risk analysis. We would describe where the IRA is up to in any discussion, if that information were requested by the Philippines.

Senator O'BRIEN—You say this process is not inconsistent with the import risk assessment process laid down in the handbook?

Ms Harwood—No, in that with many of our trading partners we have bilateral fora, for instance, on plant quarantine or animal quarantine. We would perhaps have an annual meeting or a meeting every two years to review progress on a range of technical market access

requests in both directions and would update each other on where those analyses were up to. So it does not detract from or divert the IRA process; it is just a means of exchanging information on where those analyses are up to.

Senator O'BRIEN—Can you tell me when the protocol for the importation of pineapples from the Philippines was completed? It was about a year ago, I think, but I am not exactly sure.

Ms Harwood—I will see if I have it here; otherwise I will take it on notice. It is about a year ago. The import risk analysis was completed in July 2002.

Senator O'BRIEN—How long did that assessment process and the finalisation of the protocol take?

Ms Harwood—About two years.

Senator O'BRIEN—Was it a non-routine assessment?

Ms Harwood—It was done by an internal team in Biosecurity Australia, under the old process. We no longer have the non-routine thing but, yes, under the old process it was a routine IRA.

Senator O'BRIEN—So it was a thorough process—it looked at the aspects of the science of the matter and we came to a conclusion?

Ms Harwood—Yes, it made recommendations on quarantine import conditions for pineapples.

Senator O'BRIEN—Who initiated a review of that protocol, which is now more than a year old? What was the trigger for it?

Ms Harwood—In May of this year we had a request from the Thai agriculture department requesting the option of onshore fumigation in Australia as opposed to fumigation prior to export. It was from the Thai government.

Senator O'BRIEN—How does that process work?

Ms Harwood—They wrote us a letter requesting an amendment to the import conditions to enable fumigation onshore—that is, on arrival.

Senator O'BRIEN—So it is as simple as that to review the protocol.

Ms Harwood—Yes. Countries at any point can seek from each other a change to quarantine conditions if they consider that is a reasonable request on their part. It was not a revision of the import risk analysis; the basic treatments remain the same. It was requesting a change to the place of fumigation.

Senator O'BRIEN—Are we obliged to facilitate such a request?

Ms Harwood—We are obliged to respond to it, yes, just as we seek what are essentially market access improvements with our trading partners when we ask for changes to protocols under which we currently trade where we consider we can meet the quarantine terms of our trading partners by less trade-restrictive means.

Senator O'BRIEN—So that is a WTO rule matter, is it?

Ms Harwood—Essentially, part of the SPS agreement is that countries can seek to propose less trade-restrictive means if they wish, and the importing country needs to consider those requests.

Senator O'BRIEN—Can you refer us to the relevant part of the SPS protocol?

Ms Harwood—I do not have the agreement with me. I will take that on notice.

Senator O'BRIEN—So the Thai government have simply made a request to us; there has been no involvement of WTO panels or the like?

Ms Harwood—No, the Thai government wrote to us seeking that change.

Senator O'BRIEN—Can the committee be supplied with a copy of the letter from the Thai government?

Ms Harwood—I need to check. It is a government-to-government communication. It is my understanding that I would check first with the Thai embassy. That would be the basis on which we would provide it: if it was okay with them.

Senator O'BRIEN—Was there any consideration of the scientific effectiveness of the proposed new protocol?

Ms Harwood—The science underpinning the treatment by fumigation remains unchanged. There was no need to review the science. It is the place of fumigation that is being changed. So the measure remains the same in quarantine terms. The task in looking at that request is to see how onshore fumigation could be done in a secure way so that the product enters fumigation and is then inspected and can enter trade.

Senator O'BRIEN—Are there any issues with methyl bromide used in fumigation in relation to Australia and its commitments?

Ms Harwood—Methyl bromide is used widely in quarantine, for both exports and imports. There are standard procedures around its use in terms of OH&S implications. My understanding is that quarantine use is exempt from the disciplines of the Montreal protocol.

Senator O'BRIEN—But is fumigation by methyl bromide normally used when infection is detected at this end or is it more widely used?

Ms Harwood—For horticultural imports in Australia, fumigation is regularly used when quarantine pests are detected.

Senator O'BRIEN—So it is not something where there is a routine treatment of imports upon landing normally?

Ms Harwood—There are other protocols where mandatory fumigation applies, which I think is what your question relates to. For instance, for imports of Californian table grapes, if they wish to do fumigation onshore it is mandatory.

Senator O'BRIEN—If they wish to?

Ms Harwood—That is, they can either do mandatory fumigation in California or they can do it in Australia.

Senator O'BRIEN—So that would be the precedent for allowing this?

Ms Harwood—It is an example.

Senator O'BRIEN—Are there any other examples?

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

Senator O'BRIEN—Okay. Thank you for that. What is happening with the New Zealand apple import risk assessment, for fire blight?

Ms Harwood—The panel is working towards production of a revised draft IRA report.

Senator O'BRIEN—Can we expect any movement on that in the foreseeable future?

Ms Harwood—Hopefully, soon. But again I cannot give a precise date on that.

Senator O'BRIEN—What about the issue of importation of fresh chicken meat?

Ms Harwood—Likewise, that one is proceeding to a draft import risk analysis report. It too is in the stage where the panel is pulling the report together—it is forming its recommendations. And again I cannot give a precise timing on when that report would be released.

Senator O'BRIEN—Is it Biosecurity or AQIS that deals with the administration of the US beef quota?

Ms Harwood—It is another part of AFFA.

Mr Banfield—That is Food and Agriculture, which we have already dealt with.

Senator O'BRIEN—Then I will have to put those questions on notice. Can you tell me if there are any restrictions that remain on the importation of material that may contain BSE risk material of Canadian origin?

Ms Stanton—Andy Carroll will be able to answer that question when we get to the AQIS questions.

Senator O'BRIEN—I had assumed some other questions would take me to the dinner break, and Senator Ferris has some questions. We are a couple of minutes off but I have not got any more.

Proceedings suspended from 6.28 p.m. to 7.32 p.m.

Senator FERRIS—Ms Harwood, are you able to express any view on the work that was done by CSIRO and submitted to Biosecurity about the question of banana imports from the Philippines?

Ms Harwood—Part of the commentary that Australian Banana Growers Council provided on the Philippines report on moko research was a report done by CSIRO for them on the statistical aspects of the moko research. That is all I would say. I think it is really a matter for the panel.

Senator FERRIS—Have you seen it?

Ms Harwood—Yes, I have.

Senator FERRIS—Do you have any comment to make on it?

Ms Harwood—No.

Senator FERRIS—Are you familiar with the fact that the banana growers and CSIRO have raised some questions in relation to the material that has come from the Philippines as a result of the overlay of the CSIRO research by Mathematical and Information Sciences?

Ms Harwood—It was a commentary by, I think, the mathematics statistics division. We passed that to the panel as soon as we had clearance from ABGC, because it was initially marked confidential. But ABGC said that they were happy for it to be passed to the panel.

Senator FERRIS—The Australian Banana Growers Council's view is that there is a real risk of the likelihood of moko disease being brought into Australia. The council's view—I am sure you are familiar with it—is that the risk has been underestimated by the draft IRA and also the work that has come in from the Philippines.

Ms Harwood—We had a very large technical submission from the ABGC on the draft IRA, and the panel has worked its way right through that in its deliberations. Moko is obviously a serious quarantine pest that is a central part of the risk analysis.

Senator FERRIS—Has the view put by the Banana Growers Council changed the view of the panel?

Ms Harwood—That is not something that is appropriate for me to comment on at this point. The panel is working through its suite of recommendations in terms of its report. It will address the issues raised by stakeholders in that report.

Senator FERRIS—I have quite a number of questions here, but I think—given the amount of time we spent this morning on the sheep issue and that I know we have a lot to cover tonight—I might put the rest of them on notice because they are of quite a technical nature and you may want to make a comment on them with less pressure than now.

Senator O'BRIEN—In terms of the Japanese 'snapback' tariff, apparently the run-through did not reveal this as an anomaly in what we were intending to do.

Mr Banfield—Certainly Japan 'snapback' is Food and Agriculture.

Senator O'BRIEN—Unfortunately we will have to load you up with questions on notice. We would appreciate it if we could get an early answer on fairly simple questions.

Mr Banfield—Sure. Thanks, Senator.

Senator O'BRIEN—I do not have any more for Biosecurity.

Senator FERRIS—I am tempted to ask Dr Stynes about apples, just because I like to be consistent in these matters, but I will not.

[7.38 p.m.]

Product Integrity, Animal (including aquatic animal) and Plant Health

CHAIR—Could I ask the first question to whoever wants to answer it? In New Zealand at present they have a program where they are inserting human genes into cows. Given our trade agreement and our cross-the-waters interchange—I understand that if they get an approval we approve it—how does that reflect on any of the dairy products or subsequent by-products that come from this program of inserting human genes into cows? What is our attitude as a government to that?

Mr Banfield—I am not sure whether we have the expertise either here or behind us. The broad issue of gene technology is in Rural Policy and Innovation. That is, I think, the appropriate area to raise the question. I am not sure whether the details of your question—

CHAIR—I have asked these questions before and we have got very, very dodgy answers, in my book. This is a program which has initiated a lot of public debate in New Zealand and from scientists in the United States. Some people, including the people in the library here, have said, ‘You’re pulling my leg,’ when I ask them for all of the information available. But there is a program, as you may or may not be aware, in New Zealand where they are placing human genes into cows as part of some logic they are using for better products. I would be interested if you could provide this committee with some detailed information on how we intend to deal with that. I have no idea what they are going to do with the milk and whatever flows from such a union, but what are our safeguards?

Mr Banfield—You would be aware, Senator, that the Office of the Gene Technology Regulator does actually regulate and assess genetically modified products for health and safety reasons. I guess I am anticipating, unless my colleagues behind me have some detail on that, that it might be best if we take the question on notice and come back to you with a more informed answer, rather than put officers behind on the spot.

CHAIR—Thank you very much.

Senator O’BRIEN—Are all Australian food exporters to the US likely to be in a position to comply with the requirements imposed by the new US Bioterrorism Act by December this year?

Mr McCutcheon—The short answer is that every effort is being made to communicate the new US arrangements to Australian food exporters. We expect that these outreach activities will enable them to be in a position to meet those new requirements.

Senator O’BRIEN—All Australian food exporters?

Mr McCutcheon—All food exporters that are in the first instance aware of the new US requirements through either their importing or customs agent in the United States or through the results of our outreach programs in Australia through Austrade, AQIS and other agencies.

Senator O’BRIEN—What additional costs are Australian exporters going to incur as a result of the new US food import requirements?

Mr McCutcheon—It is not possible to quantify the costs to Australian exporters at this point in time. However, there will be additional administrative burdens. There will be costs for some exporters who will be required to appoint a US Customs agent. There could possibly be costs to exporters where there are delays in their products being permitted entry into the US. At this stage, however, as I said, it is difficult to quantify those costs because the detail of the proposed new US regulations are still in the process of being worked through and presented as interim final rules.

Senator O’BRIEN—What consultation did the US have with this department about these changes?

Mr McCutcheon—Our consultations with the United States Food and Drug Administration have been through our embassy in Washington. We also took the opportunity

to raise the issue with them at the annual food safety quadrilateral meetings, which were held in New Zealand in April this year. There have been ongoing representations, including raising our issues in the margins of the US-Australia FTA negotiations.

Senator O'BRIEN—And what are our issues?

Mr McCutcheon—Our issues relate to the additional administrative burdens that will be placed on our exporters and other associated costs.

Senator O'BRIEN—But we cannot quantify those. How do we raise those issues with the United States if we have not got a handle on them?

Mr McCutcheon—I guess we have raised the issues in the context of obligations under WTO trading arrangements where measures that are imposed are not to be unfair to exporting countries as opposed to domestic arrangements. The simple reason that it is difficult to quantify is that it will depend on the particular food export operation and the nature of the trade that particular exporter has with the US. For example, a food export operation that already has a Customs appointed agent in the US will probably have very little additional cost, because the registration is free and it is just a matter of them fitting in with the new arrangements. Similarly, for those exporters who keep very good records, as we expect most food exporters would, we would have thought that there will be very little additional costs for those exporters as well. But, as I said, it is very difficult to tell until we actually have the system up and running.

Senator O'BRIEN—So are we suggesting to the US that this is a non-tariff barrier?

Mr McCutcheon—We have certainly raised or registered our concerns in a formal sense with the WTO. We have also registered our concerns formally through the US federal register, and again our concerns have been raised in the context of not being unfairly prejudicial to our trade interests.

Senator O'BRIEN—Do we know how many Australian food exporters export to the United States?

Mr McCutcheon—No.

Senator O'BRIEN—How do we know the department's outreach program on this issue has been successful?

Mr McCutcheon—We will not know until some months of experience with the new program. One of the challenges that has been faced is that the US FDA has been conducting the operational negotiations directly with exporters. They have not wanted to involve government agencies of either Australia or other exporting countries. As I said, we have put a lot of effort into raising the awareness amongst our food industry of the need to meet these new requirements, and we have done that through AQIS and through Austrade. But, as I said, we really will not know until some months of experience.

Senator O'BRIEN—I want to ask about the wheat streak mosaic virus. Despite Mr Truss saying in April he did not want to contain wheat streak mosaic virus—he wanted to eradicate it—in June he announced that the government had given up the fight. Can you give us a snapshot of the virus's spread and tell us what, if any, impact the virus is having on wheat being harvested?

Dr Hamilton—The virus has almost certainly been in Australia for the past 10 to 20 years. I was shown a publication that dated back to the 1950s that described some unknown symptoms in Victoria which were very similar to wheat streak mosaic virus symptoms that we have seen recently. So the possibility is that it has been here for many years at a very low level causing, in effect, non-economic damage. The damage assessments from the states—from the areas that they have surveyed—is certainly less than 0.1 per cent of yield loss, is their anticipation.

Senator O'BRIEN—The damage in Australia?

Dr Hamilton—Yes. Certainly in other parts of the world the damage can be very severe. It is on that basis, and also of course on the basis that it was not clear whether the virus was actually here or not, that we took the position of making the assumption that the virus was not here until we could demonstrate that it actually was.

Senator O'BRIEN—So what is the process of ongoing monitoring of the impact of the virus?

Dr Hamilton—I think the Grains Research and Development Corporation has made money available for a survey this year. Virtually all of the departments of agriculture are taking on board some survey activity and there has been awareness campaigns by the departments for growers to report any unusual symptoms. Certainly, if we were to have any crops that were affected by more than just a few per cent that would be quite evident and that would come forward. But, as yet, that has not come forward.

Senator O'BRIEN—Would you have expected that information to have come through by now?

Dr Hamilton—Certainly. We anticipated that late September to October was probably the key time. The fact that we have heard nothing suggests that neither the active surveillance campaigns nor the passive surveillance—just having land-holders report—have come up with anything further.

Senator O'BRIEN—Can I just check that I should not be asking questions about GM crops and liability here?

Mr Banfield—No, Senator. That is Rural Policy and Innovation. If it is the issue you raised before about the stewardship principles, et cetera, that is Rural Policy and Innovation.

Senator O'BRIEN—It is. In that case, I do not have any further questions on Product Integrity, Animal and Plant Health.

[7.51 p.m.]

AQIS

Senator FERRIS—We will proceed to section E now, that is AQIS. I think many of the officers are still at the table. There may be some more who need to come up.

CHAIR—Regarding the wheat that came in earlier in the year from England, what has been put in place so that does not happen again? It was actually on the ship and on the way before we discovered that it had a disease.

Ms Stanton—My answer to that would be that we have revised the protocol.

CHAIR—Does that mean that you had a flawed protocol?

Ms Stanton—No. I am not an expert on this and, in fact, it is a biosecurity matter but my understanding was that the particular disease involved was not of concern to us, but it was in the protocol.

CHAIR—But it was a new disease—new to Australia?

Ms Stanton—I do not know that. Mary Harwood would have been the right person to ask.

CHAIR—You might just refresh the committee's memory. What was the disease that was in that wheat that came out from England?

Dr Stynes—I am pretty sure that it was hymenula.

CHAIR—Just to take us through the process—and I am sorry to burden you with this—how can it be that that wheat was loaded with a disease, which, I have to say, is a disease that Australia has not had before, as I understand it? How can we have a protocol that allows that to happen?

Dr Stynes—I must say that I have not refreshed myself to answer you accurately. The particular fungus was at very, very low levels in the shipment of wheat that was on its way to Australia. We looked at the risk. We did a risk analysis—or a risk assessment—to see whether it would have an impact or not. It was a fungus that was on a protocol that was historic in a sense that the fungus had not been assessed fully. So we did do an assessment and it would be our view and our recommendation that the particular fungus involved be removed from the list altogether. The UK had to issue a phytosanitary certificate, I believe.

CHAIR—But how come the wheat got on the ship and on the water and on the way before we discovered all this?

Dr Stynes—Because the wheat was loaded before there was an assessment done. It is actually the British who declared that they did have it in that particular sample.

CHAIR—But would that not be a DPIE process?

Dr Stynes—In a sense it was, but it was something that was at incredibly low levels in the UK, anyway, and they normally would not expect to have an occurrence of it.

CHAIR—But it could have been something else; that is my point. How come, before we load the wheat, we do not know what we are loading? Do we still do that?

Dr Stynes—No, it is not done now. There is a pre-assessment that is accurately done. But in this particular case—and as you said, we cannot generalise about it because another fungus might be more serious—but in this particular case the fungus was not of concern to Australia.

CHAIR—So the answer, to just put wheat growers at ease a little, is that whatever it was in the protocol that allowed that to happen can no longer allow that to happen?

