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SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT
LEGISLATION COMMITTEE

ESTIMATES

(Budget Estimates)

TUESDAY, 25 MAY 2004

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SENATE
RURAL AND REGIONAL AFFAIRS AND TRANSPORT LEGISLATION
COMMITTEE
Tuesday, 25 May 2004

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

Senators in attendance: Senators Allison, Buckland, Colbeck, Ferris, Heffernan, McLucas, O'Brien and Stephens

Committee met at 9.02 a.m.

AGRICULTURE, FISHERIES AND FORESTRY PORTFOLIO

Consideration resumed from 24 May 2004.

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, Acting National Manager, Plants 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
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 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. We will continue the budget estimates of the Department of Agriculture, Fisheries and Forestry. We will now hear from Product Integrity, Animal (including aquatic animal) and Plant Health.

Senator O'BRIEN—I will start with questions about the National Livestock Identification Scheme. How much money has the Commonwealth invested directly into this program?

Mr McCutcheon—Over the last three completed financial years the federal government has contributed approximately \$3.2 million as matching funds to research and development for the NLIS. That money has gone to Meat and Livestock Australia. This financial year ending 30 June 2004 the federal government expects to provide an additional \$0.9 million for research and development work, again through Meat and Livestock Australia.

Senator O'BRIEN—So that is a total of \$4.1 million?

Mr McCutcheon—Yes, assuming that \$0.9 million is spent this year.

Senator O'BRIEN—Was the money that went into the R&D fund rephased from the red meat fund?

Mr McCutcheon—No. There was a separate amount that the Commonwealth government freed up from the initial capitalisation of Meat and Livestock Australia. That was of the order of \$1.3 million. That was a separate amount of money to the amounts I have previously described.

Senator O'BRIEN—So that was funding applied to the NLIS scheme as well, was it?

Mr McCutcheon—That is correct, yes—specifically to the NLIS database, or to assist MLA with the database.

Senator O'BRIEN—Was the \$3.2 million tagged by the Commonwealth to be spent on NLIS or was it R&D funding which was in fact spent on NLIS?

Mr McCutcheon—As Meat and Livestock Australia mentioned yesterday, they basically expend money on a range of R&D projects. In respect of NLIS they expended the money and the Commonwealth matched those contributions. In a sense, it was not tagged by the federal government.

Senator O'BRIEN—So the matching funding was in accordance with the agreement between the Commonwealth and MLA about the expenditure of funds on research which fits with the rules established in the agreement between the Commonwealth and MLA?

Mr McCutcheon—Yes.

Senator O'BRIEN—During the last hearings I asked some questions about the implications for Australian exporters of the US Bioterrorism Act, and Dr Murray told us in February that things seemed to be going relatively smoothly and that the US Food and Drug Administration was to consider the implementation of the scheme in March. In answer PIAPH 01 we are told that there has been no change to the intent of the act following the public comment period, but there were changes to specific aspects of two rules covering registration of food facilities and prior notice of imported food. What are the implications of these changes for Australian exporters?

Mr McCutcheon—The implications in essence are that some of the additional costs that we thought might be incurred by Australian exporters will not occur, in terms of perhaps additional agencies that they would have had to deal with to access the US market, or additional paperwork or administrative procedures they would have had to follow.

Senator O'BRIEN—The first change means farms exporting direct to the USA do not have to register if they are not actually processing food. Does that have a positive impact or a negative impact or no impact at all?

Mr McCutcheon—It is very hard to ascertain without any sort of documentary evidence in terms of individual exporters, but the fact that those exporters do not have to register means that they did not have to appoint a federal US agent to act on their behalf, so again there was a cost saving for them and they just carried on business as usual.

Senator O'BRIEN—And postal providers do not have to register. Does that have the same sort of impact?

Mr McCutcheon—Yes. That would be the same issue.

Senator O'BRIEN—What are the implications of the new prior notice arrangements?

Mr McCutcheon—As we outlined in the follow-up answer to the question raised at the last estimates hearing, the implications are that our exporters have to provide prior notice, depending on how goods are exported to the US. In general terms the implications for Australia were not significant because the time lines they set in place for most of our produce—which goes either by water or by air—would be easily managed within that

framework. For countries like Canada and Mexico it was more problematic because they basically had product going across the borders within the space of an hour and it was, in a practical sense, very difficult for them to comply.

Senator O'BRIEN—The sense you are giving me is that there will not be any significant cost burden to Australian exporters as a result of this.

Mr McCutcheon—Not at this stage, but we have been advised—some time ago, but it was reaffirmed yesterday—that the US has announced that it will be moving to the third stage of an eight-month implementation plan. This stage is called the enforcement phase. Essentially, US Food and Drug Administration inspectors who encounter violations will now have the authority to impose stricter penalties, in some cases including outright refusal of the food shipment. In other cases, though, the FDA can still respond to violations by attempting to educate the shipper as to the exact requirements of the new law. Those tougher enforcement provisions will now prevail until 12 August, and I guess that means that some of the Australian exporters who may have encountered some minor problems with US authorities in terms of their export could face perhaps a fine or a suspension of product entering the market if they do not comply. We will just have to wait and see.

The other point I would make is that it is our understanding that as at 13 May about 46 per cent of the 450,000 companies, globally, that export to the US still had to register with the US. So there is quite clearly a large proportion of traditional suppliers to that market that have not registered. Under this new enforcement regime, they may encounter difficulties.

Senator O'BRIEN—Is there any sense of what cost burdens are likely to be imposed? I suppose that is a factor of understanding the system and compliance, depending on how easy it is to comply with.

Mr McCutcheon—That is right, yes.

Senator O'BRIEN—Have we any feedback from Australian exporters about that?

Mr McCutcheon—The only feedback we have received is quite a few questions on some minor administrative matters—for example, 'Do I have to contact or engage a US agent?' and the answer has obviously been yes. Some of the more difficult questions we have referred on to the USFDA. At the end of the day, we have not received any representations that I am aware of from exporters saying, 'Look, this is imposing a major cost on our business, and we are now not going to export to that market.' But, as I said, we really want to wait until we see, once the new enforcement provisions come into effect, just what impact that might have.

Senator O'BRIEN—Again, at the last hearings, we were talking about whether or not there had been pressure from Australia to have the requirements of this legislation imposed in the least trade restrictive way. You told us that Australia had lodged formal comments on these rules with the SPS Committee of the WTO in the middle of last year, after the USA had released draft rules, but as at 16 February you were not aware of any response to that submission. Has there been any response since that date?

Mr McCutcheon—I think, as was explained by Mary Harwood at the last hearings, it is not necessarily the SPS secretariat that would respond to Australia. But we do know that, in response to the representations that Australia made either through the SPS Committee or

through the US Federal Register, the US government did make a number of changes, which we outlined in that response to the follow-up question. But, again, we have not had any formal response and we do not expect one, because that is not how the system works.

Just so you are aware, at the last hearings we did indicate that we were going to submit our comments again in March—there was another comment period—and again we raised our concerns about the fact that the US Bioterrorism Act does not allow for equivalence determinations. It focuses on prescribing specific measures. It may lead to more restrictive measures applied to imports of food than to food and other products produced in the USA. It may lead to duplication of some measures—and so on. So again we took the opportunity to reinforce our concerns with the US. More recently, at the annual food safety quadrilateral meetings in Canada, Australia, Canada and New Zealand again took the opportunity to press and raise issues with the US on the implementation of the US Bioterrorism Act.

Senator O'BRIEN—Presumably, there is some process for follow-up with WTO if we ultimately are dissatisfied with the way these new rules operate. Do you know what they are?

Mr McCutcheon—I think the next step in the process is once the US announce the interim final rules as the final rules then Australia can make an assessment as to whether to pursue it further through the SPS committee.

Senator O'BRIEN—Have we actually approached the US about the rules?

Mr McCutcheon—Again, as I mentioned, we formally registered our concerns through the US Federal Register and also through Food Safety Quadrilaterals, which the US participate in.

Senator O'BRIEN—Has anything been pursued by DFAT or is it this department's role?

Mr McCutcheon—I am not aware if DFAT are pursuing it or not. The major focus of our activities in consultation with DFAT and Austrade has been to raise the awareness of the new requirements and to make sure that our exporters in the first instance can comply with the new US requirements.

Senator O'BRIEN—It does not sound like the government considers that this issue is a matter of priority.

Mr McCutcheon—The fact that we have not been overwhelmed with industry knocking on our door and saying, 'We've got major problems,' has in part dictated how we respond. As I have said on a couple of occasions, we have made our representations on what we believe are the issues with this piece of US legislation and, until it is fully enforced, we will not be in a position to take our concerns further.

Senator O'BRIEN—Isn't it the case that you will not get those concerns until the system really bites and people notice significant problems?

Mr McCutcheon—I think that is correct and it is certainly our reading of it. The US have been responsive to some extent in I guess streamlining the implementation process. Based on the anecdotal evidence we have, that has been a positive outcome for our exporters in terms of their complying with the new arrangements.

Senator O'BRIEN—Do I take that to mean the department is not expecting this to be an issue in the future?

Mr McCutcheon—I do not think we want to be complacent here. We are just monitoring the situation. As I said, from 12 August, which is when full enforcement will occur in the US, we will be in a better position to be able to make that call.

Senator O'BRIEN—Do we know what the value of processed food from Australia to the United States is?

Mr McCutcheon—I do not have those figures but I am happy to take that on notice.

Senator O'BRIEN—On page 28 of this year's PBS, there is a line relating to the OJD Control and Evaluation Program. There is funding for this financial year of \$111,000 but no funding for the next financial year. Does that mean the program is finished, or is it just that the Commonwealth's financial contribution ends at 30 June?

Mr Merrilees—The figure on page 28 of \$111,000 represents the last Commonwealth contribution to the current National Ovine Johne's Disease Control and Evaluation Program, which was a six-year program. So 2003-04 is the last year of that program. At this stage, there has been agreement of stakeholders to a future management plan for OJD. That plan is progressively being implemented and funding arrangements for that plan are still to be finalised. So at this stage there has been no Commonwealth funding appropriated for the future plan.

Senator O'BRIEN—Has the Commonwealth made any commitment to fund it—albeit without specifics?

Mr Merrilees—At this stage I think that is still under discussion. I do not think there have been any formal commitments from the Commonwealth. There are three major elements of the new program. One is overall coordination, management and communication, which will probably be jointly funded by the Commonwealth, states and industry. But that will be a very small component. There will be ongoing control measures. That will be a matter for jurisdictions and industry to fund. The third element is the assurance based credits trading arrangements. The key elements of that include abattoir surveillance. I think that is the area that is still to be resolved in terms of who will contribute to that.

Senator O'BRIEN—You said there have been no formal commitments. Have there been any informal commitments? Is there a suggestion that we will fund it without actually saying that we will?

Mr Merrilees—I think it is fairer to say that it is still under discussion. In fact, there is a meeting later this week of the OJD program advisory committee. I am sure that is where these issues are likely to be moving closer to finality.

Senator O'BRIEN—In a broader sense, where have we ended up after the six-year program?

Mr Merrilees—In a broad sense, we have come to a conclusion that, given current technology, in the short to medium term the disease is not eradicable. We have a much better understanding of the prevalence of the disease. It is clearly endemic in parts of south-eastern Australia. We have a range of improved diagnostic tools. We have a better understanding of

some of the options that have been pursued to control the disease, including vaccine. We have had a good assessment of a number of eradication strategies that have been trialled, and we have a better understanding of the limitation of those.

Senator O'BRIEN—It is sounding like the eradication strategies that have been tried in the past have been fairly fruitless and painful exercises, particularly for those whose flocks have been required to be slaughtered.

Mr Merrilees—I think it is important to remember the current program has been very much a control and evaluation program, not an eradication program. As part of the research and development element of the program, we have trialled a range of measures such as destocking for 15 months to see if that would be successful. I would not suggest that those eradication measures have been unsuccessful. What we have learnt is that there are a range of limitations with them. For example, one of the key issues with the 15 months destocking is the need to be able to source clean sheep. That has been a sensitivity in some of the trials.

Senator O'BRIEN—It is a really fundamental problem, isn't it? If you cannot be sure that what you are buying is free of the disease you are supposed to have eradicated then it is difficult to justify an eradication program in the first place. I wanted to ask about the national biosecurity strategy. I assume the department is involved in the development of this strategy.

Mr Banfield—Senator, are you referring to the discussions that have occurred in the context of the Primary Industries Ministerial Council on that?

Senator O'BRIEN—I think that is what I am talking about.

Mr Banfield—If it is, I report that this issue was discussed at the Primary Industries Ministerial Council last week on 19 May. It was essentially a 'process discussion', if I can use that term. Ministers noted that a high-level working group is being established to engage primary industry and other stakeholders, including other Commonwealth-state councils, like the natural resource management and environment protection ministerial councils, to develop and implement a national biosecurity strategy. This is very much a first step in what will be obviously a quite intense process which will take some considerable time. The intention behind the strategy is to have a look, across the board, at our biosecurity arrangements preborder, border and postborder to provide a more holistic view of arrangements and a review of current arrangements. Again, it is at a very early stage, and the paper that was presented to council was very much, as I said, in the nature of a process paper indicating broad areas that this working group would consider in a process for the way forward.

Senator O'BRIEN—Has a particular work process led to the elevation of this matter through the Primary Industries Ministerial Council?

Mr Banfield—No. I can make a couple of comments on that, and Mr Roseby might have a comment on this as well. New Zealand has gone down the track of a more holistic biosecurity approach. As you know, New Zealand is one of the participants on the Primary Industries Ministerial Council. Obviously, we have been aware of what is happening in New Zealand. Also, the standing committee and ministers generally are very conscious of the importance of this particular issue and are looking at ways we can be proactive in having the best possible strategy in place. I am not aware of any driver beyond that, but Mr Roseby might have a comment.

Mr Roseby—I do not really have a lot to add, other than what Mr Banfield said of the need to take a national and holistic approach to biosecurity. There are a lot of areas where biosecurity measures, particularly industry biosecurity plans, are being put in place. Governments have biosecurity plans. We want to extend this and make sure that they are all interconnected and that a national strategy covers the lot. That is as simply as I can put it.

Senator O'BRIEN—Is there considered to be an increased risk of animal disease and plant pest and disease?

Mr Roseby—The risk is always there of there being an incursion. We cannot measure to any great extent whether the risk is increasing, but we do know that, with the rapid transit of people, goods and services et cetera, there are many means by which bugs and diseases can be transferred. We know that there have been some fairly significant countermeasures put in at the border to try to detect material that might be infectious. On balance, I would say that the risk is probably slightly higher, but to measure that is virtually impossible.

Senator O'BRIEN—So the risk is slightly higher than it has been in the past?

Mr Roseby—Yes. For such reasons as we have things like SARS and avian influenza et cetera—diseases that can potentially be transferred by migratory birds, by people in passenger planes carrying viruses or by other means. These sorts of factors indicate that the risks are increasing. But, as I said, we have not done any thorough risk analysis as to where that risk has moved. It is related to the movement of goods and peoples and what is happening worldwide.

Senator O'BRIEN—Is it the view of the department, and perhaps even the government—maybe, maybe not—that the current arrangements to manage disease outbreak are not adequate to meet the increased risk?

Mr Banfield—I would not say that; that is not what we are saying at all. What we are saying, and what the government are saying, is that we are looking always for ways of improving current arrangements. The arrangements that we have in place have operated, we believe, very effectively in the past, but we are not resting on our laurels; we are looking at creative ways. If new systems are tried in other countries which seem to offer us some opportunities, we are looking to take advantage of that. It is a proactive approach rather than a reactive, after the event, approach.

Senator O'BRIEN—So it is a proactive approach in the context of an environment of increased risk.

Mr Banfield—It is a proactive approach in circumstances, as Mr Roseby said, such as things like avian influenza. If you look at things with a silo type approach—which has often been the case where particular agencies have looked at their part of the equation—for example, with migratory birds and the risk of bringing in pests and diseases, we need to broaden the approach and look at other forms and means by which pests and diseases can be brought in to make sure we have the tightest possible system. That is really the background to it.

Mr Roseby—The government has taken a very proactive and measured approach to this. It goes back to the budget initiatives of the past and the fact that we have held major national

simulation exercises—all of those are designed to test our systems and build our systems. One of the objectives of an exercise is to see whether there are any weaknesses. That helps us to identify where we need to do more work. It is on the basis of those sorts of activities that these initiatives coming through in this budget will allow us to continue to improve our systems.

Senator O'BRIEN—Are you looking at this from the perspective of not only risk to animals and plants but also risk to the human population?

Dr Biddle—Yes, we are very sensitive to the number of emerging diseases that have human health or zoonotic potential. We are closely engaged with other agencies. I am confident that the exploration strategy envisaged under this national biosecurity system, as people examine the issues, will take that into account closely. One of the drivers for this—

Senator O'BRIEN—Could you go back to what zoonotic potential is? I just want to clear that up.

Dr Biddle—It is the potential to infect man. It refers to a disease with a base in animals that is transferable. A number of the newer diseases that have emerged in recent years have this potential. There are a number of scientific forecasters that place a high probability on future emerging diseases having the characteristic of the ability to infect humans. So this is a very important part of the current environment and one that will receive close attention.

Mr Banfield—I would not want to give the impression that the national biosecurity strategy that we are talking about in the Primary Industries Ministerial Council will explicitly cover health as Dr Biddle has indicated. Obviously we have very close relations with the department of health—we work cooperatively. But obviously an all-embracing strategy including human health would not of itself be driven through the Primary Industries Ministerial Council. In the first instance we would be looking at a broader approach to the possible introduction of pests and diseases in relation to agriculture, fisheries and forestry issues. As Dr Biddle quite rightly said, there is a close interface in that with other agencies. The department of health obviously deals with the human side, but there is, for example, also the Department of the Environment and Heritage, and I mentioned the Natural Resource Management Council as well. I wanted to put that into context.

Senator O'BRIEN—So are you telling me that nothing actually triggered the heightened weight that is now being given to the risk to humans from plant and animal diseases and pests—it is just the emergence of disease problems in other parts of the world?

Mr Banfield—I stand to be corrected, but my recollection is that the initial proposal for this came from one of the subcommittees of the Primary Industries Standing Committee, the Primary Industries Health Committee. In reviewing arrangements in place in the light of, as I say, what was happening in other countries—New Zealand is a particular case in point—they thought that maybe they should have a look to see whether we can improve our own preparedness, and it emerged from there. But there was no specific event or pest that caused us to say that our systems are not adequate.

Senator O'BRIEN—So this is an initiative of one of the committees of the Prime Minister's ministerial council?

Mr Banfield—The original proposal came, as I recall—I am subject to correction—from the Primary Industries Health Committee to the Primary Industries Standing Committee, which has the CEOs that report to ministers. The Primary Industries Standing Committee agreed that this was a worthy effort of future endeavour and a proposal went, as I said, to the ministerial council on 19 May. Ministers have noted that this work is being done and have noted also that this strategy will address the broader longer term biosecurity issues in relation to animal, plant and marine pest and disease incursions. The standing committee will report back to ministerial council later this year on the matter.

Senator O'BRIEN—We have taken the lead from New Zealand and that process has led to where we are now. Is the process likely to involve a number of agencies and industry organisations?

Mr Banfield—Yes. I mentioned a few at the start. Certainly we would, of course, be talking to industry in the development of these sorts of arrangements; but the approach also is to engage other councils and standing committees. I mention, for example, the Natural Resource Standing Committee and other committees.

Senator O'BRIEN—What about industry organisations?

Mr Banfield—I have indicated that I am pretty sure that is the case, Senator. We would not normally develop these systems without engagement with industry in the process. There are normally joint stakeholders in this process.

Senator O'BRIEN—Would it be possible to consider who is going to be involved and give the committee a list?

Mr Banfield—Senator, we would be happy to do that. I indicated that the process is still at a very early stage. To my knowledge we have not even sorted out who might be on the working group or how the working group might operate. There were some broad issues that were looked at for investigation. It is really very much an embryonic approach at this point in time. But certainly when the architecture around it is more settled, I would be happy to report that to you.

Senator O'BRIEN—What is the current national biosecurity system, if there is such a thing? Is there one available somewhere—

Mr Roseby—To my knowledge there is not a specific document, Senator. In terms of our partnerships with industry—through the cost sharing agreement that we currently have with the animal industry and an agreement that we are about to finalise with the plant industry—our work requires biosecurity statements from all participants in those agreements. Animal Health Australia and Plant Health Australia are the partnership companies through which we work with industries. Over the years they have been developing biosecurity strategies and plans with industry participants and they have been helping to roll those biosecurity plans out with industry. So there is a coordinated approach to this. We have been doing this for some years now. And it was not led by New Zealand: these were things that we were already doing and they were in place. I think one of the reasons why people said, 'Let's have an overarching strategy' is to actually make sure that we do pull all these issues together and have that national framework.

Senator O'BRIEN—I am trying to rationalise what you have just said, Mr Roseby. I think you said, 'We don't actually have a national biosecurity system.'

Mr Roseby—No.

Senator O'BRIEN—The information we have been given is that there was a view that we should develop this following a process which essentially seems to follow from New Zealand taking this approach. But now you are saying that we have got a system in place anyway. Can you explain that to me so that I am not confused?

Mr Roseby—I don't agree with some of the summation you made there, Senator. We are not following New Zealand's lead.

Senator O'BRIEN—I am only summarising the answers I have been given so far. I think you will find that the *Hansard* shows that.

Mr Roseby—I am trying to explain to you what we have in place already. Through these partnerships with industry, we have quarantine of course as part of our national biosecurity strategy. That has been in place and has been ramped up significantly as you know in recent years. We have been rolling out the biosecurity plans with industry and within governments. My only comment was that this national biosecurity strategy is simply to pull all these elements that we are already putting in place together into one comprehensive strategy. A lot of the stuff that would be in that biosecurity strategy is already being done.

Senator O'BRIEN—So we should not envisage any change to the system arising from this?

Mr Roseby—We work on a continual improvement basis. We continually review what we do and, if we can improve it, we go and improve it. That is how we run our animal and plant health systems.

Senator O'BRIEN—What is the purpose of the high level approach to a national biosecurity system through the Primary Industries Ministerial Council? I am just trying to understand it. Is it significant or not?

Mr Roseby—I think it is significant in that, as I say, it would review all of the systems in place, see if further improvements can be made and make sure that all the biosecurity plans and strategies that are being rolled out are actually knitted together and that there are no gaps.

Senator O'BRIEN—You told us that there was an increased risk and we have discussed some of the potentials for animal diseases to find their way into human beings. Are you saying that this system will simply tie together what is there at the moment? Is this an exercise of rebadging? What are we actually doing?

Mr Banfield—Senator, you are asking us to presume an outcome of a process which has not even started yet. I indicated to you that this is a very embryonic project. We have not even established to my knowledge who might actually be on the group to look at it. What Mr Roseby and I have been trying to say is that of course we are seeking always to improve our biosecurity arrangements. We believe we have got world-class arrangements in place at the present time, but we are not resting on our laurels in that and we are actively looking at ways and opportunities where we can improve, as Mr Roseby says, on a continuous basis. But we are not in a position to indicate what the outcome of a process might be that has not even

started yet. We think it is worth having a look to see if we can improve. I cannot go beyond that.

Senator O'BRIEN—Let us have a look at the system as it is now. If there were a terrorist threat through an animal disease outbreak, for example, what would be triggered now? What role would the department have under existing arrangements?

Mr Roseby—The first thing with an animal disease is that you need to be able to demonstrate that there was a deliberate act of introduction. The normal processes of reacting to an animal disease incursion would automatically come into play with the cost sharing agreement. The national framework for dealing with, containing and eradicating diseases would come into play. If it was a deliberate act of terrorism, there would be an additional element in that there would definitely be an interaction with the counterterrorist plan. We would deal with the agricultural consequences of the act and the counterterrorist agencies would deal with the act of terrorism. So there are systems in place that would be used. We would simply be using our tried systems of dealing with animal diseases that we use now.

Mr Banfield—Senator, I remind you that we had a major exercise—Exercise Minotaur—which was designed to do just that, and you have asked questions about that in this committee previously. That was a major undertaking to test our systems. Can I also say that in cooperation with the states we are proposing to undertake a probably more limited but follow-up investigation in 2005. We have very good systems in place, as confirmed through the Exercise Minotaur process, but, again, we are constantly monitoring and reviewing our systems in the hopefully unlikely event that we have to put them to the test in a real life situation.

Senator O'BRIEN—I think the ability to trace forwards and backwards the movements of cattle and sheep would be important in any scheme to control a major disease outbreak, wouldn't it, Mr Roseby?

Mr Roseby—Correct.

Senator O'BRIEN—So, if we had an outbreak of foot-and-mouth disease as part of a process of political destabilisation, under the current arrangements how would the movement of infected animals be traced?

Mr Roseby—It would be traced using existing systems. One of the reasons why we want to go to the national system is that we see that that would be an improvement.

Mr Banfield—Can I just add a point. My understanding—and I stand to be corrected by my colleagues—is that, if there were a major disease outbreak like foot-and-mouth, there would be a standstill. The first thing that would happen is that there would be no cattle movements, no animal movements, until we could work our way through the process to find out what might reasonably be done in the circumstances. So the first response would be to call a halt.

Senator O'BRIEN—Once it had been discovered.

Mr Banfield—Yes.

Senator O'BRIEN—The purpose of my question is obviously to emphasise that what has gone on before will determine—as it did in Europe—where your risk centres are, and finding

where one point of infection is and then discovering movements of animals from and to that point will tell you where the disease may have come from or where it may have gone to. That is why I asked the question. It is critical, I would have thought, in controlling a major disease outbreak, particularly if someone is deliberately spreading it.

Mr Roseby—There are a whole series of systems we have in place. We have built up quite considerably and made investment in monitoring and surveillance activities. We are conducting awareness campaigns across the country—an annual campaign. The most recent one was with non-English speaking background people in urban and periurban areas, because periurban areas are seen as a potential high risk for introduction. By creating awareness we are encouraging people to have good biosecurity practices, so that, for example, swill feeding is not used with pigs. We have the awareness campaign so that there is early reporting. All of these are built around, first of all, educating people to minimise the risk so that they do not do things that would allow the introduction. Secondly, we encourage early reporting. That is done through these awareness campaigns and through the cost sharing agreement. The cost sharing agreement is there to compensate for the loss of animals if you report them. That encourages people to report disease signs as early as possible.

Senator O'BRIEN—All that is about unintended infection, isn't it?

Mr Roseby—It would include both, because monitoring and surveillance means picking up the clinical signs of the disease early.

Senator O'BRIEN—But the education campaign is not going to help if someone is deliberate about it.

Mr Roseby—It will help them in that there is a hotline for notification of suspicious signs of diseases in animals and there is encouragement to notify. That is all part of the education campaign. Going on from that, if something is reported that is suspicious, particularly something like foot-and-mouth disease, then there would be the standstill of livestock. The purpose of that is to limit further spread of the disease, but it also allows immediately a process of tracing from your first infected property, if I can put it that way. You trace animals from that property backwards and forwards to find out where they have come from and where they might have moved to. This whole issue of tracing becomes pretty critical to find out where the disease is. Those are the systems that we work through.

CHAIR—That sounds pretty terrific, but what about the feral pigs?

Mr Roseby—The issue of the feral pigs, I have to say—

CHAIR—They will not stop when you put a stop sign up for cattle.

Mr Roseby—No. The feral pig problem in Australia is a huge one, but I will let Bob talk about the size of it. The feral pig has been made an issue by some people in the context of foot-and-mouth disease, but basically it is not. It is one of the least of our problems. Bob, you might like to explain some of that in terms of the science and the role. Far too much has been made of it. I am not saying for a minute that feral pigs are not a problem, but let us treat them differently from this disease.

CHAIR—They are just here at Wee Jasper.

Mr Roseby—That is correct, but let us—

CHAIR—But if it got out there, what would you do about it?

Mr Roseby—Let us treat the feral pig issues as something different—do not use foot-and-mouth disease to drive this issue. It has been shown in other countries that the wild animal population has not been a major issue in terms of proof of freedom of foot-and-mouth disease in those countries.

Senator O'BRIEN—It has been more likely to have been the illicit transfer of animals for a variety of reasons—

Mr Roseby—Potentially, yes.

Senator O'BRIEN—particularly, in the EU, to double-count for subsidy and the like. But the reality is that animals travel a lot faster on trucks and ships than they do normally.

Mr Roseby—Other than birds, of course.

CHAIR—Let us just hope we do not get it.

Mr Roseby—Let us do more than just hope.

Senator O'BRIEN—So, in answer to my original question, the system is that there is a standstill arrangement and there is then a process of establishing a trace back and trace forward from the location or locations of the infection, as I understand it. As I say, if it were deliberate, it would be likely to be a number of points if someone really wanted to do some damage. What arrangements are in place for animals that are ready for live shipment?

Mr Roseby—It depends on the location of the disease. It was recognised as an issue during Exercise Minotaur that there were significant numbers of animals on the water. That is a process where we are looking at contingency plans as to what we would do with those animals.

Senator O'BRIEN—So that is still being worked through?

Mr Roseby—That is something that we are working on.

Senator O'BRIEN—In terms of animals—

Mr Banfield—Can I just qualify a comment, because I want it to be absolutely clear on the record. Mr Roseby has indicated that we are working through contingency arrangements. For the record, can I just make it clear that we are not undertaking work on return to Australia of live animals. This was the subject of some considerable discussion in previous Senate estimates hearings. Mr Taylor gave a clear view that that work ceased with the unloading of the animals off the *Cormo Express*. I just want to make that point absolutely clear.

Senator O'BRIEN—So presumably we are working on issues such as destinations for unloading and disposal, and disposal at sea?

Mr Banfield—We are not working on any of those issues at the present time. Mr Roseby was talking in a general sense, in that obviously the issues raised if you have a major disease outbreak—in terms of what you do with animals that are either prepared for loading or on the water—would need to be addressed. Mr Roseby has indicated that in Exercise Minotaur the issue was raised, but that was not addressed. In the event that we are confronted with a real life situation, clearly decisions would need to be made. What I am indicating to you quite

clearly, though, in response to the earlier comments, is that there is no work being undertaken in respect of the return of animals to Australia.

Senator O'BRIEN—So we are not working on what are clearly the options alternative to that, either?

Mr Banfield—To my knowledge, we have not done any further work on slaughter at sea or any other option. You might recall that yesterday, when we had a discussion in broad terms about this, I indicated that one of the recommendations of the Keniry report was that we needed a plan in relation to live animal exports. One of the industry groups has written to us to seek to engage in that process, and clearly we will need to make some contingency plans, but we are not at this point doing work on the return to Australia of live animals.

Senator O'BRIEN—So at this stage we do not have a contingency plan to deal with a shipment that we cannot land anywhere?

Mr Banfield—I think that is correct. We certainly do not have any decisions in relation to slaughter at sea or return of animals to this country.

Senator O'BRIEN—But no work has been done on that?

Mr Banfield—Not to my knowledge.

Senator O'BRIEN—Who would know?

Mr Banfield—Mr Taylor gave you a very clear undertaking and assurance in previous hearings of this committee and I just want to reiterate that point.

Senator O'BRIEN—How does the Commonwealth stop movements here, or does it rely on states and territories to impose restrictions?

Mr Banfield—Are you talking about within Australia?

Senator O'BRIEN—Yes.

Mr Roseby—The states and territories have powers under their legislation to manage the movement of livestock, which includes standstill. As a last resort, if the Commonwealth was requested we could invoke the Quarantine Act. But we would have to be requested to do so by a state or territory.

Senator O'BRIEN—So the system on discovery is that there is a requirement or obligation to answer all questions as to movement of animals from the location where the outbreak is discovered?

Mr Roseby—I am not quite sure—

Senator O'BRIEN—If you want to trace them forward, someone has to tell you where they have gone. There is no automatic tracking system.

Mr Roseby—Yes. One of the purposes of the stance, as I said, was firstly to stop the spread and secondly to try and track where the disease might have come from and where it might have moved to. That would be a fundamental issue at the beginning of any outbreak.

Senator O'BRIEN—Is that information collected by the states and territories for the Commonwealth?

Mr Roseby—With something like that, under the national management arrangements the national framework would be invoked, the national management group would be meeting, the CCEAD would be meeting and they would be coordinating activities across all states and territories. In terms of the trace-back, basically that would be done by the state or territory involved, no doubt using all means that they could to find the animals and trace them. That would involve cooperation with industry and saleyards managers et cetera.

Senator O'BRIEN—Can you tell me what the current security arrangements are for facilities such as the Animal Health Laboratory at Geelong?

Mr Roseby—I am not an expert on AAHL, but I do know that the facilities are of the highest order of security.

Mr Merrilees—That question might be better directed to the CSIRO. I can say in general terms that AHL has a very high level of biosecurity containment as well as a physical security plan. But questions on the details of that are probably better directed to the CSIRO.

Senator O'BRIEN—Do you know if security arrangements for facilities such as the Animal Health Laboratory at Geelong are regularly audited?

Dr Biddle—Yes. The biosecurity containment arrangements are subject to independent audit and there is a strict protocol that they follow to maintain the currency of those arrangements.

Senator O'BRIEN—I will touch on some of the diseases that we might want to be protected from. I will start with BSE. It is a widespread disease now, is it not?

Dr Biddle—BSE is an important disease from a number of perspectives, but I do not understand your question.

Senator O'BRIEN—I think it has been discovered in 19 or 20 countries, including countries in Europe as well as Japan, Israel and Canada.

Dr Biddle—Yes.

Senator O'BRIEN—Have there been any outbreaks of avian influenza in recent times?

Dr Biddle—Yes, there has been an exceptionally large outbreak of a highly pathogenic form of the disease in the region in recent times.

Senator O'BRIEN—Is it still the case that there is no evidence of human transfer of this disease?

Dr Biddle—That is my understanding in relation to the particular strain involved in this outbreak in Asia.

Senator O'BRIEN—In relation to foot-and-mouth disease, how is the development of an effective vaccine progressing?

Dr Biddle—There are international efforts and collaboration, but as yet there has been no reliable estimate of when a new-generation product would be marketable.

Senator O'BRIEN—Is there currently a live vaccine, if I can call it that, available?

Dr Biddle—The preferred technology at this stage is a highly purified inactivated vaccine. That technology, which is available, allows tests to be applied to distinguish between vaccinated and naturally infected animals at the herd level.

Senator O'BRIEN—If we brought it here, would its presence and storage in Australia be an issue while we do not have FMD?

Dr Biddle—We have arrangements for access to emergency supplies of vaccine, and the necessary permits for the introduction of this vaccine are in place. There are conditions on those permits about how the vaccine is used. It must be used under strict directions and animals which are vaccinated must be permanently identified. Those arrangements are in place as part of the overall national planning to deal with foot-and-mouth disease.

Senator O'BRIEN—Does that mean it is not in Australia but it can be brought in at short notice or do we store it here?

Dr Biddle—That is the intention; that is how the arrangements are designed.

Senator O'BRIEN—Mr Roseby, you were talking about Exercise Minotaur, which took place in September 2002, as I understand it.

Mr Roseby—Correct.

Senator O'BRIEN—That is a fair while ago. Is there a reason no report on the exercise has been released?

Mr Roseby—It was a very large report and it took some time to coordinate the draft of that report after the meeting because there were some 23 jurisdictions involved. But it has been circulated to the COAG senior officials for clearance before going to the first ministers for final clearance. It is the property of the Council of Australian Governments. But I am not aware of any particular problems.

Senator O'BRIEN—I would have thought that, given the nature of the exercise, findings from the exercise would have been acted on fairly swiftly. Is the delay in the promulgation of the report impeding that?

Mr Roseby—Most of the jurisdictions who have participated in drawing up the report and its recommendations are well aware of the activities that need to be undertaken as a result of Minotaur. All of those activities are being followed up.

Senator O'BRIEN—Can you detail the initiatives that are being taken in relation to our emergency arrangements following Exercise Minotaur?

Mr Roseby—I can do it in a general way. We are looking seriously at national information management systems and resource management systems. We have ramped up, and we are continuing to ramp up, our training programs. We have planned a lot of other smaller exercises—workshops et cetera—which are an essential part of training and also an essential part of continual improvement. A lot of work has been done on improving diagnostic capacity and so on. Those are the sorts of issues that we have been addressing. And there has been work on securing vaccine, as Bob mentioned.

Senator O'BRIEN—Have these matters been implemented by the Commonwealth or the states and territories, or both?

Mr Roseby—We are all working together on these issues, and with industry.

Senator O'BRIEN—What particular things has the Commonwealth been responsible for?

Mr Roseby—We are working closely on the vaccine, for example. We are very closely involved in the design of a number of exercises that are being held and have been held. We were involved with a couple of specific ones more recently, with the initiation of the awareness campaign for people of a non-English-speaking background. We have just completed the third in a series of exercises to establish a national rapid response team that could operate very quickly within a short period of time anywhere in Australia if there was a disease outbreak. There is a whole range of training activities that we have participated in. As I said, we are part of the development of the information systems. They are just a few examples.

Senator O'BRIEN—Does the report address the matters that the exercise was designed to examine? Those matters are: integration of national arrangements between government and industry; administrative arrangements; the capacity of our resources to manage a foot-and-mouth disease outbreak and its consequences; logistic arrangements; the effectiveness of the AusVet plan; trade management arrangements; and socioeconomic and recovery strategies and processes. Are all of those matters addressed in the report?

Mr Roseby—They were the objectives for the exercise, and naturally those issues are addressed in the report.

Senator O'BRIEN—You say that the report is not controversial, but it has taken some time to get to the point where it is checked prior to going to the ministers.

Mr Roseby—It is still in the process of being cleared by COAG senior officials, then it will go to first ministers.

Senator O'BRIEN—How many drafts have there been?

Mr Roseby—I could not tell you how many drafts there have been. Initially, when we were putting it together, at the lower level of officialdom we had a number of meetings with people from different jurisdictions over time. We kept providing drafts until it got to a point where, if you like, the lower-level officials thought it was of sufficient quality to go to the senior officials. But I cannot tell you how many drafts we had.

Senator O'BRIEN—There were a number.

Mr Roseby—Yes. It is an iterative process, because you have to go through committees and task forces et cetera to make sure that people are happy that their issues are being covered.

Senator O'BRIEN—Will we see it by September?

Mr Roseby—I cannot answer that. The matter rests with COAG.

Senator O'BRIEN—When is the next Primary Industries Ministerial Council meeting scheduled?

Mr Banfield—It is in October, but I think that Mr Roseby said this is a COAG issue.

Mr Roseby—The Primary Industries Ministerial Council are not involved. I do not know when the next COAG meeting is.

Senator O'BRIEN—So it will not be issued until COAG meets again. Is that right?

Mr Roseby—COAG have a process where you can clear documents out of session, which means that they do not have to meet physically. But whether they choose to do it that way or in session I cannot say. I do not know.

Senator O'BRIEN—In discussing the funding of the department we discovered yesterday that IQI is not funded past the coming financial year. When you were talking about the existing high standard of quarantine—

Mr Banfield—IQI is an AQIS issue.

Senator O'BRIEN—Yes, I know.

Mr Banfield—Are there questions of product integrity in that or is that a matter that we should pick up under AQIS?

Senator O'BRIEN—There are. Mr Roseby talked about the significant ramp-up of quarantine. I want to know what Mr Roseby understands the relevance of IQI to be.

Mr Roseby—My reference to Quarantine was just in a broad sense of what sort of biosecurity measures are taken in this country. We are all aware of the \$596 million that was put into border security upgrading, but questions about AQIS are for AQIS to answer.

Senator O'BRIEN—I appreciate that, in terms of intention, that is right, but you did say in response to a question about how we are addressing the national biosecurity strategy at the moment that we had been addressing it by the ramp-up of Quarantine. By that, do you mean programs such as IQI?

Mr Roseby—They are not my programs, so direct your questions to AQIS. I was speaking in a general context about a range of biosecurity measures.

Senator O'BRIEN—What ramp-up were you talking about?

Mr Roseby—The one that specifically comes to my mind is the \$596 million in border protection but, again, that is for AQIS to talk about.

Senator O'BRIEN—I am sure it is. I just wanted to make sure that I understand correctly that you were talking about the significant expansion of the funding of the Quarantine program that has taken place recently, which we discovered is not funded past the coming financial year.

Mr Roseby—That is a question for AQIS.

Senator O'BRIEN—With regard to BSE, our status through the OIE is that we are regarded as free of the disease. Is that right?

Dr Biddle—No. The OIE has issued no determination about any country as yet. It may issue some determinations about some applicant countries this general session, which is occurring this week, but there have been no announcements as yet. I would say that the general opinion around the world is that Australia meets the criteria as defined by the OIE for a free country.

Senator O'BRIEN—How do we get the tick formally?

Dr Biddle—We make an application to the OIE, pay the fees and await the fullness of their processes.

Senator O'BRIEN—Have we paid the fees and made the application?

Dr Biddle—We have done that.

Senator O'BRIEN—How long ago?

Dr Biddle—Probably a good 18 months ago. We have provided supplementary information, and there is no decision at this stage. We will enjoy working with that agency to finalise the matter.

Senator O'BRIEN—What is the expected time of the process, or is that delightfully vague?

Dr Biddle—These are complex matters and the ratification of decisions of this type as it works through the various committees of an international organisation occurs on an annual basis, so the next opportunity for this country would be in a year's time.

Senator O'BRIEN—Do they say then: 'Your material is out of date. We want an update'?

Dr Biddle—They may well do. They could change their decision-making criteria in the intervening period, so it is very hard to be definitive about timing.

Senator O'BRIEN—What is the basis of arrangements put in place in relation to BSE—that is, what standards apply here? On the basis of those standards I am essentially looking at what the scientific basis of the day-to-day animal management issues and arrangements to manage the outbreak are.

Dr Biddle—To manage an outbreak of the disease or to prevent the establishment of the disease? We have a number of layers of these sorts of things.

Senator O'BRIEN—To manage an outbreak.

Dr Biddle—In the event that the disease were detected, because we have preventative measures in place we think it would be highly unlikely that there would be widespread dissemination of the disease. We have an effective ruminant feed ban in place, which is the method of spread of the disease. So if one or two—or a few—cases were to occur, that would be the likeliest extent. On detection and diagnosis of a case, the emergency plan would be swung into the active phase. There are defined criteria set down in the national plan to deal with different manifestations of how the disease might present. Based on the facts around the particular cases and the history behind that there would be a detailed response put in place which would include, of course, restrictions on the affected herd. If it were related to the feeding of the animals—in other words, if they were not imported animals—other animals that may have shared the risk feed at a point in time in the past would be of interest and would be subject to tracing and control. There would be extensive surveillance around the likely extent of the disease cases. Further action would be informed by the results of that surveillance. In short, we would tend to follow the sorts of measures that Canada and other countries have taken when they have discovered a few cases.

Senator O'BRIEN—Regarding the arrangements which we would put in place, is there an OIE standard or is that a matter for individual nations?

Dr Biddle—There is not a specific OIE standard.

Senator O'BRIEN—How do our arrangements compare with those in place in the United States?

Dr Biddle—Our plan for responding is comparable. It is quite adaptable according to the specifics of the situation we are confronting.

Senator O'BRIEN—Are Japan and Korea similarly comparable?

Dr Biddle—They certainly responded in a rigorous manner. I am not sure of the fine detail of their plans, but from an external viewpoint they took rigorous measures.

Senator O'BRIEN—What is happening on the National Animal Welfare Strategy?

Mr Merrilees—It has recently been renamed and we are now referring to it as the Australian Animal Welfare Strategy. At the Primary Industries Ministerial Council meeting earlier this month it was endorsed in principle. Ministers agreed that the Primary Industries Standing Committee should now move to develop an implementation plan for that national strategy.

Senator O'BRIEN—The development of this strategy commenced in around 2000?

Mr Merrilees—Yes, it has been going on for about four years.

Senator O'BRIEN—And we are only now looking at the development of action plans to implement the strategy?

