



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT
LEGISLATION COMMITTEE

ESTIMATES

(Budget Estimates)

MONDAY, 24 MAY 2004

CANBERRA

BY AUTHORITY OF THE SENATE

INTERNET

The Proof and Official Hansard transcripts of Senate committee hearings, some House of Representatives committee hearings and some joint committee hearings are available on the Internet. Some House of Representatives committees and some joint committees make available only Official Hansard transcripts.

The Internet address is: **<http://www.aph.gov.au/hansard>**

To search the parliamentary database, go to:
<http://parlinfoweb.aph.gov.au>

SENATE
RURAL AND REGIONAL AFFAIRS AND TRANSPORT LEGISLATION
COMMITTEE
Monday, 24 May 2004

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

Senators in attendance: Senators Bartlett, Boswell, Buckland, Cherry, Colbeck, Ferris, Heffernan, McLucas, O'Brien and Stephens

Committee met at 9.03 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

Departmental

Mr Michael Taylor, Secretary
Mr Don Banfield, Deputy Secretary
Mr Bernie Wonder, Deputy Secretary
Ms Meryl Stanton, Deputy Secretary

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 (including Wheat Export Authority)

Mr David Mortimer, Executive Manager
Mr Richard Souness, General Manager, Food Policy and Safety
Mr Roland Pittar, General Manager, Crops, Wine and Horticulture
Mr Greg Williamson, General Manager, Meat, Wool and Dairy
Mr John Walter, Chairman, Wheat Export Authority
Mr Glen Taylor, CEO, Wheat Export Authority
Mr Geoff Walters, General Manager, Corporate Services, Meat and Livestock Australia
Mr David Crombie, Chairman, Meat and Livestock Australia
Mr Mark Spurr, Managing Director, Meat and Livestock Australia
Dr David Bruce Adams, Senior Principal Research Scientist, Office of the Chief Veterinary Officer
Mr Peter Barnard, Meat and Livestock Australia
Mr Michael Prendergast, Meat and Livestock Australia
Mr Mike Hayward, Meat and Livestock Australia
Mr Scott Hansen, Meat and Livestock Australia

Market Access and Biosecurity

Mr Paul Morris, Executive Manager
Ms Mary Harwood, Executive Manager, Biosecurity Australia
Ms Virginia Greville, Special International Agricultural Adviser
Dr Dennis Gebbie, Chief International Agricultural Adviser
Mr Craig Burns, General Manager, Trade Policy
Dr David Banks, General Manager, Animal Biosecurity
Dr Brian Stynes, General Manager, Plant Biosecurity
Dr Melanie O'Flynn, General Manager, Plant Biosecurity
Mr Jeff Maldon, Manager, Project Analysis and Coordination

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

Mr Steve McCutcheon, General Manager, Product Safety and Integrity
Mr Dean Merrilees, General Manager, Animal and Plant Health Policy
Mr Tim Roseby, General Manager, Emergency Risk Management Unit and National Residue Survey
Dr Peter Miller, Deputy Director, National Residue Survey
Dr Bob Biddle, Deputy Chief Veterinary Officer, Office of Chief Veterinary Officer
Dr Graeme Hamilton, Chief Plant Protection Officer, Office of the Chief Plant Protection Officer
Dr Mike Cole, Manager, Office of the Chief Plant Protection Officer
Dr Joe Smith, Chief Executive Officer, Australian Pesticides and Veterinary Medicines Authority

Australian Quarantine and Inspection Service (AQIS)

Ms Meryl Stanton, Executive Director
Mr Greg Read, Executive Manager, Exports
Mr John Cahill, Executive Manager, Quarantine
Ms Jenni Gordon, National Manager, Animal Programs
Ms Narelle Clegg, Manager, Animal Programs
Ms Lois Ransom, National Manager, Animal Programs
Ms Cathy Cox, National Manager, Business Strategy Group
Mr Peter Cook, Business Policy and Financial Management, Business Strategy Group
Dr Ann McDonald, General Manager, Market Maintenance Group
Dr Andy Carroll, National Manager, Cargo Management Group
Mr Bob Murphy, National Manager, Border Group
Mr David Finlayson, Manager, Public Relations

Australian Bureau of Agricultural and Resource Economics (ABARE)

Dr Brian Fisher, Executive Director

Bureau of Rural Sciences (BRS)

Dr Peter O'Brien, Executive Director
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 Matthew Koval, Acting General Manager, Drought Task Force

Fisheries and Forestry

Mr Daryl Quinlivan, Executive Manager, Fisheries and Forest Industries
Mr Glenn Hurry, General Manager, Fisheries and Aquaculture

Mr Mike Macnamara, General Manager, Forest Industries
Mr Matthew Dadswell, Section Manager, Fisheries and Forestry Industries
Mr Michael Wilson, General Manager, Fisheries and Forestry Environment
Mr Charles Body, Project Manager, Forest Industry Structural Adjustment Package
Mr Richard McLoughlin, Managing Director, Australian Fisheries Management Authority
Mr Les Roberts, General Manager, Australian Fisheries Management Authority
Mr Peter Venslovas, Acting General Manager, Operations, Australian Fisheries Management Authority

Natural Resource Management

Mr Ian Thompson, Executive Manager
Mr Mike Lee, General Manager, NRM Team
Mr Charles Willcocks, General Manager, Landcare and Sustainable Industries
Mr Ross Dalton, General Manager, Water and Murray Darling Basin
Mr Gerry Smith, General Manager, NRM Team
Mr Peter Thomas, General Manager, NRM Strategies and Climate Change
Mr Simon Smalley, General Manager, Water and Murray Darling Basin

Secretariat

Ms Helena Redwin, People and Planning
Ms Barbara Andrews, People and Planning
Ms Melanie Williams, People and Planning
Mr/Ms Chris Badelow, People and Planning
Ms Alison Cousins, People and Planning
Ms Julie Hicks, People and Planning

CHAIR—I declare open this public hearing of the Senate Rural and Regional Affairs and Transport Legislation Committee. On 11 May 2004, the Senate referred to the committee the particulars of proposed expenditure in respect of the year ending 30 June 2005 for the portfolio areas of agriculture, fisheries, forestry, transport and regional services. Answers to questions taken on notice and additional information should be received by the committee no later than Friday, 9 July 2004. The committee is required to report to the Senate by Thursday, 17 June 2004. Committee members and participating members have been provided with the portfolio budget statements for each department as agreed. I propose to call on the estimates according to the format adopted in the printed program. 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 to the table Mr Michael Taylor, the Secretary of the Department of Agriculture, Fisheries and Forestry, and other officers from the department and related agencies. Officers are reminded that the Senate has consistently cited by way of continuing resolution:

... 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.

The Senate has also determined that any claim to withhold information on the basis that it is commercial-in-confidence shall not be entertained unless it is made by a minister and accompanied by a statement setting out the basis for the claim, including a statement of any commercial harm that may result from its disclosure. Officers are also reminded that an officer of a department of the Commonwealth or of a state shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of

them to superiors or to the minister. Finally, witnesses are reminded that evidence given to the committee is protected by parliamentary privilege. I also remind you that the giving of false or misleading evidence may be considered a contempt of the Senate.

While we are waiting for the minister, I would like to put on the record that we are grateful for the attendance today of Meat and Livestock Australia. They were given notice only on Thursday, so we are grateful to them. No doubt they have had to rearrange their affairs. Also, the chair of this committee will be seriously offended if anyone uses language such as ‘the drought is over’ because the drought is not over, even though we had 40 points of rain at Booligal this morning. There is a serious drought situation in southern New South Wales and Victoria, so anyone who says that we are recovering from the drought will get a belt from the chair. I welcome the Hon. Ian Macdonald, Minister for Fisheries, Forestry and Conservation, representing the Minister for Agriculture, Fisheries and Forestry.

[9.08 a.m.]

Department of Agriculture, Fisheries and Forestry

CHAIR—Mr Taylor, would you like to make an opening statement?

Mr M. Taylor—Thank you for the chance to provide an introductory comment. Earlier this month, we provided a detailed assessment of the progress for 2003-04, up to the end of the third quarter, highlighting activities undertaken within the Department of Agriculture, Fisheries and Forestry and the portfolio, for consideration by the Senate. We have also provided copies of the portfolio budget statements tabled on 11 May 2004. Those statements will provide the basis of much of the discussion that might take place both today and tomorrow and detail the portfolio’s resource allocations and performance measures for the coming financial year.

The 2004-05 budget statement builds on the foundations that have been established and also on the achievements and positions of our industry in addressing the challenges for the future. In particular, I want to emphasise that the Australian government’s flagship agricultural program, Agriculture Advancing Australia, is to be extended for another four years. This package will focus on improving the risk management skills of primary producers and helping farm families in serious financial difficulty. The package includes funding for a new industry partnership program to assist agricultural industries that are subject to import competition or adjustment and regulatory pressures and also to support women’s, youth and young people’s initiatives.

The 2004-05 budget maintains an ongoing commitment to assisting with the current drought. There is a major demand driven program that has been part of the budget for some years now and continues to address what is a very serious issue confronting Australia. Importantly, the budget also continues land care and Murray Darling Basin initiatives, improves Australia’s readiness to respond to biosecurity threats and animal and plant disease emergencies and facilitates the implementation of recommendations from the Keniry report into Australia’s livestock export trade. Significantly, the budget extends the Great Artesian Basin Sustainability Initiative and takes action to protect Australia’s southern oceans, improve environmental management practices and better manage introduced marine pests.

The budget also provides major assistance for the nation's sugar industry through the Sugar Industry Reform Program 2004, which was developed following extensive consultation with industry representatives and peak groups to address concerns of growers, harvesters and millers in Queensland, New South Wales and Western Australia. An order that might assist arrangements in terms of today and tomorrow has been agreed upon. Importantly, the first areas to be considered are management services, with Bill Pahl and Allan Gaukroger by my side. We are happy to answer the questions of the Senate and look forward to assisting in their deliberations.

[9.11 a.m.]

CHAIR—In that case, we will move to Management Services and Corporate Governance.

Senator O'BRIEN—It is good to see you back with us, Minister. I hope you enjoyed your break.

CHAIR—He has been out working. What is all of this about a break?

Senator O'BRIEN—You would have to ask him that.

CHAIR—He has been busting a gut, working hard!

Senator Ian Macdonald—Last week I think I was in every city in Australia when I was not on a Qantas aeroplane.

CHAIR—Do not take the bait!

Senator O'BRIEN—Can somebody tell me what advertising campaigns the department has under way or plans to run during the rest of this calendar year?

Mr Pahl—I do not have the details of any campaigns that are currently contemplated or under way. I would have to take that question on notice.

Senator O'BRIEN—There is a natural resource management campaign worth in the order of \$6 million and there is a quarantine campaign. Do you know what other campaigns are to be run?

Mr Pahl—I do not have the detail with me, but I can certainly try and get that for you over the course of the day.

Senator O'BRIEN—I would appreciate it if we could get some details before we finish AFFA tomorrow. It would be greatly appreciated. Mr Taylor, you would be aware that the Australian pork industry is considering a legal challenge to your decision as Director of Quarantine to approve further pigmeat imports. Can you confirm for me that you have been briefed on the implications of that challenge?

Mr M. Taylor—I am aware that they have raised the possibility of a challenge and I have sought preliminary advice, although, as has been made clear by APL, they have not revealed what the basis of that challenge might be.

Senator O'BRIEN—Has the minister received any briefing on the matter?

Mr M. Taylor—We have had informal discussions on it, including with APL, in which the chair of APL raised that possibility. We are no further informed than that.

Senator O'BRIEN—Does the legal action relate to the quarantine regime generally or is it specific to the generic pigmeat IRA?

Mr M. Taylor—I think that is a question which is appropriate to address to APL.

Senator O'BRIEN—Did they tell you?

Mr M. Taylor—No, they have not told us.

Senator O'BRIEN—Do you know whether they have told the minister?

Mr M. Taylor—As far as I understand, they have not told the minister the specifics.

Senator O'BRIEN—So you have not been told whether the challenge will go to the specifics, to the generic pigmeat IRA or to the question of the process involved in assessing import risk assessments generally?

Mr M. Taylor—It is quite clear that APL have said publicly that they have not yet revealed what the basis of that will be. They have said to us that they would not indicate what the specifics would be, given that it was a legal action that they were contemplating. For that reason, I think they might be better able to assist with what the basis of their appeal might be.

Senator O'BRIEN—Did you ask them?

Mr M. Taylor—We certainly asked them, and they quite reasonably gave us a very pleasant smile in return.

Senator O'BRIEN—During the last estimates round, I asked questions in relation to the *Cormo Express* and a meeting held in the department to discuss an import risk assessment undertaken as part of assessing the risks of those sheep returning to Australia. Minister, I think you might recall that I raised the issue of a departmental meeting that considered the public release of a risk assessment of returning the sheep, and Dr Banks said that he would know if there was a meeting and that no such meeting took place. That was answer MS live exports A08, and I asked that that answer be checked. You have now provided another answer that confirms that there was a meeting on 22 September last year—that is answer MAB 01—but that answer is not complete.

I asked whether the following issues were considered at that meeting: the current situation in relation to the vessel, the condition of the sheep and the management of public relations and, importantly, whether that meeting was advised that a risk assessment had been completed and how and to whom that document would be released. I obviously wanted an answer to those parts of the question which have been ignored in the answer on notice. If we had received an accurate answer at the beginning, we could have saved ourselves a lot of trouble. I think I have given the officer every opportunity to correct the record, and for some reason that has not happened. I have a copy of the record of that meeting. I would like an explanation as to why I have been consistently misled on this matter.

Mr M. Taylor—I do not think you have been misled, but I think that, importantly, the question ought to be addressed to Dr Banks, who was responsible for developing import risk assessments and for any completion. It is certainly my understanding that the meeting that was held on the date that you referred to—

Senator O'BRIEN—At 2 p.m.

Mr M. Taylor—did not involve Dr Banks, who, as the person in Biosecurity Australia responsible for risk assessments, would have been both knowledgeable and well informed of their situation. It is possible that people at the meeting were not fully informed of all issues. But I think that, appropriately, it might be useful to raise that with Dr Banks.

Senator O'BRIEN—It certainly might be useful. Dr Banks believed he knew whether such a meeting would have taken place and originally assured us that no such meeting took place. Then, on taking the matter on notice and agreeing to check, to answer the question, he—or the department—chose only to answer the question as to whether there was a meeting, not the other questions that were raised. Why is that?

Mr M. Taylor—I think the department accurately answered the question that you put to us—and that was whether a meeting was held on the 22nd.

Senator O'BRIEN—I see. So when I ask a question in future I have to reiterate the whole of the question for the whole of the question to be taken on notice, do I?

Mr M. Taylor—If there was any misunderstanding on our part in helping to develop that response, I apologise.

Senator O'BRIEN—Where do records of meetings of this sort go—to the officers involved?

Mr M. Taylor—Clearly, in the case of the meeting you are referring to on the 22 September, they went to the officers involved in the meeting. I subsequently managed to see a record of that meeting following the question that you asked in the Senate. I was unaware of it at the time.

Senator O'BRIEN—So they would have been circulated to Carson Creagh, Narelle Clegg and David Franks employed in AQIS.

Mr M. Taylor—I do not know the answer to that; my presumption is yes, but I do not know the answer to that. Nor do I know the date on which that would have occurred.

Senator Ian Macdonald—Senator O'Brien, if you are complaining about these things—and you obviously have stolen material that you are referring to—

Senator O'BRIEN—I resent that implication, frankly. Do you steal things?

Senator Ian Macdonald—It would be helpful in the instance if, instead of beating around the bush, you said, 'I have a leaked or stolen memorandum from the department here—

Senator O'BRIEN—I have a copy of the document.

Senator Ian Macdonald—'it says this that and the other, what do you say about it?' A lot of these officers do not attend the meetings. Some of these meetings are at a very low level, which do not involve senior officers.

Senator O'BRIEN—I am happy for you to have six weeks' holiday, but do not imply that I have stolen things.

Senator Ian Macdonald—If you want accurate information don't be smart about these things. If you have leaked information, put it on the table and he can answer it and away we go.

Senator O'BRIEN—I put a number of questions on the table to be answered and I was given misleading information. There is a pattern in this, Minister, and that is that when things get a bit hot we get misleading information and then you trot out the line that somehow the document has been stolen, which is absolute nonsense.

Senator Ian Macdonald—You were given information to the best of that officer's knowledge. Obviously, in this case, the officer you asked was not at the meeting and was not aware of it initially. He checked, and then he came back to you.

Senator O'BRIEN—The officer said, initially, that if there had been such a meeting he would know about it.

Senator Ian Macdonald—He was wrong, wasn't he? He was not there. You would have to ask at what level the meeting was at. All the senior officers do not attend every meeting that happens.

Senator O'BRIEN—Should we take it that the subject of discussion was not a high-level discussion?

Senator Ian Macdonald—All I am saying to you is, if you have material, rather than being smart and beating around the bush, table the material and ask the questions about it. There are no secrets here.

Senator O'BRIEN—I think there are.

Senator Ian Macdonald—There are not.

Senator O'BRIEN—That has been the problem. This material has been floating around for some time. It took a question on notice and a period of time to ascertain that the department actually recollected that a meeting took place. And now we are still being told that the officers at the table cannot answer the questions. We have waited six months to get these answers.

Senator Ian Macdonald—There are hundreds of meetings that take place every day. This is a very big department. There are a lot of things happening. All I am saying to you is, if you have got the answers to your questions before you ask them, put them there and let us deal with them upfront.

Senator O'BRIEN—In terms of the issue, I take it that what you are suggesting is that I ask the questions in the appropriate program?

Mr M. Taylor—That would be helpful.

Senator O'BRIEN—Mr Pahl, are you able to give us any news on the Hewitt matter?

Mr Pahl—Yes, I am. The matter has now been concluded.

Senator O'BRIEN—According to a report in the *Sydney Morning Herald* a few weeks ago, the Hewitts have accepted the government's offer. Is that correct?

Mr Pahl—That is correct.

Senator O'BRIEN—Can you tell me approximately when the formal offer was made and when that was accepted?

Mr Pahl—The formal offer was made in March. I am not exactly sure of the date but it was about 2 or 3 March and it was accepted by the Hewitts some weeks after that. I can get you the exact dates if that would be helpful.

Senator O'BRIEN—Okay. What was the quantum of the offer?

Mr Pahl—\$7,649,744.

Senator O'BRIEN—How was that sum arrived at?

Mr Pahl—The sum was arrived at by Mr Kennedy who, as you will recall from previous discussions we have had about this, was appointed under the CDDA scheme to provide a report. He provided that report and his recommendation to the minister was that a payment of that amount be offered to the Hewitts. It consisted of some evaluation of assets that they had lost, some investment aspects, some salaries and, indeed, the cost of pursuing the claim against the Commonwealth. It is important that we do record that there was no legal liability on the part of the Commonwealth or any officer or employee to pay damages to the Hewitts and that this matter has been concluded finally in an amicable way.

Senator O'BRIEN—So there is no legal liability to pay the claim but there has been agreement to pay \$7.649 million?

Mr Pahl—There is no legal liability. This scheme provides for situations where people have no legal redress but where it is thought that the Commonwealth, if you like, has a moral rather than legal responsibility perhaps to compensate somebody. The scheme itself is one that is administered by the Department of Finance and Administration and they provide a set of guidelines, which we have provided previously but which I can give you another copy of if you would like.

Senator O'BRIEN—At the last estimates we were told the administrative costs for this matter were up around the \$200,000 mark.

Mr Pahl—That is correct.

Senator O'BRIEN—Can you give me a final figure on the total costs of this saga?

Mr Pahl—I have not got the final figure because I expect there will be one or two additional invoices to come in, but it will be in that \$220,000 to \$225,000 range. The total costs to date are around \$200,000, but I would not expect them to go much further than \$220,000 to \$225,000, exclusive of course of the actual payment of the \$7.6 million.

Senator O'BRIEN—How is the payout to be funded?

Mr Pahl—It will come from the departmental appropriation.

Senator O'BRIEN—So it is from the AFFA appropriation?

Mr Pahl—That is correct. I might add that we have consulted with the Department of Finance and Administration about both where to take the payment from and the implications for our budget overall. In the first instance they have asked that we try to meet the cost. Once it became clear what we thought the costs would be, we have tried to manage our budget accordingly.

Senator O'BRIEN—So it is coming from the 2003-04 appropriation?

Mr Pahl—That is correct. The payment has already been made.

Senator O'BRIEN—Which program?

Mr Pahl—It comes from the general departmental appropriation. It represents about 2¼ per cent of our total departmental appropriation for 2003-04.

Senator O'BRIEN—It is not from the administered part of the appropriation, I take it?

Mr Pahl—No, it is not. If the budget pans out so that we look like having an overrun, of course we will have recourse to the advance to the Minister for Finance and Administration in the normal course of events.

Senator O'BRIEN—Were there special savings measures put in place to fund this?

Mr Pahl—No, there were not.

Senator O'BRIEN—Was it just accidental, or was provision made for it at the start of the financial year?

Mr Pahl—We always try to ensure that we manage our budget according to our expectations in respect of expenses.

Senator O'BRIEN—That is hardly an answer to this sort of question, Mr Pahl. You always do that, and I would always expect you to say that. How has this money become available? Presumably at the start of the year you make assumptions about what the department's operating costs are going to be.

Mr Pahl—Absolutely.

Senator O'BRIEN—That is the basis of your appropriation.

Mr Pahl—Indeed.

Senator O'BRIEN—Then it is the subject of some variation, with the additional estimates process for additional appropriation.

Mr Pahl—And we have an internal budgeting process that requires our internal businesses to operate to the budgets that they are given. But, as I say, prudent financial management is, as unexpected expenses arise, that you make the appropriate changes where you can, to meet them. I emphasise again: if we get to 30 June and this payment has impacted on our budget in a way that would take us into deficit, we will have to go to the Department of Finance and Administration in the normal way. At this stage I do not expect that that will be the case, but there are still six or seven weeks to go.

Senator O'BRIEN—What proportion of your budget remains unexpended?

Mr Pahl—Mr Gaukroger may have that figure; I do not have that figure.

Mr Gaukroger—At present, in rough terms, in the year to date about one per cent of the total appropriation remains unspent. We are in a surplus situation at the moment.

Senator O'BRIEN—When you say 'one per cent', that is taking into account known costs? I am trying to understand your answer with simple precision.

Mr Gaukroger—Yes. That is the operating surplus to the end of April.

Senator O'BRIEN—So on your projected expenditure to the end of April you had only expended 99 per cent of what you expected to expend?

Mr Pahl—I think Mr Gaukroger is saying that we are expecting our year-end outcome to be a very modest surplus of approximately one per cent of our departmental appropriation.

Senator O'BRIEN—To save me looking it up, what does that add up to in dollars and cents?

Mr Gaukroger—It is around \$4 million or \$5 million.

Senator O'BRIEN—That is after the payment of this \$7.649 million?

Mr Pahl—That is correct.

Senator Ian Macdonald—Not enough for you to fund any of your outlandish promises with, Senator.

Senator O'BRIEN—I have not made any outlandish promises—

Senator Ian Macdonald—Your leader has.

Senator O'BRIEN—but there may be some money there to fund a few Medicare payments. That would be useful, wouldn't it? How does the 2004-05 appropriation compare to the 2003-04 appropriation that we have just been talking about?

Mr Gaukroger—The appropriation has increased in 2004-05. That is predominantly because a number of new measures have come into being in 2004-05.

Senator O'BRIEN—Could you identify those for me, please?

Mr Gaukroger—Yes. There are a number of measures that came through. For example, some of the big ones are: the avian influenza, \$6.2 million; AAA Farm Help, \$7.2 million; quarantine—safeguarding Australia, \$3.5 million; building a national approach to animal and plant health, \$1.5 million; and Southern Ocean surveillance, \$2.5 million. There are a number of other smaller ones as well, such as the response to the Keniry report, \$3.3 million.

Senator O'BRIEN—Are those amounts that go into the department for its administration or are some of those amounts to be administered by the department?

Mr Gaukroger—All of those are departmental appropriations. The administered is a separate item again.

Senator O'BRIEN—How much is that in total? You ran through those numbers, but I did not have the opportunity to add them all up.

Mr Gaukroger—There is \$38.3 million there.

Senator O'BRIEN—There is \$38.3 million on last year's appropriation.

Mr Gaukroger—That is correct.

Senator O'BRIEN—You were expecting a surplus on last year's appropriation of about \$4 million.

Mr Gaukroger—That is correct.

Senator O'BRIEN—And \$7.649 million is a one-off payment that has been paid out of this year's appropriation as well.

Mr Pahl—That is correct.

Senator O'BRIEN—So what happens to the \$4 million surplus this year?

Mr Gaukroger—That will go into retained earnings and it will be cash at bank.

Senator O'BRIEN—So you will be about \$54 million better off this year.

Mr Pahl—I presume you are making that calculation on the basis of adding the three figures, through the \$4 million surplus, the \$7.6 million plus the new measures for next year.

Senator O'BRIEN—Yes. You are carrying forward \$4 million, so we will add that on, and you have \$38.3 million in addition. The \$4 million surplus and part of this year's expenditure that you have got again you have spent on a one-off payment, of \$7.649 million.

Mr Pahl—That is correct.

Mr Banfield—It is worth making the point that some of the funds that are appropriated to the department are actually passed on to other organisations. So, for example, with programs that are administered by Centrelink, they come into the department's departmental expenses but are passed through to Centrelink for the delivery of Commonwealth programs.

Senator O'BRIEN—So which of those funds that we have just identified will be passed through to Centrelink?

Mr Banfield—I do not have the precise details there but, clearly, with programs like Farm Help and exceptional circumstances and the programs that are delivered by Centrelink, there is a cost for delivering those, a formula is worked out in terms of the cost for Centrelink to deliver them and the money is transferred to Centrelink. The point I am making is that all of the funds that you indicated do not necessarily reside in the department. We have responsibility for them, but other agencies actually administer DAFF programs.

Senator O'BRIEN—I did ask whether these funds were administered items. They are not administered items, I take it.

Mr Banfield—What I am saying is that to deliver administered programs there is a departmental cost. We receive funding from the Department of Finance and Administration for that, and for those programs that are delivered by Centrelink the money is passed to Centrelink.

Senator O'BRIEN—Let us have a look at the \$38.3 million and the programs that is attached to. How many of those involve Centrelink?

Mr Gaukroger—Just before I answer that question, there is also around \$20 million which the appropriation will decrease. I was giving a gross figure before with the \$38 million. If you look at page 99 of the PBS, the appropriation goes from \$290 million to \$309 million. The \$20 million that I am talking about is the cessation of some demand-driven programs such as exceptional circumstances and Farm Help.

Senator O'BRIEN—Where is the figure on page 99?

Mr Gaukroger—It is up near the top where you have got ‘Revenues from ordinary activities’. ‘Revenues from government’ goes from \$290 million up to \$310 million. There is a net difference there of around \$20 million. The figures that I gave you earlier on were \$38 million gross, less around \$20 million for the exceptional circumstances and Farm Help programs, which will reduce in 2004-05.

Senator O’BRIEN—Where will I find the figures you just referred to? I see the raw figures you are talking about. How do I understand the drop in revenue from government between 2004-05 and 2005-06?

Mr Gaukroger—The revenue there is the lapsing programs for IQI and Nairn, and that is up for review for 2005-06. At the moment there is nothing in the forward estimates for those two programs.

Senator O’BRIEN—So the difference of \$100 million between 2004-05 and 2005-06 in revenue from government—

Mr Gaukroger—is predominantly IQI and Nairn.

Mr Pahl—IQI being the Increased Quarantine Intervention program.

Senator O’BRIEN—How much of that change is explicable by each of those two items—IQI and Nairn? Or is it just one bucket?

Mr Gaukroger—It is approximately \$70 million and then you have drops in a whole lot of other smaller programs such as the avian influenza program, which was a one-year program.

Senator O’BRIEN—How much is explicable by the avian influenza reduction?

Mr Gaukroger—That was \$6.2 million.

Senator O’BRIEN—What other programs are reduced?

Mr Pahl—I will get one of my colleagues to go through and see if they can identify those, but it will be a range of terminating programs in that year, in the same way as we have year on year in the forward estimates.

Senator O’BRIEN—We have explained \$76.2 million of the drop of just over \$100 million. How do we explain the revenue fall of about 10 per cent plus or minus from goods and services to the forward estimate of 2005-06? It dropped from \$191.5 million to \$170.9 million.

Mr Gaukroger—That would be a change in the section 31 revenue predominantly relating to quarantine programs. That varies from year to year, depending on the pricing policies for each of those years and how much is in income equalisation reserves.

Senator O’BRIEN—Was there a 10 per cent across-the-board cut?

Mr Gaukroger—It is not necessarily a cut; it would just be a variation in the pricing and what there might be in the industry reserves that might be called upon.

Senator O’BRIEN—Has there been a decision—or a series of decisions—made to draw upon industry reserves?

Mr Pahl—Not that I am aware.

Senator O'BRIEN—I am just trying to get an explanation for this fall.

Mr Pahl—The way in which that program runs—and later in the day the Australian Quarantine and Inspection Service officers will be able to answer in detail for you—is that we have fees and charges that go on the industry. Depending on how things go—for example, in the current year, there has been a huge number of additional containers coming into the country, so we have actually made, if you like, a profit—that is actually put into a reserve and is used to offset future costs for the same industry payers. So it is just a way of ensuring that we truly only charge the real cost of providing the service to the particular industry concerned. That is done by parking the money—and that is not a technical term; Mr Gaukroger would give you the technical term—in an industry reserve and drawing down on the reserve, as appropriate, in the out years.

Senator O'BRIEN—So where is the surplus being shown on that page? I see a surplus figure of \$495 million for this current financial year.

Mr Gaukroger—The surplus was not there at the time. It has become more and more apparent as the year pans out that that estimated actual will be in the order of at least \$4 million. You are talking about the IERs?

Senator O'BRIEN—The budget papers are showing a net surplus of—sorry—\$495,000. It has become \$4 million?

Mr Gaukroger—Are you talking about this in relation to the IERs?

Senator O'BRIEN—I am talking in relation to the page 99 figures in the PBS. So that figure has become \$4 million?

Mr Gaukroger—That is correct, yes.

Mr Pahl—I should add that that is our best estimate today, but it is quite possible that we will end up at the end of the year with a smaller figure. It may even be that we will end up with a small deficit. There still is a fair way to run to 30 June. We do our best. We constantly monitor our performance, and we do that on a monthly basis. Our best estimate as of today is about \$4 million.

Senator O'BRIEN—So on the forward estimates, if I understand them properly, a number of programs will need to end or there will have to be additional funding for the department.

Mr Pahl—That is correct. The process basically, over the out years, is that there will be programs that have been funded for a specific period of time. A good example that comes to mind in the current budget is the Landcare program. Landcare was set up, it was funded and it came up for its review. It has had its review. It has been given a tick for another four years and, although we do not extend our forward estimates beyond three out years, if you had a fourth out year there, you would see that those funds would appear there. In all of this documentation, you will always see a tailing off of funding, because what is not in there and cannot possibly be in there is budget decisions that will be taken by government as each of these budgets arises. What is in there is the funding that we are certain about in terms of the forward financial years. As Mr Gaukroger said before, the increased quarantine intervention is quite a lumpy piece for next year.

Senator O'BRIEN—How much in 2003-04 is for IQI?

Mr Gaukroger—In 2003-04 the appropriation for IQI is \$55 million approximately.

Senator O'BRIEN—And in 2004-05?

Mr Gaukroger—That is in 2003-04.

Senator O'BRIEN—Yes, it is \$55 million in 2003-04. In 2004-05 it is \$70 million, isn't it?

Mr Gaukroger—That includes Nairn as well.

Senator O'BRIEN—What is the combined Nairn-IQI figure for 2003-04?

Mr Gaukroger—In 2004-05 it is a ceasing program, so that \$55 million comes off in 2004-05. The difference between the \$55 million and the figure I gave you earlier is Nairn.

Senator O'BRIEN—Mr Pahl, what conditions have been placed on the Hewitt settlement?

Mr Pahl—The scheme for defective administration actually sets out some guidelines about the sorts of conditions that one seeks to impose when you settle on these things. Basically, the Hewitts will release us from any further claim in respect to the matter and they will provide an indemnity to us that, if claims arise out of the matter in the future, they will deal with those claims as and when they arise. Essentially, what we have sought is the same as anyone would seek when paying such a sum of money—you seek to settle the matter once and for all.

Senator O'BRIEN—As I understand it, the matter in question was that AQIS blocked the export of grapes by the Hewitts to the UK.

Mr Pahl—I wish it were so simple.

Senator O'BRIEN—That is, as I recall, the explanation given in other proceedings.

Mr Pahl—The matter happened 20 years ago. There was a series of decisions that were taken at the time. It involved the export of grapes into the UK market. I do not know whether I would say that officials at that time blocked the exports, but certainly they would not authorise the exports in question, although—

Senator O'BRIEN—It means the same thing, doesn't it?

Mr Pahl—Yes and no. When you go through the detail of this—and I have cabinets full of it—you find that each of the actual applications that were made to the minister of the day to allow those exports was agreed and approved. But it is a very complicated matter. You will recall that the Ombudsman spent a very considerable period of time investigating the matter. The Ombudsman made recommendations to the department about how we should conclude the matter and one of those recommendations was that we should entertain a claim under the scheme for defective administration. We have now taken that claim on board. We have been through the process as set out in the scheme and determined the matter. I emphasise again that it has been settled finally, and I am pleased to say that, after such a long period of time.

Senator O'BRIEN—But it was about the exporting of fresh sultana grapes?

Mr Pahl—That is correct.

Senator O'BRIEN—There was some question about whether we should be approving that variety or Thompson seedless?

Mr Pahl—They are the two varieties that spring to mind.

Senator O'BRIEN—When was the claim first made?

Mr Pahl—The actual claim under the scheme would have been made post the Ombudsman's report. I think the Ombudsman reported in 1999, but I may be wrong. Their claim was subsequent to that report.

Senator O'BRIEN—As everyone knows, the Hewitts have approached a great many people about their claim. I thought that they first raised this issue in about 1987.

Mr Pahl—No. I understood your question to be: when was their claim under this scheme? But in terms of when the matter was first raised, it would certainly have been in the eighties. The matter goes back to 1984, and 1987 would have been about the time—I was not around and I cannot attest to that—when they first started—

CHAIR—You were around but not in the department.

Mr Pahl—Indeed.

Senator O'BRIEN—Just a spring chicken.

Mr Pahl—Thank you.

Senator O'BRIEN—Mr Taylor, while you are here I want to ask you some questions about the pig meat IRA appeal process, as you are the director of quarantine. Is it okay if I ask now? It would save you coming back later.

Mr M. Taylor—Certainly.

Senator O'BRIEN—Referring to your determination of quarantine conditions for the importation of pig meat, the determination was placed on the department's web site on 10 May, as I understand it. Is that right?

Mr M. Taylor—That is certainly my understanding.

Senator O'BRIEN—Was the determination made on 10 May or some earlier day?

Mr M. Taylor—The determination was made on 10 May.

Senator O'BRIEN—Do you know at what time the text of the determination was placed on the departmental web site?

Mr M. Taylor—No, I cannot tell you that.

Senator O'BRIEN—Could you find out for us and let us know?

Mr M. Taylor—Certainly. I will arrange for my officers to have that transmitted to the Senate.

Senator O'BRIEN—I am not sure what ICON stands for, but I am told the ICON database is the database of import conditions maintained by AQIS.

Mr M. Taylor—That is correct.

Senator O'BRIEN—Was that database updated to take account of the 10 May determination that you made?

Mr M. Taylor—That is correct.

Senator O'BRIEN—Was the update placed on the database on 10 May as well?

Mr M. Taylor—Certainly that would be my expectation. When I make a policy determination, which is what it is in respect of the importation of pig meat, it follows as the last step in a long series of steps in terms of the import risk assessment. The policy determination then precipitates the notification by AQIS as to what the import conditions are for Australia in terms of a product. In the case of pig meat, of course, we broadened the number of countries but tightened the restrictions on pig meat imports.

Senator O'BRIEN—In relation to the ICON database information being placed on the web site—you will probably have to take this on notice—I would like to know what time that was placed on the web site as well.

Mr M. Taylor—Certainly. If it is acceptable to you, I would like to have that answered by AQIS when they appear. They maintain the ICON data site.

Senator O'BRIEN—Okay. Did you make your determination before or after you became aware of the outcome of the appeals to the import risk analysis appeals panel?

Mr M. Taylor—Importantly, the decision that I make as a policy determination is consequent upon the appeals. I received the appeals on 10 May. The panel was quite conclusive in its deliberations. It had received appeals that were seeking to weaken the import risk assessment and other appeals seeking to strengthen it. Importantly, the panel was quite clear-cut in its deliberation and indicated that there was no basis for an appeal to succeed and, accordingly, I subsequently made the policy determination.

Senator O'BRIEN—When did you first become aware of the outcome of the IRAAP appeal?

Mr M. Taylor—The first formal understanding I had was, after returning to Australia on the evening of 9 May, when I received a letter on 10 May.

Senator O'BRIEN—What is the process for notifying appellants of the outcome of their appeals?

Mr M. Taylor—The appellants and the Director of Animal and Plant Quarantine are all notified by letter at the same time.

Senator O'BRIEN—So would they have received their letter on 10 May or would they have received it after 10 May?

Mr M. Taylor—I do not know the answer to that, but it is a courtesy that all parties are notified. I certainly received my letter on 10 May, and I made a policy determination accordingly.

Senator O'BRIEN—Do you know at what time and by whom Australian Pork Ltd were informed?

Mr M. Taylor—I certainly know that I made a telephone call to Paul Higgins, Chairman of APL, to tell him I had received a letter and that I would be, as a consequence, making a determination. I cannot actually answer the rest of the question.

Senator O'BRIEN—Presumably that was on 10 May as well?

Mr M. Taylor—It certainly was.

Senator O'BRIEN—You were aware that there was a parliamentary process in relation to the import risk assessment, weren't you?

Mr M. Taylor—I was certainly aware that there was, first of all, an inquiry into the draft and then into the final IRA established by the Senate.

Senator O'BRIEN—Were you aware of the reporting date for that inquiry?

Mr M. Taylor—No, I was not.

Senator O'BRIEN—Did you have any regard for that in your processes?

Mr M. Taylor—The decisions that I was confronted with in terms of making my policy determination related to the timetable that is set out in the import risk assessment framework. A copy of that framework and of timetabling arrangements was provided to the Senate last year. I followed that timetable. It gives 30 days for appeals to be lodged and 45 days for those appeals to be heard prior to a policy determination being made.

Senator O'BRIEN—Are you saying you had no choice but to make your determination on 10 May?

Mr M. Taylor—It was quite clear that, given the clarity of the appeals process—that is that the appeals were all rejected—a policy determination had no basis other than to proceed.

Senator O'BRIEN—Thank you for that answer, but it does not answer my question. Are you saying you had no choice but to make that determination?

Mr M. Taylor—In my view, I had no choice. I believed that there was a very clear set of procedures that had been well published in terms of the import risk assessment. You asked about the Senate inquiry. I had certainly gone out of my way to make sure the department provided that timetabling to the Senate. The appeals process was well announced publicly, as was the way in which the appeals review was to take place by way of the import risk assessment. The appeals framework was very clear cut in terms of its report to me. From my point of view, it was appropriate to make the policy determination. I had no advice—

Senator O'BRIEN—The question I am asking you is: were you obliged to make it on 10 May or was that a matter of your judgment?

Mr M. Taylor—Certainly, in my view, it was both my judgment and my obligation. It is not my obligation to defer when an appeal on a wide range of matters has come forward. It is fair to say that, on a range of other appeals that have come forward, I have received those appeals, assessed those appeals and made a policy determination. So the procedure I followed on 10 May was consistent with the procedures I have followed in the past.

Senator O'BRIEN—I take it from your answer—and correct me if I am wrong—that it was not as a matter of law that you had to act on 10 May; it was your judgment that you needed to act but not—

Mr M. Taylor—There is no administrative law that actually directs this process. My apologies, can I—

Senator O'BRIEN—What recourse is open to appellants who are dissatisfied with that process?

Mr M. Taylor—Can I correct what I just said: I said that there was 'no administrative law' but, of course, I am following the administrative framework of the import risk assessment. There is no legislative requirement: my apologies. Senator, I am sorry if I interrupted you. I did not understand the question. I think you were asking me about redress, but I did not quite catch the question.

Senator O'BRIEN—I was inquiring about the recourse that an appellant who is dissatisfied with the decision of the import risk analysis appeals panel has.

Mr M. Taylor—Very importantly, there is the detailed import risk assessment framework that is established. It involves drafts, a wide range of consultations, commentaries on the drafts, finals and appeals. According to the handbook, that process is completed when the final appeals process is completed. That is why I make the policy determination at that stage.

Senator O'BRIEN—Is there scope for any other appeal to be made to any other tribunal in relation to the determination?

Mr M. Taylor—As far as is established within the import risk assessment framework, no, I do not know of any. But that is not to exclude the possibilities that APL has raised as possible forms of subsequent appeal.

Senator O'BRIEN—What possibilities have APL raised?

Mr M. Taylor—I am not aware of those, in the sense of this very simple point: APL have said that they may raise legal matters, but they have not been prepared to indicate what they would be.

Senator O'BRIEN—I am asking you—and I presume that you and the department would take appropriate advice—what possible actions might be taken by a disaffected appellant in these circumstances?

Mr M. Taylor—It is possible that they might actually have a view about the administrative process but, as I said before, I think the people who are knowledgeable on what the basis of that appeal might be are APL themselves.

Senator O'BRIEN—I am not asking you what they think; I am asking you what the department knows about the remedies that might be available?

Mr M. Taylor—We believe that the process has been very much that laid out in terms of the import risk assessment. If the appeals are disallowed, the process is then complete, and consequently the policy determination is made. We have done that on a number of occasions in the past. We consider the process to have followed the steps laid out in the import risk analysis. I am not in a position to assess in any sort of depth what APL might believe is a form of legal redress or, importantly, what its standing might be. I am sure APL could assist you in that matter.

Senator O'BRIEN—I am not asking you to read their mind; I am asking you to tell us whether the department is aware of the steps that might be open to appellants, be they APL or anybody else, in this or any other import risk analysis process? Having reached the outcome

of the import risk analysis appeals panel, what steps might be available? Is there an Administrative Appeals Tribunal avenue that might be open? Are there injunctive proceedings that might be open? What sorts of matters have been contemplated by the department?

Mr M. Taylor—I have made it very clear that we have completed the process consistent with the publicised handbook. We believe that, given the appeals were disallowed, the process is complete. In terms of the handbook, as you will be aware, we do not provide for any other form of appeal process beyond that. I cannot speak for what action people might take in some other form of legal framework.

CHAIR—In relation to that booklet, as you said, Mr Taylor, isn't that just an administrative decision? That could be altered?

Mr M. Taylor—Very importantly, it is an administrative framework that has been established and followed, and it has certainly been recognised in terms of the way in which we have operated for a considerable period of time now.

CHAIR—It was the minds of the people around the table that day that made the decision. There is no great scientific reason why it is that timetable. It is just an administrative decision.

Mr M. Taylor—No. A lot of consideration went into the preparation of that import risk assessment framework. There was a lot of discussion with both industries and state governments, as well as, quite consciously, the administering body—us—taking the final responsibility. But it is, importantly, a process that has been there for a considerable period of time.

CHAIR—I accept all of that, but at the end of the day it was just an administrative decision—there was no other basis for it?

Mr M. Taylor—I think it was a very important process that was evolved to make sure that both—

CHAIR—But whether it is one day, 10 days, 10 weeks or six months, it is just—

Mr M. Taylor—That was the decision that was made in preparation.

Senator O'BRIEN—Are you telling me that the department has not been made aware of the potential avenues for further appeal that might be available to an unsuccessful appellant through that process?

Mr M. Taylor—We have contemplated, as we have discussed around this table, the possibility of an administrative process inconsistent with the import risk analysis, or some other form. We believe that the process has been properly followed. We do not believe there is a basis for that. But, equally, we understand that APL, quite properly, has the right to make its judgment with respect to administrative law or any other legal process. We cannot speak for APL's legal judgment.

Senator O'BRIEN—I think that is self-evident, and I have not been asking you to do that. I am taking it from your answer that the department is aware that there are potential administrative law remedies that might be sought, on whatever basis might be appropriate to the particular appeal?

Mr M. Taylor—We believe that at each of the steps we have correctly followed the administrative framework that has been established here and that would not facilitate a successful appeal within administrative law. But other parties in the community have a right to at least test that thought—that is why we have such processes. We equally have a right to stand by the processes we have followed.

Senator O'BRIEN—Are there any other potential remedies available that you are aware of?

Mr M. Taylor—I am not aware of the whole breadth that might be explored. As I said to you before, we have very strongly gone through a process. I think it is appropriate that APL be the ones who tease out the breadth of that, given that they are the ones that have suggested there be legal remedy.

Senator O'BRIEN—You are keen to return to the point of what APL might do. I understand that. That is not the basis of my question.

Mr M. Taylor—It is very hard for me to conjecture about the breadth of legal action that might be taken.

Senator O'BRIEN—I am not asking you to conjecture at all; I am asking you whether you have been made aware of the range of potential remedies that might be pursued in these circumstances. If you have not, I am happy for you to tell us that you have not.

Mr M. Taylor—First of all, 'remedies' is the wrong word. We have asked the question: 'Are there any legal actions, given that APL has foreshadowed those?' And we have said those might sit around administrative law processes. We have not got anything else we can conjecture on. It is very much the work that APL will undertake.

Senator O'BRIEN—Or somebody else.

CHAIR—It is time for everyone to go off and have a skinny soy flat white.

Proceedings suspended from 10.14 a.m. to 10.31 a.m.

Senator O'BRIEN—I want to go back to the issue of the question on notice about the meeting on 22 September. I have just been given a copy of the *Hansard*, which shows that I recited my understanding of what had taken place in the meeting. The question runs for two paragraphs effectively. Senator Macdonald said, 'That is a very detailed question.' But I only received an answer to the first aspect of the question. Could someone explain to me why the matters referred to in the question were not considered to justify a response?

Mr M. Taylor—It would be helpful if you could provide us with a copy of that *Hansard* and the two detailed paragraphs that you have referred to. My recollection of the question on notice was that it was just a short question: was there a meeting on or around 20 September? I may have the question wrong, but my recollection of the question on notice was that it was comparatively short so I do not recall the two questions. The actual question that I have in front of me says:

I would like someone to check departmental records to ascertain whether or not a meeting took place in the executive conference room of the department on 22 September last year.

The answer is: yes, a meeting was held on 22 September 2003. The actual question on notice does not have two detailed paragraphs that you are currently referring to.