Dr Stynes—That is correct, yes, the testing. The reality is that that particular fungus would have posed no threat whatsoever to Australia.

CHAIR—Given all that, we now would discover it before we put it on the boat?

Dr Stynes—Yes, that is correct.

CHAIR—Thank you very much.

Senator O'BRIEN—So can you tell me what has happened on the question of developing a protocol with New Zealand to permit the export of honey from Western Australia to that market? I think the issue has been running since about 1980.

Ms Stanton—It has certainly been running for a long time.

Senator O'BRIEN—Late 1980s—

Ms Stanton—Since you raised it earlier, I have checked the details. Our most recent reminder, or query, has gone to the New Zealanders on 6 October, having expected that their assessment would be completed earlier this year. They are now saying that it will be the end of the calendar year and they hope to give us their risk assessment at that point. We have followed this up many times. Certainly I know that I followed it up personally about two and a half years ago when I was in New Zealand. It is clear that their assessment process is taking longer than we would like.

Senator O'BRIEN—That is a masterful understatement. Do they have an explanation for the 'longer than we would like' timetable for this process?

Ms Stanton—Most recently they have been saying that there is just further information that they are still gathering and they are stretched for resources.

Senator O'BRIEN—As I recall it, we have considered about three applications for import risk assessments on New Zealand apples in the last six or seven years, but the New Zealanders have not been able to complete an import risk assessment on Western Australian honey for what, fifteen—

Ms Stanton—I am not sure of the exact time. I am sure that there are other risk assessments that they have completed, but they have not completed this one.

Senator O'BRIEN—I suppose we will just have to keep asking about it.

Ms Stanton—We most certainly will keep asking about it.

Senator O'BRIEN—I look forward to a positive answer the next time I ask about it.

Ms Stanton—I would hope very much to be able to give you one.

Senator O'BRIEN—AQIS has provided answers to questions asked at the May estimates concerning meat inspection arrangements. They were concerning meat inspection establishments at export meatworks specifically with the establishment numbers 808, 0077, 0900 and 0048. The answer to question No. 3 says that Japan, Singapore and Korea are aware that project 2 inspection arrangements are practised by those facilities and that they understand and accept those arrangements. Were they aware, as of May, or have they been informed subsequent to the estimates hearing on 26 May?

Mr Read—Japan, Singapore and Korea were informed in 1999. As you would appreciate, the pork industry at that time was going through the export opportunities created by the nipah virus. At that time, AQIS established programs with those pork operators to enable export to occur. In 1999, that was communicated to those three markets—Japan, Singapore and Korea. Subsequent to the last Senate hearings I communicated to South Africa the fact that they were receiving product from one of those plants. There has been no response of concern expressed.

Senator O'BRIEN—So South Africa was not aware of that as of 26 May?

Mr Read—No.

Senator O'BRIEN—What sort of inspection arrangements did the South Africans think we had in place?

Mr Read—I would not hesitate to assume what they thought the inspection arrangements were for pork. The inspection arrangements under MSEP provide high levels of assurance as to the sanitary food safety of the product that is certified. As you would appreciate, those plants are AQIS supervised plants.

Senator O'BRIEN—I will ask about the quarantine inspection of domestic mail. This is a matter of particular importance to my home state. It may be less important to other states. I understand there is a legal difficulty associated with the inspection of interstate mail by Australia Post. As I understand it, there is a memorandum of understanding between AQIS and Australia Post for international mail, but domestic mail is not part of that agreement; is that correct?

Mr Cahill—Yes, that is my understanding.

Senator O'BRIEN—As you are aware, Tasmania is free from any pests found on the mainland and we are keen to keep it that way.

Senator Ian Macdonald—Non-human pests, you mean?

Senator O'BRIEN—I was not going to add any comments, Minister, but you really tempt me. When are you coming down again? Can you advise the committee what action AQIS is taking to fix the problem with the memorandum of understanding? Can you tell us the time frame that you are working to to correct that problem?

Mr Cahill—The inspection of domestic mail is ultimately a matter between the state and Australia Post. Our authority comes from the Quarantine Act which allows us to deal with international mail. Australia Post uses a gateway system for international mail. It does not first port into Tasmania. It is subject to inspection by AQIS, generally in Melbourne. As you will know, the international border control arrangements in Tasmania are undertaken by the state on behalf of the Commonwealth. Those arrangements are in place under a memorandum of understanding that we have with Tasmania. The same staff employed by the state government in Tasmania undertake both interstate and International border activities. The same staff are involved in issues relating to domestic mail and international mail.

AQIS, for its part, has endeavoured to try to facilitate an outcome through discussions with both Australia Post and the Department of Communications to see if some suitable arrangement can be put in place that also covers the inspection of domestic mail. My understanding is that, as a matter of law, there are some difficulties with Australia Post allowing access to domestic mail for those sorts of interstate border inspections. As I said at the outset, it then remains a matter for the state and Australia Post to work out.

Senator O'BRIEN—So AQIS contracts its function to the state of Tasmania?

Mr Cahill—That is correct.

Senator O'BRIEN—The state of Tasmania carries out its own quarantine functions with the same staff?

Mr Cahill—Not exclusively the same staff; there is some overlap. Staff that are employed by the state government undertake both interstate and international quarantine border activities. The state may well employ other staff that are exclusively engaged on interstate activities, but there is certainly some overlap between the two.

Senator O'BRIEN—Is this an issue in other states—for example, Western Australia?

Mr Cahill—It has been an issue with Western Australia.

Senator O'BRIEN—Have they sought to control the flow of material through domestic mail, for example?

Mr Cahill—They have sought to do that, yes.

Senator O'BRIEN—So it is the same problem with the same solution?

Mr Cahill—Yes, it is.

Senator O'BRIEN—What is the solution?

Mr Cahill—The solution is certainly not one that is within our hands. It is probably a matter from a policy and legislative perspective that needs to be put to the Department of Communications.

Senator O'BRIEN—Would it need an amendment of AQIS legislation or communications legislation?

Mr Cahill—Probably the latter. The Quarantine Act enables us to regulate the flow of goods across the international border, but does not permit us to deal directly with interstate border quarantine issues.

Senator O'BRIEN—Is it possible for the Quarantine Act to be amended to rectify that?

Mr Cahill—I suppose it is possible to amend any legislation, if that is what the parliament chooses to do.

Senator O'BRIEN—I understand that. I am asking whether that would be a solution to the problem. I understand you are talking about access to mail. But they are both Commonwealth powers, are they not?

Mr Cahill—It is not the most obvious way of resolving the problem. There are, as I understand it, some constitutional issues that are involved as well which require the free movement of goods within Australia. Once you start imposing border controls on things like domestic mail then potentially you are running up against those kinds of issues. Whether an amendment to the Quarantine Act to achieve inspection of domestic mail would be consistent with the purpose of that legislation is probably a serious question.

Senator O'BRIEN—I understand that currently Australian grain exports are certified as non-GM, basically because we do not have any commercial GM food crops. Now that the commercial release of GM canola has been approved by the gene technology regulator and another approval looks imminent, can you tell the committee how export certification for Australian grain will be affected?

Ms Gordon—For the moment, there is no change in the way in which we are certifying grain exports. Canola is the only crop that is potentially affected. No importing country has required us to make a declaration as to the GM content of Australian canola exported to that country. So until such time as we get that sort of request, there should be no difficulty.

Senator O'BRIEN—What is the situation with the EU? Do they still have a restriction in place?

Ms Gordon—I am advised that we have had no request from any importing country for a declaration as to the GM status of Australian canola. So we are certifying against the requirements that they request we provide certification for.

Senator O'BRIEN—So there is no divert plan being developed for the time when that request arrives?

Ms Gordon—Industry itself is looking at the options it has available to it. The sorts of arrangements that we, AQIS, would look to if in fact that situation arose was to some auditable or traceable identity preservation system and/or testing test results against testing regimes specified by the importing country. So there are a number of options that would be available, and I am aware that industry is actively looking at how they would manage to provide the evidence to AQIS that would enable us to provide the certification.

Senator O'BRIEN—Thank you for that. There is a glowing reference to the *Quarantine Matters!* campaign on page 181 of the department's annual report. On 25 February this year I asked Mr Truss a question on notice concerning this campaign, but he has not had the courtesy to provide a reply. Can someone tell me what was the actual expenditure on the campaign in 2002-03?

Ms Stanton—Yes, I can. Incidentally on that question on notice, it has now been signed.

Senator Ian Macdonald—I was just going to say that I have seen that.

Ms Stanton—Yes, it has now been signed.

Senator Ian Macdonald—Perhaps we could save a long line of questioning if we could make a copy of that available. When was it signed by the minister?

Ms Stanton—It was signed today.

Senator O'BRIEN—He must have been expecting some questions. I would appreciate that. There are some other questions that I have.

Senator Ian Macdonald—It might save a bit of time if we gave you this and you could have a look through them during the break or something and come back perhaps.

Ms Stanton—I am happy with that.

Senator O'BRIEN—Did Mr Steve Irwin charge a fee for his participation in the campaign?

Senator Ian Macdonald—I think that is all revealed in these answers.

Senator O'BRIEN—It is all revealed, is it?

Ms Stanton—It is. Would you like me to find the relevant—

Senator Ian Macdonald—Whatever it was, it was worth every penny of it.

Senator O'BRIEN—Plus lunch?

Ms Stanton—It is important to note that there is no contract that exists between the Commonwealth and Mr Irwin. What we did was to pay the contractor that we used—that is, Killy Withy Punshon, or KWP is probably the shorthand. The Commonwealth contracts with KWP, and that includes provision for \$175,000 for talent. With that \$175,000, KWP purchased talent, and that was the Steve Irwin wildlife park.

Senator O'BRIEN—How much was it again?

Ms Stanton—\$175,000.

Senator O'BRIEN—And that has all been paid?

Ms Stanton—I cannot answer the question because it would be KWP that would pay it.

Senator O'BRIEN—Okay. But KWP have been paid?

Ms Stanton—KWP have been paid.

Senator O'BRIEN—And if Steve Irwin finds out and he has not, he will be upset.

Ms Stanton—They are our contracted company for the entire campaign.

Mr Cahill—Crikey, Senator, he will be.

Senator O'BRIEN—In April there were newspapers carrying a story that a live sample of the SARS virus was imported into Australia and stored at the National High Security Quarantine Laboratory. Was that the case?

Ms Gordon—AQIS issued a permit on 17 April on the advice of the Director of Human Quarantine in the Department of Health and Aged Care and two imports of the virus were effected from that import permit, one on 24 April and one on 29 April. The conditions that were on that importation were those advised to us by the Director of Human Quarantine, and they were that the virus was kept in a high security laboratory so it was imported into the Victorian Infectious Diseases Reference Laboratory. It was also a requirement of the importation that it was transported via an air courier company that specialised in the transport of dangerous goods in accordance with the International Air Transport Association regulations.

Senator O'BRIEN—Does that mean that it came in on a private plane or a commercial jet?

Ms Gordon—I cannot confirm whether it came in on a private plane or on a commercial flight, but the requirements of the permit were, and would have been, that it met the air transport requirements for the transport of dangerous goods. That meant that the product would have to have been packaged into a watertight primary receptacle which was then repackaged inside a watertight secondary package. It would have been checked on arrival to ensure that those requirements had been met.

Senator O'BRIEN—By AQIS officials?

Ms Gordon—Usually the checking would have been done under a compliance arrangement or similar that AQIS would have entered into with the courier companies, the transport companies, themselves.

Senator O'BRIEN—So do you actually know when they arrived in Australia?

Ms Gordon—I understand that one importation came in on 24 April and one came in on 29 April.

Senator O'BRIEN—And that is because that is what the importer told you?

Ms Gordon—No, that is what our records advise us in terms of when the actual importation occurred. The permit itself was issued on 17 April.

Senator O'BRIEN—So how are you aware and why are you certain that those are the dates on which the virus arrived?

Ms Gordon—Our records. We have a computer database that provides details to us of the dates of importations of particular goods against the import permit number that has been issued for that importation. We are able to check those records.

Senator O'BRIEN—How do you obtain the information to put the data into those records?

Ms Gordon—The information in the records is usually input by the agent that is managing the importation, and it goes directly from the Customs database into the AQIS import permits database.

Senator O'BRIEN—Do you know whether work on the virus has been completed, or is that a question for somebody else?

Ms Gordon—That would be a question probably for the Department of Health and Aged Care.

Senator O'BRIEN—Okay. Do you know whether the virus has been transported since it arrived in Australia and, if so, how many times?

Ms Gordon—I am advised that the virus has been transported on two occasions since it arrived in Australia. On 9 May, on the advice of the Director of Human Quarantine, AQIS issued an approval for the transfer of the virus from the Victorian Infectious Diseases References Laboratory to the Australian Animal Health Laboratory in Geelong. There was a later transfer of the SARS virus to a laboratory at Westmead in New South Wales for invitro diagnostic work also. Then there was a third transfer to the Queensland Health and Scientific Services on 23 May.

Senator O'BRIEN—Do you know how the virus was transported?

Ms Gordon—It would have again been required to be transported under high security transport arrangements.

Senator O'BRIEN—What does that mean?

Ms Gordon—As I am advised, those arrangements would have been similar to the arrangements for the importation into Australia in the first place.

Senator O'BRIEN—Would it have been transported by road?

Ms Gordon—I would have to take that on notice. I do not have the information with me at the moment.

Senator O'BRIEN—Thank you, if you would. Is the virus still in Queensland or has it been destroyed?

Ms Gordon—I am not aware of that. We have issued the approval for the transfers on the advisement of the Director of Human Quarantine and, provided the conditions of that transportation are complied with, we are not necessarily advised when the virus itself is destroyed.

Senator O'BRIEN—In relation to the answers we have to question 1212, what was the expenditure for the financial year 2002-03 on the *Quarantine Matters!* campaign?

Ms Stanton—I am now minus my copy.

Senator O'BRIEN—It does not have it. It says 'to the end of February 2003, \$4.391 million'—

Ms Stanton—My understanding is that for the year there was virtually full expenditure. I think we were something like \$100,000 short of full expenditure.

Senator O'BRIEN—So about \$6.8 million?

Ms Stanton—I could take that on notice for you, but it was certainly basically fully expended. Can I ask for a point of clarification? One of the difficulties we have had in answering these questions is in fact the difference between the *Quarantine Matters!* campaign and the TV campaign. The TV campaign is merely a subset of the *Quarantine Matters!* campaign, but I take it that what you were just asking for was the expenditure on the *Quarantine Matters!* campaign?

Senator O'BRIEN—Yes.

Ms Stanton—Thank you.

Senator O'BRIEN—Roughly what proportion of the campaign was expended on TV placement?

Ms Stanton—The expenditure for the TV campaign as a whole was \$3.5 million.

Senator O'BRIEN—That is for placement or production and placement?

Ms Stanton—That includes actually making the ad. The placement costs, though, were the bulk of that—probably in the order of \$3 million.

Senator O'BRIEN—What is the budget for, I presume, placement in 2003-04 for TV ads?

Ms Stanton—We have put aside \$2 million, the bulk of which will probably cover placement of TV ads.

Senator O'BRIEN—I do not have any further questions on that matter. In fact, I do not have any more on AQIS.

Ms Stanton—Senator, could I remind you that you did have one to do with Canada and BSE?

Senator O'BRIEN—Thank you for that. I thought it was for somebody else. What impact, if any, did the Canadian BSE find have on Australian beef exports?

Ms Stanton—On exports?

Senator O'BRIEN—Yes.

Ms Stanton—I thought when you were talking about it earlier we were talking about imports.

Senator O'BRIEN—There was another question. Do any restrictions remain on the importation of material that may contain BSE risk material of Canadian origin?

Ms Stanton—Dr Carroll can help you with that one.

Dr Carroll—The restrictions that previously applied to Canadian beef have remained since the detection of BSE in an animal in Canada. So the Canadian beef products are not allowed into Australia for human consumption.

Senator O'BRIEN—Is there any time limit on that? Will it be reassessed?

Dr Carroll—At this stage, when countries go on to that list they remain on that list until the country of origin can put up a case for why it should not remain on the list. There is no time scale attached to that at all.

Senator O'BRIEN—Has the Canadian government sought to have that list revisited?

Dr Carroll—I am not aware of any such move. Putting countries on the list is handled by Food Standards Australia New Zealand through their country categorisation committee. They come mainly under the Department of Health and Ageing.

Senator COLBECK—I would like to ask some questions relating to the import of salmon from Europe and some of the incidents that have occurred over the last few months, particularly with salmon and lice. Could you advise me of the process that AQIS went through when lice was discovered on fish at the Sydney Markets recently?

Ms Gordon—With the importation of salmon, all consignments are inspected on arrival to confirm that the salmon is head off and eviscerated and to confirm the absence of visible signs of disease. When AQIS detected the sea lice, which in itself is not a quarantine concern, on some of the recent consignments of fresh chilled salmon from Norway, they were referred to our imported foods group to determine whether they met the requirements for wholesomeness under the Imported Food Control Act. Those officers then would determine if the amount of lice contamination was deemed to be examinable under that legislation and, if so, whether the salmon required treatment prior to release. I think Dr Carroll might be able to take it from there.

Dr Carroll—On the basis of wholesomeness, if there was a heavy infestation of lice it was determined that the food was not compliant with Australian food standards from a wholesomeness perspective. It was then an option for the importer to re-export the product, downgrade the product to a non-human food use or treat the product. In the instances I am aware of immediately, they chose to treat the product by removing the lice from it, which is usually a process of washing it off and then trimming any visible lesions, if there were lesions on the salmon itself, and then the product was free to be released.