Mr Merrilees—It has been a very significant undertaking. It has been done under the auspices of the National Consultative Committee for Animal Welfare. It has gone through a process in the last 18 months in particular of consultation with key stakeholders and at the end of last year in December and this year in January and February it went through a public consultation process to get to the stage of having the Australian Animal Welfare Strategy. It will be building on a range of our existing measures. It is important to realise that we are not starting with a blank sheet. We are recognising a range of existing measures such as model codes of practice, animal ethics committees and a range of initiatives in which Australia has really led the world in putting in place. As part of our implementation, we will be building on the arrangements that we have.

Senator O'BRIEN—So it will be implemented part by part, as it were, as things are developed?

Mr Merrilees—The development of the implementation plan is going to happen over the next six months or so, but I would envisage that it will look at specific actions and prioritise those and also look at the resource implications of those particular activities.

ACTING CHAIR (Senator Colbeck)—Thank you. We will move on to AQIS.

[10.21 a.m.]

Australian Quarantine and Inspection Service

ACTING CHAIR—I welcome officers from AQIS.

Senator O'BRIEN—At the last hearings I asked some questions about BSE in the USA and its impact on our beef exports. Can you tell me what conditions are applying in the USA to its domestic processing operations in the context of the BSE discovery? Can you confirm that those same conditions are being applied in relation to our exports into that market?

Ms Stanton—I do not have details of the conditions applying in the US. Dr McDonald and Dr Carroll will be able to tell you of the conditions applying in Australia, but perhaps Dr McDonald can answer first in relation to the US.

Dr McDonald—The conditions, we are assured, are the same in the US domestically as those required of our Australian meat exports to the US.

Senator O'BRIEN—What are they?

Dr McDonald—Some rules were provided by the US in December last year. They apply to the removal of specified risk material and the processing of what we term 'downer cows' for the US market. We have been asked to comply with those rules as well and we have done so.

Senator O'BRIEN—They are not to be processed for that market—is that the rule?

Dr McDonald—Yes, specified risk material cannot be included in any exports of beef products to the US. Specified risk material includes things such as brain, spinal cord and other appropriate tissue.

Senator O'BRIEN—So we are required to apply the same rules despite the fact that no BSE has been discovered here?

Dr McDonald—Yes.

Senator O'BRIEN—I understand that those rules came into effect in January; is that right?

Dr McDonald—They actually came into effect at the time they were published, which was in December.

Senator O'BRIEN—Does that say anything about our animal health status in the eyes of the US administration?

Ms Stanton—My view of that would be that the US has basically determined what rules it wants for its own market and it has applied them across a number of countries. I do not think that it necessarily says anything specific about Australia's categorisation in their eyes.

Senator O'BRIEN—Does AQIS have a responsibility to inspect to that standard?

Dr McDonald—We have an obligation to certify and to provide assurances to the US that their conditions are being met.

On reflection, I would like to change the statement about the date. It was 12 January, as I recall, not 12 December.

Senator O'BRIEN—What implications does that have in terms of AQIS's role? You have to certify that there is compliance with that. Does that involve some change to inspection and like processes to allow AQIS to certify in accordance with the US regulations?

Dr McDonald—We have AQIS veterinarians employed on all plants that are listed for the US market. The AQIS veterinarians on those plants have worked with the plant management to ensure that systems are put in place so that product that is no longer eligible for the US cannot go to the US. What is happening at the plant level is then verified by a system of audits and inspections by senior AQIS veterinarians, who are the next layer up in the verification and inspection of the meat inspection establishments. So it has meant a change in the systems and an update of the programs and arrangements that plants have in place.

Senator O'BRIEN—This system does not have a protocol of testing, does it? It is an audit process rather than some sort of sample testing for material?

Ms Stanton—Yes, that is correct, Senator.

Senator O'BRIEN—I take it that there is no such system being applied in Australia—random sampling to see whether such material is able to be detected? I suppose, firstly, we want to be certain that we are not breaching our requirements for the exports to the United States and, secondly, we want to be sure that there is no evidence of the disease emerging in Australia. So obviously we are isolating animals that are considered to be at potential risk, downer cattle.

Dr McDonald—There are arrangements for testing, surveillance and monitoring for BSE, and PIAPH is the best area to provide information in relation to that.

In relation to the products that we are sending to the US, the systems that are in place on those plants at the moment, with the AQIS on-plant vets and the more senior veterinarians who monitor those systems on a regular basis, provide the assurances we need that those systems are effective and that we are only providing product to the US that meets their requirements. It is not just auditing; these veterinarians are actually on-plant, so they are actually inspecting product from time to time, as I understand it.

Senator O'BRIEN—You talked about testing for BSE. Can you tell me a bit more about that.

Dr McDonald—I would rather defer to PIAPH, to give you more detail on the testing for BSE. Animals are sampled at the plants according to the testing methodology and requirements of the surveillance and monitoring programs.

Senator O'BRIEN—We had occasion to import some cattle from the United States, around 300 head. Does AQIS know what happened to those cattle?

Ms Stanton—Yes, Senator. We have placed in quarantine all those cattle that are still living. We have managed to track them down. There were 328 cattle imported from the USA since 1996. All but 76 of those are now in quarantine—the 76 have died in that period of time—and they will be in lifelong quarantine.

Senator O'BRIEN—Has AQIS taken any action to increase border security in relation to avian influenza?

Ms Stanton—Indeed we have, Senator. We have taken a number of actions in terms of avian influenza. We have worked very closely with the Department of Health and Ageing. Of course, this is an area that relates to human quarantine as well as to animal quarantine. So, for example, we are now making sure we are intervening on 100 per cent of flights that come from countries affected by avian influenza to ensure that there is no chicken product or risk material such as feathers, eggs and so on entering the country. We have also put in place—and we will continue to put in place, as a result of the extra funding in the budget—a number of measures including surveillance in northern Australia.

Senator O'BRIEN—Where are those matters contained in the PBS?

Ms Stanton—The PBS does not specifically describe the actions that we are taking, but the relevant PBS page is page 87.

Proceedings suspended from 10.31 a.m. to 10.46 a.m.

Senator O'BRIEN—Continuing on avian influenza: \$6.2 million has been provided. The program is for the balance of this year and the coming financial year only.

Ms Stanton—That is correct.

Senator O'BRIEN—And there is no funding in the out years for this program?

Ms Stanton—That is correct.

Senator O'BRIEN—So has a decision been made that avian influenza will not be an issue in the out years?

Ms Stanton—I think it is more that the decision was made that it will be an issue not only in the current financial year but for the next financial year. The initiatives that we put in place during that time will of course impact in the out years. If avian influenza itself remains an issue beyond that time, that is something we will be monitoring and obviously it will be dealt with in coming budgets, if that is the case.

Senator O'BRIEN—You said 'if it remains an issue'. Does that mean we should take a year by year approach to this matter?

Ms Stanton—As I indicated, in essence the funding that has been given has covered an 18-month period, so it is not strictly a year by year approach. The decision was taken that it was clear that simple funding for the acute stage of the current worldwide outbreak would need to be over a period that did not only encompass this financial year but also the next one.

Senator O'BRIEN—When did the \$2.1 million in the current financial year commence?

Ms Stanton—The funding has been made available in the budget, but our activities started much earlier than that. I will hand over to Mr Cahill to give you the detail.

Mr Cahill—The activities for increasing the border control measures for avian influenza commenced ramping up late last year, early this year. As you would be aware from the increased quarantine initiative, we had substantially ramped up the intervention in relation to passengers and flights coming into Australia anyway.

Senator O'BRIEN—So this is part of IQI?

Mr Cahill—No, this is an additional measure. The additional money effectively increases the intervention from the levels we were achieving under IQI—the target for which was 81 per cent of passengers on flights entering Australia—to 100 per cent of flights coming from countries where avian influenza is present.

Senator O'BRIEN—What is the funding for IQI in the current financial year?

Mr Cahill—The IQI funding, as you know, is a four-year program.

Senator O'BRIEN—I know that, but I am asking a specific question about this year.

Mr Cahill—The funding for the next financial year is about \$80 million.

Senator O'BRIEN—So that is for 2004-05?

Mr Cahill—Correct.

Senator O'BRIEN—And for 2003-04?

Mr Cahill—It is about the same but a bit less.

Senator O'BRIEN—There is nothing in 2005-06?

Mr Cahill—Not at this stage, no.

Senator O'BRIEN—So, in addition to the \$80 million in 2004-05, there is \$6.2 million for avian influenza?

Mr Cahill—That is correct.

Senator O'BRIEN—So that is \$86.2 million that is currently not available in 2005-06?

Mr Cahill—That is correct.

Senator O'BRIEN—The \$6.2 million in 2004-05 is to provide screening for all passengers and baggage from avian influenza affected countries. Which countries are they?

Mr Cahill—Mostly out of Asia.

Senator O'BRIEN—Mostly out of Asia?

Mr Cahill—Because of the way the airlines use the hub through Singapore and so on, it could affect flights originating in other places.

Senator O'BRIEN—That would be a very high proportion of the flights that come to Australia.

Mr Cahill—That is right.

Senator O'BRIEN—Do you know what that proportion is?

Mr Cahill—I am advised that it is 46 per cent of all arrivals.

Senator O'BRIEN—I suppose if we excluded New Zealand it would be a much higher percentage, because a fair few trans-Tasman flights would make up the 100 per cent. If you took those out, it would be well over half of the long-haul flights coming into the country.

Mr Cahill—That is right.

Senator O'BRIEN—How much of the \$6.2 million in the next financial year is to be allocated towards screening, as distinct from additional awareness?

Mr Cahill—Most of the money is for additional staff. There will be about 50 additional staff, principally at Brisbane, Sydney and Melbourne airports. The balance of the money will go towards a number of measures, including public awareness.

Senator O'BRIEN—How much of that \$6.2 million has been set aside for public awareness and other non-screening tasks?

Mr Cahill—There is about half a million dollars for public awareness.

Senator O'BRIEN—Does that mean advertising?

Mr Cahill—Mostly it is for posters and flyers; there may be some advertising as well.

Ms Stanton—Just to clarify: the figure for the public relations side of the avian influenza program for 2004-05 is \$600,000—so it is just over the half a million dollars mentioned by Mr Cahill.

Mr Cahill—The amount that Ms Stanton has just mentioned includes a component for enhanced public awareness activities for NAQS—the Northern Australia Quarantine Strategy.

Senator O'BRIEN—How much?

Mr Cahill—The budget for enhanced public awareness for the Northern Australia Quarantine Strategy is in the order of \$75,000.

Senator O'BRIEN—Perhaps you can supply us, on notice, with a breakdown of expenditure of the other \$525,000—unless you have it now.

Mr Cahill—I can give it to you now. It is: \$4 million for staffing; \$525,000 for non-NAQS public awareness; \$75,000, as I mentioned, for NAQS public awareness; \$500,000 for improvements to the health rooms at international airports—there are going to be some modifications made to them; \$800,000 budgeted for additional contractors to accelerate the movement of luggage through the X-ray machines; and another \$300,000 for enhanced NAQS surveillance in Northern Australia and to assist overseas authorities with the surveillance work that we conduct offshore.

Senator O'BRIEN—Is that \$300,000 for more staff, more resources or more contractors, or is it to pay other agencies to do the work?

Mr Cahill—Are you talking about the \$300,000 for NAQS?

Senator O'BRIEN—Yes.

Mr Cahill—That is a combination of communications, some surveillance activities, some travel for the staff as they move around both in Australia and offshore to other countries, such as Indonesia, East Timor and so on. There is also some assistance in there for overseas authorities to help with the surveillance work that we undertake.

Senator O'BRIEN—How much of the \$300,000 is to be spent in relation to the Torres Strait?

Mr Cahill—I am not sure that we have that precision with us; we can take that on notice.

Senator O'BRIEN—Okay. What can you tell me about AQIS's role in the post-border response to avian influenza?

Ms Stanton—The main aspects of the post-border response involving avian influenza would be the Northern Australian Quarantine Strategy—the surveillance that we are doing in Northern Australia—and of course the public awareness aspects which impact on people in Australia. They would be the main two components.

Mr Cahill—Most of the post-border work in relation to poultry and the effect on that industry would be a matter for the Product Integrity Group. The human quarantine post-border issues are matters for the Department of Health and Ageing.

Senator O'BRIEN—So the answers from them about the response issues would be the ones which would tell us what their plans are in relation to avian influenza?

Mr Cahill—That is right.

Senator O'BRIEN—In relation to the IQI funding: how many people are employed as a result of the \$80 million which is provided for in the coming financial year?

Mr Cahill—It employs about 1,200 additional staff.

Senator O'BRIEN—Presumably they are based at airports and ports, predominantly. Is that right?

Mr Cahill—All entry points into Australia.

Senator O'BRIEN—How much of the \$80 million would staffing take up?

Mr Cahill—Most of it. Some of that additional funding was also used for additional detector dog teams and some of the money was also spent to acquire additional X-ray machines.

Senator O'BRIEN—How much of it is actual capital expenditure?

Mr Cahill—Very little of it is capital expenditure. We lease most of the equipment.

Senator O'BRIEN—So the X-ray equipment we have got there is on lease and the \$80 million is providing money to pay the lease costs?

Mr Cahill—That is correct.

Senator O'BRIEN—So at the end of the financial year, in the absence of that funding being put in, the X-ray machines go. Is that right?

Mr Cahill—Clearly, if the funding does not continue into the new financial year, the government would need to make some decisions about what transitional arrangements were necessary to reduce our capability.

Senator O'BRIEN—So you would have to either get rid of more staff or get rid of the X-ray machines. Is that what that means?

Mr Cahill—If the money is not there to pay for the things that are part of IQI, then clearly we have got to do something to reduce those resources—but they are not decisions that have been made yet. There is a normal process that we go through as part of the normal cycle of budgets, and that is what we are doing.

Senator O'BRIEN—Do you know how many additional detector dog teams are being funded out of the \$80 million?

Mr Cahill—Forty-eight.

Senator O'BRIEN—What is the total number of detector dog teams?

Mr Cahill—It is about 80.

Senator O'BRIEN—So 60 per cent are additional. What proportion of the border entry point staff do the 1,200 additional staff constitute? What part of your entry point staff are funded out of the \$80 million?

Mr Cahill—The IQI initiative effectively doubled the size of the resources. It may have been a little bit more than that, but it was of that order of magnitude.

Senator O'BRIEN—Can you give us a numerical breakdown?

Mr Cahill—Certainly. We can take that on notice.

Senator O'BRIEN—Thank you. What is the total AQIS budget, if I can call it that, for the coming financial year?

Ms Stanton—The total budget, or the total price, as reflected in the PBS, is some \$307.2 million.

Senator O'BRIEN—Of AQIS?

Ms Stanton—That is for AQIS. That is for the output of quarantine and export services, which is largely equated to AQIS.

Senator O'BRIEN—How much of that is raised in fees and charges?

Ms Stanton—The departmental costs—if I can answer it in another way—relate to \$155.2 million, and therefore the balance of that amount is largely what we get through fees and charges.

Senator O'BRIEN—So it is about \$152 million?

Ms Stanton—Yes. it is very close to fifty-fifty now.

Senator O'BRIEN—So the \$80 million is more than half of budget funding?

Ms Stanton—Of the departmental budget, that is right.

Mr Cahill—The \$80 million is the total of the IQI program, but that also includes a cost recovered component.

Senator O'BRIEN—Could you explain that for me?

Mr Cahill—It depends how you look at it, I suppose. But of the \$80 million, I think in the order of \$20 million comes through direct fees and charges, principally in the cargo area. A large proportion of the balance, however, also comes indirectly through a funding source, through the passenger movement charge. We have had a discussion at previous hearings about the fact that that charge is a tax and is not hypothecated through to AQIS costs. Nevertheless, there is a revenue source there.

Senator O'BRIEN—It is not going to disappear, is it, after the end of financial year 2004-5?

Mr Cahill—That is a matter for government, Senator.

Senator O'BRIEN—I am prepared to have a wager on it if you are. In any case, as you say, it is not a hypothecated charge, whatever happens with it.

Mr Cahill—That is right.

Senator O'BRIEN—Of the \$80 million, approximately \$20 million is currently raised in fees and charges. I suppose those fees and charges are connected with the services provided through IQI and so the assumption is that if you take away the staff you would take away the ability to raise the fees. Is that how I should understand the projection into the future?

Mr Cahill—The fees and charges that are imposed have to relate directly to the services provided, as a matter of law.

Senator O'BRIEN—What is the response of cargo services to the charges being levied? Is there resistance? I suppose everyone hates paying fees and charges, but what feedback has AQIS received—

Ms Stanton—Various fees and charges have recently been reduced; that was done, obviously, in consultation with the industry. Not surprisingly, they did not have a problem with it. Fees and charges were reduced basically because it was a very large increase in import clearance activity. We found that, because of that and because of efficiencies that we had put in place, we were able to then reduce the fees at least for the next 12 months.

Senator O'BRIEN—So how much income did that cost, if I can put it that way?

Ms Stanton—It will make a difference of about \$24 million.

Senator O'BRIEN—Going back to the \$307 million and the \$155.2 million, would it be fair to say that, of the \$155.2 million, \$60 million would be IQI funds? That is in the context of you saying that \$20 million is fees and charges—income?

Ms Stanton—Senator, it is not that straightforward. We might be better to take this on notice and to draw up a table or provide a document that would explain it better. One of the matters that came up yesterday was the issue of industry reserves. This is particularly relevant in this case because there has been a large reserve related to the Import Clearance Program and it is for that reason that we are able to reduce the fees and absorb some of that reserve. My preference would be, if you agree, that we take the issue on notice and perhaps prepare something for you that indicates the ons and offs on that \$307 million.

Senator O'BRIEN—I am happy for you to do that, but—just so that I understand the import of what you just said—part of the money is coming from industry reserves as well?

Ms Stanton—We call it an industry reserve. Mr Pahl or Mr Gaukroger, I think, explained yesterday that our aim is to break even and to cost correctly. But, if there is an over-recovery, that can be banked, if you like, in an industry reserve for that industry, that program, or if there is an under-recovery in one particular year because of a change in activity or because of the weather circumstances—or whatever, when it comes to export programs—we can carry that. It means that the reserve can deal with the swings and roundabouts and that the fees can then be less volatile. So in the case of import clearance, the increased import activity over the last couple of years and some efficiencies that we have put in place in consultation with the industry have meant significant over-recovery. The logical response to that is to reduce the fees—for a period of time, at least.

Senator O'BRIEN—Can you put a number on the significant over-recovery?

Ms Stanton—It is in the order of some millions, but Dr Carroll may have the exact figure.

Mr Cahill—In the import clearance program, the total of the industry reserves is a bit over \$12 million. Had we not reduced the fees for the next 12 months, that would have increased by roughly a further \$24 million.

Ms Stanton—I think it is important to note that this is a very large program. Our policy is that any industry reserves do not exceed 10 per cent of the size of the program.

Senator O'BRIEN—So you would not expect there to be a significant reserve at the end of 2004-05?

Ms Stanton—At the end of 2004-05 we would expect that we would certainly be down to a more manageable reserve.

Senator O'BRIEN—The continuation of the current level of surveillance after 2004-05 is conditional on the administration making a decision in the budget for 2005-06?

Ms Stanton—It is conditional on the normal budget processes, as Mr Cahill explained. It is quite normal that programs have a life and are then reviewed, and that will happen with the IQI program in the coming months, before the government makes a decision in next year's budget.

Senator O'BRIEN—So in the absence of such a decision you will be employing 1,200 fewer people?

Ms Stanton—No, I do not think we can say that. I do not think we know that. In the absence of that funding, as Mr Cahill said, there would need to be some other decisions made about our priorities and about where budget funding went. That would be a decision that obviously the government of the day would make.

Senator O'BRIEN—That is absolutely right. I just do not see how you would maintain a work force of the size you have without that funding.

Ms Stanton—I agree. It would be very difficult. There would obviously be some impact and decisions made about priorities.

Senator O'BRIEN—Twelve months ago we discussed the Chinese honey-laundering scandal, and you told the committee that the agency conducted testing on all imported food under the direction of Food Standards Australia New Zealand. I am sure you are aware of recent media reports about the detection of the antibiotic nitrofurans in vannamei prawn import shipments. What can you tell the committee about the testing regime for vannamei prawns, including testing for nitrofurans?

Ms Stanton—I can tell you that we do have a testing regime, and the details can be provided by Dr Carroll.

Dr Carroll—Yes, we do test all prawns coming into Australia, subject to the Imported Food Control Act restrictions. For nitrofurans particularly, at this stage 109 samples have tested negative and only seven have failed nitrofurans testing. That is the testing up to 18 May.

Senator O'BRIEN—Is it the case that every consignment is tested?

Dr Carroll—Not every consignment. It depends on the level of risk as determined by FSANZ. FSANZ determines which tests we apply and the rate of testing that we apply. If the food is a risk food it will start out at a high rate of testing—100 per cent intervention. If it has a successful testing history and we keep not finding a problem with it, it reverts to lower levels of testing. So they are referred across. It is what they call a risk and performance based scheme.

Senator O'BRIEN—Is it the case that nitrofurans has been banned in food imports only since October?

Dr Carroll—I will get you the correct date, Senator. The testing for nitrofurans began on 8 December 2003.

Senator O'BRIEN—Is that when that was a prohibited component of the import or was it always a prohibited component?

Dr Carroll—The way the imports are judged is that, under the Australia New Zealand Food Standards Code, which applies internally and for imports, nitrofurans is not listed as a product that is permitted in prawns. So if that product is detected then the food is a failing food and must be either destroyed or re-exported.

Senator O'BRIEN—How much of this prawn product was imported before the testing for it?

Dr Carroll—I would not be able to derive the statistics for vannamei prawns in particular. Prawn imports have gone on for quite some time. I do not have the figures for total prawn imports.

Senator O'BRIEN—Can we obtain the figures for vannamei prawns?

Dr Carroll—I am not sure if we would record the figures on a species basis. We would record prawn imports, which would be uncooked prawns, cooked prawns, dried prawns and some other products.

Senator O'BRIEN—The testing regime for nitrofurans or these vannamei prawns began on 8 December, did you say?

Dr Carroll—That is when we introduced nitrofurans testing for imported prawns.

Senator O'BRIEN—You talk about the number of shipments tested and the number rejected. What sorts of quantities are in the shipments?

Dr Carroll—The quantities can vary. It is based on what we call a line of food, which is an entry. I have figures for the lots that have been rejected. They range from a low of a 1,270 kilogram shipment up to a high of a 17 tonne shipment. Most of the shipments are in the range of about two to 7,000 kilograms. But those are all prawns.

Senator O'BRIEN—So we are probably talking about 30 tonnes that have been rejected.

Dr Carroll—I have not got an accumulated figure, but 50 to 60 tonnes would be my guess. Seven shipments have been rejected—40 to 50 tonnes.

Senator O'BRIEN—Have we any idea how many tonnes of the product have come into the country? You cannot say before the nitrofurans testing.

Dr Carroll—I do not have the figure. I know that 109 are passed testing, there are still 143 to be tested and we are still awaiting results of the testing of 27 of them.

Senator O'BRIEN—Can you tell us why the decision was taken to institute the testing regime?

Dr Carroll—It was on the advice of Food Standards Australia New Zealand. They had received advice. They assessed the advice and then provided us with the test regime.

Senator O'BRIEN—Do you have any idea what that advice was?

Dr Carroll—I think it was indications from overseas reports of nitrofurans being found in prawns overseas.

Senator O'BRIEN—What proportion of shipments would we test?

Dr Carroll—I would think it would be somewhere in the order of 50 per cent, but I do not have an accurate figure for that.

Senator O'BRIEN—Using very rough logic, you have probably tested shipments totalling about 700 tonnes. You probably have not done the math.

Dr Carroll—No.

Senator O'BRIEN—I am just doing a very rough calculation on what you said was a range of volume of shipments.

Dr Carroll—I would need to take that on notice. There are a lot of variables in those figures.

Senator O'BRIEN—Perhaps you could give us that figure at some stage or during the hearings.

Ms Stanton—Can I be very clear about what you are asking?

Senator O'BRIEN—I want to know the volume of shipments of vannamei prawns that have been tested for nitrofurans. There are 143 shipments that have been tested.

Dr Carroll—I would think that our results would be in the form of prawns. We could not necessarily differentiate vannamei prawns from other prawns in our systems.

Senator O'BRIEN—Okay. Presumably, you are testing shipments that were suspected or targeted because of certain criteria.

Dr Carroll—They would all be targeted initially and then, if they built up a successful compliance history, it is likely that there will be less testing, but I will have to check on that. We can provide the information as well.

Senator O'BRIEN—Does that mean that, if you have a good record, you are unlikely to be tested?

Dr Carroll—In general terms, it means that if you have a bad record you will be subject to intense testing. If you have a good record, you are subject to less intense testing. All food is subject to at least a five per cent test regime.

Senator O'BRIEN—I am just trying to get a concept of the volume of prawns in that range that it is felt need testing for this particular antibiotic.

Dr Carroll—I would be able to provide that on notice.

Senator O'BRIEN—Do you know why the antibiotic nitrofurantoin is not permitted? The *Sydney Morning Herald* says that it is an antibiotic used to treat urinary tract infections. I am assuming that is correct. Does that have something to do with the reason for the ban?

Ms Stanton—We are not scientific experts. I think that that is a question better directed to Food Standards Australia New Zealand.

Senator O'BRIEN—Is the testing for that antibiotic alone?

Dr Carroll—We also test for chloramphenicol. I am not sure which other tests we perform on the prawns. There is usually a range of inspections and tests that get carried out on a product, but we do test for chloramphenicol as well.

Senator O'BRIEN—Do we target shipments from particular regions?

Dr Carroll—Generally not. The program is designed around commodities rather than specific regions. We treat all regions equally. If there was a particular problem in a region, that would create a bad compliance history which would pump up their testing rate.

Senator O'BRIEN—I am told the vannamei prawns are from Asia, but you are saying that you cannot differentiate between one type of prawn and another.

Dr Carroll—That is correct.

Senator O'BRIEN—You test all sorts of prawns?

Dr Carroll—All prawns are subject to the same test regime.

Senator O'BRIEN—Do you have any knowledge of why antibiotics would be used? I presume they are used on aquaculture prawns. It would be pretty hard to administer antibiotics on wild caught ones, I imagine.

Dr Carroll—The advice and analysis was done by FSANZ. My understanding is that it is more likely to be used in the aquaculture industry as a general antibiotic.

Senator O'BRIEN—According to CSIRO's leading aquaculture research scientist, Dr Nigel Preston, half a dozen types of antibiotics are likely to be used in the aquaculture industry—that is the source of these vannamei prawn imports. Do you know why we do not test for all known antibiotics?

Dr Carroll—That would be a question for FSANZ. They determine which testing we carry out.

Senator O'BRIEN—At the moment we test for two so, by implication, the rest are permitted. Is that right?

Dr Carroll—No. FSANZ determine which products are a prime food safety concern. They direct us to carry out that testing and we carry out the testing for whichever products they have asked us to.

Senator O'BRIEN—So if there are other antibiotics present you are not testing for them?

Dr Carroll—We are only testing for the antibiotics that FSANZ have asked us to.

Senator O'BRIEN—So you do not test for tetracycline?

Dr Carroll—I am not aware of that. I would have to check. The only two bits of advice I have are on chloramphenicol and nitrofurans for prawns.

Ms Stanton—We will take that on notice.

Senator O'BRIEN—I am told that Europe has banned the import of these prawns from Asia because of the presence of antibiotics. Do you know whether that is right?

Ms Stanton—I am not aware of that. That may be the case.

Senator O'BRIEN—And that the United States has banned the importation of these prawns as well.

Ms Stanton—Again, I am not aware of that. I can take both those aspects on notice if you would like.

Senator O'BRIEN—Do you know whether there has been an increase in the volume of prawn imports? You have not been testing, so that may or may not be a question you can answer.

Dr Carroll—The import of prawns tends to be cyclical. As with many food imports, it depends upon the time of year. I am not aware of any data we have indicating whether it is higher or lower than the same period last year.

Senator O'BRIEN—What resources are required for this testing regime? Do you outsource it to particular testing laboratories or do you do it yourself?

Dr Carroll—AQIS inspectors go out and inspect the consignment, after it has been referred to us through the customs system. We check it for things like labelling, contamination et cetera. Samples are taken and they are submitted to a laboratory for testing. There is a group of approved laboratories—between 10 and 20 laboratories—as not all laboratories are approved for all tests. The samples are then tested. If they pass, the food is deemed to have passed. If anything fails, the options are for re-exporting, destroying, processing if it can be processed or downgrading into a non-human food use.

Senator O'BRIEN—Does that mean it becomes bait?

Dr Carroll—It depends on the particular food and what other restrictions there may be. There may be quarantine restrictions on it which would not allow it for use. It might be able to be used as pet food. What it could be used for would depend on the particular product.

Senator O'BRIEN—Do you know what you could use these prawns for if they have antibiotics in them?

Dr Carroll—My understanding is that these consignments are by and large re-exported back to the country of origin.

Senator O'BRIEN—Do I presume correctly that the cost of the testing of these samples is paid for by inspection charges?

Dr Carroll—No, the inspection charge pays for our officer to visit, do the inspection and collect samples. The cost of sample analysis is a separate charge. That is applied by the laboratory which does the testing. That is applied back to the importer directly.

Senator O'BRIEN—So there is no issue of resources as to how much we test?

Dr Carroll—No.

Senator O'BRIEN—Thank you. That is all I have for AQIS.

Mr Banfield—Just before these officers go, yesterday you raised the issue of New Zealand honey.

Senator O'BRIEN—I did. That is right.

Mr Banfield—Dr Carroll is a resident expert if you want an update.

Ms Stanton—I can actually answer questions on New Zealand honey. Would you like me to update you, Senator?

Senator O'BRIEN—Yes, because you are, I am told, the source of all of the important information on this critical market for Australian honey.

Ms Stanton—There has been a small amount of progress, but it is not huge. The most recent information that we have about the possibility of exporting Australian honey to New Zealand in terms of their completion of their IRA is that they have now assessed our submission—that is, the submission that we made some time ago. They have completed the assessment as far as viruses are concerned, but they have yet to complete their assessment with respect to bacteria, fungi and parasites. Most recently there has been a meeting which Dr Banks attended—it was earlier this month, only two or three weeks ago—where again we have indicated our anxiety that this is taking so long. They have indicated again that this is a priority and indeed there is now a milestone reached. So we will keep pressing.

Senator O'BRIEN—It is nearly a silver anniversary, isn't it?

Ms Stanton—I think we are a bit short of a silver anniversary, but, unfortunately, it has certainly been glacial in its progress.

Senator O'BRIEN—I suppose that is appropriate for New Zealand. Thank you. I think that 'Not much to report' is the way we will describe that.

[11.34 a.m.]

Australian Bureau of Agricultural and Resource Economics

CHAIR—Welcome.

Senator O'BRIEN—Dr Fisher, can you update the committee on the outlook for the rural economy in a number of areas that I am interested in, including dairy, wheat, wool, cotton, sugar, beef, lamb and pork?

Dr Fisher—We are currently considering the update of our commodity forecasts. Our next official commodity forecast will be released in the June *Australian Commodities* on 21 June, so I can give you some of our preliminary thoughts about what conditions have changed since the most recent formal forecasts were released in the March *AC* at Outlook. Basically, the most important thing to consider is where the Australian dollar will be in 2004-05. At Outlook time we assumed that the Australian dollar would be sitting around US75c. My preliminary thinking for June is that we will ease that number. So we would expect to be assuming something less than US75c, which will clearly imply that there will be less pressure on our

exporters in the coming financial year than we earlier forecast. As a consequence of that, we would expect that to have some positive impact on export earnings and incomes.

In terms of the macro-economic situation, we are assuming that world growth will be kicking along reasonably firmly but that we will see some slowup in calendar year 2005. We are assuming, importantly, that the Chinese economy will slow in an orderly fashion. That is a critical assumption—that we will see both the US and China slow a little bit, but it will not be a disaster; it will be an orderly slowing. In that case, we will have continued strong demand for commodities out into 2004-05.

Going through some of the key commodities, in the case of the grains industry—particularly the wheat industry—we have seen world production a little higher than last year, so we would expect to see some easing in world wheat prices. It would not be a spectacular easing—probably just a few dollars compared with what we have seen this financial year. In the case of oilseeds, again the situation is fairly strong. We are expecting to see some increase in canola prices for next financial year on the back of both strong global demand for oil seeds and a little bit less production than originally expected.

We expect to see some easing in prices of cotton as we go into 2004-05. Of course, in the case of cotton the key issue in Australia is irrigation water supply. World prices are reasonably firm, so I think the question for the cotton industry will be the availability of water. In the case of sugar, we expect to see some moderate increases in prices in 2004-05. That is particularly driven by a little less production in India than was originally expected, but the prices that we expect in 2004-05 are certainly not exciting. I think the problems in the sugar industry in terms of world prices received will continue.

In the case of the beef industry, we expect to see some easing of prices in 2004-05—not dramatic, but some easing. There again the key question is that of when the US will regain access to the Japanese market. At this stage we have assumed that that will not occur until calendar year 2005; that is the assumption built into our most recent forecast for beef released at the Rockhampton Regional Outlook Conference. But, as I think you heard MLA discussing yesterday, that is a moving feast. We need to keep a watchful eye on that.

In the case of lamb prices, we expect there will not be much change from this year, and, in the case of pork, we expect there will be a small potential increase in prices. Again, the assumption about the Australian dollar is important there: as the dollar eases, we would expect less pressure from imports and, as a consequence of that, a more positive outlook.

I have two more to go: wool and dairy. In the case of wool, we expect to see prices ease in 2004-05. We are particularly dependent on the Chinese market. It depends on the year, but about 40 or 50 per cent of our wool is going to China. So, as we see the Chinese economy ease, we would expect to see some downward pressure on prices for wool. In terms of sheep numbers, this year will probably be the low point in the cycle. We would expect to see some increase in sheep numbers as we go into next year. Most of that, however, is driven off the back of the prime lamb industry, rather than the wool industry.

Finally, I come to the dairy industry. We have seen firm prices, and we expect to see some increases in prices in international markets next year. Given that, together with an easing

dollar, we could now expect to see some moderate increases in the prices of milk at the farm gate. It is not exciting but at least it is better than what we were forecasting in March.

Senator O'BRIEN—So you are expecting a further easing of the dollar. It is 69.9c or thereabouts.

Dr Fisher—At this stage, I have not made a decision about the assumptions that we would adopt for the June AC, but somewhere south of 70c would be my current assumption. However, that is something that we will firm up in the next three weeks as we formalise the forecast. It is a question that we will bat back and forwards between our commodity analysts and our macroeconomists.

Senator O'BRIEN—I would also be interested to know what adjustments you might make to your forecast due to the ongoing drought in a number of regions. It seems that farmers might be just taking a deep breath and planting a crop and hoping, but I wondered what your expectations might be.

Dr Fisher—This is a very difficult time both for farmers and forecasters in terms of the winter crop. We are right at the point where we still have not seen a seasonal break in the southern part of Australia. All of the information that we have from the SOI, from the Bureau of Met., is still suggesting that we could see an average season. That is entirely dependent on the seasonal break. In the case of northern New South Wales and Queensland, we have good soil moisture. The question is whether, using modern moisture-seeking technology, farmers can actually plant a crop. There is probably enough water in most of those soil profiles to get a decent crop. The question is whether they can get it germinated and up and established. If that is the case, I would expect good yields in northern New South Wales and Queensland. But, as I said before, the key question is when we get a seasonal break. If we do not get a seasonal break soon, we will start to lose opportunities for planting some of the more sensitive crops, such as canola. The next issue of our crop report will be released on Tuesday, 7 June.

Senator O'BRIEN—I see that there is almost as much opportunity for lamb production as can be met, if not more, in terms of domestic and export markets.

Dr Fisher—Yes. The markets for lamb are very strong, and prices have been holding up well. I think that has been one of the very important mainstays of the sheep industry. It is a reason why, I think, we have not seen an even greater drop in sheep numbers. As I mentioned before, I think sheep numbers will start to slowly improve now over the next two or three years, largely on the back of good meat prices but also reasonably firm wool prices.

Senator O'BRIEN—And breeding away from merino, I suppose.

Dr Fisher—The flock composition has changed dramatically over the last five or six years.

Senator O'BRIEN—I suppose that, at the start of that period, there were more and more producers joining merino ewes with other rams. I imagine that they are starting to breed from crossbreeds rather than merinos.

Dr Fisher—Yes, the meat sheep have become much more dominant in the flock more recently. I think that trend would be unlikely to turn around unless we were to see very firm wool prices over an extended period of time.

Senator O'BRIEN—So the composition of our flock, as well as the size, is going through a significant shift?

Dr Fisher—Yes. Think back to the late eighties and early nineties: we had over 170 million sheep in Australia. We are now down to around 95 million as at 30 June this year. That is an enormous drop in the number of sheep. The flock composition has also changed markedly over that time because of the low wool prices that persisted during the 1990s.

Senator O'BRIEN—You talked about the wool price softening and our dependency on China. Are there any real warning signs we should take from that?

Dr Fisher—Recall the situation that we faced in the late eighties following the collapse of the former Soviet Union. That was one of the issues in international markets that triggered the very large drop in wool prices and the failure of the buffer stock scheme. We at that time were quite dependent upon that market. When that market disappeared, we suddenly had a disaster on our hands, frankly. We have become very dependent on China. I personally think that prospects for the Chinese economy in the medium to long term are very strong indeed. My view is that China, Japan and the United States—basically the major economies in the Pacific rim—will be the engines of economic growth for the world over the next 10 to 20 years. So I do not think we have to worry too much in terms of the long term, but if there are short-term shocks—and there are always potential short-term shocks for any of these economies—then, once you become so dependent on an economy for taking the offtake of a large proportion of your product, that short-term shock will come home here to Australia. So I think there are some issues there that perhaps the wool industry needs to consider.

Senator O'BRIEN—It is a bit of a vicious cycle, in a way. If the flock reduces, the amount of wool we have to sell goes down and the price does not rise, then that discourages producers, the quantity goes down and buyers look to source alternatives. That is a real challenge for the ongoing survivability of the industry, isn't it?

Dr Fisher—That is correct. If you have a look at the long-term real prices of wool over an extended period—so if you take the long-term real price of wool over the last 30 years—you see that there is a moderate downtrend in the price. At the same time, we have seen an enormous reduction in world production of wool and the offtake of wool. Think back to the eighties: we were producing 1,100 kilotonnes of wool in Australia. We are now down to 450 or 470 kilotonnes. So we have more than halved our wool production.

Wool consumption around the world has been going down quite steeply, but that fall in supply has not been enough to keep real prices even constant. The warning there for the wool industry is that they are facing a situation where, even with radically reduced supply, demand growth is not keeping up, so prices are falling. That is a significant challenge for the wool industry.

Senator O'BRIEN—In terms of our production costs, I do not suppose there is much to be competitive with.

Dr Fisher—I think we are still the best wool producers in the world. The challenge for the wool industry is not so much whether we are competitive with other countries; internally there is a question about how competitive the wool industry is with other broadacre industries. Productivity improvements in the cropping industry, for example, over the last 20 years have

been running on at about 3.3 per cent per annum, whereas productivity in the wool industry has probably been less than one per cent. So the competitive pressure on the wool industry is actually coming internally in Australia, as well as externally.

Senator O'BRIEN—I guess there would not be too many properties producing only wool and lamb now, would there?

Dr Fisher—There are certainly fewer of them than there were in, say, the late eighties. The real challenge with those sorts of situations is what is happening to those specialist wool producers in the pastoral zone that are reliant on wool principally and are more subject to the vagaries of the weather than perhaps some of their counterparts in the cropping belt are.

Senator O'BRIEN—Is there a solution for those producers in lamb?

Dr Fisher—I think some of those producers have been producing more meat, but a lot of that country, frankly, is not suitable for meat, or not suitable for lamb. Some of them have also diversified into beef, but, in the traditional sheep grazing country, I think there is a challenge, frankly, for some of those producers.

Senator O'BRIEN—Are we approaching a period where there is going to have to be a substantial restructure in those parts of the country that have been reliant on the wool industry?

Dr Fisher—One of the points I made at the national outlook conference in March was that adjustment comes as a consequence not so much of one particular factor but a range of factors. Look, for example, at some of the country west of the traditional cropping belt in New South Wales and east of the Western Division—because the Western Division in New South Wales tends to have its own set of rules. There is a significant belt of country in there and a classic area of that is the Cobar Peneplain. There is a combination of pressures on the traditional wool grazing industry. There is some pressure coming from environmental legislation and concerns about native vegetation, management of regrowth et cetera. A range of those issues have the potential to come together and put significant adjustment pressure on some of those communities. So, over the next 10 years, I think you can identify groups of producers in Australia that we will have to be concerned about from a policy perspective.

Senator O'BRIEN—Is ABARE doing any specific work on that subject?

Dr Fisher—Yes, we are. One of our major proposed projects for 2004-05 is to look at some of those broad sets of pressures for adjustment and try and identify regions that will come under pressure over the next five to 10 years. It is not so much taking an industry-by-industry perspective but rather it is looking at regions and communities and not taking our traditional approach.

Senator O'BRIEN—Thank you, Dr Fisher.

[11.55 a.m.]

Bureau of Rural Science

ACTING CHAIR (Senator Ferris)—I now welcome witnesses from the Bureau of Rural Science.

Senator O'BRIEN—What work has been done by BRS on the medium-term outlook on rainfall? I understand you have done some work on a 10-year outlook and the results are not great.

Dr O'Brien—BRS takes the work of the Bureau of Meteorology and provides climate updates to the minister. The current situation is that if you look at the last three months there is a significant rainfall deficit through much of southern New South Wales, northern Victoria and eastern South Australia. For the three months up to April, for much of that region, it is actually the lowest on record. In terms of irrigation in the Murray-Darling Basin, the levels are at about 20 per cent of capacity, which is slightly higher than this time last year but lower than the usual run of years. In terms of the climate outlook, the Bureau of Meteorology has indicated that there is some possibility of a return to El Nino conditions. However, if you look at the broader suite of international climate models, they mostly indicate neutral conditions. So there is no strong signal in terms of climate outlook at present.

Senator O'BRIEN—This is work prepared for the Australian government or is it prepared for other clients?

Dr O'Brien—The climate update I have just been describing is work that we prepare in collaboration with the Bureau of Meteorology for the government.

Senator O'BRIEN—Is that work normally published or do you normally simply supply it to government as a matter for them?

Dr O'Brien—The climate outlooks from the Bureau of Meteorology are published and available on their web site.

Senator O'BRIEN—At the last hearings we discussed the matter of closures in the Great Barrier Reef and the minister helpfully told us that the only work that had been done on the impact of these closures on fish was a rapid desktop analysis. You told us that a study that would give a comprehensive view of the impact of these closures would require a survey of affected communities and would take six months to do. Has BRS been asked to do any more work on this matter since February?

Dr O'Brien—No, Senator.

Senator O'BRIEN—Could you give me a profile of the work that BRS is doing, other than the climate work that we just discussed?

Dr O'Brien—For 2004-05?

Senator O'BRIEN—Yes.

Dr O'Brien—Our priorities are those of the department, so they go to issues of implementing COAG water reform. We are doing particular work on conjunctive water use. This is the interaction between surface water and ground water, which is increasingly recognised as an important management issue. The work we do to support exceptional

circumstances assessments for EC declarations will continue to occupy a significant part of our activities. We are also very active in both Commonwealth and international fisheries arrangements. We provide the annual status assessments for Commonwealth fisheries, which report on whether the stocks are being managed in a sustainable way. We are active in international fisheries arrangements which contribute to sustainability of high seas—particularly high seas tunas—and also to the security of international fisheries arrangements.

We are active in the social sciences, providing regional profiles to support policy and decision-making by government in various industry sectors and regions. We have just published *Country Matters: Social Atlas of Rural and Regional Australia*, launched by the minister in April, which outlines the social demographic, employment, education and other aspects of life of the nearly 7 million regional Australians. I can provide you with a comprehensive set of our project proposals, which will support departmental policy and programs if you would like.