Senator O'BRIEN—Let me continue that quote from the *Hansard*. After the sentence you have just referred to, the *Hansard* says:

I believe that such a meeting did in fact take place. I understand that it commenced at 2 p.m., closed at 2.45 p.m., was chaired by David Adams and nine other officers attended the meeting, and a record of the meeting was drafted. The record shows that the meeting considered three issues: the current situation in relation to the vessel and the condition of the sheep; the management of public relations, including the establishment of a call centre to deal with public inquiries; and contingency planning.

I believe that the meeting was advised that the import risk assessment had been completed—that is, the meeting was advised that the import risk analysis would be released the next day. It was advised that no decision had been taken as to whether the import risk analysis would be released publicly. I understand that one option that was considered was that Biosecurity could release a media statement about the IRA result and that it was considered that this might calm the fears of the farming community. If there is in fact a record, we have a big problem with the answer that I referred to, because it means that the minister, through his department, has misled this committee.

Senator Ian Macdonald—That is a very detailed question. Before we embark on a hunt for accuracy, perhaps Senator O'Brien could indicate where he has got his information from ...

And it continues.

Mr Pahl—Could you tell me the page number of *Hansard*.

Senator O'BRIEN—It is pages 5 and 6 of RRAT of 16 February. My understanding was that all of that had been taken on notice.

Mr M. Taylor—I want to check that I have got this correct. I am talking about the meeting of Monday, 16 February 2004.

Senator O'BRIEN—Yes.

Mr M. Taylor—If I could be helpful here, I think ultimately the only way this can be addressed is first of all if we could clarify what the bit of paper that you are talking to is so that I can actually follow up and make the connection with the statement that is sitting there on page 5.

Senator O'BRIEN—Sorry?

Mr M. Taylor—I am trying to clarify precisely what we are talking about so that we can get sequence correct.

Senator O'BRIEN—It is the last paragraph beginning on page 5, going through to and including the comment by Senator Ian Macdonald on page 6 that follows those two paragraphs.

Mr M. Taylor—What I am trying to ascertain is precisely what the bit of paper is that you are referring to in terms of the meeting with David Adams.

Senator O'BRIEN—The record of the meeting.

Mr M. Taylor—So what you are saying is that you have a record of the meeting chaired by David Adams.

Senator O'BRIEN—Yes.

Senator Ian Macdonald—I would be interested in how you got a record of that meeting, obviously quite contrary to the Public Service acts.

Senator O'BRIEN—I cannot help you with that, Minister. I note your comments that it was quite a detailed question.

Senator Ian Macdonald—It goes on quite a bit after that. I am just having a look at this and we go on about a lot of issues that were raised in the following few pages of the *Hansard*. I am afraid I was not listening to you. What actually is your question?

Senator O'BRIEN—The point which we were discussing earlier was: having had the *Hansard* drawn to my attention, I am drawing to the committee's attention that your response indicates that, so far as we were all concerned, there was a very detailed question asked and the answer is basically, 'Yes, there was a meeting on 22 September.'

Mr M. Taylor—I think there has obviously been a misunderstanding at departmental level, but the paragraph says:

I would like someone to check departmental records to ascertain whether or not a meeting took place in the executive conference room of the department on 22 September last year.

That is at the bottom of page 5. Thereafter, probably incorrectly on our part, there are a series of comments made. I think what you are now saying to us is that you want to get some views in respect of those comments that were made from the bottom of page 5, beginning from 'I believe that such a meeting did in fact take place,' and going down to the end of the second paragraph, just prior to Senator Macdonald's intervention.

Senator O'BRIEN—And particularly in the context of what happened at the previous estimates where there was an answer on notice saying—and the *Hansard* reveals it:

Dr Banks confirms that no consideration was given to releasing the scientific assessment to stakeholders or the public on or about 20 September. If the matter had been considered, Dr Banks as the officer in charge of the risk evaluation would have been aware.

Mr M. Taylor—I think it is important that you give Dr Banks a chance to address this matter. Is Dr Banks listed as one of the officers in this record of meeting that you have?

Senator O'BRIEN—I do not think that it was ever suggested that he was there. He did say in his written answer—on his behalf, I took it that he was saying—that he would have been aware if the matter referred to in the question on notice on live exports had been considered.

Mr M. Taylor—I am sure that, as the person in charge of developing aspects of assessing risk, he would have been aware of any decision to release, because he would have been intimately involved in it. It is possible that the people who were on the committee for which you have a record had not dealt as closely as they might have with Dr Banks and may have been ill informed even though they made a record of that. Dr Banks always was the person in Biosecurity Australia responsible for addressing import risk assessment. And, importantly, if he were not part of the meeting of which you have a record, it is possible that the people at the meeting may have been misinformed. From my point of view, I certainly know that Dr Banks was the person with the authority to consider the matter. The fact that others made an incorrect judgment is not Dr Banks's error.

Senator O'BRIEN—Who does David Adams, the chair, work for?

Mr M. Taylor—He works for the Department of Agriculture, Fisheries and Forestry Australia.

Senator O'BRIEN—Annette O'Connor, Peter Thornber, Peter Coggins and Howard Conkey?

Mr M. Taylor—They all work for the department.

Senator O'BRIEN—Basically there was a meeting of departmental people held in the executive conference room at the department. Is that right?

Senator Ian Macdonald—I think the point is that nobody here was at the meeting. Is that right?

Mr M. Taylor—No-one here was at the meeting. The decision makers, however, are at the table.

Senator Ian Macdonald—As I think I explained to you last time, Senator O'Brien—not that I was personally involved—in those days on that particular issue there would have been a lot of meetings and a lot of things happening at various levels within the department. If you detail your questions very precisely—they do tend to go on and on—and if you tell us what you want to know, we will try and find out what the answers are.

Senator O'BRIEN—So was the reference for Monday, 22 September which said that an import risk assessment had been completed accurate or inaccurate at that time?

Mr M. Taylor—Certainly I know that there was no completed import risk assessment. But perhaps you could assist me by telling me who made that claim that it was completed.

Senator O'BRIEN—I understand that it was discussed at the meeting. Are you saying that it wasn't?

Mr M. Taylor—I do not know what was discussed at the meeting. You are fully informed of that.

Senator O'BRIEN—Have you seen a record of the meeting?

Mr M. Taylor—I have seen a record of the meeting. I know that, importantly, the people who are the decision makers—ultimately, the director of animal and plant quarantine—were unaware of the content of the meeting and were not consulted by the parties at the meeting. Importantly, Dr Banks, who was the person developing the issues with respect to import risk, was not at the meeting, nor was he aware that the meeting was being held. All I can suggest is that the people at the meeting conjectured, but the fact is that they did not have any knowledge of where David Banks was at in terms of his detailed work and ultimate outcome.

Certainly in terms of a completed risk assessment, as we have just been discussing in respect of pig meat, it is an issue that ultimately involves me in decisions, and I can tell you that I was totally unaware of any completed import risk assessment. We have had a long discussion about that subsequently.

Senator O'BRIEN—So you have seen a record of the meeting? Are you satisfied that the meeting took place?

Mr M. Taylor—I have not bothered to satisfy myself of that, but I am sure it did.

The authority for making the assessment of risk rests with Biosecurity Australia. In the case of animals, it rests very much with Dr Banks. Dr Banks is the person who is aware of the steps they would have gone through.

Senator O'BRIEN—Did you have a body, which is described as a task force, on rejected sheep consignments to the Middle East meeting on 22 September?

Mr M. Taylor—I am now aware that we did have a group meeting on that date.

Senator O'BRIEN—Who set the task force up?

Mr M. Taylor—The task force was established as a routine within the AFFA emplan response framework. It often establishes groups to monitor things that are occurring. It does not automatically have any formal authority. With proper respect to all those involved, my understanding is that none of them actually hold senior authoritative positions. So I think we have a group of people who met and considered some issues but were not deliberating with any authority in terms of making decisions or necessarily with full knowledge. I think they were sharing information as they understood it. The fact that that information was inaccurate is an issue that sits with the committee in-house—

Senator O'BRIEN—Who set the task force up?

Mr M. Taylor—I understand the task force was set up within the Product Integrity group as part of their oversight, from their point of view within the organisation, of incidents that are occurring. It did not have my formal involvement or that of anyone else, for that matter. I make that point, importantly, in terms of import risk assessments by Biosecurity Australia. Where we might have been at any stage with respect to assessing risk is something that you would need to ask the person who was in charge. The fact that someone else conjectured about it, particularly people not of senior position, does not give it significant station.

Senator O'BRIEN—That is an interesting comment.

Mr M. Taylor—It is not an interesting comment; it is a fact. The fact that there are some people in the organisation who might have conjectured differently does not make them the decision makers. Dr Banks is the person in our organisation who develops import risk assessments on animal issues. He is a senior person within our organisation in terms of import risk assessment generally.

Senator O'BRIEN—Apparently Dr David Banks was tasked, amongst others, with preparing a draft paper addressing the issues involved in bringing the sheep back to Australia, a paper to be prepared by tomorrow, according to the action list. They did not have authority to involve him in that?

Mr M. Taylor—I have already said to you that I was unaware of this meeting until you raised it. I am unaware of the nature and substantiation of any of the evidence, and, as I indicated to you, I do not see any sourcing of the judgments that are made in this record of meeting.

What I do know—and we have had detailed discussions before the Senate—is that we did put work into assessing risk. When we looked at putting work into assessing risk, it took place

under Dr Banks's guidance—and properly so—as the person within Biosecurity Australia responsible for that area.

Senator O'BRIEN—Dr Banks, when did you hear about being asked to prepare this draft paper?

Dr Banks—I first learnt about the meeting and what was in it when you raised it at the last Senate estimates hearings.

Senator O'BRIEN—It was the time before, actually, I think.

Dr Banks—I apologise. It was when you raised it.

Senator O'BRIEN—The *Hansard* of February refers to a written answer prior to the last hearing where you refer to no consideration being given. I am sorry; perhaps I am misinterpreting that. I raised the issue of consideration rather than a specific meeting at the previous meeting on or about 20 September.

Dr Banks—I have with me the official question, which I understand was agreed with the secretariat of your committee. The question was:

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?

And there was a second question:

If that matter had been considered, you would have been aware?

My response was:

Dr Banks confirms that no consideration was given to releasing the scientific assessment to stakeholders or the public on or about 20 September. If the matter had been considered, Dr Banks as the officer in charge of the risk evaluation would have been aware.

I believe that statement I gave still to be correct.

Senator O'BRIEN—Is Dr Adams available to attend the estimates?

Mr M. Taylor—I am sure he is. I am advised he is not part of the witness list, but we will certainly endeavour to get hold of Dr Adams.

Senator O'BRIEN—Okay. Please keep me advised as to when he might be available so that we can organise things accordingly. Thanks for that. I now propose—subject, of course, to returning to this subject when Dr Adams is available—to proceed to food and agriculture.

[10.54 a.m.]

ACTING CHAIR (Senator Ferris)—We now proceed to Food and Agriculture, including the Wheat Export Authority.

Senator O'BRIEN—Can someone give me an update on revenue from the sugar tax, please.

Mr Pittar—The sugar levy to 19 May has collected \$7.4 million.

Senator O'BRIEN—\$7.4 million.

Mr Pittar—\$7.379 million.

Senator O'BRIEN—So that means that, in the current financial year, it has raised about \$4.4 million.

Mr Pittar—I do not have the precise amounts, other than a projection that it will collect in the order of \$12 million in 2003-04.

Senator O'BRIEN—I was going on last year's PBS. In last year's budget paper, the forecast revenue was \$30 million for the current financial year.

Mr Pittar—The projection at last year's budget?

Senator O'BRIEN—Yes. And the current expectation is \$15 million for the current financial year.

Mr Pittar—The current PBS shows that the projection for 2003-04 is \$12 million.

Senator O'BRIEN—I am just looking at the current PBS, page 25. You have \$15 million down for estimated revenue for 2003-04.

Mr Mortimer—My expectation—and Mr Pittar can correct me if I am wrong—is that the budget papers are put together a month or two out from the actual end of the year and that the estimates that are made change, and so the number Mr Pittar is giving is the number that reflects the latest estimate post the finalisation of the budget papers.

Senator O'BRIEN—What period of time are we talking about? It has been revised downwards from \$15 million when the estimated revenue was put into the PBS. It is now \$12 million.

Mr Mortimer—Essentially, the figures are revised continuously by the Levies Revenue Service. It reflects the revenue flow and what their expectation is for the period ahead. They adjust that from time to time in the light of their experience. That is probably the best explanation that can be given for it.

Senator O'BRIEN—We started with \$30 million, then it was revised down to \$15 million. It is now \$12 million, but the actual so far is \$4.4 million.

Mr Pittar—The actual collection in total is \$7.4 million.

Senator O'BRIEN—The estimated collection for last year according to the PBS for the 2003-04 budget was \$3 million. Do you know what the actual was for 2002-03?

Mr Pittar—The actual collection for 2002-03 was \$2.7 million. The amount for 2003-04 is \$4.6 million.

Senator O'BRIEN—That was until when?

Mr Pittar—To 19 May.

Mr Mortimer—The other issue, which I think we covered off in our discussions at previous estimates, was the issue of grandfathering of existing contracts.

Senator O'BRIEN—Is that the issue that explains the drastic overestimation or is there less consumption of sugar?

Mr Pittar—Our understanding is that the grandfathering of contracts was still, if you like, taking effect through to April of this year, so we are potentially only just in the early stages of moving out of some of those grandfathered contracts. The grandfathering of the contracts is one of the primary reasons that the actual collection is lower than the estimate, bearing in mind that the decision to allow those grandfathered contracts to be exempted was taken after the initial estimates were done.

Senator O'BRIEN—Do we know anything about the rate of consumption of sugar?

Mr Mortimer—We do not have any data in front of us on that, but I am not aware of any data that suggests that sugar consumption has shifted in any material or significant way.

Senator O'BRIEN—If you do not have any data then I suppose you cannot be aware.

Mr Mortimer—What we are referring to is the normal course of business. If there is some significant shift in consumption or any other factor affecting industry, generally someone alerts. It is registered somewhere and we get told fairly quickly. We have not had any such alert.

Senator O'BRIEN—The additional estimates statement 2002-03 shows you expected to raise about \$97.5 million through to 2005-06. That comes from the portfolio additional estimates statement 2002-03 at page 33. You were looking at funding the whole 2002 package through the levy, which I guess means you expected another \$30 million in 2006-07. Is that achievable?

Mr Mortimer—In terms of the new package that the government has released, which totals \$444 million, it is fair to say that that will not be covered by the levy. The levy will contribute but it will not cover the full cost.

Senator O'BRIEN—Based on the latest numbers, what is the amount of revenue that the government expects to raise before the levy ends?

Mr Pittar—About \$102 million.

Senator O'BRIEN—Therefore the sugar package will be funded from consolidated revenue. Presumably we can deduct something up to \$102 million from the package and the balance will be funded out of normal taxpayer funds?

Mr Mortimer—It will be paid out of consolidated revenue to the extent that the levy does not fund it.

Senator O'BRIEN—Is any consideration being given to an extension of the sugar tax?

Mr Mortimer—That was considered and the government has decided not to extend it.

Senator O'BRIEN—In the 2004-05 PBS, on page 27, the line headed 'Sugar Industry Reform Programme' shows the estimated expenditure is \$7.709 million for 2003-04. What part of the 2002 package does that relate to?

Mr Pittar—That relates to income support, which ceased as at 30 September last year. It relates to other elements of the package which were being rolled out at that time, including the replanting interest rate subsidies and the amounts that were paid out under the re-establishment grant.

Senator O'BRIEN—Can you give me a breakdown as to how that \$7.709 million has been spent between those programs?

Mr Pittar—I can. In terms of income support, it was in the vicinity of \$4.4 million; viability tests and business plans, about \$357,000; regional projects, \$455,000; exit assistance, \$707,000; industry guidance group, \$380,000; and replanting interest rate subsidy, \$1.4 million.

Senator O'BRIEN—Do you know how many exits the \$707,000 funded?

Mr Pittar—Sixteen exits.

Senator O'BRIEN—In last year's PBS, you expected expenditure in 2002-03 of \$29.501 million and then \$39.417 million this year. That is the original package.

Mr Banfield—Are you referring to the 2003-04 PBS? Which page?

Senator O'BRIEN—Page 22.

Mr Mortimer—Essentially, they were the estimates at the time. We can give you figures of expenditure in 2002-03 on activities to date, in broad terms. We can also recognise, in the light of the figures about 2003-04 expenditures that Mr Pittar just gave you, that a number of those anticipated expenditures did not happen in 2003-04—in particular, the regional projects program was not fully established and there were a number of other measures that were demand driven and were not expended consistent with estimates. I reference there, in particular, the exit grant assistance.

Senator O'BRIEN—The 2002 package did get bogged down, and very little assistance originally meant carrying funds forward. With funding for the 2004 package estimates for the current financial year to be \$64.973 million—that is on page 27 of the current PBS—which I take it needs to be spent before the end of June, how much of that actually has been spent?

Mr Mortimer—I think a key point to recognise there is that that figure includes the first tranche of the sustainability grant that the government has announced for the sugar industry. Indeed, if you look further on to page 66, I think you will see a reference to that.

Senator O'BRIEN—Is that the loose page?

Mr Mortimer—It is not loose in my material. But essentially, I think it is fair to say that the \$64.937 million encompasses in large part the sustainability grant that the government has indicated that it will pay in June.

Senator O'BRIEN—I have a difficulty because I have a loose page and a fixed page both numbered page 66.

Mr Mortimer—My apologies about your papers.

Senator O'BRIEN—Which one is it?

Mr Pahl—The loose page that you have is the correct page. I think you will find that one of the totals in the bound page is incorrect.

Senator O'BRIEN—Can you run your answer past me again, now that I am looking at the correct page?

Mr Mortimer—If you look at page 27, you will see the \$64.937 million. That references the amount that will be paid. To put it more clearly, the \$7.709 million on the line above is essentially expenditures up to April under what one would say was the first part of the 2002 package. The line below, which is specified and identified as Sugar Industry Reform Program 2004, reflects the payments under the adjusted and disbanded package. Those expenditures will all happen after 29 April, when the Prime Minister made the announcement. So, effectively, the \$7.709 million is before April.

Senator O'BRIEN—I cannot find the numbers that you are talking about on the page I have in front of me.

Mr Mortimer—I am talking about page 27.

Senator O'BRIEN—I am sorry—I thought you were talking about page 66.

Mr Mortimer—No, I am talking about page 27 because I think it is important to understand how the break-ups are represented.

Senator O'BRIEN—So you are talking about the \$64.937 million at the bottom of the page?

Mr Mortimer—That represents the payments under the expanded and enhanced program and expenditures effectively after the Prime Minister's announcement of those measures in April. The \$7.709 million above that is the original set of measures. Then, if you go to page 66, you will see the \$73 million provided for the sustainability grant. That references the funding we sourced from current resourcing for the Department of Agriculture, Fisheries and Forestry and the Department of Transport and Regional Services. The difference between the \$73 million and the \$64 million that you see on page 27 reflects the fact that the sustainability grant is in part funded by resources from the Department of Transport and Regional Services.

Senator O'BRIEN—Let us go back to the \$64.937 million. The estimated expenses column on page 27 suggests that that will be spent before the end of June.

Mr Mortimer—That is right.

Senator O'BRIEN—How much of that has been spent to date?

Mr Pittar—Expenditure to 19 May was \$931,000 but, as Mr Mortimer said, the largest proportion of that will be spent in June for the first tranche of the sustainability payment.

Senator O'BRIEN—So \$64 million will be spent in June. How much of that is from the 2002 package?

Mr Mortimer—As I said, effectively the line registers the Sugar Industry Reform Program 2004 as expenditures on the enhanced and revised package. That money is effectively, to use the common parlance, new money for the expanded program.

Senator O'BRIEN—So what happened to the old funding?

Mr Mortimer—The old money is in part reprioritised. I think you will see that set out in the papers on the earlier page where the new measures brought to account in this budget are set out. If you go to page 21 you will see, on the second line, 'Sugar Industry Reform Program 2004—reprioritisation of funding'. That shows a figure of \$24.450 million as the

reallocation money which had been previously budgeted for the original package but which is effectively being brought into the new package.

Senator O'BRIEN—So that is for the next financial year?

Mr Mortimer—It shows reprioritisation over a number of years because the budget for the original program was to run over a few years, as does the new program.

Senator O'BRIEN—Was any of that money reprioritised to be spent in 2003-04?

Mr Mortimer—Yes, there was a reprioritisation of 2002-03 figures, but they are not actually shown in the budget papers. It is the way they are constructed.

Senator O'BRIEN—What are they?

Mr Mortimer—I do not have those figures with me. I would have to take that on notice.

Mr Pittar—On page 72 of the PBS, towards the top, there is an explanation that the government will reallocate funding of \$78.8 million over four years, including \$32.2 million in 2003-04 from the 2002 sugar reform package.

Senator O'BRIEN—The numbers up the top indicate \$46.6 million. Do I subtract that from the \$78.8 million to see how much has been reprioritised for this year?

Mr Pittar—Senator, I am quoting from—

Senator O'BRIEN—Sorry, it is \$32.2 million.

Mr Pittar—Yes.

Senator O'BRIEN—So included in the \$64.937 million is \$32.2 million from the previous package?

Mr Mortimer—That is for the total measures, yes. I would have to say that there are a set of expenditure figures and a set of reprioritisation figures and they are basically brought to budget in an accounting sense. If it would be helpful, we can come back with you in a particular alignment on that—just to make sure that the numbers add up. I am confident they do.

Senator O'BRIEN—What is the estimated expenditure for 2004-05? Is it \$200.2 million?

Mr Mortimer—Which table are you working from?

Senator O'BRIEN—Which table should I be working from?

Mr Mortimer—Sorry, it was meant to be helpful.

Senator O'BRIEN—Let me put it to you this way: page 66 has got the Sugar Industry Reform Assistance Package summary of measures, a column of measures and a total additional expense.

Mr Mortimer—That is a fair question. Essentially, the \$200 million is expenditure from the DAFF portfolio in 2004-05 and that should align with the numbers given earlier, on about page 16 or 17. In terms of the announced figures for the package, I would reference that there are two measures that are not funded from the DAFF portfolio, and this is if you are linking it to the \$444 million. The intergenerational transfer measure is funded from the FACS and DVA portfolios, because that is essentially payment in the form of pensions et cetera. Also, crisis

counselling is paid through the FACS portfolio. So those expenses are not registered in there. Two of the 10 measures in the package are actually funded from other portfolios. Mr Banfield has pointed out to me that some of the retraining assistance in part is paid for by the Department of Employment and Workplace Relations. I am sorry that it is complicated.

Senator O'BRIEN—Let me understand your answer better. That \$200.2 million is only DAFF expenditure?

Mr Mortimer—That is right.

Senator O'BRIEN—There is additional expenditure to be found in the PBSs of FACS and DVA?

Mr Mortimer—And the Department of Employment and Workplace Relations.

Senator O'BRIEN—Do you know what numbers can be attributed to each of those areas?

Mr Mortimer—Yes, we can give you those areas.

Mr Pahl—Which financial year would you prefer?

Senator O'BRIEN—Give me 2004-05 for starters.

Mr Pahl—The figures are: Family and Community Services, \$5.3 million; Transport and Regional Services, zero; Veterans' Affairs, \$0.6 million; and Employment and Workplace Relations, \$2.1 million. That is it.

Senator O'BRIEN—And in 2005-06?

Mr Pahl—In 2005-06, the figures are: Family and Community Services, \$4.7 million; Transport and Regional Services, zero; Veterans' Affairs, \$0.8 million; and Employment and Workplace Relations, \$1.6 million. That is it for 2005-06.

Senator O'BRIEN—Can you give us the same figures for the current financial year?

Mr Pahl—In 2003-04, the figures are: Family and Community Services, \$0.3 million; Transport and Regional Services, \$12.7 million; and Veterans' Affairs, \$0.2 million. And in Veterans' Affairs, under capital measures, there is another \$0.2 million.

Senator O'BRIEN—Are there figures for 2006-07 and 2007-08?

Mr Pahl—There are. In 2006-07, the figures are: Family and Community Services, \$6.5 million; Veterans' Affairs, \$1.2 million; and Employment and Workplace Relations, \$0.9 million. In 2007-08, the figures are: Family and Community Services, \$7.1 million; and Veterans' Affairs, \$1.3 million. That is it. I can give you the totals for each of those portfolios if it would help you.

Senator O'BRIEN—We might as well have them, just in case there is a minor variation past the first decimal point.

Mr Pahl—Family and Community Services is \$23.9 million; Transport and Regional Services is \$12.7 million; Veterans' Affairs is \$4.2 million; and Employment and Workplace Relations is \$4.6 million. Agriculture, Fisheries and Forestry over that period is \$398.8 million.

Senator O'BRIEN—What is the funding profile for the sustainability grants? I can see there is funding for 2004-05. Is there any in the current financial year?

Mr Pahl—If you have a look at page 66, you will see that the sustainability grants will be \$73 million in 2003-04 and \$73.1 million in 2004-05.

Senator O'BRIEN—On page 66.

Mr Pahl—I am just giving you the reference. You will see the 2004-05 \$73.1 million. In the explanation, it says they are over two years, including \$73 million in 2003-04.

Senator O'BRIEN—The sustainability grants are to be paid to growers in two parts: in June—that is, next month—and in January next year?

Mr Mortimer—That is right.

Senator O'BRIEN—And there is supposed to be \$73 million paid in June?

Mr Mortimer—That is right.

Senator O'BRIEN—Perhaps I have missed something somewhere. How does that line up with the \$64.9 million on page 27?

Mr Mortimer—I think I mentioned earlier that the difference is funding that will come from the Department of Transport and Regional Services. That is referenced in the second paragraph on page 67, up the top.

Senator O'BRIEN—That is the \$12.7 million.

Mr Mortimer—Let me say, Senator—and correct me if I am wrong, Mr Pittar—that I think the \$64 million includes the sustainability grant and uptake after April of income support. So I am not sure it tumbles out quite as neatly as \$12 million. But I am not in the situation to say any more on that. Essentially the difference is going to be made up with funding from the Department of Transport and Regional Services.

Senator O'BRIEN—I just recall that the only funding into the package was \$12.7 million this year from DOTARS.

Mr Mortimer—I do not have that number; I am sorry.

Mr Pahl—It is the \$12.7 million from the Department of Transport and Regional Services.

Senator O'BRIEN—And what are they contributing to?

Mr Pahl—Sustainability grants.

Senator O'BRIEN—Are they contributing to anything else in the package?

Mr Mortimer—No, they are not.

Senator O'BRIEN—So we can safely take it that that means the \$12.7 million is going into the sustainability grant.

Mr Pahl—That is correct.

Mr Mortimer—That is right.

Senator O'BRIEN—Therefore, there is an additional \$4 million there.

Mr Mortimer—That is right. As I mentioned, the uptake in 2003-04 of other measures announced in the package—particularly income support—are included in that \$4 million.

Senator O'BRIEN—Sorry, I was distracted while you were giving that answer.

Mr Mortimer—That is all right. That \$4 million covers implementation of other measures in the package. To put it together: the bulk of it is a sustainability grant, the \$4 million is for income support and there is the other element of those measures that were announced by the Prime Minister on 29 April that might need to be expended.

Senator O'BRIEN—I take it that 'We don't know' is the answer.

Mr Mortimer—No.

Mr Pittar—To clarify something Mr Mortimer said: the main elements of the package were announced on 29 April but the initial announcement in relation to income support and business planning was in fact made on 2 March. So income support has been available for eligible growers from 2 March this year under the 2004 package.

Senator O'BRIEN—What is the take-up of income support to date?

Mr Pittar—As at 19 May, 505 claims for income support had been granted.

Mr Mortimer—And the financial expenditure is just on \$1 million.

Senator O'BRIEN—On the known information now, what is the projection of expenditure? You now know there are 505 claims. There may be more.

Mr Pittar—There are 505 claims. There are around 1,200 registrations of intent to claim, so we would expect that number of 505 to grow as the claims are processed.

Senator O'BRIEN—Sustainability grants are paid to growers in those two parts, as we have ascertained. What about the mills? Do they get two payments directly to them as well?

Mr Mortimer—The mills are not paid directly. It might be useful for Mr Pittar to explain how the sustainability grant is calculated.

Mr Pittar—As you said, Senator, there are two separate payments: one to be made in June 2004 and one to be made in January 2005. The payments will be directed towards growers and mills based on their share of gross sugar proceeds over a base period. The total quantum available of \$146 million for the sustainability grant will first of all be apportioned according to production in Queensland, Western Australia and New South Wales over that base period, which is three years from 2001 to 2003. Then, within each of those states, the proportions going to mills and growers will be based on the share of gross sugar proceeds over that base period.

Mr Mortimer—That essentially reflects the way the industry operates around pools. QSL operates pools into which sugar is contributed by growers and mills. All that sugar production is put into those pools and is sold through the export monopoly, so it is essentially shared. The consequence is that we are using the pooling system as the basis for the payments to growers and mills, so the outcome will be that the sustainability grants will be shared between the mills and the growers on the basis of their contributions to the pools through the normal cane production agreement system.

Senator O'BRIEN—That is at about 70-30, isn't it?

Mr Mortimer—The 70-30 percentage is a residual; it is not a number that is calculated. Essentially, the cane production system—which is really complicated, so I will not try to explain the fine points—allocates returns between cane growers and mills on a range of factors, including the sugar content, the quality and the price et cetera. The 30 per cent, which is commonly referred to as the mills' share, is the residual, after the return is calculated for the growers, which ends up in the hands of the mills. It is not an intent to come at 70-30; it is a residual that just happens to flow out of the way the payment system is structured.

Senator O'BRIEN—What do the mills have to do to qualify for the January payment?

Mr Pittar—The government will require industry to sign a statement of intent in relation to reform, which will be the basis of the first payment. The second payment will be on the basis of the government receiving advice from an industry oversight group that the development and implementation of regional approaches to encourage and facilitate reform are making satisfactory progress. Essentially, it is a progress report that would be required in order to qualify for the second tranche payment in January 2005.

Mr Mortimer—Both the millers as a group and the growers as a group are expected to sign on to the statement of intent for the first payment in June. Similarly, reflecting the fact that the industry is very closely intertwined in how the mills and growers operate, the government will be looking for progress from both the milling and the growing sector on reform when it signs on to the second tranche of the payment, which is due in January 2005.

Senator O'BRIEN—Growers have to sign up to access the first payment. Do they have to sign a statement of intent to reform?

Mr Mortimer—No, the statement of intent will be signed at a higher level by industry representatives. Individual growers in their thousands will not be asked to sign a statement of intent.

Senator CHERRY—What does that mean for the grower organisations that do not necessarily support the government's reform agenda? Do they still have to sign the statement of intent?

Mr Mortimer—That is something the government will negotiate in terms of its dealings with industry representative organisations.

Senator McLUCAS—Can you tell me what industry representative organisations you are talking to about signing this statement of intent?

Mr Mortimer—Over the last period of time in the development of this package the government has talked to a range of industry organisations. Probably the single biggest one is Canegrowers—there are others: Australian Cane, the Cane Producers Association, and so on. At the end of the day it is the government's call as to how many organisations it wants to sign on, but my expectation is that certainly the Sugar Mill Council and the Canegrowers Association, as the two single biggest bodies, will be signing on. Whether other bodies want to sign on is, I guess, a matter to be negotiated.

Senator O'BRIEN—So growers do not have to make any commitment at all?

Mr Mortimer—Growers will be making a commitment through their representative organisations, in the same way that industries commit to a range of things such as research and development levies and other things like that. There is a matter of practicality there. Industry organisations are democratic and reflect their constituencies, and they have to represent their constituents and sign on for them.

Senator O'BRIEN—Is there a requirement that the organisations conduct a plebiscite?

Mr Mortimer—No.

Senator O'BRIEN—I take it this means everyone is going to get the payment?

Mr Mortimer—All those who are eligible within the framework that the government has set out will get the payment.

Senator O'BRIEN—Whether they are committed to reform or not?

Mr Mortimer—That is right, whether they personally sign a letter of intent or not.

Senator O'BRIEN—When the Prime Minister was in Queensland he got himself into a tight spot in Bundaberg when he announced the package. It was pointed out to him that the growers south of Townsville have suffered three years of severe drought and so their production numbers have been depressed. He said that he was going to review that arrangement. Has that review commenced? If so, when will the results of that review be known?

Mr Mortimer—That review has happened. Mr Pittar will answer your question.

Mr Pittar—The production figures were looked at to see whether there were any particular anomalies between areas, based on the three-year base period the government announced. No significant anomalies at all were found when those figures were reviewed. That is bearing in mind that it is about how a fixed pie will be shared, as opposed to how big the pie itself is, if I can put it as crudely as that.

Senator O'BRIEN—So the suggestion from the growers south of Townsville that their production for the three-year period in question was lower because of drought circumstances has been rejected by the review?

Mr Mortimer—Yes. We looked at the figures, in all honesty, over the last three years, the last five years and combinations and permutations thereof and there was no significant or material difference in terms of the share that would have gone to growers in those regions.

Senator O'BRIEN—So the review has been conducted and there is no change as a result of the review?

Mr Mortimer—Essentially, the review did not provide any basis for change. We are now proceeding on that basis.

Senator O'BRIEN—And that has been ticked off by the Prime Minister?

Mr Mortimer—We do not know whether the Prime Minister has personally ticked off on it but certainly the government is moving ahead on the basis of that review and analysis.

Senator O'BRIEN—Am I correct in saying that the January payment to growers will depend on a property management plan?

Mr Mortimer—No. The January payment to growers—it is a sustainability grant—depends on the industry oversight group being satisfied that good progress has been made in restructuring and the use of the measures provided by the government in the time to that date, on behalf of both the milling sector and the growing sector.

Senator O'BRIEN—So there will be no individual accountability for the development of property management plans or the like?

Mr Mortimer—There will be, where it relates to specific measures. Where it relates to income support or whether growers willingly take up financial viability assessments or some such, the growers will be required to satisfy those measures. But, otherwise, no.

Senator O'BRIEN—Who will be on this oversight group?

Mr Mortimer—The oversight group has not been settled yet. Essentially, it is expected to be a small group of senior persons who can act as something akin to a board, to oversee progress on reform in the industry. Clearly there will be people with backgrounds in the sugar industry and people with capability and stature in agribusiness, commerce and finance. But the actual group has not been settled. We hope that that group can be settled and announced sometime shortly.

Senator CHERRY—How does it differ from the industry guidance group? Is that now abolished?

Mr Mortimer—I think that is a fair comment. The industry guidance group is now being wound up. That group did its job in seeking to develop a plan for the industry. The minister has that document and the plan, and now the intention is that that group will be wound up and moved to a—

Senator CHERRY—But it had detailed criteria on how projects would be funded. So will the government be rewriting all of those criteria?

Mr Mortimer—No. The criteria for the projects have been published. A pack of material has gone out, with one to two pages setting out the guidelines and criteria for all measures, and we can make that available to you. The key activities that that oversight group will be looking at in particular will be regional and community projects, and the broad guidelines for those are set out in the material that has been made public.

Senator CHERRY—Will the membership of the regional advisory groups be similar to that of the regional guidance groups?

Mr Mortimer—Yes, we expect so.

Senator CHERRY—So those people will transfer across?

Mr Mortimer—No, sorry: they will be different groups. The industry oversight group will be one group of persons, and there will be separate groups of persons for the five or six sugar regions in Queensland. They will be drawn more closely from the grassroots of those areas, in terms of bringing together expertise and capability.

Senator CHERRY—Has the minister released the plan that was produced by the industry guidance group?

Mr Mortimer—No, the minister has not released that.

Senator CHERRY—Is he planning to?

Mr Mortimer—I am not sure whether the minister will. To date, he has chosen not to.

Senator McLUCAS—How will people know what the plan for industry will be, if we do not have a copy of that plan?

Mr Mortimer—The minister may well wish to pass it to the industry oversight group, when that is established. Another thing I would say is that the industry guidance group report will be a basis for developing the reform plan. It will also need to reflect the input from the new regional advisory groups, as well as other material that might flow from this assistance package.

Senator McLUCAS—Was the plan for the industry agreed by all members of the industry guidance group?

Mr Mortimer—I am not sure that I could confidently say that.

Senator McLUCAS—So is that a no?

Mr Mortimer—My understanding is that some groups who are on the IGG reserve their position on some parts of it.

Senator McLUCAS—So it is not an agreed plan, even though we have not seen it?

Mr Mortimer—It is certainly not fully agreed.

Senator McLUCAS—Could I get a list of the members of the industry guidance group?

Mr Mortimer—Yes. We can provide that to you. I do not have it with me.

Senator O'BRIEN—How will the oversight group do its work? How will they make assessment of the work done and the work that is proposed to be done?

Mr Mortimer—I think they may well look at the current industry guidance group documentation. They will also be interacting with the regional advisory groups. I expect they will be consulting and talking to the industry representative organisations on both the milling and the canegrower side. I expect they will consult with the Commonwealth government and they will use that information and material to draw together some plan for the future. I think it is fair to say that over the last few years there has been a lot of analysis and research done on the sugar industry from a number of quarters. There are a number of major consultancy documents available. There is a lot of material, so it will be a matter of connecting with the material and the stakeholders—both at the broad level and at the regional level—to pull together a framework for the industry.

Senator O'BRIEN—How will that oversight group's work connect with the approval of the flow of funds to individual farmers?

Mr Mortimer—It won't, except in relationship to the sustainability grant and the regional and community projects in broad terms. Access to other measures such as income support, exit grants, retraining assistance et cetera will be made available effectively on demand and will flow to people who meet the guidelines as they are published. They will be processed by Centrelink and there will be no reference back to the industry oversight group in terms of

whether that assistance should be provided. There will be reports back in terms of uptake and outcomes but the access to those individual grower measures will continue as at present.

Senator O'BRIEN—So the oversight group is going to have a role in relation to district or regional plans?

Mr Mortimer—Yes. The regional advisory groups will provide their plans to the industry oversight group, and I expect there will be some discussion there about them.

Senator O'BRIEN—You 'expect there will be some discussion'. Does that mean the oversight group will assess their plans?

Mr Mortimer—Yes, they will pass comment on them.

Senator O'BRIEN—They will assess them: 'That gets the tick. You can pay the funds to this region.'

Mr Mortimer—It will be an interactive and consensual approach, it is fair to say. It is one of those areas where there may or may not be a right or wrong answer, but they will work together to get the best plan they can.

Senator O'BRIEN—So the industry oversight group will assess and approve the plans where appropriate?

Mr Mortimer—In terms of the plans, yes, they will comment on the plans and assess them. But I am keen to emphasise that it will not be a judgmental thing in a harsh sense. They will be working together cooperatively to develop the best plans.

Senator O'BRIEN—You mean it will be a two-way flow of information: they will say, 'Not enough has been done, do more'?

Mr Mortimer—Yes, that sort of thing.

Senator O'BRIEN—And when we come up to the January payment, if they are still saying, 'Not enough, do more,' does that mean a region does not get the money?

Mr Mortimer—At the end of the day, that is the minister's call. If the minister was not confident, he would have a discussion with the relevant groups. Certainly the progress with these plans will be assessed through the remainder of the year, and a judgment has to be made as to progress.

Senator O'BRIEN—So it does not matter what the industry oversight group thinks: it is down to the minister?

Mr Mortimer—No. The minister will operate on the advice of the industry oversight group.

Senator O'BRIEN—So, if they say no, he will say no.

Senator Ian Macdonald—Someone has to make the final decision and that would be the minister, but these groups have been set up, as always, to give advice. More often than not, it is good advice and will be actioned.

Senator O'BRIEN—But what you are telling me is that there is not necessarily a link between the view of the industry oversight group and the flow of funds?

Mr Mortimer—No, I do not think that is what I am saying at all. Essentially, because there is expenditure of Commonwealth funds involved, the minister needs to sign off on that. So in a strict accounting sense the minister has that responsibility, but clearly he will be guided by the advice from these groups.

Senator O'BRIEN—That is the point I am making. At the end of the day, will the regional plan have to be ticked by the industry oversight group before the minister ticks it off?

Mr Mortimer—That is right, yes.

Senator O'BRIEN—Is it possible for the minister to tick off an industry plan even though it has not got the tick from the industry oversight group?

Mr Mortimer—We would expect that the minister would be looking to get the industry oversight group's tick before he considers the issue.

Senator O'BRIEN—But that is not necessarily required?

Mr Mortimer—In a strict accounting sense, no, but, in terms of normal business and how decisions are reached, yes.

Senator O'BRIEN—Will the industry oversight group have the ability to obtain an independent assessment of district plans?

Mr Mortimer—I expect it will have the capability to seek advice where it wishes.

Senator O'BRIEN—Will it be able to commission consultants to do work for it?

Mr Mortimer—Yes, I think that is probably the case.

Senator O'BRIEN—How much money will be available to the industry oversight group to do such work?

Mr Mortimer—I do not have that figure with me. There has been a budget set out in broad terms, but I would have to take that on notice.

Senator O'BRIEN—What is the overall budget?

Mr Mortimer—Essentially there is \$8 million there. That money is a total global figure for the operation of the industry oversight group, for the regional advisory groups, plus the sugar executive officers, who are operating out of a number of regions—and they are already in place. If you asked me what would be the budget for consultancies, I could not say here and now. I could simply reference that there is funding provided for the operation of the industry oversight group as well as the framework that supports it.

Senator O'BRIEN—How much is provided in that \$8 million for the sugar executive officers that you referred to.

Mr Mortimer—I will see if Mr Pittar has a number. I am not sure that we have that detail with us.

Mr Pittar—I will have to take on notice what has been provided for sugar executive officers.

Senator O'BRIEN—What is the general breakdown for the industry oversight group itself? How much have they got of the \$8 million?

Mr Mortimer—I have a figure here. I think it might be \$1 million per annum, but I would prefer to take it on notice because it is something I would be better off confirming and I would rather not provide any possibly misleading numbers.

Senator O'BRIEN—In the table on page 66, in what line item does the \$8 million sit?

Mr Mortimer—I think it would be the 'advisory group network' line.

Senator O'BRIEN—\$7.5 million?

Mr Mortimer—Yes.

Senator O'BRIEN—I presume there is some in this financial year.

Mr Pahl—There is half a million dollars in the current year.

Senator O'BRIEN—Given we are talking about the assessment of the sustainability grant—\$146 million—that is \$3.1 million attributable to 2003-04 and 2004-05 for the advisory group network?

Mr Mortimer—Sorry; which year and which page are we on?

Senator O'BRIEN—The advisory group network budget for 2003-04 and 2004-05 is \$3.1 million.

Mr Mortimer—Okay.

Senator O'BRIEN—Has the \$500,000 been spent yet?

Mr Mortimer—Yes, the sugar advisory officers are in place—they have been employed. I am not sure about the exact number. I think there might be six of them. They operate out of area consultative committee facilities in the different regions. They were employed part way through the current financial year.

Senator O'BRIEN—Who employs them?

Mr Mortimer—The Commonwealth.

Senator O'BRIEN—Can you tell us where they are based?

Mr Pittar—I do not have a list of exact locations, but basically they are in the main sugar regions stretching from Northern Queensland through to the southern and central areas of Queensland.

Senator O'BRIEN—Do they have their own offices or are they based or located with organisations?

Mr Mortimer—They are co-located with the area consultative committees in those towns. The area consultative committee is a network that is operated and funded by the Department of Transport and Regional Services.

Senator O'BRIEN—What is the cost of engaging those six officers on an annualised basis?

Mr Mortimer—We will take that on notice and come back to you, Senator. That is probably the best idea.

Senator O'BRIEN—Is there a standard employment package?

Mr Mortimer—I do not claim to be an expert on that. I think we could more or less guess that half a million—

Senator Ian Macdonald—Do not do that; do what you said originally and give the accurate information on those.

Mr Mortimer—Okay, thank you.

Senator O'BRIEN—Were these positions advertised?

Mr Mortimer—I will take that on notice. I think so, but I cannot confirm that from the top of my head.

Mr Pittar—We require the area consultative committees to run the process of identifying candidates and making recommendations as to who the SEOs might be. So, in effect, we subcontract those ACC networks to perform those administrative roles.

Senator O'BRIEN—Do you mean lodge the ads?

Mr Pittar—Yes, that sort of thing.

Senator O'BRIEN—Are these people Commonwealth employees?

Mr Pittar—Yes.

Senator O'BRIEN—But they are engaged by the ACCs?

Mr Pittar—They work in the ACC offices. The ACCs, as Mr Mortimer was indicating, are creatures of the Department of Transport and Regional Services, so they link into that existing infrastructure.

Senator Ian Macdonald—Do the states have something to do with the original appointment of those sugar officers? I have a feeling that they were state government appointed.

Mr Mortimer—No, they are not, Senator.

Senator Ian Macdonald—I have never seen one, I might say. I do not know what they do.

Senator O'BRIEN—What hope do we have, then, Minister?

Senator Ian Macdonald—Indeed. I have often wondered what exactly they were meant to be doing. I have not quite caught up with that yet.

Senator O'BRIEN—How is it proposed to audit this allocation of money for sustainability grants? Is some audit process proposed?

Mr Mortimer—Are you talking about in terms of the decision or the expenditure?

Senator O'BRIEN—The expenditure—after you have expended the money, how are you going to audit it?

Mr Mortimer—It will be audited in the typical fashion. People who get grants are expected to provide financial accounts for the expenditures. They are also expected to account for the outcomes. Particularly for the bigger grants, outcome reports are expected.

Senator O'BRIEN—As I understand it, there are about 6,000 properties involved. They are not necessarily required to develop property management plans to get this sustainability grant.

Mr Mortimer—That is right.

Senator O'BRIEN—But they will have to account for how they have spent it?

Mr Mortimer—I am sorry; I thought you were talking about the regional grants. In terms of the sustainability grants, the growers will not be expected to account for that. Essentially, the government made the decision that, in its current circumstances, the industry needed support to sustain it in its current fashion over the next year or so. The grants are being given to growers and they are not expected to account for it in any shape or form.

Senator O'BRIEN—Do I understand correctly that regional plans, and regional plans only, will be the basis for the second payment under the sustainability grant?

Mr Mortimer—Yes. The government is looking for 'satisfactory progress in developing and implementing regional plans'.

Senator O'BRIEN—Developing and implementing?

Mr Mortimer—Yes.

Senator O'BRIEN—So the regional plan will need to be developed and in the process of being implemented to warrant the second payment?

Mr Mortimer—To the extent that it is achievable.

Senator O'BRIEN—What sort of benchmark criteria have been developed to assess these regional plans? Have any specifics been developed? What does the government expect will be proposed in them?