Senator COLBECK—What was the situation with the salmon that arrived with heads on?

Dr Carroll—My understanding is that a consignment of salmon with heads on arrived, which was contrary to the import requirements. That was then referred to Quarantine by the importer. It was picked up on inspection. I am not sure what the disposition of that consignment was.

Ms Gordon—I cannot recall exactly what decision was made, but the importer would have had the option of either re-exporting it or having it destroyed because it did not meet our import conditions.

Senator COLBECK—Could you find out for the committee what actually did happen with that?

Ms Gordon—Certainly.

Senator COLBECK—You mentioned that lice are not considered a biosecurity risk. Can you explain to me the circumstances with respect to that? What is the basis of not considering lice as a biosecurity risk? Is there any acceptance that lice can carry diseases into the country?

Dr Carroll—My understanding was that that was a decision of Biosecurity Australia, when it did up the import risk assessment for the importation of salmon. It considered external parasites such as lice and considered that they did not pose a quarantine risk on that type of product.

Senator COLBECK—So there is no recognition that lice could carry exotic diseases into the country.

Dr Carroll—That would be a question for Biosecurity Australia. It determines that and that was its decision at the time.

Senator COLBECK—So you are not aware of any diseases that lice might carry into the country?

Dr Carroll—I am not aware, no. With that consignment in question, it was also frozen to ensure the lice were indeed dead and to help address any residual quarantine risk that may have been present. But as to the protocol, I am not aware of what diseases could be carried on lice.

Senator COLBECK—I assume from what you are saying there is an expectation that freezing would mitigate any concerns there might be with respect to exotic diseases?

Ms Stanton—You would have to refer those questions to Biosecurity Australia. We are not experts in that field.

Senator COLBECK—Is it possible for that reference to be completed, then? Have we got someone from Biosecurity that might be able to help us?

Dr Banks—When the original risk analysis for salmon was done in 1999, the biosecurity risk from external parasites was considered in some considerable detail in that risk analysis, and the final conclusion was that per se they did not represent a significant quarantine threat.

Senator COLBECK—But there is an acknowledgment that they could actually carry exotic diseases, those parasites?

Dr Banks—My understanding is that when they are live it is possible for that to occur. But my understanding is that these were dead.

Senator COLBECK—What about egg strings, for example, then?

Dr Banks—We have sought expert opinion on that and, while there is a slight variation of opinion, the majority of opinion would be that for the length of time that they have been out of their normal medium the eggs would probably not be viable.

Senator COLBECK—With respect to the waste disposal methods at the Sydney Fish Market, what are the monitoring systems that are in place?

Dr Carroll—I am sorry. I will have to take that on notice. I am not aware of what arrangements are in place to cover that arrangement.

Senator COLBECK—There is an allegation that open bins of fish waste are commonly left outside buildings at the Sydney Fish Market, and birds commonly feed on the waste. Is it possible that imported salmon could be disposed of in these bins?

Dr Carroll—I would have to check into that, sorry, Senator. I am not aware of that.

Senator Ian Macdonald—Did you say that birds feed on the waste at the Sydney Fish Market?

Senator COLBECK—In open bins outside buildings at the Sydney Fish Market, yes; that is the allegation.

Senator Ian Macdonald—Having been to the Sydney Fish Market—it is a pretty well run establishment—I would be surprised by that. But, of course, I do not know.

Senator COLBECK—What was the process that determined that processors of less than 300 kilograms of salmon a day did not need an AQIS compliance agreement?

Dr Carroll—That was part of, I believe, the biosecurity protocol.

Dr Banks—That was part of the risk analysis. As I recall, it was based on the fact that they were pan ready and the wastage from that was minimal.

Senator COLBECK—Three hundred kilograms was pan ready?

Dr Banks—I beg your pardon, Senator.

Senator COLBECK—We are talking about processors of less than 300 kilograms of salmon per day do not need an AQIS compliance agreement. On what basis was that established?

Dr Banks—I will take that question on notice.

Senator COLBECK—Again, given information I have had put to me, in the circumstance where you might have, say, two, three or four such processors operating at the Sydney market, would that not potentially circumvent the objective of having less than 300 kilograms being processed in one location and the waste from that being disposed of in that location?

Dr Banks—Again, I will take that on notice.

Senator COLBECK—Has there been any consideration given to consolidating the individual processors who might be processing, say, less than 300 kilograms of salmon a day

at Sydney or Melbourne markets into one common site compliance agreement, or does a site compliance agreement exist for any of those sites?

Dr Banks—I will have to refer that to AQIS.

Ms Gordon—Senator, as I am aware, the compliance agreements are located in a facility. We would have to take on notice the definition of what is encompassed by a facility to see whether, in fact, they are talking about one importer or we are talking about a capacity for a number of importers to operate under one arrangement.

Senator COLBECK—So, the possibility of more than one importer operating on the same site really has not been considered?

Ms Gordon—We would have to take that on notice, Senator.

Senator COLBECK—Has any of the salmon that has been imported into the country been tested? Has there been any testing done on any of the imported salmon that has come in at all?

Dr Carroll—For quarantine purposes?

Senator COLBECK—Yes for quarantine purposes.

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

Senator COLBECK—Are all processors of imported salmon registered with AQIS? What is the basis of registration?

Ms Gordon—Basically registration is for facilities that process less than 300 kilograms a day. We have got 15 facilities that are currently registered with AQIS. I cannot tell you—

Senator COLBECK—Processing less or more than 300 kilograms a day?

Ms Gordon—Processing less than 300 kilograms a day. So, facilities that process more than 300 kilograms a day are required to operate under a formal compliance agreement and I am advised that there are two facilities that are currently operating under compliance agreements. But facilities that process less than 300 kilograms a day are required to be registered with AQIS as opposed to having a compliance agreement. But that in itself is not a risk management measure, it is merely designed to collect information for monitoring and review of the salmon imported into Australia. I understand that there are currently 15 facilities that are currently registered.

Senator COLBECK—So 15 facilities less than 300 kilograms a day and how many above?

Ms Gordon—Two facilities are operating under compliance agreements.

Senator COLBECK—Can you give me some advice to the waste disposal methods at sites such as the Sydney Fish Market with respect to quarantine?

Ms Gordon—I think, Senator, we have said that we will take that on notice and provide you with information.

Senator COLBECK—Are AQIS aware of the recent transfer of salmonella disease into the UK through the transfer of product for human consumption?

Ms Gordon—We would have to take that on notice, Senator.

[8.42 p.m.]

ABARE

Senator O'BRIEN—First, congratulations to ABARE on the client satisfaction survey results reported on page 170 of the department's annual report. It makes you wonder why some people thought that getting rid of the bureau was a good idea.

CHAIR—That was a loaded question.

Senator O'BRIEN—No, it was not a question at all. Can you provide us with a snapshot of the current industry outlook for sugar?

Dr Beare—I think hearing quite strongly from both your critics and your supporters is a good thing.

Senator Ian Macdonald—We will not say what you are, Senator O'Brien.

Dr Beare—But I have with me Dr Terry Sheales who is our chief commodity analyst and he will be handling the outlook.

Dr Sheales—You were asking about prospects for sugar; is that correct?

Senator O'BRIEN—Yes.

Dr Sheales—As most of us know, the sugar industry is going through a very difficult time at the moment, brought on particularly by very low world prices. That reflects high levels of production in some major producers such as Brazil and that tends to drive the supply side of the market pretty strongly. There is also higher production coming up in a number of other important producers such as Thailand, India and the European Union. On the demand side, the Russian federation has imposed some additional import restrictions which are adding to the weakness in the market.

When we come to the domestic scene here, parts of the Queensland sugar growing areas have been through a fairly dry season or are still undergoing that, which means that production will be down a little bit this year. A combination of lower production and lower world prices—which are forecast to be down around seven per cent—coupled with a higher Australian dollar will mean a fairly severe erosion of incomes for sugar producers in the year ahead.

Senator O'BRIEN—What sort of average reduction are you estimating?

Dr Sheales—In prices?

Senator O'BRIEN—Yes. Income, actually, sorry.

Dr Sheales—We do not try to estimate incomes on a per farm basis, but if we are talking about prices being down something like 15 per cent and production being down about five per cent, that is going to have a fairly severe erosion of producer incomes.

Senator O'BRIEN—And over the 12-month period there has been a 30-something per cent appreciation in the Australian dollar against the US dollar.

Dr Sheales—In the financial year just finished, the Australian dollar appreciated about 11 per cent against the US dollar. We currently are assuming that it will appreciate on average about another 10 per cent this financial year. If you look at the current situation, though, your

suggestion that it has appreciated about 30-something per cent in the last 15 to 18 months is correct.

Senator O'BRIEN—Are all or the majority of sales in US dollars or are some in yen?

Dr Sheales—Sugar is priced internationally in US dollars. You may trade with a particular country in another currency, but still the reference price is US dollars. It will always relate back to that.

Senator O'BRIEN—What is it now per pound?

Dr Sheales—I believe that it is somewhere about six and a half cents now.

Senator O'BRIEN—Six and a half cents.

Dr Beare—Might I add that, as part of the study of the Burdekin, we conducted a survey of sugar growers in the Burdekin area, which I think is one of the strongest performing areas in the sugar industry. That report is available on our web site and would give you an idea of what grower incomes are like. I am happy to provide the committee with that.

Dr Sheales—I will correct my price slightly. It is six and three-quarter cents a pound US or US6.74c a pound last Friday.

Senator O'BRIEN—What was it 18 months ago?

Dr Sheales—Now you are testing me.

Senator O'BRIEN—I am just looking at that near 35 per cent appreciation.

Dr Sheales—I recall—and that is all that I can say—it was around about seven and a half cents. But I would have to double-check that if you need to know more precisely.

Senator O'BRIEN—What about the beef sector? What is the current industry outlook there?

Dr Sheales—If you are selling cattle, prospects look pretty good. If you are trying to rebuild herd numbers, they do not look so good. If you are buying in at the moment, clearly, you are paying a lot of money to replace stock that may have been disposed of during the drought. But I would say, though, that the sorts of prices that you see producers paying for store cattle, especially breeding stock, would suggest quite a bit of confidence in the future of the beef industry. If we look at the markets specifically, over this current financial year we would expect production to be down partly because of a bit smaller herd as a result of the drought but also with extra retentions on farms to build numbers. On the other side of the coin, so to speak, we have very strong demand out of the US market for beef, partly related to the Canadian BSE situation. Beef that used to come in from Canada is not appearing there at the moment. There is quite strong demand anyway in the United States. So exports to the United States are going along at a much higher rate than we would have otherwise expected. Overall, price wise we are forecasting saleyard level prices to be up about 10 per cent on last financial year.

Senator O'BRIEN—What sort of price are exporters looking at for grinding beef in the United States?

Dr Sheales—I just do not have that particular lot of prices with me. We tend to focus very much on the saleyard price, which is derived, of course, from the various demands from all of the end users, whether it is domestic or the export market.

Senator O'BRIEN—Sheep and lamb, what is the industry outlook for that? Presumably, the flock is right down and there is a good export market in the United States and good domestic prices.

Dr Sheales—Very much so. We have a situation with the sheep market where, as you said, the flock is down quite considerably following the drought. It has been declining for the last 10 to 12 years at least. We have strong demand in the United States, very high prices for lamb at the moment, but also very high prices for mutton sheep. That will be fuelled by a combination of restocker demand, but also demand for live exports, the recent problem notwithstanding.

Senator O'BRIEN—That is without the Saudi market, I take it?

Dr Sheales—That is what I was referring to.

Senator O'BRIEN—But we are not trading into the Saudi market. It is banned.

Dr Sheales—No, but we do trade to a number of other Middle East markets and demand remains strong there. The wool market, of course, which underpins a lot of our sheep industry has come down quite substantially from where it was, say, a year ago. That would appear to indicate some substitution of other fibres for wool by processors in various markets around the world. The prospects for wool prices in this current financial year are for them to be down about 13 per cent on last year. Currently, they would be down even more than that.

Senator O'BRIEN—What are the implications for the national flock size out of that mix?

Dr Sheales—It is an interesting situation with respect to sheep. Given the very strong returns from lamb and mutton and the still quite good returns from wool, but not as good as there were, you would expect there would be a fair incentive to expand the flock—in other words, to retain stock to increase numbers. But there are a lot of other factors out there impinging upon what producers decide to do. I would suggest that, coming out of the drought, producers in areas where they can grow crops may grow more crop over the next year or two. They certainly indicated that over this past year in terms of plantings. The very high prices for meat are very attractive, particularly for adult sheep to slaughter. It is hard to say how that will turn out. What we are forecasting is that the flock should stabilise at around the current level, which is a bit below 100 million.

CHAIR—They are using terminal size. That is what is happening. You all know what that means: you put fat lambs on. Instead of putting a Merino or a breeder on, you put something on that will eventually have its head cut off. I have got to tell you that the season is still pretty shitty in a lot of eastern New South Wales, especially in northern New South Wales and Queensland. We ain't out of the woods, by a long way.

Dr Sheales—Do you want us to comment on that or not?

CHAIR—No; that is a bit of editorial comment.

Senator O'BRIEN—In terms of ABARE's operation, what is the situation with regard to outside income and departmental budget income?

Ms Blyton—The appropriation revenue this year is \$9.167 million. In June we were budgeting for external revenue of around \$9 million, but we will be increasing that to \$10 million in the mid-year review. That makes a total of about \$19 million.

Senator O'BRIEN—Where is the extra income likely to come from?

Ms Blyton—We have substantially increased our revenue from R&D corporations this year. It has doubled from about two and half million dollars to around four and half million dollars.

Senator O'BRIEN—Is there any special reason for that? Have you marketed yourself better? Have you had more publicity?

Dr Beare—It is a culmination of getting the wake-up call and working harder to market ourselves and align ourselves better to the issues. That is a pretty important part. We are in a stronger position at this time of the year than we have been since I can remember. We are looking to potentially do a bit of recruiting and growing for the first time for a long time. I cannot remember the last time we thought about growing.

CHAIR—Was it a life-frightening experience?

Dr Beare—Yes, it is pretty scary—especially at my age! We have been doing quite well, I think, in terms of natural resources and in terms of being able to actively pursue research, with outside funding, that also aligns with departmental priorities in terms of areas such as water policy reform.

Senator O'BRIEN—What sort of work are you doing for R&D corporations, if you are allowed to tell us?

Dr Beare—With the R&D corporations our farm survey is our predominant activity. That is the major contribution that we look forward to. I think it is extremely important that we pursue that extremely actively, since essentially ABARE is almost the last player in the game in terms of providing a complete picture of what is going on in the agricultural sector, albeit on a limited sample and in a limited set of industries. It is very important. We have been driving the efforts to keep our costs down and the quality of product up to the industries despite the pressure that we have been under. I think we have been pretty successful with that.

I think we have been pretty successful in actively putting some people on the job to make sure that we are providing our clients with the sort of information they want. We are also picking up work in terms of adjuncts to the surveys, such as productivity analysis of how industries are essentially adopting new technologies and improving farm level productivity. We are doing this with fisheries as well as with the farm surveys.

Senator O'BRIEN—I do not have any further questions for ABARE.

CHAIR—What about the good story on cotton? Why didn't you ask about that?

Senator O'BRIEN—I was leaving something for you.

CHAIR—Tell us the cotton story, just to brighten the thing up a bit.

Dr Sheales—I can give you two versions, in a sense. If we are talking about what is happening with the market, it is certainly a glowing picture at the moment. It seems to be driven very much by the extremely strong demand out of China. It would appear that their crop is a lot smaller than expected, and that is what is contributing to this. As you no doubt know, there is a situation with respect to water availability and plantings of cotton, which are likely to be down very substantially this year as a result of a lack of water in the major river storages, in northern New South Wales in particular.

CHAIR—We are very conscious of that. We are certainly not overburdened with wool and we are not overburdened with cotton. Why is one going gangbusters and the other sliding backwards? China is in the market for both cotton and wool. Wool is going back at the same rate as cotton is going forward—or was going.

Dr Sheales—If you have been around for quite a while—like I have; I cannot speak for anyone else here—you can see that, if wool prices get way out of line with their competing fibres, if you give the processors 12 months or so they will switch the mix of fibres that they use. Evidence would suggest they rarely come back to wool to the extent they were using it. We saw that in the late eighties and early nineties. We may well have been witnessing that again over the past 12 months, moving into this year. Historically, wool prices tend to average about three times synthetic fibre prices, the main substitutes for wool. If they get much out of line with that—if they get up to four or five times the price of synthetic fibres—processors do a switch. We have seen prices like that in the past year. We may be witnessing some switching by processors to alternative fibres. It is not going to be to cotton, particularly with events in the last few months. It will probably be to synthetics.

Dr Beare—It is worth commenting that in the last 13 or 14 years the flock has dropped from 180 million to 98 million and we are the dominant producer of wool in the world. It reflects a fundamental shift in demand for fibres. Wool is basically not the lifestyle fibre that cotton is in the current climate. With competition from other microfibres, I cannot see anything on the horizon to indicate a strong reversal of that trend.

CHAIR—We will keep using Dorset rams. We will have a short break.

Proceedings suspended from 9.02 p.m. to 9.16 p.m.

Bureau of Rural Sciences

Mr Banfield—Senator O'Brien, this morning you asked a question, under the Management Services item, about the FAO animal genetic resources treaty. I indicated at the time that the Bureau of Rural Sciences was the place to ask that question. Dr Grant is happy to answer any questions you might have on that.

Senator O'BRIEN—What was the program at the time?

Mr Banfield—It was Management Services that you asked it in, as I recall, Senator.