Senator O'BRIEN—Thank you, I would appreciate that. Can you give me a breakdown of the funding sources for BRS: how much are you getting off budget and how much from fee-for-service work, if I can put it that way?

Dr O'Brien—For the current year or our forecast for 2004-05?

Senator O'BRIEN—For 2004-05.

Dr O'Brien—Earnings from external revenue are expected to be \$9.6 million and for appropriation \$12.3 million.

Senator O'BRIEN—Is that a substantial change from 2003-04?

Dr O'Brien—The appropriation level is virtually identical to the 2003-04 level. There is a reduction in what we are forecasting for section 31 from 2003-04.

Senator O'BRIEN—Why is that?

Dr O'Brien—It is primarily driven by our need to redeploy staff on drought exceptional circumstances. It has been a very significant issue in our work supporting government decision-making for the last two financial years, and that has a flow-on impact on our capacity to develop and source external earnings.

Senator O'BRIEN—What about the National Action Plan for Salinity and Water Quality? What sort of earnings has that generated?

Dr O'Brien—Not a large amount of money in terms of BRS's activity under the national action plan. BRS has been active in developing salinity mapping technologies, but not much of that has been funded under the NAP. I will take on notice the exact amount of revenue from that source.

Senator O'BRIEN—In terms of the work on the tuna fishery, can you give me a little more information on what you are doing there?

Dr O'Brien—Is this in relation to southern bluefin?

Senator O'BRIEN—Yes.

Dr O'Brien—For southern bluefin, BRS provides the scientific support for the negotiations that take place under the Commission for the Conservation of Southern Bluefin Tuna, which go to the management procedure and the setting of total allowable catches. One of the BRS fisheries' scientists participates in those negotiations.

Senator O'BRIEN—Do you do any significant amount of work for AFMA?

Dr O'Brien—We do some work under contract to AFMA. I cannot quantify that here, but I can take that on notice. But we do provide some services to AFMA.

Senator O'BRIEN—What sort of services?

Dr O'Brien—We work on supporting their data collection and data analysis, and, from time to time, on particular projects, which they would fund under the AFMA research fund.

Senator O'BRIEN—Do you do any work on skipjack tuna?

Dr O'Brien—I am not aware of work that we have done on skipjack tuna, but I will take that on notice.

[12.04 p.m.]

ACTING CHAIR—We will now move to rural policy and innovation.

Senator O'BRIEN—Thanks for preparing the tables on EC declarations. Is it possible for them to be updated for us where appropriate?

Dr Samson—Yes, we will do that.

Senator O'BRIEN—I am thinking particularly of RPI04.

Dr Samson—To clarify that, you would like the RPI04 table on expenditure updated?

Senator O'BRIEN—In particular, but also the other tables.

Dr Samson—Also RPI05, the applications?

Senator O'BRIEN—Yes.

Dr Samson—Yes, we will do that.

Senator O'BRIEN—Can you add the numbers from the current budget into the table?

Dr Samson—Yes.

Senator O'BRIEN—I want to ask some questions about interest rate relief for farmers. On page 21 of last year's PBS, the estimated expenditure for 2002-03 was \$7.438 million and the estimate for 2003-04 was \$24.618 million. In this year's PBS, the numbers are \$8.106 million for this current financial year and \$13.903 million for 2004-05. I read that as meaning there was a significant overestimation for last year. Is that a fair comment?

Mr Koval—The interest rate subsidy applications closed on 30 September 2003. Subsequent to that closure, we went through and reviewed the actual applications we received and estimated the potential cost for those, which is why the numbers were revised down to \$8.106 million for this year and \$13.903 million for next year.

Senator O'BRIEN—So that does mean there was a significant overestimation.

Mr Koval—That is correct. There was a revision downwards.

Senator O'BRIEN—Can you give us an explanation for the lower than expected take-up?

Mr Koval—There are a number of reasons. One of the reasons was that it was a new program for us, so we had no experience on what the potential take-up was. So we used a model similar to EC interest rate subsidies. In addition, we understand that many producers actually held off applying for the interest rate relief. They were waiting to see if the area was EC declared and then they would apply for it under exceptional circumstances interest rate subsidies.

Senator O'BRIEN—Can I take you back to the Primary Industries Ministerial Council meeting in May 2002. I am sure the department would recall that meeting because it dealt with the issue of drought and possible reforms of the national drought policy. A range of what I considered to be eminently sensible administrative reforms were agreed at that meeting but were blocked by Mr Truss because he sought to cost shift some money to the states. I want to go to page 21 of the report of that meeting—in particular resolution 1.4 headed 'Exceptional circumstances' and the section headed 'Determination of business grants'. It refers to Commonwealth support for the use of capped grants as a more flexible form of business assistance. It says that the Commonwealth considered variable grants of up to \$60,000 should be adopted based on need. Can you tell me the basis for that view? It was clearly the view of the department. The resolution refers to it as the view of the officials, so I assume they are referring to the department.

Mr Koval—I do not have the papers in front of me, but from memory there were a whole list of reforms in May 2002 and at the time a working group was set up of officials which consulted with industry. There was a general view that interest rate subsidies were not necessarily the best way to provide business assistance. The view of Commonwealth and state officials, which ministers agreed to, was that grants were a better way to go.

Senator O'BRIEN—So that was the department's view and their advice to the minister—that interest rates were not going to work and grants were a better way to go—and that was a view as early as 2001, when you were starting to work on the issues in preparation for that meeting in May 2002?

Mr Koval—That was the view and the advice of the department and officials at that time—that the business grants offered more flexibility to producers. They were not necessarily tied to a debt, so they would go to producers who were in need, not necessarily those who had a debt position, so in that way they could be more targeted.

Mr Banfield—It is worth making a couple of points there, just to add to what Mr Koval has said. The view at the time was that capped grants, as you have rightly referred to them, would provide assistance to farmers who had not relied on debt as a risk management option, so it was seen as a more flexible approach to cover other farmers rather than just those who were carrying significant debt.

The other important point to make is that the view of Commonwealth officials at that time—which was fundamental to that view being put forward—was that those capped grants would be funded on the basis of fifty-fifty between the Commonwealth and the states. As you know, that proposal was not ultimately acceptable to state governments.

Senator O'BRIEN—So presumably the papers specified that that position was conditional on that funding split?

Mr Banfield—I am not sure whether they formally did, but I can remember having very many discussions, because I was involved in it at the time, making it quite clear that the position that we were putting as officials was on the basis that those capped grants would be funded fifty-fifty between the Commonwealth and the states in a cooperative partnership.

Senator O'BRIEN—Based on the proposal, I take it that you considered that it was a superior option to interest rate subsidies at that time, whatever the funding method?

Mr Banfield—There was a range of views around the table. Again, without identifying particular jurisdictions, some jurisdictions favoured no business support at all and some were more amenable to interest rate subsidies—so there was a range of views. At the officials' level, the consensus view about a way forward was on the basis of capped grants. As I have indicated to you, the Commonwealth officials' view at that time was that that was on the basis of fifty-fifty. Clearly, our state colleagues were not in a position to agree to that. The issue subsequently went to ministers for consideration.

Senator O'BRIEN—In any case, because the whole thing became tangled up in an argument about funding, we now find that there has been a very low take-up of business support in the current drought.

Mr Banfield—The point I would make—and Mr Koval might have something to add—is that, as you know, all programs for exceptional circumstances support are demand driven. The package has been known for some years, as you know, and it is available on a demand-driven basis for those who can meet the eligibility criteria.

Senator O'BRIEN—Interest rate subsidies are one thing, but, as you put it, the variable grants are an even more flexible way of delivering business assistance.

Mr Banfield—Provided that it is done in a targeted way. That was the view at the time.

Senator O'BRIEN—If those changes had been put in place, the flow of business support could have been considerably more effective.

Mr Banfield—Again, I would not make presumptions about how the ministers might have come out; but certainly there was a proposal from officials to ministers for consideration of reforms to EC, based on the Commonwealth bearing responsibility for the welfare component and a fifty-fifty split on farm business support, which was based around capped cash grants.

Senator O'BRIEN—I take you to page 22 of the report at paragraph 17, which says:

The current farm business support arrangements require a review of interest rate subsidies ... and this will be carried out this year—

that is, in 2002. That review was obviously important in the context of reforms to the national drought policy. Is that the same review referred to in the departmental annual report for 2001-02?

Mr Koval—That is correct—it is.

Senator O'BRIEN—I took the following section from the annual report off the Internet, so I am not sure of the page number—I think it is page 78. It is headed, 'Interest Rate Subsidy Review'. Under the heading, 'Objectives,' it says:

The Review will examine the efficiency of interest rate subsidies as a form of farm business assistance although the final form of the review has yet to be determined by the Minister.

It then says:

Start Date (approximately): January 2002

End date (approximately): April 2002

Can you confirm for me that the review was in fact never done?

Mr Koval—That is correct. Minister Truss informed his ministerial colleagues at the October 2002 ministerial council that the review would be postponed.

Mr Banfield—It is important to note the context in which that review did not progress. I indicated at the time that Commonwealth and state officials were working on a reform of exceptional circumstances. I have indicated also that, as part of that process, under the circumstances I have outlined officials recommended a move to capped cash grants. The view that we took in the department at that time was that a specific review on interest rate subsidies as a specific device did not make much sense if there was to be a move to capped cash grants. That is precisely why the review did not proceed.

Senator O'BRIEN—So do you take the view that, because the states had agreed to the concept, there was no need for a review?

Mr Banfield—The concept of capped cash grants?

Senator O'BRIEN—Yes.

Mr Banfield—At the time there was active discussion about reforms. The discussion was around capped cash grants. It seemed at the time that it was not productive to proceed with a review of interest rate subsidies if, indeed, they were to be overtaken by capped cash grants. That was the basis for that review not proceeding. I should say that, in relation to capped cash grants, officials have not ruled out the possibility that some farmers might choose to use those as a form of interest rate subsidy. We were just trying to make a more flexible device for a broader range of farmers.

Senator O'BRIEN—So was it the case that the department's view was that interest rate subsidies were an inferior form of assistance?

Mr Banfield—The department's view has been for a long time that interest rate subsidies provide support only to those farmers who incurred debt and that debt is but one form of risk management. In fact, as you are probably well aware, there have been some reviews of interest rate subsidies in the context of previous reviews which have drawn attention to some of the other limitations of interest rate subsidies. But essentially where officials were coming from was that interest rate subsidies are essentially about support for those in debt.

Senator O'BRIEN—Has the department prepared any reviews or studies which are illustrative of some of the pitfalls of interest rate subsidy assistance?

Mr Banfield—Mr Koval might help out, but I am aware that the National Rural Advisory Council actually commissioned a short review of exceptional circumstances support which included, I think, some commentary on interest rate subsidies.

Mr Koval—That is correct. The National Rural Advisory Council commissioned Hassell and Associates, from memory, which looked at some EC reform which was then fed into the reform process that you spoke of earlier.

Senator O'BRIEN—When was that done?

Mr Koval—I think it was 2001, from memory, but I can confirm that date.

Senator O'BRIEN—Is that Hassell and Associates report publicly available?

Mr Banfield—We will take it on notice and check for you.

Senator O'BRIEN—If it is publicly available, can you tell us how we can access it?

Mr Koval—Yes.

Mr Banfield—We will take it on notice and if it is possible to provide it to you we will certainly do that.

Senator O'BRIEN—I guess my assumption was that to get to the position you took to the May 2002 meeting there would have been some assessment by the department of interest rate subsidies versus grants as the basis for the officials' work. Or are you saying that Hassell and Associates' work was the basis of that?

Mr Banfield—No, the discussion between officials was informed by previous work and studies that had been undertaken. As officials, we did not commission additional work in developing the proposals that were subsequently put to ministers. I have indicated to you also that the views around the Commonwealth and state officials' table ranged from those who were quite comfortable with interest rate subsidy as a form of support to those of other jurisdictions who thought that there should be no business support. In the end, as officials I think it is fair to say that we agreed that capped cash grants would be appropriate. I have also indicated to you that we as Commonwealth officials had supported that on the basis of a 50-50 cost sharing with the states.

Senator O'BRIEN—We have just had a drought round table, and a discussion paper on drought has been prepared. Most of the Primary Industries Ministerial Council meeting in Adelaide last week involved, I am told, talking about drought. I am trying to ascertain whether the important work to be done by the Commonwealth on this issue has actually been done.

Mr Banfield—In the form of the interest rate subsidy review?

Senator O'BRIEN—Yes.

Mr Banfield—Certainly to my knowledge there is no work in train at the present time to review interest rate subsidies. As you know, there was an important discussion between ministers off the back of the drought round table, and it has been agreed that options for a reform package for exceptional circumstances should be prepared forthwith and presented for consideration by ministers within the next couple of months. Clearly, it will not be possible to

undertake a review of interest rate subsidies in the lead-up to that work. I might also say that the request to refine and clarify some of the options was fully supported by state ministers.

Senator O'BRIEN—Most of those options had been substantially agreed back in 2002, hadn't they?

Mr Banfield—The proposals that will be considered by ministers over the next couple of months range way beyond business support—as you would be aware, it is a much broader issue than that. In broad terms, out of the round table there was support for the principles of the national drought policy and support for the welfare components. Options clearly need to be identified in terms of what form of business support there should be, but there are also a range of options to be considered. For example, one issue that has been discussed in some detail is the notion of a broader regional declaration, with farmers having their individual circumstances assessed. That would be a broader, more generous declaration of exceptional circumstances, using national criteria, with eligibility for support being looked at at the individual level. Again, there is a range of issues that will need to be developed for that teleconference of ministers, as I understand it will be.

Senator O'BRIEN—Was there effectively an instruction to the department from the minister to cease work on the review of the interest rate subsidies?

Mr Banfield—Certainly not to my recollection. I think it is fair to say that, at the time, the minister shared our view that it did not make much sense to be doing a review of interest rate subsidies when we were in the middle of discussions with the states on a possible alternative formulation. But I am certainly not aware that the minister said, 'I do not want work done on this.'

Senator O'BRIEN—I am just curious, because, in relation to the interest rate subsidies that have continued, we have established that there was certainly an overestimation of how much take-up there would be of them. There was discussion of an alternative, which was obviously more attractive, generally speaking, in May 2002. But nothing has been done about it until now.

Mr Banfield—As you would know, the issue has foundered on cost sharing. Those issues will need to be addressed in the context of the further work—

Senator O'BRIEN—Is that the minister's view—that the work does not start until we sort out the cost sharing issue?

Mr Banfield—No, that is not what I said. I said that the reform proposals dating back to 2002 foundered on the issue of cost sharing. I think Minister Truss was very supportive at the time of reform for exceptional circumstances. As you will recall, he also had particular views about the cost sharing arrangements. In relation to the current review of exceptional circumstances, we have identified a range of broad conclusions coming out of the round table. Officials have been asked to scope some possible options for consideration by ministers. The issue of cost sharing arrangements has at this time not been addressed, but Minister Truss at the meeting of the Primary Industries Ministerial Council last week made it clear that that issue would need to be addressed and that it could not be indefinitely deferred. Obviously, the reform package will need to be a total package.

Senator O'BRIEN—I am still perplexed. We have had an interest rate subsidy which has underperformed. There has been a view since at least May 2002 that it was not the best option and there has been consensus about that. Presumably, no review was undertaken of the interest rate subsidies, because that was pretty much a consensus view. And work stopped there, up until very recently.

Dr Samson—If I may, Senator, I think I would put a slightly different complexion on that. I do not think we should lose sight of the fact that, obviously, we entered into the current drought, so interest rate subsidies were part of the exceptional circumstances assistance that is currently being offered. What you say is true in that the expenditure on interest rate subsidies has not matched out initial estimates, and Mr Koval has given some background as to why those estimates may not have been as precise as we would have liked.

Work in a sense has continued on a whole range of fronts. As you would be aware, the minister formed the national drought panel that undertook an extensive series of consultations around the country and accepted written submissions in addition to those face-to-face meetings. We have had the drought round table that Mr Banfield referred to. Ministers have discussed the issue, and the issue has also been discussed at the standing committee and at subcommittees of the standing committee. So, throughout this whole period, a range of views on the whole suite of exceptional circumstances options have been gathered and discussed. My view would be that a whole range of things have been under active consideration for quite some time.

Senator O'BRIEN—I think you said that work in a sense has continued. If I understand what you have just said, there has been work associated with the normal working processes rather than specifically targeted work.

Dr Samson—We certainly have not commissioned a consultant to undertake a piece of work, but in a holistic sense we have been continuously looking at how aspects of current EC policy have operated.

Mr Banfield—I should say that, in a contextual sense, as you know, we have been grappling with a very serious drought situation. The first priority obviously has been to assess applications and get support to eligible farmers on the ground. That has been our first, second, third and fourth priority during the process. It was also the view that the arrangements that we are now talking about are for a future drought. Whatever their imperfections, the current arrangements under exceptional circumstances have been agreed and are in place for this drought. So we are talking about possible reform for a future drought, not changing arrangements midway through the current drought, if that makes sense.

Senator O'BRIEN—But you would if the arrangements were inadequate and there was agreement. You were going to in May 2002.

Mr Banfield—Sorry, I am not quite sure what you mean.

Senator O'BRIEN—The EC package in May 2002 was agreed except for the cost sharing arrangements, otherwise it would have been implemented.

Mr Banfield—It foundered on the issue of the cost sharing principle.

Senator O'BRIEN—But the other items were agreed, weren't they?

Mr Banfield—There was a body of support for the thrust of the other proposals. We never got to the fine detail as to whether there might have been some particular changes to particular aspects of that. I could not say that, even if the cost sharing had been sorted out, there would not have been some changes to other elements of the package, but it is true to say that the reforms as a whole foundered at the time on the failure to agree on appropriate cost sharing arrangements.

Senator O'BRIEN—The other matters were agreed at an official level, weren't they?

Mr Banfield—Yes, but, as you would be aware, officials are but one source of advice to ministers and governments. At the end of the day it is governments that make decisions on these matters.

Senator O'BRIEN—Can you confirm for me that there have been discussions between this department and Treasury about the use of cash grants rather than interest rate subsidies?

Mr Koval—When that reform proposal was put to ministers, there would have been some discussion between central agencies, including Treasury, the Department of Finance and Administration, and PM&C, as a normal policy development process.

Senator O'BRIEN—Is it true that Treasury could be politely described as being aggressively opposed to grants because of costs to the budget?

Dr Samson—That would be a question we would have to ask Treasury.

Senator O'BRIEN—They did not say anything to the department about their view?

Dr Samson—Not to my knowledge.

Mr Koval—Not to my knowledge.

Mr Banfield—We have received very good cooperation from our colleagues in other departments in managing this drought.

Senator O'BRIEN—Treasury is always very cooperative about spending money!

Mr Banfield—Many departments have many views about many things. As to the specifics of the question, you would need to take that to officials from Treasury or the Department of Finance and Administration. I would not want on the public record an implication that our colleagues in the other departments have not been cooperative and supportive.

Senator O'BRIEN—I am sure. Was it possible for the Commonwealth to go it alone on the question of cash grants versus interest rate subsidies?

Mr Banfield—I guess all things are possible, as indeed it would have been possible for the states to go it alone.

Senator O'BRIEN—So it was possible for the Commonwealth to go it alone?

Mr Banfield—Again, my colleagues might have a view but, as I understand it, there was no legal impediment as to why the Commonwealth could not have proceeded—nor, indeed, as I understand it for the states.

Senator O'BRIEN—So notwithstanding the fact that it was clearly the view that cash grants were a more effective way of providing relief, the minister made a judgment that he would not implement that?

Mr Banfield—Senator, you are drawing conclusions about a particular measure in isolation. The point I have been trying to make is that any package of reform for exceptional circumstances needs to be a package and—

Senator O'BRIEN—No, the government wanted it to be a package. It did not have to be a package if the government was prepared to accept something different.

Mr Banfield—The government has always seen this issue as a package.

Senator O'BRIEN—That is right. It was not an obligation; it was a government decision that it had to be a package. That is the point, isn't it?

Mr Banfield—Governments can decide what they like.

Senator O'BRIEN—They can.

Mr Banfield—But the basis of the discussions on drought reform was that this would be a package—an all-inclusive package—which included the issue of—

Senator O'BRIEN—That was the government's negotiating stance.

Mr Banfield—I would not describe it as a negotiating stance.

Senator O'BRIEN—Well, that was the government's position.

Mr Banfield—That was a position and the view of the government at the time.

Senator O'BRIEN—So it was the choice of the government as to whether aspects of the package could proceed without a total settlement or not?

Mr Banfield—Yes, that is correct. It is fair to say that the government had a view then and to the best of my knowledge still has a view that providing support for farmers in exceptional drought is a shared responsibility and that there needs to be fair and equitable sharing of the burden in a genuine partnership approach.

Dr Samson—I think all jurisdictions would share the view that the issue of providing drought assistance is something that all governments should do in a cooperative manner.

Senator O'BRIEN—But that is like saying they believe in motherhood, isn't it? I think the reality is that they all wanted some reforms and the Commonwealth said in this case the reforms are conditional on you meeting more of the cost and that was the foundering point of the negotiations. That is right, isn't it, Dr Samson?

Dr Samson—As Mr Banfield said at the time, the discussions foundered on that point, yes.

Senator O'BRIEN—So the point I am making is that the Commonwealth had the choice of proceeding with reforms without imposing that condition and chose that it would stick to its stance that the cost should be shared differently.

Dr Samson—It did but, in the same way as Mr Banfield has said, the state and territory governments also had the choice to agree to a cost sharing model and allow the reforms to proceed.

Senator O'BRIEN—That is true; you are right. They had the choice of accepting the imposition of additional cost to achieve reforms and the Commonwealth had the choice as to

whether they imposed that additional cost. That is a fair summation of the two positions, isn't it?

Dr Samson—Those were the issues I am sure that at the time the governments addressed, yes.

Senator O'BRIEN—The point I am making is that this change to a small aspect of the package could have been made if the Commonwealth government chose to make it.

Mr Banfield—What I am saying is that the government had the view and has the view that support for farmers in exceptional drought is a shared responsibility—that it is not purely a Commonwealth responsibility.

Senator O'BRIEN—And it therefore would not make the change.

Mr Banfield—All I can say is that the package foundered on the resolution of cost sharing arrangements.

Senator O'BRIEN—In the PBS on page 27 it says that funding for Farm Help for this financial year is estimated at \$15.602 million, but in last year's PBS, at page 21, the figure was \$24.875 million. Why was that estimate so far out?

Mr Aldred—The figure for uptake of Farm Help is often quite difficult to estimate accurately. Over the last couple of years there has been a level of interaction with other programs. Our expectation was that, in the 2003-04 budget, it would be up around the \$24 million mark. What we did see was a sharp drop in the last couple of months of 2002-03 and a continuing decline throughout 2003-04 in the number of people on income support across Farm Help. There are a couple of reasons. In particular, I guess we expected that there would be some increased uptake of Farm Help at the conclusion of the sugar package. The various drought initiatives probably impacted on that sort of uptake as well.

Senator O'BRIEN—And that increase did not happen, obviously?

Mr Aldred—That is right.

Senator O'BRIEN—The number for 2004-05 jumped back up to \$34.44 million. How do we get this turnaround?

Mr Aldred—Again, we believe that that is the interaction with, say, drought income support. If we have a look at exceptional circumstances declarations, my understanding is that about half of the current ones lapse or conclude over the next six months, so we would expect to see a significant transfer of people from exceptional circumstances to the Farm Help program.

Senator O'BRIEN—It is almost as if you have rolled forward last year's overestimate into this year's figure.

Mr Aldred—No, that is not the case. There is a basis to the calculations on expected uptake of income support. Then, based on historical proportions, we estimate the uptake of the other measures under Farm Help.

Senator O'BRIEN—Can you give me some idea of how the funding breaks down into a number of the components that you have talked about—that is, income support, advice and

training, re-establishment grants, cash management and pathways plan? How does it break down?

Mr Aldred—In 2004-05 our estimates of income support, I can say, are just on \$20 million or just under \$20 million, re-establishment grants are just over \$10 million, the initial professional advice sessions are \$1.13 million and other training professional advice activities are \$3 million, which brings us to the total of \$34.4 million that is on page 27.

Senator O'BRIEN—So how did you come to a figure of \$20 million for income support?

Mr Aldred—That is based on an estimated uptake by 1,351 customers of income support across the year at a unit cost of just under \$15,000.

Senator O'BRIEN—What were the actual uptake and unit cost numbers on which the figure of \$15 million for 2003-04 was based?

Mr Aldred—I can give you figures for either the break-up of the expenditure to date or the uptake. Do you want customer numbers?

Senator O'BRIEN—I want customer numbers.

Mr Aldred—I have the figures for 2003-04. Essentially, across the months of the program, we have had an uptake of 723 on income support, as at July 2003. As at the end of April 2004, the number was 569. It has varied, probably by plus or minus 30 from month to month.

Senator O'BRIEN—The figure of 1,351 that you gave me for the estimate of 2004-05 is a high-point estimate, is it?

Mr Aldred—No. We have used that as an estimate across the year. It is an average take-up.

Senator O'BRIEN—So the average take-up for 2003-04 is between 723 and 569?

Mr Aldred—It is around that—in the mid to high 600s.

Senator O'BRIEN—So it has been towards the upper end of that range most of the time?

Mr Aldred—Yes.

Senator O'BRIEN—Just remind me of the factors that are going to see that double.

Mr Aldred—I think an approximate figure for the number of people on exceptional circumstances is probably 10,000. I might be able to get a more specific figure. If we expected, say, 10 per cent of those people to transfer to Farm Help then we would see quite a significant increase. By way of reference, throughout 2000 the figures varied. In January 2000, for example, the figure was 1,140. It peaked in August 2000 at 1,634. So we have had that level. We have seen a decline throughout the period of the drought.

Senator O'BRIEN—I just want to be clear on what you think the drivers are for that number doubling. If you look at the guidelines for accessing the program, a farmer must be unable to borrow against his or her assets and it is subject to an income and assets test similar to the Newstart allowance. So things have to be pretty tough before you get access to this scheme.

Mr Aldred—Yes.

Senator O'BRIEN—Does that mean that things are going to get tougher in the view of the government?

Mr Aldred—No, I do not think that is the case. We have done our calculations on the basis that there may be a number of people who choose to access the Farm Help program once exceptional circumstances declarations conclude. That would be in keeping with the design of the program, which is really about supporting people to actually make adjustments and find alternatives to either farming or farm income or to improve the circumstances of the enterprise.

Senator O'BRIEN—Access to Farm Help cannot go on forever, can it?

Mr Aldred—The program has been extended for four years.

Senator O'BRIEN—I mean access for individuals.

Mr Aldred—Regarding access for individuals, essentially there is up to 12 months of income support.

Senator O'BRIEN—Once you have gone through that period, what happens?

Mr Aldred—Income support, as I said, goes for 12 months. People can access a re-establishment grant at any time during those 12 months.

Senator O'BRIEN—So for people who have gone through it during the drought, if they are still in drought they do not get back in?

Mr Aldred—There is the facility to, if you like, hold onto Farm Help, move on to exceptional circumstances and then take up Farm Help.

Senator O'BRIEN—How many people have done that?

Mr Aldred—I would have to take that on notice. I will follow that up.

Senator O'BRIEN—Remind me what the linkage is between Farm Help and exceptional circumstances. How do the programs link or are they separate—cut off one and start another?

Mr Aldred—They are both covered under the Farm Household Support Act, but they are in fact separate programs. Farm Help is about supporting people in decision making and adjustment. Exceptional circumstances is welfare and business support during exactly that—exceptional circumstances.

Senator O'BRIEN—Are there groups of farmers who might find themselves out of other support and pushed into Farm Help, as was the case with cane farmers and the 2002 sugar package?

Mr Aldred—Could you repeat that?

Senator O'BRIEN—As with the cane farmers, with the 2002 sugar package and the end of income support, could they find themselves in a funding package that ceases and therefore pushed into the Farm Help package?

Dr Samson—That is a possibility. Equally, as I think occurred in the sugar industry at the time, you had people who were already on Farm Help who, as Mr Aldred said, availed themselves of the capacity to put Farm Help on hold, if you like. They accessed the sugar package and at the conclusion of the sugar package restarted the remaining period of their

eligibility to Farm Help. That is why, as Mr Aldred said and as we have discussed many times, estimating the costs of these particular programs is always difficult when you have several programs in play at any particular time. It just makes the exercise more difficult to do.

Senator O'BRIEN—I guess my question is: is there a program that is about to come to an end in the coming financial year which is likely to see people moving into this program?

Mr Aldred—I think income support in the new sugar package may conclude in March 2005, so there would be some potential there, but I guess more particularly our estimates have been based on exceptional circumstances.

Senator O'BRIEN—So what is the story for those people, in terms of income tests, if they have received lump sum payments out of the sugar package as well as income assistance? Is it counted as income when they receive those sustainability grants? How do they impact in financial year 2004-05?

Mr Aldred—I am not sure at this stage, and I would have to take on notice whether that is counted as income for the purposes of Farm Help. I think that was the subject of some discussion yesterday, and I will seek advice.

Senator O'BRIEN—What has happened with the moneys that were budgeted for Farm Help in 2003-04 that were not expended?

Mr Aldred—Nothing has happened to them.

Senator O'BRIEN—Have they been rephased, given back to Treasury, put in reserve?

Mr Aldred—It is not our expectation that they would be rephased. The budget funding for the Farm Help program is new funding, so we would not be seeking to rephase money from 2003-04.

Senator O'BRIEN—So the question remains. The overestimate means that there was more money in the department's budget than was needed for this item. Where has it gone?

Mr Aldred—I will take it on notice. At the moment, my expectation is that it would be returned to the budget, but I will take it on notice.

Senator O'BRIEN—Returned to the budget?

Mr Aldred—Returned to the department of finance. But I will clarify that.

Senator Troeth—Is this section continuing after the break?

CHAIR—Yes.

Proceedings suspended from 12.57 p.m. to 2.00 p.m.

Senator O'BRIEN—Can someone tell me what measures can be taken to enhance the attractiveness of the Farm Help program?

Mr Aldred—The enhancements to the Farm Help program are part of legislation that I understand will need to be introduced soon into the parliament. As such, I cannot talk about the detail of that legislation. But, in a general sense, the sort of thing that needs to be done with the Farm Help program is to improve the targeting or the focus of the program on supporting people to make changes or to make decisions—and I spoke about that a couple of times earlier today—to distinguish it from a welfare support package such as exceptional

circumstances. In the budget announcement the sorts of things include perhaps more detailed interaction between Centrelink and individuals on the program to look at the sorts of activity plans that people have while they are receiving income support and to try to ensure that they move along in implementing those activity plans to actually make a change or to have made a positive change by the end of 12 months of income support.

Senator O'BRIEN—Is it expected that there will be additional uptake of the Farm Help program post the drought?

Mr Aldred—I would expect there would be. In some senses, my earlier comments about our estimates are based on conclusion of exceptional circumstances declarations and an assumption that there would be increased uptake at that time.

Senator O'BRIEN—Given your earlier caveat, I still want to see if we can get some sort of answer to this question. Has any consideration been given to relaxing Farm Help provisions such as the assets or borrowing tests to promote accelerated structural adjustment in the immediate term?

Mr Aldred—I do not think there has been consideration of the assets test and so on. That is generally linked to Newstart type arrangements, and we would expect that to continue.

Senator O'BRIEN—Do you have any idea how many previous Farm Help recipients remain locked into farming—that is, they remain insolvent but they are unable to access support to plan for alternative futures?

Mr Aldred—Could you repeat the question?

Senator O'BRIEN—I just want to know how many of the previous recipients are still in farming but cannot farm their way out of the problem—they are not able to make a proper living out of farming but they do not have access to support to plan for an alternative future.

Mr Aldred—We are actually just about to start the process of developing a longitudinal survey associated with the Farm Help program that would help us to track longer term clients who have access to the program and to use that to improve the program in future years.

Mr Banfield—In the question, there is a presumption that Farm Help is really about exit funding. The rationale for the program, as you probably know, is to give farmers a 12-month breathing opportunity where they can consider their future. It is true that some will choose to exit from the scheme, but under the current scheme it is entirely appropriate that farmers, with the benefit of that assistance and support for 12 months, review their situation with some professional advice and decide that they think they can make a future in farming. The point I am making is that to look at Farm Help as just an exit program is not correct.

Senator O'BRIEN—I understand your answer, but there are still plenty in the farming community who probably do not have a future in farming and who may well be on Farm Help. We heard some evidence about regions that possibly do not have a long-term future as a whole because of the types of enterprises that can be conducted there and the economic circumstances of the industry.

Mr Banfield—I am not denying that one of the objectives is to help those who decide that they cannot make a go of farming to exit. That certainly is one of the principles of the program. But it is wider than that; it is about giving farmers an opportunity, a 12-month

breathing space, to review their situation, to make their own judgments on the back of some professional advice and to make some judgments about whether they want to continue in farming or whether they want to get out.

Senator O'BRIEN—Is there justification for allowing farmers a second opportunity to access support on the proviso that they commit to industry exit and taking up the re-establishment grant?

Mr Aldred—That is not something that we have considered in any detail. I think there may be some value in doing that, but I think we would probably want to look at it in terms of further design of the program once we have done a bit of the longitudinal survey work that I mentioned earlier.

Senator O'BRIEN—Should farmers be allowed to access the program more than once?

Dr Samson—That is a matter for government policy, Senator, not for officials to comment on.

Senator O'BRIEN—Is it currently government policy that they can?

Mr Aldred—Farmers can access income support and take a re-establishment grant. They can suspend access to Farm Help in the case of exceptional circumstances. That is the arrangement. If farmers cease income support once they have been on the program for longer than six months, then, apart from the exceptional circumstances issue, they cannot re-access it. If they get onto the program, they can cease their income support in less than six months and then come back on.

Senator O'BRIEN—The funding for Farm Innovation—the Key to Success in last year's PBS was zero for 2003-04, but it is \$210,000 according to this year's PBS. That means it is an overrun, does it?

Mr Aldred—There was an amount of \$210,000 that was rephased from 2002-03 into 2003-04 to allow a number of projects that were held up to conclude and make those final payments.

Senator O'BRIEN—So the program finishes this year?

Mr Aldred—Yes, Senator.

Senator O'BRIEN—Who was or is the decision maker for grants through this scheme?

Mr Aldred—The decision was made at the ministerial level, and on the recommendations of a selection panel.

Senator O'BRIEN—Who undertook the assessment of the applications for funds?

Mr Aldred—As I said, there was an independent panel that looked at the applications and made recommendations.

Senator O'BRIEN—Who was on that panel?

Mr Aldred—I would have to take that on notice; it was before my time.

Senator O'BRIEN—I assume there has been a review of this program to ensure its objectives were met?

Mr Aldred—It was reviewed, but I do not have the details with me.

Senator O'BRIEN—When was it reviewed?

Mr Aldred—I think there was a review in 2002. I will take it on notice and I will come back to you to confirm that.

Senator O'BRIEN—Were there assessments of how the funds were applied against the benchmarks set out in submissions?

Mr Aldred—I will have to take that on notice and confirm it.

Senator O'BRIEN—Where can information about the successful applicants be found?

Mr Aldred—Again, I will take that on notice. We have certainly had a range of publications in which we have had examples of initiatives that were undertaken through the program. Part of the program is that each of the grantees is required to undertake demonstration type activities to get wider awareness of the innovations and those sorts of things. I will come back to you about a comprehensive list.

Senator O'Brien—Can you tell me when the scheme commenced and what the total budget for it was?

Mr Aldred—It was established in the May 2000 budget and over the life of the program \$10.2 million was awarded in grants.

Senator O'BRIEN—Thank you for that. The budget papers tell me there is no funding in the coming financial year for the industry leadership programs—the women and young people in rural industries programs. Last year there was \$323,000 and additional estimates added another \$332,000. Why was there additional funding?

Mr Aldred—There is a range of activities undertaken through the women and young people in rural industries programs, and there was additional funding required to undertake those activities.

Senator O'BRIEN—What sorts of activities?

Mr Aldred—The sorts of activities that are supported include the young people in rural industries young leaders program, international observer awards, study awards, and a range of other activities.

Senator O'BRIEN—What was the \$655,000 expended on in 2003-04? Have you got a breakdown?

Mr Aldred—Yes, Senator. The budgets were: Young Rural Leaders' Course, \$100,000; study awards, \$100,000; international observer awards, \$60,000; export market development training, \$100,000; company directors' course, \$100,000; Young People's Rural Network grant, \$132,000; and Young Farmer of the Year sponsorship, \$25,000. There was also \$38,000 for the Women in Rural Industries initiative.

Senator O'BRIEN—What is meant by 'rural network'—the \$132,000 expenditure?

Mr Aldred—It is essentially looking to support a range of youth networks in agriculture and rural industries.

Senator O'BRIEN—Does that mean there were a number of grants made, totalling \$132,000?

Mr Aldred—Yes, that is correct.

Senator O'BRIEN—Who were the recipients of the grants and how much did they receive?

Mr Aldred—I will take that on notice and provide you with a list.

Senator O'BRIEN—How many international observers were funded on the international observer program?

Mr Aldred—From memory, it was six.

Senator O'BRIEN—Were they funded to attend a particular conference or to go to diverse locations?

Mr Aldred—No, to a range of different activities.

Senator O'BRIEN—Who chose the successful participants?

Mr Aldred—Again, I will take that on notice and give you the names of the panel.

Senator O'BRIEN—Are details of the participants available on the Web? Perhaps you can supply them if they are not.

Mr Aldred—I would think they would be available on the YARN web site, but I will confirm that.

Senator O'BRIEN—Nothing appears in the 2004-05 estimated expenses for this program. Why is that?

Mr Aldred—The activities that were formerly structured within the separate program will be included within the Industry Partnership Program. A range of those activities that have been undertaken in previous years are done in collaboration and partnership with industry organisations. We will be seeking to continue that range of activities as part of the industry partnership initiative.

Senator O'BRIEN—Can we expect similar levels of expenditure in the coming financial year?

Mr Aldred—I would anticipate a similar level of expenditure.

Senator O'BRIEN—What funding that previously existed under a different heading is now in industry partnerships?

Mr Aldred—There is no other funding under previous initiatives that is included in industry partnerships.

Senator O'BRIEN—Could you tell me whether the Inland Marketing Corporation has now been wound up?

Mr Aldred—Our understanding is that the Inland Marketing Corporation was placed in the hands of administrators in January 2004 and that a meeting of creditors on 16 April voted to place IMC into liquidation. At this stage, it is in the hands of liquidators.

Senator O'BRIEN—What was the total level of funding the taxpayer put into this company?

Mr Aldred—The Australian government paid \$4.5 million under a deed of grants.

Senator O'BRIEN—What did the taxpayer get in return?

Mr Aldred—I think we have previously covered that the Inland Marketing Corporation undertook a range of export market initiatives. It tried to set up a range of delivery systems and marketing systems. Unfortunately, the activities were severely curtailed by drought and a range of other factors from about halfway through the program. Those sorts of factors inevitably led to closing its doors.

Senator O'BRIEN—You imply with that answer that there were some projects they undertook that led to success. What were they?

Mr Aldred—We have provided information about exports that were facilitated by the Inland Marketing Corporation, so there was certainly some facilitation of exports, establishment of marketing arrangements and so on but, again, unfortunately those sorts of things have been impacted by the closure of the Inland Marketing Corporation.

Senator O'BRIEN—I think its main claim to fame was wanting to set up Dubbo as a key transport hub, wasn't it?

Mr Aldred—The corporation was keen to see a Parkes airport and freight hub.

Senator O'BRIEN—It was never the department's view that that would succeed, was it?

Mr Aldred—I think the department essentially developed the deed and paid accordingly. The department had very little to do with any of the Parkes airport arrangements.

Senator O'BRIEN—I do recall that officers of the Department of Transport and Regional Services were sceptical about there being any chance of success of the initiative.

Mr Aldred—That would have to be directed to that department.

Senator O'BRIEN—I think the record shows that. The value of interim support payments for 2003-04 was much higher than forecast in last year's PBS. There was an estimated cost of \$12.6 million and now the expected number is \$48.21 million. That is page 27 of the PBS. I presume that means there were a significantly greater number of submissions for exceptional circumstances assistance that met the prima facie case test. Do I understand that correctly?

Mr Koval—That is correct.

Senator O'BRIEN—The estimate for this year is only \$59,000, so have people either failed or succeeded with their application?

Mr Koval—The estimate for 2004-05 is 0.6. That indicates that, of the prima facie applications we have currently funded, there is only one that has a funding profile into 2004-05.

Senator O'BRIEN—How many people are expected to access interim income support payments in 2004-05?

Mr Koval—The application that has that funding profile has about 500 producers in the area. So, depending on whether it is EC declared or left to run, we would anticipate something in the order of 180 producers.

Senator O'BRIEN—For the expenditure of \$48.211 million that is expected for 2003-04, can you give us a breakdown of the EC applications—how many did not meet the prima facie test, how many did meet that test and how many were then successful with their EC application?

Mr Koval—I do not have that detail with me. I will take it on notice and provide it to you at a later date.

Senator O'BRIEN—Can you tell us now or on notice how many failed to get to first base and get the interim payment and how many of those would move to Farm Help?

Mr Koval—Sorry, I do not understand your question.

Senator O'BRIEN—Presumably, if they were not eligible for EC, some of those who thought they were applying for EC would move to Farm Help, wouldn't they?

Mr Koval—Potentially. That may be the case, but I am not aware of whether we have that information on such a detailed level that we could answer that question.

Senator O'BRIEN—Well, you would know of those who received the interim payments but then did not meet the EC test and moved back to Farm Help?

Mr Koval—I do not have access to that information. We could take that on notice and see if we can get that information for you out of Centrelink.

Senator O'BRIEN—I am just wondering if some of those numbers would explain the estimate for Farm Help contained in these papers.

Mr Aldred—As Mr Koval has said, we will take it on notice and seek information from Centrelink to see if we can help with your query.

Senator O'BRIEN—Thank you for that. The Agricultural Development Partnerships program was announced in the 2000 budget. There was no funding spent at all in 2002-03. There was an allocation of \$2.207 million in last year's PBS, on page 23, but in the additional estimates document we saw an increase in funds allocated to \$7.414 million for 2003-04. In February you told us that the first expenditure from this program had been made and amounted to \$115,000. Now we have an estimated expenditure for this financial year of only \$670,000 and provision for the coming financial year of \$3.012 million. This looks like pretty much a shambles. What is the explanation for this chaotic prediction outcome situation?

Mr Aldred—Regarding the first couple of figures that you mentioned—\$2.2 million, I think you said—the figure that was reported in additional estimates actually amounted to consolidation of funding that had been in bill 1 and bill 2 in the 2003-04 budget, and it was amalgamated in the additional estimates process. So the total figure for that year was always \$7.4 million.

Senator O'BRIEN—Then the first expenditure was \$115,000, which you told us about in February, and the actual estimated expenditure is now \$670,000—or have you split it again?

Mr Aldred—No, the actual expenditure was \$115,000 in February. We expect to have expended \$670,000 by the end of this financial year.

Senator O'BRIEN—Instead of \$7.4 million?

Mr Aldred—Yes.

Senator O'BRIEN—What is the basis for the provision of \$3.012 million for next year?

Mr Aldred—It is based on the expenditure under existing ADPs and anticipated expenditure under several that we are working on.

Senator O'BRIEN—How did we come to estimate that \$7.414 million would be spent in 2003-04?

Mr Aldred—That was the original budget allocation.

Senator O'BRIEN—How did we come to estimate that that would be spent when in fact it looks like we are struggling to spend less than 10 per cent of that amount?

Mr Aldred—We were hopeful that we would in fact get more ADP projects up. As you can see from the estimates, clearly that is not the case.