Mr Pittar—The intention of the regional projects is to look at how efficiencies can be driven through the supply chain—from the growing sector to the harvesting sector to the milling sector. It is looking at driving opportunities where efficiencies can be gained in that regard. It is very much about what industry in those regions can do or can do differently in order to put themselves on a more long-term productive footing. That is the intention in the broad.

Senator O'BRIEN—It is as vague as that?

Mr Mortimer—No, that is not vague, I would suggest. Each region will do a plan to suit their own particular circumstances, but it is essentially about them developing ways to make themselves more competitive and to help the industry both adjust and operate in a more efficient way.

Senator McLUCAS—Membership of these groups seems to be very important to the success of achieving that objective. How are we going to get members on the regional oversight groups?

Mr Mortimer—The minister will consult in terms of making the appointment.

Senator McLUCAS—How many people will sit on those regional groups?

Mr Mortimer—There is a preference for a smaller group rather than a larger group.

Senator McLUCAS—How many?

Mr Mortimer—Potentially five to seven.

Senator McLUCAS—From what sectors will they be drawn?

Mr Mortimer—They would be broad based, but clearly they would have experience in the sugar industry and they would be people from that region who understand the issues in the region.

Senator McLUCAS—So you imagine there would be a grower?

Mr Mortimer—I would expect so.

Senator McLUCAS—A miller?

Mr Mortimer—It is highly likely.

Senator McLUCAS—A harvester representative?

Mr Mortimer—I cannot comment.

Senator McLUCAS—The unions?

Mr Mortimer—I cannot comment. Essentially, there will be tradeoffs in terms of representation and expertise as opposed to a relatively small number.

Senator Ian Macdonald—These will not be representatives of growers or millers. They will be people who can drive the process as needed. The sugar industry is at a crucial time and it really does require very significant leadership to keep it moving. I suspect there will be a grower and a miller on most of them, but they are not there because they are growers or millers. They are there because they have the ability, capability and support to be able to drive the industry forward.

Senator McLUCAS—With the regional plans that are being proposed, you said a little earlier that there were going to be five or six regional groups around Australia. Can I extrapolate from that that we will have four or five in Queensland? How many groups will there be? I am trying to understand the notion of a region in terms of the plan.

Senator Ian Macdonald—There will be one in the north, one around Ingham, one around the Burdekin and one around Mackay. I am not quite sure what is happening in the south.

Mr Pittar—Essentially, there would be around six throughout Queensland, one in northern New South Wales and one in the Ord in Western Australia.

Senator McLUCAS—So that would be eight altogether?

Mr Pittar—Yes, that is the broad number.

Senator McLUCAS—The area that I understand best is Far North Queensland. Would we, for example, have Mossman, Hambleton, the Atherton Tablelands—maybe down through Innisfail—in one region?

Mr Mortimer—I am sorry. I do not have a map showing the regional boundaries here with me. Perhaps, if you like, we can take that on notice and come back to you.

Senator Ian Macdonald—That is about right, yes.

Senator McLUCAS—So would they reflect the former regional groups we had under the previous package?

Senator Ian Macdonald—We did not have regional groups. They were never actually announced.

Mr Mortimer—That is right.

Senator McLUCAS—We never quite got to that point?

Senator Ian Macdonald—They never quite got there.

Senator McLUCAS—That is a shame. So in six months we are going to develop regional plans based on a region that the department has a notion of.

Mr Mortimer—Yes.

Senator McLUCAS—Will there be subregional plans, like a mill plan or—

Mr Mortimer—Those parties can develop their plans, and indeed that is consistent with the philosophy of the package, where you will see assistance provided for growers and mills to develop business plans et cetera, and they can operate within the framework of the regional plan that is developed.

Senator Ian Macdonald—If I can add to that, it is not one size fits all. Different regions will have different priorities and different things upon which they can spend money. The whole point of it is that it really should be for the districts to decide where they go and where they head. They apply for the funding on a competitive basis.

Mr Mortimer—That is for the regional grants, yes.

Senator Ian Macdonald—They are assessed by the oversight group and recommended to government.

Senator McLUCAS—So the industry oversight group—the national body—will assess the applications from each region? I thought you had said earlier, Mr Mortimer, that a notional allocation of funds had already been come to.

Mr Mortimer—No, I did not say that. I said that the industry oversight group would provide advice on funding proposals.

Senator McLUCAS—This is for the second tranche of payments in January?

Mr Mortimer—I am sorry. I think we are getting a bit confused between the regional and community projects element and the sustainability grant component. I think we had a discussion with Senator O'Brien about the sustainability grants and how they would be finalised, and then I think we inadvertently jumped over to the regional and community projects component, which will be linked to the operations of the regional advisory groups. The regional advisory groups are expected to apply, along with others, for funding to initiate specific projects for those regions. I am sorry if it is a bit complicated.

Senator McLUCAS—It is very complex. If we are having difficulty understanding it, it must be hard for growers and millers to get a bit of a handle on it too.

Senator Ian Macdonald—No, not really. It is not complex. If you have the sheets that have been publicly available, it is all fairly clearly explained there—what happens, what

funding is available for each group and how it works. There is a lot of very good publicly available material. Could we perhaps get a package of material and give it to the committee?

Mr Mortimer—We will see if we can get that up and give it to the committee this afternoon. There is a package—a folder—that we can provide to you, with separate sheets of all the assistance measures.

Senator Ian Macdonald—If you have a look at that and cannot follow it, I will be very surprised. If you cannot, then we will help you.

Senator McLUCAS—Thank you.

Senator O'BRIEN—During the last hearings, Mr Mortimer, you told us that the value of exit packages in the second to last sugar package—the \$45,000 grants—was considered to be a 'reasonable expectation' at the time. That was in February. Who made the judgment that \$45,000 would be sufficient to attract exits by those farmers who did not have a long-term future growing sugar cane?

Senator Ian Macdonald—What do you mean? Are you asking who the individual was?

Senator O'BRIEN—Was it the minister, the department, the Prime Minister or the Prime Minister's department?

Senator Ian Macdonald—As has been explained before, I think these things are always done with wide consultation. The department provides very good advice. You discuss it with cane growers and cane farmers and individual groups.

Senator O'BRIEN—Precisely what work was done to ensure that the quantum was still adequate to do the job? Any?

Mr Mortimer—I think Senator Macdonald has answered the question. The government made a judgment at the time and that was the decision that was taken.

Senator Ian Macdonald—It was based on the AAA exit package.

Senator O'BRIEN—It just took the number from AAA—is that right?

Senator Ian Macdonald—That was part of it.

Senator O'BRIEN—That was the same number.

Senator Ian Macdonald—You asked: who made the decision? These things evolve. It is not that one officer sits down and says, 'I'll pick a figure.' There is consultation and discussion. Departments obviously were given advice in years gone by on the AAA package and that has been talked through with other growers. Whilst I do not have the detail of this, it would have been thought to be a reasonable amount and that would have been the general decision arrived at after consultation with all relevant parties and advice from the department.

Senator O'BRIEN—I assumed that the 2002 package was designed to achieve a number of policy objectives and that work was done, to the extent it was possible, so that components of the package would deliver on those objectives. Was that a fair assumption?

Senator Ian Macdonald—As it turned out, obviously from the package currently before us, the decision has been made after consultation and after looking at the figures, actually.

That was not achieving the results that the industry and the government thought was appropriate, so there has been a change.

Senator O'BRIEN—Was the 2002 package work done by this department or by the Department of the Prime Minister and Cabinet?

Mr Mortimer—It was done by this department and it was based on the issues and understanding at the time.

Senator O'BRIEN—What about the current package? Was that work done by this department or the Department of the Prime Minister and Cabinet?

Mr Mortimer—This package was developed jointly between this department, the Department of the Prime Minister and Cabinet, and the Department of Transport and Regional Services. Those three departments cooperated in this development.

Senator O'BRIEN—Is it true that someone in the Department of the Prime Minister and Cabinet oversaw the development of this package?

Mr Mortimer—An official in PM&C chaired a number of meetings, but that essentially reflects PM&C's role.

Senator O'BRIEN—Does chairing mean overseeing?

Mr Mortimer—No, not necessarily.

Senator O'BRIEN—Who does oversee it?

Mr Mortimer—The government oversees it.

Senator Ian Macdonald—The government oversees it, and the actual package is being administered by DAFF, isn't it?

Mr Mortimer—That is right.

Senator O'BRIEN—Is there any coordinating role for the Department of the Prime Minister and Cabinet in the delivery of this package?

Mr Mortimer—No. The package is being delivered by this portfolio.

Senator O'BRIEN—How many exit packages were taken up in the 2002 package? The last number we had in February was 15. Is that still the same?

Mr Pittar—Sixteen packages.

Senator O'BRIEN—Is it true to say that if those 16 farmers had waited for a few months they would have accessed the latest exit package, with funding of up to \$100,000?

Mr Pittar—The farmers who accessed the re-establishment package under the 2002 package would be eligible to apply for the difference between what they received and what the new package would provide.

Senator O'BRIEN—What is the criteria for applying?

Mr Mortimer—The same criteria as previously.

Senator O'BRIEN—So if you had been approved for up to \$45,000, you can apply again?

Mr Mortimer—You can apply to have that amount taken to \$100,000. That is what Mr Pittar was saying.

Senator O'BRIEN—What is the test that will allow you to pass go again and get that extra money?

Mr Mortimer—Exactly the same as previously.

Mr Pittar—That is right. There are tests relating to overall income and asset thresholds, including asset thresholds of house and curtilage.

Senator O'BRIEN—There were a number of region specific packages provided through the old Rural Partnership Program. There were exit packages of up to \$90,000. Why were they not considered relevant in the 2002 package when you thought \$45,000 would do the job?

Mr Mortimer—As was indicated previously, these packages are considered separately and on their merits, and a judgment is made.

Senator O'BRIEN—The \$62.6 million in the next financial year for re-establishment grants—is that figure for industry exits?

Mr Mortimer—Yes.

Senator O'BRIEN—So how many exits is that number based on?

Mr Pittar—The estimate for 2004-05 is based on costings around 614 recipients of the exit grant at \$100,000.

Senator O'BRIEN—What is the basis for that number? How do you arrive at that number?

Mr Mortimer—It essentially came out of our consultations with the industry and their expectations of the extent of change and potential uptake. In developing this new package, we had the opportunity to consult with industry and we sought their advice. Those numbers reflect their view as well as the government's view on the extent of uptake.

Senator O'BRIEN—Where will the exits be likely to occur? Is there a particular region?

Mr Mortimer—I do not have that detail in front of me.

Mr Pittar—I think the point with measures such as this is that individuals are making the decisions as to whether or not they stay in agriculture. They will have a range of factors to weigh up, including measures provided for re-establishment, the grants that are there, and also including the career counselling and other measures that are part of this package, balanced against the opportunities that they see for themselves if they were in fact to stay in the sugar industry or in agriculture more broadly. There is a range of factors.

Senator O'BRIEN—To get the payment, the 614 will have to leave agriculture. Is that right?

Mr Mortimer—No, I am sorry; that is not what we said at all.

Senator O'BRIEN—There was confusion there.

Mr Mortimer—No, there is no confusion whatsoever.

Senator O'BRIEN—No, I was trying to say that I was confused by your earlier answer.

Mr Mortimer—My apologies, then. I simply said that the eligibility criteria are set out and they are as they were. I thought you went to the issue of the costings and what those costings might assume about uptake.

Senator O'BRIEN—Yes.

Mr Mortimer—I am saying that, in estimating the numbers who might use the program, we further consulted with industry on that and came up with the estimates that we did of the numbers of growers who might potentially leave the industry.

Senator O'BRIEN—And there is no regional assessment built into that?

Mr Mortimer—There is no particular bias or expectation about any one region as opposed to another.

Senator O'BRIEN—So do we divide \$62.6 million by 614 and get the average payment, or are there other factors built in?

Mr Mortimer—We get about \$100,000 and that is essentially it.

Senator O'BRIEN—Of the \$62.6 million, how much of that is administration cost?

Mr Pittar—I do not have at my fingertips a figure broken down for that financial year.

Senator O'BRIEN—Some of it is?

Mr Pittar—Some of it is—correct. Over the life of the program, there is approximately \$1.4 million set aside in Centrelink and administration costs.

Senator O'BRIEN—So that is money to Centrelink?

Mr Pittar—Correct. They administer the program.

Senator O'BRIEN—So that is in addition to Family and Community Services?

Mr Pittar—Family and Community Services is delivered—

Mr Mortimer—That is separate from the measures—what you have referenced here is administration by Centrelink for the measures that are funded by DAFF. As you would be aware, growers access measures such as income support and this re-establishment grant through the local Centrelink offices.

Senator O'BRIEN—And the assumption built into this is that everyone who applies will get \$100,000?

Mr Mortimer—Not necessarily. An estimate has to be made about what is reasonable. We have to make a best estimate.

Senator O'BRIEN—Well, 614 farmers, \$62.6 million, take away \$1.4—

Mr Mortimer—To put it another way, if a potential grant of \$100,000 is available, the Commonwealth needs to make sure that \$100,000 is indeed available.

Senator O'BRIEN—Is there any sense in what the spread of exit grants will look like or do you just make an assumption that it is \$100,000 and see how it pans out?

Mr Mortimer—Essentially. There is a clear incentive to apply in the first year, so that is reflected in the numbers, and as the value of the grant declines over the years it seems reasonable to expect that uptake might decline.

Senator O'BRIEN—So is it possible to leave in 2004-05 and get less than \$100,000?

Mr Pittar—It is based on issues relating to eligible assets levels and income levels. We do not assess the detail, but if assets were above a particular amount or if an income was above a particular amount there would be impacts on the payment. Equally, if individuals have received income support then the amount of income support would also be taken into account in terms of what the re-establishment grant would be.

Senator O'BRIEN—When do exit grants for 2004 have to be lodged by to be taken into account in the figure of \$62.6 million?

Mr Pittar—For this coming financial year they have to be lodged before 30 June 2005.

Senator O'BRIEN—Obviously they cannot be paid in the financial year; you would have to carry money forward if that was the circumstance, potentially.

Mr Mortimer—That is possible. That would be managed through reprofiling of funds.

Senator O'BRIEN—When will growers know whether they are receiving the sustainability grant payment for January 2005?

Mr Mortimer—We expect they will be notified late in calendar 2004.

Senator O'BRIEN—So when will the oversight group be required to give its assessment to the minister?

Mr Mortimer—Again, towards the end of 2004. We do not have an exact date at this stage.

Senator O'BRIEN—So there is not an actual timetable?

Mr Mortimer—There is a timetable, but it is not particularly helpful for me to specify one date as opposed to another in terms of that, given that essentially it depends on the minister's decision in the light of advice to him.

Senator O'BRIEN—When the oversight group makes an assessment, how will that assessment be made available to the parliament?

Mr Mortimer—It will be a document with the minister. It is at the minister's discretion whether he wishes to table it or present it to parliament, I expect.

Senator O'BRIEN—So the parliament will approve the payment of \$146 million?

Mr Mortimer—The minister will be given authority by a government decision on appropriation to make the payment.

Senator O'BRIEN—And it will not require any other authority?

Mr Mortimer—No.

Senator O'BRIEN—Who appoints the oversight group?

Mr Mortimer—The minister.

Senator O'BRIEN—So the minister appoints the group, receives their advice, may or may not choose to act on it and will then be in a position to authorise or not authorise the payments?

Mr Mortimer—That is right.

Senator O'BRIEN—And there will be no scrutiny of that?

Mr Mortimer—There will be scrutiny in the normal—

Senator Ian Macdonald—You will no doubt scrutinise, Senator, at our next estimates committee meeting, sitting in the same seat you are now.

Senator O'BRIEN—You may regret having said that, Minister! I wonder if you will be sitting here.

Senator Ian Macdonald—If you cannot be confident in this business, you had better get out.

Senator McLUCAS—Can I ask how the timetable for identifying who is going to exit the industry matches with the development of the regional plans? Those exiting will have an impact on the development of regional planning, one would imagine. To make sensible plans, you would need to know who was going to be in the industry. Can you explain how those two processes come together so that we actually know what is going to happen?

Mr Mortimer—We would expect that the regional advisory groups would be tuned in to their local area and could provide advice, to the extent possible, on industry exits and the uptake of that program. They can feed that in to their plans, and that can then feed into the overall strategy for the industry.

Senator McLUCAS—There is no requirement, though, for those individuals to advise the regional advisory groups that they are contemplating exiting.

Mr Mortimer—No. At that level, you are quite right, but in terms of the uptake of grants, that will be reported by the department and the government in the normal way. I expect the people in the regions would have an awareness of the extent to which they are being taken up.

Senator Ian Macdonald—Could I reinforce that last point. People could almost say to you now who they think would probably take it. There are not many secrets in a country town. Some people have been just struggling through and will welcome the advantage of getting out and not losing everything—changing their direction in life. I think it will be fairly well taken into account in any plans that come forward. They will not be correct to the exact number, but they will have a good feel for it.

Senator McLUCAS—Of course. But I think you can see the point I am making.

Mr Mortimer—Yes.

Senator McLUCAS—If we are going to lose one-third of the growers in a particular mill area because we think one-third of our growers are struggling at the moment, development of a regional plan would be very hard to do until you knew how many people were going to stay in the industry.

Senator Ian Macdonald—I think realistically, in relation to the suggestion that one-third of the growers would go, while one-third of the growers might be struggling, they are all pretty confident people. They believe that, with the bit of help that has been given to them, they can turn it around—and they can get on board the new focus of the industry. This package is all about the fact that the industry really cannot afford to say, ‘This is how we’ve done it for the last 40 years; we’re going to use this money and keep doing it the same way.’ That will not happen. I think, Senator, you are as well aware as I am that the rest of Australia will not countenance further help to the industry in the years ahead. This really is the last make-or-break chance for the industry. I am confident that they can do it and will go forward and that it will continue to be a very successful industry. But it will require a lot of effort and a lot of change of attitude. Those that think it is business as usual should really get out now, because it is not going to be business as usual. I think that, coming from the area, you would know that as well as I do.

Senator McLUCAS—The question I am trying to ask, Minister, is about the two time frames, which are happening at the same time. For people to make an informed choice about whether they are going to stay in the industry, given the sort of change you are talking about, they have to know what the regional plan will say about what is being proposed for their region.

Senator Ian Macdonald—They will assess their own future and they will have an idea. In terms of the regional plan, most of the growers in a particular mill area would know the things that are being talked about by their leaders. They have interminable growers meetings and millers meetings. I think people have a fair idea. What we are saying to people is, ‘Here’s some money to keep you going through the next 12 months so that you’re not forced to make a decision without knowing everything, but in the next 12 months you will really have to assess your own position and assess that in the light of what you know might come forward from the district.’ I think most people who are serious about it will be able to do that.

Senator McLUCAS—But there is an incentive to exit in this current year.

Senator Ian Macdonald—Yes.

Senator McLUCAS—The question I am asking is: how can a grower make an informed choice about whether or not to exit, given that they do not have really clear messages about what the regional future will be?

Senator Ian Macdonald—I am suggesting to you that, within the next 12 months, they will be able to make an informed decision. They will be attending meetings, they will be reading the local newspaper, they will keep working out the way things are going, and I think you will find that most of them will be able to make an informed choice. Some of them might say, ‘We’ll give it another 12 months,’ knowing that the price will go down to \$75,000. They will make that decision about whether they want to wait the extra 12 months and get \$25,000 less. They might decide that they should wait another 12 months just to see how the world price is going or to see what new innovations are coming up or how they are panning out. You are saying we are trying to double-guess what might happen. I am answering that by saying that I think people are fairly well informed. Cane growers do understand these things. They

are well advised by their industry groups. There is a hell of a lot of information around and I think they will be able to make that decision.

Senator McLUCAS—To be frank, I think there is a variance of capacity within each region to develop those regional plans.

Senator O'BRIEN—Are the establishment grant payments capped at the figures in the PBS?

Mr Mortimer—In what sense? Do you mean at an individual level in terms of gross expenditure?

Senator O'BRIEN—If 935 farmers apply in 2004-05, and they are entitled to \$100,000 each under the program guidelines, does that mean the cost of the program will be \$93-odd million?

Mr Mortimer—I expect so, and the government would need to seek additional resources.

Senator O'BRIEN—Am I wrong to understand that the sustainability grant payments will be made prior to farmers deciding whether they want to take the exit grant?

Mr Mortimer—Essentially the sustainability grant is designed to assist farmers through the period ahead, as Senator Macdonald referenced, and to give the industry breathing space to make decisions about their future, including whether they want to take an exit grant.

Senator O'BRIEN—So will that be taken into account in terms of income for the purposes of assessing the eligibility for the exit grant?

Mr Mortimer—I expect so. Mr Pittar will check the guidelines.

Mr Pittar—I do not have that information. I will have to take it on notice.

Senator O'BRIEN—Has a decision been made on that?

Mr Pittar—I believe it has.

Senator O'BRIEN—That is fairly fundamental.

Mr Mortimer—I think the guidelines are structured around assessable income, so my expectation would be that a sustainability grant would be reflected in income and would be part of the calculation for an exit grant. We will confirm that, and if it is not the case we will let you know.

Senator O'BRIEN—When the payment from June is banked, does it depend on the year it is banked or the year the cheque was drawn for the purposes of what the income was for that year?

Mr Mortimer—It would be treated as income is treated for tax purposes in the normal fashion.

Senator O'BRIEN—It is not normal income. That is why I am asking the question.

Mr Mortimer—But it is income and, in terms of the government, particularly under tax law, income is income.

Senator O'BRIEN—So you are not aware of whether that will be treated as income for 2003-04 or 2004-05, depending on when it was banked?

Mr Mortimer—It depends. If the grower gets income in his hands in 2004-05, it is income for that year.

Senator O'BRIEN—Do you know when it is proposed to make the June payments?

Mr Mortimer—It is expected to be in the middle. We have not finalised the date because we need to be confident of the mechanics of getting the numbers finalised and to have a cheque-processing facility settled et cetera, but our expectation is certainly the middle of the June.

Senator O'BRIEN—It will be paid by cheque?

Mr Mortimer—By electronic payment.

Senator O'BRIEN—So each of the growers will have to submit their payment details in order to be paid electronically?

Mr Pittar—The mills are collecting that information and will provide it for themselves and growers.

Senator O'BRIEN— Mr Mortimer, when you were discussing the review of the cane farmers south of Townsville you talked about looking at figures for the last three years and beyond. What is the source of those figures? I am interested to know the basis of the review's decision not to make any special provision for the cane farmers south of Townsville.

Mr Pittar—The industry has publications that it uses which have indications of the level of production in various regions. We looked at that information with our ABARE colleagues.

Senator O'BRIEN—Can you give us the source of those figures so we can have a look at them?

Mr Pittar—Yes.

Senator O'BRIEN—Can that be done quickly?

Mr Pittar—We should be able to get that information to you this afternoon.

Mr Mortimer—We should be able to provide it by the early afternoon.

Senator O'BRIEN—Thanks very much. How many farmers does the government estimate will take up the intergenerational transfer of family farm provisions under the Sugar Industry Reform Program 2004?

Senator Ian Macdonald—Do you want to know where the advice came from or do you want to know what the advice is?

Senator O'BRIEN—I want to know where the figures were drawn from for the review's conclusion that we were advised of.

Senator Ian Macdonald—I think I can help you with that now. It was one of the industry groups, which did some very detailed work on it. It was provided to the government and I think the department double-checked it and thought it was accurate. I do not really want to be too helpful to you people, but you keep talking about cane growers south of Townsville. I do not know where that statement came in, but there are many regional groups south of Townsville: the Burdekin, Proserpine, Mackay, Sarina, Bundaberg, Maryborough and Rocky

Point, and then New South Wales. None of those groups are the same—they all vary. Some of them are favoured by one particular assessment and some are not.

I should let you go on in blissful ignorance, but the ‘south of Townsville’ comment—I am not sure where that came from—is not accurate. I think they are mainly referring to the Mackay people, who I think did the worst out of it because of the drought over the last three years. But the line has to fall somewhere—there has to be some reason. It had to be done in a way that was not breaching any international agreements or conventions that Australia has been involved in.

Senator O’BRIEN—We were told that the figures were reviewed and did not show that there had been a difference for the three-year period as distinct from previous periods. Mr Mortimer said that there had been a look at figures over a longer period than three years in order to compare the three-year figures and that there had not been any substantial change for that period. I was asking for the source of the figures so that we could have a look at them. Apparently there is some document that has been provided by one of the cane-growing organisations.

Senator Ian Macdonald—We brought this up. The officers said they could give it to you this afternoon. I was saying to them that they had better get some advice on who actually gave it and whether those people are happy for us to give out information that they made available to the government by way of assistance. It was only by way of assistance. I know the department double-checked their conclusions.

Mr Mortimer—Essentially, we will provide you with a source of information.

Senator O’BRIEN—You were saying that, to pay the sustainability grant, you are going to get account details from the mills. Are the growers going to give them to the mills to give to you or are the mills going to give them to you?

Mr Mortimer—We expect that it can be done through the pool system in Queensland. As I explained earlier, there is a pooling framework in place. That essentially starts with Queensland Sugar Ltd, which is the single marketer of Queensland sugar and sugar cane. They have data that is provided by the separate mills. We will be relying on their systems and data to assist us.

Senator O’BRIEN—Are you going to pay it to the mills or directly to the growers?

Mr Pittar—The grant will be paid directly to mills in relation to the mills’ share and directly to growers in relation to the growers’ share.

Senator O’BRIEN—And will the growers’ account details be provided to you by the mills at the direction of the growers? Will there be some authority given by the growers for the mills to give you those account details?

Mr Pittar—That is for individual mills to ascertain. As Mr Mortimer said, we are looking at using the existing framework that is already in place to make payments. We are looking at tapping into that in order to be able to make the payments.

Mr Mortimer—Essentially it relies upon agreement from relevant parties. I think it is fair to say the relevant parties agreed.

Senator O'BRIEN—What are the GST implications of these payments?

Mr Pittar—Our understanding is that the funds that are provided will be subject to income tax. We are settling the detail on the GST, but our understanding is that they will not have GST payable because they are grants.

Senator O'BRIEN—What is the basis for that understanding?

Mr Mortimer—We are seeking legal advice and we will have that confirmed as soon as possible. But, as Mr Pittar said, because they are in the nature of the grants, it is not expected that the money will be subject to GST.

Senator O'BRIEN—But other grants have been subject to GST. Dairy RAP grants have been subject to GST. What is the difference?

Mr Mortimer—That is what we are looking to confirm. I cannot give you a detailed exposition. I would not claim to be an expert in GST law. We are confirming that.

Senator O'BRIEN—I cannot conceive that any of the growers would not be GST registered; so they will have to account for the money.

Mr Mortimer—The question from our point of view is: does the nature of the payment make it eligible for GST? That is what Mr Pittar said we are seeking confirmation on.

Senator O'BRIEN—What other grants has the department been involved in since the inception of GST that have not attracted a GST payment?

Mr Mortimer—I cannot give you that answer; I would have to take that on notice.

Senator O'BRIEN—Can you think of any?

Mr Mortimer—No, but I am not the best qualified person to answer, in all honesty.

Senator McLUCAS—It might be the case that the different types of grants would attract a different GST status.

Mr Mortimer—That is possible. As I said, I cannot answer authoritatively.

Senator McLUCAS—But you might be able to provide that to us as soon as you have legal advice?

Mr Mortimer—Yes, we will be happy to advise when we know.

Senator O'BRIEN—Will regional and community projects attract the GST?

Mr Mortimer—Again, I think we will advise when we have authoritative advice on that.

Senator O'BRIEN—Are those amounts inclusive of GST, if it applies?

Mr Mortimer—That is the amount that the government has decided to expend.

Senator O'BRIEN—So is the answer yes?

Mr Mortimer—No. The question does not really relate. The government has decided that it wants to make this amount of money available to the industry. The government does not typically factor in GST or non GST.

Senator O'BRIEN—So if GST is payable, it is inclusive of GST.

Mr Mortimer—No, I am not saying that.

Senator O'BRIEN—Can we have an answer to that question?

Mr Banfield—I think the officers are saying that the issues associated with the GST are under consideration. We will take the questions on notice and we will come back to you when we can give you some definitive advice. At the moment, the officers are not clear what the situation is. We are investigating it and we will come back to you when we have a clear decision on what the situation will be.

Senator O'BRIEN—Clearly, a financial viability assessment must include GST, mustn't it?

Mr Banfield—Again, I think we will take all these as a bracket, if you are agreeable to that. Rather than officers guessing what the situation might be, we will come back to you with factual information when that has been resolved.

Senator O'BRIEN—When do you think we can have that information?

Mr Mortimer—If we do not have it now, we will have to give it to you when it is available. I expect it will be available very shortly.

Senator O'BRIEN—Do you know what the situation is with the re-establishment grants?

Mr Mortimer—In terms of GST?

Senator O'BRIEN—Yes.

Mr Mortimer—I think Mr Banfield's answer applies.

Mr Banfield—We will come back with a comprehensive answer on the application of GST across the sugar package, if that helps.

Senator O'BRIEN—Did GST apply to any payments under the 2002 package?

Mr Banfield—Again, I think we will take that on notice.

Mr Mortimer—I think it is fair to say that it has never been an issue. As far as we know, no-one has raised any concerns about that. Whether that means that it is or is not, I cannot conclude.

Senator O'BRIEN—I want to ask some questions about live exports now.

Senator McLUCAS—I just have a couple more questions on sugar, please. There was an announcement earlier this year, on 29 March, that the Mossman Central Sugar Mill was going to receive a payment of half a million dollars. Can you tell me where that money is coming from, please?

Mr Mortimer—The payment to the Mossman mill came from the funding for regional projects.

Senator McLUCAS—Which package is that in?

Senator Ian Macdonald—It is not in this department.

Senator McLUCAS—Can you explain to me where that is from then, please?

Senator Ian Macdonald—No, you will have to ask DOTARS.

Mr Mortimer—Mr Pahl is going to confirm, but my understanding is that it came from the regional components project of the 2002 package.

Senator McLUCAS—But you can confirm that for me?

Mr Mortimer—Mr Pahl is going to confirm that as soon as he has checked his figures.

Senator McLUCAS—You may want to take this on notice. As a part of the agreement to establish the sugar tax in December 2002 there was an agreement that \$16 million would be used for environmental projects to improve water quality in the Great Barrier Reef. Could I get a list of how that money was expended and from what program it came? I know a lot of the money came through NHT; I understand that some money came through NHT2. I would like a list, on notice, of what moneys have been expended under that agreement.

Mr Mortimer—I will take that on notice.

Senator McLUCAS—Thank you.

Senator O'BRIEN—I guess we are up to live exports. I want to deal with this part of the program in a block as it involves a number of officers across the portfolio and also involves Meat and Livestock Australia.

ACTING CHAIR—Given that it is 10 to one, I wonder if it might be an idea to break for lunch now and come back at 10 to two, rather than get all the officers to the table and then have five minutes for questions.

Senator O'BRIEN—I am not unhappy about that.

Proceedings suspended from 12.51 p.m. to 1.54 p.m.

CHAIR—We are not moving on just yet. The committee will recall that Senator O'Brien asked some questions relating to a meeting. I understand that Dr Adams is here now and that he may be able to respond, so I call Dr Adams.

Senator Ian Macdonald—Dr Adams is now available, but Mr Banfield will just try to clarify the situation before we hear from Dr Adams.

CHAIR—Thank you. If you would like to make an opening statement, you may do so.

Mr Banfield—Thank you, Chair. I will be very brief. I thought it might be helpful, before Dr Adams and others take questions on this matter, that I seek to explain how the confusion may have arisen in this particular case. In brief, there were two parallel processes that operated independently for a while during the *Cormo Express* incident. The first process was, as Mr Taylor has indicated, a high-level departmental group—which he chaired and which involved senior officers in the department, including Dr Banks—to manage the *Cormo Express* incident. That group subsequently evolved into a more formal task force arrangement. But certainly, in the early stages, a very senior group of departmental officials was managing the issue.

Independently of that process, a second process was activated automatically at the beginning of the *Cormo Express* incident. This process was activated under the AFFA emergency management plan. It was coordinated by the Product Integrity, Animal Health and Plant Health Business. By way of summary, the AFFA emergency management plan sets out

emergency response procedures to be followed in the event of an emergency or potential emergency. The first stage of that is monitoring and scoping of the particular issue.

It was under the second process that the meeting that was chaired by Dr Adams and that has been the subject of questioning this morning—and previously—took place. I should say that, because this process was triggered automatically in the department, under the AFFA emplan, there was no engagement with the senior management team. There were no links between the two groups. The group did not report its deliberations to senior management. What is clear is that neither the secretary nor Dr Banks was aware of the other meetings or indeed the outcomes. It is the case that the first time the secretary and many others, including me, became aware of the second set of meetings was when Senator O'Brien first raised the issue in Senate estimates.

Let me now briefly comment, if I may, on the references in the minutes of the meeting of 22 September, in particular those regarding the risk evaluation—or assessment process as it is referred to in the minutes—and particularly the comment that a draft plan had been completed and would be released the following day. As I understand it—and I have spoken with Dr Adams—this was reported at the meeting by one of the attendees, although I certainly do not know who that was, and Dr Adams cannot recall. Clearly, work was at a very early stage in the process at that time. Whilst the officer who reported this to the meeting—and it was documented in the minutes—was no doubt well intentioned, this had no sign-off from the senior management of the department.

As Dr Banks indicated in his reply to an earlier question taken on notice from this committee, he would have been aware, had consideration been given to releasing this evaluation. He was not aware that consideration had been given to release. The fact that he was not aware of this confirms the very early stages of the work. That is indeed confirmed by Dr Banks. I suggest that it might now be helpful to ask Mr Pahl to briefly report on the reporting arrangements, to put this issue into an organisational context.

Mr Pahl—I thought it might be useful if we set out how the respective officers fit into the organisational structure of the department.

CHAIR—It is quite obvious that the butcher was not talking to the block, but go ahead.

Mr Pahl—Dr Banks works in the market access and biosecurity area of the department. He in turn reports to Mr Morris, who heads up that business. Mr Morris in turn reports through to Mr Taylor. Dr Adams, on the other hand, works in our product integrity and animal and plant health area. He reports through to Dr Biddle, who reports to Dr Murray, the Chief Veterinary Officer. Dr Murray in turn reports to Mr Taylor. So they are actually in quite separate businesses.

There is another thing that I wanted to do. Mr Taylor asked me to correct the record. This morning when we were discussing this matter we said that the meeting was convened by Product Integrity, Animal and Plant Health, whereas upon checking our records we found that the meeting was in fact convened by the AQIS group. I just wanted to correct that before we started this afternoon.

Senator O'BRIEN—Dr Adams, are you the author of the record of meeting?

Dr Adams—No.

Senator O'BRIEN—Who is the author?

Dr Adams—Minutes were taken by one of the policy stream people who was present as a recorder. I cannot recall who it was. It may be on the list there.

Senator O'BRIEN—It was a 45-minute meeting, according to the document?

Dr Adams—Yes, that is right.

Senator O'BRIEN—Four items were dealt with?

Dr Adams—Yes.

Senator O'BRIEN—How long did the update on the current situation take?

Dr Adams—I cannot give you exact times. The meeting was to exchange information for those people working on technical aspects of the *Cormo* so that they could get on with their own jobs.

Senator O'BRIEN—How often did this group meet?

Dr Adams—We met according to the requirements of the AFFA emplan. I recall it was the same time each week.

Senator O'BRIEN—They were weekly meetings?

Dr Adams—Yes.

Senator O'BRIEN—When decisions were taken, were they communicated to the people involved?

Dr Adams—The sorts of meetings that I was involved with were not decision making meetings. They were called together to see how people were getting on with their jobs, whether they had any problems and how well they were coping with the rather stressful situation.

Senator O'BRIEN—In talking about public relations, there was discussion about a call centre being established to handle calls. Who established the call centre?

Dr Adams—That was established through product integrity. It is usual to establish call centres when we have an emergency such as the *Cormo*. That call centre in particular was to deal with people who had a concern about animal welfare.

Senator O'BRIEN—There is reference to a debrief at 4 p.m. Who would have conducted the debrief? This is in point 2 in the second paragraph.

Dr Adams—I think that was being conducted by people in the media stream.

Senator O'BRIEN—Was that in product integrity or somewhere else?

Dr Adams—It was in product integrity and AQIS. There were two separate media people at that meeting.

Senator O'BRIEN—There is a reference to a meeting that day headed by Meryl Stanton. Was that an AQIS only meeting? This is in point 3.

Dr Adams—My memory is not very good on the detail of this meeting.

Senator O'BRIEN—The action list talks about persons responsible for certain things.

Dr Adams—Yes.

Senator O'BRIEN—So you informed DFAT of the current situation. Jenni Gordon and Greg Read were not at the meeting. What does that mean?

Dr Adams—This is a general action list that was brought to the meeting as an information item.

Senator O'BRIEN—So it was an explanation of what was taking place.

Dr Adams—That is right.

Senator O'BRIEN—So at that time Jenni Gordon and Greg Read were taking action to inform DFAT of the current situation: is that how we should understand that?

Dr Adams—Yes; there were a lot of things happening in parallel during this time.

Senator O'BRIEN—And a draft paper addressing the issues involved in bringing the sheep back to Australia was being prepared by 23 September by David Banks, Greg Oliver and Annette O'Connor.

Dr Adams—Yes.

Mr Banfield—You might want to address that question to Dr Banks.

Senator O'BRIEN—But I take it that was what was reported to the meeting.

Dr Adams—That paper is part of the scoping exercise. The paper in question there is an informative paper that was more expansive than the draft risk evaluation. It was short; that had to cover a bigger area.

Senator O'BRIEN—I take it from what you are telling me that that was information that someone brought to the meeting.

Dr Adams—That is right, yes.

Senator O'BRIEN—In terms of the reference to a plan with MLA about addressing slaughter at sea issues to be written, was Greg Read responsible?

Dr Adams—Yes. There were a whole lot of things going on in parallel.

Senator O'BRIEN—That is information that someone brought to the meeting?

Dr Adams—The action list? Yes, that was a result of information that various people brought to the meeting on activity in their areas.

Senator O'BRIEN—Howard Conkey was at the meeting. He presumably told you that he was updating the web site.

Dr Adams—That is right.

Senator O'BRIEN—Was the draft paper addressing the issues involved in bringing the sheep back to Australia prepared by 23 September?

Dr Adams—I believe it was. I believe it addressed a whole range of issues that surrounded the risk evaluation.

Senator O'BRIEN—I am just reconciling that with the statement in the minutes that the import risk assessment had been completed and was to be released the next day. How do we reconcile those two statements?

Mr Banfield—I think, as I indicated in the statement I made, to the best of my knowledge and understanding, what happened was that this reported a comment that was made by one of the officers—I have not been able to work out which officer it was. But, as I understand from Dr Adams, this reflected a comment that was reported at the meeting. It was recorded in the minutes in that sense.

Senator O'BRIEN—So these minutes were circulated to everyone in attendance—and presumably others.

Dr Adams—This was put to everyone in attendance at the meeting and also resided in a definite file on our intranet.

Senator O'BRIEN—So access was able to be made by certain people to a particular file to see what had happened.

Dr Adams—In all emergency AFFA emplans, we leave a trail.

Senator O'BRIEN—Who has access to that file?

Dr Adams—I believe not everyone in the department had access to it; it was people who needed to.

Senator O'BRIEN—Was it people at this level and above?

Dr Adams—I cannot answer that.

Senator O'BRIEN—Who can?

Dr Adams—It is out of my field—I am a scientific technical expert.

Senator O'BRIEN—Perhaps Mr Pahl can answer.

Mr Pahl—I do not know who actually had access to the particular area of the intranet that I think we are speaking about, but we can certainly find out who has access. I would point out that having access does not necessarily mean that people have access to that area: there is a whole raft of information that sits up on the intranet on a daily basis.

Senator O'BRIEN—Mr Adams, did the persons responsible—mentioned—receive a copy of the record?

Dr Adams—As far as I know, that record of the meeting was circulated in hard copy to the attendees only.

Senator O'BRIEN—Are there other people who would normally have been at the meeting but did not attend?

Dr Adams—Yes. At these meetings people come when they are able to. Quite often during an emergency people are occupied in doing priority work and are not available for the meeting.

Senator O'BRIEN—What is the highest level officer that attends these meetings?

Dr Adams—The usual meetings in this stream were conducted by the Deputy Chief Veterinary Officer, and I was acting in that position at the time that I was the chair of this meeting.

Senator O'BRIEN—Was someone else taking the minutes and responsible for circulating them or were you responsible for circulating them?

Dr Adams—No, someone else. I have just had a look down the list and I believe it was Amber Cummins, right down the bottom.

Senator O'BRIEN—You say they were circulated by hard copy. Were they circulated by email?

Dr Adams—They were circulated by email to the attendees, and by hard copy. On the copy we have here we have the file site where the record then resided.

Senator O'BRIEN—Was your role as chair simply to convene the meetings and to have the minutes circulated?

Dr Adams—My role as the chair was to see how everybody was getting on with their work—whether they had any problems, whether there was anything I could do to help them.

Senator O'BRIEN—Was your role only within PIAPH or was it with AQIS as well?

Dr Adams—In this case it was making sure that people were able to do the work that was allocated to them and to help the cogs keep moving.

Senator O'BRIEN—What was this body about? Was it about the administration of the department or was it about handling the problem?

Mr Banfield—I indicated in the statement I made that under the AFFA emergency management plan there are processes for managing and monitoring emergencies. This was one of those instances—obviously, with the *Cormo Express* having been rejected in Saudi Arabia—where, as it turns out, the processes under AFFA emplan were triggered and a series of meetings were held. It was in that context that these meetings were being held—ironically, as it turns out, in part aimed at improving communication, but clearly that did not happen on this occasion.

Senator O'BRIEN—Was anyone at the meeting responsible for liaising with Mr Banks's section?

Dr Adams—There was no-one at this particular meeting who worked within David Banks's group. There was only one person there from MAB. The communication with David Banks's group would have occurred at an officer to officer level, particularly around that area of the risk evaluation. I was later involved in the risk evaluation, Annette O'Connor was, Peter Thornber was and Narelle Clegg was. Subsequent to the meeting, there was a period of intense activity on that risk evaluation.

Senator O'BRIEN—Was Mr Turner responsible for liaising with Mr Banks's area?

Dr Adams—He was there in relationship to other market access aspects of the *Cormo* affair.

Senator O'BRIEN—Sorry, I could not hear you. Perhaps you could repeat that answer.

Dr Adams—I believe the question related to whether there was anybody at this meeting who answered directly to—

Senator O'BRIEN—No, I was asking who had contact and was therefore reporting what Dr Banks's area was involved in.

Dr Adams—During these emergencies people at a technical level involved with putting the technical subject matter together tend to interact informally, and there were at least five people who were talking with Dr Banks regularly, certainly about the risk evaluation.

Senator O'BRIEN—I presume it would be on the basis of those discussions that what was reported to the meeting was reported to the meeting.

Dr Adams—Partly that, and it was also partly on that basis that we probably needed to do the work on the risk evaluation.

Mr Banfield—Senator, if you are implying from the question that Dr Banks was aware—and Dr Banks can speak for himself—that a risk evaluation was to the point where it was about to be released, I do not believe that to be the case, and Dr Banks has indicated that that is not the case as well.

Senator O'BRIEN—I have heard that evidence, and that is why it is remarkable that these responsible officers would be of that opinion, because that is the only way, I would have thought, it would appear in this record of meeting. Someone must have been talking about it. Mr Banfield, you have expressed your own concerns about how this was supposed to improve communications, and it does not appear to have done so.

Mr Banfield—Not on this occasion, regrettably. But—

Senator O'BRIEN—We have not examined any others; this is the one and only.

Mr Banfield—I am just cautioning against drawing conclusions on the basis of what might or might not have happened. Dr Banks has indicated before this committee on a number of occasions that he was not aware that the import risk evaluation was to be released. He has stated that on a number of occasions, and I accept his version of events.

Senator O'BRIEN—At what level was the process of instigating an emplan action known within the department? Is this the implementation of the emergency management plan?

Mr Banfield—Yes.

Senator O'BRIEN—At what level was it known that this plan would be automatically instigated when a crisis like the *Cormo Express* happened?

Mr Banfield—Others will provide the detail on all this, because I do not have the dates and precise details to hand. AFFA emplan is about arrangements for processes to occur in the event of an emergency or an expectation of an emergency, and they are activated when circumstances are deemed to be such that they are required. In this case—and Dr Adams will correct me if I am wrong—there were no bells and whistles notifying that things were being activated. Under AFFA emplan we have a set of processes which have been laid down. The officers in this case activated those and started convening a series of meetings. The point that I was making in my statement was that very senior management in the department was not

aware that those meetings were being convened, and nor were the outcomes from those meetings being reported to senior management. That is the point I was making.

Senator O'BRIEN—What is the purpose of this process, Dr Adams?

Dr Adams—The purpose is to get an early start on emergencies. We operate as a sort of intelligence unit, and we try and work out what could happen before it does happen. We operate on information that there could be an emergency arising and we try to get ahead of that and then have much of the work done so that the department can then bring a more coordinated response into play.

Senator O'BRIEN—Does the group gather its own information?

Dr Adams—Part of our job under AFFA emplan is monitoring and scoping as the very first step—understanding the likely ramifications of an emerging issue and getting ahead of it.

Senator O'BRIEN—Is there a responsibility for preparing response strategies?

Dr Adams—That comes further down the sequence; in the AFFA emplan there are trigger points.

Senator O'BRIEN—So it would be normal for this group to consider the options for resolution of a crisis?

Dr Adams—The AFFA emplan group are people who really have technical knowledge and who would be dealing in the main with animal and plant disease emergencies.

Senator O'BRIEN—That does not really answer the question I put to you.

Dr Adams—No, but that is its main reason. It is the technical subject matter that we hope we will be able to tell the future a bit.

Senator O'BRIEN—Would they have a role in preparing possible responses to particular crises or not?

Dr Adams—They would have a role only in the scientific and technical parts of the response.

Senator O'BRIEN—So why are they talking about media and public relations?

Dr Adams—Because one has to work in an environment where you understand the whole of the picture.

Senator O'BRIEN—So for scientific and technical reasons you have got to understand the media opportunities?

Dr Adams—You have to understand what other people are doing and you have to be able to prepare the scientific and technical material that people might want to use in the media.

Senator O'BRIEN—Would contingency planning be part of the role of this group?

Dr Adams—We have to connect to people involved with contingency planning so that sensible use of resources can be made.

Senator O'BRIEN—Thank you very much, Dr Adams. Thank you for being available and attempting to assist us to clarify this matter.