Senator O'BRIEN—The questions related to the Australian government acceptance of an invitation from the director-general of the FAO to assist in the preparation of the first report on the state of the world's animal genetic resources. I asked: is it the case that, despite accepting the invitation and appointing a national coordinator to oversee the preparation of

the country report, Australia has not done so? If that is the case, why have we chosen not to do so?

Dr Grant—The situation is that this request from the FAO follows on from a similar process that was done in respect of plant genetic resources, which was a very successful process. The FAO then decided that there would be a follow on process for animal resources and called for that undertaking fairly rapidly. The situation, as I understand it, is that a number of countries have not been able to meet the original deadline that was set and that the process has been extended. In the case of our commitment, we have said that we are interested in the process as a nation.

The BRS has been asked to be a focal point of contact. In doing so, we have nominated an interim administrative officer to be that focal point of contact. That officer has been in touch with the FAO on a number of occasions and also with a representative from Australia, Emeritus Professor Barker, who has been in contact with the minister on this issue.

The situation, though, is that we do not have the resources, and the circumstances have been that the drought has taken us away from being able to deal with some of these other issues. We have a holding or watching brief, if you will, on the issue. My understanding is that many countries are in that circumstance and that the process has been extended.

Senator O'BRIEN—So we have not withdrawn from it at all?

Dr Grant—We certainly have not withdrawn, Senator. We are keeping in contact with the FAO and we have a process in place to receive communication from and provide communication to the FAO. As you would appreciate, we do not do this alone; it would be in concert with all of the states. A national consultative committee to achieve that outcome has not been formed at this stage.

Senator O'BRIEN—Can you provide some detail of the modelling work the bureau did on the grass growth in the Ashy Downs region of Queensland? I understand this work contributed to the assessment of the drought impact in that region for the purpose of an EC application.

Dr Grant—Might I suggest you direct that question to Rural Policy and Innovation within the department? We work to them on that issue and they are much more able to handle the actual assessment details.

Senator O'BRIEN—When did the work begin?

Mr Calder—We received the application from the Queensland government for north-west Ashy Downs on 28 August. As soon as those applications are received they are immediately referred down to the BRS and to ABARE for their professional input. So the work would have commenced in BRS pretty well within a matter of days straight after we received the application.

Senator O'BRIEN—What is the financial relationship between BRS and Rural Policy and Innovation for the performance of that work?

Mr Calder—There are no payments made by the Drought Taskforce to BRS. As you would appreciate, both are units within the Department of Agriculture, Fisheries and Forestry.

Mr Banfield—The Drought Taskforce has overall responsibility for provision of advice to government on drought matters, and in providing that advice obviously they take advice from the Bureau of Rural Sciences in relation to the agronomic and meteorological issues, in consultation with the Bureau of Meteorology. But they also take advice from the Australian Bureau of Agricultural and Resource Economics on the economic implications of that. So the Drought Taskforce is where those two assessments are brought together.

Senator O'BRIEN—What did BRS find in its assessment?

Dr Grant—Specifically I cannot answer that question, but I am happy to take it on notice.

Mr Calder—I may be able to answer in broad terms. We received advice from BRS. You may be aware that the BRS did send up one of their scientists, along with a member of the Drought Taskforce, to visit the area. They held discussions with the Queensland Department of Primary Industries and with producers in the area including AgForce, which is the industry body in that area. The general conclusion was that, on the basis of all of the available information, it was likely that less than 50 per cent of that north-west Ashy Downs application area had suffered a pasture event in terms of a deficiency of pasture growth that would meet the one in 25-year occurrence and that the reasons for the lack of response in particular by the Mitchell grass, which is one of the major grasses up in that area, are unclear. In other words, it was clear that in certain areas there was a lack of response by the Mitchell grass, but it was unclear as to whether it was caused by drought or some other factor.

Senator O'BRIEN—So there is some uncertain cause of problem in that area, I take it?

Mr Calder—That is the general conclusion. Nobody is quite sure why the Mitchell grass is in its current state. Having said that, over the application area as a whole less than 50 per cent of the application area had this poor response, at any rate. So there were some parts of the application area which seemed to be in reasonable condition, but there were other parts which seemed to have a pasture deficiency.

Senator O'BRIEN—Were they discrete areas or was it spread?

Mr Calder—Generally, the north-western part around McKinlay, from memory, was probably reasonably hard hit and parts of the Aramac shire down south seemed to be reasonably hard hit. They seemed to be the worst affected, from memory.

Senator O'BRIEN—I understand the bureau is doing some work on the impact of the Great Barrier Reef Representative Areas Program on the Queensland seafood industry. Where is that work up to? Are there any preliminary results?

Dr Grant—The work has been proceeding for about the last five weeks, as I understand. The situation is that the team will provide advice to government very shortly. By that, I understand that to mean between now and at least the end of this week.

Senator O'BRIEN—Do you know how it will be used?

Dr Grant—It will be advice to government.

Senator O'BRIEN—Like ABARE, I am pleased to see that BRS is still alive. I suppose the only other question I want to ask is: in your capacity as having expertise on rural sciences, what is going to win tomorrow?

Dr Grant—If I could tell you that, Senator, I probably would not be sitting here.

Senator O'BRIEN—I am disappointed.

[9.29 p.m.]

Rural Policy and Innovation

Mr Banfield—While the officers are coming to the table, can I just confirm some advice I gave to the committee earlier in the day? There were two points that were raised. The first was a question that Senator O'Brien raised in respect of page 186 of the annual report, where there is a reference to a surplus of \$5.5 million relating to exceptional circumstances drought relief payments and sugar industry reform delivery costs. I indicated at the time that I was pretty confident that that related to delivery costs payable to Centrelink and that there was no impact on drought support payable to farmers. That indeed is the case, and Mr Calder has further details if you want that. The second point of confirmation relates to the Gene Technology Grains Committee stewardship principles. You asked earlier in the day whether they had been signed or formalised. The answer is, yes, they were in October, although I understand that they are something of a living document so they are not set in stone in the sense that they cannot ever be changed. Again, Mr Jones has further details on that if you want to pursue that particular issue.

Senator O'BRIEN—The department recently produced a paper titled 'Liability Issues Associated with GM Crops in Australia'. When I looked for the document on the department's web site on Friday it was not available. Has the document been withdrawn, or was I just an unlucky victim of a technical error?

Mr Jones—I believe there was a gremlin in the web site late last week and most of the documents that were attached were not accessible, but we are getting that fixed. So, yes, that liabilities document was put on the web site and hopefully it is there today.

Senator O'BRIEN—I will have another look. In relation to the document, does this paper accurately reflect the belief of the government that common law remedies are adequate to deal with liability issues arising out of the commercial release of GM crops?

Mr Jones—The paper did not draw firm conclusions. Basically, it was a scoping paper looking at what are the risks and what risk minimisation strategies there are. Back in 2000 when the gene technology bill was being developed, Commonwealth, states and territories looked at the question explicitly and decided not to have a special liability regime for GMOs but just use common law.

Senator O'BRIEN—So what happens if a non-GM farmer running his or her business next to a GM farmer suffers contamination with no actual damage? The paper identifies a potential remedy under the law of trespass. It notes:

The unintended presence of GMOs occurring through the spread of pollen via the wind, insects or birds would be unlikely to amount to a trespass as this would not constitute a direct interference.

Is this likely to be the situation in Australia—

CHAIR—Or should we all do law?

Senator O'BRIEN—and is the department aware of any incidences in other countries where a non-GM farmer in a case like this has taken a successful action for trespass? The answer to Senator Heffernan's question is no.

Mr Jones—Sorry, I did not hear Senator Heffernan's question.

CHAIR—I said in view of the mountain of litigation, should we all do law instead of being farmers? Senator O'Brien says no. Do not answer it.

Mr Jones—The issue is whether GMOs are unique or whether they are like any other action of farmers that impacts on their neighbours. There are established law principles. You have to go to court and establish various points that there is a cost and who caused it and that whoever caused it was negligent or did not take due care. So the same principles would apply. I could not predict the answer because it would depend on the circumstances.

Senator O'BRIEN—Page 8 of the department's document says:

Where unintended presence prevents the land being used for organic or GM-free farming, the court may determine that the interference under nuisance law is not unreasonable in the light of all the circumstances as no actual damage has occurred.

I take it that that means that if GM contamination prevents a farmer from growing the types of crops they want, they may not have a right to take action at law. Is that what I should take from that paper? In other words, if you want to be an organic farmer and someone is growing GM next door and there is a contamination issue, they are therefore not going to be a successful organic farmer for some reason of accreditation.

Mr Jones—I cannot answer a hypothetical. It would have to go to the courts. The courts would have to look at all the facts on both sides. I am not a lawyer so obviously cannot give you—

CHAIR—This is a pretty unreasonable thing to impose on a farming regime, because it is not like spray drift from a sprayer where you can actually see the wind. You are obliged to note the wind these days. This could occur by a magpie picking up a seed and sitting on a powerline next door and relieving itself into the paddock, by a whirlwind or by all sorts of freaks of nature. I do not know whether you have ever cleaned a header out, but it is impossible to get every canola seed out of a header. My conclusion is that if we have not got a regime that avoids all the possibilities of litigation as described by Senator O'Brien, in much the same way as there is a given, whether you like it or not, if we ever get foot-and-mouth, that we are never going to get rid of all the feral pigs out of the mountains around this place. So you are never going to get rid of foot-and-mouth. Why have we not got a regime that protects farmers against these sort of eventualities? Why go ahead?

Mr Jones—There is a very vigorous debate on the subject, as doubtless you are aware, and it is going on in quite a number of countries. To date, as far as we are aware, when the paper was written, Austria and Germany were the only two countries that we could find that had a special regime. There had been inquiries in quite a few countries. All the arguments had been gone through and no-one had decided to have a special regime, which is not to say that in future there might be a reason for doing it. But it has been looked at very exhaustively in very few countries.

CHAIR—The very simple, practical answer is that if we are going to have GM canola, we are not going to have non-GM canola, because it is all in or none in. In practical terms, it might be nice to have a theory that you are going to segregate it, but save yourself a lot of trouble. We are never going to segregate it. That, by the way, is just editorial comment as well.

Senator O'BRIEN—Is that the view of the government?

Mr Jones—I cannot speak for the government.

CHAIR—I would not be game to say.

Senator O'BRIEN—The minister is here. Is that the view of the government?

CHAIR—Take it on notice.

Senator Ian Macdonald—I am afraid that I have not been listening to the debate, but Mr Banfield is aware of the answer to your question.

Mr Banfield—The government, I think, at a general level are aware of the debate, both pro and anti GM. We have certainly, through our portfolio, been pursuing and funding a number of projects to assist industry to assess the feasibility of segregation. At a broader Commonwealth and state level, there is a decision that the application of GM crops should essentially be industry self-regulation with government monitoring. So that is in broad terms where the current situation is.

Senator O'BRIEN—All of this is predicated on the onus of proof. My understanding is that the onus is on the non-GM farmer to prove harm has occurred and that a particular party was responsible, which means, I take it, that the farmer would have to demonstrate contamination and the only way that would happen was by some form of testing.

Mr Jones—They would have to demonstrate that there was some sort of contamination and that that caused them to suffer an economic loss.

CHAIR—This will open up a new river of gold for lawyers in much the same way as workers compensation and third party motor vehicle accident. This will be farm litigation. It is ridiculous.

Senator O'BRIEN—The non-GM farmer as a complainant would bear the initial cost of testing in those circumstances—whatever might happen in court cases?

Mr Jones—I presume that is the case. If you take action against anyone in court, you bear the initial costs of getting to court. At the end of the day, the court may award costs. I stand ready to be corrected by a real lawyer.

Senator HOGG—There is no such thing.

Senator O'BRIEN—Careful, you are on *Hansard*.

Senator Ian Macdonald—I might not be able to look after my current constituents in agriculture, fishery and forestry, but I can look after my former constituents in the law.

CHAIR—There is a big opportunity here coming up, I can tell you.

Senator Ian Macdonald—Do you think I should go back into the profession?

Senator O'BRIEN—It has taken a while for you to generate some interest, but you have really done it now. I move to drought expenditure. What was the actual drought expenditure for 2002-03 by the government?

Mr Calder—I do not have that actual figure with me at the moment, so can I take that on notice?

Senator O'BRIEN—You can. Has the department prepared a revised estimate of drought expenditure out to 2005-06 taking into account the impact of the EC declarations made since 23 May this year?

Mr Calder—Yes, there has been a revision of the drought estimates. That was basically carried out last week. The figures have not been finally signed off at this particular point in time, but it has taken into account the underexpenditure on some items such as the original 9 December package and some of the experiences that we have seen through this particular drought as well in terms of take-up rates and average amounts of payments. But, as I said, the bottom line figure that it shows has not yet been finally agreed and signed off by the relevant ministers.

Senator O'BRIEN—That includes Treasury?

Mr Calder—No. Basically, the work was done by ourselves, but we need to agree the assumptions, the costings and the figures with our colleagues in the department of finance.

Senator O'BRIEN—What is the estimated expenditure for this financial year; do we know that much?

Mr Calder—The estimated expenditure for this financial year was also part of the revision.

Senator O'BRIEN—Can we have that information on notice?

Mr Calder—Yes.

Senator O'BRIEN—How much has the department spent advertising additional drought assistance and exceptional circumstances assistance programs?

Mr Calder—I think the figure is in the vicinity of \$280,000.

Senator O'BRIEN—Are administrative costs, including advertising, included in the government's total drought expenditure figures?

Mr Calder—The advertising costs are taken out of the department's normal operating expenses.

Senator O'BRIEN—The government contributed \$1 million to the CWA emergency aid fund, according to page 68 of the department's annual report. Some of the funding originally allocated to some states was redistributed. Was the department able to report this fact because it sought acquittal details from the CWA?

Mr Aldred—I am sorry, I missed the last bit of the question?

Senator O'BRIEN—Was the department able to report on this fact because it sought acquittal details from the CWA?

Mr Aldred—The CWA provided reporting to us on the level of allocation of the funds across each of the states and then following that made it a reallocation of funds that were not used in a couple of states.

Senator O'BRIEN—So there was no formal acquittal; they just sent you a letter saying, 'This is how it is being spent.'

Mr Aldred—They have provided a report. Each of the allocations to an individual requires an individual details form to be filled out by the relevant CWA area. Those forms are aggregated at a state level and the state organisation provides a report to the peak group and we get a subsequent report.

Senator O'BRIEN—Can you give us some details of the redistribution?

Mr Aldred—Yes. Originally \$10,000 each was distributed to the Northern Territory and Tasmania. That was subsequently reallocated in May—New South Wales got \$9,600, Queensland got \$6,800 and Western Australia got \$3,600.

Senator O'BRIEN—How was the \$5 million government contribution to Farm Hand acquitted?

Mr Calder—That was by way of a donation to the Red Cross who are administering the Farm Hand appeal. We have received an acknowledgment from the Red Cross that the payment has been received. The Farm Hand fund administered by the Red Cross has not yet closed. They are still receiving applications and they are still receiving the odd donation. When that fund has finally closed we will receive a report which will be audited.

Senator O'BRIEN—Do you know whether all the government funding distributed by the Red Cross was distributed to farm families or has some gone to the development of the Farm Hand Foundation's drought mitigation program?

Mr Calder—I do not know the answer to that question.

Senator O'BRIEN—On 4 March Mr Truss announced in his opening address to the ABARE outlook conference a national drought summit. He said:

I hope that in the next few months we will be able to say that the worst of the current drought is behind us. At that point, I intend to convene a meeting of national and state farm organisations to hear directly their suggestions on how Commonwealth and state assistance can be made more efficient and effective.

He reannounced this national drought summit at Grains Week on 3 April. I guess his speech writer was away because he used exactly the same words as the earlier announcement. But on 13 May Mr Truss again announced the summit saying:

The government plans to convene a meeting of national and state farming organisations and other relevant groups later this year to review the effectiveness of Commonwealth and state drought policy programs.

CHAIR—Just for the record, I was not away.

Senator O'BRIEN—You cannot fool us. Can you confirm that Minister Truss no longer intends to convene a national summit this year but has decided to appoint a panel of farm leaders to talk to farmers?

Mr Calder—My understanding is that the national roundtable will be held next year, but no date has been set. My understanding too is that it was always the assumption that the roundtable would be held once it is quite clear that the drought has eased and the worst of it is quite clearly over.

Senator O'BRIEN—What is the difference between a meeting of national and state farming organisations and a summit? Are they two different things?

Mr Calder—My understanding is that there will be a single national roundtable to be held next year which will basically include peak farming organisations as well as other key people who have a significant involvement and interest in drought policy and assistance.

Senator O'BRIEN—When was it decided to change it from a summit to a roundtable?

Senator Ian Macdonald—I am not sure. It depends on what the words 'summit' and 'roundtable' mean to the listener. As I recall, it was intended to be a consultative grouping and gathering. Whether you call it a summit or roundtable seems to be reasonably irrelevant.

Senator O'BRIEN—A panel or a meeting—they are all interchangeable words, are they not?

Dr Samson—There are two separate processes going on. The roundtable that Mr Calder has referred to that we anticipate will occur early next year is the one that has been discussed for some time. Recently Minister Truss announced that he would convene a panel, which is a separate process. It will comprise a group of people and prior to the roundtable it will consult with interested parties to collect people's views and experiences of the drought. There are two processes that will occur.

Mr Banfield—It is worth making two points to reinforce what Dr Samson said. The first is that the minister is very keen that the roundtable focus on future drought reform measures and that it not revisit existing arrangements. That is why the minister took the conscious decision that he did not want to have a roundtable, where temperatures might be elevated in terms of the current drought, until he was confident that the current drought was over.