Mr Banfield—It is worth making the point—and I know we have had this discussion before—that the reason that the uptake under the ADP program has been much lower than we would have hoped is the fifty-fifty matching funding with the states. For projects to go forward there has to be a willingness on the part of states to match the Commonwealth. That willingness has not been forthcoming, and that is the reason for the low uptake under the program. As I am sure Mr Aldred will indicate, we have some projects—some in South Australia, in particular—that the state government has been prepared to support. I just wanted to add that point.

Senator O'BRIEN—It helps when you get an agreement to fund a program before you announce it, doesn't it?

Mr Banfield—Certainly the requirement was, as I have indicated, that there would be fifty-fifty funding. That is not unusual with some Australian government programs. I guess the conclusion to be drawn is that states—for whatever reason—did not see that as a priority, so the funding was not forthcoming.

Senator O'BRIEN—Perhaps they have already committed funds, and then to suggest they commit more funds to a program they were not consulted about is a difficult proposition. That is equally likely, isn't it?

Mr Banfield—I think it is harsh to say that we did not consult the states. In fact there have been many discussions with state colleagues about aspects of ADPs. If I go back to other programs, the previous Rural Partnership Program, as I recall, had a similar funding requirement. So I do not think we were reinventing the wheel here. What happened was that the states, for their own reasons, decided that they would not commit funds to this program. So that is the reason for the underexpenditure.

Senator O'BRIEN—That is convenient: you get a publicity burst out of announcing the funds and then when you cannot spend it you get to blame someone else.

Mr Banfield—The Australian government was very happy to spend the funds. But, in this case, it took two to tango and we did not have sufficient state partners.

Senator O'BRIEN—So the federal government was not prepared to spend the funds without fifty-fifty matching funding—

Mr Banfield—That is correct.

Senator O'BRIEN—but it was very prepared to spend the funds.

Mr Banfield—A requirement of the program was joint funding with the states.

Senator O'BRIEN—A convenient program! Can you explain the drop in funding for rural counsellors for the next financial year? The estimate for 2003-04 is \$5.485 million, and it goes down for the coming financial year to \$4.62 million. But on page 55 of this year's PBS you use the number \$5.9 million. I presume the difference is that that includes departmental costs.

Mr Aldred—That is correct. The information is perhaps shown better on page 18 of the budget statement. The total appropriation for the program remains the same over the four years as it was in previous years.

Senator O'BRIEN—So the difference between the two numbers is the way they are represented in the PBS?

Mr Aldred—Yes. Page 27, to which I think you were initially referring, is for the administered item. That will gel with the administered expenses on page 18.

Senator O'BRIEN—What you are telling me now, if I understand you correctly, is that in 2003-04 the figure of \$5.485 million included departmental costs.

Mr Aldred—No, that was again administered funds. The departmental costs were in addition to that.

Senator O'BRIEN—So there is a reduction from \$5.485 million to \$4.620 million of administered costs?

Mr Aldred—That is the way that the estimates have been prepared. The change to the estimates is that there were a range of activities under the program that should be more appropriately classified as departmental expenses. That has been reflected in the portfolio budget statement.

Senator O'BRIEN—Such as?

Mr Aldred—There are things such as governance training for some of the community management committees and audit programs—those sorts of things.

Senator O'BRIEN—Are those services provided by the department?

Mr Aldred—No. They are outside of the department. Another example might be support for Rural Financial Counselling Service conferences. They are probably better classified as departmental expenses. It does not necessarily mean a great change in activity; it is simply a classification.

Senator O'BRIEN—So \$865,000 is accounted for in those items, is it?

Mr Aldred—I would have to get the detail.

Senator O'BRIEN—It is the difference between 2003-04 and 2004-05 numbers for the administered amount.

Mr Aldred—The difference, as you said, is \$865,000. The exact budget into 2004-05 will continue to shift a little as we go through a new application process for the final few years of the program, and those sorts of things. There will potentially be some variation. Essentially, the funding available for the program remains at existing levels.

Senator O'BRIEN—It does not quite; there is a change. It goes up \$1,000 in 2005-06, drops \$130,000 in 2006-07, and then goes up \$22,000 in 2007-08. The departmental outputs have changed.

Mr Aldred—I can double check those, but my expectation is that that is in terms of the way figures are projected into the future. There is probably a parameter adjustment in some costing formula. Essentially, it is \$5.8 million to \$5.9 million per year for the next four years.

Senator O'BRIEN—The administered expense does not change, but the departmental outputs do, and they have changed by \$865,000 this year. Can you give me a breakdown of the \$865,000? How much has gone into each of those components you mentioned?

Mr Aldred—I can give you figures for expenditure this year. I will have to take it on notice. I do not have that specific figure with me. If I have not indicated this already, I think the audit was in the order of \$290,000. We have an expectation that governance training to be conducted during June for the community management committees could be up to \$150,000. They are a couple of examples.

Senator O'BRIEN—I would appreciate that detailed information on notice to get an understanding of how this substantial shift in departmental outputs is justified. Will new contracts be offered to counsellors or is the government planning to simply roll over existing contracts?

Mr Aldred—I would make two points. The grants that are provided under the program actually go to the community management committees who then subsequently employ a counsellor or counsellors, and the grants fund up to 50 per cent of the cost of running those committees and the counsellors. The situation at the moment is that each of the committees were advised at the time of the budget that we propose to immediately roll over the existing funding agreements for a period of 12 months. The letters of offer and variations to those funding agreements have been dispatched to the committees. I believe they have been dispatched to all committees and, if they have not, they will be in the next day or two.

Senator O'BRIEN—I am just wondering how these committees would deal with issues such as the decline in the real value of the Commonwealth commitment. That is making the assumption that you fund the same number of people with the same amount of money, I suppose, but in a general sense the real value of the government's commitment is declining each year with the amount of services that that might buy, unless we assume that the real value of remuneration to the counsellors has declined. Do you know which is the case?

Mr Aldred—The existing funding agreements have been in place over the last 20 months, and the variations to the agreements offer the same level of grant funding for 12 months, so it is at the same level that the committees have received on an annual basis.

Senator O'BRIEN—In nominal terms.

Mr Aldred—Yes.

Senator O'BRIEN—I reiterate that that means, doesn't it, that in real terms the value of the funding to these committees has declined and will decline.

Mr Aldred—It will stay the same under the current arrangement, as you say, in nominal terms. As we go through an application process for the final three years, then there would be an opportunity for some potential changes at that stage.

Mr Banfield—Given that we have had a discussion about what falls into the category of administered items as against departmental items and about the shift from the 4.6 into departmental items, can I draw your attention to page 325 of the PBS? The glossary there provides a summary of the sorts of things that are covered in administered items versus departmental items. I think, as Mr Aldred is now saying, that a variety of expenses that historically would have appeared as administered expenses are now classified as departmental expenses, so I just draw your attention to that.

Senator O'BRIEN—Thank you for that. I am not sure if you were saying that the National Training Conference is now going to be funded out of the departmental allocation or whether that is a separate matter.

Mr Aldred—No. Under this arrangement, any support for a conference would be paid from departmental funds.

Senator O'BRIEN—I understand that there is one held every two years and that there is one due this year. Will the department be funding that?

Mr Aldred—There has been no determination on that. The last conference was in August 2003. In some senses, as we go through a new application process and so on, it would probably not be appropriate to hold a conference during this calendar year. It would probably be more appropriate to hold it at a later time, when applications have been received and determinations made.

Senator O'BRIEN—How many departmental officers are involved in the administration of this program?

Mr Aldred—It is about half a dozen. I will give you the specific figure later.

Senator O'BRIEN—There is a meeting this week of counsellors in Tasmania and Victoria to discuss the implementation of the budget, amongst other matters. Can you confirm for me that officers of this department will not be attending?

Mr Aldred—No, I cannot confirm that, Senator. We certainly try to get to some of the meetings, but we cannot attend all meetings that we are invited to. I am not aware of the circumstances of the specific meeting that you are referring to.

Senator O'BRIEN—Perhaps you could take it on notice and tell me whether officers have been directed not to attend.

Mr Aldred—I do not believe that officers would have been directed not to attend. I will take it on notice and I will confirm that for you.

Senator O'BRIEN—I go to page 60 of this year's PBS, which talks about the evaluation of the rural counselling service, to begin in September this year. Can you remind me of the nature of the review just completed of the AAA package.

Mr Aldred—The review that was completed in March 2003 drew together a range of different reviews and evaluations across a range of programs under the AAA. It would have drawn on the last formal review of the Rural Financial Counselling Service, which from memory would have been in the year 2000.

Senator O'BRIEN—It just took a paper that was presented then; it did not update that information?

Mr Aldred—It would have drawn on that information. There was not a separate, formal review done, no.

Senator O'BRIEN—It would have drawn on that but nothing else, in relation to the rural counselling service—is that what you are saying?

Mr Aldred—No. It would have drawn on that and other information that was available.

Senator O'BRIEN—You have just conducted the review of the package, including the rural counselling service. The review was undertaken in 2002-03, including some independent evaluations of the components of the AAA package. I am trying to get a handle on why you would be reviewing the Rural Financial Counselling Service again so soon.

Mr Aldred—I do not think that it is 'again so soon'. The purpose of the review will be to have a look at the way it is operating. You have raised a couple of queries about levels of funding and so on. There is a range of things that have happened over the last 12 months that would make it appropriate to have a look at the way the service is delivered, the arrangement of the counselling services and so on. For example, the impact of drought will certainly raise some information for us on whether or not the current boundaries are appropriate and meeting the needs of clients. The services themselves have engaged in some cooperative arrangements to ensure that they look after their clients and so on. We have also funded some industry based counselling arrangements that have not been reviewed before. There has been a range of discussions with national and state associations on different models for delivery. As we move towards a new application process, it is certainly worth looking at the way in which we seek those applications.

Dr Samson—I might add to what Mr Aldred has said. As recently as the drought panel exercise that we discussed earlier, there were quite extensive consultations and receipt of submissions. Within that exercise, whilst there was support from the community for rural financial counsellors, equally there were some quite strong concerns raised about level of skill and focus in some of the counselling services.

Senator O'BRIEN—So what has been done in relation to that problem to date if you know about it already?

Dr Samson—In part, as Mr Aldred has already said, we are planning a series of governance workshops and looking in general at the skills requirements of counsellors to meet the demand. So it is part of an ongoing process. This review is one part of that.

Senator O'BRIEN—The FarmBis program is another example of what I consider to be failed administration, with significant amounts of funds allocated initially only to be raided for all sorts of things in subsequent budgets. In the 2001-02 budget statement, Minister Truss ripped \$41 million out of the FarmBis and Skilling Farmers for the Future programs. He put it into ADP. As we have discussed, that program did not deliver much. In the 2002-03 budget statement, Minister Truss ripped another \$9.2 million out of the Commonwealth-state component of FarmBis, which he said was uncommitted, to fund the National Food Industry Strategy. In the same year he took money out of FarmBis for the southern bluefin tuna scientific research program. Then last year he took another \$2.5 million out of FarmBis to fund an aquaculture initiative. I suppose I am going to be told that all of these problems have been caused by state ministers?

Mr Banfield—No, Senator. What I will tell you, though—and there are two components of FarmBis; I will leave Mr Aldred to talk about the national component—is that, throughout, the Commonwealth has always met its commitment in terms of the Commonwealth-state component of FarmBis which, I am happy to say, is well supported by the states. The program itself, as you know, has been an outstanding success.

Mr Aldred—In terms of figures for FarmBis, in administered funds the contracts or agreements originally negotiated with state governments were for \$75 million from states and the Commonwealth. That commitment has declined over the years. The present commitment is now \$57.5 million.

Senator O'BRIEN—In that context, in last year's PBS there was allocation for the states' component of \$31.336 million.

Mr Aldred—Did you say 31.366?

Senator O'BRIEN—Yes; it is on page 23. That number has been revised in this year's papers to \$25.688 million, and the allocation for next year is down to just \$12.1 million. Are we talking about funding for farmer training across the whole nation, for 2004-05, of just \$12.1 million?

Mr Aldred—The administered amount is \$12.1 million, yes.

Senator O'BRIEN—It is not much money, is it?

Mr Aldred—I believe that it is enough to cover demand. As you are aware, the FarmBis program is demand driven by primary producers. The extension of the program has been based on historical uptake and expenditure, as well as some indication of potential support from state governments.

Senator O'BRIEN—Are there any caveats placed on these funds in relation to the courses that can be funded?

Mr Aldred—On an individual primary producer level, yes. The structure of the current program is that the governance, if you like, and the policy and strategy are run by state planning groups. They determine the courses that are supported.

Senator O'BRIEN—And that is leading to a lesser need for funds?

Mr Aldred—Sorry, Senator; I thought you were asking about the current program. That is as it sits. In terms of taking the program forward, we would envisage a similar sort of structure, but we will need to go through a process of negotiation with the states and territories to determine how the program is rolled forward and to sign up funding agreements.

Senator O'BRIEN—Can someone give the committee an update on where the studies that Mr Truss had under way in relation to GM crops and GMOs are up to, please?

Mr Jones—About 12 studies have been completed or are under way. The details can be found on the department's web site. What in particular would you like to know?

Senator O'BRIEN—Which studies have been completed? What is the nature of uncompleted work, and when will it be done?

Mr Jones—There are two uncompleted studies. One is with the Eyre Regional Development Board. They are developing protocols for a non-GM designated zone. That study is nearing completion. We would expect to have it on the web site in July-August. The other study that is still under way is a bulk handlers benchmarking study. That is basically looking at sampling and testing protocols for GM within the bulk handling system. That study is nearing completion as well. We would expect it to be available midyear—July-August.

Senator O'BRIEN—Who is doing that?

Mr Jones—The CSIRO is doing the work. GrainCorp are involved as well, using their facilities.

Senator O'BRIEN—Would you agree that, as a matter of general principle, in adopting farming methods, farmers should bear the risks and costs of that decision and that those methods should not prevent other farmers from making similar choices?

Dr Samson—As a general proposition, that sounds reasonable, but I think you have to look at its application on a case-specific basis.

Senator O'BRIEN—Last year the department published a review of the common-law remedies in relation to GM plants. Is it still the position of the department that common-law remedies are adequate to protect non-GM farmers from losses and harm that may be caused by the planting of GM crops?

Dr Samson—Yes, it is.

Senator O'BRIEN—In that paper, the department stated:

... if contamination occurs “through the spread of pollen via wind, insects or birds” and does not cause actual (direct and measurable) damage to your land, a non-GE farmer is unlikely to recover costs or damages in common law.

I take it from that that contamination would not be seen as harm under the common law.

Dr Samson—Again, in the previous two discussions we have had on this issue, we have all violently agreed that none of us here have the legal qualifications to comment meaningfully on those issues, and I think that is the situation today.

Senator O'BRIEN—The paper also states:

... where unintended presence merely prevents the land being used for organic or GM-free farming, the court may determine that the interference is not unreasonable, as no actual damage has occurred.

That is strange in the context that many farmers or landowners might not want contamination with genetically engineered plants to occur on their land. Would it be correct to summarise by saying, if genetic contamination prevents a farmer from farming in a particular way, the common law is unlikely to provide remedies?

Mr Jones—We have said previously that it all depends on the specific circumstances. That is a hypothetical. There is no way we can answer it. Going back one step: all the governments of Australia agreed on a particular position. That is what the law is at the moment. Until they review and decide otherwise, that is the starting point.

Senator O'BRIEN—We go back to what Dr Samson said was the department's view on remedies available. In order to recover under common law, the affected farmer must bring action. That is right, isn't it?

Dr Samson—That is the view that is held at the moment, yes.

Senator O'BRIEN—And the onus of proving negligence, trespass or nuisance under common law lies with the affected farmer?

Dr Samson—Again, I am not a lawyer but, as a basic proposition, that sounds—

Senator O'BRIEN—Most farmers are not either, so they have to hire lawyers, file an action, actively seek evidence to support their claim and, presumably, sue their neighbour.

Dr Samson—I can only repeat what Mr Jones has already said, which is that, currently, it is the position of all jurisdictions that remedies exist within existing law.

Senator O'BRIEN—What does the existing law say about the duty of a GM farmer in terms of contamination of other farmers' crops? Anything?

Dr Samson—I think we would have to take that on notice.

Senator O'BRIEN—There are a number of questions of this nature which I will put on notice to save time. In recent weeks the New South Wales Farmers Association has claimed that public liability insurance will protect non-GM farmers should they suffer losses associated with contamination by GM plants. Would you agree that liability insurance will not generally apply if the holder of the insurance is operating in accordance with a licence or authority?

Dr Samson—I will have to take that on notice. Again, I think we are straying into seeking legal opinion that nobody at the table is qualified to give.

Senator O'BRIEN—I will put those other questions on notice.

[3.34 p.m.]

CHAIR—The committee will now move on to Fisheries and Forestry.

Senator O'BRIEN—Mr Quinlivan, you will recall at the last hearing I asked about the progress of the policy paper on the issue of maximising economic efficiency. You told us that work had commenced on that paper and there had in fact been a workshop at the FRDC. You said you thought it would take a couple of months to produce the paper. Where are we up to?

Mr Quinlivan—That is correct. Since that time the FRDC have funded a project that ABARE will be running on the development of economic efficiency in the fishing industry. They had the workshop and there have been discussions between ABARE and us. There will be discussions with fisheries managers in AFMA. I cannot put a precise time on it. The actual project that the FRDC is funding is to run for two years and it involves testing a series of bioeconomic models to maximise both biological yield and economic efficiency in a range of Commonwealth fisheries. There is also an education task as part of this because there are some widespread misunderstandings in the fishing industry about what economic efficiency means, and we will be trying to deal with those along the way.

Senator O'BRIEN—So are we a fair way off from any pieces of paper being produced?

Mr Quinlivan—I hope the piece of paper will not be that far away, but the actual delivery of some products and the implementation by AFMA is some way off.

Senator O'BRIEN—How far off is the policy paper?

Mr Quinlivan—I have not spoken to ABARE recently, so I am not in a position to give you a precise time. I have seen a draft, for instance, so I know that sufficient work has been done to have a draft.

Senator O'BRIEN—Is there an expected time line for production of the policy paper, as you have seen a draft?

Mr Quinlivan—I cannot give you one now but I would be happy to give you one after I have spoken to ABARE and the people handling the matter.

Senator O'BRIEN—Can you give us update on the national compliance strategy. It was well advanced the last time we met.

Mr Hurry—The last time we spoke we had a copy of the compliance strategy that we were not happy with. We have reworked that. I have the final of that back now. We are clearing it with the states and it is basically ready to go out.

Senator O'BRIEN—So it is close to going out?

Mr Hurry—It is close to being a final. The jurisdictions were not comfortable with releasing the copy we had the last time we spoke. We have reworked it. This document is a better document and it is close to going out.

Senator O'BRIEN—What about the framework for the management plan for resource allocation?

Mr Hurry—The resource allocation process is going reasonably well. We had our second meeting in Western Australia last week with both the commercial and the recreational industries. The Western Australian government was there as well. We have basic agreement on the framework and the general principles that support it. We have developed a paper on resource sharing that has some of the general principles that would apply to all fisheries but some specific elements in it that apply to the southern and western tuna and billfish fishery in Western Australia. That is, I guess, our pilot fishery for getting our resource-sharing agreement into place. That is all reasonably agreed. We are now down to trying to work out and negotiate the actual shares between the two sectors.

Where we left it last week was that there were some questions over the data that had been provided. The Western Australian government, for example, has some extra data on the catch by the charter vessels in the Western Australia fishery that we did not have available to us. They also want to look at the commercial data in a different way. They want it in three-monthly lots to see where the effort is in the fishery at different times of the year. There is an argument about oceanographics, about whether the Leeuwin current is a river of fish, where the fish enter at one end at Exmouth and work all the way down to the bottom part of the natural plateau, or whether they actually come in on an eddy and sit on hot spots in the fishery. That also has an impact, if you have interspatial separation, on how you would actually allocate your shares. We will fix up the data and do some oceanographics on the Leeuwin current and the flow of fish probably over the next six to eight weeks. We will then meet again with the sectors and see whether we can come to a final agreement.

Senator O'BRIEN—Are you still focusing on a pilot scheme for the east coast and southern and western tuna fisheries?

Mr Hurry—The southern and western tuna and billfish one at the moment. With the east coast one, there is a need to come back and start to do some work on it. We have been involving Grahame Williams, who is the head of the Game Fishing Association of Australia, in the Western Australian discussions. He is based in Sydney and is very much part of the east coast process, but he has been involved in the Western Australian discussions. We need to get back and start working on the east coast fishery, and we will do that probably in the next eight weeks. I want to get the data ready and see whether we can actually finalise an arrangement on the west coast and then come back to the east coast. If that looks like being delayed we will start again on the east coast.

Senator O'BRIEN—In terms of the overall implementation of the Commonwealth fisheries review document, where are you up to? There are 52 recommendations. You told us last time that 29 had been adopted and a number of others were being worked on within the agency and in other agencies.

Mr Hurry—We have 34 adopted now; there are 18 outstanding. The ones outstanding are not outstanding through lack of work; there has actually been progress on most of these issues. The key one that I guess we have been putting a lot of focus on of late has been the resource sharing process, because there is a need to get that completed for the management plans in those fisheries. We have also put quite a bit of thought into the offshore constitutional settlement arrangements and there have been several discussions on those with the states. We have a paper circulated to tidy up some of the smaller administrative arrangements in those OCS papers. We have looked at the cancellation policies that apply to domestic fisheries and we have the discussion paper on that now in final draft form. We have also looked at aquaculture in Commonwealth waters and we have a discussion paper out on that as well. So, of the 18 that are outstanding, we have actually moved quite a number of them forward.

Senator O'BRIEN—I want to ask some questions about illegal fishing in northern Australia. I am sure Minister Macdonald will be able to answer these questions personally, as he has been so interested in the matter. The budget has additional funding of \$3 million for this year—I think that is on page 64. What is the total budget for AFMA for this task for this financial year?

Mr Venslovas—The total budget—

Senator O'BRIEN—Doesn't the minister know?

Senator Ian Macdonald—Do you want me to answer?

Senator O'BRIEN—You know so much about it. I thought you were going to rattle those numbers off.

Senator Ian Macdonald—I do not want to highlight my great expertise and knowledge in this area, but if you want it to come from my lips I am quite happy for that.

Senator O'BRIEN—I will let you off this time.

Senator Ian Macdonald—I thought you would prefer to deal with the officers, but if you would like me to answer I am happy to do it.

Mr Venslovas—The total budget for this year is \$4,351,000 for illegal fishing operations in northern Australia.

Senator O'BRIEN—Do you know how that compares to the Customs budget in the same area?

Mr Wonder—We do not have Customs figures within our portfolio budget statement. It is best if you direct those questions to Customs.

Senator Ian Macdonald—But it is quite substantial.

Mr Wonder—Yes.

Senator Ian Macdonald—As you know, Coastwatch, Customs, the Navy and AFMA are all involved with border protection in all of its forms. I think there was a fairly substantial amount in last year's budget for Customs—something like \$75 million comes to mind, which was new Customs money. That was in last year's budget or it might even have been the year before, but it is over several years, so there is a lot of money there. In this instance, contrary to my normal practice, if you want the actual detail and were not able to go to the Customs estimates, I would be happy to get that for you on notice. I do not want that to be taken as a precedent of giving you information from other estimates committees, but in this instance, because it is very much involved with what we do, I would be happy to get that for you.

Senator O'BRIEN—Thank you for that; I will take you up on that.

Senator Ian Macdonald—We will take that on notice.

Senator O'BRIEN—I want to look at the numbers on page 63 for Southern Ocean surveillance, which show a very dramatic difference between the funding of the two portfolios.

Mr Quinlivan—The roles are very different but, in any case, the Customs allocation in the north would be several multiples of those numbers that are mentioned there in the south.

Senator O'BRIEN—The budget papers refer to a further examination of long-term arrangements for the apprehension and detention of illegal fishers in the north. How is that being advanced and where is that process up to? And what do you mean by 'long-term arrangements'?

Mr Quinlivan—There are several separate issues which are referred to in that sentence. One of them is, as you say, the detention of illegal fishers. We are currently working with other Commonwealth agencies on a cabinet submission which the minister will be taking to cabinet sometime in the next few months. We are also looking at some policy issues associated with illegal fishing generally in the north and also at more general issues to do with our bilateral marine relationship, such as capacity building and fisheries management and so on, all of which will help position us in dealing with illegal Indonesian fishing in the long term.

Senator O'BRIEN—Can you tell me more about the intentions with regard to capacity building?

Mr Quinlivan—We have an AusAID funded program under way at present, and we have two senior Indonesian officials here in Australia at this moment who are learning about our fisheries management practices and institutional arrangements here. That is the first part of a longer term cooperation program to try and help the Indonesian marine affairs agency manage its fisheries and its fishermen better than it currently does. That is one element of it; there is other work on alternative livelihoods and so on as well.

Senator O'BRIEN—I put some questions on notice about the extent of illegal fishing. The time for answering those questions is long over.

Senator Ian Macdonald—When did you put them on notice?

Senator O'BRIEN—On 13 April.

Mr Quinlivan—We are familiar with those questions. We have been working on them for a quite a while. There is a formidable amount of work involved in the preparation of answers, but I might ask AFMA to respond on the state of play.

Senator Ian Macdonald—They are not sitting on my desk, are they?

Mr Quinlivan—No, they have not got to you yet. You will need a long time to deal with them when they get there.

Mr Venslovas—Those answers are in draft form at the moment and being cleared through AFMA. They are soon to be sent across to the department. As Mr Quinlivan alluded to, there was an extensive amount of work required to put those answers together. In particular, we were requested to provide details of all prosecutions over the last three years, and that required liaison with the Office of the Director of Public Prosecutions to collate that information.

Senator O'BRIEN—So they are in draft form now?

Mr Venslovas—That is correct. They are being cleared through the AFMA senior executive at the moment.

Senator O'BRIEN—This is questions 28.30, 28.31 and 28.32?

Mr Venslovas—That is correct.

Senator Ian Macdonald—I would not have thought they were out of time if they were only asked in April this year.

Senator O'BRIEN—It is 30 days.

Senator Ian Macdonald—That is outrageous. I do not think we ever answer any in 30 days, do we?

Mr Quinlivan—Most of them, actually.

Senator O'BRIEN—I am assuming you have a comprehensive database on illegal fishing. Does AFMA have that?

Senator Ian Macdonald—In the north or the south or everywhere?

Senator O'BRIEN—Everywhere, I imagine, but certainly in the north.

Mr Venslovas—I can elaborate on that. We have data in relation to apprehensions and legislative forfeitures of catch and gear but, in terms of details of prosecution outcomes and so forth, our database is not as complete as that of the DPP. That is why we had to refer that part of the question to the DPP. The databases maintained by the various DPP officers in the various states differed, and we were required to collate that information from several different databases maintained by the DPP.

Senator O'BRIEN—I presume you can ascertain how many allegedly illegal boats have been sighted in northern waters?

Mr Venslovas—Again, we rely on other agencies for that information, in particular Coastwatch. AFMA does maintain some information in relation to sightings, but predominantly the primary source of data is the Coastwatch organisation, which is part of the Customs portfolio.

Senator O'BRIEN—Who would keep you informed about administrative seizures of boats?

Mr Venslovas—AFMA maintain fairly comprehensive records on administrative seizures and on apprehensions, because AFMA have the role of preparing the briefs of evidence in relation to those apprehensions and submitting them to the DPP for consideration as to whether charges will be laid. Also, we are very interested in the level and occurrence of administrative seizures. Of course, those decisions are made with reference to AFMA on a 24-hour duty officer basis.

Senator O'BRIEN—I take it you know how many boats were towed into port, how many crews were subject to legal action, how many boats were bonded and how many were destroyed?

Mr Venslovas—Yes, we have that information.

Senator O'BRIEN—You told us at the last hearing that there were 138 boats bonded and released in 2003, and we were advised that another 55 were the subject of an administrative seizure.

Senator Ian Macdonald—What were those figures?

Senator O'BRIEN—One hundred and thirty-eight, and 55.

Senator Ian Macdonald—Were bonded?

Mr Venslovas—Could I correct the record, Senator. There were 138 apprehensions versus 55 seizures.

Senator Ian Macdonald—That sounds right.

Senator O'BRIEN—Does that mean there were 138 apprehended and, of those 138, 55 were seized?

Mr Venslovas—No. What it means is that 138 were apprehended and an additional 55 boats had their gear and catch seized while they were at sea.

Senator O'BRIEN—So the headline rate is not 138, for the minister; it is 193.

Mr Venslovas—One hundred and ninety-three boats were dealt with; 138 were apprehended.

Senator O'BRIEN—It would be fair to say that a number of other boats were located but no action was taken?

Mr Venslovas—Yes, that would be correct.

Senator O'BRIEN—Any idea of how many would be in that category?

Mr Quinlivan—What do you mean by 'located'; do you mean 'seen' or do you mean 'approached physically but no action taken'? I am not quite sure what you mean.

Senator O'BRIEN—I suppose it could be both. Let us say 'approached but no action taken because the nature of the illegal fishing was not such to warrant any further action'.

Mr Venslovas—I can elaborate on that. There are a number of boats that are sighted inside the AFZ where no action is taken. Those sightings relate to boats that are legitimately there—in particular, traditional vessels that are allowed to fish inside a part of the AFZ that is subject to an MOU with Indonesia which allows access to traditional vessels. So there are sightings of vessels inside the MOU area and also sightings of vessels that are transiting to and from the MOU area. We would not take action in those sorts of circumstances because they can legitimately be there.

Senator O'BRIEN—Would you class those later categories as incursions?

Mr Venslovas—No.

Senator O'BRIEN—Can you tell us the numbers for 2004 to date?

Senator Ian Macdonald—Fifty-one have been apprehended. There were seven last week and three this week, if I remember. How is that? Is my memory close enough?

Mr Venslovas—That is correct, yes.

Senator Ian Macdonald—I only know that because I did an interview on it just before lunch. The figures are fresh in my mind.

Senator O'BRIEN—Have there been any administrative seizures yet?

Mr Venslovas—Yes, there have been 41 administrative seizures this year.

Senator O'BRIEN—Already?

Mr Venslovas—That is correct.

Senator O'BRIEN—That is a much higher rate than for last year, looking at it as a proportion. There were 55 last year.

Mr Venslovas—That is right.

Senator O'BRIEN—And 41 so far this year. Is there any particular reason that that can be attributed to?

Mr Venslovas—There is no particular reason. The provision is there to enable patrol vessels to deal with more vessels than they normally would, should an apprehension be undertaken. For example, if a patrol boat is escorting an apprehended vessel to port and other vessels are sighted inside the zone then obviously the patrol boat cannot respond to them. The administrative forfeiture provisions—they are actually statutory forfeiture provisions—are there to maximise the effectiveness of the patrol boat so that it can deal with more vessels on each particular patrol.

Senator O'BRIEN—So instead of apprehending you are taking gear in more cases?

Mr Venslovas—That is right. For example, if eight vessels are sighted inside the zone, in close proximity to each other, and the patrol boat has the capability of apprehending only one or two, we will request through the Coastwatch network that seizures be conducted on maybe five or six vessels and we will try to apprehend two. Of course, it gets down to on-the-ground logistics and the circumstances that the patrol boat finds itself in when it arrives on the scene. If the boats are not in close proximity to each other, then a decision may be made to apprehend in particular cases. I just need to reiterate that it depends on the circumstances.

Senator O'BRIEN—I am told that a number of boats have been located by Navy or Customs but not pursued. That information would be readily available, initially through ships' logs and then within Defence and Customs, would it not? If other departments and agencies have discovered vessels that they have not pursued, I am assuming that they would log that fact—that is, the ships initially would log it—and that would be reported to the Department of Defence and to Customs.

Senator Ian Macdonald—I guess so; I do not know.

Senator O'BRIEN—So you do not know whether that information is being collected and kept?

Senator Ian Macdonald—I am not quite sure of your terminology, but, if the officer understands what you are talking about, he would be able to tell you. I do not know what Navy and Customs do in their log books, I have to tell you, but the officer might.

Mr Venslovas—Customs, from my understanding, does maintain records of vessels sighted; occasions where requests have been made by the client agencies such as AFMA; instances where those requests have been attended to by the service providers, such as the Navy and Customs; and also instances where those requests may not have been attended to because of a lack of response vessel, for example.

Senator O'BRIEN—What about Navy?

Mr Venslovas—My understanding is that Coastwatch would possibly or probably have that information.

Senator O'BRIEN—So it is possible to get a complete picture of illegal fishing, insofar as it has been observed over the last few years, and the response to it?

Mr Venslovas—It would be possible. However, one thing that needs to be taken into account is that the sightings information that would be maintained by Coastwatch, for example, would be an inflated figure because it would contain details of multiple sightings of the same vessel over consecutive days. Also, that figure would contain sightings of vessels which, as I explained earlier, are legitimately allowed to be inside the AFZ, such as those vessels transiting to and from the MOU area and also those traditional vessels located within the MOU area.

Senator O'BRIEN—Going to the issue of administrative seizures, Mr Keith Johnson, Superintendent of the National Marine Unit, sent an email to a number of people on 25 March this year. It went to a number of people in AFMA. It was entitled, 'ACV operations in support of AFMA'. The email went to the issue of illegal fishing in Northern Australia, so it is directly relevant and of significant importance, I suspect, to a key aspect of the minister's portfolio. The first paragraph reads:

Gentlemen,

Due to ever increasing operational demands being placed on Australian Customs Vessels, particularly those vessels operating in northern waters, Customs has reviewed the current level of support we can reasonably provide to the Australian Fisheries Management Authority in response to Foreign Fishing Vessel incursions.

In my view, there is a significant shift in the approach to dealing with illegal fishing. Minister, I am told that you told the media you have never seen this email.

Senator Ian Macdonald—That is correct.

Senator O'BRIEN—When did you become aware that the key plank in your strategy to deal with illegal fishing in the north had been withdrawn?

Senator Ian Macdonald—It has not been withdrawn. There have been a record number of apprehensions so far this year, which puts the lie to scurrilous misinformation being put out by your colleague about a catch and release policy. There have been more vessels caught at this time of this year than in any other, if my arithmetic is correct.

Senator O'BRIEN—And more catch and release?

Senator Ian Macdonald—We are not quite five months through the year and we already have more vessels caught in the first five months than for the total year in, say, 1995.

Senator O'BRIEN—You also have more caught and released. The email then said:

As a result, (with the exception of the forthcoming Operation SHARKFIN), effective immediately, all ACVs involved in the interception and boarding of FMVs—

that means foreign fishing vessels, I take it—

will, under normal circumstances and when appropriate, conduct only 'Administrative Seizures'.

This significant change in approach was to take effect immediately—that is, 25 March.

Senator Ian Macdonald—It is not the Fisheries policy, I can assure you; it is not AFMA's policy. If you want to ask Customs about that, I invite you to do so. Our policy remains as it

always is. We have the maximum resources around Australia generally to combat illegal fishing, and that has not changed.

Senator O'BRIEN—The email said:

Escort/towing to harbour of FFVs can now be considered to be the exception rather than the rule.

That would be quite a change, would it not?

Senator Ian Macdonald—As I say, I have never seen that. It is certainly not a direction from this department or from AFMA. I cannot help you with that; you would have to ask someone else about that.

Mr Quinlivan—I think, subsequently, Minister Ellison made his portfolio's position on the matter fairly clear in public statements and some time, I am not quite sure of the date, the head of the national marine area in Customs wrote to the customer agencies clarifying that Customs' policy had not changed.

Senator Ian Macdonald—Now that you mention that, I think he also wrote to the newspapers, but in their typical fashion they did not publish that bit.

Senator O'BRIEN—The email says it was not information, it was a formal instruction.

Senator Ian Macdonald—Senator, you can keep talking about the email as long as the committee has time to waste. I am saying to you that it is nothing from my portfolio, it is nothing from AFMA. It is for another portfolio. If you want more information, I suggest you ask that estimates committee and not this one. Mr Quinlivan has already helpfully given you what I suspect Customs would give you, in any case. But that is between you and them; it has nothing to do with me or my officers.

Senator O'BRIEN—Mr Quinlivan, what discussions have you had with the Customs about this email? I presume you have seen it.

Mr Quinlivan—It was not copied to me directly because—

Senator O'BRIEN—But you would have seen it.

Mr Quinlivan—the department is not a client agency. I did see it subsequently, yes. I have had no substantive discussions with the Customs department on it.

Senator Ian Macdonald—It is not relevant to us.

Senator O'BRIEN—The operation of that department's vessels is not relevant to the development of fishing strategies?

Senator Ian Macdonald—If you are trying to suggest there is a change of policy, I am saying there is no change of policy from our point of view or from the government's point of view. In fact, the facts speak for themselves: so far this year, we have proportionately got a record number of apprehensions and a record number of administrative seizures too, I suspect. I am not absolutely sure about the second one, but I suspect it would be. As I say, the facts speak for themselves.

Senator O'BRIEN—Administrative seizures last year totalled 55.

Senator Ian Macdonald—I think that was the information you were given.

Mr Venslovas—Correct, that was the number.

Senator O'BRIEN—So far this year they total 41.

Senator Ian Macdonald—That is right. You have been given that information?

Senator O'BRIEN—Yes. As a proportion, it appears you are tracking to a much higher number of administrative seizures this year than you were last year.

Senator Ian Macdonald—That is an assumption you can make.

Senator O'BRIEN—It appears on the current figures that that is right.

Senator Ian Macdonald—It is an assumption you can make. Other people would have different views on that.

Senator O'BRIEN—On what basis?

Senator Ian Macdonald—The fact that we have more actual apprehensions this year than—pick a year—say, 1995. For the whole year, I think they apprehended 44.

Senator O'BRIEN—Last year, it was 138.

Senator Ian Macdonald—Yes.

Senator O'BRIEN—So you are averaging 69 per half year.

Senator Ian Macdonald—You have to compare it with this time last year.

Mr Quinlivan—I do not think that is a correct comparison because of the seasonal nature of the activity—it is higher in the spring. As the minister said, I am pretty sure the 51 is a higher number of apprehensions than this time last year. Based on that trend, we are probably heading for a higher number of apprehensions as well as this year. The better interpretation is just that there is a higher level of enforcement activity overall.

Senator O'BRIEN—So this is a reflection of the level of illegal fishing, is it—the more we catch, the more there is?

Senator Ian Macdonald—You can make your own assumptions. Someone could assume that; you might assume that. I might assume that it is increased surveillance, increased enforcement—and it is ever increasing, all the time. You put whatever spin you want on it, and I will put my spin on it.

Senator O'BRIEN—I did not think I was putting any spin on it. I accept that you are putting spin on yours.

Senator Ian Macdonald—You are making an assumption that is not an assumption I would make on those figures. My assumption—which I happen to know is backed by fact—is that there is greater enforcement capability around, as there has been since 1996.

Senator O'BRIEN—Can you explain to me how AFMA works with the Navy in relation to the apprehension of illegal boats? I am given to understand that a Navy vessel locates a boat and it makes a recommendation to Customs here in Canberra. Is that how it works?

Senator Ian Macdonald—It is usually Coastwatch—anyhow, I will let Mr Venslovas answer that; he is the expert.

Mr Venslovas—It is usually the case that a sighting is made from an aircraft contracted to Coastwatch. That sighting information is passed to Coastwatch, who in turn passes that

information to AFMA. AFMA makes a decision as to what it would like to do. In a majority of cases, a response is requested and Coastwatch coordinates a response, whether it be through Customs or the Navy, to send a patrol boat out to investigate the sighting. In a lot of cases, AFMA deploys Fisheries officers on board the patrol boat. Once the patrol boat intercepts and conducts a boarding of the suspect vessel, an information report is sent back through the Coastwatch communications network. If it is a patrol boat from Navy, that information is channelled through Headquarters Northern Command, based in Darwin. If it is a Customs vessel, that information is channelled through the National Marine Unit of Customs, which in turn passes it on to Coastwatch, who then passes that information to AFMA. Usually the information report includes a recommendation, be it from the Fisheries officer on board the boat or, in the cases where there is not a Fisheries officer, from the patrol boat commander.

Senator Ian Macdonald—There is a Fisheries officer anyhow, isn't there?

Mr Venslovas—That is correct. They are empowered under the legislation to conduct these boardings and apprehensions.

Senator O'BRIEN—Of the 51 apprehended and the 41 subject to administrative seizures, how many in each category were obtained off a Navy or Coastwatch vessel and how many in each category were obtained off a Customs vessel?

Mr Venslovas—I would have to take that on notice.

Senator Ian Macdonald—What was the question again?

Senator O'BRIEN—Of the numbers apprehended and the numbers subject to administrative seizures this year, how many in each category were obtained from a Coastwatch or Navy vessel and how many were obtained from a Customs vessel?

Senator Ian Macdonald—Do you mean 'done by'?

Senator O'BRIEN—AFMA officers go out there on a vessel of either Navy or Customs.

Senator Ian Macdonald—We will find that out for you.

Senator O'BRIEN—How is it determined which vessel responds—that is, Navy, Coastwatch or Customs?

Mr Venslovas—AFMA puts its request through Coastwatch, who in turn contacts either Navy or the Customs National Marine Unit to file a request. But you would have to ask Coastwatch how that system works in detail.

Senator Ian Macdonald—I would not want to go into too much more detail, although Customs may. But what Coastwatch does is coordinate the sightings, requests and on-the-water enforcement capabilities. Their coordination role is to get the best result. It would depend where particular units are and what is happening around the regions.

Senator O'BRIEN—When the aircraft sees the vessels, does it report to AFMA or Coastwatch?

Senator Ian Macdonald—To Coastwatch.

Senator O'BRIEN—So Coastwatch would have the details of how many vessels have been observed in northern waters?

Mr Venslovas—That is correct.

Senator O'BRIEN—So, irrespective of how many had been approached, they would have details of the numbers observed that they have been notified about?

Mr Venslovas—That is correct.

Senator O'BRIEN—Where the vessel is the subject of administrative seizure and is caught again, is there any policy—that is, can they be the subject of an administrative seizure again or must they be apprehended?

Mr Venslovas—From a legal perspective there is no reason why they cannot be apprehended. They can also be subject to administrative seizure again. But there is no policy on that. Each case is based on its circumstances. It is usually the case that, if there is a repeat offender involved, our position would be to apprehend.

Senator O'BRIEN—How many that have been the subject of administrative seizure have subsequently been apprehended?

Mr Venslovas—I would have to take that on notice.

Senator O'BRIEN—I understand that, if the Navy says that a particular boat is in location X or Y, they make a recommendation as to whether it should be apprehended. Is that how it works?

Mr Venslovas—That is correct.

Senator O'BRIEN—Is it the task of Customs or AFMA to agree or disagree with that recommendation?

Mr Venslovas—It is the task of AFMA to agree or disagree with that recommendation.

Senator O'BRIEN—Is it sometimes the case that it is decided that no action will or can be taken following a sighting?

Mr Venslovas—It is usually the case that AFMA or the AFMA officer fielding the particular phone call will concur with the recommendation made by the officer on board the boat unless there are extenuating circumstances as to why they should not. In the vast majority of cases the AFMA officer will concur with that recommendation.

Senator O'BRIEN—Is there any evidence that these illegal fishers are becoming more organised in a commercial sense?

Senator Ian Macdonald—I have spoken to someone with contacts in Indonesia who has suggested to me that that is the case, but I do not know if there is any official assessment of that. Even if there is, I suspect that it would be an assessment based on matters that we cannot really talk too much about. But, for what it is worth, someone has suggested to me that that is the case and I have passed that information on to the relevant authorities.

Senator O'BRIEN—If it is the case—I note that without wanting to elucidate particular detail—that is, that there appears to be a consolidation of effort rather than a large number of individual operators, I am told that a more organised and better resourced fishing effort for

shark means that administrative seizure will progressively become more of an inconvenience than a deterrent. At the last hearing we talked about discussions with the Indonesians about this problem, and Mr Quinlivan told us that the Indonesian minister for marine affairs was to visit Australia in March. Illegal fishing was high on the agenda for those discussions. What happened?

Mr Quinlivan—The minister cancelled his visit very late in the piece at the instruction of the President because of the forthcoming Indonesian elections. As I mentioned earlier, we have since had a formal session with the Indonesian officials and now we have senior Indonesian fishing officials here in Australia.