Mr Pahl—On live animal exports, we have some information in response to a couple of questions that Senator O'Brien asked this morning. One question was about when we posted the pigmeat determination on the Internet. That occurred on 10 May at 11.21 a.m. On the Hewitt case, I was asked this morning when the formal offer was made and when it was accepted. The formal offer was made on 9 February and the offer was accepted on 5 March. This morning I might have said that the offer was actually made on 5 March, but in fact it was accepted on that day.

Senator O'BRIEN—So the offer was made before the last estimates round?

Mr Pahl—I am told it was made on 9 February.

Senator O'BRIEN—According to the copy of the *Hansard* I have—I do not recall if we were necessarily discussing that matter—AFFA estimates were on 16 February.

Mr Pahl—Yes, that would be correct.

Senator O'BRIEN—I do not recall whether we were told there was an offer in progress, but *Hansard* will reveal that.

CHAIR—We will move to Market Access and Biosecurity.

Senator O'BRIEN—No. We want the live export officers here now. That is what we were going to do before lunch. As I said, MLA is here.

CHAIR—I thought you wanted MLA here with Market Access.

Senator O'BRIEN—As there are a number of officers from across the portfolio involved in this issue, we could deal with all those matters together. That is what we said before lunch. There was no indication that that was a problem.

CHAIR—Who do you want at the table?

Senator O'BRIEN—MLA are directly involved in some of the issues that we are considering, as part of scrutinising the budget.

CHAIR—Do you want the Wheat Export Authority as well?

Senator O'BRIEN—We will come to that.

CHAIR—So we have not finished with Food and Agriculture?

Senator O'BRIEN—No.

Mr Banfield—I am conscious that MLA is here as well, but the wider issue that we talked about reconvening on now was live exports. No doubt there will be some policy questions on which you will wish to ask officers at the table. I suggest that we deal with those aspects and separately with MLA. It might make for a neater separation of roles and responsibilities here.

Senator O'BRIEN—Some matters might bounce a bit between the two areas.

Mr Banfield—I am aware of that, in particular, for example, the MLA's role in relation to hypothetically the *Cormo Express* or whatever. But, to the extent that any questioning is directed at the response to the Keniry report and matters of that sort, it is probably more appropriate that departmental officers answer those questions.

CHAIR—We will stick with Food and Agriculture. Senator O'Brien, you may start asking questions, and if the people who need to answer them are not there they will turn up.

Senator O'BRIEN—I will start with page 27 of the PBS where there is a provision of \$8.357 million for this financial year. The line item is 'Live Animal Export—Cormo Express'. Can somebody give me a breakdown of that funding and tell me whether or not that funding will be met in whole or in part through industry levies?

Mr Pahl—The breakdown of that \$8.3 million is as follows: the sheep cost was \$4.5 million; fodder was \$1 million; freight and transport were just a shade over half a million dollars; charter was \$1.4 million; and water was \$32,000. We also made a payment to Eritrea of \$1 million, which was to ensure that the sheep would be properly provided for in terms of fodder, water and so on after their unloading. That comes to the \$8.357 million that appears on page 27.

Senator O'BRIEN—How much of that funding will be met from consolidated revenue?

Mr Pahl—All of those costs were met from consolidated revenue or from our existing funding, but we will now, through the levy arrangement, recover those costs on behalf of the taxpayer.

Senator O'BRIEN—Is that in total?

Mr Pahl—In total. Some smaller costs in addition to that were absorbed by the department at the time.

Senator O'BRIEN—On page 28 of this year's PBS, in the 'Market access and biosecurity' section, there is a line that reads, 'Keniry technical cooperation', with \$1 million funding for next year. Can you tell me what that funding is for and who will actually manage the funds?

Mr Banfield—I can answer that. As part of the government's response to Keniry, \$4 million was allocated—\$1 million a year over four years—to work with countries in the region. It is about increased, improved cooperation with the recipient countries in the region, in particular with a view to working with them constructively to try and improve animal welfare outcomes. That is the first million dollars of that \$4 million four-year program.

Senator O'BRIEN—Is it trade division officers or is it Biosecurity?

Mr Banfield—It is Market Access and Biosecurity. It is the Market Access side rather than Biosecurity that would be managing that.

Senator O'BRIEN—Are we any closer to getting back into the Saudi live sheep market than we were at the last hearings?

Mr Banfield—Mr Morris might answer that question.

Mr Morris—We have visited the Middle East region three times this year already. The first visit was in January, the second in March and the third recently, with the minister, at the end of April, beginning of May. We met with the Saudis on each of those occasions. On the latest occasion, the Saudis gave us a very clear indication that, in principle, they agree with the position we are putting forward that we would like to see animals that arrive in the Middle East unloaded either in the normal manner or into a quarantine zone. They have indicated they accept that in principle but they would like to have established some quarantine facilities

available so that they can unload animals into those quarantine facilities if there is any suspicion of a problem with the animals. At this stage they are saying that it will take them a year to two years to have those facilities built and that they will not be prepared to sign an MOU in respect of the trade until that time.

Senator O'BRIEN—According to a 10 May media release, Mr Truss raised the issue of animal welfare, but the statement said that access for our animals to the market was still some time off in the context of what you are saying.

Mr Morris—I think what the minister said was consistent with what I just reported—that Dr Balghaneim, who is the Saudi agriculture minister, indicated that Saudi Arabia was in the process of building facilities and basically agreed that our two governments should continue to work on development of an MOU in anticipation that a quarantine facility would be available but that, until the time the quarantine facilities are available, it was clear during the meeting that the Saudis would not be prepared to actually finalise and sign that agreement.

Senator O'BRIEN—Are we confident that that is the only issue with the Saudis? We do not have a political problem of some sort?

Mr Morris—I cannot really speculate on that. I am reporting what the Saudis told us. I cannot really speculate on what other motivations may be behind the current situation.

Senator O'BRIEN—The media release is telling us the problems about a quarantine yard and that it is going to take one to two years to build it. That is an awful long time to build a yard for a number of animals, albeit a large number. Is that a bit of a smokescreen or is it a seriously put view that the real problem is simply a quarantine yard?

Mr Morris—They put it to us as a serious issue. I note also that when I was in the region with Mr Banfield in March they made a similar comment to us at that stage, so they have raised the issue of quarantine facilities twice with us as being their main constraint.

Senator O'BRIEN—The media release also referred to a draft memorandum of understanding being initialled with Kuwait.

Mr Morris—Correct.

Senator O'BRIEN—Is the process followed in negotiations that you sign a memorandum but initial a draft?

Mr Morris—What happens is that official level negotiations occur. When the officials believe that they have reached a point where they are in broad agreement—or in quite specific agreement, in fact—with the text which has been prepared, they will quite often initial an ad referendum version, meaning that it is with reference to other processes that each country might need to go through in their own internal governments. That initialling of the draft MOU was done in March. In the period since then, there has been basically the process that we and the Kuwaitis need to go through in getting legal clearance; clearance, in the case of Kuwait, through their Ministry of Foreign Affairs; and so forth for that particular MOU, before it can be finally signed at the ministerial level.

Senator O'BRIEN—Is the committee able to see a copy of that draft?

Mr Banfield—We will take that on notice, but I will just make the point that at the time we initialled the draft agreement with the Kuwaitis they were keen that we should regard it as confidential. We did raise the issue with them about whether they would be agreeable for us to talk to other countries in the region, in broad terms, about the nature of the agreement we had reached with them. They were not comfortable with that. So we will take the question on notice—but out of concern for the Kuwaiti side, because I did raise it in a different context with the leader of the Kuwaiti delegation.

Senator O'BRIEN—The media statement also says that discussions with Jordan, the UAE and Egypt are progressing well. What does that mean? What were those discussions about? Is there an initial draft of an MOU with those countries?

Mr Morris—We have met with each of those three countries three times as well—in January, March and in the recent trip in April and May this year. They were provided with a draft of an MOU, on which there have been negotiations with each of those countries. At this stage, the UAE and Jordan have come back to us and provided some comments on the draft. We are considering those comments at the moment, and we will need to get back to them with our views on their comments. As I said on Kuwait, as you know, a draft has been initialled.

Senator O'BRIEN—The release says that Israel has agreed to consider an MOU with Australia on livestock trade. What representations did Mr Truss make in relation to animal welfare matters during this trip, beyond what were clearly polite but unproductive talks with the Saudis?

Mr Morris—Sorry, just to clarify the question, are you asking me what did he raise on animal welfare with Israel or what did he raise on animal welfare with each of the countries generally?

Senator O'BRIEN—Generally.

Mr Morris—Mr Truss met with the agriculture ministers in each of the countries he visited. I think on each occasion—but I can clarify this—he did raise the animal welfare issue as being of particular importance to Australia and as one that had been raised in the media here and which was of concern to the Australian government.

Senator O'BRIEN—This was a very important trip, to take him out of the country when the sugar package for his industry was being finalised and announced by the Prime Minister. Based on the language used in the media release, little progress has been made beyond getting the Kuwaitis to initial a draft MOU.

Mr Morris—I should clarify: the MOU was initialled with Kuwait in March. The importance of the trip was much broader than just live animal exports; it was across a range of issues, which I can talk about if you wish. On the live animal exports, it was very important that we use this opportunity for the minister to raise it at the highest level in each country and get the in principle support from that highest level for the continuation of negotiations at the officials level.

Senator O'BRIEN—So how flexible was the timing of the trip? How far ahead was the arrangement made to speak with the ministers?

Mr Morris—The actual plans for the trip had been in the works for quite a number of months. I think that even as far back as December we may have requested the trip. I will clarify that. Certainly, we have been working for a number of months towards this ministerial visit. The timing very much related to a convenient time in the parliamentary calendar, as I understand it, as well as after some progress had been made in official discussions.

Senator O'BRIEN—Can someone update the committee on work being done through the Live Export Industry Consultative Committee?

Ms Gordon—The work being done through the Live Export Industry Consultative Committee has now progressed. I think at the last estimates meeting I advised you that the committee was in abeyance while we waited the outcome of the government's decision on Keniry. Since then, the government has made its decisions on Keniry and we have now had another meeting of the Live Export Industry Consultative Committee, which occurred on 19 May. The agenda for that meeting was basically a report to the industry members and others who were at that meeting on what the government's decisions were and the work program that would have to go forward to implement those decisions.

Senator O'BRIEN—I asked a question which was taken on notice from the last round, particularly item 4 relating to AQIS resources. At that time, you advised that it was on hold pending the government's consideration of the Keniry recommendation. Do I assume that this has now been advanced?

Ms Gordon—The issue of AQIS resources is still under review. What we are doing is looking at what the implications are for putting into effect the outcome of the government's decisions. A number of those decisions on the Keniry recommendations require amendments to legislation. Should that legislation be passed by the parliament, then we will of course be amending a series of our practices and procedures in terms of our inspection and certification regime. That will have implications for our resources. At this stage we are in the process of doing the analysis of what needs to be done and what the implications might be.

Senator O'BRIEN—So that when the parliament considers legislation, it will have the benefit of that work?

Ms Gordon—A number of the government's decisions do require amendment to the Australian Meat and Live-stock Industry Act or the Export Control Act. In many cases, both acts would be affected. That would have implications for the way in which AQIS undertakes its inspection and certification regime.

Senator O'BRIEN—Is the legislation in draft form yet?

Ms Gordon—That would be a matter for the minister to advise you on.

Senator O'BRIEN—When was it expected that the legislation would reach the parliament?

Ms Gordon—I understand we are hoping we will be able to introduce legislation in this sitting of parliament.

Senator O'BRIEN—I presume drafting instructions have already been given.

Ms Gordon—We have developed policy options for drafting instructions, yes.

Senator O'BRIEN—Does something have to happen before those instructions are issued?

Ms Gordon—The minister would have to advise you on the status of the development of the legislation.

Senator O'BRIEN—Has the government announced an intention to legislate?

Mr Banfield—Senator, in broad terms you will be aware of the government's response to the Keniry report and in particular some of the recommendations in relation to a livestock export code which was referenced in legislation. The government has accepted most of the Keniry recommendations, as you would probably be aware. So, yes, in reaching its decision on responding to the Keniry report, clearly the government envisaged that some changes to legislation would be required.

Senator O'BRIEN—You see, there is no point in taking these matters on notice if the legislation is to be introduced in the current sittings. I am keen to know whether the legislation is in the process of being drafted or not. Surely that is an answer that can be given to this committee.

Mr Banfield—I think Ms Gordon has indicated that it is the intention of the minister to introduce the legislation as soon as he possibly can.

Senator O'BRIEN—In this session, I was told. 'In these sittings' I think were the words used.

Ms Gordon—It is my understanding that the minister intends to introduce amendments to the legislation in this sitting of parliament.

Senator O'BRIEN—Which can only happen if there is legislation drafted.

Mr Banfield—That is correct.

Senator O'BRIEN—I am just trying to find out if it has been drafted. The instructions must have been issued in a draft mode, if it is going to be introduced in the next three and a bit weeks of sittings, or is that not the case?

Mr Banfield—I think Ms Gordon indicated that drafting instructions have been prepared and work is proceeding on that.

Senator O'BRIEN—Can you take me through exactly what changes are being considered in relation to service delivery resources in the fee structure?

Ms Gordon—Yes, Senator. In accordance with the government's decisions on the Keniry recommendations, AQIS would be expecting that we would have a significantly enhanced inspection and certification regime. It would probably require us to work more closely with exporters at the time that they were preparing consignments and to consider the risk assessments that they would have to do on those consignments prior to sourcing the animals, moving them into feedlots and undertaking any treatments that might be required. In accordance with the government's decisions, we would be taking more direct responsibility for inspection of the animals, to assess whether in fact they meet the protocol requirements of the importing countries, rather than relying, as we have in the past, on the certification or the advices of the third party veterinarians. There will be an increased requirement on us to conduct audits and to verify that all requirements have been met.

Senator O'BRIEN—What about the fee structure?

Ms Gordon—Under AQIS's cost recovery regime, if we increase the number of resources that we employ in delivering services, the fees that we use within the live animal export programs are basically on an hourly rate fee structure. So to the extent that we take additional time to do the job, the exporters would be paying in accordance with the normal fee structure. Nonetheless, we have been looking at the underlying fee structure, and it does seem to us that there is a likelihood that we would have to increase the hourly rate.

Senator O'BRIEN—I will go to point 6 on that list: 'Emergency and incident management'. Is that part of the plan still on hold?

Ms Gordon—Recommendation 8 of the Keniry report was for the government to put into effect a broader based emergency risk management plan for the live animal export industry. That particular recommendation is still under consideration in terms of how it will be taken forward, but there is an intention, as I understand it, for the department to convene a broad industry meeting.

Senator O'BRIEN—So it is still on hold. When is it envisaged that that industry meeting will be held?

Ms Gordon—I cannot comment on that. I think that, at this stage, we have been focusing on developing the requirements for the recommendations that go to actual changes in the way in which animals are prepared for export and the inspection certification of those animals against the protocols. The issue of addressing recommendation No. 8 has not been given the same degree of consideration.

Mr Banfield—It is worth making the point that at least one of the industry groups has actually written to the secretary of the department expressing interest in participating in progressing recommendation No. 8—contingency planning. I understand that departmental officials will be meeting with this group—in early June, as I recall. So there has been some correspondence from at least one of the industry groups. But, like Ms Gordon, I am not aware of any other additional meetings that have been scheduled to progress that at this point in time.

Senator O'BRIEN—What is happening about the implementation of reforms through the live export action plan?

Ms Gordon—The Action Plan for the Livestock Export Industry came out of previous reviews of the livestock export industry. Once the government moved to implement the Keniry review and then made decisions on the Keniry report itself, we incorporated all of the outstanding actions from the APLEI plan into the activities that have been developed under the government's decisions on Keniry. The Livestock Export Industry Consultative Committee briefly discussed at its meeting last week what information was considered under the previous APLEI projects that would now be considered under the new projects that are being developed for the Keniry recommendations.

Senator O'BRIEN—So that process has been subsumed into the Keniry process?

Ms Gordon—Yes. I think that each of the APLEI projects that pre-existed now tucks in under one or other of the Keniry decisions.

Senator O'BRIEN—I understand that there is a problem with drafting the regulations required to impose a levy on exporters to fund Livecorp. Is that correct?

Ms Gordon—I think Mr Mortimer can comment on that.

Mr Mortimer—I am not aware of any such problem.

Senator O'BRIEN—Who would be aware, if there was such a problem?

Ms Gordon—I think the issue that you might be referring to is that the drafting of legislation on the levy is a more complex task than the drafting of legislation on some of the other issues that come out of the government's decisions on Keniry, because of the nature of the AMLI Act. The underlying schema of the act is that it is the Australian Meat and Livestock Industry Act. Therefore, drafting amendments that impact on one part of the industry rather than another is much more complex and would take a greater period of time.

Senator O'BRIEN—So we will have a legislative process and a regulatory process following the implementation of the government's full response to the Keniry review?

Ms Gordon—Yes. It would be most likely that, if the proposed legislative amendments to the AMLI Act and the Export Control Act—which largely impact upon the regulatory activities of AQIS—went through, we would then move very quickly to implement the new processes and procedures.

Senator O'BRIEN—Apart from the levy, what regulations would be required to be put in place?

Ms Gordon—The major headings of the amendments required go to referencing a national code and standards in legislation, better integration of requirements for export licences and export permits between the AMLI Act and the Export Control Act and the establishment of a statutory scheme for accredited vets, to replace the current policy scheme for the third party vets.

Senator O'BRIEN—Will there be a statutory funding agreement between the Commonwealth and Livecorp and a new constitution for Livecorp?

Mr Mortimer—I think that relates to possible actions relating to implementation of the R&D levy that the government has agreed to, and that is part of the response to the Keniry committee.

Senator O'BRIEN—Okay. Will there be changed arrangements between Livecorp and MLA in relation to research and development?

Mr Mortimer—Yes. Essentially, the government agreed that it would implement a statutory levy which would replace the current voluntary levy—if I can call it that—arrangements between the live animal export industry and MLA. That statutory levy would make funds available to Livecorp, so that it was empowered to guarantee the R&D activity necessary to underpin the trade—and indeed would assume responsibility for that and its outcomes. That would then attract government matching funds in the normal way. There have been discussions within the industry as to how that might be effected. My advice is that Livecorp wishes to continue the current cooperative arrangements between itself and MLA in terms of that R&D funding. That would mean that, while the levy would be collected and the

government would fund that levy money to Livecorp, there would need to be not only a statutory funding agreement between the government and Livecorp but some sort of contractual or funding agreement arrangements between Livecorp and MLA if it wished to operate in a joint way.

Senator O'BRIEN—Thanks.

Senator BUCKLAND—Ms Gordon, I have a question in relation to feedlots. The changes that are required for the Northern Territory and South Australian feedlot animals are fairly extensive—particularly for those in South Australia. As I understand, they only apply during the winter months. Is that right?

Ms Gordon—Yes. You would recall that one of the recommendations of the Keniry report was that the risks of exporting animals from southern Australia—principally, the Keniry report mentioned Portland, Adelaide and Devonport—to the Middle East during the southern winter and northern summer were such that, unless the particular risk factors could be clearly identified and managed, those ports ought to be closed. In responding to the Keniry report, the government decided that, provided we could in fact identify the risk factors that existed and adequately address them, it might be possible to leave those ports open. We have now reviewed what the risk factors were—what might have contributed to adverse outcomes for animals being transported during those months—and we have sought to put in place additional conditions on the movement of animals through feedlots in the southern winter months, to address the particular concerns so that those ports will be able to continue to be open.

One factor identified was that moving animals out of the northern areas of Australia—transporting them over long distances, holding them in feedlots, transporting them to potentially cold and wet conditions in southern Australia and then transporting them to the northern summer—in itself constituted a risk factor. So we have introduced conditions that limit where the animals can be sourced from and the periods of time over which they can be transported and that require that they be held in feedlots for a period, to acclimatise—or to determine whether in fact they have acclimatised—and that they be moved on to appropriate feed regimes, so that there is minimal risk in transporting them.

Senator BUCKLAND—Is that because they are moved from grazing to pelletised feed?

Ms Gordon—Yes, they usually move from grazing in areas of northern Australia to being fed pellets in the feedlots, because on the ships they are fed pellets. So there is a concern to ensure that they have adapted to those feeding conditions prior to being loaded onto the ships.

Senator BUCKLAND—I have a cat, so I do not go very far into livestock, but I understand that the livestock would then be in feedlot conditions for longer periods of time. Is that right?

Ms Gordon—We now require that the animals are in the feedlots for five clear days. Until now some animals have been moved in and out of feedlots relatively quickly—three days was common. Before they are allowed to be cleared for export, we now require that the animals are in the feedlots for five clear days and that there is clear evidence that the animals have moved on to eating the type of feed that they will have on board the ships.

Senator BUCKLAND—As I read, the industry is reasonable happy with that. I wonder about the cost for the feedlot operators. Who meets all of the cost of the modifications required? From what I can read in that, they are quite expensive. Is it met by the operator? Is there some assistance for them?

Ms Gordon—No. The cost would be met by the operators and potentially shared with the exporters in terms of the arrangements they come to. The issue that you are referring to is that not only have we got additional criteria requiring the animals to be held in the feedlots longer but, in some circumstances, the feedlots need to invest in additional facilities to ensure that the feed is covered and dry so that the animals are feeding off dry feed and that, in particularly adverse weather conditions, the animals are better sheltered than they have perhaps been in the past.

CHAIR—In answer to your question, I suggest that the answer is that the bloke who grew the sheep is the bloke who pays the price. It all goes backwards to the farmer.

Senator BUCKLAND—That is what I was coming to. The cost will be greater for the operator of the feedlots, who will pass that cost on to the farmer who originally set out with the livestock. So the price they get on the overseas market is such that, even if it goes up, nothing comes back the graziers.

Ms Gordon—I cannot comment on the cost distribution within the industry, but the recommendation of Dr Keniry was fairly clear: unless the particular risk factors that had led to adverse outcomes could be identified, those ports ought to be closed during those periods of time. This response is clearly to identify the particular risk factors and to ensure that those risk factors are managed. I accept that that probably does mean that, throughout the whole of the export chain, there are increased costs because there is a requirement for improved facilities, tighter restrictions on sourcing of animals, longer periods of time for holding those animals and increased regulatory costs on the part of AQIS in determining whether all those conditions have been met before the animals are certified as fit for export.

Senator BUCKLAND—I understand all of that and I appreciate that you cannot tell me the price movements, but we can probably agree that it will go back to the farmer. You may not wish to answer that.

Mr Banfield—It is worth making the point that this is not regulation for regulation's sake. It is about improving the animal welfare conditions and responding in a positive way to the Keniry recommendations. As Ms Gordon has said, one of the recommendations was to not export out of the southern ports during the winter months. The government has taken a risk management approach to that.

Senator BUCKLAND—I am not arguing any of that, and I certainly do understand what it is being done for. I am concerned that these new regulations that are now being put in place to keep those ports open—and I accept that and am pleased that it is happening—are in fact at the expense of those who can least afford to pay it, namely, the producer at the front end of the chain. That is my big concern—that there is no assistance for that.

Mr Banfield—No. The government's approach—and it has been quite consistent on this—is that its support for the live export trade is conditional on there being the highest standards of animal welfare and that, in light of that, some upgrading needs to be done to enable those

southern ports to remain open during the winter period. The point I am making is that this is a cost of doing business. That is very much the approach that we are taking. But we are not seeking to overregulate; we are seeking to ensure that appropriate animal health and welfare standards are taken into account.

Senator BUCKLAND—Will the compliance cost for the feedlot operator be higher than what it is now and will there be more inspections? Who pays for all of that?

Mr Banfield—Ms Gordon will answer some of those questions but, certainly, I think the nub of our response is that there will need to be some additional investment in some of those feedlots to meet the requirements of a government from an animal welfare point of view. Did you want to add anything, Ms Gordon?

Ms Gordon—I think that is correct. Each of the feedlots in Portland and Adelaide will, in fact, have to invest in improving their facilities to meet the new requirements. They have all indicated that they are able and willing to do so and are attempting to do so at the moment. There will also probably be increased costs in the time spent by AQIS officers in ensuring that the animals themselves meet the new requirements.

Senator BUCKLAND—This is not a quick fix or something to try and overcome the problems you had associated with the *Cormo Express*, where there was disease? Are we putting all that back to the short holding time in the feedlot?

Ms Gordon—No. The actual information that we are using to determine what needs to be done in terms of the feedlots in southern Australia was in fact a project that, as I think Senator O'Brien was commenting on earlier, had been developed previously under the action plan for the live export industry, where over a number of years we have identified a series of risk factors. In the context of the Keniry review, those risk factors were reviewed again and very specific recommendations were made about what those factors were and perhaps what some of the responses ought to be. The government has decided that we ought to put into practice requirements on the industry to address to a higher standard the risk factors that are identifiable in exporting sheep out of southern Australia during the winter months to the northern summer.

Senator BARTLETT—You mentioned before about hoping to introduce legislation that will reference this code for the export of livestock. Is that code planned to be enforced via the legislation? Is that going to have enforcement mechanisms contained within it?

Ms Gordon—The short answer is yes. Once requirements are put into legislation they will be enforceable. It will be a requirement that exporters meet the standards that are going to be specified in the legislation, so we would expect that these will be enforceable.

Senator BARTLETT—So if they do not meet the standards then they will have their licence cancelled or they will receive some sort of fine?

Ms Gordon—There would be a range of sanctions under the legislation for a breach of standards, just as there are at the moment. It is intended that there would be increased sanctions available to us as the regulator for breaches of those standards and that there will be a clearer connection between the sanctions against the licences held by exporters and particular breaches of conditions that might be attached to the actual export.

Senator BARTLETT—So do the costs for enforcing this new code come under the \$2 million in start-up costs for a new industry regulatory system that is detailed in the budget?

Ms Gordon—No. The budget breaks down the actual costs of developing the new system from the ongoing costs of implementing the system. AQIS currently cost recovers for the delivery of its services, so once the new system is in place exporters who are seeking to get export licences or export permits would be paying the AQIS costs of delivering that service.

Senator BARTLETT—There was mention before of a levy—I think it was a \$1.50 levy—that was proposed per head of cattle. That has not actually been brought in yet. Is that right?

Mr Mortimer—No. Until the legislation is amended, it is not possible to introduce any specific levy, rate or charge.

Senator BARTLETT—It is written here that it was supposed to come in on 1 March. Was that just an initial goal?

Mr Mortimer—I think that is a separate levy. I think you are referencing the levy that was put in place to recover the costs of the *Cormo Express*, which was talked about earlier.

Senator BARTLETT—Yes, I have that confused. Is there a date in the regulations for the existing levy to wind up or will you introduce a repealing regulation once it has raised the appropriate amount of money?

Mr Mortimer—I will check my briefing on that. I think it is due to be in place until it collects the right amount.

Mr Banfield—I have just been advised that the levy continues until we have recouped the agreed amount and then it is repealed.

Senator BARTLETT—Will the new code in the proposed legislation apply to all live animal exports or just sheep and cattle?

Ms Gordon—In the first instance it is being developed to address the livestock export trade, which is largely sheep, cattle and goats, but in the longer term it will be to cover the export of all live animals.

Senator BARTLETT—Are there mortality statistics available on other live animals, such as deer, buffalo and camels?

Ms Gordon—Yes, that data is available. I probably have to take that on notice to give you specific figures if you can identify the particular species you are interested in.

Senator BARTLETT—All of them. I have ‘deer, buffalo, camels and goats’ written down in front of me. I do not know if there are others that I am not aware of. We will leave out fish for the moment. You do not cover live fish exports, do you?

Ms Gordon—Not in this particular program.

Senator BARTLETT—You have just been talking about deciding not to go with the Keniry recommendation about not exporting out of Portland and other ports during the winter months. How are you going to measure whether that is satisfied—purely by mortality statistics or are there some other measures you will look at to see whether you have properly addressed the risk factors?

Ms Gordon—Under the new criteria for feedlots, we are requiring the feedlot operators to reject animals that do not successfully move on to particular feed while they are in the feedlot. So in addition to being able to identify animal mortality figures during export we may well be able to develop a wider range of measures to identify those animals that are not suitable for export. But at this stage we are in the business of simply implementing the new criteria rather than setting up more sophisticated data-capturing mechanisms.

Senator BARTLETT—Did we track what happened to the *Cormo Express* sheep that eventually got offloaded to Eritrea?

Mr Morris—We did track what happened to them. They basically all went to an abattoir located near the port and the feedlot where they were being held. A very small number went to locals, but virtually all of them went to an abattoir, as I understand it. I understand that they were canned and then provided to the local population. That is according to the reports that we have received from the Eritreans about their disposal.

Senator BARTLETT—So reports of it being on-sold back to Saudi Arabia as processed meat are not correct.

Mr Morris—The Eritreans are denying that they moved any animals outside of Eritrea.

Senator BARTLETT—Are you aware of the draft report that has been produced through the Western Australian government—I think it has been called the Lindner report—into cattle and sheep meat processing in Western Australia?

Mr Morris—That is not my area.

Mr Banfield—I am aware of it in very broad terms, but certainly not well enough to offer an informed comment on it. It was about the value from processed meat production versus live exports, as I understand it; is that correct?

Senator BARTLETT—Yes. I am interested, as it is a draft report that has been made public, in whether there is any response planned, because it makes some specific statements that there are inequities in federal government subsidies and AQIS inspection charges between live exports and the processed or slaughtered meat trade. I would have thought that would be an area in which you would want to respond.

Mr Banfield—I am not personally aware of it, but I have been advised that a letter has been sent from the Western Australian minister to the secretary of the department, forwarding a copy of the report and requesting any comments that he might have.

Senator BARTLETT—Would it be possible—on notice, obviously—if you are making any response to those, to provide them to the committee as well and have them made public?

Mr Banfield—We will take that on notice.

Senator BARTLETT—The summary of the report talks about a ‘bias in government support for the live trade while meat processing is disadvantaged by additional costs that are not imposed on live exporters’. On the face of it, would that be a finding that you would dispute?

Mr Banfield—As I said, I am aware in very broad terms of the report. I did add the rider that I would not profess to be able to offer an informed comment on it, and I will stick by that

advice. We will take the question on notice and come back to you with what information we can, if that is helpful.

Senator BARTLETT—In the three recent visits to the Middle East that were mentioned earlier, was there any exploration of opportunities for or expansion of the processed, chilled or frozen meat trade?

Mr Banfield—I will open up and Mr Morris will no doubt have a comment. There were three visits: two delegations that both Mr Morris and I were involved in and a subsequent visit by the minister. The first visit that Mr Morris and I were involved in was a wider agricultural visit—it was not exclusively live animals—so we pursued a range of agricultural issues. Obviously the issue of livestock exports came up and we addressed that, but it was a wider issue, so things like e-certification and cooperation in other areas were discussed. The second visit that we were involved with, subsequent to the first visit, was about having more detailed discussions with our counterparts in the Middle East about a possible memorandum of understanding to underpin the trade.

During the first visit, we put to government officials in the region and to those ministers that we met with that the Australian government's position was that we required formal arrangements in place, particularly to deal with any shipments where there might be a problem, and that we undertook to provide a draft text of a possible memorandum of understanding. So those were the live animal discussions during the first visit. The second visit was to follow up the first visit and, again, to discuss in detail the provisions of the draft memorandum of understanding that we had worked up with these other countries. So that is the issue in broad terms, but Mr Morris might wish to add a comment.

Mr Morris—I think that covers it, although the question was more on meat processing perhaps. I think it may have been raised a couple of times, particularly in Jordan, where they do rely partly on our live animals for their meat consumption and partly on our exports of meat to the region. We do export meat to a number of other countries, so it is an important trade for us into that region, but there have not been detailed discussions.

I would note, though, that, while the minister was there in April-May, he did sign a memorandum of understanding with Saudi Arabia, with the commerce minister, relating to SPS cooperation, covering trade in agriculture products other than live animals. I know the meat industry were very keen on that MOU being signed. In fact, they subsequently released a media release supporting the initiative by the minister in signing that MOU because, I understand, it will assist in discussions in the trade in meat products into Saudi Arabia. The other thing I would note is that during the minister's visit he also signed a memorandum on e-certification with Jordan, which will cover e-certification for imports into Jordan of meat, offal and meat products from Australia. So that will also be very supportive of the meat trade into Jordan.

Senator BARTLETT—It may have been touched on before, with Senator O'Brien's question—I might have missed it—but what is the situation at the moment with shipments to Israel? There was a rejection of a shipment a few months ago, as I understand it.

Ms Gordon—I think that was an issue where there was a question from Israel about whether Australian animals had been vaccinated against foot-and-mouth disease. As far as I

am aware, that situation has been resolved and we do not have any ongoing difficulties with export of animals to Israel. Other than that, I would have to take it on notice and check for you.

Senator BARTLETT—I read some material about some possible court action in Israel as well. I think it was separate to that rejection.

Mr Merrilees—I think you are referring to an action that was started by a welfare group in Israel. That action applies to the import of live animals into Israel generally, not just to Australian animals. That court case is currently continuing in Israel. It is actually a case between the welfare group and the Israeli government. The Israeli government is required, under Israeli law, to demonstrate a case why live animals should continue to be imported into Israel.

Senator BARTLETT—So we are not playing any part in that other than as observers?

Mr Merrilees—To my knowledge, the only part we have played relates back to the end of March. We were asked by the Israeli government to provide some information on animal welfare practices in Australia generally. To my knowledge, that information was provided through our post in Israel to the Israeli government.

Senator BARTLETT—I have one final question on the Keniry report. I wonder if you could clarify what the situation is with the response to recommendation 5, which is to do with veterinarians on board ships. There is a little bit of conflicting information as to whether we will now have Australian vets on board all voyages to the Middle East or only some.

Ms Gordon—Recommendation 5 is one of the recommendations that will be addressed through the amendments to legislation. We will develop risk factors for all voyages and will determine which voyages we will require an Australian vet to be on board. In the meantime, we are requiring an Australian vet to be on board all voyages to the Middle East. We have already identified a couple of voyages where we will have an AQIS vet on board the ship itself as part of our ongoing activities to monitor the trade.

Senator BARTLETT—So there would be a vet on board all of them and an AQIS vet on board some at the moment.

Ms Gordon—At the moment, an Australian vet employed by the exporter is on all voyages that go to the Middle East. We will have an AQIS vet on a couple as part of our monitoring activities. As contemplated by both the Keniry report and the government's decision, in the future, in accordance with the government's decision, we will identify all voyages—not just those to the Middle East—where there are higher risk factors operating and we will require Australian vets to be on board those.

Senator BARTLETT—Thank you. That is all I have.

CHAIR—We will now have questions concerning Meat and Livestock Australia. Senator Troeth, I belatedly recognise you at the table. It is not that we are ignoring you. I thank the witnesses for making themselves available to the committee at short notice. I hope you enjoy your time here.

Mr Spurr—It is our pleasure to be here. We brought our finest and best here today. Geoffrey Walters looks after our finance and company secretarial matters. Mick Prendergast is

our NLIS expert. Mike Hayward looks after the live export side of activities at MLA. Scott Hansen is our communications and industry affairs manager.

Senator O'BRIEN—How does MLA currently work with Livecorp? What are the financial arrangements between the two organisations?

Mr Spurr—The situation is in a state of transition at the present time, as they are considering this compulsory levy. Up until now, what has been happening is that we have been having contributory programs around R&D and communication issues and joint marketing efforts. We spend around \$3 million through that joint program. As I said before, it covers the R&D side and the marketing aspects of it. I would like Mike Hayward to make a few comments on that issue.

Mr Hayward—As Mark mentioned, we have what is essentially a joint venture arrangement whereby both companies put funding and resources, mainly human resources, into agreed programs. Over the last several years, we have spent about \$3.3 million on those joint programs. About \$1 million has been spent on research and development, which is funded about 25 per cent by MLA and 25 per cent by Livecorp and that is matched by government R&D funds. The remainder of the \$3.3 million, aside from the \$1.1 million into R&D, is spent on trade support—particularly in the Middle East and also in Asian markets—issues management, communications and industry standards.

Senator O'BRIEN—There is a levy stream that comes from MLA producers and payments from other stakeholders in MLA. Some of these funds come to MLA and are passed on to Livecorp, as I understand it.

Mr Hayward—No, not passed on. It works essentially in reverse. MLA essentially pays for most of the programs up-front and then bills Livecorp for their share of them after the payments are made. They get their funding from a voluntary levy arrangement from their exporters.

Senator O'BRIEN—What is your understanding of how the new arrangements will work?

Mr Hayward—We have had quite extensive discussions with Livecorp. We expect that they will continue to operate in pretty much an identical way. They have committed and we have committed to continuing the joint venture arrangements. As was mentioned in the earlier session, they have agreed that the R&D arrangements that we have in place now will continue—in other words, MLA will be responsible for managing the R&D and they will be the body responsible for drawing down on government R&D funding. So that arrangement, which is the way it works now, will continue in future, at least under the current proposed arrangements. In a sense, the joint program arrangements in other areas also will continue, but an advantage will be a more secure levy stream. They have had a voluntary levy stream up until now and that will be replaced by a compulsory levy stream, which should give them a more secure funding base. That will allow them to continue to operate with us jointly in most of our programs around the world.

Senator O'BRIEN—What work does MLA do now in the live animal trade? You have a vet located in the Middle East and some very modest programs, in the context of the size of the industry, designed to encourage improved animal management practices, but what work are you actually doing?

Mr Hayward—As you say, we have a veterinarian in the Middle East. We also have not a vet but a livestock specialist that works out of Sydney and looks after operations throughout South-East Asia and other parts of Asia. They are both tasked with improving—in particular, as a priority—the way animals are handled after arrival, all the way from the unloading at the ports. For example, they have put in place improved loading facilities at ports in Indonesia and in parts of the Middle East where it has been necessary. They have put in place improvements in feedlots, in terms of how the animals are managed, housed and fed. They have put in place improvements in abattoirs, in terms of how the animals are slaughtered and processed thereafter. It is essentially a series of projects that we undertake to improve both efficiency and welfare of the animals after they have arrived in the marketplace.

Senator O'BRIEN—How much is expended on those programs?

Mr Hayward—Do you mean, in a sense, the after-sales programs?

Senator O'BRIEN—Yes.

Mr Hayward—The Middle East budget this year is about three-quarters of a million dollars. For South-East Asia it is about half a million dollars.

Senator O'BRIEN—There is a line in the portfolio budget statement on page 27 that identifies a payment of \$754,000 for Meat and Livestock Australia. Can you advise the committee what that funding is for?

Mr Pahl—You will recall that MLA made a contribution towards the costs associated with the *Cormo Express* incident. That is our estimate of how much we will recoup in 2004-05 as part of the levy that is in place. That will in turn be repaid to MLA to offset the costs that they incurred.

Senator O'BRIEN—So that is subject to levy collection amounts?

Mr Pahl—It is. Basically it works out that, for every dollar we collect in levy, we the Commonwealth retain 82c and we remit 18c to MLA, which is basically the proportion in which the costs were met last year.

Senator O'BRIEN—Can I go to the issue of corporate governance and public accountability. MLA is structured as a private company but is in receipt of considerable amounts of public funds. That is right, isn't it, Mr Spurr? In 2002-03, MLA received \$26.6 million from the Commonwealth in the form of matching funds for R&D. How much was received from producers through levies?

Mr Spurr—Last year, 2002-03, we received a total of about \$69 million in transaction levies. About \$4½ million came from grain fed cattle levies; about \$37½ million from the grass fed cattle sector; \$22.4 million from lamb transaction levies; \$4.2 million from sheep transaction levies; and about \$400,000-odd from goat transaction levies.

Senator O'BRIEN—What is the lamb transaction levy?

Mr Spurr—The lamb transaction levy was about \$22.4 million. The lamb transaction levy is an ad valorem levy. The other levies specify a fixed amount on a transaction basis, whereas the lamb levy has an ad valorem component attached to it.

Senator O'BRIEN—Does the MLA receive grants from the federal government, state government or any other government agencies?

Mr Spurr—Yes, we do receive grants from time to time. When the Japanese export market was first BSE affected, we received a grant from the federal government to help revitalise Australian sales in that market. From memory that was around \$5 million. We have spent most of that money; I think there is a small residual amount left that will be expended this financial year.

Senator O'BRIEN—There is an obligation on the federal government to ensure that funds from compulsory levies are applied in accordance with the basis on which they were collected. Even though you are a private company, you have obligations to the parliament in terms of accounting for how money is spent. How are those obligations met?

Mr Spurr—Corporate governance at MLA has been and very much is a key priority for us. We have a range of comprehensive policies, procedures, processes and rules to ensure the accountability and transparency of the levy funds that we receive. These funds are jam-jarred, if I could use that expression, in terms of the species and also jam-jarred in terms of whether they are marketing or R&D levies. I would like to pass over to Geoff Walters who will give you a little more detail on some of our accounting systems and internal controls to ensure that these levy funds are spent appropriately.

Mr Walters—Senator, you mention that the MLA is a private company. In fact we are an unlisted public company, so we have all the controls of the Corporations Law. But it does not end there because there is a complex system of controls over MLA. We are in fact governed by the Corporations Law. The Australian Meat and Live-stock Industry Act also is a factor because we are the designated marketing and research and development corporation, so we have obligations under the act. We have obligations under our deed of agreement. This is the statutory funding agreement between MLA and the Commonwealth—there are extensive obligations. We have our constitution with obligations to our members, and we have obligations under the industry MOU. I would hate to give the impression that our only obligations were with respect to Corporations Law. I think our greater obligations are in fact in respect of public money because of the interaction of these other documents which do interact.

In terms of specific reporting, I could give quite a burst if you wanted on our governance requirements. In terms of specific reporting and your question, we report seven times a year to the Commonwealth. We provide an operations plan on an annual basis outlining what we are going to be doing over the year, including a budget. We report against that quarterly, so we provide a quarterly report to the department on how we are progressing against that plan, including any variances to budget or where we are. We provide an annual report of course at the end of the year. In addition, our deed of agreement has a requirement that our compliance with the deed is subject to a specific audit by our external auditors, Ernst and Young. We also provide a copy of this audit from Ernst and Young on an annual basis. It simply reports on our compliance with the deed. There is a fairly extensive amount of reporting to the Commonwealth on our performance and obligations under the deed.

Mr Spurr—I would like to add with a bit of pride that we were recently awarded a very positive citation on our annual report from the Institute of Company Directors and the Institute of Chartered Secretaries and Administrators. Our annual report was judged to be of very high quality. In fact, we achieved a bronze award for that. By the way, publicly listed companies and all sorts of companies actually put their submissions in for that award and we were very pleased to be able to demonstrate that we were up there amongst the finest. We were very pleased about that.

Senator O'BRIEN—Well done. Can you tell me about your relationship with the processing sector? How does it work from the point of view of funds?

Mr Spurr—I believe that our relationship with the processing sector is very good. It is very collaborative and strongly supportive. They currently contribute about \$12 million to MLA programs. That covers the full range of our programs including marketing and things such as Meat Standards Australia. We also operate in a joint venture a company called Ausmeat, which is particularly concerned with meat language in Australia. They are also involved with our industry strategy task forces and meetings. They are involved within our marketing task forces, which we convene to oversee our strategies on domestic and overseas marketing. So, in summary, we have a very collaborative and supportive arrangement with the processing sector.

Senator O'BRIEN—That is a voluntary arrangement that you have with the processing sector, isn't it?

Mr Spurr—Yes, it is.

Senator O'BRIEN—You describe it as successful?

Mr Spurr—Yes.

Senator O'BRIEN—What about live exporters, exporters and retailers—how do they contribute financially? I think you have dealt with live exporters.

Mr Spurr—Yes, I think we have. They are voluntary programs at the present time. As Mike mentioned earlier, they contribute about \$1½ million in a total of \$3 million that we have in collaborative programs. In terms of the retailing sector, we spend about \$2.3 million on the retail marketing side, which is very important, obviously, for the Australian meat industry. We deal with a number of parties within the retail sector such as Woolworths, Coles, IGA and also the independent butchers. We work very closely with AMIC in developing programs for the independent butchers. Mainly our work is related to promotional aspects of point-of-sale material and we also look at all sorts of ways to improve the marketing and retailing of meat. So we work very strongly with the retail sector.

Senator O'BRIEN—Their contributions are voluntary as well, are they?

Mr Spurr—Yes, they are.

Senator O'BRIEN—So live exporters, exporters and retailers are all voluntary and so is the processing sector?

Mr Spurr—Yes.

Senator O'BRIEN—In terms of your accountability to this place, that is based on the statutory funding agreement?

Mr Spurr—Yes, it is.

Senator O'BRIEN—I do not have a copy of that agreement, but what is the life of the statutory funding agreement? Has it been the subject of a formal review?

Mr Spurr—I would refer that question on the life of the document to Geoff Walters.

Mr Walters—The document at this stage does not have an end date—it is an ongoing agreement. But we are, I should add, in discussions with the department now. They would like to revisit some aspects of that agreement. We are in the process of doing that now and I know that is one of the issues they would like to address. Under the agreement, if MLA ceases to comply with the agreement we can always be struck off, if you like, as the marketing company and the research company, so there is a fair bit of influence on MLA to comply with the agreement.

Senator O'BRIEN—So it has never changed since it was first signed?

Mr Walters—To this day, no. Could I add that I think it is working very well and to everyone's satisfaction.

Senator O'BRIEN—There are a number of statutory funding agreements, but some have a review clause and some do not. Can you take me through the main provisions of the MLA document? I assume you are required to lodge an operational plan annually to cover all MLA programs for each financial year?

Mr Walters—I can take you through that, Senator. If it is too much, stop me at any point. There are a number of parts to it. I will try to touch on the things that are probably most important from MLA's point of view. Part A deals with overall operations. The key point here is the point I made before: noncompliance by MLA could lead to our termination as the declared marketing and research body. We would effectively be out of business, so it would be an important controlling element on MLA if that should come.

Part B goes to the general undertakings of MLA. This is very much a precis version, but it requires us to do things like represent industry interests, comply with the industry MOU and comply with the Australian Meat and Live-stock Industry Act. So it has a specific requirement to comply with those documents I mentioned earlier. It outlines records and reporting—the sorts of things we need to keep records of and the types of reporting we need to do. That would include the levels of reporting which I spoke of earlier: the seven reports that we send in.

Part C gets to the time, manner and condition of payment. This controls MLA in terms of receipt and management of funds, how we must have accounting systems, keep levy streams separately, prepare a detailed budget and apply levy and marketing funds in accordance with the act. Again, our reporting requirements touch on that. It mentions that the quarterly report that we send every month must be certified by our chief executive and also include our chief financial officer. We do that additionally; it is not a requirement. It requires that the document be certified before it is submitted. It requires us to have auditors. It gives the minister access to our records if need be. They are probably the principal bits of part C. Part D contains some

general provisions. It requires us to have certain levels of insurance, for example, authorisation of persons to act for the minister and those sorts of things. That is a bit of a quick trip, but they are the sorts of things that are covered in our statutory deed.