The second point to note is that the issue of a drought roundtable has been the subject of discussion with state ministers at certainly the last two meetings of the primary industry's ministerial council. Minister Truss has been engaging his state colleagues in the process and they have been expressing some suggestions about how that roundtable might take place.

Senator O'BRIEN—With regard to the panel which was announced a month ago: who are its members; when were they appointed; what was the appointment process; what are its terms of reference?

Mr Banfield—They have not yet been finalised.

Senator O'BRIEN—When will it commence work?

Mr Banfield—The panel has not been yet identified. It is difficult to answer that question. As Dr Samson has said, the intention is that this panel would consult with relevant stakeholders across the states and provide input into the roundtable which will be held next year at a date to be determined.

Senator O'BRIEN—Is there a budget for this process?

Mr Banfield—Not at this stage.

Senator O'BRIEN—Is there any idea when next year this roundtable will be convened?

Mr Banfield—No. Certainly the best advice we have is that it will be held next year, but precise dates have not been settled, to my knowledge.

Senator O'BRIEN—So it is a very loose idea. We do not know who is going to do it, when they are going to be appointed, what the appointment process will be, what the terms of reference will be, when it will commence work, when it will conclude and how much it will cost?

Mr Banfield—I do not think it is loose at all. I think it is just a manifestation of the fact that the drought has gone on longer than we would all have anticipated and indeed hoped. The minister is quite committed to do it, but he wants to do it in a more constructive atmosphere. The time to do that is when some of the difficulties associated with the current drought have eased. That is why he has deferred. Certainly, it is his clear intention to do this.

CHAIR—Just to get it into context, we are facing a catastrophe in autumn with the river system in New South Wales. For instance, the Lachlan River is going to stop flowing between March and May; there is going to be no water. So we are a long way from a solution with the drought.

Senator STEPHENS—I have some questions about the Inland Marketing Corporation, one of our favourite topics. Can you confirm that the corporation will close its doors next month?

Mr Aldred—I cannot confirm that it will close its doors. We have not been advised that the Inland Marketing Corporation as an entity will cease on a particular date, but we are certainly aware that they are in wind-down mode.

Senator STEPHENS—I have read a lot of the media reports about it. Can you tell me when the department first became aware that the IMC was in financial trouble?

Mr Aldred—It was earlier this year. I think in February the Inland Marketing Corporation advised us that they did not expect to be financially self-sufficient by the end of the Inland Marketing Corporation project. So the project was meant to conclude at the end of this year. While a specific milestone was not self-sufficiency, that was certainly a reasonable intent for the organisation.

CHAIR—What are some of the memorable achievements of the Inland Marketing Corporation?

Mr Aldred—They have certainly facilitated some exports and attempted to open up a range of continuing markets overseas. They have established a marketing strategy, undertaken some training and produced a range of materials to try to promote through chain activities—

CHAIR—In shutting down will it be a legacy lost? Is there going to be a vacancy out there?

Mr Aldred—I hope not. It is our wish that the IMC effectively be mothballed, if you like, so that a lot of those sorts of activities are not lost if someone else wants to take up the organisation or the entity.

Senator STEPHENS—Can you tell us just how the expenditure of public funding has been monitored?

Mr Aldred—There are a range of reporting requirements specified in the deed of grants, and that also includes audit by an independent auditor on their accounts, which is provided to the department as well.

Senator STEPHENS—Can you advise who that independent auditor is?

Mr Aldred—That is stretching my memory. I will take it on notice and provide that information.

Senator STEPHENS—I understand that the original total funding allocation was \$4.5 million.

Mr Aldred—Yes.

Senator STEPHENS—In March you told us that the Commonwealth had contributed \$3.375 million.

Mr Aldred—That is correct. The payments are quarterly payments, from recollection, at \$375,000.

Senator STEPHENS—Quarterly payments?

Mr Aldred—Yes.

Senator STEPHENS—So at 31 March there was \$1.125 million left, and that was from the original allocation. Is that right? Is it \$4.5 million minus \$3.375 million that you advised in March?

Mr Aldred—Just let me do the calculations.

Senator STEPHENS—I know it is late in the day.

Mr Aldred—I would like to check those figures, if I may. I believe that is correct, yes. To the end of March, it was \$3.375 million.

Senator STEPHENS—But the IMC told you in February that it was in financial trouble.

Mr Aldred—Not financial trouble. The advice in February was that they were unlikely to be self-sufficient by the time our project funds concluded later in the year.

Senator STEPHENS—According to the PBS, the IMC received \$375,000 for this financial year. That is the quarterly payment that you are referring to, is it?

Mr Aldred—Yes.

Senator STEPHENS—Can you tell me how much in total had been paid by 30 June this year?

Mr Aldred—By 30 June it would have been \$4.125 million.

Senator STEPHENS—Has the corporation received any more funding allocations since 1 July?

Mr Aldred—Yes.

Senator STEPHENS—When was that last payment made?

Mr Aldred—I think it was in September.

Senator STEPHENS—Do you intend to make any other payments?

Mr Aldred—No, that will complete the payments under the deed of grant and, as I have indicated to Senator Heffernan, it will essentially be mothballed, as I understand it, hopefully for the future.

CHAIR—Will there be some sort of redundancy payments?

Mr Aldred—Any payments of staff and so on will be undertaken as part of the wind down of the corporation, I would expect.

Senator STEPHENS—When we spoke in May, I asked you some questions about the performance indicators for the IMC. The department provided details of some outcomes against which the performance of the corporation can be assessed. Outcome 1 refers to visits to potential clients. I assume that that includes some overseas travel.

Mr Aldred—I would expect that it would, but I do not have any details of that nature.

Senator STEPHENS—Could you provide a breakdown of outcome 1 so we can see just how much was spent in each activity area, including overseas travel?

Mr Aldred—That may be difficult depending on how the accounts are kept and so on by the corporation. I will certainly ask for that sort of information.

Senator STEPHENS—Given that these are the performance indicators that we talked about in May, I would have thought that there was a logical association of the outcomes—

Mr Aldred—I recall that we provided a breakdown of funding against the performance indicators and we provided some information about what sorts of activities went towards those performance indicators, but you will understand that there are a range of activities that are collected under the performance indicators. I would not be able to guarantee that, in those activities that we provided, accounts were kept in suballocations of funding for those specific projects, but we will certainly do the best job we can in providing that.

Senator STEPHENS—While we are there, outcome 2 refers to the facilitation of exports to Hong Kong, Singapore, Taiwan and Malaysia. Perhaps you could provide some detail on the type and volume of the produce that was exported—and by market, if you could, please?

Mr Aldred—I believe we can do that.

Senator STEPHENS—It would be helpful to know whether produce of the type facilitated was already being exported to those countries from other regions of Australia so that we know if they really were new markets. Outcome 3 refers to the establishment and operation of the Parkes freight hub. Did that involve infrastructure development?

Mr Aldred—I cannot recall specifically about major infrastructure development. I am sure there would have been some infrastructure but, to my knowledge, it was not a major expenditure.

Senator STEPHENS—Would you take that one on notice as well, please?

Mr Aldred—I will confirm.

Senator STEPHENS—Thank you. I wonder if the committee can have copies of the reports from the IMC to the department for each reporting period, given that it is all winding up? As you say, what is the legacy for this mothballed project? Is that possible?

CHAIR—Do you want to take it on notice?

Senator Ian Macdonald—We had better take that on notice and see what the arrangements are—whether they are issued publicly, in any case, or whether they have a web site that they are put on or something. We will take it on notice.

Senator STEPHENS—Thank you. That would be useful. In relation to the Agriculture Development Partnership Program, can you remind me again how much money was allocated last financial year and how much was spent or committed in the last financial year?

Mr Aldred—The allocation in the 2002-03 budget was \$4.93 million. There were several transfers of funding from that program in the budget process.

Senator STEPHENS—There were general transfers?

Mr Aldred—Expenditure on the Zeachem ethanol project.

Senator STEPHENS—How much was that?

Mr Aldred—It was \$400,000. There was a transfer of \$1.741 million to the Plant Disease Eradication program. Sorry, I think I may be advising you incorrectly from here. I think it was a transfer of \$400,000 only to Zeachem. The rest was in the 2003-04 budget.

Senator STEPHENS—So \$4.9 million was allocated?

Mr Aldred—Yes.

Senator STEPHENS—And of that \$4.9 million, \$400,000 was transferred. How much more was committed in the last financial year?

Mr Aldred—There was no expenditure on the Agricultural Development Partnership Program.

Senator STEPHENS—For this financial year what has the activity been in that program?

Mr Aldred—Activity or expenditure?

Senator STEPHENS—I think both.

Mr Aldred—I would like to be able to refer to my notes to give you the figure, but unfortunately the amount expended so far is zero.

Senator STEPHENS—Zero this year?

Mr Aldred—For this year.

Senator STEPHENS—What about the \$1.741 million transfer to the Plant Disease Eradication program? You corrected yourself there, didn't you?

Mr Aldred—I believe that was a transfer in 2002-03.

Senator STEPHENS—Have there been any transfers in this financial year?

Mr Aldred—No, there have not.

Senator STEPHENS—How much is the allocation for this financial year?

Mr Aldred—The allocation in 2003-04 is \$7.414 million.

Senator STEPHENS—And no expenditure to date?

Mr Aldred—No expenditure to date.

Senator STEPHENS—Can you just tell me how this program is going to work state by state? Is this a matching funds program?

Mr Aldred—Yes, it is.

Senator STEPHENS—Can you advise on the status of the negotiations with the states?

Mr Aldred—We are pursuing a range of projects under the ADP. There has been most progress in South Australia, where there has been agreement for Commonwealth funding of \$370,000, for which state matching funding has been committed by the South Australian government. That is in the northern Adelaide plains. There is a separate proposal on Kangaroo Island where, again, there is agreement between the two governments and Commonwealth funding of \$113,500, again agreed to be matched by the state. A range of other proposals is under consideration. Again in South Australia there is a proposal in the rangelands and one in the south-east, in the south-eastern Murray lands region, that we are looking at and discussing with South Australian departmental officers.

Senator STEPHENS—How about the other states?

Mr Aldred—The New South Wales minister has provided in-principle support to develop a project on the Monaro.

Senator STEPHENS—Does that have a value?

Mr Aldred—Not really. There is a draft proposal by a local group. What we are trying to do is work on seeing whether we can refine that proposal. So there has not been a commitment of specific funds there. We are considering a range of projects in Western Australia, in the northern agricultural region, the goldfields, the Nullarbor and the Lower Gascoyne. At this stage there have been some discussions between government departments and some field inspections and further discussions on those. In Queensland there is one current proposal on the Western Downs and another in Tasmania, but again in a formative status.

Senator STEPHENS—So you are telling us that South Australia is the only state that has had approved projects?

Mr Aldred—South Australia is the only state where there are approved projects with agreement to matched funding, at this stage, Senator.

Senator STEPHENS—Have all the states received a copy of the program guidelines?

Mr Aldred—I would have to confirm that, Senator. I do know that Minister Truss wrote to each state and the Northern Territory and, clearly, there are a number who have responded, but I would just like to confirm that that has gone to each one.

Senator STEPHENS—That would be great. It is such a large allocation. It is disappointing to think that there has been such a small uptake. Is that because of the matching funding requirement, do you think? Is that proving to be difficult?

Mr Aldred—It certainly has, in the initial stages, Senator. It has been a bit of a stumbling block.

Senator STEPHENS—Just moving on now to the development of the YARN web site, the Young Australian Rural Network.

Mr Aldred—That will be me again, Senator.

Senator STEPHENS—Can you tell me the cost of developing that web site?

Mr Aldred—There is an establishment cost of \$23,450 in 2002-03, and \$5,440 for ongoing support in 2003-04. I would like to check if they are the complete costs.

Senator STEPHENS—Can you tell me who was contracted to build that web site?

Mr Aldred—It was the Centre for Electronic Commerce and Communication as part of the University of Ballarat, Senator. I understand because it was an interactive web site it was not one that we were able to host.

Senator STEPHENS—That centre is actually hosting the web site as well?

Mr Aldred—I believe so. Every indication I have in the notes is that that is the case, yes.

Senator STEPHENS—Have you looked at it recently?

Mr Aldred—Not recently, no.

Senator STEPHENS—I am quite interested in the fact that you say that the centre is hosting the site, because it is an interactive site. Have there been any guidelines or protocols about the kinds of things that are posted to the site?

Mr Aldred—No, to my knowledge, there have not. The reason I say that is that I have just recently had discussions with the area that looks after it about putting up a code of conduct and so on—not that I think that we have had any problems. It initially started as a site for graduates or for people who had participated in the young rural leadership courses and so on, and it has expanded. There would be a range of external people accessing it. From our point of view, it is probably worth doing to prevent use of it for commercial activities and those sorts of things.

Senator STEPHENS—Can you tell me who moderates the discussion pages?

Mr Aldred—In terms of moderation, there is no particular—

Senator STEPHENS—Is there no moderator?

Mr Aldred—I am not aware that—

Senator STEPHENS—People can just post things to the site without any kind of scrutiny?

Mr Aldred—It is an open web site, Senator. I am perhaps a little concerned. Are there particular items that you are aware of that are causing concern?

Senator STEPHENS—Have a look at the web site. I think there are real dangers in things that are being supported by government in that way to have an open web site like that. But I must say it is very complimentary of the minister, which is interesting. But it is also interesting that it posts a lot of positive things; it does not really have any negative comments

on it, as far as I can see. It struck me as quite interesting that there is no critical comment there, there is a lot of—

Mr Aldred—If I can get the gist—to my knowledge, absolutely, there is no filter or anything of that nature that is put over that. We do not knock out the bad comments.

Dr Samson—I have the advantage over my colleague, Mr Aldred, in that about two weeks ago I did visit the web site. I was not struck by anything unusual particularly along the lines that you have said, but certainly we will revisit it, perhaps with that fresh filter in our eyes.

Senator Ian Macdonald—It is hard to find negative comments where there aren't any. It is probably such a good program there are no negative comments.

Senator STEPHENS—We live in hope.

Dr Samson—Modesty prevented us from saying that, Minister.

Senator Ian Macdonald—Like most of this government's initiatives, they are all very positive.

Senator STEPHENS—I would hope so. In terms of the Young People in Rural Industries Program—I suppose I could perhaps ask you this, Senator O'Brien—when was the last time that a member of the opposition was invited to participate? When you look at who has been involved in that program, it certainly is weighted to government and departmental people without representation from the opposition or the minor parties.

Mr Aldred—I would have to take that on notice.

Senator O'BRIEN—I was invited in 2000.

Senator STEPHENS—There you are. There is the answer.

Mr Aldred—So do I take it that I no longer need to take that on notice?

Senator O'BRIEN—There was a question to me and there was a question to you, Mr Aldred.

Senator STEPHENS—The question to you is you were invited in 2000.

Senator O'BRIEN—That is right.

Senator STEPHENS—Perhaps you could check to see if anyone has been invited since then—to the Young People in Rural Industries—

Senator Ian Macdonald—What do you want to be invited to? They have a dinner or something, do they?

Senator STEPHENS—No, they actually have a program listed, quite an involved interactive program.

Senator Ian Macdonald—You had better check whether I have ever been invited.

Senator STEPHENS—You mean you cannot remember?

Senator Ian Macdonald—I cannot, actually.

Senator STEPHENS—On 18 September Senator O’Brien asked Mr Truss a question on notice—it was question No. 2121—about the Plant Breeder’s Rights Advisory Committee. Can you tell us what the status of that question on notice is?

Mr Jones—We have provided a draft answer to that and it is in the system.

Senator STEPHENS—When do you think we might see that answer being signed off? You might be able to tell us when you provided it to the minister as well. This will be a performance indicator for the minister, wouldn’t it?

Senator Ian Macdonald—When was the question asked?

Senator STEPHENS—The question was asked on 18 September.

Senator Ian Macdonald—It is only 3 November now.

Mr Jones—On 30 September we provided an answer.

Senator STEPHENS—We still have not seen that response—the answer to that question.

Mr Jones—Some of the information that you seek is on the PBR web site. The appointments were announced on 21 August. The appointments were made and that information is on the web site.

Senator STEPHENS—When was it posted onto the web site?

Mr Jones—I do not have that information.

Senator STEPHENS—I have not had the benefit of seeing it on the web site yet, because I was waiting for the answer. How many of previous committee members sought reappointment?

Mr Jones—I think that there were four who sought reappointment.

Senator STEPHENS—Can you tell me which ones they were?

Mr Jones—I think that is not—

Senator STEPHENS—Of those four who were reappointed?

Mr Jones—I think that is not appropriate, because I would then be disclosing personal information about who applied and who was successful.

Senator STEPHENS—Fair enough.

Senator O’BRIEN—Can you tell me how many nominations the minister received for the new position representing conservation interests?

Mr Jones—Two.

Senator O’BRIEN—What conservation groups did Mr Truss consult before he made his appointment?

Mr Jones—Mr Truss did not consult. The normal process was followed for this and it did not involve consultation.

Senator O’BRIEN—So what made the former Deputy Leader of the National Party, Bruce Lloyd, a stand-out candidate for the position? Do you know, Minister?

Senator Ian Macdonald—I can give any number of reasons why Mr Lloyd would be thought of as an outstanding candidate. He was an outstanding member of parliament, he has an outstanding record of public service, he is very knowledgeable and understands processes and understands how government works. I could keep going.

Senator O'BRIEN—He is to represent the conservation interests.

Senator Ian Macdonald—He is the chairman of a Landcare council, which is clearly one of the pre-eminent conservation groups in Australia and has a very fine record of conservation related activities.