Senator O'BRIEN—How late was the cancellation?

Mr Quinlivan—I am not sure of the exact timing. It was quite late.

Senator Ian Macdonald—It was about a week beforehand. It was very disappointing, I have to say, but as a politician I can understand that there are elections imminent. But the offer remains open. It was a guest of government visit, and I am very keen to have the Indonesian minister out as soon as they get through their electoral processes.

Proceedings suspended from 4.01 p.m. to 4.16 p.m.

Senator O'BRIEN—So we are still waiting for some idea of when the Indonesians will actually talk to us about this matter?

Mr Quinlivan—As I said, while the Indonesian minister's visit was cancelled, we have since had official bilateral talks with Indonesia that are led on the Australian side by Mr Hurry, and we have senior officials here at present.

Senator O'BRIEN—What progress has been made in those talks?

Mr Hurry—It was a reasonably constructive set of discussions. I forget the actual number, but some quite high-level Indonesian fisheries officials came down for that meeting. We had a good discussion on the need to develop some shared fisheries management arrangements for our shared stock in that north Australian area. They have agreed in principle that they will head down that path. They have gone back to discuss it internally and will come back to us with another proposition on what sorts of structuring arrangements might be put into place to do that. I think that is fundamental to beginning to develop longer term arrangements for controlling illegal fishing and beginning to develop a better understanding of management practices and the need to have science to underpin management decisions that you take. Part of bringing the officials down here now is that the two that have come down initially will work with us, AFMA and the CSIRO to develop a training program for some junior officers that will come down and spend 10 weeks with us later in the year to develop some more capacity.

Senator O'BRIEN—So we do not really know whether there is the political will to do this, but the bureaucracy seems to be somewhat willing.

Mr Hurry—I think there is actually quite a bit of political will in Indonesia to begin to do some things about it. The officials have gone through a process in Indonesia of registering all their foreign fleet that fish in Indonesian waters. There has been quite strong action taken against vessels from Thailand and the Philippines that they have found fishing illegally in

their waters. Internally they have worked through a process of needing to tighten up on their own illegal fishing activities. They have had some initial discussions with us about whether we can get into some joint surveillance arrangements over fishing vessels in the bottom part of Irian Jaya. I would think that the potential to end up with some fairly reasonable arrangements with the Indonesians over illegal activity and, more importantly, over some better arrangements for longer term sustainability in those fisheries is quite positive.

Senator O'BRIEN—Where are the AusAID programs that were referred to in the February hearings up to?

Mr Hurry—One of them is the Government Sector Linkages Program that we have under way at the moment. Another is a program which I think is run by Environment Australia—the alternative livelihoods project. I think the second stage of it is under way at the moment.

Senator O'BRIEN—How much money is to be spent?

Mr Quinlivan—I think the programs have about \$150,000 to \$170,000 each.

Senator O'BRIEN—Have we specified desired outcomes?

Mr Hurry—They are actually specified in the program itself. We are developing the management arrangements in the GSLP project at the moment with the Indonesian officials. The other one has the terms of reference for the consultant built into it.

Senator O'BRIEN—Thank you. Minister, during the last hearings you told us that fishers in the Southern Ocean must have a government observer on board. There are four licences for that fishery and two operators, as I understand it. Are the obligations applying to observers the same for both operators or do they differ for some reason?

Mr Roberts—The same obligations apply to all operators in terms of carrying observers in the Southern Ocean fisheries and the CCAMLR fisheries.

Senator O'BRIEN—Does that mean that the requirement under CCAMLR is the same as our requirement, or is it in addition to our requirement?

Mr Roberts—The requirement under CCAMLR is reflected in the management arrangements which we apply in the Heard and McDonald Islands fishery, the Macquarie Island fishery and the CCAMLR new and exploratory fisheries. They have one AFMA observer and either an additional data collection officer or an international observer. So there are in fact two observers on each vessel.

Senator O'BRIEN—What is the current status of the *Viarsa* case?

Mr Venslovas—The owners have lodged proceedings in the Federal Court to challenge the forfeiture of the vessel. The Commonwealth and the plaintiffs are currently submitting evidence in that process. A directions hearing on 2 July will determine the timing for proceedings. In relation to the criminal prosecution of the five crew from the *Viarsa I*, all have pleaded not guilty to charges under the Fisheries Management Act 1991. A trial date has been set down for between 5 and 29 October this year.

Senator O'BRIEN—Minister, you told me at the last hearing that you hoped your new patrol boat would be up and running in the Southern Ocean as soon as possible after 1 July this year. You said expressions of interest were to be called around 23 February. Is that time

line still okay? Were the expressions of interest called for? What has been the outcome of that process?

Senator Ian Macdonald—Yes. Again this is something that Customs are doing. You would have to refer to them for the precise detail. Just in the broad: yes, the expressions of interest have been called for. There have been a number of applications. I think there is a short list and Customs are currently assessing the right way to go.

Senator O'BRIEN—Is the two-year life of this arrangement still the plan?

Senator Ian Macdonald—Yes, it is. If we do not have the new vessel, if I can call it that, available on 1 July we will have a vessel available on 1 July.

Senator O'BRIEN—So an interim arrangement has been established?

Senator Ian Macdonald—Yes.

Mr Quinlivan—I think we discussed this last time. The point we made at the time was that there will be an operational capacity available from 1 July—

Senator Ian Macdonald—That is what I meant to say.

Mr Quinlivan—but we are not going to say anything publicly about the nature of that capacity except that, as you know, the program we are developing and implementing will have an armed capacity and a boarding capacity.

Senator O'BRIEN—I presume the vessel will be based in the southern part of Western Australia?

Mr Quinlivan—Again, we discussed this last time. I think the point was made then that it would be based wherever it was most efficient to do so and it may not be based in one place. Were it to be based in one place we would be extremely vague—in fact, we would say nothing—about that place because, were that known to certain people, its comings and goings would be very easily observed, which of course is exactly what we do not want to happen.

Senator O'BRIEN—I expect they will find out. It is hard to hide a boat of the dimensions that you will need for those waters.

Mr Quinlivan—It is part of the game too.

CHAIR—They do not know about the submarine, though, do they!

Senator Ian Macdonald—Shush!

Senator O'BRIEN—It is even harder to hide a submarine. You have been watching too many James Bond movies. In last year's budget there was funding for an aquaculture action agenda of \$2.5 million. The money came from FarmBis, I believe. What has happened with that?

Mr Hurry—There are 10 initiatives under the aquaculture action agenda and all 10 have been progressed during the year. I think the current expenditure in the project is around \$2.2 million, and there are still a couple of projects that we are discussing with the National Aquaculture Council at the moment for late funding, but it is actually progressing fairly well.

Senator O'BRIEN—There are a number of initiatives in the program and they include developing an efficient regulatory environment. What is involved in that?

Mr Hurry—The Productivity Commission has completed a study into the regulatory environment of Australian aquaculture. That study has been completed and it was taken to the Primary Industries Ministerial Council. The instructions that have come back on that are for the aquaculture committee, which is a group under the marine and coastal committee which feeds into the ministerial council. It has been asked to develop a best practice arrangement for regulation and legislation for Australian aquaculture development.

Senator O'BRIEN—Did you say 'regulation'?

Mr Hurry—To make sure the licensing arrangements, the approvals and the legislative structure that underpins aquaculture is, I guess, the most efficient that we can have. It is to be consistent across the Australian states so that people who want to farm know basically what the rules are from one state to the next.

Senator O'BRIEN—So we are talking about the state regulatory environments—it is some harmonisation process, is it?

Mr Hurry—All of Australian aquaculture at the moment occurs in state waters, so harmonising some of the state arrangements is an important part of making the regulation and legislation more efficient. There is another process under way, where we have a discussion paper out with the states at the moment about building a regulatory framework for aquaculture in Commonwealth waters.

Senator Ian Macdonald—There is also a project in Queensland where we are trying to align relevant parts of the Commonwealth EPBC Act with state aquaculture rules. This was dealt with at the Primary Industries Ministerial Council just last Wednesday and was unanimously supported, which is a great step forward in that all of the states have acknowledged that something needs to be done.

Senator O'BRIEN—What is the program relating to this part of the plan for 2004-05?

Mr Wonder—My recollection is that the Prime Minister's ministerial council asked the group that Mr Hurry referred to in his answer to bring back an initial report via the standing committee for the council to consider at its next meeting.

Mr Hurry—It will develop a best practice model for regulatory arrangements for consideration by jurisdictions.

Senator O'BRIEN—That is an initial step in the process, I would have thought.

Mr Hurry—No, not really. The Productivity Commission report that looked at the differences in arrangements between the states was the first step of the report. It was a fairly comprehensive report on where the duplication, overlap and problems occur and what problems it caused for investors in the industry. That was the first step, and that was then taken back to the states and actually discussed between the states and the Commonwealth agencies. This last step is to try and bring forward a better regulatory framework for aquaculture. Once the states have agreed to the process of doing it, we will develop up through the aquaculture committee this improved best practice framework, and then the states will actually apply it against their own legislation. That will basically finish it as a process.

Senator O'BRIEN—Last year's papers also referred to R&D activities. How is that being progressed and how is it being funded?

Mr Hurry—There is an R&D initiative under way. The tender for it has gone to Ridge and Partners. It is being coordinated at the moment to look at a better structure for aquaculture science and policy research and to look at international models for R&D that we can use as improvements for the Australian industry to try and stop duplication in research and to ensure that we are researching those issues in the industry that will actually lead to better development in the industry itself. The expected benefits out of it are an improved structure and process for coordinated research and development activities for the Australian industry, as well as a greater understanding of any existing gaps that need to be addressed. The project will seek to maximise the benefits of research and innovation and the sharing of best practice. Ultimately, it will lead to increased industry investment in research and innovation and a national strategic focus to investment in aquaculture research. The completion date is expected to be 11 June 2004 and the cost was \$35,000.

Senator O'BRIEN—Where in the PBS can we see the funding for 2004-05 for this program?

Mr Wonder—It is on page 63 of the PBS.

Senator O'BRIEN—I thought that might be the case. That means funding for this year is \$1½ million less than for the last year.

Mr Quinlivan—It is \$1 million additional to last year.

Senator Ian Macdonald—It was a one-year program of \$2½ million. We have actually extended it. It was to support the aquaculture action agenda.

Senator O'BRIEN—It was a one-year program. You have spent the money that was provided for one year. The program obviously has to run for more than one year to be completed. There is only \$1 million to complete the program. Is that how I should understand it? There is nothing in the outyears.

Senator Ian Macdonald—It was only ever a one-year program. We struggled—and I think they have done with it what they intended to do with it. It is just that we have been able to get some additional money to continue some other aspects of the action agenda. It was never intended to be more than a one-year program.

Senator O'BRIEN—How did it propose to complete the work that you have obviously chartered for it?

Mr Quinlivan—There is an implementation committee comprising some of the people at this table. The minister chairs it and it has members from the aquaculture industry. They have been managing a program of work. As the minister said, the expenditures made through decisions of that committee will be nearly \$2½ million for this year. The commitments and planned work that remain outstanding will be fully completed with the million dollars that is available for next year. We can give you some more detail on the contents of that program if you wish.

Senator O'BRIEN—The program concludes on the spending of the million dollars?

Mr Quinlivan—That is the current plan.

Senator O'BRIEN—When will it conclude? Will the million dollars take you into the financial year?

Mr Quinlivan—It will conclude when the last activity funded under this program concludes, which will be some time in 2004-05. I am not quite sure just when during the year that will happen. It will not be the end of the financial year. It will be when the last funded activity is completed.

Senator O'BRIEN—In this year's PBS there is reference to the development of aquaculture projects in Indigenous communities. Can I have some more detail on that?

Mr Hurry—The 10th strategy in the initial 10 strategies was creating an aquaculture industry for all Australians. AFFA and ATSIIC have had an arrangement for some 18 months now where we have had a small Aboriginal aquaculture unit in place in the department. To date we have funded five projects in Aboriginal communities. One of them was a project to look at scoping aquaculture development in North Queensland communities, particularly Cape communities. That has just been completed and the final report has just been released. We have also funded some development of media and learning aides for the Kimberley Aquaculture Aboriginal Corporation to give remoter Aboriginal communities an idea of what is involved in actually trying to get Aboriginal aquaculture up and get it developed. We have put some money into the Australian Institute of Marine Science in Townsville to do some work on sponge culture for Indigenous communities to try to build an industry around the growing and commercial sale of sponges. We have undertaken some work with the Kimberley Aquaculture Aboriginal Corporation at Pandanus Park to establish a small cherabin and aquaculture project. A cherabin is a large freshwater prawn. That project looks as though it has got quite a bit of potential. We have put some money into developing an aquaculture development program in the Wollongong region for that part of coastal New South Wales. We are looking at another project at the moment near Karumba to look at developing either broader scale cherabin ponds on an Aboriginal cattle station there or prawn farming. But the economics of prawn farming at the moment would probably make that a bad call. So I suspect if we do anything there it is probably more likely to be with freshwater cherabin.

Senator O'BRIEN—How much of the expenditure is set aside for the development of aquaculture projects in Indigenous communities?

Mr Hurry—I will get you the actual figures on this, but I think we had about \$150,000 to \$160,000 this year in the Aboriginal vote. There is also some potential to leverage money from other departments and actually put into this. We see it as one area where there is some potential to generate some employment in communities. We are being cautious, so we wanted to take it fairly steadily and get it right and not rush in with larger scale projects. The wins initially appear to be in the smaller scale ones that communities generally want to be involved in.

Senator O'BRIEN—Are you intending to leverage Commonwealth investment into these communities?

Mr Hurry—Other departments have funding available, which you can attract into projects in Aboriginal communities. There is a small crab project in Darwin at the moment that we are working on as well. It will be a mix of funding from our department, DEWR and the Northern

Territory government, so there is some ability to build and attract additional outside funding for this, on top of what we have put into this project.

Senator O'BRIEN—Which programs would be available for this sort of initiative?

Mr Hurry—I can get you a list of them. I do not have them with me. I know we are working on the DEWR ones, but let me get a list and I will let you know what we are actually looking at.

Senator O'BRIEN—There is no funding for the Eden Regional Adjustment Package in the coming financial year. Does that mean that expenditure will exhaust or that you are hoping that it will exhaust?

Mr Quinlivan—I am not quite sure which of those two it is. I think our current hope—I was going to say expectation, but maybe it is just a hope—is that we will fully expend the funds this year. In the event that we do not, there will be only a small amount outstanding. We will be looking for a rephrasing in the normal way into next year for any unspent moneys, but our hope is that it will be completed this year.

Senator O'BRIEN—I have to ask, because in last year's PBS the funding was \$588,000 for 2002-03 and nothing for 2003-04, then in the additional estimates it was \$231,000 for 2003-04.

Mr Quinlivan—There is one particular project that is not quite finished, and we are down to talking about tens of thousands of dollars.

Senator O'BRIEN—So all the other projects but one are finished?

Mr Quinlivan—If I can just correct that: I understand that we have told the applicant that they need to complete the project this year, and that is our current position. In which case, no funding will be available next year.

Senator Ian Macdonald—We have made it very clear that this is the end.

Senator O'BRIEN—You do not expect that there will be any projects outstanding in terms of funding at the end of 30 June? Or there will not be—I think that is the essence of your answer—any projects that remain to be funded at 30 June?

Senator Ian Macdonald—That is the message that we have given to the applicant.

Senator O'BRIEN—Did the Seahorse Inn at Boydtown open last month?

Mr Quinlivan—I am told that it has not opened, but it is very close to completion. You have identified the right project.

Senator O'BRIEN—You told us on notice that it was expected to open in April and should create an additional 43 positions, taking the ERAP total to 145 jobs. Is that the outstanding project?

Mr Quinlivan—Correct.

Senator O'BRIEN—It is a difficult time for a tourism venture to be opening on the South Coast of New South Wales, isn't it—during the winter?

Senator Ian Macdonald—I do not know if that is a question you are asking my departmental officials or me, but it is really a bit outside our expertise, I am afraid.

Senator O'BRIEN—I am told it could be whale watching.

Senator Ian Macdonald—There you go. Actually, I was going to say that.

Senator O'BRIEN—I was just talking to people down there. You are well off the shoulder by the time you get to June; that is normal for that area. I wanted to ask about the 1998 threat abatement plan for the incidental catch of seabirds. Is this an internationally applied plan to which Australia is a signatory?

Mr Roberts—That is a plan under the Environment Protection and Biodiversity Conservation Act. The actions that are detailed in that plan are binding on Commonwealth agencies, so it is a domestic initiative.

Senator O'BRIEN—There was a five-year target to reduce the rate of seabird catch by 0.05 birds per 100 hooks.

Mr Roberts—No, it is 0.05 birds per 1,000 hooks. There have been measures put in place since 1998, when the threat abatement plan was introduced, to develop mitigation measures to reduce incidental interactions with seabirds in long-line fishing—both demersal and pelagic long-line fishing.

Senator O'BRIEN—Have those targets been met or are they close to being met?

Mr Roberts—There are a range of different mitigation measures being trialled and there has been a high level of industry engagement in developing those measures. Obviously some of the measures have been met—things like requirements for night setting—but the trialling of mitigation devices is continuing, particularly the use of different weighting regimes to get the baits out of the reach of seabirds quickly, the use of tori poles and also the use of a line-setting chute. That has been quite extensively trialled.

Senator O'BRIEN—Again, how are we going at achieving the target?

Mr Roberts—There has been difficulty in reaching the target and the threat abatement team is currently reviewing the plan of action. That review process will be completed over the next three to six months, but all of the various activities that have occurred over the life of the threat abatement plan are being reviewed in terms of their effectiveness.

Senator O'BRIEN—The target is effectively one bird per 20,000 hooks. What is the rate of seabird by-catch at the moment?

Mr Roberts—I cannot give you an exact answer in terms of particular fisheries, but that rate has not been achieved in the trials. A number of the trials have been stopped because the rate was higher than the 0.05 per 1,000 hooks. There is currently an industry trial using a very heavy weighting regime—a 98-gram weighting regime. They are hopeful that that will reach the 0.05 birds per 1,000 hooks.

Senator O'BRIEN—I assume that a review mechanism has been put in place about this—and it is on an ongoing basis, by the sound of it.

Mr Roberts—Yes. There are two levels of activity. The program itself is administered by the Department of the Environment and Heritage—they are the lead agency, through the Antarctic division—but AFMA, in our pelagic and demersal long-line fisheries and through

our by-catch action plans, are working to continue to reduce the incidence of interactions with seabirds.

Senator O'BRIEN—Is there a scheduled year 5 review of this program?

Mr Roberts—The review process is already under way. The TAP team has already had one meeting and will be meeting again in the future. That includes industry people, environmental NGOs, scientists and bird experts.

Senator O'BRIEN—I have some questions about seals. What programs are in place to manage the problem of seals and fishing? I think some work was done through the AFMA research fund that identified a catch of up to 700 seals per annum for the South East Trawl Fishery. I understand that seal-excluder devices are being trialled. Where are those trials up to and when are those devices likely to be introduced into commercial fishing activities?

Mr Roberts—Those devices have already been introduced into commercial fishing. The issue of seal interactions is a very serious issue for fisheries generally. Obviously, seal populations are growing rapidly and the objectives of these programs are to minimise interactions and, where there are interactions, to make sure that the animals escape alive. In effect, the trials have largely been done through an industry based program in the winter blue grenadier fishery, on the factory boats. Industry have contributed a lot of money to developing and perfecting the operations of the seal-excluder devices and are also modifying fishing patterns and fishing programs to avoid interactions. There has been a lot of work done in that winter blue grenadier fishery with the factory boats.

In the broader South East Trawl Fishery, AFMA commissioned a report a couple of years ago which identified the level of interaction. The industry association, SETFIA, the South East Trawl Fishing Industry Association, have already put in place a code of conduct and there is a series of other research projects now going on to look at measures to mitigate interaction with seals in the broader South East Fishery.

Senator O'BRIEN—I am not sure if this is in your area of expertise, but you may be able to answer: what species of fish that we fish for are listed under the convention on international trade in endangered species?

Mr Roberts—To the best of my knowledge, I do not think there are any species currently listed that we commercially fish.

Senator O'BRIEN—Perhaps you could check that and take it on notice. If there are, what is a process that leads to the listing and what does a listing mean in terms of the commercial exploitation of the species? Would a good management plan meet the objectives of CITES in terms of compliance?

Mr Hurry—I am reasonably sure that the only commercial fish listed anywhere on CITES is sturgeon, which is listed mainly in the Middle East. The interest in the past in listing commercial species in CITES has usually been through the species that are fished under regional fisheries management organisations, where questions have been asked about the efficiency of the RFMOs in actually dealing with the management of a certain species. The normal approach that we have taken, and I think it is the correct one, is to make the actual

regional fisheries organisation work correctly and, in effect, deal properly with the management of the species.

You have seen the introduction of a number of catch documentation schemes for species such as southern blue fin tuna, patagonian toothfish, and bigeye tuna in the Pacific and the Indian oceans. Those trade documentations or catch documentation schemes and the exchange of documents are a way of ensuring that people actually trade in responsibly caught fish. I think an approach using CITES is one that says you have failed in your management arrangements, and a better approach would be to make your management arrangements work properly.

Senator O'BRIEN—I think Senator McLucas has some questions about this area.

Senator McLUCAS—There are two issues I want to ask about. Firstly, I would like an update on the Torres Strait fisheries generally, since the changed arrangements with the new member on the board, and specifically in terms of Indigenous participation in the fisheries.

Mr Quinlivan—I think the Protected Zone Joint Authority, which administers and manages the Torres Strait fisheries, has gone through quite a rapid evolution over the last couple of years. As you say, the chairman of the TSRA is now a full member of the Protected Zone Joint Authority. The TSRA itself has developed an increased capacity to participate in fisheries management discussions and decision making processes. They have significant representation in all of the management advisory committees and working groups on the individual fisheries. I think they have equal representation and weight, if you like, as the non-Indigenous commercial fishers. On the fisheries generally, if you want me to go on and describe them—

Senator McLUCAS—Before you go to the actual fisheries—I would not mind a bit of an analysis of that—I understand that under the treaty there are some licences that have to be allocated to both Papua New Guinean fishers and Australian Indigenous fishers. Can you tell me where that is up to?

Mr Quinlivan—That is not correct. The treaty and the Torres Strait act which implements the treaty in law do provide for fixed access rights for PNG fishers and they are not a discretionary matter on our part. We must provide that access to PNG fishers. To date the PNG government has not allocated those rights fully to PNG fishers because their interest in taking up those commercial opportunities has not existed. There has been limited fishing in tropical rock lobsters and in the prawn fishery—certainly not taking up anything like the full extent of the rights that exist under the treaty. There is no explicit right under the treaty for Torres Strait Islanders to take up licences. Some years ago the Protected Zone Joint Authority allocated three prawn licences to the Torres Strait Regional Authority to use as it wished. Again, the Torres Strait Regional Authority has not taken up those licences. It has not been able to put together a prawning operation.

There are other rights that the Torres Strait Islanders enjoy under the treaty and the act to do with preservation of traditional access and an obligation on the Protected Zone Joint Authority to have regard to the economic development and traditional way of life for the Torres Strait Islanders in making decisions. But it does not actually confer any licences or licensing rights on the Torres Strait Islanders. We do have licensing arrangements which are

available to Torres Strait Islanders. They are called Torres Strait Islander boat licences and they are used at present in a fairly unrestricted fashion for lobster and finfish fishing. But there are no specific licences or right to licences provided by the treaty.

Senator McLUCAS—Is it then in the management plan that those licences—

Mr Quinlivan—There are no formal management plans in the Torres Strait. There is a collection of decisions made by the Protected Zone Joint Authority over time, which collectively has developed a management regime for the Torres Strait fisheries.

Senator McLUCAS—There is certainly a view that there are these licences. Maybe these are the ones that the TSRA hold. The view in the Torres Strait is that there are licences that are meant to be allocated to both PNG indigenous fishers and Australian Indigenous fishers. I am trying to understand where they may sit in law.

Mr Quinlivan—As I said, that is not correct. The access to licences and access rights certainly exists for PNG fishers, but the treaty and the act confer no specific rights on the Torres Strait Islanders. The Protected Zone Joint Authority, in making management decisions for Torres Strait fisheries, must have regard to the traditional uses, the traditional way of life and the economic development of the Torres Strait Islanders. The Protected Zone Joint Authority has over time interpreted that to mean that the islanders have access to these unrestricted boat licences for lobster and finfish fishing, but that is because of a decision made by the PZJA, not because of specific rights in the treaty or the act.

Senator McLUCAS—More research is required, obviously.

Mr Quinlivan—I think we have done quite a lot of research.

Senator McLUCAS—No, I mean on my part. There is certainly a view—

Mr Quinlivan—You have faithfully represented the views of many people up there, so I do not think it is your problem. It is just a misunderstanding of what is in the treaty and the act.

Senator Ian Macdonald—We have been through this many a time at PZJA meetings. We even had Mr Skehill—I think he is a Queen's Counsel—come up specifically to be available and to discuss this. People have different opinions and views, but the view that Mr Quinlivan has given is the official government view. On the best advice available that is the situation.

Senator McLUCAS—Could you give me an update on the development of the management plans? I have noticed in the PBS that some benchmarks have been set this year for various fisheries in the Torres Strait.

Mr Quinlivan—Would you like me to give you just a thumbnail sketch for each of the fisheries?

Senator McLUCAS—Yes, very quickly.

Mr Quinlivan—The prawn fishery is the most contentious one at present, because that is the area in which we are anticipating that PNG will wish to assert their access rights. It is the largest fishery. The scientific assessment is that it is fully fished and that the level of real effort in the fishery needs to be reduced. There are also a lot of entitlements to fish in that fishery which are not being used, so in addition to the actual effort in the fishery there is a lot

of latent effort. We have been discussing with the other members of the PZJA and with the prawn industry ways of achieving that, while providing for the long-term access rights for Papua New Guinea. A PZJA meeting is coming up in the next couple of months, and that will be the main issue on the agenda. In fact, we have bilateral talks with Papua New Guinea scheduled for early June, and again that will be the main issue at those talks.

The next major fishery in the Torres Strait is the tropical rock lobster fishery. It is probably the main fishery for the Torres Strait Islanders because it is the one they participate in most fully. There are some contentious issues there about the future management of the fishery. It is classified by the Bureau of Rural Sciences as overfished—that is, the level of effort in the fishery is currently too high. Paradoxically, the last two seasons have been some of the best seasons in recent times, but the scientific advice is that the current level of fishing is too high, so we need to find a way of managing it down. Some of the burden of that needs to fall on Indigenous fishers as well as the non-Indigenous commercial fishers. Just how we do that, in a way that is fair and accepted by everybody, is not clear at this stage. It is going to require a lot of work and is very important to the long-term welfare of Torres Strait Islanders.

Senator McLUCAS—Before we move on to the next issue, I will ask a question about the crayfishery. At Christmas time there is a migration that occurs of the crays.

Mr Quinlivan—Yes.

Senator McLUCAS—There was an allegation that New Guinea trawlers had trawled that migration. Can you tell me anything about whether or not it is your view that that, in fact, occurred and what you as AFMA can do in terms of the effect of that sort of activity outside of the zone that will affect the long-term sustainability of that fishery within our management area?

Mr Quinlivan—There have been regular allegations that this practice has happened on the PNG side. Whilst we do not have any definite proof, I think there is some reason to believe that it has happened. There is also reason to believe that the PNG government both officially and in practice disapproves of the practice. I think—and Peter may know—there was an apprehension and a prosecution in PNG.

Mr Venslovas—My understanding of that case is that there was an apprehension of a Thai vessel trawling in the PNG waters. That apprehension was based on information supplied by AFMA, which in turn was supplied to AFMA through Coastwatch from their surveillance aircraft. There is also a bilateral meeting with PNG on 7 June. This issue is on the agenda and we will be discussing options with the PNG government as to what assistance AFMA or the Australian government can provide in assisting PNG in enforcing their laws. That assistance may take the form of deploying fisheries officers in PNG to provide some assistance and guidance to PNG fisheries officials to enforce their laws.

Senator McLUCAS—Will that decision about whether or not that is an appropriate course of action be taken at that 7 June meeting?

Mr Venslovas—It will be discussed at that meeting and we will discuss the pros and cons with the PNG officials as to whether there is merit associated with that.

Senator McLUCAS—There are only the trochus, pearl and finfish fisheries.

Mr Quinlivan—And beche-de-mer fisheries. The others are all minor, except for the finfish fishery. There are some contentious issues there about where people fish and whether it is appropriate for non-indigenous commercial fishers to fish near the islands. The local people do not feel that that is appropriate. But they do have rights to fish there and, at present, we have not got a clear way of resolving that. It is a problem.

Senator McLUCAS—The management plan for the finfishery is to be developed this financial year. Am I right?

Mr Quinlivan—I am not quite sure. There is lowercase ‘m’ management, but we are not moving to statutory management plans in the Torres Strait as yet.

Senator McLUCAS—Why is that?

Mr Quinlivan—They are not sufficiently mature to be in a position to be issuing statutory fishing rights because of all the unresolved issues that we have just been talking about. There are some legal issues as well. All the other Commonwealth fisheries are managed under the Fisheries Management Act. The Torres Strait fisheries are managed under the Torres Strait act and the governance structures are quite different, as we discussed earlier. There are different legal and governance issues with the Torres Strait.

Senator O’BRIEN—I suppose what concerns me is that, whilst I recognise that and it is all very difficult, you have identified three fisheries that are at risk of overfishing that we know of already and, while we ponder the legalities, I worry about the sustainability of those fishes and the long-term economic sustainability of the people of the Torres Strait. I am urging haste. I recognise the difficulties, but I think we have to move a bit faster.

Mr Quinlivan—We all agree with that, but it is very easy to have that objective and it has proven very hard to achieve it, notwithstanding the amount of effort that has gone into the Torres Strait. The minister chairs the Protected Zone Joint Authority and has put enormous personal effort into it. I think the Torres Strait fisheries account for about a quarter of AFMA’s budget and a significant amount of resources within the department in addition to those in Queensland and the Torres Strait. People are trying very hard to deal with these issues.

Senator Ian Macdonald—It is a joint authority: Queensland and the TSRA have equal say. Rightly, the TSRA are always reluctant to make decisions without fully consulting with their communities. Consultation with communities across the Torres Strait, as you would well know, is not a speedy process. At the same time, there are certain non-Indigenous fishermen who, across all the fisheries, have certain inalienable legal rights that have to be addressed as well. It is extremely complex and that is very often the way of the Torres Strait, as you would know. We are working through them, and I am determined to ensure that the fisheries in that part of the world are clearly and fairly regulated in accordance with the principles.

Senator McLUCAS—You would be aware, I am sure, of the costs of consultation. Has there been consideration of providing TSRA with some funds to assist them in undertaking consultation processes with each of the outer of the islands?

Senator Ian Macdonald—Yes, that has been done in an arrangement which I forget the details of. I think there was about \$100,000 allocated.

Mr Quinlivan—Yes, we have contributed significantly to meeting the costs of consultation. But I would point out that the TSRA has a vastly larger budget than the relevant parts of the department and AFMA. I realise they have got a lot of other responsibilities as well, and I am not disparaging of them in any way, but at present we are the ones who are principally making the financial contributions to making these processes work.

Senator McLUCAS—Thank you. I only have one other question, and it goes to the compensation package that is being developed for the introduction of the representative area program for the Great Barrier Reef. Whilst I am quite aware that that money is not coming out of your budget, my question is: what advice was provided by AFMA or DAFF to the Department of the Environment and Heritage to come to the figure that they have allocated in this year's budget for compensation?

Senator Ian Macdonald—There needed to be a line in the budget. That was the original advice we were given by BRS, which they heavily qualified as being a rapid assessment. It was the best advice we had, but Dr Kemp and I have both made it quite clear that we want to provide a structural adjustment package along the lines that the government announced, which is in our policy statement on marine protected areas. At the moment we are in the process of getting advice on the criteria for payments and the calling for applications, which I am hopeful will occur in the next two to three weeks.

Senator McLUCAS—So it was the BRS report that informed that \$10.2 million compensation amount?

Senator Ian Macdonald—I think we have made that publicly available. Did we?

Mr Quinlivan—I am not sure. I know it was discussed here earlier today. Senator O'Brien asked Peter O'Brien some questions about it earlier this afternoon.

Senator McLUCAS—I do not remember whether it is public or not. I have asked questions in the environment portfolio about it.

Senator Ian Macdonald—If you are going to the environment portfolio, ask it there, although there was a bit of an internal dispute as to who asked for the report. I claimed that I asked for it and others said that they had. I am not sure who owns it but, anyhow, you can ask it when we come to the environment portfolio; I will be present.

Senator McLUCAS—Was there any analysis done of the Hundloe report, which was commissioned by QSIA, and of their assessment of what the compensation package would be?

Senator Ian Macdonald—Not really. As Professor Hundloe readily admitted, his assessment was on the basis of I think the third last plan of the boundaries and it was not appropriate when the final boundaries came out. I think he acknowledged that at the time. I suspect there was not a great deal of assessment done on that because we have moved on from that. We have indicated in our policy statement what we are prepared to do and we are proceeding to do that.

Senator McLUCAS—So \$10.2 million is the amount of money that is going to be allocated for compensation?

Senator Ian Macdonald—No, I thought I had just indicated that. The budget said it was in the order of that amount, but Dr Kemp and I have both written to the QSIA making it clear that that is not the case. In fact, I issued a press release about it.

Senator McLUCAS—I have a copy of it.

Senator Ian Macdonald—That is the situation.

Senator McLUCAS—Where is that money in the budget then?

Senator Ian Macdonald—There is a \$10.2 million line in the budget. It is in GBRMPA. That is where you will find it. As I said, Dr Kemp and I have both made it clear that we will find the money to follow the policy statement that the government has put out.

Senator McLUCAS—What advice is coming from DAFF or AFMA about what extra moneys will be required in order to fulfil the compensation needs of those fishers who will put in applications?

Senator Ian Macdonald—We had an independent panel do some work; you would be aware of that. I think we have just received the report from them. I have not looked at it yet, but we will be assessing things from there on in. It is really too early to make much of it.

Senator McLUCAS—So no advice from departmental officials has been required?

Senator Ian Macdonald—The report came only today or yesterday, I think, so I suspect the department has not had a chance to even look at it. Certainly I have not. But there will be advice coming once we have had a look at the report. But I can save you some time—I do not think we are going to be that advanced by Thursday, so you can save your time by not asking the same question there because you will get the same answer. It has only just come in and it does require some study.

CHAIR—Can I ask a question on 2020?

Senator Ian Macdonald—Are we up to forestry now?

CHAIR—We are about to go to the Murray Darling and Natural Resource Management. You got out of it light!

Senator Ian Macdonald—Go your hardest—that means we are almost finished!

CHAIR—It does. Why did the dawn come so late on the partnership between the states and the Commonwealth on the 2020 Vision? Why did the dawn come so late on the water impact of all of that? For instance, the Murrumbidgee River sharing plan that I have does not have one stitch or one line about what the growth of the plantation forests is going to do for the run-off of the water. I am aware and everyone is aware now, so are there enough resources and everything going into that now?

Mr Quinlivan—I was not around at the time the 2020 Vision was originally conceived, but I know that, during the development of the revised 2020—and that has been discussed in the committee work that you have been participating in—water and access to land were I guess the two main issues. Things like rights to harvest and all of those things have been developing at a national and state and also a catchment and regional level. I think the assumption made in revising 2020 last time was that we should just develop it based on the things that were

certain at the time, knowing that it would be a moving feast as policy development happened in these other areas.

CHAIR—But that says in itself that when it started no-one thought about it. That is what the NFF told me. They did not think about it.

Mr Quinlivan—I do not know about ‘did not think about it’ because it has been a contentious issue—

CHAIR—Well, there was nothing done at the start.

Mr Quinlivan—Certainly not at the start, no.

CHAIR—I am pleased to see our friends in Forestry Tasmania have actually advertised to employ a hydrologist now.

Mr Quinlivan—Yes. I certainly agree with you in the first version, but I am just saying in this most recent revision I think people were aware of it developing.

CHAIR—I think the main thing is: can we now have confidence that we have the resources and the time? Obviously, we get a lot of people from places like Delegate and Bombala ringing up and saying, ‘My local stream has dried up.’

Mr Quinlivan—You will have an opportunity to grill Mr Thompson and Mr Wonder in a few minutes and I think that is probably the place to do it.

CHAIR—Yes, but I guess this was in the context of the people who planned the 2020 thing.

Mr Quinlivan—The point is that people were not quite sure what to do with those issues. When they are resolved in the National Water Initiative Intergovernmental Agreement and elsewhere, they will be progressively worked back into the 2020 document. There are also some significant differences between, say, the Murray-Darling and Western Australia, which will have to be dealt with.

CHAIR—In the 2020 planning, did they say, ‘Look at all that land there. We can put a plantation in there’ and ‘Perhaps we shouldn’t go there because of that water’? Have you changed the planning of where forests can be and where they cannot be?

Mr Quinlivan—Well 2020 did not actually plan sites.

CHAIR—I know.

Mr Quinlivan—It is a much more generic document.

CHAIR—Unfortunately. It was a vision thing.

Mr Quinlivan—The next iteration of it in whatever form that will be will certainly have to take all of the contemporary policies into account, and water management is clearly going to be the main one.

CHAIR—You got out of that light, didn’t you? Thank you very much for that.

Senator Ian Macdonald—I deliberately left that to Mr Quinlivan. I could have said a few things, but I will not.

CHAIR—Quit while you are in front.

Senator Ian Macdonald—What I was going to say, Mr Chair, was that you are critical of people who did this back in 1996. But I am not sure where all the outside assessment was back in those years.

CHAIR—I would quit while you are in front, if I were you.

Senator Ian Macdonald—I wondered why others did not think about it at the time.

[5.22 p.m.]

CHAIR—We will now move to Natural Resource Management.

Senator BUCKLAND—On page 17 of the PBS, table 1.2 is a summary of measures disclosed in the budget in which you have identified savings in administrative costs on the Landcare Program to the tune of \$2 million in 2004-05, and it is the same level the following year. Can you tell me how those savings will be made and why they have been made?

Mr Willcocks—The savings were identified in the review of the national Landcare program that was carried out last year. The \$2 million is made up of savings in administrative costs at the regional level in project grants for administration—that is \$1.8 million of the \$2 million—and a small reduction in the amount paid to the states for administration of the program, and that is a reduction of \$0.2 million—\$200,000. That reflects savings that have been made in payments to the states this year for administration as well.

Mr Thompson—It would be worth noting, Senator, that those savings were made in those two years of the program associated with being able to deliver the program in alignment with the regional program. But there is an extension of the program now agreed for two years through to 2007-08, so the capacity to continue to provide money to community groups is still here.

Senator BUCKLAND—So there is still going to be money available for that?

Mr Thompson—There is now money out to 2008. The sum of \$40 million was added in 2006-07 and 2007-08.

Senator BUCKLAND—You had a review and it was then that you found out that you could in fact cut money to this program?

Mr Thompson—The program had funding that continued through until June this financial year. As part of the normal processes of looking at programs a review was conducted in the third quarter of last calendar year. As it went through that process it looked at how the Landcare program could be delivered to the community in the context of the emerging regional program delivery for a range of other natural resource management programs. So the program had to be slightly restructured in its delivery mechanism in any case.

Senator BUCKLAND—So that restructuring in real terms gave a cut to this program?

Mr Thompson—It gave a cut to the program in the two years that are in those tables—2004-05, 2005-06—of \$2 million.

Senator BUCKLAND—So how do we stretch it out to 2007-08?

Mr Thompson—There were existing forward estimates for the years 2004-05 and 2005-06 of I think about \$39 million or \$40 million. The amount of \$2 million was taken off them, then two extra years were added to the program.

Senator BUCKLAND—So it was just extending it at a lower rate of contribution?

Mr Thompson—It actually turned out to be extended about the same level, because there is a slight inflation in the program anyway.

Senator BUCKLAND—Extended, but at a lower amount each financial year?

Mr Thompson—No, I think the figures will show that the \$40 million that is there in 2007-08 is either the same or slightly larger than the amounts that were there last financial year. But those increases were just the normal inflators that apply to programs.

Mr Wonder—That is on the second line. Directly under the \$2 million that you have identified you will see the \$40 million in 2006-07 and 2007-08.

Mr Thompson—If you look at page 46 of the PBS, that reprioritisation identifies those reductions to the administration of the program. It is not actually a cut to the amount of money that is available for community groups on the ground. We have found more efficient ways of delivering the program.

Senator BUCKLAND—You have confused me with that, because you have taken \$2 million out for two years. So the efficiency is in the people administering the scheme, is it?

Mr Thompson—Yes.

Senator BUCKLAND—It is not a cut to the real programs?

Mr Thompson—It is not a cut to the real program on the ground, no. The cut will be made to people administering the program.

Senator BUCKLAND—How many people were involved in that to give you \$2 million? There must be a tribe of thousands sitting somewhere.

Mr Thompson—The average cost of employing people with on-costs is usually over \$100,000. We are looking at costs associated with some staff here in Canberra but also the cost of pulling together panels and facilitators and the like to persist in delivering the program in the regions.

Senator BUCKLAND—Does that mean that people will be losing jobs? Is that what it is all about?

Mr Willcocks—When proposals or projects are funded in the regions there is a certain amount of administration in putting together proposals and administering the projects. Where these savings come from is not from salaries or positions but, in fact, from the administrative component of those projects. Because there are Commonwealth coordinators already employed under natural resource management programs other than the NLP—the National Landcare Program—we can get efficiency gains from using those resources rather than resources that were employed directly through the Landcare program.

Senator BUCKLAND—So there are no job losses associated with this at all?

Mr Willcocks—No. This is about reductions in administration costs, effectively.

Senator BUCKLAND—When did you identify these savings? Was it in the third quarter of the last financial year?

Mr Willcocks—The program, as I said, was reviewed last year and a thorough review of the administration of the program was undertaken as part of that review. The potential efficiencies from the delivery of the programs, not just the Landcare program but other natural resource management programs such as the Natural Heritage Trust and the National Action Plan, provided opportunities for reductions in overall administration costs.

Senator BUCKLAND—Why did it take three quarters—nine months—to implement the savings?

Mr Willcocks—The review was a report to the government for consideration in the budget context. The forward estimates for the Landcare program were to be subject to that review, and that is indeed what happened. The report was provided to the minister in October last year and the recommendations and conclusions of that report were considered in confirming those forward estimates for the Landcare program and, indeed, for extending it.

Senator BUCKLAND—So it has taken about five months for the minister to deal with the issue. Is that right?

Mr Wonder—I could perhaps help here. The program already had estimates for 2004-05 and 2005-06. The review, as Mr Willcocks has indicated, was done late last year in anticipation of having that as an input into the budget process for 2004-05. So it did not take any time with respect to making the report available. The government finalised its consideration of the review in the budget context and announced two additional years of funding of \$40 million in each year for 2006-07 and 2007-08.

Senator BUCKLAND—I accept that. What confuses me somewhat with what has been said is why it appears in the PBS as a reprioritisation. That seems to have a different connotation to what we have been talking about. The whole Landcare program seems to have been reprioritised.

Mr Thompson—The only part of the Landcare program that was reprioritised was \$2 million from the expenditure that applied to administration. The figures I have here show the total NLP budget, for example, in 2003-04 was \$39 million; in 2004-05 it was \$38.3 million; in 2005-06 it was \$40 million; in 2006-07 it was \$40 million, and in 2007-08. That is the money that is there. What was reprioritised was \$2 million that was found by more efficient means of delivering the program that would then be able to be applied to other programs in the portfolio. It is only a \$2 million reprioritisation.

Senator BUCKLAND—When you are sitting in my seat \$2 million is a fair bit of money, and I am sure for people involved in the programs it is a lot of money also. Is that money now going to be put into the same program so that there is more money going into the program rather than administration or is it going into another program?