Senator O'BRIEN—I assume you are required to lodge an operational plan annually to cover all MLA programs each financial year?

Mr Walters—Yes, we are, and we are required to report quarterly against that plan.

Senator O'BRIEN—Is there some sort of clearance program through the department for those reports or is it just a mechanical process of lodging a report?

Mr Banfield—That question is probably better directed to the department, since you are referring to processes within the department rather than MLA.

Mr Mortimer—Essentially the deed of agreement requires an annual operational plan and a detailed budget to be provided to the minister in a formal sense. The minister seeks advice from the department on those in giving his assessment and generally his assent. Also behind that are quarterly reports to the minister, which, again, the department assesses and monitors progress through. I think that probably answers your question.

Senator O'BRIEN—It does not quite answer the question. I want to know if there is an interaction, from MLA's point of view, about the document they have lodged, or is it that you lodge the document and that is the last you hear of it?

Mr Walters—We certainly always get acknowledgment from the department that they have received the document. There has not been a considerable degree of interaction specifically on that, although I would have to add that there is a lot of interaction between MLA and the department on an ongoing basis throughout the year. I think it would give the wrong impression if I just said the report was received and nothing happens. Interaction is fairly continuous, and receipt is always acknowledged.

Senator O'BRIEN—The minister receives it and, apparently, approves it. Do you get a letter from the minister saying he has approved it?

Mr Walters—Yes, we get a letter from the department saying that it has been accepted. It is from the department, not from the minister, on behalf of the minister obviously.

Senator O'BRIEN—So the minister tells the department and the department writes back. Is that how it works, Mr Mortimer?

Mr Mortimer—No. What I am registering is that under the deed of agreement the requirement specifies certain documents that need to be provided to the minister and then the minister can seek advice from the department. The department can respond on his behalf.

Senator O'BRIEN—I did not hear that last bit. Could you repeat it for me, please?

Mr Mortimer—The way the process operates, as I understand it, is that certain documents are required, under the deed of agreement, to be provided to the minister. There is a formal requirement to go to the minister. The minister seeks the department's advice for assessment of those documents and then the department can respond on behalf of the minister if he is happy with it.

Senator O'BRIEN—So the minister tells the department whether he is happy or not and the department responds?

Mr Mortimer—The minister is briefed on the documents by the department.

Senator O'BRIEN—Where does his happiness or otherwise come into it?

Mr Mortimer—In terms of his response to the department's briefing essentially.

Senator O'BRIEN—So when he is briefed he gives a response and that is communicated?

Mr Mortimer—Yes, as I understand it.

Mr Spurr—I should also mention that we involve the government proactively within our planning processes. Government representatives normally attend the industry planning meetings that we have when we look at the meat industry strategic plan on a yearly basis. We invite all the government agencies. We have a very comprehensive R&D forum once a year where we come down and showcase the work that we are doing in R&D, which is of course included in our industry plans that we submit. So there is a lot of interaction and a lot of transparency goes on in terms of how we develop our plans and the progress according to them.

Senator O'BRIEN—So you lodge a strategic plan as well that covers a longer period?

Mr Spurr—The strategic plan is the meat industry strategic plan. That is reviewed normally on a yearly basis and it goes out every three years. Initially it was five years but we are looking at three years at the present time.

Senator O'BRIEN—Does that need the minister's approval?

Mr Mortimer—Could I ask Mr Williamson to come to the table on that. He has alerted me to the fact that, in terms of the comment I made earlier about the treatment of annual operational plans, I was not entirely correct. Plans are required to be provided to the minister but the minister's approval is not necessary. The department provides that.

Mr Williamson—I am not sure that I can add much more to Mr Mortimer's comment. Under the deed of agreement the various reports have to be provided to the minister, but approval by the minister is not necessary.

Senator O'BRIEN—They are simply acknowledged: 'Thank you for sending us the document'?

Mr Williamson—Yes, that is pretty well it.

Mr Mortimer—I think that is probably glossing over it a bit. Essentially the department examines that documentation and makes itself comfortable that it meets the requirements of the deed in a broad sense and any other relevant documentation. For example, it was referenced earlier that there are obligations set out in the deed of agreement that relate back to the legislation—the Australian Meat and Live-stock Industry Act—and there are also some obligations that relate back to the 1998 memorandum of agreement, which sets out the broad arrangements about interaction with the meat industry in the broad. From the department's point of view, we assess that those are being met and then we respond back to the corporation.

Senator O'BRIEN—So there is no consultation about any aspect of the plan? It is almost a check box assessment?

Mr Mortimer—I do not think that is doing justice to the process of the department that assesses the documentation. As I mentioned earlier, the minister is briefed on those. If the department is not happy with any part of it, he consults with MLA on that aspect of it.

Mr Williamson—There is a memorandum of understanding that binds the red meat industry arrangements together. There is the Australian Meat and Live-stock Industry Act. There is a range of framework documents that the plans are assessed against. That forms the basis of the advice to the minister. In effect, it is a compliance thing in the first instance.

Senator O'BRIEN—How often has there been an interchange about aspects of the strategic or operational plan between the department and MLA?

Mr Mortimer—I think we will have to take that on notice. I cannot give an answer off the top of my head.

Senator O'BRIEN—Perhaps Mr Walters can answer.

Mr Walters—I do not think I can be specific, other than to say that there is constant interaction between us and the department. I would have to say that for me to be able to pinpoint it to a particular document that we submitted and there was interaction on that would be difficult. There is a constant interactive process going on with the department.

Mr Spurr—I have one point that I would like to clarify. I mentioned before the meat industry strategic plan and the government's attendance at that process. Of course, the meat industry strategic plan is the bailiwick of RMAC—the Red Meat Advisory Council. My point on that is that, in our industry plans, we make sure that our actual operational plans are aligned to the strategic directions of the meat industry strategic plan.

Senator O'BRIEN—Is RMAC still there?

Mr Spurr—Yes, it is.

Senator O'BRIEN—Does it do anything?

Mr Spurr—I have just mentioned that it does the meat industry strategic plan, for one.

Senator O'BRIEN—Is there an anti political activity clause in the MLA statutory funding agreement with the Commonwealth?

Mr Spurr—I will refer that to Geoffrey, but one thing I am sure of is that any political type activity or expense is in fact prohibited by MLA. But Geoffrey can give some of the legal underpinning of that.

Mr Walters—I think that is an important first point. The board of MLA has prohibited any expenditure on political activity, so it is a banned activity.

Senator O'BRIEN—That is the operation of the board.

Mr Walters—That is an internal operation.

Senator O'BRIEN—I was wondering if it was in the agreement.

Mr Walters—It is not specifically in the agreement, but the deed does require that MLA spends levy funds and interest on levy funds in accordance with the Australian Meat and Live-stock Industry Act. The Australian Meat and Live-stock Industry Act requires us to spend marketing funds on marketing and R&D funds on R&D. It would be our view that political activity would not fit in to either of those activities. To that extent, there is a backwards prohibition, if I can put it that way. But there is no specific clause that prohibits political spending.

Senator O'BRIEN—Is there some provision or a schedule attached that details how research and development payments and matching payments are to be applied?

Mr Walters—In the act?

Senator O'BRIEN—In the statutory funding agreement.

Mr Walters—The deed of the agreement essentially refers back to the act and says that, for the most part, funds need to be applied in accordance with the act. The act outlines how money can and cannot be spent.

Senator O'BRIEN—Is there any direction from government as to what MLA's research and development priorities should be?

Mr Spurr—A very important direction that we do take from the government in determining our overall strategy—and that does flow into our actual program plans—is the national and rural research priorities. We take them very much into account as our planning goes forward.

Mr Walters—Can I add that we also have a document which we developed with the government from the beginning which outlines what is acceptable as R&D and what is not acceptable as R&D, so we do have a document establishing what is R&D for purposes of claiming matching grants. As an example of governance, at MLA we also have a matching grant committee, which I chair. Our R&D general managers and our financial controller are on there. Essentially, on an annual basis, we go through the operation plan looking at each of the R&D projects that are being planned for the year and come to a determination about whether we think that it is appropriate for a matching grant or not. We use the agreement we have with the Commonwealth as our framework for that. If we have any doubts, we will call on further information, get some more reports in and get to a point where we satisfy ourselves that what is being proposed for the year does qualify for matching R&D in accordance with our agreement.

Proceedings suspended from 4.00 p.m. to 4.15 p.m.

Senator O'BRIEN—Mr Spurr, you have described your reporting obligations. I assume they are formally to the minister through the department and not to the parliament—beyond the tabling of your annual report, of course. Is there a direct reporting obligation to the parliament, or is it only indirectly through the minister?

Mr Walters—It is to the minister as far as I can recall. I think most reporting obligations are to the minister.

Mr Mortimer—Subject to qualification by Mr Spurr, I think we can provide a copy of the deed of agreement if that would be helpful.

Senator O'BRIEN—Yes, that would be helpful, thank you. Do the contents of the annual report have to comply with particular acts of parliament?

Mr Spurr—We are a company limited by guarantee so obviously it complies with the Corporations Act. It also complies with generally accepted accounting principles. I suppose the overriding criteria we use for our annual report is that it is a very important communication medium with our membership, so you will find our annual report describes our programs in great detail and has progress against those plans. Geoffrey, are you aware of any other issue apart from those that needs to be complied with in terms of the annual report?

Mr Walters—I think you have nailed it. The Corporations Law and in particular generally accepted accounting principles would be the base underlying the annual report.

Senator O'BRIEN—Is the process you follow in accounting to the government for the manner in which R&D matching funds are spent done annually or quarterly?

Mr Walters—We submit information to the government monthly on R&D spend. We seek matching grants monthly so we provide monthly information.

Senator O'BRIEN—So it is acquitted in arrears, in other words. You ask for it after you have done the work.

Mr Walters—We spend it and then we ask for it. In fact that is the way it works. We receive matching grants regarding expenditure, not regarding funds. So we do not have levies matched. We have expenditure matched. Other than that, the quarterly reporting and annual reporting et cetera that I spoke of earlier covers R&D as well as marketing expenditure. In fact it covers all our expenditure.

Senator O'BRIEN—Do you actually report to the government the fact that levy funds have been spent in accordance with the basis on which they were collected?

Mr Walters—Definitely. That is something that is incorporated in our reports. More particularly, it is audited and reported on by Ernst & Young on an annual basis when they are auditing our compliance with the deed.

Senator O'BRIEN—When you are involved in joint R&D projects—and there appear to be a number of those on your books—how do you account for funds that are being spent by a third or even fourth party?

Mr Walters—Joint programs can go two ways. MLA may contribute to a joint program with some other agency responsible for the actual R&D. In that case, they would be using their processes for the expenditure. More particularly, if MLA were undertaking the R&D, it would then be controlled by the normal controls we have over our R&D expenditure. We would be seeking payment of another share from another agency. So it can go both ways.

Senator O'BRIEN—In general terms, can you take us through the process followed in selecting R&D proposals? I assume it is open and transparent, in contrast to the manner in which the old board of AWA operated.

Mr Spurr—It is certainly open and transparent. In determining our R&D priorities there are basically two ways that we look at them: we look at a bottom-up analysis and we also look at a top-down strategic review. In terms of the bottom-up process, let me give you an example

to give you a simple snapshot of how typically a project may commence. A research project might start with an outcome statement from a group of producers which could be something as simple as ‘Wouldn’t it be great to get rid of rubber vine,’ or ‘How can we reduce the problem of salinity in a high rainfall zone?’

From those producer requests and so on—and, by the way, we have extensive scanning mechanisms throughout the producer sector—we then seek a scientific solution. If it looks possible that we can do something about it, we will determine the extent of the problem. We work with producer advisory groups. Typically then a project is formed and it is tested against other projects that we have to see whether it has priority for inclusion in an MLA portfolio. If we do proceed, the contract is tendered. It is managed by MLA and the results are delivered against milestones and time lines. Following that, of course, we have the commercial development. This is a very good way to make sure that our projects are very relevant from a producer point of view.

As to the top-down aspect of it, as I told you before, our priorities are shaped by the Meat Industry Strategic Plan. The national and rural research priorities are very important for us. Also, we have MLA visioning and our strategic view of where we should be going in terms of giving the best results for R&D. We take a lot of input from industry advisory groups—for example, on the beef side we have the Southern Australian Beef Research Council and the North Australia Beef Research Council. We have R&D committees with the live export trade, feedlots and the Sheepmeat Council of Australia. Once we form our programs they then go through industry consultation and review. Finally, after that process, they come to the MLA board which signs off on the project. As I said, we employ a top-down and also a bottom-up process in terms of our programs.

Senator O’BRIEN—I will go to market access and marketing issues and start with the NLIS. From a market access point of view, how important is the speedy implementation of the NLIS?

Mr Spurr—I think in broad context it is very important to understand where the MLA is coming from in terms of NLIS. Our role with NLIS is pretty clear. What we do is manage the NLIS database and accredits tags. This is a role we take pretty seriously. What we are looking at is continuing to deliver a robust and secure database. In fact, it was government in conjunction with industry that had a look at the arguments for and against traceability, weighed up the risk and made a decision to implement NLIS. That was ratified at the state agricultural ministers’ council and made in April 2003.

After that preamble, the MLA believes that the decision to go towards NLIS traceability is very cognisant of the fact that market access is crucial for the continued success of the Australian meat and livestock industry. As you know, we export 70 per cent of our product. After the BSE scares in the EU, Japan, the United States and Canada, we need to make sure that we are ahead of the game as far as traceability is concerned. Our compelling competitive advantage, internationally, is no doubt our reputation for having clean, safe and green product, and I believe traceability is an important part of all of that.

Improved animal traceability is becoming a global reality. I mentioned the European Union before. They have individual, whole-of-life traceability. Saudi Arabia requires individual

animal whole-of-life traceability. Japan is moving that way, as is Korea. We know that Brazil is moving that way as well, as is Canada, of course. Our belief is that it is becoming a global reality, and we believe, as the largest meat and livestock trading nation in the world, that we need to be very cognisant of that and at least keep up with what others are doing. In fact, in terms of world leadership, we should be ahead of the game as well.

CHAIR—And we would not be able to eat our way out of trouble if we got into trouble, as over in the United States; we would be faced with the Canadian problem. Without scaring us too much, have you blokes had a bit of a look at what would happen if something went wrong, in terms of what we would do with all of the meat?

Mr Spurr—Yes. If you have a look at what has happened, for example, in Canada, Canada is in some ways similar to Australia. They exported about 60 per cent of their meat production. A figure I heard is that it has been costing them something like \$20 million a day. The industry is on its knees. In the United States, the effect of having this BSE issue was not as pronounced, because they only export about 10 per cent of their production. Curiously enough, their meat consumption has increased since the BSE case has happened.

In Australia's context, as the leading meat and livestock exporter, it is somewhere we just do not want to go. We really need to make sure that we have traceability. By the way, traceability, as we all know, is not going to prevent a disease, but it will allow us to quarantine the effects of it fairly quickly. On the other issue too, we say, 'We could eat more beef here.' Sure, we could eat more beef here, but as for the returns to producers, the old Keynesian economics would come in—supply and demand—and prices would drop dramatically, and that would not serve anybody any good.

Mr Banfield—Can I ask Steve McCutcheon also to add a comment on that? He might be able to shed some extra light.

Mr McCutcheon—Yes, Mr Spurr is absolutely right about the costs. In the case of Canada, the exclusion of Canada from the export market for a one-month period was estimated to cost about \$A570 million equivalent, so the costs were quite significant. It leads to the broader issue that it is very hard sometimes to put a quantitative figure on the benefits of an effective livestock identification and tracing system. I guess in the case of a program like the NLIS it is almost like an insurance premium to guard against the possible consequential losses if we did have a major disease outbreak.

CHAIR—So what sort of a system do they have in Canada?

Mr McCutcheon—The system they had in Canada up until probably 12 months ago was a system based on barcodes—that is, individual animal identification devices, based on barcodes—but they are now actively looking at a radiofrequency identification device, or RFID system, similar to the NLIS.

Senator O'BRIEN—Does this livestock identification scheme need to be national—all-embracing?

Mr Prendergast—In 2003 the primary industry ministers did decide that it would be a national scheme but left it to the various state and territory jurisdictions to implement it. Victoria commenced on 1 January 2002 and the phase-in period will be over early next year.

New South Wales is scheduled to start on 1 July this year. South Australia started at the beginning of January. Tasmania starts at the beginning of July. Western Australia is to commence in July 2005, next year. Queensland has agreed to establish its rules by 1 July this year, with implementation in 2005, and the Northern Territory is in the same boat. So each of the jurisdictions is moving forward.

CHAIR—Are there any exemptions proposed in the Territory and in Queensland?

Mr Prendergast—They are still to determine the rules in Queensland. There are some that believe there should be alternatives to the property of birth direct to slaughter pathway or the property of birth direct to live export pathway. They are arguing that they should not require individual NLIS identification, but there are some that believe that there should be no exemptions. Most states do have some exemptions. In Victoria, for instance, it is bobby calves direct to slaughter. I think they intend to have bobby calves direct to slaughter in New South Wales, and it is the same in South Australia. They also, I believe, intend to have an exemption for lines of breeding animals over 20, up until the year 2010. Western Australia will only require transaction devices—just the normal ear tag or tail tag—for cattle going from property at birth to live export or direct to slaughter.

Mr Spurr—I would like to repeat the comment on NLIS. MLA's role in terms of NLIS is to develop a database that is satisfactory for the industry. Also, we accredit the ear tags. So we are providing tools. We also provide field support and so on. But how and when NLIS is introduced is really up to the state governments working with industry collectively. As I said, MLA's role is to provide the tools and the support for the system going forward.

CHAIR—With regard to what you proposed and exemptions, if I have a place somewhere out the back of Charleville and I want to go to slaughter, is it possible that there will be an exemption?

Mr Prendergast—I will clarify again what Mr Spurr said. MLA do not set the rules in the operation of NLIS. The state governments are looking at whether or not NLIS identification is required to achieve the benchmark trace-back standards. In Queensland, for instance, if the government decides that if you go from property of birth direct to slaughter you do not require an NLIS device, that will be the ruling in that state.

CHAIR—Is that going to be uniform across Australia?

Mr McCutcheon—The answer is, no. It really depends on state and territory government approaches.

CHAIR—That will be bullshit. If I want to send the cattle that I have at Charleville to an abattoir in New South Wales, can I cross the border if they have not got identification?

Mr McCutcheon—My understanding is that all states and territories have agreed to meet the identification requirements in the importing state or territory.

CHAIR—They will not be able to go to slaughter over the border under that exemption proposal.

Mr McCutcheon—I think the arrangement will be that they will need to fit in with that state's requirements, so if they went to New South Wales they would need an individual identification tag.

Mr Prendergast—At the moment, New South Wales is looking at a phase-in arrangement whereby for a period cattle from Queensland going into New South Wales may not require individual identification—but then they will.

Senator COLBECK—Has any work been done on the potential impact on slaughterhouses or abattoirs on either side of state borders where the regulations might be less stringent? For example, is there a possibility that, if you do not need a tag in Queensland, you can just move all your cattle from New South Wales up through to Queensland and take a heap of work out of abattoirs in New South Wales?

Mr McCutcheon—That has been a consideration of the task force that was established by the Primary Industries Ministerial Council to implement the April 2003 decision, particularly in the context of cattle moving from northern New South Wales into Queensland. At this stage there has not been any study or analysis done. I guess we are still waiting to see what system Queensland is going to put in place before we can actually do that.

CHAIR—This already begs the question: surely you would be interested in the vagaries of all the things that we are talking about now. It is a no-brainer. If there is no harmonisation across the board then we are going to end up in a situation like the one we are in with Cubby Station about water—we are going to be having blues all the time. Don't you blokes think there ought to be harmonisation?

Mr Prendergast—From an MLA perspective, we are trying to facilitate the reduction of duplication in the federation. PMIC said that it would be implemented at a jurisdictional level. We have set up a couple of groups where we bring the chairmen of all the implementation groups together, so that we can at least try and minimise unnecessary duplication. One of those groups is what we call the NLIS executive, which was endorsed by Safemeat. Also, at an MLA level, we bring the various state department officers together regularly so that they can report on what issues they are facing and what sorts of resolutions to those issues they are looking at, and we try and facilitate, if you like, a harmonisation through that mechanism.

CHAIR—So will it be the same system in each state? Will what is down in Victoria be the same as what is in Queensland with regard to the equipment to read the thing?

Mr Prendergast—I think there are three basic principles that people have certainly agreed upon. Firstly, each state will be complying with the benchmark standards set by the ministers—for example, the ability to trace back within a certain number of hours. Secondly, there is agreement to use the NLIS database. Thirdly, as mentioned earlier, if you are crossing state borders, you will comply with that other state's requirements.

CHAIR—Yes, but would that mean that you have to use a new set of technology or a different tag?

Mr Prendergast—No, the devices will be—

CHAIR—Will they be uniform?

Mr Prendergast—Currently there are six devices accredited, and they are accredited nationally. They go through a number of trials. The basic technology is half duplex. That was endorsed by the industry, and that is what is used. So you do not have six railway gauges in that respect. There is one system and one technology.

Senator O'BRIEN—Is there any feedback that the MLA officers in our key markets have heard about tracing back and issues related to the marketability of our product?

Mr Spurr—We have officers in the United States, Korea, Japan, the EU and Bahrain. I recently visited Japan. For their domestic livestock, they are moving ahead with traceability. They have a system now where each individual animal is traced from birth right through to the abattoir. By the end of this year they are going to have a situation where they can actually trace any primal cut sold at retail back to an animal or group of animals. So they are moving ahead with that. By the way, they will take full advantage of that in the retail area and so on, saying, 'Look, there is traceability.' They have computers set up where you can actually touch a button to have a look at the farmer and the animal that the meat came from. What the Australian supply chain into Japan is concerned about is that, if we do not have some sort of system like that, we will be at a competitive disadvantage.

Regardless of whether the Japanese government makes it mandatory on imports—and I doubt whether they could do that easily under WTO arrangements—there will be a commercial pull-through, in that if we are going to compete on the same terms as the local Japanese suppliers we will need to think about some of these traceability issues.

CHAIR—So this will be a market mechanism?

Mr Spurr—Yes.

CHAIR—You are probably not old enough to remember when wool being too long or too short was a market mechanism too. It sounds like we might be going into a similar sort of episode with meat.

Mr Spurr—It could well be so. The other issue too, of course, is the EU. To supply into the EU market you need to have the traceability aspects of it. There are a couple of things—

Senator O'BRIEN—It is hardly worth it for the quantity we get into the EU.

Mr Spurr—Yes, but it is still a pretty lucrative market, and there is still a lot being supplied into the EU. As I said in my opening comments, as far as traceability is concerned there is going to be an element of market pull. I believe that, of our competitors, even Brazil are looking at traceability. Canada, obviously, are looking at traceability, and Argentina are as well. So it certainly is an issue on the global scene and one we need to be cognisant of.

CHAIR—How do they do 'primal cut traceability', in a sentence? Do they put it in a little packet and put a bar on it?

Mr Spurr—They do. They need to trace it at the processing plant. They trace the animals coming through. Normally it is done on a barcode type system. They then go and actually specify the actual cuts and follow those cuts all the way through. They then put another code on that as it goes out, so they can trace it back.

CHAIR—So they wouldn't do that with the trim?

Mr Spurr—No. The Japanese trace-back in retail does not apply to, for example, mince meat—hamburger mince and so on. That is a little bit more difficult to trace back because there is so much mixing going on. But for primal cuts they certainly identify it all the way through.

Senator O'BRIEN—I would like to go to another subject. I assume you have had a look at the report by Peter Frawley, following his review of rural veterinary services. The report was provided to the minister in January last year and we have only just received a response from the government, but the findings of that review are alarming, I must say. They highlight a problem in the current surveillance and response arrangements. I take you to recommendations 7 and 8, which I will paraphrase. Recommendation 7 asks government, as an initial measure, to enhance national surveillance and reporting of emergency and endemic diseases by addressing the 'poor appreciation of producers and others handling stock of surveillance and the disinclination to report disease anomalies'. It recommends the improvement of data collection and management by accessing more of the field activities of public and private vets. It recommends the commissioning of practitioners to undertake specific surveillance activities, better access to data already collected and finalising funding arrangements for surveillance.

Recommendation 8 asks that 'PIMC request AHA and Governments to complete by December 2004'—that is, at the time of writing of this report the timeframe to act on this recommendation was two years—a comprehensive assessment of the 'risk of disease occurrences in terms of species, region, disease and syndrome.' It also asks that there be an evaluation of baseline data on production animal diseases in Australia and specification of surveillance regimes that need to be put in place to 'maintain adequate cover'. Those two recommendations indicate that there is a lot of basic work that has not been done that should have been done some time ago, doesn't it?

Mr Banfield—That is a detailed question. To the extent that you have raised issues about the government's response to that review, that is a matter not for MLA but for government officials.

Senator O'BRIEN—I do not know how you can say that, Mr Banfield. Surely MLA have an interest in those issues.

Mr Banfield—As I understood your question, though, you were asking about potential delay in government response. What I am suggesting to you is that questions of that nature are more appropriately answered by—

Senator O'BRIEN—I did ask whether the work should have been done ages ago. You can interpret that however you like. That is a basic question which may or may not be a criticism of government. I am not asking for that response. I am asking for a response about whether the work is outstanding. Does he agree with Frawley's findings?

Mr Banfield—I guess the more important issue is what the government's response to that was. I am indicating to you that I think that it is appropriate for government officials to answer that question in terms of whether—

Senator O'BRIEN—So you want MLA silenced on it?

Mr Banfield—That is not the issue at all. What I am suggesting is that they are policy issues of a government nature that it is appropriate be addressed by government officials. MLA has right and proper roles and responsibilities. Proffering views on government policy is not one of those. We had a discussion earlier on about comments outside our particular roles

and responsibilities, and I believe these are issues that should be addressed by the government.

Senator O'BRIEN—The government is entitled to address them as well. What you are suggesting is that I cannot ask the questions of MLA, and I do not accept that.

Mr Banfield—What I am suggesting to you is that the MLA has a clear set of roles and responsibilities, and commenting on the adequacy or otherwise of a government response is not included in those responsibilities.

Senator O'BRIEN—I am asking whether there is a problem in terms of national surveillance and reporting of emergency diseases, for example. I do not see why—

Mr Banfield—To the extent that you were offering potential criticism about government action, I am making the point that I think it is appropriate for government officials to answer that question. On wider questions, I have no particular objection to MLA making comments—but on the clear understanding that they have a clear set of roles and responsibilities and that it is incumbent on them to provide advice consistent with those roles and responsibilities and not to offer comments outside of that.

Senator O'BRIEN—I suppose they may be influenced by your comments. I am asking them for an answer.

Mr Banfield—Can we go to Mr Merrilees to comment on the—

Senator O'BRIEN—I am happy for Mr Merrilees to come at the appropriate time. I have MLA here now, Mr Banfield. I would like them to answer now.

Mr Banfield—I am raising an issue about the appropriateness of MLA, which has clear roles and responsibilities, proffering views on government policy.

Senator O'BRIEN—We have had inquiries where MLA have proffered views about matters which may be impacted by government policy before, haven't we? They were specific inquiries and the like; we just happen to be here at estimates. That is the only difference.

Senator Troeth—I think earlier in your questioning you established that MLA did not have a political role to play. In terms of answering a question such as the one that you have just proffered, as Mr Banfield has said, I think it is clearly outside MLA's roles and responsibilities to answer that particular question.

Senator O'BRIEN—I would have thought that this was a question about the circumstances that pertain to their industry, not about the politics of anyone holding a particular office.

Senator Troeth—You are asking MLA to comment on their view of a particular government response.

Senator O'BRIEN—You make me think that there is something the government should be very sensitive about in this area, given the response from you and Mr Banfield.

Senator Troeth—No. We are simply clearly defining responsibilities here. It is the role of the government and department officials to do that.

Senator O'BRIEN—I am suggesting that it is appropriate for the question to be answered. I do not know what you are seeking to hide.

CHAIR—I would like to suggest that we could be here for three or four days talking about this.

Senator O'BRIEN—We could—unless I get an answer.

CHAIR—MLA are obviously facilitators, not policy makers. So, if it is a policy question, there is, as I read out at the beginning, every opportunity for you to ask them the question, and they have every opportunity to refer to the head of the department or the minister and then refuse the question, as they so feel. Perhaps you should test that.

Senator O'BRIEN—I do not think my questions are substantially different from a number of questions that you have asked, in a sense, Chair. Are you ruling the question out?

CHAIR—No, just the process.

Mr Spurr—Senator, just as a suggestion, we would like to make some comments, through Mick Prendergast, about the issues involved with animal health and so on. Rather than getting into any criticism or any view of the government's action in that regard, we would like to respond to the question more in terms of some views of the way we see it going forward. Mick, would you like to make a few comments?

Mr Prendergast—In terms of MLA's role and the national adoption of livestock identification and traceability systems, MLA has established the database. It has been working since late 1999. It has 43,000 producers registered on it and about 8.5 million devices—mostly in Victoria, but it is rolling out. We will continue to also provide a communication and technical support role in the improvement of those traceability systems.

Senator O'BRIEN—With regard to Mr Frawley's report, does MLA look at that?

Mr Prendergast—From an NLIS perspective—and our understanding that he is saying, 'Go for a national adoption of livestock identification and traceability systems'—MLA's position is that we will make sure that we deliver the tools and the database that the states, the government and industry require.

CHAIR—Which is the answer you gave me earlier.

Mr Prendergast—Yes.

CHAIR—Without me trying to put words into your mouth, which is usually what I do, rather than ask a question.

Senator O'BRIEN—I am glad you are now giving the witnesses that warning. The progress of NLIS has been described as being like the Stawell Gift—with everyone starting from different positions. I suppose that might be the nature of the process at this stage. What is more important: getting the program in place or starting from the same point?

Mr Spurr—I mentioned earlier that MLA's role in this is to make sure that we have a database with integrity, to assist by giving field and technical support to the state implementation committees and to accredit the ear tags and so on. I believe that your question is better asked of the Commonwealth government and the state governments, who in fact are responsible for the when and the how of introducing the system.

Mr McCutcheon—If I understand your question correctly, it was regarding the government's view on the need to get the NLIS up and running sooner rather than later. I think that on at least two occasions ministers at the Primary Industries Ministerial Council have reaffirmed their commitment to an effective and efficient livestock identification and tracing system—a national system. It was with that view that those time lines of 1 July 2004 for cattle and 1 July 2005 for sheep were agreed in April 2003. There was one minor change to that, which was an agreement that Western Australia, the Northern Territory and Queensland would be given until 1 July 2005 to implement their systems for cattle, bearing in mind the nature of the more extensive operations in those jurisdictions.

Senator O'Brien—Has the Primary Industries Ministerial Council seen a proposed timetable by which jurisdictions will be able to comply with the performance standards that have been developed by Animal Health Australia?

Mr McCutcheon—The Primary Industries Ministerial Council only last week signed off on the performance standards for the NLIS. They have not put in place any timing in terms of conforming with that. I think one practical issue that has to be borne in mind as most states begin implementation of the NLIS—for example, in several southern states from 1 July this year newborn calves will need to be tagged—is that it is going to be some years before those performance standards will be met at the 100 per cent level. That is because you have, I guess, a certain proportion of the cattle population that will not have tags in their ears. I guess the next step in the process of the implementation task force is to get those standards, now that they have been agreed, and to ask states to give some indication of how they will be able to meet those standards and at what rates—figures, for example, of around the order of 95 per cent and 99 per cent over a period of years.

CHAIR—What happens now in Victoria if you get to the saleyards and you have a tag that does not read?

Mr Prendergast—They have decided that commerce continues. An agent does not have to change the device. The sale can continue and the purchaser within 30 days is required to fix it. The same applies if the tag is lost or if it is just not there.

CHAIR—What is the incidence of that sort of incident?

Mr Prendergast—There was a survey of about 20,000 animals done through seven saleyards earlier this year. The loss rate was 0.04 per cent, the rate of animals that were not tagged was 0.64 per cent and the rate of no read tags was 0.25 per cent. They did comment that the—

CHAIR—So one in every 400 beasts does not have a read?

Senator O'Brien—That is right.

Mr Prendergast—That sounds right. That can be because it is a lazy tag, which means that some tags have to be read twice. It could mean that the reader was configured in a certain way. If the device is on a certain angle it is harder to read. So one in 400 might have that combination of metal, angle and reader configuration.

CHAIR—So when they leave the farm to go to the sale have they got to be read?

Mr Prendergast—No. In Victoria the producer is required to tag the animals, but the saleyard will do the reading for them.

CHAIR—It does not block the sale, if they—

Mr Prendergast—No. They established a code of practice for the saleyards and between the government and the industry determined that it would flow.

CHAIR—With the sheep one, is that only for live export?

Mr Prendergast—With the live export one, I think that requirement for identification back to property of origin has just come in. They are not looking to use an electronic tag, as I understand it, at the moment. They will just use—

CHAIR—What is the one that is used?

Mr McCutcheon—What you are referring to is the Primary Industries Ministerial Council resolution to have a system in place for sheep from 1 July 2005. That is to be based on what was called the National Flock Identification Scheme. That is basically being able to trace an animal back to its property of birth on a flock basis, not on an individual animal id basis.

CHAIR—What does all that mean in ordinary English?

Mr McCutcheon—It is for all sheep; it is not just for sheep for live export.

CHAIR—Yes, but what is the method. How do you do it? I have a mob of sheep and I mark a mob of lambs in a saltbush paddock out the back of Booligal: what have I got to do?

Mr McCutcheon—Basically, a system is introduced so that when lambs are born they will be given a non-electronic ear tag. They will need to have that applied before they leave their property.

CHAIR—A plastic one?

Mr McCutcheon—Yes.

CHAIR—So that every time they get crutched they get the plastic tag ripped out.

Mr McCutcheon—I cannot comment on that.

CHAIR—I am telling you that we lose a lot of them when you go down that route.

Mr McCutcheon—The sheep system is based on a system that has been working in Western Australia for a number of years. Again, industry have been heavily involved in the development of this scheme, so a lot of those practical considerations would have been taken into account.

CHAIR—So what you are saying is that everyone who breeds sheep has to put an ear tag in their sheep by that given time.

Mr McCutcheon—Before they leave their property of birth, yes, they will need a flock identification tag. All that tag will have on it is the property identification code.

Senator O'BRIEN—At least we have a communication strategy. I wanted to find out about the extent of pressure that MLA thinks will come to bear in our key markets for an effective trace-back and trace-forward system. You have talked about the EU at the moment

and circumstances in Japan, where it might not be required but it may be a marketing necessity. Is that a pressure that you expect to build across international markets?

Mr Spurr—In broad context, there are some astounding figures talking about the effect of international trade on some of these animal diseases and also some of the SARS viruses, the avian flu and so on. At one stage, the WTO suggested that about one-third of the total meat trade around the world had been affected this past year by animal diseases. I think the figure was something like \$10 billion, so it was absolutely huge. Going forward, what has happened in countries such as the United States, Canada, Japan, the EU—obviously, with their issues with FMD and BSE—is that there seems to be a real awareness of the necessity to have food safety systems and also trace-back systems in terms of protection of that trade.

Consumers at the end of the day want to have assurance of the food safety of the product that they are eating. I think exporters and importers want to be able to trace back if there are any issues about the food safety of any products that they are using. My view is that traceability is an issue that is on the global scene and it will continue to take more prominence as we go into the future. As to when it will become mandatory and as to market pull and so on, obviously that is into the future and it is very hard to determine now exactly when and how this will happen. But I think it will certainly be part of the international meat and livestock trading scene into the future.

Senator O'BRIEN—In terms of BSE, the impact it is likely to have on our exports and what the short to medium term is looking like, I note your media release of 21 May talking about 10-year highs for beef prices for imports into the USA. That is a market that is strong for Australia at present. What about Japan and Korea?

Mr Spurr—After the BSE incident on 23 December in the United States, effectively Korea and Japan cut trade with the United States. If I look at Japan, basically the meat market there was about one-third local producers, one-third Australia and one-third United States. I think New Zealand were about five per cent or a little bit less than that. Overnight, the border has been closed off to the United States. What that means for us going forward is that, obviously, demand for Australian beef has been very high. The local producers increased their supply a little. Australia has increased its supply as well. I think figures were up about 30-odd per cent compared with where they were for the same period last year. But, unfortunately, we are not in a position with drought, supplier constraints and so on to be able to supply all that.

What it means—and this is not good for the global red meat industry—is that we cannot supply all of the Japanese requirements and so therefore their consumers are going to pork, chicken and so on, and red meat is losing an opportunity. I would guess that, in Japan, red meat consumption is down about 15 per cent. As I said, Australia has increased its share by 30 per cent. The locals have increased their share by 30 per cent as well. The situation is mirrored in Korea. It is exactly the same situation. They were a little bit slower in increasing their uptake, but in the last couple of months they have been doing well as far as that is concerned. Mike, I might invite a comment from you on some of the BSE effects and particularly on your views as to how long we are going to have this window of opportunity.

CHAIR—You might also answer this question for me: what is the landed price and how has it changed in Japan?

Mr Hayward—The landed price?

CHAIR—Before and after sort of thing.

Mr Hayward—Rather than the landed price, I would like to just talk about the f.o.b. price—what it is shipped out of here at. For full sets, they are up of the order of 20 to 25 per cent going into Japan.

CHAIR—Since the American—

Mr Hayward—Yes. It had an initial big jump and then it dropped right off.

CHAIR—So there is a bit of a catch-up profit for the feedlots now. The paddock price has gone from \$2.20 last year to \$1.70 or \$1.80 at the feedlot now, so they are making a motser compared to this time last year, and the growers are getting less.

Mr Hayward—The growers' price has started to catch up over the past couple of weeks. It is always going to lag, firstly, and, secondly, what you have got to remember is that, as Mark said, it has been an adjustment. We have not been able to create beef out of thin air. We have, in a sense, moved towards the more valuable markets. Our shipments to the US are down something like 11 per cent year to date. Obviously in Canada we are selling virtually nothing, when ordinarily it is a market for 30,000 or 50,000 or, before BSE, up towards 80,000 tonnes. Even South-East Asia has not been able to pay what Japan and Korea can pay. We have seen shipments to other markets decline, but shipments to where the US has been strongest, in Japan and in Korea, up 32 per cent in Japan for the four months to the end of April, and up 26 per cent in Korea. So that is a good result for us.

CHAIR—But it is not reflected in the prices.

Mr Hayward—It is starting to be reflected in the price back to producers. You will have seen last week—

CHAIR—I watch it every day; don't worry. Just own up.

Mr Hayward—It is lagging, but it will catch up. It started to catch up last week in particular and I think you are certainly going to see it catch up over the next two or three weeks. The issue in the US, as was mentioned, involves 10-year highs in returns to exporters from the market. That sort of reflects the fact that cow beef production in the US is down for a range of reasons—partly because they are rebuilding their dairy herds, but also because cows are not coming in from Canada as they normally do. That means grinding beef prices are at very high levels. But I think overall the outlook depends very much on when the US is going to get into those markets. At this stage we can only guess. The US and Japan have started formal consultations, official discussions, over the issue of when they can get back in. The trade scuttlebutt says that it will occur after the Japanese election, around midyear, and before the presidential election in the US in November. That is still up for grabs. We have been planning on the basis that they will not get in this calendar year but that they will likely get in early next year. We had to base our plans on something and that is what we have done.

CHAIR—Just out of curiosity: how was the f.o.b. price for cow beef into the US before and after? What is the price now compared to six months ago?

Mr Hayward—Into the US, the price last week reached US129c per pound. That is up from less than US100c back before all this started, so it is a significant increase. It travelled in the 90s for quite a long period of time and this has been the first time that it has really jumped significantly.

Senator O'BRIEN—When—and I assume that we should say when—the US gets back into the Japanese market, what impact will that have on our exports?

Mr Hayward—Inevitably they are going to put a huge effort into regaining lost ground. We are going to face twin problems: they are going to come in with a very aggressive and probably government funded promotional campaign and they will discount prices to try and regain their share of that market, which, as Mark mentioned, was about 30 per cent of the total market. We have been working hard with the exporters to target customers that were particularly US customers. The critical thing will be the extent to which we can hold onto them. Most of the Japanese traders, particularly those that had all of their eggs in the US basket, have realised that that was not a smart move. So, inevitably, we will hold onto some of our market share points.

We are targeting trying to hold onto about 10 market share points and lift our share of imports from about 46 per cent to about 56 per cent. If we achieve that, it will be a major gain for the industry. We have figured out that it is worth about \$30 million to the industry for each market share point. But there is no doubt that the US will certainly regain some of what they have lost. It will depend a bit on what demand is like in the US. At this stage it is very strong. They will not want to discount a hell of a lot if they can get good prices in their domestic market. But, at this stage, we are expecting a fierce battle, particularly given that the overall market has shrunk and will continue at a shrunken level until they regain access.

CHAIR—It would not be unreasonable, though, to say that, compared with, say, a bit later than this time last year when you could probably get to \$2.15 or \$2.20 landed into the feedlot for a feeder steer of 420 kilos or whatever, you can now get about \$1.85 or perhaps \$1.90. If the market has improved into Japan by 25 per cent, you say—

Mr Hayward—since f.o.b., yes.

CHAIR—there would be plenty of scope for the operator to skin the even bigger margin that he has now rather than skin the poor old producer. But I will have a punt on who gets skinned.

Mr Hayward—The market is the market at the end of the day. It is going to work all of that out. It is a commercial arrangement. The producers, I think, have suffered because of the drought. They have been forced to sell more cattle under the current circumstances than they would have otherwise done because of the drought. But you are seeing average prices up over \$3 a kilo.

CHAIR—The point is, though, that, when we were fully competing in the Japanese market, the prices got up to \$2.30 at one stage delivered to the feedlots. We were competing directly against the US market. There is a fair bit of margin. You are talking about how much they are going to discount. There is a bit of scope to do that without affecting the paddock price. I got \$2.30 and that was when we were in full market competition.

Mr Hayward—Yes, I see your point. You are saying that we do have the scope for the exporter to discount and compete.

CHAIR—It is \$1.85 or something now and we are not competing. I know who is getting it in their pockets.

Mr Spurr—There is just one comment I would like to make to complement what Mike said about the Japanese situation. When—and it will be when, I believe—the US does come back into Japan I believe that price will very much talk. Whilst our programs have now been orientated to support the sorts of activities that will give us longer term market share gains—and I think that is a smart and correct strategy—let us not underestimate the amount of money that the US government will be putting into regaining their market share. I think, in terms of prices, it is going to be a very interesting situation.

CHAIR—Do you mean they will be dumping it in there?

Mr Spurr—Buying back market share—I am not saying dumping. They will promote it very heavily. Whatever form that takes, I believe they will spend a lot of money trying to regain their market.

CHAIR—So what is the prediction for the poor old cow cocky here? Do you have a prediction for the price when that happens?

Mr Spurr—No. It is conjecture, I am afraid. I do not have the crystal ball out, unfortunately.

Senator O'BRIEN—Seeing you raised the USA again, I was going to ask you about US-Australia FTA. Can you tell me whether you have done any work on when the safeguard triggers in that agreement in relation to beef might be triggered? If so, what were the results?

Mr Hayward—Safeguard provisions essentially will not take effect for about 18 years, when we get to a point where, except for the safeguards, we essentially have free access to the market. However, looking at the safeguard, bearing in mind that it is based on price movements—in other words, if the price drops more than 6.5 per cent below the moving two-year average then that safeguard is triggered—and looking over the past 10 or 11 years, it would have triggered in about five of the past 11 years if that sort of safeguard had been in place. Putting aside whether that is a useful guide as to what is going to happen in 18 years time, there is probably little doubt that the safeguards are going to be a factor that we will have to confront once we reach an otherwise free trade situation.

Senator O'BRIEN—It is not quite free trade, is it? Potentially, you have 70,000 tonnes of extra quota.

Mr Hayward—That quota comes in over that 18-year period in stages until we reach the point at which the after-quota tariff drops to zero—the point which, other than the safeguard, as I said, amounts to a free trade situation.

Senator O'BRIEN—Are there safeguards after nine years?

Mr Hayward—I thought 18 years.

Senator O'BRIEN—I thought there were safeguards that started to cut in after nine years.

Ms Greville—There is both a transitional and a post-transitional safeguard. The transitional safeguard, which is volume based, takes effect after nine years, which is when the out-of-quota tariff starts to reduce. The safeguard that Mr Hayward was addressing was of course the post-transitional safeguard, which is the price based safeguard.

Senator O'BRIEN—Has any work been done on the intermediary safeguards?

Mr Hayward—I have nothing on the volume one, the intermediate one. We only looked at the one after 18 years.

Senator O'BRIEN—How do we assess the impact of volumetric safeguards?

Mr Hayward—Can I take that on notice? I can find out whether we have done any work and let you know.

Senator O'BRIEN—Thank you for that. Secondly, there have been some suggestions that we will not be able to fill our quota, as we have not in recent times. Therefore the pressure for a better deal—that is, the addition of 30,000 with a phase-in of only 15 years—was not based on our ability to deliver. What does MLA really think about our ability to deliver extra tonnes in the US market?

Mr Hayward—Again, you are forecasting way forward on production levels. I can honestly say, as I was heavily involved when we got the 378,000 access that we now have, that we never thought we would hit it—and we did. It became a very significant impediment for the past two or three years. When you are looking forward 18 years, you should work on the assumption that you need every bit of access that you can get. Certainly our goal would be to reach a situation where quotas were not an issue.

Senator O'BRIEN—I think that is a very fair comment, but people have sought to ascribe a value to the trade deal. To do that, you have to make assumptions about how much of the additional access you are going to be able to use. That is why I am asking the question. Yes, let us take away all restrictions: then you are not asking how much we can fulfil. The question is this: to ascertain the value of the deal you have to understand how the safeguards are going to impact—and our ability to take up the additional quota entitlement, or the beyond quota entitlement ultimately. Has any work being done on, for example, the size of the Australian herd that is needed and the impact on that of variations in the size of the US herd and the impact of demand in other markets—probably the Japanese market—on our ability to supply one without damaging supply to the other?

Mr Hayward—We do projections forward five years. That is as far as we feel confident to go. Certainly, looking forward that far, we do see, provided the drought ends very soon, that the herd will increase significantly and that our productive capacity will have increased. We certainly see a need to find additional markets for something in the order of an additional 150,000 tonnes. Bearing in mind that we export about one million tonnes, that is not an insignificant amount of additional market that we have to find—or else face the prospect of reduced returns to producers. So, as you mentioned, we have effectively got increases in the quota of the order of 70,000 tonnes. We certainly see the need for access well in excess of that if we are not to face lower prices to producers.