Senator O'BRIEN—This appointment would be as equally a fine appointment as that for the Indigenous representative's position, would it?

Senator Ian Macdonald—Sorry, I do not understand the subtlety of the question.

Mr Jones—Both were eminently well qualified and it would not be appropriate to talk about how they were better qualified than the unsuccessful candidates.

Senator O'BRIEN—How many nominations did Minister Truss receive for the new position representing Indigenous Australians?

Mr Jones—One.

Senator O'BRIEN—Am I correct in assuming that the minister consulted a range of Indigenous organisations, including ATSIC, before appointing Roger Leakey to this position?

Mr Jones—Again, the minister—

Senator Ian Macdonald—I am not sure, with due respect, that the officer's previous comment about Mr Truss not consulting with others was appropriate, unless the officer lives with Mr Truss day by day and night by night. I am quite sure that Mr Truss consults very widely with any appointment that he makes in different ways. I think what we might do with both of those questions is just refer it to Mr Truss and let him comment on the processes that he followed in appointments.

Mr Jones—If I just may add something to that to clarify this: the department does not normally consult people. The applicants put in an application. They normally have support from various community or industry groups; the department does not consult. We give independent advice to the minister. What advice and consultation the minister does, as was correctly pointed out, we are not aware of. Our process is independent. An internal panel looks at the candidates on their merits. We do not make any attempt to put political overlays on merit.

Senator O'BRIEN—Can you confirm that Mr Leakey is not an Indigenous Australian, but was born in Africa and spent the past few decades teaching at universities in Africa and the UK?

Senator Ian Macdonald—We will take that on notice.

Senator O'BRIEN—Is this the Roger R. B. Leakey, Professor of Agriculture and Sustainable Development from James Cook University?

Mr Jones—He is a professor at James Cook. I am not sure precisely what his chair is, but it is probably that.

Senator Ian Macdonald—It is a very good university. So if he is teaching there, he would be very high quality.

Senator O'BRIEN—If he is the professor at James Cook University, his Internet profile says that he was born and brought up in Africa.

Senator Ian Macdonald—If you know the answer to the question, why do you ask it?

Senator O'BRIEN—I am just trying to confirm that he is the same person. We seem to be coming to that point.

Senator Ian Macdonald—We were taking that on notice to see whether it is.

Senator O'BRIEN—According to the Edinburgh based Centre for Ecology and Hydrology, Mr Leakey has been seconded to James Cook University for a short period only. In fact, the secondment expires in 2004. Has Minister Truss appointed him for a full three-year term?

Senator Ian Macdonald—Are appointments normally for a fixed period?

Mr Jones—As far as I am aware, yes.

Senator Ian Macdonald—Anyway, if you are not aware, we will take that on notice.

Senator O'BRIEN—Subsection 64(1)(f) of the Plant Breeder's Rights Act 1994 provides for the appointment of one member to the advisory committee to 'represent Indigenous Australian interests in relation to new plant varieties and the source, use and impacts of the new plant varieties'. 'Indigenous' is defined in the act as a member of the Aboriginal race of Australia or a descendant of the Indigenous inhabitants of the Torres Strait Islands.

Senator Ian Macdonald—The way you read it out, it said to represent them. It did not say that you had to be one.

Senator O'BRIEN—I take it, Minister, you are saying that there is no inconsistency in the appointment of someone not of the Aboriginal race to represent them on the advisory committee under this legislation?

Senator Ian Macdonald—I have to be honest and say that I had never heard of that act until you just read a passage from it. It is always a worry in these things accepting without question your repeating what things are supposed to say. In this instance, I do.

Senator O'BRIEN—You keep saying that, but you have not come back and pulled me up on anything yet.

Senator Ian Macdonald—Oh, I wouldn't be too sure about that.

Senator O'BRIEN—Go and do your homework. You might be lucky.

Senator Ian Macdonald—My comment was simply on your account of what the act says. I am simply pointing out to you that all those questions before about whether or not he was Indigenous—which we do not know and we are not commenting on because we have taken them on notice—seem to be relevant because the act simply says 'to represent'—on the account that you have read out, which I assume and take for granted is correct.

Senator O'BRIEN—Can you tell us what would qualify Mr Leakey to represent Indigenous Australians?

Senator Ian Macdonald—I have indicated that I would refer all these issues to Mr Truss. As I understand, it was his appointment. Perhaps we should not second guess him and take it on notice. Are there other questions you want to ask?

Senator O'BRIEN—Yes.

Senator Ian Macdonald—I am suggesting you might put them all together.

Senator O'BRIEN—Apparently the minister could not find a single Indigenous Australian to represent Indigenous Australian interests on the advisory committee. What steps were taken to seek an Indigenous representative?

Senator Ian Macdonald—We will take that on notice.

Senator O'BRIEN—Mr Jones may have the answer now.

Mr Jones—I can give a partial answer. There was an advertisement in the *Koori Times*. There was a request to ATSIIC for nominations. I understand that Professor Leakey had the support of Indigenous communities, but I am not sure exactly what form that support was.

Senator O'BRIEN—It is quite remarkable that somehow we could not find an Indigenous Australian to represent Indigenous Australians on this board. It is quite remarkable that the minister made the appointment he did.

Senator Ian Macdonald—It would not be remarkable if ATSIIC nominated him, would you think?

Senator O'BRIEN—I do not think it was said that ATSIIC nominated him.

Mr Jones—Nominations were sought from ATSIIC.

Senator O'BRIEN—They did not actually nominate him. The department has provided the committee with a table of information of all EC declarations made between 1 September 2002 and 19 August 2003. I think it is noteworthy that no EC declarations before 1 September 2002 differentiated between industry groups. What is special about 1 September 2002? Why was differentiation on that basis absent before 1 September last year but now becomes commonplace?

Mr Calder—The date of 1 September 2002, I would suggest, is significant because that would represent essentially the first applications coming in for what we know as the current drought event. The rush of applications pretty well commenced in September and has continued virtually unabated right through to the current time. Prior to that time, virtually all of the applications that had been received previously had been essentially for all producers in an area. What we have seen through this drought event is that, on the advice of NRAC, a number of their recommendations have been to grant EC to certain producers in an area as only certain producers at that particular time met the EC criteria at the time of assessment.

Senator O'BRIEN—On 3 April this year Mr Truss said:

I am aware that farmers remain confused about the respective roles of the Commonwealth and state governments and want a coordinated process with one simple set of rules.

Looking at the table that the department has produced revealing an array of differentiated EC declarations, can you tell us which one simple set of rules govern these decisions?

Mr Calder—There is one set of simple rules—that is, that there are basic core criteria that need to be met. The first criterion is that there needs to be a rare event—that is, an event which is likely to occur once every 20 to 25 years. Linked to that event—the second criterion—there needs to be a severe and prolonged downturn in income. The third criterion is that the event must not have been predictable and the downturn in income must not have been due to structural adjustment issues.

It is the second criterion which is usually the most difficult to meet—that is, that there needs to be a severe and prolonged downturn in income. The drought has impacted differentially at different times on different groups of producers. For instance, in relation to croppers, the severe and prolonged downturn in income criterion normally means that you have to have lost two major crops. In relation to livestock producers, if a significant destocking has occurred in a particular area as a result of a drought, normally it would take a number of years for that producer who has destocked to rebuild his stocks and begin to generate income. On the basis of some predictive type analysis you can normally project that, while a livestock producer may not necessarily have suffered a prolonged and severe downturn exceeding 12 months at a particular point in time, it is quite obvious that they will suffer a downturn in future years as a result of a destocking, for instance, that may have been undertaken in those areas.

Senator O'BRIEN—What if they destocked and put their money into a farm management deposit and they are waiting for the right season to build back?

Mr Calder—That is certainly one strategy that they follow.

Senator O'BRIEN—Senator Heffernan suggested—if it was not today it was quite recently—as one of the explanations for growth in farm management deposits, that graziers would sell their herd because they had no pasture but they would invest the money again in the right conditions. That is a mitigation of circumstances. There is a measure in place that mitigates favourably for those particular pastoralists.

Mr Calder—But the reality still is that it does take a number of years to rebuild your stocks unless you have substantial funds, for instance, possibly through FMDs or other deposits, to go out and buy stock in the shorter term. But for a farmer who may have destocked substantially it may take three or four years in some instances to substantially restock up to their previous levels and begin to earn income. It depends a lot on the type of livestock operations that the farmer is operating.

Senator O'BRIEN—Is it possible to update that table to take into account EC declarations made since 19 August?

Mr Calder—Yes.

Senator O'BRIEN—If you could do that on notice.

Mr Calder—I have a copy here.

Senator O'BRIEN—Can you supply it tonight instead of on notice?

Mr Calder—Yes.

Senator O'BRIEN—On 15 September Mr Truss announced an EC declaration concerning the Burnett and Upper Brisbane Valley regions of Brisbane. Mr Truss detailed a new requirement on horticultural producers which I will describe as the Truss tree crop rule. He said:

Perennial horticulture producers, excluding citrus, must demonstrate tree losses of 25 per cent or more during 2002-03—a situation that must be independently verified.

On 22 October Mr Truss announced approval for horticulture producers in the Stanthorpe and Inglewood shires of Queensland's Granite Belt region. He said:

NRAC's assessment indicates that a lack of irrigation water has led to a significant decline in production of permanent horticultural and vegetable crops during 2002-03, a decline expected to continue in 2003-04.

Can you confirm that what I have described as the Truss tree crop rule applied to producers covered by the 15 September declaration but does not apply to the Granite Belt producers?

Mr Calder—Yes, that is correct. There have been a number of EC areas where horticulture has been specifically looked at by the national rural advisory committee. In all of those areas, of course, the government has accepted the recommendation, including the 25 per cent tree loss rule. That rule has been applied in two other areas—the first was Young—for cherry growers. That decision was made on 6 June. The second was the Burnett area.

Senator O'BRIEN—The Burnett area?

Mr Calder—The Burnett EC application.

Senator O'BRIEN—What sorts of tree crops are we talking about in Burnett?

Mr Calder—The major tree crop is citrus, but the application for the Burnett area received from the Queensland government stated that they did not believe that the citrus industry met the EC criteria. That was accepted by NRAC and that industry was excluded. There are avocados and some other stone fruits in that particular area. My understanding of the situation is that in that particular area, besides the impact of the drought, some of these orchardists had been hit by a severe frost event and also by a mini tornado which had destroyed a number of trees in some of those areas in the Burnett area.

Senator O'BRIEN—As I understand it, with avocados the process of maintaining the tree in drought is to cut it right down. It is not dead, but it is not going to produce for several years.

Mr Calder—You have me at a disadvantage there.

Senator O'BRIEN—That is what I am told by industry sources in Queensland. If that is correct, why should they need to lose 25 per cent of their trees when they manage them such that they are guaranteed no income for some time but they have actually saved their trees for the future, like a beef farmer might have saved a herd by selling it and putting the money in a farm management deposit?

Mr Calder—I would imagine that in that situation the earning potential would be substantially curtailed, but my recollection is—

Senator O'BRIEN—But they do not need to kill any trees by doing that. They can save the trees, but they will get no income for several years.

Mr Calder—I am not a horticulturalist in that area, so I am not in a position to comment specifically on that strategy.

Senator O'BRIEN—But the tree crop rule that I have been talking about would impact upon those farmers who, to save their trees, need to effectively make them non-producing for a few seasons.

Mr Calder—My understanding was—it certainly came up during the NRAC tour—that there were some avocado plantations which were severely affected by a frost event and also by a mini tornado which destroyed the trees.

Senator O'BRIEN—Is frost generally available under EC?

Mr Calder—There have been instances where EC has been granted for frost events, but it is not generally available.

Senator O'BRIEN—There have been instances where wingless grasshoppers and serrated tussock have been significant contributing factors. I think that was in the Monaro. The difference between the producers in the electorate of the state National Party leader, who do not have to meet the Truss tree crop test, and the producers in the state National Party deputy leader's electorate, who do, is that there was frost and some mini tornados in the state National Party leader's electorate?

Mr Calder—I have no idea of the electorate boundaries, to be quite blunt. I am not in a position to answer that.

Senator Ian Macdonald—Nor would you care, with respect. That is irrelevant in making these sorts of decisions.

Senator O'BRIEN—It is an interesting matter to debate. I think you will find that there have been several decisions that are debatable made on the basis of who is the incumbent in the electorate.

Senator Ian Macdonald—I keep telling you, Senator: you should not judge our government by what your government used to do.

Senator FERRIS—Not a whiteboard to be seen!

Senator Ian Macdonald—There is no whiteboard around.

Senator O'BRIEN—Which minister was it that allocated 20 per cent of DRRAT moneys to two National Party electorates?

Senator Ian Macdonald—Ros Kelly, was it?

Senator O'BRIEN—No, it wasn't. There was no DRRAT program at that time.

Senator Ian Macdonald—I would like to have an argument with you one day. It is not productive now. You have so few seats in those areas.

Mr Calder—I would like to reiterate that in all of these applications the decisions are based upon NRAC recommendations.

Senator O'BRIEN—These variations are what NRAC has recommended in every case?

Mr Calder—Yes.

Senator O'BRIEN—And the minister has endorsed the NRAC recommendations in every case?

Mr Calder—Yes.

Senator O'BRIEN—How does the independent assessment ascertain that a tree is dead? Does it have to fall over? Are core samples necessary?

Mr Calder—My understanding is that, at least in the first EC application area where there is 25 per cent tree loss, criteria were introduced, which is for the Young cherry growers, and the New South Wales department of agriculture verified the fact that the trees were dead. My understanding is that that normally means that the trees have been removed.

Senator O'BRIEN—Do they have to certify that they have not been transplanted? In September last year Mr Truss announced the intention of introducing a welfare assistance contingency on prima facie EC declaration. He said:

After a fully completed application has been received by my department and it is deemed to have made a prima facie case for EC, the federal government will refer the application to NRAC and immediately grant welfare assistance to the community concerned.

Why did the minister wait until the day NRAC was due to leave the Mackay-Whitsunday region of Queensland—that is, last Thursday—before he announced prima facie EC for that area?

Mr Calder—As you may be aware, during this particular drought event the department has been taking a number of measures to try to speed up the overall delivery of drought assistance. That has normally meant that we have run a couple of activities concurrently. Where basically we as a department have believed that a prima facie case has been established or can be established, we have at the same time started organising the NRAC visits. Unfortunately, occasionally there are delays in the system in getting the final decisions for prima facie approved. They are not solely the prerogative of our department and our minister; there are other ministers who have a role in this process. Sometimes there are delays. In that particular case it was one of those delays which caused a problem.

Dr Samson—Another factor that sometimes impacts on the timing of NRAC visits vis-a-vis decisions and announcements of prima facie assistance is the actual availability of NRAC members to undertake the visits. We have to try to schedule the visits to maximise the availability of NRAC members who are part-time members.

Senator O'BRIEN—But shouldn't the welfare assistance have been announced the moment the application was referred to NRAC under the proposal that Mr Truss announced on 19 September last year?

Mr Calder—Technically that is correct but, as I indicated, in an attempt to speed up the assessment of these applications there was a delay in announcing the prima facie. To be quite truthful, we just got jammed on it. We did have the option of cancelling the NRAC visit but, given that the recommendation for prima facie was a positive one, it seemed to be something that would be rather bureaucratic to do, for no real benefit.

Senator O'BRIEN—Mr Calder, I heard your explanation of the development of the tree crop rule. I find it very hard to understand. Do you understand why it was developed?

Mr Calder—As I said, the very first application where the criteria were developed was for the Young cherry growers. My understanding is that it is quite difficult to predict what is likely to happen for a tree crop in the season after a drought. In the Young cherry area, for instance, it was reasonably apparent that they had suffered a loss of income during the last season, but it was quite unsure as to what the impact would be in the next season as a result of the stress that the trees may have been under. Also, in that particular application there were suggestions that there had been a significant tree loss and that a number of trees would have to be removed as a result of the stress that had been caused to them, that they would be basically unproductive and were in the process of dying.

CHAIR—What is the reality?

Mr Calder—The reality in the Young area, as I understand it, is that, despite some initial concerns about the ability of producers to meet it, it is being met. I have also had discussions with orchardists who have rung me to seek further information on it. The bottom line is that virtually all of the ones I have spoken to—it has been only two or three at any rate—have indicated that they do not see a problem in meeting it.

CHAIR—How many trees died?

Senator O'BRIEN—Or got ripped out of the ground?

Mr Calder—The actual impact of course depends a lot on the practices which have been followed by the particular orchardist throughout the drought—their access to irrigation, what type of irrigation they are using and when they have been able to irrigate, as well as, of course, what natural rainfall there has been. So the impact is a bit variable, but certainly people are meeting it in the Young area, which was the first area that was applied.

Senator O'BRIEN—If you have got limited water you could take out 25 per cent of your trees, irrigate the ones that remained, keep an income and supplement it with EC?

Mr Calder—There are income and assets tests which still need to be met.

Senator O'BRIEN—What is the income test?

Mr Calder—The income test is basically that you need to be able to substantiate to Centrelink that you will not be having an income over the next six months.

Senator O'BRIEN—What time of the year was that?

Mr Calder—That particular declaration for Young was 6 June.

Senator O'BRIEN—So you could probably get away with six months before your next crop is through?

Mr Calder—Yes, but you also need an EC certificate, issued by the New South Wales rural adjustment authority, to say that you effectively met the 25 per cent tree loss rule as well.

Senator O'BRIEN—That is what I was just talking about. Who is to say? It seems a very difficult rule to police, explain and justify. If you have difficulty with it, I am wondering how

producers see it. Certainly the producers in Queensland who grow avocados see it as a travesty.