Mr Thompson—The administration efficiencies found in the Landcare program, \$2 million, have been taken out of the Landcare program and applied to two other portfolio programs: one is the aquaculture industry action agenda and the other one is part of the quarantine program.

Mr Willcocks—That is on page 46 of the portfolio budget statement.

Senator BUCKLAND—I have that, thank you. That \$2 million will carry through as a saving for the \$40 million that we are talking about in 2006-07 and 2007-08?

Mr Thompson—No, they won't. The years 2004-05 and 2005-06 already had estimates in the government's budget process. The \$2 million reduced those estimates. The \$40 million sits there as the level of expenditure for 2006-07 and 2007-08. So the money only came off those two years.

Senator BUCKLAND—So the \$2 million is going back on in the following two years.

Mr Thompson—I could not say that one way or the other in that the funding beyond the forward estimate period as it was for 2006-07 and 2007-08 is a new consideration of the amount of money that is needed in that program both to deliver it and to put money on the ground. So it was a matter of how much money do we need to deliver that program. So it is almost independent of the \$2 million. But the \$2 million does not continue as a reduction through into the forward estimates. In toto \$4 million was removed from a period of the Landcare program.

Senator BUCKLAND—So as far as the program itself is concerned, we are really talking about a \$2 million cut, not a reallocation of the money into the program in another form out of administration or on-the-ground work.

Mr Thompson—In a sense, we would actually see that the outcome of the Landcare review had two outcomes: one was that it secured two extra years of funding for the National Landcare Program of \$80 million but there were \$4 million in administrative efficiencies also found. So perhaps you could look at it as a \$76 million increase to Landcare.

Senator BUCKLAND—I might be somewhat sceptical, but do you not think people who are benefiting from Landcare—and I have seen some really good initiatives coming from that—will think that this is just money taken out of that program to prop up something else?

Senator Ian Macdonald—We cannot really comment on what other people might think, but clearly over the next—

Senator BUCKLAND—People do benefit from this.

Senator Ian Macdonald—Yes, but it is not appropriate to ask these officers what they think people might think; that is the point I was making. Simply, there are administrative efficiencies, so on the figures it has been reduced by \$4 million and increased by \$80 million. The reduction is not a reduction in money on the ground; it is a reduction on the way the department administers—

Mr Wonder—The opportunity for the reduction is a product of the review that Mr Willcocks mentioned earlier where, as a result of the way in which we can administer this program in conjunction with our other natural resource management programs—in particular, the Natural Heritage Trust and the National Action Plan on Salinity and Water Quality—we have been able to do the business a little smarter and thereby realise the savings with no impact or implications for any recipients of Landcare money whatsoever.

Senator BUCKLAND—I have to say that it seems to me you are just cutting money from this program to prop up efficiencies that you have got in quarantine and aquaculture. That seems to me to be what is happening. You are just stripping this one down, and your reprioritisation—

Mr Wonder—That is incorrect, Senator. We have said it three times now: we have harvested \$4 million from being able to do the business more efficiently—

Senator BUCKLAND—And it is going into other programs.

Mr Wonder—and we have reallocated that \$4 million, as indicated in the PBS, to two other initiatives without any implications for the recipients of Landcare whatsoever.

Senator Ian Macdonald—And at the same time we have increased Landcare by \$80 million, so it is a pretty good news story.

Senator BUCKLAND—Not necessarily increased—your forward estimates say you got \$40 million.

Senator Ian Macdonald—They were not there before.

Senator BUCKLAND—We have to see them come to fruition, I guess. If no-one else has any questions, I was going to move to the national water initiative.

Mr Wonder—I would like to correct the record on one aspect of commentary I just made, by referring, as colleagues have pointed out, to the bottom of page 46. I indicated incorrectly that those \$2 million in each year had been reallocated to those two initiatives. That is not correct: \$1 million of the \$2 million in each year has been reallocated to those initiatives on aquaculture and the Quarantine—Safeguarding Australia program. I just wanted to correct that.

Senator BUCKLAND—So where is the other \$1 million?

Mr Wonder—The other \$1 million was returned to consolidated revenue.

[5.42 p.m.]

ACTING CHAIR (Senator Ferris)—We will now move on to the national water initiative.

Senator BUCKLAND—Can you give me a brief understanding of where the water initiative is up to at the moment?

Mr Thompson—The water initiative at the moment is in the process of finalising intergovernmental agreements between the states on their commitments under the national water initiative and, for those states in the Murray-Darling that put money into addressing overallocation of water in the Murray-Darling, how they are going to handle that. Those discussions will be between senior officials on Friday of this week at the COAG Senior Officials Meeting. The aim is that an intergovernmental agreement settling the details of the national water initiative to be applied by the states will be discussed by COAG in late June. The date being talked about is 25 June. We got to this stage following a period of public consultation on a discussion paper on those intergovernmental agreements, which was carried out during April. It built on a lot of work that was done between the Commonwealth and the

states, and various representations and submissions by industry groups and environment groups over the last six to nine months.

CHAIR—How much over the water harmonisation is built into that? Are you blokes just going to stand by and let that dreadful Lower Balonne thing just be at the behest of the Queensland government? How can you agree to anything while that is going on?

Mr Thompson—The aim of the water initiative is twofold. It is to improve security of water for irrigation and other uses of water while providing more secure water for the environment. The aim is to also set up a framework for enhanced trading and movement of water between the states and within states on the basis of having more compatible water level entitlements. An intergovernmental agreement between all the states and the Commonwealth can set up a degree of common language and levels of security that we would like to see applied to water and applied to various uses, but it is not something that can get in the way of fundamental state roles.

CHAIR—Is that not a waste of time? The Culgoa used to deliver 25 per cent of its flow into the system. I am aware that very little of that gets further down, but its contribution is valuable at the top of the Murray-Darling Basin. What those people have ticked off up there—and which is out for comment with the Queensland government—is the A and B regime. Professor Cullen said that if it is ever implemented it will do catastrophic damage to the river system. New South Wales has now switched on to it, but there is nothing New South Wales can do about it and there is nothing you can do about it except by the grace and goodness of the Queensland government. As you know, they have built 1,200 gegalitres of on-farm off-river storage, which is the mean annual flow of the river. How do you deal with that? Do you blokes have any figures on what water ran into the Narran Lakes this year? I have the satellite imagery. The Commonwealth has a role to play in the Ramsar part of it. From the information and the satellite imagery that I have, it seems that most of this was just local run-off; it did not come down the Narran.

Mr Thompson—Because we do not monitor the rivers and the flood plains, we do not have any additional information on the amount of water that came across the border in the floods earlier this year.

CHAIR—I will send it to you.

Mr Thompson—But the data that I have seen suggests that something less than half the water in Queensland came across the New South Wales border. What we are trying to proceed with in the national water initiative is to set up a regime for planning for water allocation and use that takes into account environmental users, the range of consumptive users, and that is based on a consultative process that involves good science. The sort of process that it would go through would enable all views to be taken on board.

The Commonwealth also has involvement through the Murray-Darling Basin Commission. When Queensland have finished their water planning process, the overall plan will be referred to the Murray-Darling Basin Commission, under clause 46, for consideration. At the present time, Queensland have received submissions and, as far as I can see, are still considering and receiving some submissions, on that water plan regime for the Condamine-Balonne. They have not reached a conclusion yet. We were concerned about the information base too.

Minister Truss provided \$195,000 for a scoping study of what sort of information you might need to do this management process properly. Our latest advice is that both New South Wales and Queensland have accepted that offer, so the Commonwealth is trying to facilitate getting all those facts on the table.

CHAIR—The best the manager of Cubbie Station could say when he was asked how much water went to his storage was, ‘Taking a guess, about 50 per cent of the flow of the Culgoa, but we don’t really know.’

Mr Thompson—One of the issues that has been raised in the national water initiative is this exercise of interception. That is what overland flow is: taking water out before it gets into the rivers or the ground water and trying to get a handle on how much—

CHAIR—But they have even knocked off their neighbours. As you know, the Culgoa is a unique river. It floods out and comes back in. First in, best dressed, is the system they have.

Mr Thompson—As I understand it, what Queensland are proposing in the Condamine-Balonne plan is that those ‘taking’ licences are to be converted into volumetric licences so that they have a better handle on how much water people can have. But there is also a proposal that all those takings of water in the catchments that are well used would be metered. In future, the system would be able to be metered.

CHAIR—Have you got your mind around the A and B regime—the bundled water regime?

Mr Thompson—Ross Dalton can provide more detail. I understand how the process works in Queensland, and some of the proposals they have put forward—

CHAIR—How it is supposed to work. They have not got a tick on it yet.

Mr Thompson—They have not finalised the arrangements yet.

CHAIR—Take, for instance, the downstream immediate neighbour of Cubbie Station. Cubbie Station said, ‘We’ll put your bundled banks in for you,’ and they put bundled banks around 9,000 acres of her country. In this last event just now I got some photos taken—because I got a neighbour to go up in a plane and take them—of the bulldozers from Cubbie Station busting those bundled banks because they were so poorly planned. It is a free-for-all in terms of environmental planning—as long as your banks are under 4.99 metres for your storage. No water at all is going to get through to Owen Betts on the down side—none at all. How come we have to just sit by and cop that?

Mr Thompson—That sort of land use planning and water management planning is a state responsibility. I understand that one of the proposals in Queensland’s water plan for that area is that structures on the flood plain are also to be controlled in future.

CHAIR—Does the Commonwealth get the opportunity to make a comment on the regime that is proposed?

Mr Thompson—We do not have an opportunity to intervene in the Queensland planning process. The Murray-Darling Basin Commission will have an opportunity to comment on the overall Queensland regime in the context of the impact it might have on the downstream water resource.

Mr Wonder—The Lower Balonne plan will come to the Murray-Darling Basin Commission and the council. But because Queensland has not finalised that it has not been brought to the council at this point.

CHAIR—Will it come in a ticked-off form with a five-year review? That is what I understand is going to happen. I understand from talking to people there that the idea of doing that is that, once they get that plan approved—I do not think they should get it approved and I hope they do not—if there are any changes to the plan under the review then they are all going to be eligible for compensation. There is no talk of compensation for the poor buggers downstream who have lost all their riparian rights.

Mr Wonder—I am just making the point that it will come to the Murray-Darling Basin Commission and the council.

CHAIR—But it will come in ticked-off form.

Mr Wonder—It is Queensland's decision to take, for the reasons that Mr Thompson has already talked about in terms of their constitutional responsibility. But it will still come, as have other state caps and plans, to the commission and the council for comment.

CHAIR—But it can come to the Murray-Darling Basin Commission as the smartest bit of water planning in the history of the planet or it can come as the worst bit of water planning in the history of the planet and there is nothing you can do about it!

Senator Ian Macdonald—Has the Commonwealth any power, either legal or persuasive, to do anything about that?

Mr Wonder—I do not believe so.

Mr Thompson—I do not believe we have any direct way of intervening in Queensland water planning. Something will be raised with another department, but the Narran Lakes, which are downstream of the Upper Balonne—

CHAIR—We have some say there.

Mr Thompson—is a Ramsar listed wetland—

CHAIR—It is indeed.

Mr Thompson—and it does fall within the scope of the EPBC Act.

CHAIR—But there was eight inches of local runoff that ran a lot of that water.

Senator BUCKLAND—Mr Thompson, you have given me a briefing of where the national water initiative is up to at the moment. You mentioned a series of meetings. There is a meeting set for 25 June.

Mr Thompson—I do not know whether it is set or not. The dates of COAG are set by the Prime Minister's department and premiers, but a date of 25 June had been discussed as a possibility for holding a COAG meeting, which would consider water along with other issues.

Senator BUCKLAND—Will that be the completion of this process?

Mr Thompson—If an intergovernmental agreement is signed it will be the completion of the stage of setting out the framework for an improved national water initiative. It would then move on to a stage of implementation—principally by the states but there is also action that

the Commonwealth might take through its involvement in the Murray-Darling Basin Commission. There would be implementation of measures that have been agreed for the Murray-Darling Basin Commission and putting in place a regime for monitoring and reporting on the outcomes achieved. So we have moved from the development phase to an implementation phase.

Senator BUCKLAND—Will there be a program of consultation by senior officers to see how this initiative is accepted in the Murray-Darling Basin?

Mr Thompson—In terms of the broader national water initiative, I am unaware of any detailed consultation program developed as yet, but all the national water initiative and Murray-Darling programs have involved a whole lot of community consultation and engagement. In terms of recovering water in the Murray-Darling Basin and applying it to environmental flows and environmental assets in the basin, as an extension of the Living Murray initiative, that would involve consultation with affected groups, establishing for the assets regional management or consultative bodies and their full engagement in the process.

Mr Wonder—Can I add to that. There has been a series of workshops held over the last couple of months throughout the capital cities in Australia, where participants have had the opportunity to comment on a discussion paper on the national water initiative and to provide input in terms of their thinking on various sections of it.

CHAIR—This is quaint. Under the national water initiative and the individual constitutional power of the states to do what they bloody like, are we going to cop this system? We are hearing evidence in another place from the people in the upper Murray, who contribute 38 per cent of the flow to the Murray system. Under Victorian law, they are not allowed—as we are in New South Wales—to capture 10 per cent of their riparian water rights on their property. If you want to put in a little cherry orchard or a few olive trees, you cannot do that. You are not allowed to capture 10 per cent of the run-off. I can see that you would interfere with the 38 per cent of run-off. That all gets ticked off by the Murray-Darling Basin community advisory body, in grand style. At the same time, up over the Queensland border, they are happy to take—

Mr Wonder—Excuse me, Senator. What are you saying got ticked off?

CHAIR—We got no say over that.

Mr Wonder—The Murray-Darling Basin Commission does not tick off on Victorian arrangements.

CHAIR—No, but it all comes together as one happy family—this across-the-border water—

Mr Wonder—That may be true, but the Murray-Darling Basin Commission does not tick off on Victorian government arrangements.

CHAIR—Yes, but the Murray-Darling Basin community advisory body does not criticise the external regime of what makes up the body of the Murray-Darling Basin. I do not hear any criticism from the Murray-Darling Basin advisory body of what the people in Victoria have to put up with—and we have heard plenty of criticisms and cries for help where they would like to capture a bit of run-off on their own property. At the same time they have to sit down and

cop it when they see a person who is on the Murray-Darling Basin Commission in a prominent role in her own backyard proposing a regime to—

Mr Wonder—Who are you referring to?

CHAIR—The chairman.

Mr Wonder—The chair of the CAC is not on the Murray-Darling Basin Commission.

CHAIR—The chair of the community advisory body.

Mr Wonder—You said the Murray-Darling Basin Commission.

CHAIR—The community advisory body; I am aware of that. What sort of a quaint system are our farmers supposed to put up with? Down in Victoria you cannot take 10 per cent of the rain that runs on your own property, and up in Queensland, as long as you are first in, you will be best dressed. At a rough estimate, because no-one really knows what went on in that last flood event, somewhere between 165,000 and 180,000 megs went into one storage and the people down below just had to say, 'Oh well, we missed.'

Senator Ian Macdonald—I do not know that the officer can comment on that.

CHAIR—But what sort of system are we trying to build for ourselves if we are going to tolerate those sorts of inequities?

Senator Ian Macdonald—It is a very good point, very well made, but I do not think the officers can comment or answer you.

CHAIR—I have made my point—and I am not so sure that I wanted them to answer.

Senator BUCKLAND—The process that we have been talking about for the national water initiative intergovernmental agreement was due to be completed on 30 June. Is that still the date?

Mr Thompson—That was the date that was set earlier this year. If we could have a COAG meeting on 25 June, it would enable that date for getting Commonwealth-state agreement on implementation to be achieved.

Senator BUCKLAND—So, at the moment, that is still realistic, but it is dependent on the COAG meeting?

Mr Thompson—It is dependent on the COAG meeting, and it is dependent upon the finalisation of discussions between the Commonwealth and the states and between the states themselves over the coming couple of weeks.

Senator BUCKLAND—But, at the moment, it has not had a new date—a later date—assigned to it?

Mr Thompson—No, it has not.

Senator BUCKLAND—What are the implications of the Tasmanian government's decision to withdraw from the process?

Mr Thompson—We have received correspondence from the Tasmanian Premier that, for a range of reasons going to how Tasmania see the national water initiative being applied or water management being applied in Tasmania, Tasmanian officers will not be participating in

the national water initiative. It is probably a bit hard to say at the moment what the implications are. We held consultations with the Tasmanian community in April. A Tasmanian official came along, but he did not participate. He clearly said, 'I'm not participating,' but he was there and heard what was said and where the initiative was up to. Whether or not it will have an impact will depend on what Tasmania say or do at the COAG meeting. I really could not say if Tasmania's expressed view that they were withdrawing from the initiative is going to have an impact or not yet, because we still have the COAG meeting to go.

Senator BUCKLAND—I simply understood that it was the administration of the program that just did not fit with the Tasmanian government.

Mr Thompson—We are trying to develop an initiative that works from the tropics to the temperate zone. Tasmania have different water management arrangements. It rains in some places there a little more frequently than some parts of the mainland. They have some different issues and some different institutional issues. Over the coming weeks, an accommodation may be able to be worked through with Tasmania. I would not like to comment at the present time on whether their involvement or not will be significant.

Senator BUCKLAND—But, at the end of the day, the Tasmanian government continue to strongly support the principles of this. It is just the administration—

Mr Thompson—In the correspondence we have received from the Tasmanian Premier, he expressed a view about better water management. The use of sound property rights, security, environmental flows and water quality were identified as key issues, which were also key issues for the national water initiative. The issues of concern in Tasmania, as I understand them, are more about how the system might align with some of the institutional arrangements they have down there. They felt that some of the language or structures being used may not be as appropriate to Tasmania's situation as they may have liked. Language changes and some room can be made for differing institutional arrangements, because it has to cover the other states as well.

Senator BUCKLAND—Are you going through a review of that at the moment to see if you can accommodate the needs of the Tasmanian government?

Mr Thompson—At the present time, the leadership of the national water initiative is through a task force in the Department of Prime Minister and Cabinet. We have been discussing it with all states. I have not participated in any subsequent discussions with Tasmania. I do not know what that department may have done, but certainly we have had numerous discussions with all the other states which have resulted in numerous minor administrative type changes to how we would see the national water initiative rolled out. Some of those changes may be more accommodating to Tasmania than may have been the case a month ago.

Senator BUCKLAND—With the date still being set at 30 June, it does not give a lot of time to try to iron out these problems. Does the decision to withdraw from the process by the Tasmanian government alter the funding arrangements that were originally agreed to?

Mr Thompson—The funding arrangements that are at the present time linked to the national water initiative are only those that South Australia, Victoria, New South Wales, the ACT and the Commonwealth agreed to in terms of addressing overallocation in the Murray-

Darling Basin. There is no funding implication for the other states so Tasmania's withdrawal from discussions does not affect that funding initiative for the Murray-Darling Basin.

Senator BUCKLAND—I see. Chair, I was going to go to the Great Artesian Basin initiative.

CHAIR—Before you do that, can I just ask a question about the long-term planning by the Murray-Darling Basin Commission. We do not want to make the mistakes that they made with the Colorado River sharing agreement when they signed it in 1922. They divvied up the cake but discovered that the cake was a couple of million acre short and they have been fighting over it ever since. There is the national disgrace that is occurring on the Queensland border. When we carve the cake and say to an irrigation farmer somewhere in the Riverina, 'We are going to take 40 per cent of your allocation because we have to do this with it and that with it'—and I think that farmers accept that there has to be a readjustment—what assurances can we give those farmers that we are not going to go back in 10 or 15 years and say, 'I am terribly sorry, but we miscalculated what the forests were going to do or what the fires did or what greenhouse climate change has done'? What sort of an audit are we going to do before we carve the cake? Where are we in terms of getting the figures so that we know exactly where we are up to and so that we know we are not going to go back to the farmers in a few years and say, 'I am dreadfully sorry, but we forgot to calculate the plantation effect of 2020 and we have to take another 40 per cent off you'? In a dry year, as you know, you cannot cut the trees back; they keep pumping. So what assurances do you have for Australia's irrigation farmers that we are going to get it right the first time?

Mr Wonder—Mr Thompson will want to elaborate on it, but those issues that you raise are very important. They are squarely being faced up to in the context of development of the national water initiative in terms of how we handle risk of movement of water out of consumptive uses into the environment. Perhaps Mr Thompson might add something.

CHAIR—Can I just add one little thing before you go on. One of the curiosities for me with Lower Balonne is that the PR and the propaganda say that we are going to put 10 per cent back into the river by A and B regime outcomes, but that 10 per cent is really in medium and low flow times, which will have no impact on the environmental side of it all. What they really need is water in the big times. Instead of taking that top clean off the flood, the environment demands the flood when there is a lot of water. So that is in the background.

Mr Thompson—Mr Wonder outlined one of the key initiatives in the national water initiative—that of looking at how the risk is shared between consumptive users and the environment in the event of change. All of the states and the Murray-Darling Basin Commission, as sort of a coordinating body, are looking at what the total state of the water resource is and what it might be into the future. The commission has instituted a series of studies to look firstly at the impact of climate variability or climate change on water yields in catchments—you will have seen that, for Perth, Canberra and Melbourne, there are various estimates of what that might mean—and get a good handle on what the likely availability of rainfall for run-off might be over the next 15 to 50 years. Another study or piece of work looks at ground water use—in particular, ground water use that is used in a system where the ground water and surface water systems are linked; in a sense, if you use the ground water, you could well be pumping it straight out of a river—to get a much better handle on that, and

also at the impact of farm dams or other smaller interceptions on water availability, the impact of a couple of big catchments in the Murray-Darling Basin, the impact that the bushfires and the regrowth of trees are going to have on it and at change in land use. That includes plantations, as you are aware, but changing from annual crops to perennial pastures will also have an impact. It will be smaller than trees, but it will have an impact. That needs to be looked that.

CHAIR—It is very little in the lower rainfall areas.

Mr Thompson—In the lower rainfall areas, yes. The other one is changes in return flows to the rivers that have been assumed in the past because of inefficient irrigation practices. As practices become more efficient, less water runs through the system into the river so that almost an overall basin water balance from now into the future can be calculated and a little more certainty and understanding can be given to all players about what these trends in water availability will be.

CHAIR—So that really means that all those border schemes have got to be sorted out before you can do the audit.

Mr Thompson—Things like what is going on in the Condamine-Balonne or water sharing on some of the ground water basins elsewhere in the basin are part of that process. You have got to know how much water you have got and where it is flowing at different regimes.

CHAIR—Have you got any idea when that will be in some sort of formative—

Mr Thompson—The preliminary work is under way now but some of this work is—

CHAIR—Five years or three years?

Mr Thompson—I would have thought there would be some preliminary information in one to two years but you would get more definite stuff in four to five years when you have data that is available from monitoring networks that takes into account some of these changes.

CHAIR—So in terms of allocation and share of the available resource, which is the better terminology, it will not be able to be sorted until that is sorted, will it?

Mr Thompson—One of the things in the national water initiative is to define the rights to access water in terms of the share of the resource, whatever size the resource might be. If the rainfall declines by 20 per cent, everybody has a 20 per cent smaller pie.

CHAIR—At which stage of the game do you put into the equation the bits that have not been in there? In other words, in the higher rainfall areas—I am talking 40 inches and above—how are you going to deal with the plantations that are coming? Are you going to consider that in, say, the back of Batlow, where there is 50- or 60-inch rainfall? Would it be reasonable to say, in terms of equity with the poor old irrigation bloke—not necessarily just the irrigation bloke—that somehow, if he has got to buy water, the plantation approval in high rainfall has to buy the water?

Senator Ian Macdonald—You are talking specifically about South Australia. You will be aware of the legislation they have recently passed. Isn't it the case that the foresters have to buy water after a certain period—I think it is 59,000 hectares—whereas the farmers do not

pay a cent? After 59,000 hectares, they have to apply for a permit and pay for it, whereas I understand the farmers drawing from the same aquifer do not pay anything.

CHAIR—You are talking about aquifer take-up instead of run-off, are you?

Senator Ian Macdonald—It is ground water.

CHAIR—That is a different equation. Can I just take you to *Plantations for Australia: 2020 vision*, and the Prime Minister's ministerial council. Ministers noted a decline in the establishment rate. We are below the national target of 80,000 hectares per whatever. If you are going to increase that to reach the target, have you got any idea what that means? Where will that forest be and what impact will it have on our water audit?

Senator Ian Macdonald—There is a lot of science and work being done on that, as you are well aware. The decision of the ministerial council was to refer it to the standing committee to draw together the strategies for that.

CHAIR—That is fair enough. So to do the audit you have really got to sort that as well.

Mr Thompson—It is important where forests are likely to have a significant impact on water yield, but that is taken into account about where they are placed. The growth of forests and their impact on water is something that work is being done on and calculations are being made. The national water initiative seeks to treat forests alongside other changes in land use equally, but the South Australian ones really had quite dramatic declines in ground water availability as the result of forest plantations actually tapping the ground water.

CHAIR—I have been there.

Mr Thompson—They went to a solution of saying, 'We'd better make sure we've got water allocations for the forest so that all players can have fair access to resources on a basis that they understand.' Not all trees in all places have to cause a problem.

Senator Ian Macdonald—Although there is a question of whether it is fair access. As I said before, when you are talking about ground water some pay and some do not. Whether that is fair access is a question for debate.

CHAIR—I think I have had more than fair access to these questions.

Senator BUCKLAND—We are changing tack a little bit, Chair, to try and fit in with where we are at the moment with the Murray-Darling Basin Commission. On page 47 of the PBS there is a provision for additional funding for the Murray Darling Basin Commission. There is \$67 million over four years. It is for capital works, administration and education activities as I understand it. Can you tell me what the breakdown of that expenditure is between those three headings?

Mr Thompson—We can provide you with some more details, but essentially what that item does is supplement an existing appropriation that we have to the Murray-Darling Basin Commission for that range of activities—salinity interception works, fish ladders and those sorts of things. The commission budget has increased quite dramatically last year, this year and for the next couple of years largely as a result of implementing some structural measures associated with the Living Murray initiative to apply water well and to have the most effect on the environment. There is a series of fishways to enable fish passage up and down the

river, there are some new small regulators being installed to allow water to go into the various wetlands, and there are some channels being constructed to allow it to be distributed around forests. In a sense it would probably be fairest to say, given that the normal commission administration stays roughly the same, those capital works that the extra money is for are primarily for works associated with the Living Murray. The commission has considered a budget on this, but some of those projects are still being developed and finalised. Mr Dalton can provide a little more detail on some of those activities.

Mr Dalton—Over the period of those forward estimates and beyond, there will be a major activity, as Mr Thompson remarked, of around \$150 million in environmental works and measures, which is obviously shared between various jurisdictions and their contributions to the Murray-Darling Basin budget. Mr Thompson has referred to some things, but I can list a few of them here: construction of fishways across most of the locks and weirs so that there is passage for the migration of fish from Lake Hume through to the mouth; a significant body of work on resnagging sections of the River Murray to improve fish habitat and breeding and nursery and recruitment areas; construction of channels to enable watering of red gums, and most recently there was an experiment with pumping some water to the red gums around Chowilla; regulators to control flows into and out of wetlands; raising and lowering weir pools to provide airspace for better handling of water that is released through wet periods and maybe to provide some water quality management aspects as well. They will take place up and down the river. Some of the activities have been realigned from earlier planning to maximise the benefits of the six ecological assets that are identified as part of the first step decision so that we can get better manipulation of the water that we have now and work in concert with the water that will be recovered for the ecological sites.

There is also within the forward budget for the commission the continuing activity for the expenditure on the salinity interception works, which are a major part of the basin salinity management strategy of 61 ECs over the seven years from the beginning of the strategy. There may also be—and I have not seen the final program yet—some other activities of a capital or works nature which deal with thermal mitigation issues and that would be once again allied with improvement in fish breeding, recruitment and so forth. I am sure that, once the program is completed, it will be publicly available. A lot of the activities in this implementation program and the Living Murray initiative for the recovery of water will be done in consultation with communities up and down the river.

Senator BUCKLAND—You would have to take this on notice, but could we get an actual dollar breakdown of how the money will be spent?

Mr Thompson—We would not have a dollar breakdown of how that line there is spent. That is roughly a bit under half the Commonwealth's contribution to the overall Murray-Darling Basin Commission budget. The Commonwealth pays roughly one-quarter of the commission's budget. I think what you are probably asking for is a breakdown of the Murray-Darling Basin Commission's budget between some of the areas like the capital works it is implementing and its expenditure on administration. We could break that down. But we do not keep track of how our money goes into that. We work out what the commission needs to do, then we take our share of it and then we source our share of it from appropriate appropriations in the budget.

Senator BUCKLAND—I am sure we will enjoy digesting what you do provide us, but I would appreciate that. In the first three years of the four-year project, there is \$33.5 million coming out of the existing Natural Heritage Trust fund. Is that right?

Mr Thompson—No. There is actually an error in the portfolio budget statement—that is, \$33.5 million over four years is coming from the Natural Heritage Trust.

Senator BUCKLAND—So we are looking at around \$50 million to be spent over four years?

Mr Thompson—Yes.

Senator BUCKLAND—That is all coming out of the Natural Heritage Trust fund?

Mr Thompson—From the Natural Heritage Trust we are taking \$33.5 million over four years, so there is \$33 million from the heritage trust to be spent on those activities. As I said, the increase in the commission budget that we are drawing down for that is primarily for activities associated with the environmental flows and the environmental enhancement of the Murray River.

Senator BUCKLAND—So, if I take that into account, there is very little new money going into the Murray-Darling Basin Commission?

Mr Thompson—The new money is that line there, which also adds to \$33.5 million.

Mr Dalton—There will be equal contributions from the NHT and the new measures.

Mr Thompson—The Commonwealth has a new measure for the Murray-Darling Basin Commission—which is outlined there in the PBS—of \$5.9 million in 2004-05, \$9.6 million in 2005-06 going through to \$8.5 million in 2007-08. An equivalent amount of money is also being taken out of the Natural Heritage Trust.

Mr Dalton—And together they supplement the existing appropriations.

Senator BUCKLAND—Is some of the funding provided for a renewals annuity for what is described as capital replacement and major cyclic maintenance?

Mr Thompson—Yes, it is. Some of the money that would go into the commission will contribute to the recently established renewals annuity, which is a means of flattening out the expenditure that is expected to be required on all the infrastructure that the commission and the states operate for Murray-Darling Basin Commission purposes. Previously, separate funding was sought for that when it was needed, so you had things like a peak when you needed to refurbish the Hume Weir and then a year when you did not need to do very much. Then three locks would need some work, and it was a very peaky period of expenditure. It is a normal part of capital works programming of this sort, under better business practices which people are implementing, to convert that into an annuity so you can have a steady flow of funds over a period of time rather than this peaky type of expenditure when maintenance and repairs are needed.

Senator BUCKLAND—If I were to make the assumption that the commission has failed to make proper provision in its budgets for maintenance and capital replacement, would I be very far from the truth?

Mr Thompson—Without disrespect, I would say that is not the truth. Because the commission is funded essentially on a cash basis by the jurisdictions—the Commonwealth and the states that make up the money for the commission have money in their treasuries—when the commission needs to refurbish assets, it prepares a budget in advance and says, ‘We need to do some work on these assets’ and then has to seek the money from the states. The commission did not have the provision under the agreement until amendments were made by the Commonwealth and the states quite recently. In some cases, those amendments still need to be made. The commission had no capacity to provide a standing sinking fund for asset replacement; it relied on making a call upon the states that make it up. So I think the commission has been quite proper. The states have always managed to provide the money when the assets needed replacement or repair.

Mr Wonder—The annuity is devised to do exactly what you are suggesting, Senator—to make that future provision.

Senator BUCKLAND—If my assumption is not correct, why would you be raiding the Natural Heritage Trust to fix up the whole of the accounts?

Mr Wonder—That is not what we have said. We have said that there is a base level of funding, which is on the bottom two lines of page 47, which Mr Dalton referred to, of \$19.5 million over four years. On top of that, the government has taken a decision to contribute an additional \$33.5 million over four years and to combine that with moneys—the same amount of money in this case—from the Natural Heritage Trust to meet what is, as Mr Thompson described, a rapidly escalating overall Murray-Darling Basin Commission budget.

Mr Thompson—The rapid increase in the Murray-Darling Basin Commission budget at present is not due to refurbishment of locks and weirs or providing for maintenance; it is providing for extensions to locks to install fish ladders and, as I said, to put in regulators, channels and the like, to provide environmental enhancements. It is something that, when the locks and weirs and the whole system were put in place many years ago, was not countenanced as part of the operation, so it is moving into this environmental management arena.

Senator BUCKLAND—It seems to me that it is money shifting and that really no new money is going into it at all.

Mr Thompson—The new money going in is the \$33.5 million over four years. The Murray-Darling Basin contains a large number of RAMSAR sites.

Senator BUCKLAND—But really only half of that money is new money, because the rest is in the Natural Heritage Trust.

Mr Wonder—An important point here—and Mr Thompson or Mr Dalton might like to elaborate—is that there always was money coming from the Natural Heritage Trust into the Murray-Darling program. For example, I think there was for the Murray-Darling 2001 program and the like. If you stand back from it and ask, ‘What’s happening in terms of total contributions from the Commonwealth from last year looking forward through the forward estimates?’—which is one way to look at it—it is increasing very significantly because of the \$33.5 million additional money the government has put into the MDB.

Senator BUCKLAND—I might spend another hour on that and still not be convinced, I am afraid.

Senator Ian Macdonald—You are not here to be convinced; you are here to ask questions. We are to give answers and we have given answers. If you do not believe them, I am afraid we cannot help you. We have told you the answer and, if you do not accept it, that is your prerogative. But we are not going to have a debate.

Senator BUCKLAND—They answered the questions, I thought, extremely well. It is just that I am not convinced.

Senator Ian Macdonald—That is fine.

CHAIR—Senator Stephens is busting to ask a couple of questions about the Latrobe aquifer and some evidence we took about it in Melbourne which we thought was pretty alarming. Can someone answer some questions about that?

Mr Thompson—We can attempt to.

Mr Dalton—I think we will have to take most of them on notice.

Mr Thompson—We may have to take most of them on notice if they get into a technical level.

Senator Ian Macdonald—Anyhow, ask them and we will see.

Senator STEPHENS—They are fairly general questions. As Senator Heffernan said, we did receive some pretty alarming evidence at a hearing in Melbourne recently. It related to the Latrobe aquifer and concerns that the farmers had that the aquifer is dropping one metre a year. They associated that with the offshore gas and oil drilling in the Bass Strait and the fact that the recharge process that was part of the licensing agreements was not being honoured. Are you aware of that issue? Perhaps it would be worthwhile looking at the evidence. Everyone is looking puzzled.

CHAIR—We can give you the evidence. I have to confess I have spoken to the Secretary of the Department of the Environment and Heritage about this. There is some work underway. I want to correct something: it is not that they are not complying with the environmental planning. The environmental planning that was done when the approvals were given for the oil and gas or whatever is out there did not include what happens as common practice in other gas and oil fields, where they have to put back into the aquifer the water they bring out of the aquifer to get the gas and oil discharge working. Allegedly down there they do not do that; it just goes into the sea. They are concerned about things like land subsidence. The recharge is in the Gippsland somewhere. From memory, the usage by the various dairy farmers might have been 20,000 megs and it might have been 100,000 megs removed out at sea. I will hand back to Senator Stephens.

Senator STEPHENS—I have just quickly scanned the evidence that we were given and the commentary around that in the hearing. Perhaps it would be better if we actually provided it to you with some questions to take on notice.

Mr Thompson—It probably would. We are aware of the issue. It is a complicated issue to do with the availability of water for other irrigation uses and, as Senator Heffernan also points

out, to do with land stability in Gippsland. There were a number of technical studies going on as to what the significance of the problem was, where it was occurring and what some of the amelioration measures might be.

Senator STEPHENS—There was some interjurisdictional clarification needed as well. We will formulate some questions.

Mr Dalton—It is a very complex issue.

Senator BUCKLAND—We go back to the Great Artesian Basin, that great expanse of water that I was told at school would never, ever run out—I think they might have been wrong. During the last estimates hearings there was discussion about funding for this program. It seems that money is moving backwards and forwards between the National Landcare Program and this program. Do you have any comment on that?

Mr Thompson—That is correct. There was some movement in past years between this program and the National Landcare Program. We provided an answer to a question on notice which explained those movements. The bottom line was that the Great Artesian Basin program's moneys were all reinstated. It was essentially lending some money from one year to the next. The Great Artesian Basin initiative did not lose any funds out of that process.

Senator BUCKLAND—There seemed to be funds shifting from bill No.1 to bill No.2. There just seems to be all this shifting around of the money.

Mr Thompson—There is a small amount of shifting of money between bill No.1 and bill No.2. The money under bill No.1 is for purposes like supporting the Great Artesian Basin Consultative Committee and undertaking some community engagement and consultation studies and paying for some consultancies. The money under bill No.2 is the money that is actually used to cap bores and get things happening on the ground. It is by far the largest amount, but in some cases the small amount of money that is used under bill No.1 is quite important for getting some strategic planning or some modelling or that sort of work in place. It would be fair to say that the sum total of the money is the money that is contributing to better manage of that aquifer.

Senator BUCKLAND—In last year's PBS, funding for 2003-04 was estimated at \$9.901 million. In this year's papers, the figure is \$7,850,000. The first figure is at pages 21 and 23 of last year's papers. The figure for 2004-05 is at pages 27 and 29.

Mr Thompson—There is a roughly \$2 million transfer there, which is what I think you are drawing attention to.

Senator BUCKLAND—Yes.

Mr Thompson—That is a repayment to the National Landcare Program that was necessary to correct an error when the Great Artesian Basin actually had its \$2 million which was borrowed before reinstated twice.

Senator BUCKLAND—I see.

Mr Thompson—The \$9 million was actually an additional \$2 million that that Great Artesian basin had because of an error in the transfer of funds.

Senator BUCKLAND—But the error was picked up and it is going back?

Mr Thompson—The error was picked up and the money was reinstated to the Landcare program.

Senator BUCKLAND—It is nice to know we can all make errors—or some can make errors; some of us do not. What was the original life of this program and what is the current expected life?

Mr Thompson—The original life of the program was five years, from 1999-2000 to 2003-04. We now have an extension of the program for another five years.

Senator BUCKLAND—On page 48 of the PBS you refer to the fact that funding of \$8.9 million has been allocated to this program for 2008-09.

Mr Thompson—That is correct.

Senator BUCKLAND—Can you explain to me why you have included the fifth year in the forward estimates of this program?

Mr Thompson—One of the major requests that comes to us from community and industry groups all the time is that programs that are longer than 12 months or three years are desirable. In this case, the government listened to those requests and provided for a five-year program.

Senator BUCKLAND—Do you know how many other programs have a five-year life attached to them?

Mr Thompson—Programs vary. The majority of programs tend to be around three years. The national action plan was a seven-year program. The Natural Heritage Trust has had varying lengths of commitment but in total it has well exceeded five years. It depends on the nature of the program and how the delivery arrangements are structured.

Senator BUCKLAND—Again, it just seems that that money is parked there for future use somewhere else.

Mr Wonder—How did you get that impression?

Senator BUCKLAND—So few things go for five years. Mr Thompson said that most things go for around three years.

Mr Wonder—I think the reason it is presented like that is that in the budget papers we have a current year—2004-05—and the three forward years, and we have attempted to be transparent by explaining on page 48 that there is a fifth year to the program. We have nominated the year and the amount.

Mr Thompson—The original program was a five-year program too, so in some sense it mirrors that. As I said, it varies from program to program.

Senator BUCKLAND—Thanks for that. We are sailing fairly quickly on this river. Can we move on to the National Action Plan for Salinity and Water Quality?

CHAIR—You keep going; do not look at me. We are counting on you.

Senator BUCKLAND—There must be more water in the river. We are going quickly. Has the ACT signed up to this program yet?

Mr Thompson—A draft agreement has been developed with the ACT, yes.

Senator BUCKLAND—But have they signed it? It is still in draft form, is it?

Mr Thompson—It is still in draft form, yes.

Senator BUCKLAND—How far from signing is it—do you know?

Mr Thompson—It would be hard for me to say. The finalisation of the drafting only happened quite recently. It could be a matter of weeks or it could be a month or so.

Senator BUCKLAND—Can you give me an update on the implementation of the program?

Mr Thompson—Yes, I can.

Senator BUCKLAND—Before you do, does the ACT not being signed up alter it at all?

Mr Thompson—No, it does not alter it. The ACT is only a small player in the broad scheme of things, and the original budget allocations for the national action plan did not make provision for the ACT. So the bulk of the program can proceed in any case. We have the national action plan bilateral agreements signed with every state and territory now except the ACT. We have got 20 regional plans accredited. That is virtually all the plans accredited now, except those in Queensland, Western Australia, Tasmania and the Northern Territory. We have also approved 20 investment strategies for those same plans. Total expenditure under the program since it commenced is now running at \$129 million. We have noticed in the last couple of years roughly a doubling of expenditure each year. We are well into the implementation phases. There have been some delays in sorting out budget arrangements for Western Australia but their Premier has now written to the Prime Minister saying that they will match the Commonwealth's offer of \$158 million, and correspondence is expected to go back to Western Australia shortly. Those states for which there are still a number of plans to be accredited or investment strategies to be developed, particularly Queensland and Tasmania, are starting to move fairly quickly now too.

Senator BUCKLAND—I see. So not all the states have statewide strategies in place; they have the plan but it is not in place?

Mr Thompson—For the national action plan we signed an intergovernmental agreement with each state and then a bilateral agreement with each state, and that put in place the broad planning framework. The model then is that each catchment region within that state develops an integrated natural resource management plan, which is jointly accredited in terms of its capacity to deliver against the key outcomes for natural resource management for that region by the state and the Commonwealth. After that they develop an investment framework for 12 months or three years to which the Commonwealth, the states and other parties or other programs may contribute funds. While the investment strategies are being completed we put funds into those regions to support the regional delivery itself but also for priority actions or things that need to be done to address key natural resource management issues.

Senator BUCKLAND—As a ballpark figure, I suppose it would be hard for you to pin it down more than that, from what you have just said is there a date when you expect that all the states with accredited regional plans for their catchments will have things in place?

Mr Thompson—From the advice that we have from the states and the regions to date, it looks like—and this includes the Northern Territory, which has some difficult planning issues because of remoteness—we would have everything in place by October 2004.

Senator BUCKLAND—Following that, the next step, I imagine, is to develop investment strategies.

Mr Thompson—The date I gave you of October 2004 included both the plans and the investment strategies. In the early days of planning, those regions that were halfway through a planning process for various state purposes developed a plan and then, following that, they developed an investment strategy. Those states or regions which are starting from a lower base are developing a plan and a funding strategy at the same time, so we would expect to sign off on a plan and an investment strategy at once. The date of October 2004 is for both plans and investment strategies.

Senator BUCKLAND—Are you able to give us an idea of the cost of the planning phase of the program? Would it be substantial?

Mr Thompson—There is significant expenditure associated with planning and getting the information together to put the program into place, but it does tend to occur only in the earlier phases of the program. Perhaps if we said we spent \$129 million to date under the National Action Plan, the figure we have for foundation funding—which is the sort of funding provided to prepare a plan, employ some staff to go out and consult with people and get some of that basic information—is \$13.8 million. Perhaps you could say that is roughly the planning amount we have spent to date as part of an overall expenditure of \$129 million.

Senator BUCKLAND—Salinity is something that I have a real interest in because I actually see some of the areas growing as I travel around South Australia. Could you remind me of the total allocated funding for the program so that I get a sense of how much money will be going on the ground?

Mr Thompson—The total allocation of Commonwealth money is \$700 million and it is matched in cash by the states, so there is \$1.4 billion in total.

Senator BUCKLAND—Of that, how much is likely to be used to do something that we can see, if you like?