Senator O'BRIEN—What impact will climatic conditions have on this herd projection?

Mr Hayward—Obviously, they will have a peak impact, and we cannot forecast those, so we essentially project forward on the basis of average weather conditions.

Senator O'BRIEN—Average? Which year is average?

Mr Hayward—You can in a sense theoretically work it out—what average conditions over five years are. That is what you have to use.

Senator O'BREN—Some are drought years. That has been the average of the last five years for quite a part of the country.

Mr Hayward—Yes, it has, unfortunately.

Senator O'BRIEN—You would not see much herd expansion in those circumstances.

Mr Hayward—No, in fact the herd has declined by about 2 million in the last couple of years.

Senator O'BRIEN—Are any assumptions made on processing cattle that are now exported live?

Mr Hayward—Assumptions?

Senator O'BRIEN—I understand that CIE got some advice from MLA about their forecasting. I just wondered—

Mr Spurr—I am not aware of any assumptions made on those lines.

Mr Hayward—In our projections we make assumptions about the likely level of live exports. Those are built into the projections. Certainly, over the five-year period we expect them to continue at at least current levels. I have seen projections of up to double the number of cattle that we are exporting at the moment live, based on a very strong demand out of Indonesia. Again, those are projections. Our projections are somewhat more modest than that. We expect to certainly ship 800,000 to one million per year.

Senator O'BRIEN—Is that the destination for most of the Northern Territory and north-west Australian cattle? There are certainly no processing facilities there.

Mr Hayward—That is right. Indonesia in particular is the major market. It takes about half of all our cattle exports.

Senator O'BRIEN—How do you expect the Australia-Thai free trade agreement to impact on beef producers?

Mr Hayward—Thailand is not a big market for our beef—or for our sheepmeat, for that matter. It has partly been because there have been high levels of tariffs, and certainly with reductions in those tariffs—albeit over a fairly extended period of time—we would expect to ship more into that market. But you are not talking volumes that are likely to make measurable changes to producer returns. You are talking about a few thousand tonnes. Every few thousand tonnes counts, but you are not talking a Japan, a Korea, a US or a market like that.

Senator O'BRIEN—And there is a very long phase-in.

Mr Hayward—Yes. For beef, the phase-in is up until 2020.

Senator O'BRIEN—Quickly going back to the US FTA, on the issue of increased access in year 2 versus year 3, I understand that the trigger is a recovery in export levels out of the US to 2003 levels. Is that right?

Mr Hayward—Essentially they are looking at a recovery to pre-BSE levels.

Senator O'BRIEN—I am also given to understand that exports out of the USA in 2003 were at their highest level for a decade—is that right?

Mr Spurr—It could well be, because the BSE incident did not hit until about 23 December. If that is a calendar year, that would be correct.

Senator O'BRIEN—I am told that they were valued at \$3 billion. The average value of US beef exports over the last decade was \$2.6 billion.

Mr Hayward—I certainly understand that, in value terms, they were at their highest in that year, but not quite in volume terms.

Senator O'BRIEN—So unless something extraordinary happens, we are going to be looking at year 3, not year 2, for increased access.

Mr Hayward—Probabilities are, yes.

Senator O'BRIEN—Thank you very much for providing the information you have, for being available to appear and for fitting in with the process. It is greatly appreciated.

CHAIR—Thank you very much to the MLA. I hope you had a lot of fun!

[5.29 p.m.]

CHAIR—I welcome representatives from the Wheat Export Authority. Would you like to make an opening statement?

Mr Walter—I do not have an opening statement.

Senator O'BRIEN—Mr Walter, I want to go to an answer provided on notice. It was FNA03 and related to the Wheat Export Authority secretariat budget. You will recall that we were talking about the costs associated with the independent review into AWB(I) at the last hearings. There was an allocation of funds to meet the cost of this process—some \$230,000. I asked what that money would be used for and you took that question on notice. You said:

I can take it on notice as to the composition of these individual items, if that would be of assistance to you.

The answer we received confirms that some of those funds will be spent on travel. You then advised that the Wheat Export Authority would report on expenditure against this budget item in its annual financial statements. Are you telling us you will not provide any detail on this item until your annual report and that the committee will have to wait until then for an answer?

Mr Walter—The response was more in the nature of an issue of due administration, but there are figures which I can give to you—which I am happy to do. Do you wish me to proceed?

Senator O'BRIEN—Yes, I would like you to proceed. I thought you had undertaken to do that before tonight.

Mr Walter—I take the point that you make. One of the issues which concerned you, as I recollect, was travel expenses. You asked about the level of travel expenses which were budgeted in the context of the overall budget figure of \$230,000 for the authority. The total figures proceed as follows. Approximately \$148,000 was allocated for the salary costs of the Wheat Export Authority associated with responding to requests for assistance and preparing for and attending meetings with the review panel and the secretariat of the panel. Approximately \$24,000 was allocated for travel to attend meetings. There was an allocation of overhead of approximately \$42,500 and a contingency of some \$15,500, to deal with the potential for some advice with respect to legal and economic issues which may arise, which I believe adds up to \$230,000. I should say that that is the budget, as was referred to last time, to 30 June 2004.

Senator O'BRIEN—Was that \$15,500?

Mr Walter—Yes.

Senator O'BRIEN—For contingency?

Mr Walter—For contingency.

Senator O'BRIEN—So it is \$148,000 for salaries.

Mr Walter—It is \$24,000, approximately, for travel; \$42,500 for overhead allocation; and \$15,500 for contingency. I hope that adds up.

Senator O'BRIEN—So the \$24,000 for travel to attend meetings is for whom?

Mr Walter—That is essentially for the staff and members of the Wheat Export Authority. It is a budgeted figure only—by that I mean it is the projected figure—for attendance at meetings involving the panel.

Senator O'BRIEN—How many meetings is that intended to pay for?

Mr Walter—I will have to refer you to Mr Taylor.

Mr G. Taylor—I do not have the exact number for you, Senator, but I can certainly take on notice the number of meetings that were used in determining that figure.

Senator O'BRIEN—You would recall that during the last hearings I asked some questions about the AWB's Geneva office. We were told that WEA had looked at the operation and that you were happy with the way it was operating, but that it was a matter that would remain firmly on the authority's agenda. What does that mean?

Mr Walter—The way the authority proceeds—and I think this has been indicated to both AWB(I) and GCA—is that, as part of our overall process, we identify areas of focus for the coming period of analysis and the making of reports. The operation of the Geneva office is certainly one area that has been identified. We will be looking at it in the context of a drought year and a year in which one might expect one of the aims of the Geneva office identified by AWB(I) to be to facilitate the maintenance of customer relationships. We will be looking, and we have looked, at the data, although not at all the data and we have not fully analysed the data, about the way in which the business rules and operation of the Geneva office has impinged and hopefully benefited the activity of AWB(I) and the pool itself. I remind you, Senator, that I said last time that one of the business rules is a requirement that AWB Geneva

is not to sell wheat to any customer outside Australia unless it has disclosed all information about the sale to AWB(I) and AWB(I) has consented to that sale. We certainly have evidence from the material before us that that business rule has operated and, indeed, that AWB(I) has refused its consent to certain sales.

Senator O'BRIEN—How often?

Mr Walter—I cannot answer that question directly.

Mr G. Taylor—I cannot give the specifics. There were only a handful of transactions by the Geneva office which it had consulted with AWB(I) about during the 2001-02 reporting year to which the growers' report relates. We can take that on notice and get back to you with the number of times the AWB International exercises veto power on wheat sales by AWB Geneva office.

Senator O'BRIEN—You told us last time that you are looking at possible long-term benefits of trading undertaken by the Geneva office to maintain high-value customers and markets. I take it that WEA sees some potential in that office trading in grain into key markets with grain other than from Australia in order to ensure that those markets are fully satisfied. Is that right?

Mr Walter—That is the issue that has been identified to us. It is that issue which we believe the analysis of a drought year, which we are currently analysing, should throw up evidence of or evidence of the absence of.

Senator O'BRIEN—Are we talking about a cocktail of Australian wheat and other wheat being traded through Geneva?

Mr Walter—The capacity in the Geneva office is to trade Australian wheat, so I think it is a question of looking at the detail of the data but, in theory, yes.

Senator O'BRIEN—I take it that the benefits to A class shareholders would be the preservation of the markets over the long haul.

Mr Walter—That is the identified issue which we are seeking to test.

Senator O'BRIEN—But there would be a more direct and immediate benefit to B class shareholders in improved profits to AWB Ltd, would there not?

Mr Walter—As you know, Senator, that is beyond our remit, but one imagines that the transactions would be taken at some benefit to the shareholders.

Senator O'BRIEN—So isn't it fair to say that benefits to A class shareholders would be long term and difficult to quantify but returns from this sort of trading would present higher dividends to B class shareholders?

Mr Walter—As you know, that is beyond our remit. Our focus is on the activities of AWB(I) and whether the pool returns and the benefits to growers are enhanced as a result of the activities. That is our test.

CHAIR—This is a grey area.

Mr Walter—I do not think it is a grey area. It may be that it is for others to make comments as to the policy of the legislation within which we operate but the issue of the accountability of the A and B class or the directors to the A and B class—

CHAIR—But if it is not in your remit, how will we ever know? Would you like it to be in your remit?

Mr Walter—It is not for me to make policy.

Senator BOSWELL—Absolutely not.

Mr Walter—I would suggest that Mr Mortimer, who has been before this committee for some time today, might be able to make comment on that, as to the sorts of issues that government may look at—indeed, perhaps the basis for the AWB(I)-AWB structure and the A and B class shareholdings.

CHAIR—Can we go to the issue of this Geneva office.

Mr Walter—Yes.

CHAIR—What are the immediately obvious advantages of having it, given that all this stuff is traded on a screen somewhere and it could be in my toilet at home, as well as here or anywhere else? What are the immediate advantages of having the office physically in Geneva, other than that—as a sceptic or a cynic could say—you get a trip to Geneva occasionally? That is not you personally, though.

Mr Walter—I understand, and I hasten to add that I have not had a trip to Geneva. A very able grain trader said to me that there are two extremes—and, having observed it, I think there are. Either you are a two-bob operation, low cost, operating off probably the kitchen table with a screen, or at the other extreme, which is really a situation where you are funded as a marketing organisation, you have a series of relationships and representatives and you do the sorts of things that marketing organisations do. Of course, in the context of the delivery of services by AWB to AWB(I), the nature of the obligations which AWB has accepted is broad ranging and wide. They appear to—and, I think, do—require a significant degree of marketing effort by AWB. The Geneva office is part of that supply of marketing services to AWB(I).

Senator O'BRIEN—But here we are talking about long-term, qualitative assessment—a very subjective assessment, by its nature—of gains for A class shareholders. Whilst you say it is not in your remit, it is an identifiable quantitative return to B class shareholders from the Geneva trading. That is a fair comment, isn't it?

Mr Mortimer—Perhaps I can attempt to clarify that. The way the company was set up and structured, the deliberate intent was to give the growers, the industry, direct control and ownership of the company. That is done through a number of mechanisms, in particular the A class and B class share structure, the fact that the A class share structure has a number of key decision rights attached to it and the fact that growers elect the majority of directors to both AWB Ltd—the parent company—and AWB(I). So there is a very straightforward business structure there which is designed to entrench ownership and control in the hands of the growers. They control the operation and are in a situation to ensure that the board performs and gets the maximum benefit from the structure for the growers.

Picking up on the point that the chairman of the WEA made, the WEA has a rather narrower remit. Essentially, it is to exercise control over some exports, namely those exports that are not made by AWB(I), and to report on the performance of AWB(I) in maximising the benefits to growers. I will go on to say that the WEA, by necessity, has to do this in retrospect, given that we are not actually in there running the trade.

CHAIR—You cannot blame us for being rather confused after that sort of an explanation.

Mr Mortimer—Could I try and make it simpler? What would you like to ask?

CHAIR—I would like to know how you blokes work out that something that happens over there is in the best interest of the growers—which is your job. How do we isolate the Landmark profit, shareholder register, et cetera from the others, and how do we make sure that Landmark is not getting more than the growers? I wish you all well!

Mr Walter—I can address that in part. We look at the pool. We look at whether the activities of the Geneva office are enhancing the pool. Senator O'Brien is correct to say that, in the context of the supply of ex-Australian wheat to overseas markets, that is necessarily an indirect benefit, but that is where we come from.

CHAIR—How do you know if the Geneva desk sells some Pakistani wheat to Bullamakanka that somehow that did something to the pool price?

Mr Walter—I think Senator O'Brien said the result is likely to be a subjective perspective of the preservation of customer relationships, and I suspect he is right.

CHAIR—So it is a guess.

Mr Walter—An informed judgment, I suggest.

CHAIR—Sounds bloody dodgy to me.

Mr Walter—I will pass across to Mr Mortimer.

Mr Mortimer—We do the best we can, Senator.

Senator O'BRIEN—Mr Walter, you told us you are looking at these arrangements in the context of a drought crop.

Mr Walter—Yes.

Senator O'BRIEN—Where is that work up to?

Mr Walter—I will ask the Chief Executive Officer to deal with the specifics of that.

Mr G. Taylor—The Wheat Export Authority is undertaking a series of analyses across the performance monitoring framework that it has, picking up on the issues that were raised last year in the *growers' report*. Those matters will be considered by the Wheat Export Authority board members for them to endorse the WEA view and position across a range of issues. The anticipated timing is that there will be a confidential report provided to the Minister for Agriculture, Fisheries and Forestry at the end of September this year and that there will be a *growers' report* available later this year, possibly around December.

Senator O'BRIEN—How do you make a judgment about the long-term benefits in the context of short-term trading by the Geneva office? What is the methodology of that assessment?

Mr Walter—It arises at a number of levels. I will ask the Chief Executive Officer to make a comment about it. Clearly it arises at the level of the business rules and assessment of the business rules—the appropriateness of those business rules in terms of the way the pool operates—then it arises in terms of the actual operation of those business rules and the issue of relationship with customers. Glen, you might want to add to that.

Mr G. Taylor—The authority gets copies from AWB International of the material that is provided to it by the AWB Geneva office which identifies the proposed transactions by the Geneva office in wheat and the responses that are provided to the Geneva office by AWB International. The Wheat Export Authority then looks at that series of transactions against, for example, the market briefs and strategy device that AWB(I) provides to the Wheat Export Authority that identify its long-term customer strategies in markets. If, for example, in a drought year there was a particular grade of wheat that was demanded or required by a customer, that grade of wheat in a drought year was not available domestically and the Geneva office was used to supply an appropriate grade of wheat to that customer, then that would be assessed by the Wheat Export Authority from the perspective of that transaction being used to retain a customer for the long-term benefit of the pool.

Senator O'BRIEN—Is it possible for the committee to get some detail on the trades undertaken by the Geneva office so we can see how much wheat is bought and sold by the office that is not sourced from Australia?

Mr Walter—Senator, as you know, we have some confidentiality issues associated with the data we get. It seems to me we can appropriately take on notice consistent with that obligation a question which says: 'Supply us with as much detail as you can about the specifics of the operation of the Geneva office.'

CHAIR—I will just go back to my earlier question which you answered with a lot of words, but I did not really get an answer. You have just given a very complex explanation, full of wordy words. What is the system that the Geneva desk use to identify that opportunity? Wouldn't they just look at a screen somewhere? You have said, because of the drought, there is a certain type and whatever else you said, and therefore we will get some wheat from somewhere else to fill that market. Would that all be done on a screen?

Mr Walter—I think that might be too large an assumption.

CHAIR—Why does it all have to happen in Geneva and not here? The market identification happens on a bloody screen, for God's sake. Is it that, because you drink with these blokes, you have a better relationship with them, or that you understand who has to get a sling and who has not? I do not know why you have to be there.

Mr Walter—The issue of location and the expenditure of resources in a particular way is fundamentally a matter for AWB, which is to say not AWB(I). AWB(I) and we look at whether appropriate services are adopted.

CHAIR—Do you have to do all of that in retrospect?

Mr Walter—Yes.

CHAIR—How does AWB International do it prospectively, if you ponder, wonder and worry how you do it even retrospectively?

Mr Walter—The situation is—and I think identified by AWB(I)—that it does have a number of what I would describe as long-term customers. I think the number is in the order of 200 or 300. We know from the analysis which we do that, indeed, it has offices in various places, not simply in Geneva. We know that its marketing organisation calls upon and deals with, and seeks to determine, the responses and demands of its customers. It is a matter a judgment, from AWB's point of view, what role the specific office in Geneva plays in that.

CHAIR—Why can the Geneva desk not be run by AWB International for the benefit of the growers, rather than the shareholders? Who made that decision?

Mr Walter—That goes back to the whole issue of the distinction—

CHAIR—That would be the best way to look after the growers.

Mr Walter—That goes back to the whole issue of the structure.

CHAIR—I should declare that I am a wheat grower.

Mr Walter—I am aware of that.

CHAIR—I think that is bloody obvious to everyone!

Mr Walter—That goes back to the whole basis of the structure of AWB Ltd and AWB(I). If you will, our role as informant, not as policeman, is to deal with the structure as we find it.

CHAIR—I understand that.

Senator O'BRIEN—Do you know on how many occasions Australia has not been able to meet its contract obligations to key markets for our wheat?

CHAIR—I have not got an answer to that. Glen, are you able to specifically answer that?

Mr G. Taylor—We will need to take that on notice.

Senator O'BRIEN—Okay. How long has the Geneva office been operating?

Mr Walter—It has been going for a couple of years. I have not got the precise dates in my mind. I do not know whether you have, Glen?

Mr G. Taylor—No. I do not have the exact dates, but it is across two pools.

Senator O'BRIEN—Is it possible to look at trade through the Geneva office and problems in filling contracts over just a couple of years?

Mr Walter—We would have at least two years experience.

Senator O'BRIEN—In relation to the use of the wheat industry benchmark that we talked about last time, I assume that you are still of the view that the wheat industry benchmark should not be the only performance measure used by the Wheat Export Authority to measure the performance of the AWB(I).

Mr Walter—That is correct. We have made that position clear in the *growers' report* and in previous evidence to this committee.

Senator O'BRIEN—What about the debate over the use of gross returns versus net returns as the basis for performance bonuses? Are you engaging AWB(I) and AWB on that issue?

Mr Walter—We have expressed that view, as you will see from the *growers' report*. That is certainly a view which, as you will see from the process, has been made available to AWB(I) and AWB itself. There is a process of review of the arrangements between AWB and the pool, and we anticipate that our comments will be considered by them as part of that review.

Senator O'BRIEN—So it is a matter for the review and not for you to raise with the companies?

Mr Walter—We will continue to raise it, if it is a matter which is still, in our view, relevant to the issue of whether growers are maximising their returns. We will not shy away—

CHAIR—Concerning maximising returns to the growers, as I recall one of the questions asked of Mr Lindberg in Perth was: would he have enough courage to let the committee know the bonus details of his key executives, including himself, in terms of benefits to the growers? He said he would have the courage to do that but he never did it.

Mr Walter—It is one of the issues which we have identified, as you would have seen, as a focus of examination for this pool. We said in the *growers' report* that, looking at the key performance indicators and bases of assessment of those parties concerned with the service of the pool, we were not convinced that there was the alignment there should be and we have said that that is one of the issues we will be looking at carefully this time.

CHAIR—I thought he would volunteer that very quickly because he volunteered that he would do it for us, although that guarantee has disappeared into the mists of time.

Mr Walter—We have no reason to believe that full data will not be provided to us.

CHAIR—We will be interested to get it from you if we cannot get it from him.

Senator FERRIS—I want to ask some questions, probably of you Mr Walter, in relation to some submissions that have been put in by farm organisations to the wheat marketing review that is being undertaken. In the South Australian Farmers Federation submission to the review, SAFF notes on page 11:

Although SAFF Grains is not privy to the Service Level Agreement between AWB (I) and AWB Ltd, we expect that the WEA will monitor this agreement.

This is an issue which I think will be familiar to you, Mr Walter. The New South Wales Farmers Federation submission to the same review concludes on page 9:

The WEA is unable to conclusively state whether the guaranteed minimum base fee provided by AWB (I) to AWB (L) is appropriate.

I am wondering which of those two statements you would like to respond to—whether New South Wales is correct in their pessimism or whether SAFF is agreeable to your position based on optimism.

Mr Walter—I think they are both correct. It is right to anticipate that we will monitor the arrangement, which I think is the SAFF statement. I also think it is correct to say that one of the areas, which we identified in the *growers' report*—I think this is the New South Wales comment—is to do with testing the basis of the computation of the base fee. The base fee is effectively a band that starts at \$45 and ends at \$60. We have been seeking for some time

verification of the costs which are said to be the basis for the establishment of that band. Some of that data seems to be very difficult to procure and it is once again one of the focuses we have identified for our examinations this year. The way in which the wheat industry benchmark which Senator O'Brien referred to operates is effectively that there is, if you will, a figure which says you should reduce historic costs, especially in supply chain issues. That is a good statement. Costs are being reduced but the question is really whether the starting point is correct. In other words, was the cost level as originally established appropriate? It is that sort of issue that we have not been able to fully verify. There is some difficulty in the way in which the material—you may wish to speak further about it, Glen—has been maintained by AWB because that data does not seem to be fully separated or dissected as part of their accounting.

Senator FERRIS—The transparency issue in relation to this is something that this committee has been interested in for a long time, I am sure you will recall.

Mr Walter—I appreciate that, and as you will see from the WEA *growers' report* that is part of what we are on about as well.

Mr G. Taylor—The statement in the *growers' report* is along the lines that the WEA has been unable to verify the actual costs to AWB Ltd of providing the services to the pool provided under the services agreement. The reason for that is that AWB does not reconcile back down to the pool level the costs of individual services provided to the pool by AWB Ltd.

Senator FERRIS—The Western Australian Farmers Federation have said in their submission to the same inquiry that WA Farmers Grains is concerned that the WEA reported an inability to assess on an item by item basis the costs of services provided to AWB(I) by AWB Ltd. This has been raised by us in discussion with AWB(I) directors, and we have received the reply that they also were not given these costs. At previous estimates hearings, you have said many times that you have been unable to actually get detailed information on the cost relationship between AWB(I) and AWB Ltd, and we have presumed that you accepted such an oversight. Can you assure us now that this time the fact that you are going to focus on it will deliver some transparency?

Mr Walter—All that I can answer to that is yes. I think the *growers' report* indicates that. What we have said is that to understand fully whether its floor is appropriate, the WEA is seeking from AWB(I): consistent national pool cost data for the 10 years up to the 2003-04 national pool; and information on new investments undertaken on behalf of AWB(I) which would otherwise not have been undertaken under the previous remuneration arrangements. In other words, we are focused on that issue of whether value for money is being achieved under the cost arrangements whereby AWB charges AWB(I).

Senator FERRIS—I think this is the third year now that we have been asking these questions on this committee. Every year we seem to be assured that an answer is going to be given. I have just noted that you have assured us that it will be given as a result of your focus this year, so I will be interested to chase it up.

Mr Walter—I think I should clarify by saying that the cost data as such does not exist. You may recollect that previously we did not have the capacity to demand data from AWB and AWB(I). There is now a provision of raw data to us. That raw data indicates that the cost data

does not exist as such, and we are trying to achieve the information that will provide us with reassurance by other means.

Senator FERRIS—The New South Wales Farmers Federation has been extremely focused on this issue. On page 7 of their submission they say that competitive services to the national pool are essential and that the association strongly encourages the independent panel to determine whether the current service agreement and services are competitive enough to withstand an open tender system, given the captured provider—and whether steps should be taken to improve it. Obviously you would concur with that statement?

Mr Walter—I think the various farmers' organisations—who are represented, of course, through the GCA peak body—are in part able to make those comments because of the work that has been done by the authority and the material which is in the *growers' report*, which draws attention to these very issues.

Senator FERRIS—It might also be that, given the drought that has really hit farm incomes, they have become much more focused on their returns. The VFF have noted in their submission another peculiarity in the relationship between AWB(I) and AWB Ltd. In point 14 of their submission they say:

Given that AWB (International) Limited have a clear responsibility to maximise grower returns, explicit in the constitution of AWB, why does AWB (International) Limited refuse to provide exposure information to AWB Limited Harvest Financing and Underwriting competitors. AWB have clearly stated that harvest finance and underwriting services are contestable, yet AWB Limited has exclusive access to AWBI exposure, sales, and hedging positions. AWB Finance Limited has no direct link with AWBI, with the services offered to growers are paid for by growers

There are three questions I have, arising from that. Are you aware of that? If you are, why is it happening? Does the sharing of proprietary information with AWB Finance Ltd challenge AWB(I)'s insistence that this type of information is commercial-in-confidence?

Mr Walter—This particular issue is one which, once again, is raised by the *WEA growers' Report*. It is an issue that has been identified as a particular focus this year. I have not seen the precise terms; I do not believe we have seen the precise terms.

Mr G. Taylor—VFF have provided that material to the Wheat Export Authority and briefed the WEA on that issue.

Mr Walter—The question of information flows is an interesting one. The question is: what are we looking at, what are we informing on, as opposed to being a policeman? What we are informing on in a sense is whether there are any disadvantages or whether advantages are maximised for growers through, effectively, their pool participation. Of course, some of the financing bits around the outside are not, as such, issues which go to the question of maximising pool returns. They do indirectly, in that our remit is not simply for pool returns; it is for benefits to growers more generally. It is in that indirect way that we can look at it.

CHAIR—So you most definitely can look at the financial arrangements.

Senator FERRIS—I was just going to make the point that it is interesting the way AWB(I) and AWB Ltd argue commercial-in-confidence one way when it suits them and the other way when it suits them. Growers are increasingly concerned and have raised with me—

particularly the SAFF growers—the trust that they put in WEA to ensure that these transparencies and arguments stand up to scrutiny.

Mr Walter—I think it is an appropriate test for us. When you look at the *WEA growers' Report*, I believe you will agree that the whole issue of whether there are informational advantages which are advantaging or disadvantaging pool participants and growers generally is something that we have looked at. I think we have actually ruled out the proposition, which I know was a concern previously—in that there is no evidence to support it—that trading between the pool and AWB for cash is disadvantaging either pool participants or growers more generally. Having done extensive analysis of all the contractual arrangements, there is no evidence to that effect.

CHAIR—The opportunity there is for AWB Ltd, when they strike the cash price at the silo door, to set it deliberately—because, like the bookies, they look over each other's shoulders—knowing that there is \$5 still in it for them when they dump it in the pool. They could actually make a profit for the shareholders by striking the cash price at a price that guaranteed them—

Mr Walter—That is precisely the issue we have looked at, and there is no evidence to support that.

Senator FERRIS—The other question that people raise with me is this question of transparency and market power and the extent to which there is a choice for harvest insurance and what the costs are that are built into the basic structure. It seems that whenever AWB is challenged on these things they argue commercial-in-confidence. I do not know that growers are prepared to accept commercial-in-confidence on a continuing basis. This is where it comes back to the trust they put in the WEA to sort these things through for them and to disclose them in a way that the growers can understand.

Mr Walter—That is an appropriate question for us and it is an appropriate issue for us. It is why the *WEA growers' report* has gone into a very great deal of detail and pressed as far as it can the provision of information to the grower body and the industry bodies, so that they can look at these issues. You are raising quite difficult questions, because you are speaking about services which are provided by AWB, not services which are provided by AWB(I). To deal with the issue that Mr Mortimer has raised, our focus is only on the activities of AWB(I) and its role, to see whether its activities effectively provide the most return for growers.

CHAIR—But isn't that a flaw?

Senator FERRIS—I was just going to make the point that the difficulty with these two companies, which have the same directors on both of them, is that they are so intertwined and, if you like, convoluted that it is very difficult for growers to understand how they fit together. Whilst I appreciate your AWB(I) comments, the problem that growers have is that they do not understand the clarity of the difference. When you have the same directors sitting on both boards, I think the muddying of the waters is such that, whilst you may not believe that your role is to scrutinise AWB, if all you did was look at AWB(I), you would never understand the transparency of the costs of the services which are coming from AWB Ltd.

Mr Walter—Precisely, and that is the reason that our powers to gather information—and this was one thing I said when the powers were being looked at—are not confined to AWB(I). They extend to AWB.

CHAIR—So do you have a broad enough brief to assure yourselves on behalf of the growers that there is not excessive profit making from the provision of services by AWB Ltd to AWB(I) at above the market price?

Mr Walter—Yes, we have the capacity to obtain enough information in relation to the provision of services to AWB(I), but I think the issue Senator Ferris was raising related not to the services which were being provided by AWB(I) but to the services which were being provided by AWB Ltd. I was saying that we are limited with respect to AWB Ltd.

CHAIR—How will we, as poor simple growers, ever know whether we are being duded on the price?

Mr Walter—I will make one comment of correction: the board members on AWB(I) are slightly different from those on AWB Ltd in that there are three separately elected independent—

Senator FERRIS—Not different enough in my opinion.

Mr Walter—I simply make that point. The other points which you made are more addressed to the issues of where we stand in the comments which Mr Mortimer made about the structure and the fact that the majority of directors are A-class directors who must be growers. I do not know if Mr Mortimer wants to add to that.

Mr Mortimer—No, I think that is quite clear.

Senator FERRIS—Not to the average grower it is not; they think the waters are very muddy.

Mr Mortimer—I appreciate what you are saying, Senator Ferris. Essentially, all I can say to keep it simple is that the structure is designed to give growers control, they exercise that control through voting in directors and the A-class and B-class structure was allowed to give them control but also to be able to access commercial finance through shares.

CHAIR—In terms of who is getting the better slice of the profit, the poor old growers or the shareholders, one of the excuses offered has been: ‘But hang on, old mate, the shareholders, the blokes who have the money tied up, are the same blokes who have the power tied up.’ But as the share register devolves and, as I have said many times, as dad dies and leaves the shares to the girls and the farm to the boys and the son-in-law wants to sell the shares and buy a house up the coast somewhere—

Senator FERRIS—A particularly unenlightened dad!

CHAIR—that argument will not hold up. In the longer term the shareholder base will be very diverse and shareholders will not be very interested in what is necessarily in the best interests of the bloke who is growing 300 acres of wheat at June Reef, so there will be this problem. As the share register becomes more robust and more landmarks are brought into the family, how the hell will you blokes be able to make a judgment?

Mr Mortimer—The key thing in giving the growers satisfaction there was the enshrinement in the constitution of AWB Ltd and AWB(I) of the primacy of maximising pool returns to growers.

CHAIR—That makes a nice little read, but how the hell do you do it?

Mr Mortimer—The directors are bound by company law to do it.

CHAIR—The directors are bound by company law to maximise profit for the shareholders in the face of constitutionally having to provide the best benefit for the growers.

Mr Mortimer—They have to exercise their judgment.

CHAIR—I do not think those two can fly together forever.

Senator FERRIS—When I have had a chance to look at the *Hansard*, I might have some more questions that I will put on notice.

CHAIR—Aren't you pleased you took the job?

Mr Walter—Absolutely.

Senator FERRIS—But I do not have any more questions at this stage, Chair.

Senator O'BRIEN—Page 17 of the *WEA growers' report* of 2003 states:

In response to the stakeholder concerns about the use of National Pool Information by AWB Ltd, AWB(I) also advised the WEA that although there is a common set of information gathered and generally available through the company systems and processes, there is a rigid and enforced separation of the use and derivation of that information.

How can the authority be satisfied that a staff member of AWB Ltd who would have access to commercial information gathered by AWB(I) is not able to use that information to the benefit of AWB Ltd?

Mr G. Taylor—There are some rules that exist within the company that deal with the information flows and management of information and there are critical management groups within AWB International that make key decisions related to the pool, and those decisions that are under their business rules or the rules for information flows are retained within that group. That is what AWB has looked at in looking at an issue of information flows.

Mr Walter—Elsewhere, on page 17, you will see—and it is the issue I was discussing with Senator Ferris—that we are only interested in the flow of information where it results in an advantage to the AWB group at the expense of growers. If the information advantages them, as against their competitors, that is not really where we come from.

Senator O'BRIEN—The information is the potential for a pool return and the availability of grain that AWB Ltd can buy and put into the pool. It is pretty straightforward, isn't it?

Mr G. Taylor—I can give an example. If there were inappropriate information flows, our analysis would have shown that AWB Australia, which is able to make deliveries to the national pool, might be deriving a benefit over and above its competitors. The analysis that has been done has not shown that there is any advantage that AWB Australia is deriving from its relationship with the pool. So we understand the way in which information is managed internally and then we look at the actual commercial relationships in the outcomes of the analysis as a means of cross-checking.

Senator O'BRIEN—Has the authority reviewed the basket of wheat that AWB Ltd uses to form the wheat industry benchmark?

Mr G. Taylor—The authority itself has not reviewed those baskets of wheat. Those baskets of wheat contained in the WIB, which I presume are the ones you are referring to, are audited annually by an independent consultant in determining what the baskets of wheat should comprise for the benchmarks in the coming pool.

Mr Walter—So we are aware of the basis of the formation of the WIB and it is done, as I understand, on a trade weighted basis. There is an audit done by AWB(I) of the appropriateness of that allocation and it is that process and that outcome which we have verified. In a sense, it should be self-solving.

Senator O'BRIEN—It is a moving benchmark, is it?

Mr Walter—It is a moving benchmark.

Mr G. Taylor—It is a benchmark that is set for each pool, on advice from an independent consultant contracted by AWB International.

Senator O'BRIEN—Presumably the authority has had access to the consultant?

Mr G. Taylor—The authority has had access to that consultant and has seen the reports of the consultant and understands the construct of the baskets of wheat contained within the WIB.

Senator O'BRIEN—What about freight differentials incorporated into the grades of wheat used in the basket? Is that also a factor? Is there a differential freight cost for short-haul versus long-haul freight for grains, for example?

Mr G. Taylor—No, it is not my understanding that that is included in the baskets of wheat. The freight issues are dealt with within the hurdle rate that applies to the remuneration arrangements that exist between AWB International and AWB Ltd. Under that remuneration model there is a hurdle rate which contains a value that has been attributed to the freight advantage enjoyed by AWB International.

Senator O'BRIEN—Does that include ocean freight rates?

Mr G. Taylor—I believe so, but I would like to check that and take that on notice if I may.

Senator O'BRIEN—Okay. Perhaps you could tell us what allowance has been made for this under the wheat industry benchmark.

Mr Walter—We can mention that. Do you want us to pursue that?

Senator O'BRIEN—On notice, if you could.

Mr Walter—Okay.

Senator O'BRIEN—So you are satisfied, I take it, from the information you have gleaned from the consultant's report, that the WIB reflects the national pool and that it provides a reasonable measure of the relative price movements between the WIB and the national pool performance over time?

Mr G. Taylor—The position that has been put to the Wheat Export Authority after review of that material certainly gives confidence to the Wheat Export Authority that the baskets of wheat are reflective of similar grades and characteristics of Australian wheat which are used in establishing a benchmark for competition under the WIB.

Mr Walter—You will be aware, Senator, in terms of the report, that the Wheat Export Authority sees the wheat industry benchmark outcome and the processes which go into it as a set of factors which are relevant to its consideration of the performance of AWB. But you would also be aware from the report that there are areas of difference where we have sought to examine particular components of the wheat industry benchmark and have expressed disagreement with AWB(I) with respect to aspects of the component parts of the wheat industry benchmark, the hurdle rate being one.

Senator O'BRIEN—Page 21 of the *WEA growers' report* of 2003 refers to the amendments to the services agreement between AWB(I) and AWB Ltd. This results in:

... increased payments in small crop years—

but which—

will reduce AWB Ltd's susceptibility to income and profit volatility—but at a cost to growers during times of hardship (i.e. drought).

What analysis has the WEA taken to determine that this increase in cost to the pools is appropriate and results in increased management capability from AWB Ltd?

Mr Walter—It is fair to say that your analysis is correct. The view which we have expressed in the *WEA growers' report* is that it was said to us that this was always the intent of that agreement. The consequence of the intent of that agreement is as you have described it. I think the question you raised was slightly different in emphasis. It said: what steps have we taken to ensure that, if you will, value for money is achieved? Is that correct?

Senator O'BRIEN—That the increase in costs is appropriate and results in an increased management capability.

Mr Walter—It is fair to say that the way the agreement operates between AWB, on the one hand, and AWB(I), on the other hand, is that there are services which AWB has agreed to provide. There is a fee for those services. Those services should be the same and of the same standard, irrespective of where in the band between \$45 million and \$60 million AWB ends up. The issue in relation to the cap arrangement was whether AWB was entitled to an outperformance fee in the context of a smaller crop year. That is a question of what the deal is and the basis upon which the outperformance fee was payable.

Senator O'BRIEN—Which company within the AWB group is involved in exporting containerised wheat—AWB Ltd or AWB International?

Mr Walter—I think it is probably both.

Mr G. Taylor—AWB International is able to and does export wheat in bulk and containers. If any other business unit, such as AWB Australia, wanted to export wheat from Australia, it would require an export licence from the WEA.

Senator O'BRIEN—Does it in fact apply for such licences?

Mr Walter—Can we take on notice whether we can tell you, because it would be giving information with respect to applications. We are happy to consider that.

Senator O'BRIEN—I would like to know what liaison process AWB Ltd has with AWB(I) to ensure it is not affecting sales of pool wheat into the bulk markets.

Mr Walter—That would be AWB Ltd sales of wheat. We would administer the guidelines, and those guidelines of course give primacy to the pool, to AWB(I). That would be the basis upon which we would do that. They would be treated no differently from any other applicant.

CHAIR—Are you claiming commercial-in-confidence not to answer that?

Mr Walter—I am simply saying that I would like to consider it. I have heard the request. I would like to consider whether commercial-in-confidence is appropriate to that, because—

CHAIR—You realise that you do not have the capacity to do that. The minister does, but you do not.

Mr Walter—In that case, I will simply take the question on notice; that might be the most appropriate reaction to it. The reason I raised the issue is that we do not provide information on applicants, either to AWB when we are consulting with them, or generally.

Senator O'BRIEN—Do you know what percentage of the total exports of wheat in bags and containers from Australia is executed by the AWB group of companies?

Mr G. Taylor—I think, in the *WEA growers' report*, the WEA says that, in the 2001-02 pool period, about 99 per cent of total wheat exports from Australia were by AWB.

Senator O'BRIEN—I am not asking for the total.

Mr Walter—It was a different question, as I understood it.

Senator O'BRIEN—I am asking for bags and containers of wheat.

Mr G. Taylor—Bags and containers generally account for between three and one per cent.

Senator O'BRIEN—How much of that is AWB responsible for?

Mr G. Taylor—The actual detail of AWB International's exports in containers is not something that we have been able to make public in the past. The statistics that WEA does make publicly available are statistics that it purchases from the Australian Bureau of Statistics, which are public information.

Senator O'BRIEN—I am not asking for actuals but I am asking for proportions. Are you saying that you are unable to give me their trade as a proportion of the total bag and containerised trade?

Mr Walter—Could we take that on notice? We are happy to provide as complete a response as we are able to.

CHAIR—You might also take on notice whether there have been instances of either AWB or AWB(I) having a container or bag market where a trader has applied for the same bag or container market and has been knocked back by the process. If they are both vying for that market, a cynic could say that they have a veto opportunity on the market. Where they and Joe Bloggs Pty Ltd may have identified the same market, Joe Bloggs applies for the permit and gets knocked back.

Mr Walter—But you would not, I would suggest, be saying that there was any issue with that if it were AWB(I) who were in fact doing that, I think. In other words, our guidelines provide for primacy for AWB(I) strategies and markets. I am happy to take it on notice but, consistent with our guidelines, we actually do give primacy to AWB(I).

CHAIR—In other words, it would be some sort of market power there that they could exercise to manipulate smaller operators out of that market.

Mr Walter—Inherent in the single desk in our guidelines is a recognition of AWB(I)'s power.

CHAIR—I guess that most people would relate that to the 90-whatever-it-is per cent in bulk sales et cetera. If everyone is agreeable, the committee will now suspend for dinner.

Proceedings suspended from 6.30 p.m. to 7.34 p.m.

CHAIR—We are now dealing with the National Food Industry Strategy.

Senator STEPHENS—Mr Souness, would it be fair to say that, after a slow start, the National Food Industry Strategy is now up and running?

Mr Souness—Yes, I think that is accurate.

Senator STEPHENS—Can you outline for me the funding arrangements for the strategy, please?

Mr Souness—The strategy encompasses a budget of \$102.4 million over five years, spread across a range of initiatives. A private company, National Food Industry Strategy Ltd, has been contracted to deliver a proportion of that strategy. From memory, the amount of the budget was about \$75 million, covering strategies including food innovation grants, centres of excellence, chains projects et cetera. I can give you the list, if you like.

Senator STEPHENS—To clarify that: \$75 million—

Mr Souness—Of the \$102.4 million is delivered by the private company. The remainder of the funding is delivered through initiatives by the Department of Agriculture, Fisheries and Forestry.

Senator STEPHENS—Where have the private company's funds been raised from?

Mr Mortimer—It is funded by the government, essentially.

Senator STEPHENS—Is industry contributing at all?

Mr Souness—The government contributed the \$75 million to the company to deliver the initiatives, but a number of the initiatives, such as the Food Innovation Grants Program, are co-funding arrangements. A business will apply for a grant for research and development, for example, and the company will contribute an equal or greater amount, so industry contributes in that manner.

Senator STEPHENS—Remind me about the review arrangements for the program.

Mr Souness—There is a mid-term review scheduled for the strategy, and the planning for that review has commenced. The review itself will commence in July this year, and the draft time line we have at this stage will take completion of that review through to April next year.

Senator STEPHENS—What is the expected life of the program in its current form?

Mr Souness—It is a five-year program, taking us through to the financial year 2006-07.

Senator STEPHENS—How is the organisation accountable to the government for the public funding that it receives?

Mr Souness—There are two parts of the initiative. Those that are delivered by National Food Industry Strategy Ltd are overseen by a company board composed of the key shareholders in the company. The board works to the National Food Industry Council, which is chaired by the minister and has representation from both the Australian government and industry. The National Food Industry Council gives strategic direction to the strategy and guidance to the company and the department in the way it delivers its initiatives.

Senator STEPHENS—Who are the board members?

Mr Souness—I would have to take that question on notice, if that is okay, because there have been some recent changes.

Senator STEPHENS—Certainly. Thank you. Is there a statutory funding agreement in place?

Mr Souness—There is a contract in place that is administered by the department.

Senator STEPHENS—Is it possible to have a copy of that contract?

Mr Souness—Yes, that is available.

Mr Mortimer—I think we will take that on notice. I am not sure whether that has been previously provided or whether the minister might wish to give a view on that. I know this issue has been discussed at previous Senate estimates hearings.

Senator STEPHENS—Thank you very much, Mr Mortimer. Thank you, Mr Souness.

ACTING CHAIR (Senator Buckland)—We will now move on to the Tasmanian Wheat Freight Subsidy Scheme.

Senator STEPHENS—Mr Pittar, what discussions have taken place between the department and the Department of Transport and Regional Services in relation to that Tasmanian Wheat Freight Subsidy Scheme?

Mr Pittar—There have been discussions with the Department of Transport and Regional Services on occasions in relation to the operation of the Tasmanian Wheat Freight Subsidy Scheme.

Mr Mortimer—There was a review a couple of years ago, and the government foreshadowed in last year's budget that it was looking at new arrangements in the light of that review. Those discussions led to the government's decision in this year's budget.

Senator STEPHENS—Are you able to be a bit more specific about the discussions, other than about the review?

Mr Mortimer—They were the sorts of discussions that departmental officials have about options and possible courses of action relating to what the government might wish to do.

Senator STEPHENS—I presume that they also discussed the future of the scheme.

Mr Mortimer—Essentially, officials look at options, put options forward, give advice on those and the government makes its decision in the light of that advice.

Senator STEPHENS—What is the future of the scheme?

Mr Mortimer—Senator Abetz made a statement a couple of days ago which sets out the government's decision on that, where he said that the scheme had been 'saved', I think his word was. Essentially, he said it will continue indefinitely.

Senator STEPHENS—Indefinitely?

Mr Mortimer—That is what Senator Abetz said.

Senator STEPHENS—Has there been a discussion about whether or not the Tasmanian Freight Equalisation Scheme will be amended to provide assistance for containerised wheat?

Mr Mortimer—Are you asking about before or post the budget?

Senator STEPHENS—After 30 June.

Mr Mortimer—There were discussions. You will be aware that in the budget documentation it was announced that the scheme would be amended and the previous Tasmanian Wheat Freight Subsidy Scheme would be rolled into the Tasmanian Freight Equalisation Scheme, which would have meant changes. That led to more information and advice being put forward by a number of industries and relevant bodies in Tasmania and, in the light of that, the government has decided to reconsider the position. That has led to the statement being made by Senator Abetz which I referred to.

Senator STEPHENS—That statement was post budget?

Mr Mortimer—It was 19 May.

Senator STEPHENS—The budget statement indicates, on page 29, that there is funding of \$1.2 million through at least until the end of 2004-05.

Mr Mortimer—That is right; that number is given there.

Senator STEPHENS—In terms of Minister Abetz's statement about continuing indefinitely, where would you anticipate that the funding in the forward estimates would come from?

Mr Mortimer—As you have noticed, there is a number provided in the budget estimates for the Department of Agriculture, Fisheries and Forestry. You would also be aware that there was funding provided for the revised scheme in the Department of Transport and Regional Services papers. I think it is fair to say that the funding is certainly available.

Senator STEPHENS—In Transport and Regional Services it actually suggests that the funding will cease on 30 June 2004, doesn't it?

Mr Mortimer—No. The statement from the parliamentary secretary to the Deputy Prime Minister, which was part of the budget package, referred to additional funding of \$2 million being provided to allow the wheat freight subsidy to be rolled into the Tasmanian Freight Equalisation Scheme.

Senator STEPHENS—And that was in Minister Anderson's statement?

Mr Mortimer—That was in the budget documentation for the Department of Transport and Regional Services.

Senator STEPHENS—Can you advise whether this scheme attracted the interest of the departments of finance and treasury as a savings option?

Mr Mortimer—No. That is a budget matter which I cannot comment on, thanks very much, Senator.

Senator STEPHENS—But I understand it was part of the expenditure review process.

Mr Mortimer—I cannot comment on that.

CHAIR—They are nice crisp answers, those!

Senator STEPHENS—Perhaps Senator Troeth might like to make some comment about that.

Senator Troeth—I cannot comment on that either.

Senator STEPHENS—I will move on then, to the Victorian data assistance strategy.

Mr Banfield—Senator, that is a forest issue. I suggest that you raise that question when Fisheries and Forestry are at the table.

Senator STEPHENS—Thank you.

[7.46 p.m.]