Mr Calder—The bottom line in all of this is that these producers need to be able to demonstrate loss of income extending more than 12 months.

Senator O'BRIEN—That is the point I was making. The avocado producers who cut the tree right down and will have no income for a couple of years do not lose 25 per cent of the trees—that is how they save their trees—but they are ineligible, at least in one area but not in another. You cannot tell me why that should be the case?

Mr Calder—All I can say is that these are a result of NRAC recommendations. I am quite sure that in their deliberations and discussions they visited these areas and fully explored all of those issues.

CHAIR—I am sure that the roundtable, summit, or whatever it is, will come to terms with the fact that one of the criticisms that often comes out from some farmers in different areas is that some of this often rewards bad farmers. I guess they are all discussions that will be thrown into the melting pot when the drought is over.

Senator O'BRIEN—Can you outline the department's handling of the recently rejected EC application covering the shire of Ballarat and the Golden Plains shire? When did the Victorian government first seek assessment of this region? What happened and why was the application rejected?

Mr Calder—My understanding of the situation is that the minister received a letter from Minister Cameron on 3 July seeking that three areas—Golden Plains, Ballarat and Whittlesea—be treated as addendums to an existing EC area.

No information was provided at that time in relation to one of the key EC criteria, which is income criteria—that is, information which could be used to establish whether a severe and prolonged downturn in income had been achieved. There was some information provided about what had happened in relation to the climate. On 13 August, once again a letter was received seeking that the three areas be treated as separate addendums rather than as a single addendum—with Golden Plains as one, Whittlesea and Ballarat as another—to the central Victorian EC area. In terms of the actual decisions as to why Golden Plains and Ballarat were rejected at the *prima facie* stage, the drought conditions in those areas, as evidenced by the information provided by the Victorians and BRS analysis, were certainly not as severe as those in the central Victorian EC area. In addition, there was simply no information available to substantiate a severe and prolonged downturn in income; none had been provided by the Victorian government. There had been a number of requests to the Victorian government at officer level to seek this information.

Senator O'BRIEN—When did officers from the department visit Ballarat to talk to farmers about local drought conditions?

Mr Calder—To my knowledge, no officers have actually visited Ballarat, that is not necessarily standard procedure for *prima facie* assessments.

Senator O'BRIEN—They often visit areas?

Mr Calder—Normally, when NRAC visits an area, there would be officers from the department as part of the tour. As I said, Senator, the fundamental reason as to why Ballarat and Golden Plains were rejected was that the climatic event, or the drought event, was certainly not as severe—based on the information we had available to us—as the central Victorian application, which was the area they were meant to be added to or had requested they be added to. There was simply no information available—either provided by the Victorian government or that we had ourselves through other sources—which demonstrated what the income effect was in terms of the drought that they may have been experiencing in those areas.

Senator O'BRIEN—Is it normal for the Commonwealth to have that material?

Mr Calder—Under the EC guidelines, which have been agreed by Commonwealth and state ministers, the state is required to prepare an EC application which meets all of the criteria and which they believe has a good chance of success. In this particular case I think it is fair to say that the information was just not there.

Senator O'BRIEN—The answer to a question on notice taken at our May hearing says the findings of Agriculture—Advancing Australia's review would be placed on the department's web site. When was the review completed and when was the report posted on the department's web site?

Mr Aldred—The review was part of the budget process, so it was a report for the government. We have produced a document that we expect that we will list on the web site, and we are seeking the clearance of the minister to do that.

Senator O'BRIEN—How long have you been waiting for that clearance?

Mr Aldred—I would have to check the specific date, Senator.

Senator O'BRIEN—You can take that on notice.

Mr Aldred—Yes, Senator.

Senator O'BRIEN—Why have the statutory funding agreements for some privatised R&D corporations have agreed review dates but others do not?

Mr Jones—We do not know why that occurs. Basically, of the five there were two that did have review dates, one had a review if appropriate, and there were two that did not have a review date specified. For those that do not have a review date specified we are in the process of negotiating to put one in. The only extra information I have was that when those earlier agreements were being negotiated it included legal advice and advice from DOFA. So, for whatever reason, people at the time did not think fit to put it in.

Senator O'BRIEN—Is it worth while taking that question on notice?

Dr Samson—I will take it on notice. I think broadly over a range of organisations agreements have been negotiated at different times with different industries. It has resulted in different outcomes. As Mr Jones has alluded to, we are taking the opportunity to talk to those entities that do not have review dates in their statutory funding agreements and we are confident that we will normalise all statutory funding agreements so that they all have review dates incorporated into them.

Mr Jones—The only other thing to add is that in the earlier period various agreements were done in different line areas around the department. When it was realised that the outcomes perhaps were not totally consistent, the responsibility was drawn into one area so that there would be consistency, so in future there will be. We are seeking—as Dr Samson said—to renegotiate the agreements to put review clauses in.

Senator O'BRIEN—I asked a question in May about whether the minister signed off all his media statements. Your answer was that the question could be answered by the minister's office. Can I phrase it another way? Has the minister authorised the department to issue media statements in his name without reference to the minister or his media adviser?

Mr Calder—Is this in relation to drought or generally?

Senator O'BRIEN—Yes.

Mr Calder—No.

[11.04 p.m.]

Fisheries and Forestry

Senator O'BRIEN—In June this year Minister Macdonald released *Looking to the future—a review of Commonwealth fisheries policy*. The review process extended over a number of years. How much did it cost?

Mr Quinlivan—I am not sure of the precise cost. I think that we provided an estimated cost at the last Senate estimates hearings—it may have been the time before that—and I do not think that there would have been any more costs to the actual review activities since that time. We have now moved to implementing the initiatives in the review.

Senator O'BRIEN—So we could rely on the estimate as accurate?

Mr Quinlivan—I am pretty sure that the number I gave you at that time was close to the end of the actual review. So I am pretty sure that would be close to the total figure. I think that it was in the order of \$250,00 or \$300,000—something like that.

Senator O'BRIEN—That is Minister Macdonald's role and Mr Tuckey's role and all of that?

Mr Quinlivan—The main cost was the salary cost for the staff who worked on it.

Senator O'BRIEN—One of the features of the review document was the number of proposed activities detailed in what is probably very generously titled 'the outcome' section of the review document. What progress has been made on developing a policy paper on 'maximising economic efficiency while ensuring the principles of ecologically sustainable development'?

Mr Quinlivan—There are lots of activities which are envisaged in the review document, as you have noted. So we have had to prioritise those. We could not do them all at once. That one is a lesser priority than others that we have started work on.

Senator O'BRIEN—What is its time frame? What is its priority?

Mr Quinlivan—I do not think that there is any particular time frame identified in the report. It is actually quite an important issue for AFMA in interpreting its statutory objectives. So it has not been dismissed, but we do not actually have a product on that issue as yet.

Senator O'BRIEN—So will a national fisheries compliance strategy be implemented by the end of this year?

Mr Meere—There is a strategy that is being developed by the Australian fisheries management forum, which is the forum of all the state and Commonwealth fisheries directors. It is my understanding that they have a final draft of a national strategy. I am not sure when it will be formally implemented, but we can take that on notice and advise you.

Senator O'BRIEN—That is outcome 18's objective, is it not?

Mr Quinlivan—Yes, that is outcome 18.

Senator O'BRIEN—Has the government developed and implemented an agreed framework for the management of resource allocation between industry sectors in accordance with outcome 22?

Mr Quinlivan—There has been a substantial amount of work on this issue. There was a workshop held in Coolangatta some time ago where all stakeholders came together. The department has been working on a framework document for managing this issue and that document has been circulated to all state fisheries managers for comment. We are doing some more work on the detail at present and we are hoping to have a document that will be available for public comment quite soon. The intention is that that framework will then be applied in the east coast tuna and the southern and western tuna fisheries as a pilot for this framework and, if it is successful, it will be used nationally.

Senator O'BRIEN—In the interests of time, I might put some other questions about that on notice. Can you provide the committee with an update on cooperation with the Indonesian government to combat illegal fishing in our northern waters?

Mr Quinlivan—We have not done anything new with the Indonesian government since the last time we spoke. We have all of the avenues for discussion and cooperation that we discussed the last time. The one new thing that emerged the last time that we met with Indonesian government officials was that approval was given for Australian fisheries officials to visit the islands and villages that we know that many of the illegal fishermen come from. We are in the process of organising that at present. It has been quite a difficult thing to organise. Separately and internally within the Commonwealth, we have been discussing with other agencies how we might deal with the suite of issues that affect Indonesian illegal fishing and we are hopeful that ministers will be taking some propositions to cabinet early next year.

Senator O'BRIEN—On Friday Senator McDonald issued a statement noting the apprehension of the 119th fishing boat in Australian waters this year. Were any more apprehended over the weekend? Is that still the number?

Mr Quinlivan—I understand that the current number is 124.

Senator O'BRIEN—The vast majority of these apprehended boats make their way into Australian waters from Indonesia, as I understand it. Can you confirm that, and can you tell

the committee how many of the 124 apprehensions this year related to Indonesian boats in our northern waters?

Mr Quinlivan—I think the 124 is a number that is solely Indonesian illegal vessels.

Senator O'BRIEN—Has there been any assessment of the impact of illegal fishing in our northern waters?

Mr Meere—There has been no specific stock assessment in relation to the target species which primarily are shark species. But we do know that these species are lightly fished by Australian fishers but they are heavily fished by Indonesian fishers in Indonesian waters. There is a potential impact given the nature of the species and the fact that they probably do straddle across the two fishing zones.

Senator O'BRIEN—I have asked for this information before without much success. Do you have any idea of how much combating illegal fishing in northern Australian waters is costing, not just AFMA but other agencies as well, and Queensland state fisheries?

Mr Meere—I could not give you a realistic estimate of that.

Senator Ian Macdonald—I think the reason, as we have explained before, is that Coastwatch, Navy and Customs do a number of tasks up there—fisheries is just one, obviously. I am not sure whether they separately identify their cost areas.

Senator O'BRIEN—How many Indonesian boats have been captured more than once? Could we have that information?

Mr Meere—I do not have that specific information, but I imagine if they were captured more than once they would be highly unlikely to be bonded a second time. They have to be bonded, as you know, under own costs. I can take that on notice and give you some advice on that.

Senator O'BRIEN—Okay, thanks. For those boats not sent home what is the cost of keeping boats and alleged crew in Darwin while the law takes its course?

Mr Meere—I think that varies from vessel to vessel. We are in the process of implementing processes to expedite the return of vessels and crew where they are bonded. Again, I could probably give you an average figure for Darwin, if that would be of use. I have not got it on me.

Senator O'BRIEN—What you can give us we will gratefully take. Does the government still burn boats and, if so, where?

Mr Meere—Yes, we do. Darwin is the principal spot where boats will be burnt.

Senator O'BRIEN—What about Thursday Island?

Mr Meere—There have been problems with disposing vessels on Thursday Island. There are limited resources. It has proved difficult to dispose of vessels on Thursday Island. We are trying as best we can to manage that with the council on Thursday Island.

Senator O'BRIEN—What benchmark does the government use to measure the effectiveness of anti-illegal fishing measures? Is the massive increase in apprehensions a sign of effective or ineffective policy?

Mr Quinlivan—The drivers for illegal fishing in Australian waters are extreme poverty on the Indonesian side and the relative abundance of the target species, shark, on the Australian side. Nothing fundamental that we can do can change those two things in the foreseeable future. The issue is just one to manage as best we can. I guess the principal criterion for determining whether we are doing that management job well is whether the number of incursions from the north is increasing, and we have no real evidence of that. It remains at a high level.

Senator O'BRIEN—Can you provide an update on the *Viarsa* matter? What is the status of the legal action against the master and the crew of the vessel? Do I understand an application from the master and the crew for a variation in bail to permit them to leave Australia was refused on Friday?

Mr Meere—That is correct. The existing bail conditions apply, which as I understand it—I stand to be corrected, but I think it was \$20,000 bail per defendant plus surrendering of passport and seamen's papers and the need to stay in the vicinity of Perth.

Senator O'BRIEN—Is it the case that the master and crew are entitled to Centrelink payments while in Australia awaiting trial?

Mr Meere—I do not know the answer to that. I am happy to check it for you.

Senator O'BRIEN—When will the trial commence?

Mr Meere—Again, I do not know. I think they have been bailed to December. That is my understanding from the most recent appearance.

Senator O'BRIEN—What has the *Viarsa* matter cost the Commonwealth so far?

Mr Meere—In terms of total cost to apprehend the vessel?

Senator O'BRIEN—Yes.

Mr Meere—I do not have those figures available.

Senator O'BRIEN—Can we have them on notice?

Mr Meere—I am not sure that I would have access to all those figures. It is across a range of portfolios.

Senator O'BRIEN—Can you tell me what you can access and what has been excluded?

Mr Meere—I could certainly tell you what AFMA's costs are, if that would be of assistance.

Mr Quinlivan—We can take the question on notice and see what is available.

Senator Ian Macdonald—I think you have a question on notice, Senator, which is such a lengthy, complex question that we are struggling to get all the information.

Senator O'BRIEN—I do not ask questions that are complex. They are always very simple, but maybe lengthy. I will concede that some are lengthy.

Senator Ian Macdonald—I could not argue about the fact that they are very lengthy and detailed.

Senator O'BRIEN—I was saying that I do not argue about them being lengthy. Has the cost of the *Viarsa* matter been met from the Southern Ocean fisheries enforcement budget for 2003-04 as announced in this year's budget?

Senator Ian Macdonald—Some of it will be; some of it will not be.

Senator O'BRIEN—On notice, can you tell us how much will be?

Senator Ian Macdonald—We have said we will take it on notice. I do not think this is all in yet. It will take a while.

Senator O'BRIEN—In deference to the chairman, I will put my other questions on this area on notice. We can go to Natural Resource Management unless anyone else has questions on Fisheries and Forestry.

Natural Resource Management

Senator STEPHENS—Mr Thompson, can you just tell us when the department received the draft interim scientific report on the River Murray?

Mr Thompson—We received a draft copy of the interim report in September this year.

Senator STEPHENS—So when would the minister have received that report?

Mr Thompson—I think we provided the minister's office with a copy of that report in the same month.

Senator STEPHENS—Can you then explain to me the fact that there was a *Living Murray* newsletter published in May that quotes Minister Truss as follows—

While the Council did not restrict the Commission in the size of the proposal, it is likely to be at the lower end of the reference points currently being used for the Living Murray Initiative consultations.

Was that statement by the minister based on advice from the department?

Mr Thompson—The minister made that statement after the May meeting of the ministerial council meeting when the council was briefed on the current state of play with the scientific and economic information for the *Living Murray*. At each meeting the council is briefed on where things are at. That quote comes from his media release or the communique from the council meeting in May.

Senator STEPHENS—Has the department been instructed to prepare work for the November ministerial council on the 350, 750 and 1,500 gigalitre options?

Mr Thompson—The council in its decision last year at Corowa asked for work to be done on those three reference points and also asked for them to be applied to a number of ecologically significant sites along the river. At the Murray-Darling Basin Commission meeting in August this year the commission indicated that the first step decision they were looking at would focus on five ecological assets. That is the work that is now being prepared by the commission, and the department is involved in that work for the Murray-Darling Basin Ministerial Council's November meeting.

Senator STEPHENS—Can you tell me whether or not the department has been asked to work around a 400 gigalitre target?

Mr Thompson—As I said, the three reference points that were decided at Corowa last year were 350, 750 and 1,500 gegalitres. They were reference points, not targets. They were to test the sensitivity of the models being used and the science being used against those volumes of water. The work that is now proceeding is based on ecological assets, and work is being undertaken by the Murray-Darling Basin Commission to determine what environmental outcomes can be targeted and what volume of water might be needed to achieve it. There is no work going on towards a specific target of 400 gegalitres, but 400 gegalitres of water might be some of the volumes of water that might be required to achieve some outcomes in the river—but it is not a target as such.

CHAIR—Have you got any idea at all how big the cake is that you are proposing to cut up—whether we send 750 gegalitres or whatever. Do you know how much of the cake that that is going to come out of? In other words, have you sufficient detail to know as an audit figure how much water there is available for the environment or the irrigators? Do we know what we are talking about, in other words?

Mr Thompson—The whole decision is bounded by the volume of water that is in the river and then the diversion that is made of around 11,000 gegalitres in total. So the bounds that are to be provided for the environment—

CHAIR—My point is: have you done sufficient work to know in the future, given the 2020 vision and the interception of floodwaters and the greenhouse effect, how much water we are actually talking about into the long term; so that when you make this pronouncement on how much water is required for the environment you know the impact that that is going to have on the rest of the system and, unlike the Colorado River sharing agreement where they were two million acre feet out in 1922, we are not going to repeat those mistakes?

Mr Thompson—There are indications from the scientific report and there are a number of opinions as to what volume of water might contribute to a healthy working river. Those figures will be worked on for at least the next six to nine months, so there is not a firm figure in that regard and there is a range of scientific opinion. So that is why we took the approach of starting to look at what could be some of the benefits derived at certain sites and the volume of water used while more work continues on the science that can provide for a healthy river and the social and economic costs of providing that water, because if you—

CHAIR—Under the COAG agreement with the states, and bear in mind that most of the blunders of water which have been implemented at a state level have a national consequence, and given the information that this committee has received on what is proposed with water harvesting in the north and the 2020 vision of taking out 1,000 gegalitres for the new forests, are you confident that at the end of the day when you decide whatever it is the water is going to be there in five, 10 or 15 years to actually do that?

Mr Thompson—I would not be confident at this point in time to describe a black and white answer in that regard because there are some key unknowns in relation to climate, the effect of groundwater recharge, the effect of changes in land use and the exact requirements of the environment. So we do not have a definitive answer at this point in time.