Mr Thompson—I can only go on the sort of expenditure to date, so it is all a bit rough. At the time we did our last monitoring report, we spent \$66 million to \$67 million on on-ground works and \$4.8 million on planning. I have not done the calculations, but if you include the sort of necessary information collection that the regions want and the necessary training they sometimes see to get some of this in place we would probably see 70 or 80 per cent of the money actually turn into regional activity of some sort or another.

Senator BUCKLAND—At the last hearing—I do not think I was actually present when you were asked—a question was asked about funding of an information program. I think I read that part of *Hansard*. Do you recall how much was set aside for an information program? I would think it would be a reasonably small amount of that money. It was just something that came up.

Mr Thompson—The Natural Resource Management Ministerial Council has agreed about the importance of both information in the sense of better information about the resource base but also communicating what the program is about to the regions and communities and getting them to understand what is being done and how they can participate in it and that was to take place at a national, state and regional level. Regions are spending some money on information provision all the time as part of their day-to-day business. I do not have a handle on that but in terms of overall communications no-one has set aside a specific sum of money at this point in time.

Senator BUCKLAND—This program had a seven-year life and on the last occasion you told the committee that there had been two phasings of the funds and now it is an eight-year program. Does that see another re-phasing of the funding?

Mr Thompson—There have only been two re-phasings to date and yes the last re-phasing saw an extension of the program to an eighth year. There have not been any agreements to re-phase the program subsequent to that one.

Senator BUCKLAND—So it is not likely to extend out to a nine-year program?

Mr Thompson—I would be surprised if it extends out to a nine-year program but I could not rule out some re-phasings within the current program life. The way the program funding was structured it was actually tapering off quite a bit in the last year as projects were being completed so any re-phasing could probably be used in that last year if it had to occur.

Senator BUCKLAND—Thank you very much for that Mr Thompson, I appreciate it.

CHAIR—We are in your hands, Senator Buckland.

Senator BUCKLAND—Mr Chairman I would like to move off water for a while and think of other things. If we could move to ethanol, the Douglas Shire ethanol project was the next thing I wanted to address.

Mr Thomas—I can cover that.

CHAIR—You knew there was a reason you were here, did you not?

Mr Thomas—Yes.

Senator BUCKLAND—We do not like to leave anyone unquestioned. Just a few questions about the project. It was originally part of a \$34 million program to assist the Douglas Shire. It was announced by the minister on 6 April 2001—I think I have got that part correct.

Mr Thomas—I cannot confirm that.

Senator BUCKLAND—The cost in the media release at the time was put at \$7.35 million and that was to develop an ethanol plant using by-products from sugar. I recall Mr Truss saying that the project would also move to the use of sweet sorghum in that plant. Just where are we up to with that now?

Mr Thomas—The project as a whole is being managed by the Australian Greenhouse Office. This portfolio's contribution to it is limited to \$2.35 million essentially for some of the ethanol work. The part of the project that we are interested in has been delayed because of the downturn in the sugar industry. Negotiations are also going on between the two proponents,

the mill itself and the Douglas Shire Council and their financiers about the future of the project. The Australian Greenhouse Office, which is part of the Department of the Environment and Heritage, should be able to give you a much more complete overview of the project.

Senator BUCKLAND—Production of fertiliser for by-products and the planting of 3,000 hectares of trees on marginal grazing country were also going to be included.

Mr Thomas—That is correct.

Senator BUCKLAND—Can you remind me who the proponents of the project were?

Mr Thomas—Douglas Shire Council and the Mossman Central Mill.

Senator BUCKLAND—And funding was to be provided based on milestones being met by the proponents?

Mr Thomas—That is correct.

Senator BUCKLAND—According to the PBS for 2002-03, that year was estimated at \$2.35 million. That was at page 96.

Mr Thomas—That is correct. I would want to go back and check, but originally the milestones involved construction of the ethanol plant fairly early on in the project. But, as I said, the downturn in the sugar industry has seen part of the project delayed.

Senator BUCKLAND—In the 2003-04 PBS, the estimate for the project remained exactly the same.

Mr Thomas—That is correct. No money had been spent.

Senator BUCKLAND—In the 2004-05 PBS, we find \$400,000 for 2003-04 and nothing for 2004-05. Can you tell me where that is up to?

Mr Thomas—Where did you get that last figure from?

Senator BUCKLAND—Page 27 of the current PBS.

Mr Thomas—Indeed, that funding is being moved forward from 2003-04. We now do not expect to spend that this year. That will be moved forward to 2004-05. If you have a look at page 49—

Senator BUCKLAND—Yes, that is right. So is the ethanol plant being built? Is anything at all happening?

Mr Thomas—If you are talking about the project as a whole, aspects of the project are moving ahead. You mentioned before that there was a plantation aspect to the project. My understanding—and again you should really be checking this with the Australian Greenhouse Office, who are the lead managers for the Commonwealth on this project—is that they have employed a person to manage that aspect of the project. Funding for that will come from the AGO's contribution. That will be proceeding this year. But if you are looking specifically at the ethanol part of the project, we still do not have a clear idea of when that will proceed.

Senator BUCKLAND—How much money has gone into the trees—any money from here?

Mr Thomas—Nothing from this portfolio. Again you would need to talk to the Australian Greenhouse Office.

Senator BUCKLAND—What about the fertiliser plant?

Mr Thomas—Again, that part of the project is being managed by the Greenhouse Office.

Senator BUCKLAND—I assume that in the initial calculations of all of this there were expected outcomes in terms of jobs both indirect and direct. Were any other outcomes expected?

Mr Thomas—The main purpose of going into this project with the AGO was the expectation that there would be a reduction in or an abatement of greenhouse gases through the use of ethanol as an alternative fuel and the other parts of the project. But once again it is the Greenhouse Office that you are going to have to direct your questions on that to.

Senator BUCKLAND—We might not pursue that any further. With the short time we have got—we are about two minutes over time—we might just leave that and go somewhere else with the questions because I think you will be telling me the same thing all night.

Mr Thomas—Yes.

Senator BUCKLAND—Do you want to keep going?

CHAIR—I think the minister has a commitment. To make it convenient for you, Senator Buckland, is there something you would like to put on notice?

Senator BUCKLAND—The best thing would be to put the questions on notice. There is only one small part left to go.

CHAIR—Thank you very much, ladies and gentlemen. I would like to thank everyone from the department for their courtesy and attendance as well as the umpires and ball boys and everyone! You can all go home now and we are very grateful for the time you have spent with us.

Proceedings suspended from 7.02 p.m. to 8.04 p.m.

TRANSPORT AND REGIONAL SERVICES PORTFOLIO

In Attendance

Senator the Hon. Ian Campbell, Minister for Local Government, Territories and Roads

Transport and Regional Services Portfolio

Corporate

Mr Ken Matthews, Secretary
Mr Peter Yuile, Deputy Secretary
Mr Mike Mrdak, Acting Deputy Secretary

Corporate Group

Mr Jeremy Chandler, First Assistant Secretary, Corporate
Mr Simon Ash, Chief Financial Officer
Mr Robert Twomey, Chief Accountant
Ms Linda Holub, Assistant Secretary, Executive and Governance
Mr David Banham, Chief Information Officer

Policy and Research Group

Transport and Portfolio Policy

Mr Mike Mrdak, First Assistant Secretary, Policy and Research
Dr Anthony Ockwell, Assistant Secretary, Portfolio Policy
Mr John Elliott, Assistant Secretary, Infrastructure
Mr Jim Wolfe, Assistant Secretary, Rail, Logistics and Maritime
Mr Nick Bogiatzis, Assistant Secretary, Transport Markets

Bureau of Transport and Regional Economics

Dr Judith Winternitz, Acting Executive Director, Bureau of Transport and Regional Economics
Mr Phil Potterton, Assistant Secretary, Transport Research

Programs Group

Transport and Local Government Programs (consideration of transport programs)

Mr John Doherty, First Assistant Secretary, Transport and Local Government Programs
Ms Joan Armitage, Assistant Secretary, Transport Programs North and West
Mr Robert Hogan, Assistant Secretary, Transport Programs South and East
Mr Adrian Beresford-Wylie, Assistant Secretary, Local Government and Natural Disasters
Mr Geoff Watts, Director, Local Government

Regulatory Group

Office of Transport Safety

Mr Andrew Tongue, First Assistant Secretary, Office of Transport Safety
Mr John Kilner, Assistant Secretary, Maritime Security
Mr Andy Turner, Assistant Secretary, Aviation Security
Ms Vicki Dickman, Assistant Secretary, Regional and Freight Security
Mr Steve Dreezer, Director, Risk Standards and Analysis, Transport Security

Airservices Australia

Mr Bernie Smith, Chief Executive Officer
Mr Hisham El-Ansary, Chief Financial Officer and General Manager

Mr Tom Grant, General Manager, Corporate Development and Corporate Secretary

Aviation and Airports Regulation

Mr Martin Dolan, First Assistant Secretary, Aviation and Airports Regulation

Ms Fiona Lynch, Assistant Secretary, Airport Planning and Regulation

Ms Marilyn Chilvers, Assistant Secretary, Aviation Operations

Mr Mike Smith, Executive Director, National Airspace System Implementation Group

Mr Warrick Paddon, Group Captain, National Airspace System Implementation Group

Surface Transport Regulation

Mr Bill Ellis, First Assistant Secretary, Surface Transport Regulation

Mr Peter Robertson, Assistant Secretary, Vehicle Safety Standards

Mr Michael Sutton, Assistant Secretary, Surface Transport Regulation and Reform

Australian Maritime Safety Authority

Mr David Baird, Acting Chief Executive Officer

Safety and Investigation Group

Australian Transport Safety Bureau

Mr Kym Bills, Executive Director

Mr Alan Stray, Deputy Director, Air Safety Investigation

Mr Robin Graham, Director, Safety Investigations

Mr Joe Motha, Director, Safety Research and Education

Regulatory Group

Civil Aviation Safety Authority

Mr Bruce Byron, Chief Executive Officer

Mr Bruce Gemmell, Deputy Chief Executive Officer

Mr Rob Collins, Executive Manager, Aviation Regulatory Services

Mr Bill McIntyre, Executive Manager, Aviation Safety Standards

Ms Nicola Hinder, Executive Manager, Corporate Affairs

Ms Sue-Ellen Bickford, Executive Manager, Corporate Services

Mr Ray Comer, Executive Manager, CASA Improvement Program

Mr Arthur White, Acting Executive Manager, Aviation Safety Compliance

Mr Peter Ilyk, General Counsel

Programs Group

Transport and Local Government Programs (consideration of local government programs)

Mr John Doherty, First Assistant Secretary, Transport and Local Government Programs

Ms Joan Armitage, Assistant Secretary, Transport Programs North and West

Mr Robert Hogan, Assistant Secretary, Transport Programs South and East

Mr Adrian Beresford-Wylie, Assistant Secretary, Local Government and Natural Disasters

Mr Geoff Watts, Director, Local Government

Policy and Research Group

Regional Policy

Ms Sema Varova, First Assistant Secretary, Policy and Research

Mr Daniel Owen, Assistant Secretary, Regional Policy

Programs Group**Regional Programs and Territories**

Ms Leslie Riggs, First Assistant Secretary, Regional Programs and Territories
Ms Wendi Key, Assistant Secretary, Regional Program Operations
Mr Leo Dobes, Assistant Secretary, Analysis and Performance
Mr Gary Dolman, Assistant Secretary, Regional Communities—Regional Office Network
Mr Andrew Wilson, Assistant Secretary, Territories

National Capital Authority

Ms Annabelle Pegrum, Chief Executive Officer
Mr Lindsay Evans, Managing Director, Business
Mr Graham Scott-Bohanna, Managing Director, Design
Mr Andrew Baird, Director, National Capital Promotions
Mr George Lasek, Director, National Capital Estate
Mr Ross Addison, Director, Finance
Mr George Lasek, Director, National Capital Estate
Ms Alison Walker-Kaye, Director Corporate Business
Mr Phil Wales, Director, Executive Governance
Mr Andrew Smith, Director, National Capital Projects
Mr Don Wright, Director, National Capital Plan
Mr Ted Schultheis, Principal Town Planner

CHAIR—I welcome the Minister for Local Government, Territories and Roads—who is doing a fantastic job, I might say; everyone still talks about the solution you provided down at Albury—and officers from the Department of Transport and Regional Services.

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 area of transport and regional services. The committee will now consider proposed expenditure for the transport and regional services portfolio. The committee is required to report to the Senate by Thursday, 17 June 2004.

Answers to questions taken on notice and additional information should be received by the committee no later than Friday, 9 July 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 again welcome Senator the Hon. Ian Campbell, Minister for Territories, Local Government, and Roads, representing the Minister for Transport and Regional Services. Senator Campbell is accompanied by Mr Ken Matthews, Secretary of the Department of Transport and Regional Services, and other officers from the department and related agencies. Officers are reminded that the Senate has consistently decided, by way of continuing resolution, that there are no areas in connection with the expenditure of public funds where any person has a discretion to withhold details or explanations from the parliament or its committees, unless the parliament has expressly provided otherwise.

The Senate has also determined that a 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 the disclosure. Officers are also reminded that an officer of a department of the Commonwealth or 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 their superior officers or to the minister.

Finally, witnesses are reminded that the evidence given in committee is protected by parliamentary privilege. I also remind you that the giving of false or misleading evidence to the committee may constitute a contempt of the Senate. I shall begin by asking whether anyone at the top table would like to make an opening statement. If not, we will go to questions.

Senator O'BRIEN—No-one else is clamouring to ask questions, so I will start. Welcome back, Mr Matthews.

Mr Matthews—Thank you, Senator.

Senator O'BRIEN—At February's additional estimates hearings you mentioned that the department had taken a 10.7 per cent financial cut across the board. How are the department's finances tracking against the targets that you have set?

Mr Matthews—The outcome of that process has been positive. As you know, we called it the work out/work up strategy, and it was designed to tackle a number of things: the financial position of the department, the performance of the department and the way we go about our business. As the year closes, our financial situation is looking much sounder than it was, so the work out/work up strategy has been successful in that respect.

As you know, we are budgeting for a figure of negative \$14.9 million, but that of course includes a one-off \$23.8 million transfer to the department of immigration for housing in the Indian Ocean territories, so we expect that our underlying position will more than achieve that outcome. In fact, we think that something like a negative \$9 million outcome, and possibly better than that, would be an outcome which is a very rapid turnaround from where we thought we would be.

Senator O'BRIEN—We talked about particular groupings within the department, for want of better terminology. Are all groups tracking in that same positive direction?

Mr Matthews—I can answer in the aggregate. I will then ask Mr Chandler or someone he nominates to deal with the group-by-group position, but, broadly, the department as a whole is tracking well—in fact, better than we had planned—and all groups have achieved a positive but some have had a better performance than others.

Mr Chandler—Senator, the position is as the secretary has relayed, both in the aggregate and for each group. As at the present time, all groups are expecting to come in at the end of the financial year within their individual budget targets.

Senator O'BRIEN—What was the Policy and Research Group's target and how is it expected to perform against that?

Mr Mrdak—The Policy and Research Group had a budget this year, following midyear review, of \$14.1 million in total. The group expects to achieve that budget and come in at about 0.7 of a per cent under budget.

Senator O'BRIEN—What is that in dollars?

Mr Mrdak—It will probably come in within about \$100,000 of budget.

Senator O'BRIEN—So around \$14 million?

Mr Mrdak—Around \$14 million.

Senator O'BRIEN—What have been the key initiatives to achieve that target?

Mr Mrdak—It has been based on two elements: through natural attrition we have had a reduction in staffing of the order of about 19 per cent of the staff in the group and, in relation to supplier expenses, we have achieved a reduction in supply expenditure at this stage of the order of about 60 per cent. That has been achieved through a redesign of the way we work, in the way we manage staff across the group much more flexibly, and a better management of some of our resourcing allocation across the group.

Senator O'BRIEN—How much of your budget is expended on staff?

Mr Mrdak—For this year, of our budget of \$14.1 million, around \$12.1 million was initially allocated for employee expenses.

Senator O'BRIEN—Does that mean you were looking at something in the vicinity of \$14.25 million or something without those redundancies?

Mr Mrdak—Had we not had the reduction in staff, then we obviously would have had a much higher salary cost. It would have been dependent on how much additional savings we could have made in supplier expenditure. We started the financial year with a staffing level of about 168 staff. The current staffing level is of the order of 129.

Senator O'BRIEN—Has that reduction been achieved throughout the grades or is it in particular grades that you have achieved the reduction?

Mr Mrdak—It has been achieved at all levels within the group, including senior management.

Senator O'BRIEN—And it was achieved entirely by natural attrition?

Mr Mrdak—That is correct.

Senator O'BRIEN—Is that assisted by moves across groups?

Mr Mrdak—Not too many movements across groups. We have had movements. People have left the department, left the group, to take up other opportunities. We have had a small number of people who have taken opportunities, such as leave without pay, to pursue study and the like and also people who have transferred to other agencies and departments within the APS.

Mr Yuile—On that point—and perhaps you will come to it as you move through the next day or so—clearly, for other groups that is a different story. In some cases, more staff have been able to transfer to other areas of the department as opposed to going outside. It is a slightly different story for different groups.

Senator O'BRIEN—What is the story with the Programs Group?

Mr Yuile—I do not have all the details with me at the moment, but certainly a large number have gone to other departments. Some have gone to other areas of the department, particularly the Office of Transport Security.

CHAIR—Do many people go to the wild blue yonder?

Mr Yuile—As in leave the service?

CHAIR—Leave.

Mr Yuile—Some do, but—

CHAIR—Very few?

Mr Yuile—Yes, not a lot.

Senator O'BRIEN—What was the annual budget for the Programs Group?

Mr Yuile—The departmental budget for 2003-04 is \$96.8 million, of which \$64.3 million is for Indian Ocean territories.

Senator O'BRIEN—How much of that money is actually for administration within the department?

Mr Yuile—Those are departmental expenses.

Mr Matthews—If the question about the wild blue yonder was about leaving the department, as distinct from leaving the Public Service, we do not keep records of where people go. Since the work out/work up strategy commenced in the department—that is, our financial rationalisation strategy—168 people have left the department. We have had some others join, but 168 individuals no longer work there.

Senator O'BRIEN—That \$96.8 million was the budget for the year?

Mr Yuile—Yes.

Senator O'BRIEN—What is the expected performance against that budget?

Mr Chandler—We are expecting at the present time that the Programs Group will underspend its budget allocation by of the order of \$1.7 million.

Senator O'BRIEN—What has been the staff reduction required in this group to achieve that?

Mr Yuile—I think the secretary might have mentioned this the last time we met. There were no staff targets, there were financial targets. If you are asking for the reduction—

Senator O'BRIEN—No, I understand that. I am asking for the actual—

Mr Chandler—If we take it for this fiscal year, the staffing point as at 1 July—30 June last—for the Programs Group was 281.8 FTE—full-time equivalent staff—and as at 30 April this year it was 269.4 FTE.

Senator O'BRIEN—What other areas have been targeted to achieve the cost reductions that were required?

Mr Matthews—All groups took a budget reduction and all groups have achieved that reduction. That has, in all groups, required some reduction in staff.

Mr Chandler—Responding to the question about initiatives other than the reduction in staff: each group—as we indicated, I think, at the last Senate hearings—has had discretion to work through initiatives to achieve their budget target. There are a number of business process improvements that individual groups have taken and reductions in expenditure in some areas. It is a range of things, as well as that reduction in staff.

Senator O'BRIEN—Yes, I am sure it is. I am trying to find out what sorts of initiatives the Programs Group used to make the savings that were required.

Mr Matthews—We could offer you some observations from where we sit, but a better way might be to ask the Programs Group when they arrive.

Senator O'BRIEN—When they arrive in which particular capacity?

Mr Matthews—They will be here twice, but we can arrange it so that, if you put that question when they first arrive, they will be ready for it. At a more general level, the sorts of things that each group was asked to do—and this would apply to the Programs Group—included, obviously, improving work planning; that is, identifying what needed to be done. Each group had to develop their own work force plan, a transition from the level of staff to a lower level of staff. We have had improved reporting, both at the department level and at the group level, for finances, HR or personnel, and performance reporting, which is reporting about accomplishments against the plans.

We have managed IT expenditure more tightly. I think this was mentioned last time. We set up a more systematic and rigorous process for approving new IT expenditure. We have new governance arrangements across the department. We have made some good housekeeping improvements to things like paper flow and to audit arrangements across the department. As I said at the outset, we were setting out not just to make savings but to improve performance. If you look down the list that I have just given you, a lot of those items are about improving performance across the department as well.

Senator O'BRIEN—But, if you have to achieve a 10.7 per cent reduction in costs, you have to shave your costs in a whole lot of areas. That is what I am trying to discover—what disciplines have been imposed, what impact ultimately that will have on the performance of the particular groups and how the task and the financial rigours fit in together.

Mr Matthews—They are fair questions, of course. For example, as well as the staff reductions, we have had less travel around the department and more economical travel, mile for mile. There has been, as I said, more pressure on IT decisions. We have been more careful about accommodation. It is a whole range of things, from a very local level to a macro level.

Senator O'BRIEN—Presumably, the answers I will get in relation to the Regulatory Group are the same as I am getting for the Programs Group—that is, it is best to ask them when they arrive.

Mr Matthews—Yes. I am not ducking the question, but I have tried to give you a 'This is how we approached that at the departmental level' answer. In each case, each group was required to, within that framework, go away and try to localise it. In the way that Mr Mrdak

responded for the Policy Group—which he normally heads, except tonight he is acting as deputy secretary—executives from those groups will say, ‘This is how we took that whole-of-department guidance and localised it to what we do in our group.’

CHAIR—Does someone get a gold star out of that?

Mr Matthews—Some groups perform better than others, but that is all I would say.

Senator O’BRIEN—There are no gold stars. This is a low-cost department!

Mr Yuile—It has been a gold star for all the staff of the department. The first assistant secretary has said that it is different for different groups but in the case of Programs Group I know they have done a lot of work on the systems they have been employing, reorganising themselves in a different way now that we have aggregated all the programs together and they are continuing to work on that. There is better use of our regional office staff and our national office staff, obviously trying to keep to a minimum the handling of material going through, congruent with good scrutiny of proposals. It has been that kind of attention as the Programs Group in particular has worked through its program management arrangements. We have in train the changes to our IT and a new grants management system that has taken a while to bed down. That is part of the plan for the future. There have been both things done and things put in train which we believe will deliver the outcomes we need against the budget we have.

Senator O’BRIEN—What about the Corporate Group, Mr Chandler? What can you tell us about the task imposed on the Corporate Group and how it achieved it?

Mr Chandler—Again, the error range of initiatives including in relation to reduction in staffing numbers, if I use the same—

Senator O’BRIEN—Firstly, what was the financial cap you were operating under?

Mr Chandler—Our approved budget for the year was \$57.4 million. That includes costs such as rent on property and IT infrastructure for the whole department.

Senator O’BRIEN—What sort of reduction did that represent?

Mr Chandler—I might need to come back on that figure. In dollar terms the group sustained the 10.7 per cent reduction in line with other groups, but as I think I indicated at the last Senate estimates hearing, a number of components of the Corporate budget were quarantined from that reduction: rental costs, insurance costs through Comcover, those costs which are not discretionary or easily alterable in the short term. The 10.7 per cent was applied to components of the budget. The measures this year have included a reduction in staffing levels since 30 June last year. We had a staffing level at that time of 156.5 FTEs. The staffing level now is 118.9.

Senator O’BRIEN—FTEs?

Mr Chandler—Correct. Part of that reduction relates to a reduction in the number of graduates that we manage within the group.

Senator O’BRIEN—How is that reflected in a change in the costs of employee wages and on-costs?

Mr Chandler—I would need to confirm the comparison to last year's figure. The employee budget, out of that \$57.4 million, for this year is \$13.1 million and we will come in a little under that in dollar terms.

Senator O'BRIEN—How has that reduction been achieved?

Mr Chandler—The reduction in the budget and managing our budget allocation has been managed through a range of measures. There have been some structural changes. We have moved from a four-branch structure within the group to three. We have changed a number of the other organisational administrative arrangements within the group, including by the formation of a business services centre. We have managed to achieve savings in IT costs through the year through a very rigorous scrutiny of all IT spending proposals. That has been managed not just by Corporate Group but through our strategic IT committee. That has enabled us to reduce our costs of IT operation.

CHAIR—So you have not incurred expenditure?

Mr Chandler—No. And it has been achieved through, simply, very careful management of our costs throughout the year, ensuring that all spending decisions are subject to rigorous review and strict tests of necessity.

Senator O'BRIEN—The people that have left, have they left voluntarily? Have you had a redundancy program? Have they been transferred to other departments or taken leave without pay?

Mr Chandler—Senator, it has primarily been through very careful management of vacancies as they occur. It has been natural attrition—that is, staff moving to other positions within the department on promotion and transfer to other agencies—and managing very carefully the process for recruitment replacement of positions. As I say, part of that reduction is also a reflection of the fact that we have as a department reduced the size of the graduate program this year. That is reflected in the Corporate Group figures.

Senator O'BRIEN—How big is that program?

Mr Chandler—Last year in the program we had 18 graduates funded through the Corporate Group. This year we have 11 funded through the Corporate Group. There are four other graduates funded through other groups, but the comparison in relation to Corporate is a reduction of seven.

Mr Matthews—The graduate program overall has reduced but not by much: from 18 to 15 this year. I should say, just running on, that I would not want to leave an impression that there were no redundancies. There were seven redundancies in the department over the year, but by and large, as Mr Chandler has said, it has been achieved by natural attrition and by being very careful about backfilling a departure.

Mr Chandler—In relation to Corporate Group, Senator, the secretary has mentioned seven. Two staff were declared potentially excess but in the end one of those was placed elsewhere, so only one of the reductions was through those arrangements.

Senator O'BRIEN—What was the cost to the department of the redundancy program?

Mr Matthews—There was no redundancy program. There were seven individual redundancies.

Mr Chandler—The total quantum was \$376,000. That included payout of accrued leave entitlements.

Senator O'BRIEN—Did the redundancies occur across the grades or in particular groupings?

Mr Chandler—They involved staff at the APS2 to APS6 levels.

Senator O'BRIEN—So no SES were involved?

Mr Chandler—Not in this fiscal year. There was one close to the end of the financial year that was right on the cusp.

Senator O'BRIEN—What is the projected final actual cash position for the department for the year ending 30 June 2004?

Mr Chandler—The figure is shown in the PBS. If you turn to page 86, looking at the 2003-04 estimated actuals column, you will see that for 2003-04 the cash figure is estimated at \$2.3 million and the receivables figure is \$98,866,000—\$98.9 million. Receivables effectively equate to cash—that is, money that has been appropriated to the department but not yet spent. The total effective cash available is the \$2.3 million plus the \$98.866 million.

Mr Matthews—Senator, it was cash you were asking about, not the final outcome?

Senator O'BRIEN—Yes.

Mr Chandler—You will note there is a difference between the 2003-04 estimated actuals there and the 2004-05 budget estimates. That reflects the fact that the operations funding for the Indian Ocean territories administration will move from departmental to administered funding next year and that means that a substantial part of the cash holding will be transferred from departmental to administered, just so you are clear on the reduction between those two years.

Senator O'BRIEN—Take me through the position for the financial year 2004-05 in terms of whether the department will need to cut its costs further. Have cuts been imposed through the budget or will they be imposed for other reasons?

Mr Chandler—The budget targets for groups for 2004-05 under our work out, work up strategy included the assumption of a further 4.1 per cent reduction to budgets. We identified that at the last Senate estimates hearings. There is an assumption of a 4.1 per cent reduction with two groups on the same sort of basis that the 10.7 per cent was applied this year—that is, it applies to components of budgets for groups but some elements of those budgets are also quarantined.

Senator O'BRIEN—Which areas of which groups are quarantined?

Mr Chandler—I can only give you an indication. They are the same examples that I have used previously. That is, the funding for rental, for leases on property, is quarantined from the reduction; insurance premiums under Comcare, under Comcover. We have quarantined other contracts which are locked in, in terms of cost. There are a number of items that are quarantined across groups.

Mr Matthews—If I understand the direction of your questioning, the 4.1 per cent additional reduction which I foreshadowed last year applies to all groups except that it will no longer apply to the ATSB, nor will it be applied to the new policy money which is being provided in the budget.

Senator O'BRIEN—To save me doing the sums, how much does the 4.1 per cent reduction reflect against the budget, in dollars?

Mr Chandler—The 4.1 per cent reflects a \$3 million budget across all groups.

Senator O'BRIEN—\$3 million each?

Mr Chandler—No, \$3 million in total.

Senator O'BRIEN—How much has been added in new policy money?

Mr Matthews—For this year \$43.4 million and over the budget and forward estimates period about \$71 million.

Senator O'BRIEN—Is that \$43.4 million departmental output money rather than administrative?

Mr Matthews—Yes, departmental expenses.

Senator O'BRIEN—Where a group has overachieved its saving, what reward does it get in terms of that additional saving?

Mr Chandler—Senator, it is a slightly draconian world. You get penalised if you exceed your budget. We take account of the reasons for underexpenditure in a group and the executive will consider whether there is a case for some carryover of funds for a group and that is done at the end of the year.

Senator O'BRIEN—You start with what your target was. Even if you underachieve it, you take 4.1 per cent off but only in terms of those items that are not immune from the cut, if I can put it that way.

Mr Matthews—I put it like this: at the end of the year that we are ending now where there has been an overachievement on savings, there are two options. One is to allow the group to keep it and one is not to. There are arguments both ways. There is an argument that the incentive to make savings ought to be rewarded. There is another argument that says that the parliament appropriated money for a job and if you achieve that job without needing all those dollars, you should not keep them.

Senator O'BRIEN—Can I ask you one question to clarify this in my mind. Perhaps we are at cross-purposes. Let us assume a group has a budget target of 100; it achieves 99; it has got to have a 4.1 per cent reduction. Does its budget go down to 95.9 or does it go down to 99 minus 4.1 per cent?

Mr Matthews—The answer is it comes off the original 100.

Senator O'BRIEN—It is not penalised, in that sense, for overachieving.

Mr Matthews—No.

Senator O'BRIEN—The other question is whether there is some credit.

Mr Matthews—To finish what I was saying, the solution that we have come to as the departmental executive is that there are some quite discrete areas of underexpenditure this year which were caused by external factors out of their control. Some of those we have agreed to carry over but the rest have been withdrawn for this year.

Senator O'BRIEN—What will be done with those additional savings?

Mr Matthews—They are not earmarked for any particular purpose. The whole work out, work up strategy has been trying to garner resources from wherever possible to use for particular things. For example, we have been able to reallocate some small amounts of money to relieve some of the pressure points around the department. That is because we have used various techniques to gather money from the examples that you have given, such as an underspend.

Senator O'BRIEN—If I understand correctly, you require a saving in expenditure of \$3 million across all groups this year, but at the same time there is an additional \$43.4 million to spend.

Mr Matthews—This year, correct.

Senator O'BRIEN—The coming financial year. That is a net addition of \$40.4 million. Is that how I should understand it?

Mr Matthews—Yes, that is right. The 4.1 per cent is around \$3 million across the department. The budget this year has added \$43.4 million and, as I said, \$71 million over the budget in forward estimates period.

Senator O'BRIEN—Does that mean that there will be a growth in staffing again?

Mr Matthews—We do not have staff targets but if things turn out as you would normally expect, there might be 20 or 30 more staff at the end of the year.

Senator O'BRIEN—What will the additional \$40.4 million buy, apart from those staff?

Mr Matthews—I hasten to say that this is not just the department growing again. Those resources have been given to us in the budget to do the new policy that has been agreed in the budget.

Senator O'BRIEN—I did not think the Treasurer was going to say, 'This is Christmas; here, have \$40 million.' I presume there was a job to do with it. That is why I asked you about staff. Presumably you do not hire additional staff, having gone through the pain, because you can.

Mr Matthews—The budget, as you would have seen, had 19 new measures to be administered by our department. Many of those came with departmental expenses to achieve that. That is where those resources come from and that is why we are expecting that there would be some additional staff to do those 19 additional things.

Senator O'BRIEN—You are perhaps not going to spend the \$40 million on staff, unless they are very well paid, so what other things do you think you can spend the money on?

Mr Matthews—It certainly is not only staff. For example, there have been significant resources for IT, which is capital. But each staff member comes with a whole set of activities

or on-costs. There need to be resources in departmental expenses to do other things: to contract and consult and so on.

Senator O'BRIEN—Will you be renting more space?

Mr Chandler—Some of the funding does relate to accommodations but that is to fit out. I am not sure at this stage if we will be necessarily looking at space.

Mr Banham—We are not looking at renting any more space in Canberra. We are still assessing the regional offices for accommodating the changes to the transport security functions.

Senator O'BRIEN—You mentioned consultants, Mr Matthews. How much is budgeted for consultants?

Mr Matthews—There is not in this department, or most departments, a budget for consultants. It is just that there need to be resources in case there are requirements to do something through a consultant where that makes good business sense. But we do not have a forward budget for consultants.

Mr Yuile—Senator, in an earlier answer you asked about SES redundancies. Mr Chandler said that one officer was on the cusp of this financial year. We are just checking that because I think we had a departure before 1 July 2003 but the payment was made in this financial year. We will come back tomorrow to let you know if there was one this financial year.

Senator O'BRIEN—Interesting taxation problem.

Mr Chandler—We are not sure that we have clearly conveyed the departmental figures to you; that is, the figures that have flowed from budget measures. So that there is no confusion on the numbers, can I refer you to page 27 of the PBS. There is a summary table which concludes on that page which lists all of the budget measures. Half way down that page you will see total expense measures as a row. The departmental components of those budget measures are the \$23.1 million, \$16.3 million, \$13.3 million and \$13.6 million. The capital components, which go to development of new systems and some new fit-out costs, for example, are shown at the bottom of the table. They are the \$6.5 million, \$10.1 million, \$2.2 million and \$1.3 million.

Senator O'BRIEN—Yes.

Mr Chandler—I am just not sure that we clearly convey those figures. I just wanted to make sure that that is the reference.

Senator O'BRIEN—That is \$29.6 million in 2004-05 for the department.

Mr Chandler—That is correct, so \$29.6 million is the expense, the amount of funding that is provided to meet operating expenses. \$6.5 million is the capital.

Senator O'BRIEN—It is different from \$43.4 million.

Mr Chandler—We have quoted both the 2004-05 figures but also across the spread of the years, so across the spread of the years the impact on the operating budget is the \$23.1 million plus the \$16.3 million, plus the \$13.3 million, plus the \$13.6 million, which gives the \$70-odd million figure across the forward estimates period.

Senator O'BRIEN—Thanks for showing me that table. So there is an additional \$2 million for effectively departmental administration for the Melbourne 2006 Commonwealth Games; \$100,000 for the Tasmanian Freight Equalisation Scheme inclusion of containerised wheat; \$3.3 million for the Commonwealth Regional Information Service.

Mr Chandler—Correct.

Senator O'BRIEN—\$100,000 for Norfolk Island, the funding of the Kingston Pier; \$2 million for the Regional Partnership Program. That is additional funding purely for administration, I take it.

Mr Chandler—Yes.

Senator O'BRIEN—And that is the \$23.1 million?

Mr Chandler—That is correct, Senator.

Senator O'BRIEN—I should have gone back a page because there is \$8.4 million for AusLink, \$2 million for ATSB, \$0.5 million for ATSB replacement of the aviation investigation information technology system. Is that not a capital measure?

Mr Chandler—Senator, there is funding for capital for that. If you go to page 27 you will see that there is capital funding which flows in the out years but in the initial year the development of that proposal is operating expense rather than capital.

Senator O'BRIEN—And you have various other bits and pieces. Most of it is AusLink or the major component of 2004-05 departmental expenses growth is from AusLink.

Mr Chandler—That is the biggest contributory factor, yes—\$8.4 million of the \$23.1 million operating expenses, so a third.

Senator O'BRIEN—A bit more than a third. So these increases will be allocated to the appropriate group, according to the—

Mr Chandler—They go to the appropriate group. Those increases for departmental expenses typically include some overhead component, and by that I mean costs which are borne by the Corporate Group on behalf of, but the full quantum of those budget measures flows to the individual group responsible for delivering that initiative or, in part, to Corporate. As the secretary has already indicated, there is no savings levy upon those allocations.

Senator O'BRIEN—Can you give us an explanation of the \$4 million for AusLink National Land Transport Network for 2004-05 in the capital measures.

Mr Chandler—Sorry, Senator, the capital measure for AusLink?

Senator O'BRIEN—Yes.

Mr Mrdak—That is to fund an IT system for the delivery of the AusLink program. That will also provide a funds management system for our road funding program which will be subsumed into AusLink. It is designed to provide a high-quality IT system which will enable people to log in through the Internet, find details of projects, lodge applications and the like for all of our road funding programs, as well as provide an interactive system which enables people to see where the projects are and what stage they are at.

Senator O'BRIEN—Virus immune?

Mr Mrdak—I would hope so.

Proceedings suspended from 9.00 p.m. to 9.14 p.m.

CHAIR—We will reconvene. Senator Allison, do you want to recognise the fact that you are here and ask a question?

Senator ALLISON—I have some questions about the Green Vehicles Guide, the \$1.5 million which is to promote green vehicles. How is that to be managed and what is the main purpose of the guide?

Mr Mrdak—The Green Vehicles Guide is an initiative which we have been working on for some time with the Australian Greenhouse Office. The government will formally be launching the guide in the next month or so. It will take the form of a web site which will provide details of emissions and performance characteristics of all vehicles sold in Australia by type. It will provide a guide which will enable consumers and the general public to log in and get details of the emissions performance and the operating performance of individual vehicles, to better inform their choice in making purchases of vehicle types.

Senator ALLISON—So the \$1.5 million is for the web site, essentially?

Mr Mrdak—It is essentially for the development and dissemination of information about the web site, to keep the web site updated and to communicate the availability of the web site and its utilisation.

Senator ALLISON—Is the AGO managing this?

Mr Mrdak—No, it is being managed by this department. AGO has provided some funding to this point and the government is now providing additional funding through this budget. As I say, further details of the green guide will be announced by the government in the next month or so.

Senator ALLISON—Is there to be any effort, in this green guide, put into government departmental purchasing decisions? Will the contents of this guide be conveyed to departments?

Mr Mrdak—It will certainly be available to inform purchasing decisions by—

Senator ALLISON—That was not the question I asked. Will it be conveyed to them?

Mr Mrdak—Certainly the information is available to them. I can take that on notice and ascertain that for you, if you would not mind.

Senator ALLISON—If it is on the Internet, presumably it is available to everybody.

Mr Mrdak—That is right.

Senator ALLISON—I am asking whether there is something a bit more proactive than making it available.

Mr Mrdak—Certainly the government purchasing guidelines already provide for some degree of guidance in relation to these matters, but can I check that and come back to you, if you would not mind, Senator?

Senator ALLISON—Okay. Will your department be picking up on these guidelines? For a start, how many passenger vehicles are purchased by the department at the present time?

Mr Banham—We actually do not purchase the vehicles; we lease them. The vast bulk of our fleet is basically privately novated to senior staff.

Senator ALLISON—Are leased vehicles a problem in terms of implementing a guide for green vehicles?

Mr Banham—Not necessarily, Senator. We are restricted to certain vehicle types through the Executive Vehicle Scheme.

Senator ALLISON—We are not going to see any guidance from your department in terms of leadership in purchasing the vehicles that are best, effectively, and that this Green Vehicles Guide tells us are useful?

Mr Mrdak—Certainly the aim of the Green Vehicles Guide is to inform better purchasing decisions by the whole community.

Senator ALLISON—Will it inform your department? That is what I am asking.

Mr Mrdak—I would certainly hope so. I will come back to you, if I may, with further information about what specifically the guide will say in relation to that and how it will link to purchasing decisions.

Senator ALLISON—Sorry, the guide will tell you whether or not you can use it as a department?

Mr Mrdak—No, sorry. The guide will simply contain performance information in relation to vehicles.

Senator ALLISON—Yes, I think we have established that.

Mr Mrdak—Separate to that I will seek some advice in relation to government purchasing policy and how that will tie in with the advice that may be available from the guide.

Senator ALLISON—As I understood, you said a minute ago that purchasing arrangements will allow for green vehicles.

Mr Mrdak—Certainly the guidelines, as they currently are, do encourage the use of more environmentally friendly vehicles and performance standards.

Senator ALLISON—Who has the responsibility within the department for promoting these green vehicles?

Senator Ian Campbell—The guide has not been announced yet.

Senator ALLISON—I think it is announced, Minister. It is just a question of getting the web site up. The AGO has already—

Senator Ian Campbell—No, it is not. It is part of a major package.

Mr Mrdak—It is part of a package in relation to a whole range of measures.

Senator ALLISON—What else is in the package?

Mr Mrdak—That is something the government will be announcing in the near future.

Senator ALLISON—Okay. So we do not know at this stage whether it will affect the purchasing of your department or any other department?

Mr Mrdak—As I say, the government is currently finalising a statement in relation to a whole range of matters in relation to environment and energy and the like. A lot of this will be enunciated through that statement in the near future.

Senator ALLISON—Minister, maybe I can ask you: can we have some assurances that this Green Vehicles Guide will be something that is implemented by the department of transport and other departments?

Senator Ian Campbell—I think it is highly likely that it will be used by the purchasing people in all the government departments. To be fair to all of the departments, it would be appropriate if we waited until the guide, and the whole policy, is announced. That is due fairly shortly and I think it will be one that you will welcome. I am sure you would welcome it more if it were enthusiastically supported by the purchasing officers across the Commonwealth government who can certainly drive vehicle manufacturers and therefore the whole of Australia towards certain outcomes in the design of their vehicles through their purchasing policies. We are very aware of that. It is something I am trying to do in terms of vehicle safety as well.

Senator ALLISON—With or without the Green Vehicles Guide it is pretty obvious which vehicles are fuel efficient, for instance, and which fuels are better than others from an emissions point of view. What achievements has the department been able to clock up so far in terms of more fuel efficient and cleaner vehicles within the department?

Mr Matthews—I think we would have to take that on notice.

Senator ALLISON—It does not sound as if it is at the forefront of policy, of corporate thinking, at the present time—or is it? I am not asking you for numbers. I am just asking you: is this a priority for the department or is it not?

Mr Matthews—It is treated across the government as being one of the general approaches to purchasing. As it happens, in the department we, until fairly recently, had a Prius car, which was a decision by an individual officer but the department was able to use its good offices to facilitate that purchase and it was a point of great interest among the professionals within the department who are interested in the same things that you are asking about. But, by and large, a considerable proportion of our fleet is determined by the driver, the purchasing decisions are determined by the driver, within guidelines as apply in every other department.

Senator ALLISON—So there is one Prius on board. Would you see that others are likely to be purchased or leased in the next round of vehicle acquisitions?

Mr Matthews—We would not be mandating them because in that case and in most cases in our fleet the individuals—

Senator ALLISON—I did not ask you if they were to be mandated. I realise they are not mandated. I am just trying to understand what sort of priority you give to fuel efficient vehicles.

Senator Ian Campbell—The priorities are set by the individual people who are entitled to vehicles within the department, I imagine. The department would, like most other departments—just like the parliamentary services department—have a list of vehicles that are available for people who qualify for a vehicle. I think the benefit of the green guide, when it

comes out, is that people who make those choices will be able to make choices based on better information about the fuel efficiency and other key matters about vehicles.

Senator ALLISON—We hope so.

Senator Ian Campbell—Senator Allison, I think you will be fascinated by this. Probably a year or so ago I suggested to Senator Bob Brown that if he was interested in reducing greenhouse gas emissions he should trade down to a Toyota Corolla, but he said that he cannot do that because he has to fit his staff in and drive around for long distances and so forth. I thought that was quite interesting. That story would inform the decisions that a number of people make about transporting. What is their need for a car? It would vary from person to person within the department, I would imagine, based on their needs or their family's needs. One of the ministers drives a very large LandCruiser with a very big roof-rack on it, with two spare wheels and a bullbar.

CHAIR—That's you, is it?

Senator Ian Campbell—Yes.