Senator STEPHENS—We now move to market access and biosecurity. Ms Harwood, I am sure you are very aware that, since your appearance before the rural affairs committee on the Philippines bananas IRA, on 8 March, sharply contradictory evidence has been given to the committee by the panel members Mr Peasley and Dr Bob Paton on your statements as to the status of the report. I remind you that you said at that time that it was a consensus report and then, when pressed, said:

‘Consensus’ means that all persons present agreed to the report being released, that it is a reflection of their scientific judgment and that it reports accurately their outcome.

You were specifically asked by Senator Boswell that evening how many people disagreed and you replied:

I did not say anyone did.

A little later you said:

... they all agreed that this was the report that should go out as the judgment of risk and recommendation of measures in relation to bananas from the Philippines.

Ms Harwood, from this and the other evidence, including the tabled documents, are you now prepared to admit that your answers were not correct?

Mr Banfield—Mr Chair, can I raise a point of process here?

CHAIR—Most definitely.

Mr Banfield—The questions addressed to Ms Harwood, as I understand it, Mr Chair, were raised in the context of the separate Senate inquiry process into bananas. My understanding of the way that this committee has normally operated is that, where there have been separate inquiry processes, they have not been dealt with in this committee; they have been dealt with in the separate inquiry process. My recollection was that this process was followed in the case of Australian Wool Innovation and, I suspect, other cases as well. My suggestion is that, in a procedural sense, these questions are best dealt with through the separate process, through the Senate inquiry process.

Senator BOSWELL—On a point of order: the estimates process is a process that allows members of the opposition and members of the government or of the coalition to seek out information. It is a very open process. It is not a process that I believe has any limitations on it.

CHAIR—What you are going to say in the long term I will put in the short term. There is nothing in the standing orders that prevents these questions being asked but, in view of the fact that we have only got until tomorrow night and these are questions that obviously will be asked in another place at another time, I would have thought that we need not dwell unduly on these questions—but we may. I do not see any harm if you spend five minutes or so on a few questions along these lines, but I agree with Mr Banfield that there is another time and a place. There is duplication. Obviously some people get excited about doing it every time there is an opportunity, and so, just to wear off a bit of that excitement, we might stand a few little questions and move away from this. I am not going to spend more than a few minutes on it.

Mr Banfield—My comments were really in the interests of efficiency of the committee's work.

CHAIR—I understand that.

Mr Banfield—And I understand the comments that Senator Boswell makes.

CHAIR—They were perfectly valid comments by Senator Boswell, but—

Mr Banfield—We do have a separate inquiry process where all the issues associated with this particular IRA are considered in that context and, as I say, my suggestion is that that is the appropriate place to deal with this issue, and not at a Senate estimates committee. But I understand the point that Senator Boswell makes.

CHAIR—It is sort of on the public record that the reason we have not scheduled another banana hearing is that we are waiting on the addendum, and because we are waiting on the addendum I will rule that we will stand five minutes of questions and move away from it if we can.

Mr Wonder—Senator, does that mean you will be raising these matters in the other forum as well?

CHAIR—There are, as you would know, Mr Wonder, no real restrictions.

Mr Wonder—I understand that. I was just trying to clarify it.

CHAIR—There may be some duplication, but this is just so that everyone feels they have had a fair go. If we spend less time arguing about what we are going to do and just do it, we will move on.

Senator Troeth—Could I also simply reinforce Mr Banfield's point about the earlier precedent set by the AWI, the Senate inquiry, and the way in which those were dealt with.

CHAIR—Yes, I accept that.

Senator Troeth—If that happened then, I see no reason why that should not happen now.

CHAIR—There needs to be some judgment by this committee, but I think, in fairness, Ms Harwood would be disappointed if she did not get a couple of questions!

Senator Troeth—So approximately five minutes, Mr Chairman?

Senator STEPHENS—Perhaps we should let Senator Boswell have his five minutes further questions while I sort out the five minutes that I will take for mine.

Senator BOSWELL—Ms Harwood, can you tell us when the new addendum will be presented to the banana growers, or the correction will be put out to the banana growers for comment?

Ms Harwood—The expert panel is still working together on the addendum. I expect they will complete their work on that shortly.

Senator BOSWELL—On a number of occasions, in various ways, I asked you if everyone agreed with the report and if it was the view of all the seven people on the committee. I will just refer to your answers:

They keep at it until they have an agreed position, which they will record in the report; that is it.

Then you said:

That is not the sort of consensus that I am talking about here. This panel genuinely agreed as a group of seven scientists that this report represented their judgment—

Dr McRae said:

No. It means that the document that was released was agreed to by all seven members of the IRA team. All seven members agreed that this document should be released to the general public ...

We accept that, but the first part of the statement means that the documents that were released were agreed to by all seven members of the IRA team. Later you said:

Let me explain. 'Consensus' means that all persons present agreed to the report being released, that it is a reflection of their scientific judgment and that it reports accurately their outcome.

And then you said:

This panel genuinely agreed as a group of seven scientists that this report represented their judgment—

Then I said:

Did they sign off as agreeing with the report?

Dr McRae said yes. Then I said:

There will be a question asked in the state parliament about this, and I want you to be very careful. Did Dr Rob Allen, plant pathologist at the Queensland DPI, and Dr Bryan Cantrell ... sign this report as agreeing to the IRA?

You replied:

Yes. They agreed with this report and they agreed with its release.

I said:

So, who didn't? You said it was consensus report: who didn't agree with it?

You replied:

Everyone agreed with the report and with its release.

I probably could find other things if I went through them, but that is clearly not the case. We have had evidence from two scientists. One said that he had a minority report in, and you

knew it was in. The other one, Bob Paton, said that he emailed you, saying that he did not agree with the report. We are in pretty serious water here. Can you explain why you said on a number of occasions that everyone agreed with the report, when clearly they did not agree with the report?

Ms Harwood—I would like to restate the facts about the release of the report. All members of the expert panel agreed to the release of the banana report.

Senator BOSWELL—Absolutely. You have no disagreement with anyone here.

Ms Harwood—May I continue, please?

Senator BOSWELL—You can continue and I am very interested in what you say. But then to jump from that to saying that everyone agreed with it—

Senator Troeth—Senator, perhaps you could let Ms Harwood finish.

Ms Harwood—The panel discussed minority and majority views and whether to include them in their report. They agreed that they wished to issue a single report as a revised draft for stakeholder comment. None of them sought to have minority views included or published with the panel report. The revised draft IRA report, as it stood, was released by Biosecurity Australia on that basis.

On 8 March I was asked many questions about the release of the report. I said then that all members agreed to the release of the report, and that remains our view. On rereading the *Hansard* of 8 March, preparing for this hearing, I could see a couple of instances where my responses could be read as giving the impression that all members agreed with the entire contents. Some members held minority views. However, all members agreed that the report in its entirety, as it stood, should be released, as their report, by Biosecurity Australia.

The evidence that I gave on 8 March described in good faith the expert panel's concurrence that the report as it stood should be released for public comment and that none of the expert panel at that time had sought to have minority or majority views included in that report. Also, as at 8 March, some time after the release of the report, none of them had wished to have their minority views made public.

The committee asked me many questions on 8 March, and my intention was to give an accurate, factual description of the release of the banana report. I am concerned at any misunderstanding that interpretation of my answers to some particular questions may have created. The fact is that the report was released on the basis that all expert panel members wished that report to be their—

CHAIR—There was unanimous agreement that the report be released, rather than agreeing on what was in the report.

Ms Harwood—That it was their—

CHAIR—To put it in 10 seconds instead of 10 minutes.

Ms Harwood—best collective judgment of science that they wished to have released.

Senator BOSWELL—We are not contesting that point. We all agree with it. We have agreed with it for the last three meetings.

CHAIR—This is just using up your five minutes, Bozzie.

Senator BOSWELL—You have now conceded that you were wrong or could have been wrong.

Ms Harwood—I have conceded that some of my answers to the many questions we were asked that night could be taken as reading that they agreed with the entire contents of the report. There were minority views but they actively chose not to include them in their report.

Senator BOSWELL—Absolutely, but you were aware that there was a minority report.

Ms Harwood—And I was also aware that the panel, together, chose to release the report as a single document.

Senator BOSWELL—But that is not the question. What you said to me was:

Yes. They agreed with this report and they agreed with its release.

Four or five times you said, ‘Yes, they agreed.’ Now we find out, through further questioning, that they did not agree. There were at least two people that did not agree. One put in a minority report and the other one contacted you in some way. So two people, before 8 March, told you they did not agree with the report.

Ms Harwood—And those two people said that they wished a single document to go out as the report.

Senator BOSWELL—Absolutely, but that was not the question I asked you. The question I specifically asked you—and you can go around the mulberry bush as long as you like—was, ‘Did everyone agree with the report?’ You said, ‘Yes, everyone agreed with the report and its release.’ That, quite frankly, is incorrect. You cannot dance around that one. It is so simple, it is so basic: ‘Yes, everyone agreed with the report and with its release.’ That, to anyone, would say everyone agreed with what was in the report, yet we find that there were two people who told you they did not agree with the report. Then we had Minister Palaszczuk virtually say they did not, but I admit there is some wriggle room there and we will not contest that. But there was no contest as far as Bob Paton and David Peasley were concerned. They were very up-front and said there was a minority report and, ‘I faxed or emailed and told them that I didn’t agree with the report.’ You cannot dance around it. It is in black and white three or four times.

Senator Troeth—Could I suggest that there could well be a difference between a minority view and a minority report.

Senator BOSWELL—Absolutely.

Senator Troeth—I do not know that we have yet established that there is a minority report, but I still think this should be left to the committee.

CHAIR—In fairness to all, it would be reasonable—wouldn’t you agree?—if the committee of that inquiry felt misled. You could put an interpretation on what was said that we could have been misled.

Ms Harwood—Yes, I acknowledge that. As you know, we had several hours of intense questioning on this exact matter. I acknowledge that a couple of times my answers may be construed as reading that ‘all members agreed to all’—

CHAIR—Let us just hurry this along.

Ms Harwood—I acknowledge that.

CHAIR—The facts are that two or three out of the seven people on the committee disagreed with a lot of the content of the report.

Ms Harwood—No, that is not the case.

CHAIR—It's not?

Ms Harwood—No.

Senator BOSWELL—That is not what they told us.

Ms Harwood—There were minority views in relation to some particular aspects of the report. In the case of Mr Peasley, he had given an outline of his minority views to the chair and he was asked whether he wanted those included. I asked him if he wanted them published with the report and he said he did not.

CHAIR—Were there any particular issues—

Ms Harwood—Can I continue, please? Mr Paton sent an email to the chair of the panel, not to me. It was in the matter of restricted distribution and the language of the report, as he acknowledged in his evidence the other day, was strengthened, reflecting those concerns. But in both cases they actively chose together to issue a document and they said it was their wish that a single document go out and that that be the basis for consultation.

CHAIR—Yes, we understand all of that. So did the Lower Balonne Community Reference Group. They disagreed with what was in it but they agreed to get it out there.

Senator BOSWELL—My questions to you were specific: 'Did everyone agree with the report? What was in the content of the report?' You said, 'Yes,' knowing full well that there was a minority report already in. I have not seen the email, but I will ask the committee to give it to us. There was an email from another gentleman saying that he did not agree with the report. Yes, they agreed to get it out, but that is not the question I asked you. The question I asked was, 'Did everyone agree?' and you said, 'Yes.' Now we find that at least two do not, and there is a possibility that some others do not. I find it quite disturbing when a senior public servant makes those statements. Let us leave it at that. I am very disappointed.

CHAIR—For my curiosity, if there were two or three of these people who have given evidence to us that perhaps they did not agree with the full content of the report, were there any issues in the report where two or three of them would have agreed that they disagreed on a particular issue so that it might have been a four to three split on an issue? How do you make a judgment on the unanimity of the report if you have nearly a majority of people disagreeing with particular parts of the report? Do you have a vote or do you draw it out of a hat? How do you make a decision?

Ms Harwood—First of all, I was not present at all of the panel's discussions.

CHAIR—But you are responsible for the outcome.

Ms Harwood—I was aware that, on the matter of moko, Mr Peasley held a view different from the rest of the panel. He himself has acknowledged that in his evidence.

CHAIR—He was on his own in disagreement?

Ms Harwood—That is correct, as I understand it. I said to him, ‘I’m quite happy to publish your minority report with the document when it goes out, so that people can see it,’ and he said: ‘No. Put the report out as it is. Let us have public comment on essentially the single report, the revised draft IRA report. Let that be the basis for consultation and for moving forward.’

CHAIR—Were there issues on which more than one disagreed on a point? You might provide us with the answer on notice.

Ms Harwood—Yes. I do not feel comfortable discussing the panel’s views here when I am not the chair of the panel. It is not appropriate.

CHAIR—Senator McLucas.

Senator McLUCAS—Thank you, Chair. I think I heard you correctly, Ms Harwood, when you said that, ‘None of them have sought that minority views be represented.’ Is that what you said?

Ms Harwood—None of them asked for them to be published with the report or made public, and they still had not as at 8 March when that hearing took place.

Senator McLUCAS—I will reflect on that, because I understood that there was an email from—

Ms Harwood—That was a confidential email from one panel member to the chair of the panel.

CHAIR—Emails are never confidential. That is why I have never sent any.

Ms Harwood—None of them had sought to have their minority views published with the report when it went out. I had actually asked David Peasley because I was aware of his minority views because he had written them down and he did not wish them to be published. He said he wanted the report to go out as it was. As at 8 March, as far as I am aware, none of them had made their minority views public, and I was respecting their collective wish to have a single document as the basis for consultation for moving forward on this IRA.

Senator McLUCAS—I will go back and review the *Hansard* of the committee, because I do not think that quite fits with some of the evidence that we have received. However, you would be aware that our committee spent a long time ascertaining whether or not this was agreed by the group to be released—not only to be released but agreed on the content of it. We have spent an enormous amount of time digging around to find that out. Do you consider it would have been a better strategy not only for our committee to have had the information that not all members of the committee agreed with the content of the report but in fact the industry, because the industry has spent a long time contacting individual panel members to ascertain whether or not they supported the content of the report?

We have spent an enormous amount of time undertaking an analysis of the opinions of all of those panel members, calling into question some of their science that the report’s findings were based on. There has been a question raised about whether or not some scientists would consider being members of panels in the future because of this sort of scrutiny that each panel

member is put under after a report is released. Wouldn't it have been better to release the report, acknowledging that not all panel members agreed with all of the recommendations of the report? In that way, a more honest consultation would have been able to be had with all of us who are interested in the potential import of bananas from the Philippines.

Ms Harwood—I find that a difficult question to answer, because at the time the panel talked over the issue of the fact that there were still some particular issues on which there were differences of view, and in particular on the issue of moko and Mr Peasley's difference with the rest of the panel. They themselves said that they wished to put out a single document. I understood their preferred path to be to release the document to go out for full public scientific scrutiny as it stood, with full technical challenge from whoever wished to, and they would then move forward together, working through the issues, taking on board all of the comments that they received on that document. It was only sometime afterwards that panel members who had held that view then and sought to pursue that path together indicated their minority views publicly.

Senator McLUCAS—I do not know that that is actually true, Ms Harwood.

Ms Harwood—Sorry?

Senator McLUCAS—I do not know that that is true in the time line, because I understood that there was an expression about a difference of opinion from at least one panel member much prior to the release of the report.

Ms Harwood—That is correct. I am not trying to say that that did not occur; it did. They actively discussed whether they wished to include minority or majority views in their report. As a group together they discussed that, and they came to a view that they wished to put out a single document for public comment which did not include reference to minority or majority views.

Their viewpoint was to put that report out and to have comment on it and it would have the full flow of technical comment from all viewpoints on the recommendations. It also has a comprehensive account of the science and biology of these pests and, in many cases, the evidence in different directions in relation to particular aspects. They were saying, 'Put that whole body of scientific work out for comment,' and they would work forward from there, acknowledging that they still had some differences within the panel, but they would seek to resolve those in the light of comments they received on that draft.

That was the path I understood they wished to follow and I respected that in the evidence I gave on 8 March. It was after that time that particular minority views were made public. All I can do is explain the thinking at the time, which was that they saw that as a constructive path forward for taking this analysis through to its conclusion.

Senator McLUCAS—But the substantive question is: in retrospect, would it not have been better, not only for the purposes of the Senate inquiry, but more broadly for there to have been an acknowledgment at the outset so that distrust was not encouraged by banana industry people, us as Senators sitting on the inquiry having to peel back and finally ascertain that there was not unanimity?

Mr Banfield—Senator, can I add a comment here. The issues that you raised were discussed at the Primary Industries Ministerial Council last week on the 19th. There was quite an extended discussion between the federal agriculture minister and state ministers of agriculture about this particular issue. Can I just read, for the benefit of the committee, from the communique of that meeting which I think explains where certainly the federal and state ministers came from:

The Primary Industries Ministerial Council reaffirmed its endorsement of Australia's science based Import Risk Assessment (IRA) process. Ministers supported the independence and professionalism of scientists involved in the IRA process. Ministers reaffirmed the importance of this scientific independence in the biosecurity process. Ministers noted that scientists involved in the IRA process are independent and are not representing their jurisdictions. Council also agreed that scientists, in preparing their draft and final reports, should have the opportunity to incorporate their various views. Ministers also noted that under WTO guidelines only scientific aspects are to be considered in the IRA process. Ministers stated however that Australia must sustain its strong appropriate level of protection. Ministers also noted the importance of protecting regional pest and disease freedom.

The purpose of reading that out, Senator, is that there are issues going to the independence by publicly releasing the particular views of individual scientists in that process and that was the basis of the communique and the resolution then. I thought I should share that with the committee, because it did represent the end result of quite a substantive discussion that ministers had last week on this very issue.

Senator McLUCAS—Mr Banfield, what I am suggesting is not actually in conflict with that. I am not suggesting that the name of the particular panel member should be allocated beside a particular view. But what I am suggesting is that the principle, that the report was not unanimous, should have been communicated and in doing that there would have been a level of honesty and trust that is not existent at the moment in terms of this IRA. I have said repeatedly that it will always be a difficult process when there is an application to import any food into this country, especially from those people who produce it here. But the way we have to go is to make sure there is a total transparency on the process and the faith and trust we put in those individuals as scientists who appear on those panels, cannot be questioned. I am afraid that in this process this has occurred.

Mr Wonder—I come back to your question as you put it. You asked Ms Harwood, as I heard you, with the benefit of hindsight whether she might have deployed a different approach. To my way of thinking that question is an impossible one for Ms Harwood to answer because it is the panel that is in fact in the situation of making judgments and working together on how they want to go forward. Going to an individual and asking, 'Would you have taken a different approach?' we could ask everyone on the panel that question and you might receive a half a dozen different answers.

Senator McLUCAS—Can you just confirm the process for me then? The panel reports to BA and BA reports to the minister. Is that correct?

Ms Harwood—Yes, the panel reports to me as executive manager, not to the minister.

CHAIR—I am going to call a stop to this for a second. We are going to have a private meeting. When you made those comments, which I think a reasonable person on the

committee that you were reporting to could feel hoodwinked them in some ways, did you know that all this disagreement was in the panel when you made those remarks?

Ms Harwood—I knew people held minority views.

CHAIR—But did you know the details of that?

Ms Harwood—I knew the issues on which there were—

CHAIR—So you were fully aware there were—

Ms Harwood—Mr David Peasley held a different view, but I was operating on the basis that they had made a collective and very conscious decision to release a single report and to proceed working together to resolve differences into a final report.

CHAIR—I understand that.

Ms Harwood—I would just like to comment that in relation to a final report, I would expect the panel to come to a unanimous view and, if they do not, or if they cannot, then we would make those differences of view basically clear in the report.

CHAIR—So in theory and from what we have heard, they will not come to a unanimous view. I do not know whether they work like a jury, or whether you toss a coin, pull it out of a hat, or draw straws. But I will now adjourn for a short private meeting and we will come back.

Proceedings suspended from 8.22 p.m. to 8.25 p.m.

CHAIR—We will now keep going. The quicker we ask the questions, the sooner we get out of here. I think Senator Boswell has some questions.

Senator BOSWELL—You, like the banana industry and every other industry that has an interest in this issue, would have read the *Hansard* and you would have read what you said. You have said there that it could be construed that what you said misled the committee. When you realised that, why didn't you write a letter to the committee and say, 'On such and such, and such and such, I may have inadvertently misled you,' or at the next Senate committee hearing why didn't you then tell us that what you had said was incorrect? Why did you leave it to tonight when you knew the questions were coming up? If someone makes a mistake in the Senate or in the House of Representatives, they immediately go back and correct it. That is parliamentary procedure. I would have thought the same would apply if you realised, to put it bluntly, that what you said was incorrect, and you would have come back and said, 'I did make a mistake, I am sorry.' But you did not do that. You had to wait till Peasley and Paton went before a Senate committee and said they disagreed. When it is proved that there is a disagreement, you come back and say: 'It may have been misconstrued. What I said was incorrect.'

Ms Harwood—I reread the *Hansard* in preparation for this hearing.

Senator BOSWELL—Are you telling me you didn't read the *Hansard*?

Ms Harwood—I reread the *Hansard* in preparing for this hearing. You will recall there were many hours of questioning, and there are a couple of instances here where I have used words which I acknowledge can be construed as meaning that there was an agreement with the entirety of the report, as distinct from releasing the report.

Senator BOSWELL—I am surprised that you waited two months before you read what you did say. Most people would get the *Hansard* the day it was out and go through it, but that is up to you. Are you aware of a document in relation to ABC News Regional Radio, New South Wales *Country Hour* of 12 May?

Ms Harwood—I do not know what you are talking about.

Senator BOSWELL—It is an interview with David Peasley. Peasley said:

I said I was still not agreement with the findings of the report and that I would like the ... I'd support the release of the draft. Because I thought that we'd gone far enough with discussions on the panel, they knew that I wasn't agreeing with the report. I wasn't going to convince them and they weren't going to convince me so I thought it was only fair that the report be put out to stakeholders to get their comments in at that stage.

The reporter said:

So were you offered at that point to have your minority report released along with the draft ...

Peasley replied:

No, no, no, I wasn't, that ... if that offer was made, I certainly would have recorded it in my diary because I recorded everything that's been a valuable record of events. And the offer wasn't made then and it certainly wasn't made at the teleconference. The last time we met was in September.

That is another statement from Peasley that conflicts with your statement tonight.

Mr Banfield—Mr Chair, my understanding is that Ms Harwood has not seen a copy of the transcript that Senator Boswell is referring to. In order for Ms Harwood to respond to that, it is not unreasonable that she should have the opportunity to have a look at that in writing rather than respond to an oral question now.

Senator BOSWELL—Absolutely! It seems to me though, with due respect—

CHAIR—Senator Boswell, you are starting to be a bit repetitious. Can I read from the transcript of the earlier hearing? In this earlier hearing, I said: 'Calm down, Senator Boswell. I would like to make the point that just because somebody agrees to the release of the document it does not necessarily follow that they agree with what is in it.' That is all eminently sensible. Ms Harwood, you said:

In this case, we expect our expert panels to continue until they are, together, satisfied that this is their collective and unanimous assessment of risk.

That all sounds reasonable to me too. Then I said:

You expect that, but do you know that?

Then Ms Harwood said:

And that is what they did with this report. They all agreed that this was the report that should go out as the judgment of risk and recommendation of measures in relation to bananas from the Philippines.

That imputes that they agreed with what was in the report, as well as a unanimous decision to release the report. That imputes that, to the best of your knowledge, they all agreed that this was a report 'that should go out as the judgment of risk and recommendation of measures' et cetera. That is a very fine play on words, but I think it was an unfortunate choice. You knew at that stage that not everyone agreed with everything in the report.

Ms Harwood—Yes, I knew that there were panel members who held minority views.

CHAIR—Can you understand from those words why Senator Boswell and others are a bit exercised about the whole thing? I think it is a no-brainer. That is just the way it came out, and people put a different interpretation on a very fine set of words.

Senator Troeth—I think Ms Harwood has already agreed that it would have been possible for people perhaps to draw a different conclusion. We need to leave the substantive part of this to the Senate committee inquiry.

CHAIR—We are not going to draw any conclusions tonight, I can guarantee that. Senator Boswell, would you like someone else to have a shot for a while?

Senator BOSWELL—I was supporting you, Mr Chairman. I say, yes, they agreed with the report and they agreed with the release. I do not see how you can put any other construction on that sentence.

Senator McLUCAS—I understand there has been a change recently in the guidelines that are provided to risk assessment panels. Under the former guidelines, it was clear that any dissenting view had to be reported, but there is a new set of guidelines. Is that correct?

Ms Harwood—There was an original import risk analysis handbook published in 1998. That was the first manifestation of it after the Nairn review. The handbook was reviewed in consultation with stakeholders, commencing in 2001, but it took some time, with some successive drafts released and public consultation. A revised edition of the handbook—which is this one which I understand all of you have a copy of—was released, from memory, in September 2003. It may have been October. This is now the *Import risk analysis handbook*.

Senator McLUCAS—But the point I am asking you to respond to is that, under the previous handbook, if there was a dissenting or alternative view by any of the risk assessment panel, that had to be reported in the report to you or to the position that you hold. That has changed.

Ms Harwood—I understand that in the previous guidelines the document presented the option. It said that the minority or majority views could be included. This handbook is silent on that matter. It does not say either way.

Senator McLUCAS—Can you tell me why there has been that change in policy? You did not just forget it; that is obvious.

Ms Harwood—I would have to take that on notice because I do not recall how or why that change occurred. This document has been prepared through a lengthy process of consultation and cleared by the state and Commonwealth members of the Senior Officials Committee in Agriculture and the ministers, and the final text as it stands was cleared by them.

Senator McLUCAS—Who drafted the new handbook?

Ms Harwood—The work on preparing the handbook was done by Biosecurity Australia, taking on board the comments from stakeholders, and then it was circulated once or twice for input and comment by the states, by industry and by others.

Senator McLUCAS—It is such a significant change that I cannot imagine it is just an oversight. I would appreciate your responding on notice, with an understanding of why we

moved from a position where there was a reporting requirement for any dissenting view to, as you described it, something that is silent on the matter.

Ms Harwood—Yes.

Senator McLUCAS—I think that is a fundamental change and I think if we had had the old guidelines we would not be in this situation now. That is a statement, not a question. You do not have to respond. During the inquiry it was put to us that this was the first time the new risk assessment methodology had been used, during the IRA for bananas. We were asking questions at the time about the spreadsheets. Can you give us some understanding of what that statement might have meant?

Ms Harwood—There has been a progressive evolution and development, essentially, of the methodology for assessing risk in a complex risk analysis of this sort: the modelling of the pathway, the partitioning of the pathway and then simulating the risk through modelling the pathway in detail, in a stepwise, probabilistic way. The bananas, apples and pigs are a sort of next generation—that is, they are all using a more advanced version of that methodology. It does represent a change from the methodology used before, in that it is more disciplined, more detailed and more transparent in the way estimates of likelihood are made and used in the modelling of risk.

Senator McLUCAS—But it is also true to say that an error occurred in the risk assessment for bananas.

Ms Harwood—That is correct. In the spreadsheet for bananas—it has a very large Excel spreadsheet that drives the modelling of risk—there was a single cell error.

Senator McLUCAS—And is it your assessment that it is because this is a new methodology that that error may have occurred?

Ms Harwood—I acknowledge that we should have had stronger quality assurance to check the spreadsheet modelling, to check that the model was a perfect electronic replica of the stochastic formula, the probabilistic formula, for calculating risk. I do not think it is a reflection of the methodology itself, although the use of a large and complex spreadsheet places an extra demand for quality assurance in terms of making sure that it is a perfect electronic replica of the actual formulae for estimating risk that underpins the assessment.

Senator McLUCAS—Who developed the new methodology? Was that a BA initiative? Have we purchased that methodology from another entity?

Ms Harwood—It was done within Biosecurity Australia.

Senator McLUCAS—What sorts of assurances are you having to provide to your minister that this will not occur again, that we have the capacity within BA to monitor error rates?

Ms Harwood—We have taken steps to ensure that there is an audit, essentially an electronic audit, of the models to ensure that they are a faithful replica of the formulae for estimating risk. They are very large, complicated spreadsheets and it is quite a laborious job to make sure that the final version of the model is a perfect manifestation of the formulae for estimating risk. We are taking steps to do that by both internal checking and using statisticians who have not been associated with the modelling to check the model independently to make sure that it is correct.

Senator McLUCAS—What I am trying to get at is that it is very new and there are a very small number of people, I dare say, who have the expertise to understand the statistics that are involved in such a new model. I am not being critical, but is it possible for any organisation to have the ability to provide that audit role, that extra layer of assuredness, that we all need?

Ms Harwood—I believe it is. In terms of developing a systematic audit approach, I think we can do that both internally and externally.

Senator O'BRIEN—A passage that troubles me about the *Hansard* of 8 March has already been put to you, but I want to put it to you again to hear what your response is, because—I apologise—I had to be at another committee. You told the committee that the report was a consensus report and, when pressed, you said:

'Consensus' means that all persons present agreed to the report being released, that it is a reflection of their scientific judgment and that it reports accurately their outcome.

You were specifically asked by Senator Boswell:

How many people disagreed?

And you replied:

I did not say anyone did.

In fact, what I have taken from your answers is that you knew at that time that a number of people did disagree. That is a fair comment, isn't it?

Ms Harwood—I knew that there were minority views on particular issues but that the panel had actively collectively decided to release the report as it stood for public comment. They chose to release a report, a single document, in which they did not identify minority or majority views.

Senator O'BRIEN—But you said:

... that all persons present agreed to the report being released, that it is a reflection of their scientific judgment ...

Ms Harwood—I am not sure if you were here earlier—

Senator O'BRIEN—I was not.

Ms Harwood—but on preparing for this hearing I read my answers again and I can see that they can be construed as meaning that they agreed to the entire contents of the report as well as with the report as for release. I acknowledge that.

Senator O'BRIEN—I am troubled by the specificity of the question:

How many people disagreed?

and your response:

I did not say anyone did.

Ms Harwood—That is a true statement. I did not say anyone did.

Senator O'BRIEN—But it was a statement which, more than any other, could be construed as encouraging the committee to believe that there was no disagreement within the panel.

Senator Troeth—Seeing we are so much into the rehashing of the *Hansard*, it could also possibly be taken to be—and I will leave her to make this judgment—that she was saying that no-one disagreed with the release of the report, given that that was what had been referred to in the previous question.

CHAIR—I thought it was a very handy use of words.

Senator BOSWELL—It may have been a handy use of words but this one is not even handy—it is very direct; it is explicit. No-one could disagree with it. It is just the use of English: ‘Everyone agreed with the report and with its release.’ Now we find two people do not.

Ms Harwood—And I have acknowledged that there are—

Senator BOSWELL—That is grade 3 English.

CHAIR—Yes, that is more explicit, I would agree.

Senator O’BRIEN—I have heard your response first hand, but thank you for that. Can I refer you to the document ‘Guidelines for import risk analysis’ issued as a draft in September 2001. Could you tell the committee what has been done to finalise that document over the last 2½ years?

Ms Harwood—They are draft guidelines. They are intended to provide technical guidance to the people conducting the import risk analyses to assist them in the scientific steps that they go through in estimating risk. Obviously what we do varies greatly between major risk assessment, such as bananas or pigmeat, and quite quick and simple assessments on simpler matters.

We have been looking at various areas of the guidelines themselves but I believe they will always be a work in progress because we are working in an evolving science which is developing around the world in terms of the best ways of doing import risk analysis and the approaches to it in terms of modelling risk in complex situations and dealing with how to manifest the disciplines set out in the SPS agreement in a transparent sequence of scientific steps. At this stage we do not have a final date in mind, which I think was the essence of your question.

Senator O’BRIEN—Yes, I can understand why your guidelines might constantly be capable of being reviewed. I do not understand why you would leave them on the record as draft, implying that they do not actually have any standing. That is not how I understood your answer just then.

Ms Harwood—They are in draft and they provide guidance to the scientists in Biosecurity Australia doing risk assessments as to the sequence of steps they need to follow and the discipline surrounding risk assessment.

Senator O’BRIEN—Do they have any binding force at all?

Ms Harwood—No, they have no status in a statutory or other sense. They are essentially a tool for the scientists to use in Biosecurity Australia to assist them in developing it.

Senator O’BRIEN—Perhaps I can rephrase my question. Do you expect import risk assessment panels to have regard to these guidelines?

Ms Harwood—Yes. They provide useful guidance to them in how to do the sequence of steps necessary for a sound risk assessment.

Senator O'BRIEN—Does Biosecurity Australia expect those guidelines to be followed?

Ms Harwood—They provide for a wide array of approaches to how to do risk assessment. They do not provide a sort of 'how to' one-way prescription, so in essence—

Senator O'BRIEN—Can I rephrase that and say: do you expect the panels to operate within the boundaries established by the guidelines?

Ms Harwood—We would expect them to have reference to them and to use them in their work. They are a tool to assist the panels and others doing risk assessment.

Senator O'BRIEN—Are there any areas in the guidelines where you would expect there to be significant alterations made?

Ms Harwood—As I said, import risk assessment is an evolving science. We have the most explicit methodology that I am aware of around the world, but, as developments occur in each phase of the process—in hazard identification, in assessing risk, in ascribing likelihood, in modelling risk, in partitioning the pathway and in assessing consequences—I think in all those areas we can expect there will be developments in the future where the guidelines may evolve, because it is frontier science, essentially.

Senator O'BRIEN—In some respects. But would you agree that every quantitative simulation of a risk will, at least to some extent, be an imperfect representation of reality?

Ms Harwood—You mean a quantitative modelling of risk?

Senator O'BRIEN—Yes, modelling simulation. I am not sure.

Ms Harwood—It is not possible to perfectly simulate reality, if that is what you mean, yes.

Senator O'BRIEN—Yes. In what circumstances would it be appropriate to determine the level of quarantine risk by having regard to the median point of an output distribution from a quantitative model of that risk?

Ms Harwood—Are you referring to the percentile—whether the 50th or 95th?

Senator O'BRIEN—Yes. In the case of pigmeat, apples and bananas, Biosecurity has used the 50th rather than the 95th percentile for all output distributions.

Ms Harwood—In situations where all the inputs to the model are judged on a very conservative basis, if all the steps in the import pathway as you are inserting the judgment of likelihood and the entry into the probabilistic model are already very conservative, as in the case of those IRAs, it is more appropriate to use the 50th percentile as a genuine reflection of risk than to use the 95th, which would give an unrealistic projection outside the bounds of biological reality.

Senator O'BRIEN—Yet the draft guidelines at page 93, as I am pretty sure you know, say: As a rule, it is recommended that the 95th percentile of an output distribution be reported. This conservative policy is based on a recognition that all models are (at least to some extent) imperfect representations of reality.

Who made the decision to use the 50th rather than the 95th?

Ms Harwood—I think the panels working on the assessments modelled the risk on that basis. I think Dr Banks has answered a question on that matter in the pigmeat inquiry, and I believe we may have answered it in the other ones as well.

Senator BOSWELL—Senator O'Brien said, 'Who made the decision?' He did not ask you, 'Did the panel work to the decision?' The panel may have been given that, but his question was fairly direct: who made the decision to go from 95 to 50?

Ms Harwood—As I said, we answered this question for pigmeat, for example, and Dr Banks explained that it was the panel working together that chose to use the 50th. I can ask him to elaborate, if you would like.

Senator BOSWELL—Let us go back to them. Were there any people that did not agree that you should use the 50th?

Ms Harwood—Not that I am aware of.

Senator BOSWELL—Did any of these people, like Paton or Peasley, say, 'We don't agree with the 50th'?

Ms Harwood—Not that I am aware of.

Senator O'BRIEN—In terms of the 50th percentile in the pigmeat case, can you remind us, Dr Banks, of the rationale for that?

Dr Banks—Yes. I think I answered questions on that at the Senate inquiry on pigmeat. If you take an extremely conservative approach—and do not use this literally—and take the equivalent of a 95th percentile in a biological sense and then you apply a mathematical modelling construct to that which takes a 95th percentile, you end up with an answer that suggests that diseases that we have been controlling very effectively for many years cannot be controlled, and that clearly does not match the reality of what we are able to control. We found that the 50th percentile was a much more appropriate mathematical construct to use in the situation where you are using very conservative biological assumptions.

Senator O'BRIEN—So why do the guidelines for import risk analysis refer to the 95th as a rule? Are you suggesting that in some significant respect the import risk assessment assumptions for the pigmeat IRA were more conservative than any other?

Dr Banks—I think that once we started to use these guidelines in a series of actual import risk analyses, we realised that it was more appropriate in each case to use the 50th rather than the 95th.

Senator O'BRIEN—Which import risk assessments have used the 50th percentile rather than the 95th?

Ms Harwood—Those done for bananas and apples. The bananas IRA in 2002 used it too. I do not think we have used the 95th in any of this suite of assessments. I think they may have occasionally used it in some aspects of the pigmeat modelling.

Senator O'BRIEN—Is it a mixture of usage: 95th somewhere and 50th somewhere else with the pigmeat?

Ms Harwood—Can you explain?

Dr Banks—The pigmeat ones are 50th, except in some very unusual cases where the risk estimates are heavily skewed over to one side of the graph, in which case—

Senator O'BRIEN—It does not matter whether you use either?

Dr Banks—No, a 95th percentile matches that better. In other words, we used the 50th unless there was an extremely good reason for using a 95th—where there was a very strong right-handed skew of a risk estimate, so the 95th matched that better.

Senator O'BRIEN—This is a quantitative estimate we are talking about?

Dr Banks—Yes, we use the term 'semiquantitative'.

Senator O'BRIEN—Ms Harwood, I take it you are familiar with the 1995 memorandum of understanding between the Commonwealth and the states on animal and plant quarantine measures, which defines both parties' commitments and obligations. That was the subject of debate at COAG in November 2000. The COAG members reaffirmed their commitment to work closely on quarantine matters within the framework of this memorandum of understanding. The members of COAG also agreed at that meeting to intensify dialogue on import risk analysis and other WTO related issues. At the end of 2000, at first minister's level, there was a strong commitment to work closely on import risk assessments and, subsequent to that resolution, there was also a resolution at the then ARMCANZ meeting in March 2001 in which agriculture ministers agreed to intensify dialogue on import risk analyses amongst other things.

Attached to the resolution from that ARMCANZ meeting there was a proposed revised import risk analysis process. There were a number of references to the involvement of the state CEOs in the process in that attachment. The first is at the time the analysis was being scoped and the second was when the final report was prepared. There is a formal consultative process in place in relation to IRAs. How does that work in practice?

Ms Harwood—Those recommendations for reflecting the close relationship between the Commonwealth and the states were manifested in the revised handbook that was released in 2003. First of all, all the state and territory agriculture departments or agencies are full stakeholders in the process, so they receive every document. Additional to that, we consult specifically with them at the start-up phase. Prior to initiation of an IRA, we have a conversation with them on the scope and potential approach to be taken in doing an import risk analysis. There is good communication with them about those issues prior to the commencement of an IRA.

The other point you mentioned was about the end of the process where there is a consultation with the state CEOs prior to release of a final—in fact, it occurs for a draft as well, where, there is a conversation between the secretary of AFFA and the heads of the state agencies on the impending release of the report.

Senator O'BRIEN—In relation to the banana IRA was there contact with New South Wales officers in addition to Mr Paton?

Ms Harwood—On technical aspects of the import risk analysis?

Senator O'BRIEN—Yes.

Ms Harwood—Yes. I would have to check, but I know there was conversation with them on various aspects of the risk assessment, seeking information from them on aspects of the way in which regulation applies in New South Wales on particular issues. There would have been consultation at a technical level as well as that higher level Commonwealth-state CEO level conversation.

Senator O'BRIEN—Did New South Wales officers express concern about the banana import risk assessment?

Ms Harwood—Could you be more specific? Who do you mean?

Senator O'BRIEN—The New South Wales agriculture minister, Mr Macdonald, told the New South Wales parliament that his department did not support the proposition put in the import risk assessment. He said that New South Wales continues to provide submissions against such findings and that action was in addition to Mr Paton's involvement. Do you have a number of submissions from New South Wales officers and the New South Wales government opposing the import risk assessment?

Ms Harwood—We are not at that stage. We would have received—I can check the records—a submission from the New South Wales agriculture department potentially on the issues paper that came out in 2001 and the draft IRA that came out in July 2002. We have recently released a revised draft import risk analysis report. New South Wales is a full stakeholder in that process and we would expect and welcome technical comment from the plant quarantine experts in New South Wales on that document. It would be a natural process for them to provide a submission on that. But there has not been a document out in the meantime for them to provide a submission on, so I am not quite sure what you mean by your question.

Senator O'BRIEN—I am asking you: have New South Wales officers or the New South Wales government made submissions opposing the draft import risk assessment?

Ms Harwood—I do not believe we have received a comment from them on the document yet, in that most people are waiting until the addendum is out before they provide technical comment on the package, so to speak.

Senator O'BRIEN—Has Minister Macdonald sought a meeting with Mr Truss in relation to the banana import risk assessment process?

Ms Harwood—I believe he may have, but I would have to check the records on that.

Senator O'BRIEN—Could you check that and tell us whether Mr Truss has responded to that request?

Ms Harwood—Yes.

CHAIR—We are going to have a 15-minute break.

Proceedings suspended from 9.04 p.m. to 9.19 p.m.

Senator O'BRIEN—Ms Harwood, can you tell me what the hold-up is with the addendum to the banana import risk assessment?

Ms Harwood—The expert panel has been working together on the addendum, but they have not yet completed their work. They hope to complete their work shortly.

Senator O'BRIEN—Would I be correct in saying that the consequences for the measurement of risk of the error are more significant than you first thought?

Ms Harwood—I do not think we expressed a view at that time. I think we said that, for some quarantine pests, some risk management measures might need to be strengthened. I understand that is still the case.

Senator McLUCAS—Ms Harwood, which pests in particular will have a changed outcome as a result of the work that the committee is doing on the addendum?

Ms Harwood—I think it is appropriate to wait until the addendum is out to discuss those matters—that is, the expert panel are the people who first need to work through those issues and come to their assessment of which pests might need a strengthening of quarantine risk management and the nature of what that strengthening may need to be. That is the first step. They will do that, and then that will be made public for everyone.

Senator O'BRIEN—The failure of Biosecurity to release an amended import risk analysis, despite the error being identified and corrected over two months ago, does raise with me further concerns about the integrity of the whole process. Biosecurity Australia released a statement on 17 March conceding that an error had been discovered in the calculations. In that statement Biosecurity Australia stated that the error had been corrected and its impact on the level of risk associated with the imports had been referred to the import risk assessment team for advice on what changes might be required to the quarantine measures contained in the draft report released in February. Can you tell me how many times that import risk assessment team has met or discussed by way of teleconference the implications of this error?

Ms Harwood—I believe they have had one face to face meeting and one teleconference together on that matter.

Senator O'BRIEN—Since 17 March?

Ms Harwood—Yes.

Senator O'BRIEN—They still have not concluded the matter, I am taking from your answer.

Ms Harwood—They are still working together on it.

Senator O'BRIEN—They have not concluded their consideration of the matter?

Ms Harwood—No.

Senator O'BRIEN—The error has been identified and corrected.

Ms Harwood—They are still working on their recommendations as to what quarantine measures may need to be strengthened for which pests.

Senator O'BRIEN—Ms Harwood, you are obviously very familiar with the import risk assessment handbook. In an earlier version, the one that still contained the routine and non-routine options, under the heading 'Risk analysis recommendations submitted to the Executive Director AQIS, it stated, 'The AQIS risk analysis team is expected to present its recommendations on the basis of consensus. If consensus is not achievable, differences of view will be clearly identified.' You have been asked about this before—that clause no longer appearing in the current handbook. Can you tell us when it disappeared from the handbook?

Ms Harwood—I have taken that question on notice. The current version of the handbook is silent on that matter. The handbook as it stands was cleared by Commonwealth and state ministers and state and Commonwealth CEOs of agriculture, as I said. I cannot recall the point at which that was no longer present in the text. We would have to do some sort of trace-back, if that is what you would like to know.

Senator O'BRIEN—How many times has the text changed since AQIS became Biosecurity Australia?

Ms Harwood—There was one issue with the handbook. The first issue of the handbook was released in 1998. That was the AQIS import risk analysis handbook. That was the first exposition of the process since the Nairn review. We commenced a review of the handbook in 2001 and the outcome of that review is this document, which was published in 2003. Essentially, there is only the first version and this, the revised handbook. Just to be clear, there were a number of drafts of the revised handbook released for public and stakeholder consultation, so it was quite an interactive process.

Senator O'BRIEN—Were they drafts for consideration?

Ms Harwood—Yes. It was sent out so that people in the states, in industry and our overseas trading partners—whoever wished—could comment on the revised draft version of the handbook.

Senator O'BRIEN—So that I completely understand, the handbook has remained unaltered until the review was concluded, until the current version?

Ms Harwood—Yes. We worked with the old handbook until the new handbook came into force in, I think, September 2003.

Senator O'BRIEN—Does it follow then that the change occurred at the conclusion of the review?

Ms Harwood—I do not know. I do not know whether it was in the first iteration, because there were documents released between 2001 and 2003. Draft versions of the revised handbook were released widely to the full stakeholder register for comment. I do not know when it became silent on the matter. Do you see what I mean?

Senator O'BRIEN—Yes. I am trying to understand. When you talk about them as drafts, they were not operative until the new handbook was released. Is that right?

Ms Harwood—Until it was finalised, the old one applied.

Senator O'BRIEN—In an operative sense, it was 2003 that that provision disappeared?

Ms Harwood—I see what you mean. Yes.

Senator O'BRIEN—The question of in which draft iteration it disappeared would be a matter of checking the various drafts.

Ms Harwood—Yes.

Senator O'BRIEN—It is possible to do that?

Ms Harwood—Yes.

Senator O'BRIEN—Is it possible to ascertain a rationale for its disappearance necessarily?

Ms Harwood—Not necessarily, but we can certainly see the sequence of drafts.

Senator O'BRIEN—It may have been inadvertently omitted.

Ms Harwood—Yes. I cannot account for it.

Senator O'BRIEN—I would like to follow-up some questions on horticulture and the free trade agreement from the last hearings. Mr Morris, I think you told us last time that Biosecurity Australia prioritised its work on dealing with quarantine related access problems in the USA based on the priorities of the industry. You referred to avocados and tropical fruit. Answer MAB06 tells me that of those products identified by the industry as priorities, avocados and fresh tropical fruits are progressing through the process of import condition development by the USDA. You say 'Of those products, Horticulture Australia through the Horticulture Market Access Committee, has identified for tariff elimination'. You are concentrating on avocados and fresh tropical fruit. Should I read that to mean that Horticulture Australia has a list of priorities and you have focused on two products from that list, or are they just the only two on the priority list?