Senator STEPHENS—Getting back to the interim scientific report, I understand that that was prepared for the Murray-Darling Basin Ministerial Council meeting scheduled for 14 November. Is that right?

Mr Thompson—That is correct.

Senator STEPHENS—I understand that the executive summary of the report was apparently leaked some time in September.

Mr Thompson—That is correct.

Senator STEPHENS—Have you been able to determine the source of that leak?

Mr Thompson—Not that I am aware of, no. The number of people involved who had access to that report in community reference panels, scientific reference panels and government was quite large.

CHAIR—How many community reference groups are there in the Murray-Darling Basin?

Mr Thompson—There is one community reference panel working on the *Living Murray* for the Murray-Darling Basin ministerial council. There could be other community reference panels working for—

CHAIR—Who is the chairman of that?

Mr Thompson—I do not recall the exact person who is the chair. The name I have in mind—I am not sure that that person is the chair; I am sorry. Someone asked if it was Leith Bouilly. I think it may be Leith Bouilly, but Leith Bouilly chairs the community advisory council for the Murray-Darling Basin ministerial council. That is why I would have to take on notice whether she also chairs the community reference panel. She certainly participates in the community reference panel.

Senator STEPHENS—I understand there are five working groups on the national water initiative.

Mr Thompson—That is correct.

Senator STEPHENS—Could you provide for the committee the nature of those five groups, who they report to and what their work program is?

Mr Thompson—All the working groups report to what is called the Senior Officials Group of COAG which is made up of senior officials in water and central agencies in the Commonwealth government and the states. Of the five working groups, one is looking at urban water reform issues. Another is looking at environmental water accounting systems. A third is looking at water markets and trade. The fourth is looking at water recovery and infrastructure. The fifth one will be looking at an intergovernmental agreement for the Murray-Darling Basin between South Australia, the Commonwealth, New South Wales and Victoria to look at the \$500 million those states and the Commonwealth committed to addressing overallocation of water in the Murray-Darling Basin. The timetable for those groups is to work as quickly as they can with a view to reporting to COAG midway through next year.

Senator STEPHENS—Is it possible to get the terms of reference and the membership of those committees?

Mr Thompson—I would have to take that on notice because they are actually being coordinated by the Department of Prime Minister and Cabinet. I understand the terms of reference and membership is to be made public, but the terms of reference are still being finetuned at this stage.

Senator STEPHENS—Can you advise—you can take this on notice—whether a consultation strategy has been developed for each of those working groups that identifies which stakeholders they are going to be consulting with?

Mr Thompson—The consultation strategy is still to be developed. It is envisaged that key stakeholders will be advised of the details of the process in the near future. When some proposals are further developed, consultation processes will be advanced. Again, that detail has not been finalised as yet.

Senator STEPHENS—What is the usual way that stakeholders are advised of these bodies and the opportunities to be consulted with?

Mr Thompson—The normal process would be for key stakeholders to be advised in writing and for information on the membership to be put on appropriate web sites. Consultation that was conducted in earlier COAG processes involved a series of meetings with the stakeholders and an invitation for others to write in. That process was followed with the COAG senior officers group earlier this year with their work on water reform.

Senator STEPHENS—You mentioned before about the social and economic impacts. Page 3 of the document actually suggests that a report summarising the socioeconomic analysis will be released early in 2003. It goes on to say that, at its March 2003 meeting, the ministerial council will consider all the information collected to that point. Can you tell me whether those things have happened?

Mr Thompson—There was some information available to the ministerial council earlier this year on the social and economic impacts of these measures just as there was some scientific information. It was not definitive. The interim scientific report will be worked on through to the middle of next year. We are expecting in the next few weeks economic and social analysis, as best as it can be done on the basis of the information that is currently available for advising ministers, in November. But more social and economic analysis will need to be done as specific proposals for doing work on environmental flows or infrastructure refurbishment or physical works to allocate water around the basin are undertaken. So there will be ongoing economic and social work.

Senator STEPHENS—Has someone been contracted to do that work?

Mr Thompson—Yes, the Murray-Darling Basin Commission has a social and economic reference panel. They have let a number of contracts over the last little while for people to do social and economic work.

Senator STEPHENS—Can you tell me then what the department's role is in relation to the Meander Dam project in Tasmania?

Mr Thompson—I think that it was about nearly two years ago there was a commitment made by the government to provide \$2.6 million to support funding for the Meander Dam. At the present time, the Meander Dam is going through the necessary state and Commonwealth

approval processes. So this department's involvement at the present time is to await the outcome of those economic and environmental evaluations before we are involved in providing funding.

Senator STEPHENS—Has the department actually provided any assistance to Minister Truss or Dr Kemp in relation to the dam proposal?

Mr Thompson—No particular assistance other than the normal briefing on the nature of the funding contribution. Dr Kemp's department did undertake an analysis of the proposal under the Environmental Protection and Biodiversity Conservation Act. I am unaware of the details of the work inside that department.

Senator STEPHENS—So you have not actually made an assessment of the agricultural production impacts or anything like that yet for Tasmania?

Mr Thompson—No, we have not. One of the conditions of funding was that an analysis was done of the economic value of the project. I understand that Tasmania has done that analysis and they are satisfied with the project.

CHAIR—I would like to ask some questions about the connection in the COAG agreement and the recently signed memorandum of understanding, or whatever it was, and the role that the Commonwealth is going to play with the states and how you will make that fit. If I could just go to what I consider to be the catastrophic mismanagement issues that have arisen so far, including the overallocation of the rivers, certainly in New South Wales; the complete oversight of the forest interception of run-off and how that fits into the 2020 thing and, as you are aware, in forest and high rainfall areas, the tradeability of groundwater licences that have no aquifer attached to them; and the flood water harvesting. I just wondered what the influence will be at a Commonwealth level with decisions such as the decisions that are pending in Queensland?

We have a document here from the Department of Natural Resources, Queensland government, on the Lower Balonne community reference group's findings, which are flagging a huge increase in water harvesting in the rivers below Dirranbandi. We have been told that there is one million megalitres, or 1,000 gicalitres of storage, being built. Peter Cullen has said in his review of the area that he found that 'the rivers and wetlands of the Lower Balonne system are presently in a reasonable ecological condition, but that condition is expected to deteriorate if the present capacity to extract water from the system should actually be exercised'. What capacity do you have to influence that?

Mr Thompson—The broad question you asked was in relation to what capacity does the Commonwealth have to exercise a range of measures like changes in land use, conjunctive use of surface and ground water and the interception of overland flows. They are issues that have been identified to be looked at as part of the COAG water reform framework. While the work is continuing, one of the key things one would expect to happen is that all of those sources of water extraction and use would be able to be encompassed in the volume of water that is available and taken into account in setting up any property rights regime or any trading rights regime.

In relation to particular issues such as in Queensland, they are state government decisions on how much water is allocated and for what purpose. In the case of the ones in the

Condamine, which I think you referred to, they do fall within the Murray-Darling Basin. Queensland has not yet finalised its cap for the Murray-Darling Basin. Finalisation of the water sharing plan on the Condamine will become part of the cap. That will be referred to the Murray-Darling Basin Commission. The commission does have an opportunity to comment on it and ministers can exercise influence in that regard.

CHAIR—I am pretty concerned about what is going on up there. There has been a community reference group. The community reference group has been reconvened and, according to this document, from the department's web page, Mrs Leigh Bouilly has been engaged by the department as the facilitator for the new community reference group. They have set up a subcommittee to the community reference group, because they say that it is such a large committee. The community reference group for that area consists of mostly irrigators and people associated with irrigation. There are actually three graziers, but I notice that there is no representation at all in any of the consideration that I can see for the riparian rights of people in the extended river.

I have a very strong view that the ANV licence regime that they have proposed certainly intercepts the riparian water rights of people on the extended river systems. Given that certainly some of these people have at the least what I would describe as a vested interest in the decisions that they are influencing—and certainly some of them, in my view, have a conflict of interest and one particular person who is a paid servant of the process, in fact, stands to gain a 7,000 megalitre water licence, which could be worth from \$3 million to \$7 million out of the process—I wondered just how at a Commonwealth level the alarm bells can be rung sufficiently to have confidence in the fact that while you do not have a veto power, and given that Dr Peter Cullen has raised serious question marks about what is proposed up there in terms of water harvesting, what can we do about it?

Mr Thompson—The potential for essentially overallocating water in that system is well recognised and it is one of the issues that the Commonwealth was pursuing through its agreements with Queensland—that they would come up with a water-sharing plan that ensured that there would be no unacceptable land or water degradation. So we have some leverage in that regard. I am not familiar with all the details of the process, which is a Queensland process for water sharing, but I understand that they are putting in place arrangements for essentially taking what was unlicensed systems to licensed systems for both in-stream water and overland flow. The move towards that process actually should bring into greater relief the issues and provide greater transparency for what the processes are.

CHAIR—Just so it is on the record, my concern is that one of the people concerned here has a joint venture with Cubbie Station. As you say, this is turning what has been almost a wink and nod system from years ago into a licence system, with catastrophic implications for riparian rights further down the river, and I am concerned that the whole process is seriously flawed. A subcommittee has been set up to ensure that the detail, particularly in the hydrological modelling, reflects reality and consists of an irrigator from Dirranbandi, an irrigator from St George, an environmental person, an irrigator from St George and another irrigator. If that is not a quaint little vested interest in an outcome, I will eat my hat. I am just flagging for your benefit and for the benefit of the committee my grave reservations at this

whole process. I would hope that the Commonwealth has the capacity to bring some sense to this process.

Mr Thompson—I do not know enough about the individuals involved or whether there is any significant conflict there. It is not uncommon in water sharing plans if you are working in rural Australia that a lot of people have interests in land or water. It is almost inescapable that, if they have an interest in it, they are involved. The checks and balances are usually that those people are providing advice and that there is a diversity of views represented. In the Queensland case I have not seen any information to show that those conflicts have been realised.

CHAIR—I would hope that the department and the commission will take a keen interest in these issues. As I have indicated to you earlier, I could not believe my ears when I discovered within 10 minutes of visiting Moree recently—you should never take anything as a given—that 25 per cent of the ground water licences allocated in the act are owned by people who do not have any aquifer. On 1 July under the New South Wales new water sharing plans, those licences would have been tradeable to people who had an aquifer which would have been making something that is completely valueless in its present state worth \$1 million or \$1,000 a megalitre. It is hard to understand how that could be, but it is. I would hope that in the terms of the COAG agreement and the little line in there that says you are going to look at water harvesting and plantation interception that you will do that in a meaningful way.

Mr Thompson—Again, work has just commenced. We would be looking to put in place consistent and compatible rules and regulations around water allocations and definitions of property rights right across the basin so issues like that would be addressed. In terms of some consultation or involvement of people, we have also been looking to ensure that the diversity of views are represented and that balanced information is taken into account before our decision is made.

CHAIR—The great problem with the Lower Balonne is that the arrangement stops at the Queensland border. As you would know, the Culgoa River, for instance, is a river that floods. Under the A and B water licensing arrangements they are talking about getting a licence to harvest to the extent of already having built a million megalitres—a thousand gigalitres—of storage to intercept this water which in that particular river, as you probably know, goes out of the river, but it does not go out beyond and over the horizon; it comes back into the river. So the first person with the first water harvesting pump gets the first bite of the cherry and so it goes on down till the riparian rights are completely intercepted for people further down the river and certainly over the Queensland border. I just bring this to your attention and hope you are deadly serious about not letting another catastrophe of mismanagement occur.

Senator COLBECK—I have a couple of questions on the national action plan. What was the basis for allocation of funding to the states?

Mr Thompson—The funding to the states was allocated on a range of factors, but they included the extent of salinity, the extent to which the problem might be able to be addressed and the likely benefits of intervention. So some of it was looking at the extent of salinity hazard. In others it was looking at both extent of hazard and the potential to do something about it.

Senator COLBECK—So they would have been negotiated on a cooperative basis with the states?

Mr Thompson—The allocations were provided by the Commonwealth at a COAG meeting.

Senator COLBECK—There was consultation and discussion with the states as to the quantities that would be provided?

Mr Thompson—The amounts were provided by the Commonwealth at that COAG meeting. The states were then provided with the opportunity to respond to that in the process of agreeing the intergovernmental agreement and then subsequent bilateral agreements with each state.

Senator COLBECK—How many of those have been signed off?

Mr Thompson—Bilateral agreements have now been signed with all states except the ACT.

Senator COLBECK—Is there any proposed plan for dealing with salinity in the states under that bilateral?

Mr Thompson—In those states where bilaterals have been signed the process involved picks up statewide salinity water management strategies and then that translates down into plans at a catchment level being produced in what are termed the NAP catchments in each state. They are producing integrated natural resource management plans to address salinity and water quality on a strategic basis.

Senator COLBECK—Having made an allocation of funding to each state, there was obviously an expectation that each state would match that funding and that money would be spent in each of the states?

Mr Thompson—That is correct. There was an agreement. The intergovernmental agreement was that the states would match the Commonwealth money in cash.

Senator COLBECK—What was the life of the plan?

Mr Thompson—Seven years.

Senator COLBECK—Commencing in?

Mr Thompson—November 2000.

Senator COLBECK—How many states are running what could be considered in line with the funding allocations that would be expected under the programs?

Mr Thompson—The states that are spending most in line with the allocations are Victoria and South Australia. New South Wales have made a number of recent announcements late last month which should see them spending broadly online later this month through into early in the new calendar year. States like Western Australia and Tasmania are lagging.

Senator COLBECK—What will happen to the funding that is not spent in those states?

Mr Thompson—No decision has been taken on that as yet.

Senator COLBECK—Is there a possibility that it could be allocated to other areas?

Mr Thompson—All I could say is that ministers have not taken a decision on that. Whether the money stays with the state or comes back from the state is open at this stage.

Senator COLBECK—With respect to the \$12 million allocated for Tasmania, there would have been an expectation by the Commonwealth having signed a bilateral that that sort of money would have been spent?

Mr Thompson—Yes.

Senator COLBECK—So a statement by the Tasmanian minister that the commitment was only up to \$12 million would not really be in line with the commitment made in that bilateral agreement?

Mr Thompson—The bilateral agreement I think says up to \$12 million.

Senator COLBECK—But obviously there would have been an expectation that the \$12 million would have been spent having signed a bilateral?

Mr Thompson—That expectation is there on the Commonwealth's behalf. We allocated the matching \$12 million from outside, but the bilateral was only agreed for up to \$12 million because at the time Tasmania were still putting in place their regional arrangements.

Senator COLBECK—How far have those particular arrangements progressed and the plans associated with those with respect to reporting to the Commonwealth?

Mr Thompson—In Tasmania?

Senator COLBECK—Yes.

Mr Thompson—We have provided some foundation funding for Tasmania, which is funding to help put plans in place. Tasmania advised that there is a statutory target of finishing the plans for the national action plan region by March of next year.

Senator COLBECK—Have you any idea of what their forward funding arrangements might be to pick up the \$12 million?

Mr Thompson—No.

Senator COLBECK—How does the preparation of plans by March 2004 compare to what is happening in other states?

Mr Thompson—New South Wales expect to have all of their plans completed on a first cut by November and then there will be subsequent revision. Victoria should have all of their NAP plans completed this month. South Australia should have all of their plans completed this month. In the Northern Territory, Western Australia, Tasmania and Queensland the plans will be spread out from later this year through till the latter part of next calendar year on the advice that we have received from the states.

Senator COLBECK—Just quickly on NHT, of the \$150 million allocated on NHT1, what was the amount left unspent at the end of the program?

Mr Thompson—I do not have that number. Normally details of NHT expenditure are taken in the estimates of the Department of Environment Heritage, but we could obtain the number.

Senator COLBECK—The Commonwealth has allowed the state government till June 2004 to finalise expenditure. I just want to know whether that expenditure is on the basis of established projects or what the conditions are of the extension to the final expenditure.

Mr Thompson—There have been no new NHT1 projects entered into for over 12 months. They are just extensions to finalise existing ones which may have been delayed for whatever reason. Some were delayed for dry conditions or wet conditions or difficulties with tendering and the like. They are just being run out now.

Senator COLBECK—Essentially, the finalisation of expenditure is based on existing projects that have not been completed for various reasons that have been put to the Commonwealth government and have been accepted?

Mr Thompson—Yes.

CHAIR—You said earlier that there is the Murray-Darling Basin community advisory body—

Mr Thompson—Community advisory council, yes.

CHAIR—Could you give us the details of the people who make up that advisory council?

Mr Thompson—Yes, I can do that.

CHAIR—You also mentioned a community reference group.

Mr Thompson—Yes, there is a community reference panel for the ‘Living Murray’ initiative.

CHAIR—Could you also give us the details of that?

Mr Thompson—Yes.

CHAIR—Finally, last week in New South Wales—or whenever it was—Craig Knowles flashed around the state and doled out a whole lot of cheques. How much of that money was Commonwealth money?

Mr Thompson—Just under 50 per cent. New South Wales contributed an extra \$30 million of new money, but just under 50 per cent of that money was National Action Plan, Natural Heritage Trust and National Land Care Program money.

CHAIR—Did we not have some sort of an arrangement to share the glory?

Mr Thompson—The bilateral agreements under the Natural Heritage Trust and the National Action Plan provide for joint announcements of projects and funding.

CHAIR—Did that happen?

Mr Thompson—Not in that case.

CHAIR—Thank you, everybody. It is time to go home. We will meet again at 9 in the morning. I thank everyone very much for their patience, attendance and consideration.

Committee adjourned at 12.13 a.m.