CHAIR—Good on ya!

Senator ALLISON—What is your fuel consumption, on average, Minister?

Senator Ian Campbell—Very good over long distances, when you are driving over huge highways in the north and west of Western Australia, but terrible around the suburbs.

Senator O'BRIEN—Not good around Subiaco?

Senator Ian Campbell—Around Subiaco it is terrible, but on the regular runs I do over long distances it becomes very efficient.

Senator ALLISON—How many litres per 100 kilometres?

Senator Ian Campbell—It would vary enormously between the city and the country.

CHAIR—They do all right. They do about 24 miles to the gallon, for those people that can talk the old language.

Senator Ian Campbell—That is the only language I can understand.

CHAIR—Do you understand that, Senator Allison?

Senator ALLISON—Yes, I do. I have to convert it to the temporary—

Senator Ian Campbell—I am looking forward to seeing the green guide when it comes out so I can make an informed decision, because my lease is coming to an end.

Senator ALLISON—Will it also give some guidance for add-ons like bullbars, roof-racks and the like? Will it go into the effect of those on fuel efficiencies?

Mr Mrdak—Not specifically, but it certainly will include performance characteristics of four-wheel drives and light commercial vehicles. Where some of those are standard items on a vehicle, I imagine that it would reflect that in the performance characteristics.

Senator ALLISON—Will it only be a guide for vehicles that are made in Australia or assembled in Australia?

Mr Mrdak—My understanding is that it is all vehicles which are marketed in Australia.

CHAIR—What is the highest environmentally rated car now?

Mr Yuile—I understand it is the Prius.

Senator Ian Campbell—The secretary wants to make a statement about the department's policy in relation to the green guide.

Mr Matthews—Senator Allison, I just want to add something to the end of your questions and our answers to your questions. When the green guide is available, I will be drawing it to the attention of the decision makers within the department of transport as they make their decisions, because we recognise that the department of transport has a particular public profile in this sort of area. We will make sure that it is well recognised within the department.

Senator ALLISON—Very good.

Senator Ian Campbell—Mr Chairman, I think the committee would be interested to know that towards the end of this week we will be releasing, under the Bureau of Transport and Regional Economics, the Australian transport statistics publication. One of the very interesting bits of information contained in that document is that transport accounted for 14 per cent of national greenhouse gas emissions.

Senator ALLISON—And rising rapidly.

CHAIR—How much did the cows contribute?

Senator Ian Campbell—Much more, I suspect.

Senator O'BRIEN—The department indicated, in answer to a question taken on notice at the February hearings, that as at February 2004 supplier expenses were down by \$13.2 million when compared with the same period the year before. What are they down by now?

Mr Chandler—The response was in terms of the projected reduction in the supplier expenses for the year, so that still remains the expected reduction from one year to the next.

Senator O'BRIEN—What does that figure represent as a percentage of the overall supplier expenses of the department?

Mr Chandler—The supplier expenses budget for this year is \$116 million.

Senator O'BRIEN—So it is down from \$129 million to \$116 million, roughly?

Mr Chandler—That would have been of that order.

Senator O'BRIEN—So it is around a 10 per cent reduction.

Mr Chandler—Of that order.

Senator O'BRIEN—Will it be necessary to achieve a further reduction in supply costs for 2004-05?

Mr Chandler—We have, as we have already indicated, factored in some further reduction under the work out strategy of 4.1 per cent. That will be offset by the funding flowing to the department through new policy initiatives. I cannot advise you at this stage what the supplier budget is likely to be for next year once final allocations are determined, but you would expect there to be some increase rather than a decrease.

Senator O'BRIEN—Does supplier expense include capital equipment or not?

Mr Chandler—No, it does not.

Senator O'BRIEN—In the current financial year, was there a required reduction in the capital expenditure budget?

Mr Chandler—Not a required reduction, as such. There was some reduction in the value of projects that were approved for capital expenditure, and that followed from the new governance arrangements we put in place through the strategic IT committee to review all IT projects. The capital program for the IOTs was also somewhat lower, as I recall.

Senator O'BRIEN—In an answer to a question taken on notice in February, we talked about the department executive budget. The reduction was to be 10.7 per cent, but the budget for the internal audit unit was increased by 94.1 per cent. How was that 10.7 per cent budget achieved in the executive? Any fewer staff?

Mr Matthews—The executive is a very small group, so it is more difficult, but we took an initiative to replace a full-time staff member with a part-time staff member. On the other side of the ledger, there were some structural changes during the year. There was a new position added to the executive of a strategic adviser to the executive. Overall, the budget was reduced. That was achieved, but it was achieved because of the additional resources that are available to the executive rather than through salaries, even though we made the reduction to one of the staffing positions.

Senator O'BRIEN—So there was no saving on the salaries component of the budget.

Mr Matthews—There would have been, except that an additional position was created of strategic adviser. There was a conscious decision made, within the executive, to make sure that there were corresponding changes to those that were being made around the department.

Senator O'BRIEN—Where exactly in the executive was the saving achieved?

Mr Matthews—In the support area. The executive comprises me and the two deputies plus our executive support staff, of whom there are four. One of the positions was taken from a full-time position and made into a part-time position. Mr Yuile reminds me that we made significant savings in suppliers, which includes things like travel and consumables.

Senator O'BRIEN—What sort of saving was made on the travel budget?

Mr Matthews—I would have to take that on notice.

Senator O'BRIEN—What sorts of consumables are you talking about?

Mr Matthews—Office consumables: paper, publications and the like.

Senator O'BRIEN—What was the actual budget for 2003-04 for the executive?

Mr Chandler—It was of the order of \$1.8 million. I cannot be precise.

Senator O'BRIEN—Presumably that involved a saving of about \$200,000.

Mr Chandler—That would probably be right. The budget was over \$1.8 million. I cannot remember the exact figure but that order of saving.

Senator O'BRIEN—Can you give us the actuals—the actual budget and the actual saving?

Mr Chandler—I can provide that on notice.

Senator O'BRIEN—Can you give us the proportion of the budget that would be employee costs, for the executive budget?

Mr Chandler—Yes.

Senator O'BRIEN—By that I mean what was actually taken up by executive costs, not what was budgeted. In an environment in which the department is significantly reducing its staffing, what was the reason for adding an additional position to the senior executive team—a strategic adviser, as you have called it? Can you describe the purpose of this position?

Mr Matthews—This was a position that was created following the ending of the period that a particular officer finished his term as the head of Corporate, Mr Chandler's predecessor. We took a decision that the best deployment of that officer was as strategic adviser to the executive. That is because the particular officer has a particular set of skills which we value and which were well suited to that sort of role, so it was an opportunity to place that person best in the department.

Senator O'BRIEN—Do you expect this to be a role over the long term or is it a specific short-term focus?

Mr Matthews—The position is there indefinitely, but it is related to the particular skills and attributes of the person. Some of the projects that the officer is working on are projects which had not previously been the responsibility of the executive. In other words, it is relieving the workload elsewhere in the department.

Senator O'BRIEN—Are the savings achieved in transport costs in this area sustainable, or are they a one-off, peculiar to the circumstances of 2003-04?

Mr Matthews—Savings in which area?

Senator O'BRIEN—The costs of travel, I should say—not transport—for the executive.

Mr Matthews—The executive tries to minimise its travel at any time but right across the department decisions are made all the time, just as they are in the executive, about how to travel, how best to spend your money, so I would not expect that travel budgets would be the same year in, year out, for the executive or anywhere else. For example, in some areas of the department, there is no doubt that the pressures on travel have reduced travel below the optimum. Managers there hope that this year they will be able to afford to do more, but it is a question of being able to allocate scarce administrative expenses to travel purposes.

I would like to add a thought to your series of questions about the strategic adviser to the executive. The footnote to what we said is this: the creation of that position or the transfer, more accurately, of that position to the executive is in the context of a net reduction of SES staff across the department.

Senator O'BRIEN—Was that a net reduction of one or more than one?

Mr Yuile—The numbers are that at 30 April 2003 we had 42 staff substantively at the SES level. As at 30 April this year, we had 34. It is a 19 per cent reduction in SES—

Senator O'BRIEN—Sorry, I was confusing that with the discussion we had about redundancies.

Mr Yuile—I am just talking about SES. In a couple of instances we have replaced staff since 30 April. In others, we have not.

Senator O'BRIEN—Just going back to the table on pages 85, 86, 87, can you show me where I find the information or the projection as to whether the department is in surplus or deficit for the current and the coming financial year?

Mr Chandler—It is page 85—the statement of financial performance. For 2003-04, our approved operating result is the deficit of \$14.9 million. The secretary mentioned in response to a question earlier this evening that that is primarily attributable to the transfer of housing on Christmas Island to the Immigration portfolio—\$23.8 million—which reflects in the department's books as a loss effectively. If you discount for that \$23.8 million, then the budgeted operating result is an \$8.9 million surplus. As the secretary indicated earlier this evening, we now expect that that will be a yet stronger result by the end of the financial year. For 2004-05, the budgeted result is shown as a balanced budget. That is the zero on the bottom line. Our budget targets are set to achieve within that.

Senator O'BRIEN—You are showing a considerable reduction in revenue from independent sources. How should I understand that?

Mr Chandler—The main contributors to the revenue from independent sources are the operations on the Indian Ocean territories, particularly Christmas Island but also Cocos (Keeling). As I mentioned in response to another question this evening, the funding for the administration of the two Indian Ocean territories will be moved to administered funding from 1 July; so, for next year. That had an impact. I mention that in the context of a reduction in our cash balances from one year to another, but it also means that the revenue flowing from operations on those two islands will go to administered, not to departmental.

Senator O'BRIEN—Does the recorded deficit for this year mean there is a further reduction in the department's reserves?

Mr Chandler—No, Senator, it does not. The \$23.8 million that is the primary factor there is simply a book entry, transferring the value of the housing on Christmas Island from this portfolio to the Immigration portfolio. It has no effect on the cash balances for the department. In fact, when we discount that—and, as I mentioned before, that means that if we discount the \$23.8 million we have an effective \$8.9 million surplus—our cash reserves are actually building. As the secretary and I mentioned previously, we expect the result to be stronger than that still, so our cash reserves are building through this year.

Senator O'BRIEN—Where will I see that in the figures?

Mr Matthews—Just while Mr Chandler is finding that, a point that we did not make, or perhaps did not make clearly enough, is that you would be aware that last year we had to draw down on some of our reserves for the Indian Ocean territories capital, which was entirely legitimate but was unsustainable in the long term. This year, because of the success of the work up, work out strategy, we have been able to replenish those reserves in full.

Mr Chandler—The cash position is reflected on the following page, page 86. The reserves available at 30 June comprise the \$2.3 million cash figure in that first column and receivables of \$98.9 million. Some of that cash balance relates to some of the Indian Ocean territories

operations that will move to administered. The underlying departmental figures projected for the end of the following year are the \$3.5 million and the \$31.8 million. You will see that the figures, reading across that page, indicate a slightly higher cash and receivables figure, building each year.

Senator O'BRIEN—Explain for me again why the total financial assets dropped to \$36 million. Is that the transfer of the property?

Mr Chandler—It is the transfer. Presently, the operations on the Indian Oceans—Christmas Island, Cocos (Keeling)—are funded through the departmental budget. Funds are there for employee expenses and various supplier expenses associated with the operations on those islands, but also we have capital funding—associated with the space centre, the immigration reception and processing centre—and funds which are accumulated through depreciation for the purposes of replacements of assets on the islands, so a substantial amount of our cash holding and receivables relate to those operations. When we move that funding for the IOTs to administered, the cash balances associated with Christmas Island and Cocos will also move across to the administered ledger.

Senator O'BRIEN—What does equity mean? Total equity has gone down by 75 per cent.

Mr Chandler—Sorry, which line are you reading from?

Senator O'BRIEN—Equity, total equity.

Mr Chandler—The \$316,957 reducing to \$79,962? That reduction is again attributable to the transfer of the IOT assets to administered. If you look further up in that table you will see non-financial assets—land and buildings, for example—drop from \$109 million to \$24.4 million. Infrastructure drops from \$128 million. Intangibles actually rises. The reason is that most of the land and buildings assets that we hold as part of equity, most of the infrastructure plant and equipment we hold as part of equity, is the infrastructure on the Indian Ocean territories: facilities at the port, power stations, swimming pools, mosques, whatever else we own out there.

Senator O'BRIEN—I did not know we owned mosques. Has the issue of office accommodation for the department in Canberra been resolved?

CHAIR—Perhaps you could clarify the question for us.

Senator O'BRIEN—Is there still an intention for staff, except the ATSB, to be located in one building?

Mr Chandler—No, the ATSB occupies premises at 15 Mort Street. We occupy accommodation at 111 Alinga Street and at 4 Mort Street. Our current planning envisages the use still of those three premises.

Senator O'BRIEN—So there is no plan to move out of any of the premises currently occupied in Canberra?

Mr Chandler—Correct.

Senator O'BRIEN—What is the current policy in regard to offering additional responsibility allowances in the department?

Mr Chandler—The policies are set out in our certified agreement. I think periods of 10 days or more attract additional responsibility allowance.

Senator O'BRIEN—How many people are currently on such an allowance?

Mr Chandler—We would have to take that on notice.

Senator O'BRIEN—Is there a limit on the time that people can be on an additional responsibility allowance?

Mr Chandler—There is no absolute cap but additional responsibility allowance arrangements are subject to review by the department's vacancy management panel. When people are placed on extended periods of ARA, in excess of six weeks, there is a review and, as a matter of general practice, the department discourages extended periods of ARA for individual staff.

Senator O'BRIEN—How many people are currently on long-term leave, particularly but not exclusively leave without pay?

Mr Chandler—We would have to take that on notice.

Senator O'BRIEN—Has there been a change in policy to facilitate that, in the context of the department's current cost-saving environment?

Mr Chandler—There has been no explicit change of policy, no.

Senator O'BRIEN—A proportion of savings, on the evidence we have had this evening, has been achieved by people taking extended leave without pay, but that is a coincidence, is it?

Mr Chandler—To the extent that there may have been an increase in the incidence of leave without pay, it is not a measure introduced to achieve the budget target, no. I am not sure that there has been an increase in the level of leave without pay.

Mr Yuile—We need to check that. I think Mr Mrdak mentioned that in relation to a couple of staff members in the Policy and Research Group. I am just dredging my memory for the last time I saw some numbers. The implication of your point was that there had been a dramatic change.

Senator O'BRIEN—I simply asked the question. I was not trying to answer it at the same time.

Mr Yuile—No.

Senator O'BRIEN—I wanted to find out. How you read the implication is probably your problem, not mine.

Mr Yuile—Thanks, Senator.

Senator O'BRIEN—How many staff are on extended maternity leave?

Mr Chandler—We would have to take that on notice also.

Mr Matthews—That has not been a matter of departmental policy.

Senator O'BRIEN—I beg your pardon? There has not been a change in policy?

Mr Matthews—Encouraging maternity leave has not been a matter of policy.

Senator O'BRIEN—Despite what the Treasurer says. Given the changes that have been discussed, I noted in the last estimates that your view was that it was not possible to measure morale through the number of staff currently on stress leave. Do you have any figures that would give an indication of the trend in relation to the use of the department's employee assistance program? Do you know if more staff are using that service?

Mr Chandler—We would need to take that on notice. We do not have the statistics with us.

Senator O'BRIEN—Is it possible to be provided with a table showing the total staffing for the department by group, broken down by staff salary level?

Mr Yuile—You mean by grades, by classification?

Senator O'BRIEN—Yes.

Mr Yuile—Yes.

Senator O'BRIEN—And showing the change from the start of the financial year to now?

Mr Yuile—Yes. 1 July 2003 and 30 April I think is the last number we have been using. Is that okay?

Senator O'BRIEN—Yes. I understand the department is in a transition period with IT hardware with the Group 5 contract soon to finish. How much has been allocated for IT in the 2004-05 budget?

Mr Banham—Operationally, \$17.2 million. That is including depreciation.

Senator O'BRIEN—There was additional money in the budget for information technology, wasn't there—a significant amount?

Mr Banham—Because we were not sure of the outcome of the market testing, there was an additional provision. That has not been called for. For 2004-05, there is \$4 million for AusLink, which Mr Mrdak explained earlier on; \$1.4 million for regional, which is for the grant management; \$1.1 million for the vehicle certification system replacement. The OASIS is operational money. Capital does not go in until 2005-06.

Senator O'BRIEN—Of the \$17.2 million for 2004-05, how much of it is new money, if I can put it that way?

Mr Chandler—That is the operating budget that Mr Banham was quoting from previously.

Mr Banham—That is the total operational budget, including telecommunications and everything. That is not new money. That is equivalent to what we would have spent in this current financial year.

Senator O'BRIEN—I am told that some groups seem to have a specific allocation for information technology. What are these allocations for specifically?

Mr Banham—If there is any allocation in the current financial year, it is for very small components which are not met corporately but, as a general rule, all the funds are met centrally. The depreciation of new systems is then allocated to the groups.

Senator O'BRIEN—How is that recovered—up-front; over the year; in arrears by 12 months; in arrears by three months?

Mr Banham—Recovered from whom?

Senator O'BRIEN—From the groups.

Mr Banham—As I mentioned, the operational money is largely held centrally. We attribute it to the groups; we do not necessarily recover it from the groups.

Senator O'BRIEN—The new IT contract comes into place on 1 July. Has the new IT hardware been rolled out to any of the groups or divisions yet?

Mr Banham—I would put the refresh at about 95 per cent. There are probably about 20 people in Canberra who have not yet been moved to the new environment because we are still migrating one of their systems. We are also doing Christmas Island, Cocos Island and Norfolk Island in the first week of June. It is purely the logistics of actually getting there.

Senator O'BRIEN—New hardware?

Mr Banham—Yes, getting the hardware from Canberra to Christmas Island.

Senator O'BRIEN—Will the department be introducing updated software programs?

Mr Banham—We have done that.

Senator O'BRIEN—You have already?

Mr Banham—It is part of the refresh. We have moved to the most recent releases of things like Microsoft Office and the operating system.

Senator O'BRIEN—Is that part of the new contract or the old contract?

Mr Banham—It is part of the new contract.

Senator O'BRIEN—How is the cost of the IT hardware being met? Is that paid for over the life of the contract or up-front?

Mr Banham—It is amortised over four years.

Senator O'BRIEN—And software?

Mr Banham—The model we have gone with will lock our software in place for four years, which is essentially the Microsoft cycle. We pay up-front to Microsoft for the licences. Then we pay a notional amount to maintain currency for patches and upgrades over the four years.

Senator O'BRIEN—What is the total cost of IT hardware and software over the four years?

Mr Banham—It would be within the \$17.2 million.

Senator O'BRIEN—What is the cost in year 1?

Mr Banham—Of the contract itself?

Senator O'BRIEN—Yes.

Mr Banham—The contract is a consumption contract. We estimate it will cost around \$5 million in year 1—and year 2 and year 3 and year 4.

Senator O'BRIEN—I am misunderstanding you, because that totals \$20 million. You told me the total cost of IT hardware and software is \$17.2 million, so is the rest service?

Mr Banham—The contract we are talking about is basically the provision of our desktop computers and their support. The budget I was referring to includes our entire IT environment and our communications, which is wide area networks, software development and the development of our web servers.

Senator O'BRIEN—The \$17.2 million is over what period?

Mr Banham—It is 12 months.

Senator O'BRIEN—So when I asked you the other question, you gave an answer to a different question. I was asking what is the total cost of IT hardware and software over the contract period. You are telling me it is about \$20 million.

Mr Banham—Over the life of the contract?

Senator O'BRIEN—Yes.

Mr Banham—I would estimate the contract is about 50 per cent in hardware and software licences, and 50 per cent in people services.

Senator O'BRIEN—What is the total cost of IT hardware and software, as distinct from other services over the life of the contract? Is it a four-year contract or a five-year contract?

Mr Banham—It is a four-year contract, but it is not a contract for the provision of our total IT environment. It is a very important component—it is essentially our corporate data centre and our desktop computers—but it is not for the supply and support of, for instance, our web servers or our line-of-business applications. It is very much focused on the desktop environment.

Senator O'BRIEN—What does it cost? Can you give me a figure of your IT costs per year, including hardware and software? Let us start from the top and work backwards.

Mr Banham—We have a provision in our budget for software licences—this is not for any of the capital projects coming through; it is software licences for our desktop computers and corporate data centre—of \$700,000. We would expect to continue to pay about that each year for the next four years. Not all of that money would go to our service provider. Sometimes we pay these software fees directly to the software provider. For our corporate data centre we have a budget of about \$2 million a year. That is for our main network servers, email servers and so forth. About 50 per cent of that would be in hardware infrastructure; the rest would be in facilities and support. For our desktop computers we have a provision of about \$3 million a year, and half of that would be in the actual hardware lease costs.

Senator O'BRIEN—What is the other half?

Mr Banham—Support service help desk. Hardware has become a continually decreasing element of our IT budget, and the recent market testing has indicated that the market is still falling.

Senator O'BRIEN—Like video recorders or whatever?

Mr Banham—Yes.

Senator O'BRIEN—What other software, hardware and other costs in the IT sector do you incur on a yearly basis?

Mr Banham—I can run through them if you want.

Senator O'BRIEN—Yes, please.

Mr Banham—I mentioned corporate data services, which is our main corporate data centre. That is about \$2 million. Our data communication costs, which is predominantly data carriage between our various sites, is \$1.6 million. Our business applications infrastructure, which is the servers for supporting our main line-of-business systems, is \$1.2 million. I mentioned before our end user services, which is desktop computers. In total that is about \$3.8 million.

Senator O'BRIEN—You have given me desktop computers as \$3 million and now you have—what was that again, end user?

Mr Banham—We tend to bring them all together. The desktop service is around \$3 million. The total of our end user services, which also includes things like software management, licence management, is about \$3.8 million. Voice communications, which is basically our telephones and our PABX supports plus all our carriage costs—in-dial lines and so forth—is about \$1.8 million. A component of that is consumption based. It depends on how much we use. Online services, which is our intranet and Internet services, is about \$1.3 million.

Systems support and maintenance, which is external contracts with other providers for looking after software we have had developed outside of the organisation, is \$1.2 million. Our overall contract administration costs, which is looking after the various service providers, is \$300,000. IT security is about \$250,000. Again that really is dependent on the projects that are coming through and the amount of work we need to do in developing new gateways. Project management and system administration is \$650,000. We tend to engage external people to do most of our project management work, as required. I mentioned software licences of \$700,000.

General management and administration of the whole IT and C function is about \$350,000. We do all our own cabling for new buildings we move into, so cabling infrastructure facilities is \$250,000. There is a depreciation of the systems we are responsible for, which is essentially our internal web services rather than the line-of-business systems, of \$1 million. We do a number of ongoing IT audits ourselves, just checking on how our service providers are going. That is \$150,000. We also have a provision of \$650,000 for operational contingency, for things that go wrong.

Senator O'BRIEN—This is the \$17.2 million per annum you are talking about?

Mr Banham—Yes. There is a sizeable component of that which is consumption driven.

Senator O'BRIEN—What is your depreciation rate?

Mr Chandler—Depreciation for most of our capital investment for IT is based on a five-year life, so it is 20 per cent. Most of that relates not to hardware but to applications development, but 20 per cent is the figure that we apply.

Senator O'BRIEN—Do you apply a different rate to hardware?

Mr Banham—We tend to lease most of our hardware now, so that becomes an operational expense. We would normally lease that over the four-year period. We tend to put all our hardware on a four-year cycle.

Senator O'BRIEN—Depreciation of computer hardware is still permissible at 40 per cent under the tax rules, is it not?

Mr Banham—I will have to defer to Mr Chandler.

Mr Chandler—That is outside my area of expertise. I would need to check. I think that is right, but I am not sure.

Senator O'BRIEN—Who provides the telephone services to the department?

Mr Banham—At the moment, the services are covered under the Group 5 TES arrangement, which is Telstra Enterprise Services. Our carriage is provided by a combination of AAPT and Optus. We are transitioning. As we move out of the Group 5 arrangement, the ongoing provider will largely be Optus. Our switchboard services will continue to be provided through Consultel. I think that is about it.

Senator O'BRIEN—Of the voice communication costs, what part of the \$1.8 million do you know to be fixed costs? You said some will vary.

Mr Banham—Our fixed costs will largely be the switchboard operators, which is approximately \$250,000 over a two-year period. I say 'a two-year period' because the arrangement is for two years. Our PABX support contract is about \$300,000 over two years. Our facilities management is largely fixed. Again, a lot depends on accommodation changes—whether we move around a lot—and all the rest tend to be consumption based call costs.

Senator O'BRIEN—Do those costs include mobile phone costs, home telephones and the like?

Mr Banham—Not all of the mobile phone costs. Some of the mobile phone costs are pushed back to the individuals who have the mobile phones, and then it is met within the group. They deduct any private use and the relevant group, but mobile phones are a very small component of our overall voice carriage costs. By and large, like IT costs, they tend to be centralised and we meet them corporately.

Senator O'BRIEN—Is anything happening about the outsourcing of legal services for the department?

Mr Yuile—Yes, we do market testing for a number of our services, and legal services are amongst them. We decided about 18 months ago to have in-house legal arrangements, together with a panel that we can draw on for specialist services as required.

Senator O'BRIEN—Since the decision was made to keep the legal services basically in-house, has the staffing level in the legal area remained the same?

Mr Banham—The number of people in the legal unit has declined over the last six months, but the numbers are being brought up at this moment. We have just completed a recruitment process for four new in-house lawyers. One has started already and the others will be starting over the next couple of weeks.

Senator O'BRIEN—When did the decline occur? Have the positions been vacant for some time or have they just been vacated and are being filled?

Mr Banham—Largely over the last six months. We have had internal movement, where one of our senior lawyers has moved to another position within the department and another person has retired.

Senator O'BRIEN—And you are about to engage four?

Mr Banham—Four, yes.

Senator O'BRIEN—How many people currently work in the legal services area—that is, lawyers and support staff?

Mr Banham—Not including myself, but including the new starters, we have seven at the senior lawyer level, two at the principal lawyer level, one general counsel who is an outposted AGS officer and two support staff. We are currently in the process of recruiting for an office manager for the legal unit to help us manage the panel contract.

Senator O'BRIEN—How does that compare with staffing levels this time last year?

Mr Banham—I would have to check that, but I believe we are one up.

Senator O'BRIEN—Is this an area where there has not been a reduction in expenses?

Mr Yuile—If it is about Corporate Group, it is part of the Corporate Group. Corporate Group has sustained a reduction, as Mr Chandler said. Like all groups, managers have to make decisions about relative movement of staff, depending on priorities. It was not a big unit anyway and, as Mr Banham said, there has been some movement of a couple of our legal people from that unit to other parts of the department. In terms of employee expense, you see that reduction in terms of timing your budget through the year. Then you can think about staffing up when you see how you are going against your target for budget, and employee expense is part of that.

That is what all managers do. It is carefully monitoring workflow and your work force through the course of a year, and that is what has happened in the case of the legal unit. Because some of those people have moved to positions internally, in a way that has strengthened the expertise in some of those areas as well in terms of calls they might otherwise have made on the legal unit. It is a complicated answer.

Mr Banham—We have also made some efficiencies. We had two legal streams where we had the general counsel and we had the legal unit. The executive has agreed to bring those two together. My role has significantly diminished, which has produced efficiencies.

Senator O'BRIEN—Has the amount of legal work undertaken on behalf of the department by private firms remained constant?

Mr Banham—No. It would have increased, because we have introduced the external panel. I would have to take on notice the exact dollars. They may have simply taken money away from the AGS who was our main external service provider in the past.

Senator O'BRIEN—Can you check that?

Mr Banham—Certainly.

Senator O'BRIEN—How does the overall cost of legal services to the department compare over the last three years?

Mr Banham—I would have to take that on notice.

Senator O'BRIEN—Can you give us a breakdown of the cost of legal services, internal and external, for those three years and a projection for the next?

Mr Banham—Certainly.

Mr Yuile—The projection might be a bit difficult in terms of the demand-driven—

Senator O'BRIEN—It is always worth a try. The question was accepted, so I am expecting a very accurate answer.

Mr Yuile—Can I qualify that then? We can give you a figure now for this year, but you are asking for three years.

[10.29 p.m.]

Bureau of Transport and Regional Economics

Senator O'BRIEN—What is the funding allocation for BTRE for the next financial year?

Mr Mrdak—The BTRE is covered within the Policy and Research Group for the coming year. It is a distinct research entity for the department, separately branded, but it falls within my group in terms of administrative and budget. The total group budget for the coming year for the Policy and Research Group is \$16.2 million.

Senator O'BRIEN—Is there an identifiable budget for BTRE or is that a variable?

Mr Mrdak—It is a variable. One of the flexibilities we have been able to achieve with the group's structure is to move our staff within the group. We group staff as peak workloads and tasks demand rather than move our people and resources within the group. The BTRE does not have a separate identified budget within the group.

Senator O'BRIEN—That is the case now and that is the case for the coming financial year?

Mr Mrdak—Yes. We have found that it has worked very well in terms of meeting peak workload and tasks.

Senator O'BRIEN—What effect has that had on the research capacity of the BTRE?

Mr Mrdak—We have been able to maintain the BTRE published research program through the course of 2003-04. Dr Winternitz might want to comment. We are on track to deliver the BTRE research program that has been agreed by the minister.

Dr Winternitz—That is right, Senator. We have been able to maintain the research program and, indeed, continue our publications program and we will continue to do that. We are developing a research program for next year in the usual way. It is attached to the Policy and Research Group business plan and will be approved by the minister in the usual way as well.

Senator O'BRIEN—There was no reduction in output or the non-specific research aspects of the BTRE program this year?

Dr Winternitz—I would say not. I would say we are holding very similar to what we were before.

Senator O'BRIEN—You talked about the future program. Has the research program for the next financial year been finalised?

Dr Winternitz—Not yet finalised. We have a draft program. We are putting that draft program up to the senior executive of the department and then it will go to the minister in the usual way for direct approval.

Mr Matthews—The objective in all our planning and budgeting processes for each group is to know in advance—that is, before 1 July—what the budget is and to have settled before 1 July what is expected of that group. That is good management.

Senator O'BRIEN—BTRE should know its task for 2004-05 by 1 July.

Mr Matthews—That is correct. That is always our objective.

Senator O'BRIEN—When a proposal goes forward for research projects, do they include estimated time frames?

Dr Winternitz—Yes, in the broad, they do. We always have to be aware of the fact that when we scope a project and begin on a project other things may intervene, including data complications or access to particular information. Although we always start out with a generic time frame, those time frames can move.

Senator O'BRIEN—Will all research be undertaken in-house or does BTRE use external consultants to supplement?

Dr Winternitz—Almost all of our research at the moment is in-house. We have in the past occasionally had consultants do work under our supervision. That is not an unknown model but it is reasonably infrequent. The majority of our research is undertaken by the bureau staff directly.

Senator O'BRIEN—As an example, what was the cost of consultants for research in the current financial year? What is it expected to be over the financial year if there are some projects ongoing?

Dr Winternitz—I would have to take that on notice, Senator, but it would be a very small amount, to my knowledge. Certainly in the areas that I am responsible for there have been no consultancies. Mr Potterton may have had a very small amount or may not. We will have to get back to you on that, I am afraid.

Senator O'BRIEN—Does BTRE have a core staff and then take staff from other areas?

Dr Winternitz—It does. It has a core staff and most of them are specialist researchers with very high levels of research qualifications. We do bring staff in from other areas sometimes on particular projects that need their expertise.

Senator O'BRIEN—So what is the core staffing level?

Dr Winternitz—At the moment our staffing level is holding at—I can even quote it to you—37.24 operatives as of 30 April. I do not like the word 'operatives' but you know what I mean.

Senator O'BRIEN—Is that full-time equivalent or is that—

Dr Winternitz—Yes, 37.24. That level is similar to the level that was in the previous financial year.

Senator O'BRIEN—Can I ask about some of the research projects listed on the BTRE web site as part of this year's program. Transport Security: economic costs—has that project been completed?

Dr Winternitz—No, not at the moment. It is being supervised by Dr Ockwell and he can tell you the current state of it.

Dr Ockwell—For that project we have developed an analytical model. The need for that project now is to be able to obtain reasonable data on cost estimates associated with what might be the impact of increasing levels of security alert.

Senator O'BRIEN—How long is it expected it will take to complete the project?

Dr Ockwell—I would hope that we would have the project finalised by September this year, but that is dependent upon being able to obtain the relevant information from state agencies.

Senator O'BRIEN—I take it that is not information which is readily available.

Dr Ockwell—No, it is not.

Senator O'BRIEN—It has to be collated.

Dr Ockwell—That is part of the problem.

Senator O'BRIEN—Is there to be any reliance on international data?

Dr Ockwell—We have attempted to have a look at what might be the experience of countries overseas, like the UK, in relation to the IRA, but we found that it was very difficult for those agencies—similar with the US—being prepared to release the data. It is held in confidence and not made available, for obvious reasons.

Senator O'BRIEN—Another project I referred to was the transport infrastructure security issues project. Has that one been completed?

Dr Winternitz—That project was started. That is one in which we did some scoping work and discovered that it was not an easy project to proceed with. We have transformed that into a new project which will be undertaken next year—or in the coming months—and it has moved in the direction of maritime trade and freight for maritime trade.

Senator O'BRIEN—Do you mean in a security context, or generally?

Dr Winternitz—In a security context. It is still a security project.

Senator O'BRIEN—Have the AusLink project evaluation guidelines been completed?

Dr Ockwell—That project is still under way. I am responsible for that project. It is part of the portfolio policy work relating to the AusLink project. We expect to have that project to a final draft stage in July. It is a collaborative project engaging the states.

Senator O'BRIEN—Does that mean the final report has to be approved by the states?

Dr Ockwell—That is correct.

Senator O'BRIEN—What is the process to be undertaken to achieve that approval?

Dr Ockwell—A report will be provided to the standing committee on transport for final endorsement.

Senator O'BRIEN—When is that meeting of the standing committee?

Dr Ockwell—I think the next meeting is scheduled for around October.

Senator O'BRIEN—So the work will be completed in July, but it will not actually be ticked off until October.

Dr Ockwell—We do have the option to clear it out of session. We will certainly forward it to members once the draft has been ticked off by state colleagues.

Senator O'BRIEN—What are the main issues being considered in that report?

Dr Ockwell—It is a comprehensive overview encompassing strategic planning, network assessments, corridor studies, strategic merit test and benefit-cost analysis.

Senator O'BRIEN—How has it been undertaken in collaboration with the states? What process has been used?

Dr Ockwell—It was initially kicked off under AusLink. There was a common need seen around the states and also part of our process in terms of developing guidelines to assist in the appraisal of infrastructure proposals and, as part of that and further to the development of national transport plans, there was also a need identified to facilitate infrastructure development and planning and that was also encompassed by the report.

Mr Matthews—The Standing Committee on Transport, SCOT, which I chair, which is the subordinate committee to the ministerial council on transport, HEC, established a working group which has been very ably led by my colleague, Dr Ockwell—and that includes members from states and territories—and that is how they achieve their input.

Senator O'BRIEN—So they are not actually doing the research; they are consulting about the research done.

Dr Ockwell—I would say all members of the team have been very active in undertaking research on guidelines for the final report. As I mentioned, it is a collaborative project.

Senator O'BRIEN—Yes. How many staff at BTRE are committed to that project?

Dr Ockwell—I have two staff working to me from the BTRE on that project, not working on the project full time, but only part time.

Mr Matthews—Which means they have other tasks to do; it is not that they are part-time employees.

Senator O'BRIEN—So it is yourself plus two others.

Dr Ockwell—That is correct, but it is also not me full time—

Senator O'BRIEN—But in all cases you are doing other things—

Dr Ockwell—because I span six areas across the department. As chairman of the group it obviously requires my direction and input in terms of the development of the guidelines.

Senator O'BRIEN—Has BTRE done any work on the policy for conditional business credits for heavy vehicles?

Mr Mrdak—No. That work has been undertaken as part of the government's development of a key statement which is yet to be announced in relation to energy and environment matters. The reference in the budget is in relation to the work that will now be done by the department in relation to performance measures. The specifics of that program are yet to be announced. As I say, that will be part of a statement the government will make in the near future.

Senator O'BRIEN—Has the BTRE been engaged in consideration of the Sharp-Morris *Independent review of Australian shipping*?

Mr Mrdak—No. That is being undertaken elsewhere in the department.

Senator O'BRIEN—Whereabouts?

Mr Mrdak—Within my maritime area, within my policy group.

Senator O'BRIEN—Has BTRE been engaged in any work on intelligent transport systems?

Dr Ockwell—Responsibility for intelligent transport rests with me, as part of the technology and innovation team, but so far I have not engaged the bureau to undertake any work on my behalf on ITS. It obviously fits into other bureau projects, as it might relate to congestion management, those sorts of activities, but that is to the side rather than being directly involved in ITS research.

Senator O'BRIEN—What specific research is BTRE doing on multimodal transport systems outside the ITS system?

Mr Mrdak—There is no specific research program into multimodal transport as such, but if you look at the BTRE research program for this year you will see a range of areas which have some issues which touch on those things—

Senator O'BRIEN—What are they?

Mr Mrdak—but no specifics of them. Certainly the work that was done on AusLink and the like has looked at some of those issues as part of the modelling, but no specific multimodal work as such.

Senator O'BRIEN—I do not have any more questions specifically I can discover for BTRE. I can ask some questions that Mr Mrdak might not be able to answer. The ARTC lease negotiations—is that your area?

Mr Mrdak—Yes, it is.

Senator O'BRIEN—Can you update the committee on the progress of the ARTC lease negotiations with the New South Wales government.

Mr Mrdak—Yes. We are reaching the conclusion of all of that process. We are now scheduled for the Deputy Prime Minister and Minister Costa from New South Wales to sign the overarching agreement and for the ARTC and New South Wales Rail Authority to sign the lease and all of the supporting contracts on 4 June. We are now in the final stages of finalising

those contracts and agreements with a view, as I said, to those being entered into. That will formally enter into the lease. Then there is a 12-week period under which there is a transition period, under which ARTC will then gear up, which will enable ARTC to finally take up the management of the track from around early September.

CHAIR—Is there any real reason why the people from BTRE have to sit and listen to this? I reckon you should take a break and go home.

Senator O'BRIEN—Has the issue of the New South Wales branch lines been resolved?

Mr Mrdak—Part of the arrangements for the ARTC involves the ARTC managing certain lines in New South Wales which will not form part of the interstate lease nor part of the metropolitan area. ARTC is entering into a management contract with New South Wales for those, but when you say 'resolved', that will be one of the agreements which will be signed on 4 June and that will set the overarching management. Essentially, ARTC will become the track manager on behalf of New South Wales. The operational decisions in relation to those branch lines, the level of service required, the amount of funding and the like will remain decisions by New South Wales. Those decisions, beyond entering into that management agreement, have yet to be settled.

CHAIR—Does that include the Boree Creek line?

Mr Mrdak—That will, yes. That is one of the lines which New South Wales will remain responsible for.

Senator O'BRIEN—Why is that?

Mr Mrdak—Our business case, our lease proposal, was for the interstate and Hunter Valley track. Subsequent to that, ARTC has essentially negotiated with New South Wales to become the manager of the other branch lines in New South Wales, but the operational decisions in relation to the standard to which those tracks will be maintained and the like will remain decisions by New South Wales. They do not form part of the interstate rail network as such that the ARTC has been set up to manage but, because of their management expertise, New South Wales has taken a decision to contract them as the track manager.

Senator O'BRIEN—This is all lines used for whatever purpose?

Mr Mrdak—Some are used seasonally for grain haulage and the like; others provide country services. There is a variety of lines involved that are outside the interstate network and the Hunter Valley network which will be part of the formal lease. I can provide you with a map, if that would help, which indicates which tracks form part of the lease and which do not. I will try and get that for you tomorrow.

Senator O'BRIEN—Thank you. I note that the budget included two large financial injections for the ARTC: \$143 million has been previously committed and a one-off grant of \$450 million to be paid this financial year. Has the \$143 million already gone to the ARTC?

Mr Mrdak—No. That will be paid on the lease being signed on 4 June.

Senator O'BRIEN—Is the \$450 million related in any way to the lease negotiations?

Mr Mrdak—Not to the lease negotiations as such. It is an additional funding grant being provided by the government to the ARTC for the upgrade of the north-south interstate rail track.

Senator O'BRIEN—What will the \$143 million be required to be spent on?

Mr Mrdak—That is an equity injection into the ARTC. It is part of the \$872 million investment already announced for the upgrade of the north-south line, which is part of the lease. So that money will become available to the ARTC for the infrastructure upgrades which are part of taking over the New South Wales and Victorian mainline track.

Senator O'BRIEN—In relation to the north-south line, have any particular projects been identified and is the money tied to specific projects?

Mr Mrdak—As part of the lease announcement, yes. Quite a degree of detail has been provided as part of that announcement—and I can get you a copy of that—which sets out the upgrading works on each section of the interstate track. In relation to the more recent budget announcement, ARTC has been asked by the government to come back with its priority projects on the north-south corridor, and that is now being undertaken by ARTC to identify the most optimal spending areas for projects with that \$450 million.

Senator O'BRIEN—Is the \$450 million to be spent entirely in New South Wales?

Mr Mrdak—It is yet to be determined. We are waiting for final advice from ARTC on where the priority areas are. At this stage, the ARTC has identified that one of the key priority areas is the North Coast line. That is also in accordance with what the rail industry has been saying to us about where greatest need is, on top of the \$872 million already committed. We imagine that a fair proportion of it would be spent on the North Coast, but it is yet to be determined where the whole \$450 million will be spent.

Senator O'BRIEN—In terms of actually drawing down the money, will ARTC be required to submit a works program and receive the money for specific projects, or receive the money and acquit it as it spends it?

Mr Mrdak—The \$450 million will be provided as a cash grant this financial year. As I said, ARTC is submitting a list of projects to us, but it will then be a decision for the ARTC in terms of project timings as to how it spends that money.

Senator O'BRIEN—The \$143 million is a cash grant for equity purposes?

Mr Mrdak—The \$143 million is an equity injection, but the \$450 million is a cash grant.

Senator O'BRIEN—As an equity injection, will it continue to appear in the budget papers?

Mr Mrdak—Yes, it will. It is currently in the budget papers, and it has been for some time. It will then appear in the balance sheet of the ARTC.

Senator O'BRIEN—Are there any caveats as to when money must be spent?

Mr Mrdak—In relation to the equity injection?

Senator O'BRIEN—Yes.

Mr Mrdak—That has been part of the \$872 million investment as part of the New South Wales rail track lease.

Senator O'BRIEN—And the \$450 million?

Mr Mrdak—As I said, we are awaiting final advice from the ARTC on project timings and individual projects. That will be a decision we will make after we see the project advice from the ARTC.

Senator O'BRIEN—Is there a timetable for this expenditure?

Mr Mrdak—Not at this point.

Senator O'BRIEN—Media reports last week suggested that an additional \$550 million is likely to be forthcoming for the eastern seaboard rail system. Is that accurate?

Mr Mrdak—I am sorry, I have not seen those media comments. I could not comment.

Senator O'BRIEN—It was in the *Financial Review* last week.

Mr Mrdak—There has been quite a deal of speculation in the press in recent weeks in relation to what will be included in the government's AusLink package—the white paper which is due to be announced next month—but I cannot comment on that specific amount.

Senator O'BRIEN—You have not seen the article on page 1 of the *Financial Review* of 20 May?

Mr Mrdak—As I said, there has been a range of articles in the last few weeks since the budget speculating where the government's investment in land transport may be. That will be detailed in the government's white paper next month.

Senator O'BRIEN—You were not the government's source that said the money would be mainly used to fix the rail link between Sydney and Melbourne, in addition to the \$450 million previously allocated?

CHAIR—You don't have to answer that!

Mr Mrdak—Certainly not, Senator.

CHAIR—He is just trying to cause a problem in the last 30 seconds. Thank you very much.

Committee adjourned at 11.00 p.m.