Mr Morris—I think we will need to check the list from HMAC to confirm exactly what is on the list. I suspect it is probably a bit longer, but we will need to double-check that. I will take that on notice, Senator, unless Mr Stynes knows the answer to it.

Dr Stynes—No, I cannot recall off the top of my head the priority list they have.

Senator O'BRIEN—Are these items we are in dispute with the US on the question of its quarantine regime?

Ms Greville—Sorry, Senator, could you repeat that question?

Senator O'BRIEN—Are these two products, or two categories, matters on which we are in dispute with the USA about quarantine regime?

Ms Greville—I do not think it is a matter of us being in dispute with the United States about those categories. They are products for which technical market access requests have been made to the United States. They are categories of products in which we have a significant interest and are amongst the categories of products that we regularly talk to the United States about in our informal consultation process which I have articulated to you in a different context.

Senator O'BRIEN—So they are matters we regularly talk with the US about?

Ms Greville—Yes, we regularly talk to the US informally about the technical market access requests outstanding on either ledger. In the course of those teleconferences, or however they are manifested, we seek updates on where avocados and tropical fruit are in the US process and they tell us.

Senator O'BRIEN—Is the department content that the USA applies a proper science based assessment process in relation to our application for access?

Ms Harwood—They apply a similar risk assessment process to ours in terms of the sequence of steps for hazard identification, pest risk assessment and development of risk

mitigation measures. Although the process is carried out by different agencies and has different names, the essence of the process is the same as ours and it is a science based process.

Senator O'BRIEN—We are satisfied that it is science based?

Ms Harwood—Yes.

Senator O'BRIEN—Not just for horticulture but generally?

Ms Harwood—The process, as I said, follows the sequence of steps that it is meant to follow according to the SPS agreement.

Senator O'BRIEN—Are there problems with their approach that we have identified?

Ms Harwood—I think at times the length of time it takes to complete an assessment would be an issue between both of us; an issue in both directions, that is. We each think the other takes too long on some assessments.

Senator O'BRIEN—Are there any that have run as long as the New Zealand honey market access?

Ms Harwood—I do not know what the length of time for that is.

Senator O'BRIEN—That is since the 1980s.

Ms Harwood—I think the bee risk analysis is probably nudging—the import risk analysis for Australian bees to the US has been going for quite some time.

Senator O'BRIEN—Are there any other examples where access to markets for Australian producers has been blocked on claimed quarantine grounds where we are disputing or questioning the basis for the block?

Ms Harwood—The process is the US working sequentially through a series of market access requests made by Australia, as we do for them. It is not a question of being blocked; it is that we identify our priority items for technical market access and they work on the associated risk assessment and development of risk mitigation measures.

Senator O'BRIEN—Has Biosecurity Australia been involved in any discussions in relation to the establishment of the two quarantine working groups agreed under the free trade agreement with the USA?

Ms Harwood—Yes, I was present at some of the negotiations, including the last two.

Senator O'BRIEN—Has there been some preliminary planning on the structure of the working groups?

Ms Harwood—The structure of the working groups is identified in the text of the agreement itself, in terms of the membership and purpose for the committees.

Senator O'BRIEN—Yes, I suppose that is true in one sense. The membership, in the sense—

Ms Harwood—That is, which agencies.

Senator O'BRIEN—of where you will draw the members from, is another question, I suppose. Has work been done on that?

Ms Harwood—Sorry?

Senator O'BRIEN—Has work been done on where you will draw the members from?

Ms Harwood—The agreement itself identifies that agencies associated with sanitary and phytosanitary matters will be involved. For each side that has meaning. For instance, Biosecurity Australia or FSANZ—the agencies in Australia that work on SPS issues—would be the agencies that refers to and, on the US side, they would have agencies that have meaning for them.

Senator O'BRIEN—So it is pretty well established where our representatives will be drawn from, I take it?

Ms Harwood—In terms of the types of agencies from which the representatives would come, yes. In the case of the technical working group, that is to be co-chaired by the executive manager of Biosecurity Australia and the head of APHIS. So it is those positions that are the co-chairs.

Senator O'BRIEN—Will particular officers be given specific responsibilities in relation to these working groups from Biosecurity? Has that been identified?

Ms Harwood—The committee or the working group do not exist until the agreement enters into force and the processes proceed after that. They do not have any life or population at present.

Senator O'BRIEN—In relation to this matter, I did ask previously what role ministers Truss and Vale might have in setting the agenda for these two quarantine working groups. There was a reference, I think by Senator Macdonald, that he would refer the matter to Mr Truss and get back to me. Is anyone able to further enlighten the committee in that regard?

Ms Harwood—The working groups do not exist yet and there is no agenda.

Senator O'BRIEN—No, I was asking about the role. Would the minister set the role, as such?

Ms Harwood—Not to my understanding, no.

Senator O'BRIEN—In relation to these working groups I did ask Ms Greville whether they would have any import into the import risk assessment process and I was told, 'I am not sure that I would be comfortable in saying exactly that.' But Ms Greville then said the processes will run parallel to the import risk assessment processes. I am trying to understand that. Perhaps, Ms Harwood, you can enlighten me. These panels will clearly look at technical issues relating to import risk assessments. That is clear from Ms Greville's evidence. How is this process running parallel to the import risk assessment processes going to impact on the import risk assessment processes?

Ms Harwood—The technical working group on animal and plant health matters formalises an existing arrangement, which is normal between countries, for discussion on technical issues of mutual interest related to quarantine. If one of those matters is the subject of an import risk analysis, then technical discussion or work, or the output of that, may inform or be used by an import risk analysis process, but the IRA process itself is essentially an Australian risk analysis process carried out by Australian scientists. But often, in the process of working

on technical market access requests in either direction with our trading partners, there are technical discussions between counterpart scientists or agencies on issues pertinent to those technical market access requests. Sometimes the information from that will be used in the import risk analysis process.

Senator O'BRIEN—So will people be on both import risk assessment panels and this US-Australia FTA panel at the same time?

Ms Harwood—Not necessarily. They are quite separate processes. One is a bilateral technical working group; the other is an import risk analysis process carried out by a panel of Australian scientists doing a risk analysis.

Senator O'BRIEN—This bilateral technical working group, which has a charter to resolve disputes, comes to an agreement—

Ms Harwood—It is not a dispute resolution body.

Senator O'BRIEN—To resolve issues then.

Ms Harwood—It is to work on technical issues related to quarantine.

Senator O'BRIEN—Are you saying that it has no involvement in resolving matters?

Ms Harwood—It can work on resolving issues that are pertinent to a technical market access request but it is not a dispute resolution body.

Senator O'BRIEN—That is the very point I want to get at. If this bilateral panel has resolved an issue, in their opinion, is that binding on the import risk assessment panel?

Ms Harwood—First of all, it is not a panel; it is a technical working group. It formalises an existing process, which is counterpart scientists working together on technical and scientific issues of quarantine of mutual interest. The output from that can be used in the import risk analysis process.

Senator O'BRIEN—Must it be?

Ms Harwood—No, it is not directive or binding. It has no power to force, if that is what you mean. The import risk analysis process is independent and operates as an Australian risk analysis system in its own right.

Senator O'BRIEN—To the extent that the US-Australia FTA text talks about this technical working group resolving an issue, you are telling this committee that it cannot actually impose its resolution on the import risk assessment panel.

Ms Harwood—I do not believe it can. It can inform it. Let us say it was looking at whether a particular risk mitigation measure did or did not kill a pest—it was working on a technical issue of that sort—and let us say they did some technical work together on that and came to a mutual understanding, clarified a scientific issue or whatever, that the measure applied at X rate would kill the pest. That piece of information could be used in constructing a quarantine regime, but it is not that simple really.

Senator O'BRIEN—It can make a suggestion that there is some agreement at some level about the matter but it cannot resolve the issue?

Ms Harwood—It can work on resolving technical issues but it cannot direct what quarantine measures Australia will apply.

Senator O'BRIEN—At least not under the current import risk assessment rule book and guidelines.

Ms Harwood—It is independent of that; it has no power over it.

Senator O'BRIEN—Is it possible for the handbook to be altered to make the technical working group's resolution binding on the import risk assessment panel?

Ms Harwood—It is not a sensible question because Australia has no desire or intention to subjugate its import risk analysis process to a bilateral thing. Nothing in the FTA would expect that. It reaffirms both parties' rights to make quarantine measures according to the SPS agreement, exercising their sovereign rights to determine the quarantine measures that they see fit to meet the appropriate level of protection that Australia, in our case, considers necessary to deal with quarantine risk.

Senator O'BRIEN—Are you saying that appointing a technical working group of our own free will that participates in a process we have agreed to in a document, which document says we are going to resolve disputes—

Ms Harwood—It does not say that. It is not a dispute resolution body.

Senator O'BRIEN—Resolve issues then.

Senator FERRIS—Senator O'Brien, I think Ms Harwood has clarified that at least six times in the last 20 minutes that I have been listening to you.

Senator O'BRIEN—I do not think so.

Senator FERRIS—As you and I both know, because we are both on the Senate select committee on this, this matter was pursued relentlessly with Ms Greville at a hearing last week. I do not think you are going to get anywhere by continuing to ask the same question and getting the same answer.

Senator O'BRIEN—I do not think it is very helpful to run a commentary. I am asking some questions.

Senator FERRIS—Yes, and you are asking the same question in 50 different ways.

Senator O'BRIEN—If there is something productive you want to contribute—

Senator FERRIS—And you are harassing the witness because you are not getting the answers you want.

Senator O'BRIEN—For goodness sake, you really are being silly.

Senator FERRIS—Ask some new questions about the estimates process.

Senator O'BRIEN—I am asking a question and I will continue to pursue the question I wish to ask.

Senator FERRIS—You are not going to get the answer you want.

Senator BUCKLAND—Not if he is told he will not get it.

Senator FERRIS—If you had been here, Senator Buckland, you would have heard, over the last 20 minutes, Ms Harwood patiently trying to explain over and over again to Senator O'Brien an answer that he has not wanted to hear.

Senator BUCKLAND—With the greatest respect, if I had been here I would have heard the questions.

Senator FERRIS—You would have, so do not make that comment when you weren't.

Senator BUCKLAND—But for you to tell the witness—and basically that is what you have just done—not to answer is unfair to Senator O'Brien.

Senator FERRIS—Senator Buckland, your comments are unhelpful.

Senator BUCKLAND—So are yours.

Senator FERRIS—Continue, Senator O'Brien.

Senator O'BRIEN—What does the agreement actually say about the technical working group and resolving issues?

Ms Harwood—Sorry, I did not bring the words with me but essentially it just describes how the technical working group will work. Ms Greville may like to read you the text of the agreement if that would help.

Ms Greville—Annex 7(a) of the free trade agreement describes the establishment of the standing technical working group on animal and plant health measures. It articulates that the working group shall provide a forum for a number of activities, one of which is:

(a) resolving specific bilateral animal and plant health matters with a view to facilitating trade between the Parties and, whenever possible, achieving consensus on scientific issues;

(b) engaging, at the earliest appropriate point in each Party's risk assessment and regulatory processes, in scientific and technical exchange and cooperation regarding animal and plant health matters that may, directly or indirectly, affect the trade of either Party; and

(c) considering specific measures or sets of measures likely to affect, directly or indirectly, trade between the Parties that are designed to protect animal or plant life or health within the territory of the importing Party from risks arising from the entry, establishment, or spread of pests, diseases, disease-carrying organisms or disease-causing organisms.

Senator O'BRIEN—Did I hear the word 'resolving'?

Ms Greville—Certainly. It says:

(a) resolving specific bilateral animal and plant health matters with a view to facilitating trade between the Parties and, whenever possible, achieving consensus on scientific issues.

Senator O'BRIEN—And that is in relation to the technical working group?

Ms Greville—Yes.

Senator O'BRIEN—I thought that is what it said. If this panel purports to resolve an issue that is before an import risk assessment panel, you are telling this committee that, notwithstanding the agreement we have with the United States, it will not be binding on the import risk assessment panel.

Ms Harwood—Let me give you an example. If Australia was wanting to send a product to the US where we considered that, say, cold chain treatment would deal with fruit fly—something like that—and let us say at the start of a process there was a conversation around that, with the US getting started on doing a risk assessment and so on, and they did not consider that was the case, we might say, ‘We would really like you to consider that cool chain treatment does deal with the fruit fly risk adequately.’ We might then have a technical conversation where we would bring scientific information to show the US—we would discuss this—and they might come to a view that this was a reasonable quarantine measure. They could then, if they chose, accept our viewpoint.

Senator O’BIEN—They could impose that on their process.

Ms Harwood—Through a technical, professional exchange, a quarantine issue where perhaps differing technical opinions could be resolved—that is, we could come to a common view on that matter. It takes two to come to that point essentially, but we could convince them that that was a legitimate quarantine measure that would deal with the risk and then they could include that as a quarantine risk mitigation measure. They are not obliged to. They are the masters of their own risk assessment process and their own determination of the quarantine measures that they wish to apply to Australian produce entering the US, just as we are in charge and have the sovereign right to determine the quarantine measures that will apply to US produce entering Australia and the way quarantine risk mitigation will be applied.

These sorts of technical conversations occur in both directions with most of our major trading partners because we work together on resolving technical issues relating to quarantine to the point that there can be quarantine measures determined and trade can flow, but it always remains essentially the sovereign right. It is Australia’s call whether that issue has been resolved to our satisfaction and whether that is a matter where the information will flow into and inform the import risk analysis process.

Senator O’BIEN—That is the point, too, in your answer: quarantine matters being determined permit trade to flow.

Ms Harwood—The purpose of our negotiating our market access requests is for our horticultural produce, for instance. We are seeking to have trade flow and we are seeking to negotiate with our trading partners a quarantine regime that they consider will deal with quarantine risk and that we consider is workable for us. Likewise, our trading partners seek to export produce to Australia. They accept our right to determine science based measures to deal with risk as we see fit, but they do seek to have trade flow, and if we consider that risk can be dealt with safely according to the disciplines of the SPS agreement and according to Australia’s standard of quarantine then a quarantine policy is determined and trade can flow.

Senator O’BIEN—The quarantine handbook has been amended by a process of negotiation. That is the set of rules that—

Ms Harwood—I am sorry, are you referring to the import risk analysis handbook?

Senator O’BIEN—Yes.

Ms Harwood—It was refreshed and revised through a consultative process, but through each stage there was senior involvement with the Commonwealth and state agriculture

agencies and clearance by them and the Commonwealth and state ministers. So it is an Australian process agreed at Commonwealth and state level.

Senator O'BRIEN—What is the statutory underpinning of that?

Ms Harwood—It is not a statutory process; it is an administrative process.

Senator O'BRIEN—And that is binding upon the import risk assessment panels as to how they conduct their business?

Ms Harwood—It prescribes the sequence of administrative steps that they will go through in conducting an import risk analysis. In particular, it identifies the stages at which documents will be released for public comment, for stakeholder engagement, so it basically prescribes the transparency aspects of the process in terms of releasing hazard lists, the draft import risk analysis report and final report. It also sets out the points where appeals are possible at the beginning of the process in terms of scope and approach to doing the IRA, and also at the end of the process it sets out the appeals process for the final IRA report. It describes the sequence of administrative steps, including consultative steps, that we will follow in conducting an import risk analysis.

Senator O'BRIEN—Does it specify what must be had regard to?

Ms Harwood—Yes, it describes what will be in each of the documents and the nature of the assessment. Essentially, it identifies what a technical issues paper contains, what a draft import risk analysis report contains and so forth.

Senator O'BRIEN—Where a matter is resolved bilaterally, is it possible for that to require an import risk assessment panel to have regard to that resolution?

Ms Harwood—Yes, because their job is to take into account all the scientific evidence and information that can be brought to bear on assessing risk and determining risk mitigation measures. If there is a piece of scientific work undertaken or prepared through the auspices of the technical working group, the panel can take that into account.

Mr Wonder—I am sorry, Senator, can I just go back. You asked the question whether they can be required to. Is that correct?

Ms Harwood—No, it is not mandated. My apologies. I thought you were asking can they take into account—

Senator O'BRIEN—Can they be required to take into account was the question.

Ms Harwood—a technical issue that has been the subject of discussion under the auspices of the technical working group, and the answer to that question is, yes, if that is relevant and they choose to do so.

Senator O'BRIEN—I am asking whether the handbook specifies matters which an import risk assessment is required to have regard to. Are there such items?

Ms Harwood—Yes, it does. I will read to you from it.

The draft report:

- confirms the pests and diseases being assessed
- describes the major pathways by which these could enter, establish or spread in Australia

- identifies, for each pest and disease on individual pathways, the likelihood of its entry, establishment or spread, and the harm (consequences) that would result
- specifies whether the resulting risks require mitigation (i.e., to bring risk within Australia's ALOP)
- in cases where the risks are rated as unacceptable, it presents an evaluation of technically-feasible risk management measures to determine whether the risk can be successfully mitigated to achieve Australia's ALOP

It includes a preliminary view on the appropriate risk management options. So that, for instance, is a description of what is entailed in the draft IRA report. I can read to you from other parts of the handbook, but essentially it describes the nature of the work and analysis presented in each of the key documents during the IRA process.

Senator O'BRIEN—You may not be able to answer this, and say so if you cannot, but am I correct in assuming that if the handbook is not followed by a panel that may lay Biosecurity open to some proceedings under the Administrative Appeals Tribunal?

Ms Harwood—I do not understand that to be the case. I understand that at the final stage of the IRA process, when the final import risk analysis report is published, there is a 30-day appeal period and, if there are appeals, those are heard by an independent body, the import risk analysis appeal panel. The nature of the appeals process is built into the IRA process itself.

Senator O'BRIEN—I am not experienced in those things. Do they often occur?

Ms Harwood—Sometimes there are appeals; sometimes there are not. If there are appeals, a panel is constituted and the appeals are considered.

Senator O'BRIEN—Do they go to process issues or science issues?

Ms Harwood—There are two grounds of appeal, and I will read them to you. One or both of the following form the basis for appeal: that 'there was a significant deviation from the process set out in the IRA Handbook that adversely affected the interests of a stakeholder' and that 'a significant body of scientific information relevant to the outcome of the IRA was not considered'.

Senator O'BRIEN—During the last hearings, I asked about the special political forum set up with the Philippine government to oversee quarantine matters. Ms Harwood, you told us that forum had not met. Has it met since the last estimates hearing?

Mr Morris—No, that forum has not met. Let me clarify that. Are you talking about the bilateral agricultural forum that was agreed between the Prime Minister and President Arroyo on 14 July? Is that the forum you are talking about?

Senator O'BRIEN—Yes, that is the very one. It was agreed in July last year?

Mr Morris—Correct.

Senator O'BRIEN—Is there any reason it has not met? Is there nothing to discuss?

Mr Morris—We have pursued the issue of a possible meeting a number of times. Mr Taylor wrote to the assistant secretary of the Philippines department of agriculture on 12 September, seeking for that meeting to be established. It was hoped to hold it during Secretary Lorenzo's visit in late 2003, which was subsequently postponed so it could not be

held. Senator Macdonald, when he was in Rome in December, met with Secretary Lorenzo and again raised it. Again, they spoke about a possible visit in early 2004 where the meeting might take place. As it happened, again that visit was postponed and so there were no discussions at that time. The embassy raised it with the ministry of agriculture in January and asked for a response to the letter from Mr Taylor. We have not had a response to that as yet.

Senator O'BRIEN—It sounds as though they are dodging us.

Mr Morris—I cannot speculate on that, but clearly they have not been able to find a time which is convenient to them to hold a meeting.

Senator O'BRIEN—Do we know of any reason?

Mr Morris—As I mentioned, it was hoped that the meeting might take place when Secretary Lorenzo visited Australia. His visit has been postponed, so it is possible it is related to his own travel arrangements and so forth as to when he can visit Australia.

Senator O'BRIEN—I am looking at this in the context of the Philippine action against Australia in the WTO, where we are defending our position on quarantine, I presume. We have a political forum with the Philippines for the purpose of dealing with quarantine issues between the two countries, which I assume would assist in dealing with areas of dispute in a less formal way than the WTO panel route, but nothing appears to be happening on that front. Who is responsible for making progress on this? Australia or the Philippines?

Mr Morris—The forum is a more general one than just quarantine. It covers agricultural issues more generally, as I understand it. I think both parties are responsible for trying to organise a meeting and, as I say, we have been asking for one without success.

Senator O'BRIEN—What is the role of DFAT in this forum?

Mr Morris—I do not know that it is specified. Quite often we involve DFAT in forums of this nature, but we have not discussed it and it has not been specified how they might be involved at this stage.

Senator O'BRIEN—How does the forum fit with Biosecurity Australia and the actual import risk assessment process?

Mr Morris—Again, it is a general agricultural forum. There will be a range of issues to be determined between the parties that will be discussed, so there is no specific fit into the IRA process per se—at least not any determined at this stage.

Senator O'BRIEN—Is it the type of forum that will involve technical working groups?

Mr Morris—At this stage, that has not been determined. The initial meeting, I think, would determine the future nature of that forum. That is why we have been keen to have the initial meeting—so that we can determine how that forum might operate in the future.

Senator O'BRIEN—So we just do not know what the relationship between that forum and other processes will be?

Mr Morris—No. I would not expect there to be a formal relationship. As Ms Harwood answered in respect of other questions, the IRA process is pretty much a stand-alone process and the forum at this stage would not have a direct role in respect of that process. In terms of the agenda items that might be on the forum, that is still to be determined.

Senator O'BRIEN—So the body has to meet to decide what it is going to do and set an agenda and rules of operation?

Mr Morris—I imagine that once we determined that a meeting was going to take place on a particular date we would start discussing an agenda with them, but because we have not been able to lock in a date we have not been able to discuss the agenda. We have similar sorts of agricultural forums with a range of countries. We have recently had meetings with the European Commission on agricultural matters, and we meet with other countries on a regular basis as well. I envisage that this would be quite similar to the sorts of fora that we have with the EC, Indonesia, China and many other countries.

Senator McLUCAS—Ms Harwood, could I ask on notice if you could provide the committee with the cost of compiling the first draft IRA on bananas, the cost of compiling the second draft IRA on bananas and the cost to date of preparing the addendum for the banana report?

Ms Harwood—Yes.

Senator O'BRIEN—At the last hearing, Ms Harwood, I asked about the progress of the import risk assessment on uncooked chicken meat, and you told us you were preparing the draft report, or Biosecurity was. That was over three months ago. What progress has been made since we last discussed this matter?

Ms Harwood—We are still working on the draft import risk analysis report. Dr Banks may like to give an update on the technical aspects.

Dr Banks—We are still working on it. We are coming to the final stages.

Senator O'BRIEN—So we are coming to the point where you will issue a draft discussion document?

Dr Banks—Correct.

Senator O'BRIEN—Is there any preparedness to hazard a guess as to when we might see that?

Dr Banks—I would rather not give a definitive date at this stage.

Senator O'BRIEN—I am not asking for a definitive date; I am asking for a rough estimate. This year?

Dr Banks—I would hope so, but we are awaiting some research results at the moment.

Senator O'BRIEN—Is there some special testing being conducted?

Dr Banks—No, there is some research that the risk analysis panel commissioned, and that has been delayed.

Senator O'BRIEN—If it is uncooked chicken meat, it cannot be cooking time temperature regimes, I guess. There was additional funding in the last additional estimates portfolio budget statement of \$2 million for both matters in the WTO and also the import risk assessment process. We were told that some of those funds would be used in preparing the technical dossiers for the current WTO cases brought by the EU in the Philippines. Can the committee receive an update on that work, please, and where those matters are in the WTO?

Ms Harwood—The work is ongoing in preparing the technical dossiers on the two cases that have proceeded to the panel formation stage, which is the Philippines' general request relating to fruits and vegetables and the European request which relates to the quarantine regime and to a range of commodities. Work is continuing on preparing the technical dossiers for defence of those cases. In neither case has the panel actually been populated. That is, there has been agreement for the panel to be established in legal form, but the panel has not been populated with people because neither of the parties has sought to do that. Both of them have passed the date by which either party can ask the director-general to populate the panel but no-one has asked for that to occur, so the panels are unpopulated.

Senator O'BRIEN—That, I take it, means there is no-one on the panel.

Ms Harwood—Yes. I am just trying to get it correct in WTO parlance. The panels exist, but in a virtual form.

Senator O'BRIEN—Okay. That sounds like one of my kids' computer games. Having passed the date for population, if I can use your terminology, what does that actually mean in terms of the composition for these panels? Does it mean that they will not be set up or that someone has to take a step to re-establish the process?

Ms Harwood—No, it does not mean either of those things. It just means that at a point when either party wishes to have the panel populated, they can ask for that to happen and it can happen.

Senator O'BRIEN—So it is just sitting there until someone decides to reinvigorate the process.

Ms Harwood—Until someone decides to request the actual formation of the panel.

Senator O'BRIEN—Should we interpret that as a strategy to leave the matter sitting there until it is convenient for someone to do just that—to populate the panel?

Ms Harwood—I think it is just the fact that neither the EC nor the Philippines has asked for the panel to be populated yet.

Senator O'BRIEN—Will all of that additional \$2 million provided through the additional estimates process be spent this financial year?

Ms Harwood—I will take that on notice.

Senator O'BRIEN—I asked in February why funds were needed urgently and not provided for in the May budget. You said that the need was in fact urgent at that time. I will be interested in that answer. Returning to honey in New Zealand, in February—

Ms Harwood—Just a moment, Senator. I understood that my colleagues from AQIS would do honey from New Zealand. If you would like to leave it until then, that would be fine, or we could ask them to come now.

Senator O'BRIEN—It is not a Biosecurity matter any more?

Ms Harwood—It is a market access request from Australia to New Zealand.

Senator O'BRIEN—That is true.

Ms Harwood—Honey is handled by a particular area in AQIS.

Senator O'BRIEN—Can I go to answer MAB09. You have provided us with expenditure levels for the import risk assessment process for 2001-02, 2002-03 and 2003-04.

Ms Harwood—Yes.

Senator O'BRIEN—What is the number for 2004-05 likely to be, please?

Ms Harwood—To make sure the figures are precisely analogous in terms of the increase, the use of the money for the coming year—I am just looking at my budget documentation—we had the figures in MAB09 for the three financial years, including the current financial year.

Senator O'BRIEN—Yes.

Ms Harwood—In relation to the total budget, I just need to do a little sum to make it the same—like with like. It is approximately \$9.7 million, but we will give you a precise figure to make sure we are comparing the exact like with like.

Senator O'BRIEN—Okay. Thank you for that. Do I ask you or AQIS about the action we have against the EU on sugar?

Mr Morris—You can ask us about the action against the EU. Mr Burns will be able to answer that question.

Senator O'BRIEN—What is happening? A panel is in place now, I believe.

Mr Burns—That is correct. The panel has met twice, which it is required to do. The last time it met was only a couple of weeks ago, so we will now go into a period where the panel members go away and consult and discuss the evidence they have received. We can expect a decision some time down the track.

Senator O'BRIEN—We are done and we are just awaiting the panel now?

Mr Burns—That is correct. We have put in our initial submission and a second submission. We have appeared before the panel twice. The other co-complainants, Brazil and Thailand, went through the same process. The EU has made its rebuttals. The panel are now in that period where they go away and go through their deliberations. They will release a report at the end of September and then there is, of course, a period in which there can be an appeal.

CHAIR—I have just been informed that we will not get to AQIS tonight. Perhaps AQIS can go home, or you can stay if you are having a good time. While I am at it, who is on the panel and what are their qualifications?

Mr Burns—There is a person from the United States who is the chair; somebody from Chile; and somebody from Japan. Their qualifications vary, but normally it is somebody who is well qualified in trade law or economics.

CHAIR—You might just provide that on notice.

Mr Burns—Yes, I can provide their names and their qualifications.

Senator O'BRIEN—Is the United Nations Food and Agriculture Organization part of this area? Why is there a forecast cut of \$2 million in Australia's contribution to FAO?

Mr Morris—I think we can answer that fairly simply. It is purely exchange rate movements, because the funds are determined in US dollars and we pay in Australian dollars. We pay the Australian dollar equivalent, so obviously when the exchange rate goes up our contribution goes down, in a sense, in Australian dollars.

Senator O'BRIEN—What is the date at which the payment is determined? Do you know the rate in advance? If so, what is it?

Mr Burns—We would have to get the exact process for you on that, Senator, but I think it is the day we pay actually.

Mr Morris—It is the day we pay it, because the amount is a US dollar amount and the day we pay it is how much we actually pay. The \$8 million is, in effect, a Department of Finance and Administration estimate or assumption on the exchange rate in calculating that figure. The way things work is that, if it ends up that the exchange rate is different from what was forecast, then, if it is higher, we pay the money back to consolidated revenue and, if it is lower, we tend to get supplemented by the amount. It is just a straight transfer of funds over to the FAO, depending on the exchange rate on the day.

Senator O'BRIEN—What return does Australia get from this funding contribution?

Mr Burns—It would be difficult to say exactly what we get in return. Indeed, it would be difficult to do a cost-benefit study. If you run through the various areas that the FAO has work on, there is obviously the direct assistance that they give to developing countries and various projects around the world. There are some direct benefits to Australia as well, because the FAO administers important international organisations, such as the Codex Alimentarius Commission which does work on food safety standards and the International Plant Protection Committee. It also maintains a lot of important systems and databases, including international seed banks. It provides the benchmark statistics for a lot of the data analysis that countries do, including Australia and ABARE. It has a lot of important initiatives like illegal and unreported and unregulated fishing. There is also the prior informed consent process on hazardous chemicals. There are a lot of international arrangements and processes which Australia benefits from directly. How you would put a dollar benefit on that I am not sure, but there is a hell of a lot that we get back from it that you would not say is a quantifiable direct benefit, but certainly you would say it is a direct benefit.

Mr Banfield—It is worth making the point that, as you would be aware, we have been a member of the FAO for many years, so our membership is not something that is new. It has been supported by successive Australian governments over the years.

Senator O'BRIEN—Yes, I am aware of that. Thanks.

Senator BOSWELL—Could I go back to the transcript that I passed to you. Have you had a look at that?

Mr Banfield—Sorry, Senator?

Senator BOSWELL—You have had a look at the transcript?

Ms Harwood—Yes.

Mr Banfield—Ms Harwood has had a look at it, yes.

Senator BOSWELL—Would you care to comment on that?

CHAIR—What part?

Senator BOSWELL—The part which I referred to.

CHAIR—Just refer to it again.

Senator BOSWELL—Yes. The transcript states:

So were you offered at that point to have your minority report released along with the draft ...

And the reply was:

No, no, no, I wasn't ...

Senator Troeth—Perhaps you could frame that as a question, Senator.

Senator BOSWELL—Did you offer Mr Peasley to have his minority report released along with the draft?

Ms Harwood—Yes, I did.

Senator BOSWELL—So that is your conflict with Mr Peasley's remarks.

Ms Harwood—This is a transcript of a media interview.

Senator BOSWELL—Yes.

Ms Harwood—At the time of the teleconference when the release of the report was being discussed, this was a very important issue—the conversation around the release of the report—and I did make that offer to Mr Peasley.

Senator BOSWELL—So you disagree with his comments there?

Ms Harwood—If this record of conversation from a media interview is to the effect that that offer did not take place, then yes, I do.

Senator BOSWELL—Did Dr Rob Allen and Dr Bryan Cantrell specifically agree that we should import bananas into Australia, or did they disagree?

Senator Troeth—Mr Chairman, I think Senator McLucas commented earlier that we would not want to have the names of each of the panel members with an exact description of whether they agreed or disagreed with this. We are now starting down this track.

CHAIR—Minister, with great respect, Mr Peasley has put all his evidence before another committee. To that effect, it is not news to anyone, if that is who you are referring to.

Senator BOSWELL—I am talking about Dr Rob Allen and Dr Bryan Cantrell.

Senator Troeth—These are two further members of the panel.

Senator BOSWELL—But on that point, we were told that everyone agreed with the report, but earlier tonight we found out that two people did not agree. With due respect, Minister, we are dealing with a very serious problem here. I know that you have not been involved in this—

CHAIR—Can we come at this in a way where we do not actually name the people. Is there any material benefit in naming them?

Senator BOSWELL—We have named everyone else in the report. They do not mind being named. I am asking a direct question. Did the two officers from Queensland agree or not agree with the report that went out?

Ms Harwood—They agreed to the release of the report, and that report says that Philippines bananas can be—

Senator BOSWELL—No. Look, every time we go down this track—we must have wasted two hours on this—

Senator FERRIS—Let Ms Harwood answer that question before you interrupt her; be fair.

Ms Harwood—They agreed with the release of the report which recommends a quarantine regime to be applied to Philippines bananas.

CHAIR—But that in itself is not saying they agreed with it. That is a nice use of words, but it covers the fact that you could legitimately say that—

Ms Harwood—Let me explain—

CHAIR—Hang on. You could legitimately say that and cover that off, but it does not follow that necessarily they agreed with the content of the report.

Ms Harwood—You are asking me to describe—

CHAIR—I am not asking anything.

Ms Harwood—Senator Boswell is asking me to say what the views are of two independent scientists who were on this panel.

Senator BOSWELL—Absolutely. It is supposed to be a transparent process.

Ms Harwood—Yes.

Senator Troeth—Yes, but it is not supposed to destroy the process in what we are doing, and that is what I believe you are doing.

Ms Harwood—If I answer that question I would like to answer it in camera. I think that is the only fair thing to do for those panel members who have asked that this report be released by consensus, who have supported the release of this report as a document reflecting the view of the panel and who have said that that is the path they wish to follow—to have comment on this document. I do not feel comfortable describing the individual views of scientists on an expert panel without having a conversation with them. I wish to respect their role as scientists on a panel conducting an import risk assessment and not to speculate on their views on particular matters in this hearing.

Senator BOSWELL—Ms Harwood, you have told us—

CHAIR—Hang on, Senator Boswell. I regret to inform you that we cannot take in camera evidence.

Senator Troeth—In that case, Mr Chairman, I will be directing Ms Harwood not to answer that question.

CHAIR—Very well.

Senator BOSWELL—Then we will ask it in the Senate and we will ask it in the parliament of Queensland. We will ask it.

CHAIR—But in any event, the minister has ruled, Senator Boswell. There is another opportunity in another committee in another place where evidence can be taken in camera.

Senator O'BRIEN—The AAA International Agricultural Cooperation Program gets \$650,000 next financial year. How will those funds be spent?

Mr Burns—That is not new money, Senator. We previously had a program that we called Farm Growth through Export Growth under the AAA package. It was decided to rename that the International Agricultural Cooperation Program, which more accurately reflects what it does. That funding is the same as in the previous four years. It is just that this time \$650,000 out of the \$1.6 million per year is set down as an administered item rather than as departmental funds.

Mr Morris—Can I clarify that? Mr Burns said it is not new money. It is new money in a budgetary sense, but it is a continuing program. I think that is what he means.

Mr Burns—Yes. We have the same as we had in the last four years. It is just that \$650,000 is going to be allocated as administered items rather than the way we received it previously.

Senator O'BRIEN—So previously what was on the departmental budget is now an administered item?

Mr Burns—That is correct.

Mr Morris—A combination of administered and departmental, so \$650,000 is administered this time and \$950,000 is departmental.

Senator O'BRIEN—The allocation was \$1.6 million last year?

Mr Burns—Correct.

Mr Morris—This year it was \$1.7 million, but that was an increase over time. I think it was \$1.6 million last financial year, \$1.7 million this year and then we go back to \$1.6 million for four years under the new budget initiative.

Senator O'BRIEN—On trade matters, I understand that WTO members met in Geneva in March for a formal relaunch of agriculture negotiations following the Cancun disaster. How did those talks go?

Mr Burns—We could give you our take on it, but it is probably a question that is better directed to the DFAT representatives who were at those meetings.

Senator O'BRIEN—Wasn't this department represented?

Mr Burns—This department was represented. Unfortunately, the officer who was representing the department is not here tonight.

Senator O'BRIEN—Do you know if Australian officials played a role in the discussions?

Mr Burns—To my knowledge, they did, yes.

Senator O'BRIEN—Do you know what work program emerged from those talks and what timetable has been laid out as far as Doha continuation is concerned?

Mr Burns—There is a work program that involves a number of initiatives, particularly work that this department is involved in through ABARE, doing analysis of options and looking at some of the potential outcomes and how we might progress issues such as market access and so on. The Cairns Group has agreed on that process for how we will progress it.

Senator O'BRIEN—Where is the relationship between the Cairns Group and the G20 group? What has happened there?

Mr Burns—Again, that may be an assessment that you would be better placed asking DFAT about.

Senator O'BRIEN—In relation to the possible FTA with China, what has happened since the visit of the Chinese president last October? The plan, as I recall it then, was to commence a joint study.

Mr Burns—That is correct. The process for the joint study has commenced. Again, this is an issue that DFAT is running, but they have an IDC process in which we are a participant. It has not reached the stage where we are drafting or contributing to the drafting at this stage, but we as a department have provided plenty of material to DFAT and they are putting that together. There is still some negotiation with the Chinese over the drafting responsibilities for individual chapters.

Senator O'BRIEN—Is there a timetable for the work?

Mr Burns—Yes. I understand at the recent ministerial meeting, at which Minister Vaile was present, some acceleration of that timetable was agreed. Again, the details of that might be better asked of DFAT.

Senator O'BRIEN—I understand there is little prospect of an FTA with Japan, but I understand there is some work under way or planned on ways of liberalising trade and investment between the two countries. Is this department playing any role in that process?

Mr Burns—We are. There is a trade and economic framework process under way, and we are looking at a scoping study of the sort of work that might lead towards free trade negotiations. That is not progressing as smoothly as it might be with China, but the department is involved in that process and we have been sending officers to some of the meetings with the Japanese.

Senator O'BRIEN—Thank you for that. I have no more questions for Biosecurity Australia or market access.

Senator BOSWELL—You put out a press release, Ms Harwood, that said that you made a transcriptional error in the spreadsheets. I do not have the press release with me, and I forget what you actually said, but it seems that you would require higher standards at the bananas end. Is that correct?

Ms Harwood—The essence was that, for some quarantine pests, some strengthening of the quarantine measures may be required.

Senator BOSWELL—I assume then that the risk is higher, not lower.

Ms Harwood—That is correct.

Senator BOSWELL—It is a higher risk?

Ms Harwood—Yes, it increased the risk estimates for some quarantine pests.

Senator BOSWELL—How do you decide whether you go ahead with this? Is it by a majority vote? If three people out of seven say bananas should not come in, how do you decide whether or not bananas should come in? Is it by a majority, a minority or does it have to be a unanimous report?

Ms Harwood—At this stage, we are talking about a draft import risk analysis report. It presents a comprehensive scientific assessment of all the evidence pertaining to the quarantine pests and diseases of concern and it proposes a draft set of quarantine measures to deal with the risk as assessed by that document. That document is not a decision, it is a draft regime deliberately released for public comment, for people to make technical comment on every aspect of it. It is several hundred pages long. As I said earlier, at the final report stage, I would expect that the panel would work through to a unanimous report. If they could not do that, we would identify differences of view.

Senator BOSWELL—What if four people at the end of the day say, ‘We do not want bananas in’?

Ms Harwood—It is a hypothetical question.

Senator BOSWELL—Two have said they do not and you will not answer the other two, with the shelter of the minister there.

Ms Harwood—One of them has said that he disagrees with the moko risk assessment and another has said that he has difficulty with one of the risk mitigation measures proposed. That is not the recommended risk mitigation measure.

CHAIR—Given the eminence of these people and the science that they apply to all of this, do they also assess the culture and the practicality of supervision in places like the Philippines as well?

Ms Harwood—They have regard to the nature of the production practice and to the nature of the—

CHAIR—But do they go over there? I am not making any allegations—

Ms Harwood—The panel has been to the Philippines.

CHAIR—against a particular country, but there are some countries around the world who are seriously corrupt. Do these people have the capacity to assess the processes of corruption and distortion and human failure in supervision in the field in those countries? How do you do that scientifically?

Ms Harwood—We discussed this at length in an inquiry some time ago. There are a number of aspects that we discussed then.

CHAIR—But I do not think anyone gave a really good answer.

Ms Harwood—In summary, we would look at the production practice and the national plant protection authority, but there is also the capacity for monitoring and for audits, including random audits, by officers from Biosecurity Australia and AQIS.

CHAIR—I think we decided then that there is no such thing as a random audit because you have to give them notice that you are coming. They have armed guards and locks and God knows what else around some of these places. How can you have a random audit when you say, ‘We’ll be there in the morning at 10 o’clock’?

Ms Harwood—I would start by saying that the production industry that we are talking about is used to supplying very demanding markets in both quarantine and quality assurance terms and meeting very strict protocols with countries that apply a high standard of quarantine.

CHAIR—Do the Japanese have their own people—

Ms Harwood—It is not in their interests to breach those quarantine protocols and, if any breach is found, trade can be suspended.

CHAIR—All of that, but that does not answer the question.

Senator BOSWELL—Ms Harwood, if four people out of seven say, ‘No bananas in Australia, the risk is too high,’ what do you do then? Do you say, ‘Yes, we have no bananas,’ or do you say, ‘Look, we don’t care, you’re only scientists; we’ll make the decision’? How do you come to a decision?

Ms Harwood—I have to preface this by saying that you are asking a very hypothetical question. I think, if we had a situation such as that, we would pursue the matter further to resolve the scientific issues.

Senator BOSWELL—You would keep getting scientists until you had the answer you wanted?

Ms Harwood—No. We would ask the panel to continue working towards or to identify ways of resolving the issues which caused them to have that difference.

Senator BOSWELL—Until you got the answer you wanted.

Ms Harwood—No, that is not a fair or reasonable comment to make.

CHAIR—Is the answer: until they came to you with a unanimous decision?

Ms Harwood—I am sorry?

CHAIR—Rather than give the spin that he put on it, until you got the answer you wanted, would it be until they unanimously agreed to a position, whatever it was?

Ms Harwood—As I mentioned before, for the final report the objective would be for the panel to reach a unanimous recommendation as to the quarantine regime that should apply to whatever commodity it is.

CHAIR—It appears that at this stage, given the evidence we have received in another place, we are a long way from that position.

Ms Harwood—At this stage we have individual panel members who hold minority views on particular issues. But we also have a panel which wished to release this report and wished to continue working on the risk analysis, to receive comments on that document and to see it through to a final report. They remain committed to working together on these issues to come to a final report.

CHAIR—That is the ‘here’. I am worried about the ‘over there’, wherever ‘over there’ is. How does a group of scientists assess the culture and the human failure and all of those other things, wherever ‘over there’ is?

Ms Harwood—Firstly, there is a high degree of conservatism built into the measures. They are not designed to apply in a perfect world. They assume that there will be—

CHAIR—Some failure.

Ms Harwood—human imperfections, so they provide additional levels of protection to account for human failing, to put it simply. It also is based on a pragmatic assessment of the actual production system that is applying in the case of a horticultural practice and the production systems that apply in the source plantations where product would be coming from. It looks pragmatically also at the role of the national plant protection authority in overseeing and enforcing the aspects of the regime that they would be responsible for, and it draws up a document that is the relationship between the Australian government and the trading partner on how those quarantine conditions will be applied. As well as that, there is the capacity for Biosecurity Australia and AQIS, as I mentioned, to be involved in monitoring and auditing, including random audits.

CHAIR—You must admit that there are some places, some countries, on the planet where reading, writing and arithmetic is not as good as in others. In part of the import risk analysis assumptions that you make—and I take it that is the human failure bit—you are accepting that we are going to import the disease but it is not going to get out there.

Ms Harwood—I am sorry, that is a different question. Could you put it more clearly?

CHAIR—The import risk analysis assumes that we are going to bring the disease into the country but it is not going to get into the field.

Ms Harwood—That is not a characterisation that I would put on it. We have had this conversation before. We do not have the option of zero risk. We cannot just ban everything.

CHAIR—You have said it assumes that we are going to bring it in—I have forgotten the terminology you used.

Ms Harwood—The pathogen may be present but that the risk is managed to a very low level, which reflects fully Australia’s high standard of quarantine.

CHAIR—You will never, ever convince me that that is a good idea.

Ms Harwood—If you look at normal horticultural trade that occurs for other produce coming into Australia, we have currently quarantine measures that apply to trade in agricultural goods. They are not zero risk policies.

CHAIR—You do not have to repeat all of that. The difficulty I have is that, like the lupinosis in Western Australia, if that small risk becomes a reality no-one gets the sack; we just say, ‘Oh shit, it’s here.’

Senator BOSWELL—Ms Harwood, what if you cannot get agreement? It seems to me that it is going to be very difficult to get agreement. Four people out of seven say, ‘No, it’s not on.’ Where do you go from there?

Ms Harwood—As I said before, we would seek to identify the nature of the technical or scientific issue that is causing that difference to occur and identify ways to work in resolving that.

Senator BOSWELL—Let us say, for any reason, four people will not agree. They do not agree: they believe the risk is too high. Do you abandon it or do you go to the minister and say, ‘We can’t get agreement’? Where do you go?

Ms Harwood—We have not had that situation before. My hope lies in the scientific assessment. It is about the science that is brought to bear on these. What is the science surrounding the pests and diseases? What are the estimates of the likelihood at the different points in the pathway? It is about working through those issues until the panel can come to a collective view.

Senator BOSWELL—Ms Harwood, you put your No. 1 witness up. For 25 minutes he told us the dangers of moko and if it got in how it would never get out—how terrible it would be. I said to him, ‘You’ve told us for 25 minutes how bad it would be. Why are you letting it in? Why are you agreeing?’ He said, ‘Because we’ve got a trade obligation.’ That is not for a scientist to decide.

Ms Harwood—Who are you referring to?

Senator BOSWELL—Mr Hayward.

Ms Harwood—I do not believe that is a reasonable characterisation of the evidence that he gave.

Senator BOSWELL—I will get the *Hansard*. I think it is.

Ms Harwood—He said that the risk assessment was extremely conservative and that we had handled all the assumptions and evidence around moko in a very conservative way in the way risk was estimated.

Senator BOSWELL—Then he said he thought we had a trade obligation.

Ms Harwood—He referred to the fact that there are disciplines under the SPS agreement which guide the way countries will determine their quarantine issues.

Senator BOSWELL—I should not ask that question without the *Hansard* in front of me. I do not know whether it is possible to withdraw that question.

CHAIR—Anything is possible.

Senator BOSWELL—I will withdraw that question. I do not have the *Hansard* and I do not want to say something that is not correct. Until I have the *Hansard* I would withdraw that question. Is that possible, Chair?

CHAIR—Yes, anything is possible. We will now adjourn.

Committee adjourned at 10.50 p.m.