



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT
LEGISLATION COMMITTEE

ESTIMATES

(Budget Estimates)

THURSDAY, 26 MAY 2005

CANBERRA

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SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT LEGISLATION

COMMITTEE

Thursday, 26 May 2005

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

Senators in attendance: Senator Heffernan (*Chair*), Senator Buckland (*Deputy Chair*), Senators Bishop, Crossin, Ferris, Hogg, McGauran, O'Brien and Stephens

Committee met at 9.02 am

AGRICULTURE, FISHERIES AND FORESTRY PORTFOLIO

Consideration resumed from 25 May.

In Attendance

Senator Colbeck, Parliamentary Secretary to the Minister for Agriculture, Fisheries and Forestry

Senator Ian Macdonald, Minister for Fisheries, Forestry and Conservation

Department of Agriculture Fisheries and Forestry

Executive

Ms Joanna Hewitt, 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

Ms Julie Hicks, General Manager, People and Planning

Mr Peter Moore, Manager, Budgets

Food and Agriculture (including Wheat Export Authority)

Mr David Mortimer, Executive Manager, Food and Agriculture

Mr Richard Souness, General Manager, Food Policy and Safety

Mr Roland Pittar, General Manager - Crops, Wine and Horticulture

Ms Sally Standen, General Manager - Meat, Wool and Dairy

Mr Tim Besley, Chairman, Wheat Export Authority

Mr Glen Taylor, Chief Executive Officer, Wheat Export Authority

Biosecurity Australia

Mr John Cahill, Interim Chief Executive, Biosecurity Australia

Dr Robyn Martin, General Manager, Animal Biosecurity

Ms Louise van Muers, General Manager, Plant Biosecurity

Mr Stephen Prothero, General Manager, Biosecurity Development and Communications

Market Access

Mr Paul Morris, Executive Manager, Market Access

Dr Dennis Gebbie, Chief International Agricultural Adviser

Ms Sarah Kahn, Technical Market Access Specialist

Mr Craig Burns, General Manager, Trade Policy

Dr Melanie O'Flynn, General Manager, Technical Market Access Strategy Branch

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

Mr Steve McCutcheon, Executive Manager, PIAPH

Dr Bob Biddle, Australian Deputy Chief Veterinary Officer, Office of the Chief Veterinary Officer

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

Mr Phillip Fitch, Acting General Manager, Animal and Plant Health Policy

Dr Peter Thornber, Manager, Animal Welfare, Animal and Plant Health Policy

Mr Laury McCulloch, Director, Australian Plague Locust Commission

Dr Joe Smith, Chief Executive Officer, Australian Pesticides and Veterinary Medicines Authority [APVMA]

Australian Quarantine and Inspection Service

Ms Meryl Stanton, Executive Director, AQIS

Mr Greg Read, Executive Manager, Exports and Animal Programs

Ms Jenni Gordon, Executive Manager, Quarantine and Plant Programs

Dr Narelle Clegg, National Manager, Animal Programs

Mr Peter Liehne, National manager, Plant Programs

Ms Cathy Cox, National Manager, Business Strategy Group

Ms Helen Banks, Chief Financial Officer, Business Strategy Group

Mr Tim Carlton, National Manager, Food Exports Branch

Dr Ann McDonald, General Manager, Technical Standards Branch

Mr Bob Murphy, National Manager, Cargo Management Group

Dr Andy Carroll, National Manager, Border Group

Mr Jeroen den Hollander, Regional Manager WA, Border Group

Australian Bureau of Agricultural and Resource Economics

Dr Brian Fisher, Executive Director, ABARE

Ms Karen Schneider, Acting Deputy Director, ABARE

Bureau of Rural Sciences

Dr Colin Grant, Acting Executive Director, BRS

Mr David Clarkson, Program Leader, Business Strategy and Operations Program

Ms Mellissa Wood, Program Leader, Data Library and Information Services Program

Dr John Sims, Program Leader, Climate Impact Sciences Program

Rural Policy and Innovation

Dr Cliff Samson, Executive Manager, Rural Policy & Innovation

Mr Matthew Koval, Acting General Manager, Drought Task Force

Mr Andrew Pearson, Acting General Manager, Science and Economic Policy

Mr David Williamson, General Manager, Rural Support & Adjustment

Fisheries and Forestry

Mr Daryl Quinlivan, Executive Manager, Fisheries & Forest Industries

Mr Allen Grant, General Manager, Fisheries & Forestry

Mr Glenn Hurry, General Manager, Fisheries and Aquaculture

Mr Gary Grant, Manger, Forest Industries

Mr Richard McLoughlin, Managing Director, AFMA

Mr Les Roberts, General Manager – Fisheries, AFMA

Mr Paul Murphy, General Manager – Operations, AFMA

Natural Resource Management

Mr Ian Thompson, Executive Manager, NRM

Mr Charles Willcocks, General Manager, Landcare and Sustainable Industries

Ms Heather Tomlinson, Acting General Manager, NRM Strategies and Climate Change

Mr Ross Dalton, General Manager, Water and Murray Darling Basin

Mr Simon Smalley, General Manager, Water Policy

Mr Gerry Smith, General Manager, Australian Government NRM Team

Mr Simon Murnane, Acting General Manager, Australian Government NRM Team

Secretariat

Mr Craig Penney, General Manager, Ministerial Services and Communications

Ms Kathy Walter, Manager, Parliamentary Liaison Service

Mr Alexander Evans, Parliamentary Liaison Service

Mr Andrew Burgess, Parliamentary Liaison Service

Ms Danielle Kellahan, Parliamentary Liaison Service

Ms Michelle Brotohusodo, Management Services

Ms Cass Simpson, Management Services

Mr Sam Roseby, Management Services

Observers

Mr Brendan Nerdal, Planning and Governance Section, BRS

Mr Tony de la Fosse, Program Manager, Corporate Services, APVMA

CHAIR—I declare open this public hearing of the Senate Rural and Regional Affairs and Transport Legislation Committee. The committee will continue its consideration of the 2005-06 budget estimates for the Department of Agriculture, Fisheries and Forestry. As I stated yesterday, answers to questions on notice and additional information should be received by the committee no later than 1 July 2005—by which time I hope the rain has arrived. I also remind officers of the Senate's resolutions relating to the expenditure of public funds and claims of commercial-in-confidence.

I welcome Senator Colbeck, the Parliamentary Secretary to the Minister for Agriculture, Fisheries and Forestry, and officers. If anyone wishes to make an opening statement, they may now do so, or we can go straight to questions. The ball is in your court.

Senator O'BRIEN—The next point in the report that we were talking about last night is improved biosecurity awareness. Is there a document that sets out the strategy for improving the awareness?

Mr McCutcheon—The short answer is that there is no document that sets out precisely that, but I can inform you of a couple of the activities that have been conducted under that to

achieve that outcome. The first relates to some work that the Australian Quarantine and Inspection Service have been engaged in, to deliver a biosecurity awareness campaign targeting farmers, particularly from non-English-speaking backgrounds. The objectives of that project are to generate some cultural change, to improve the biosecurity of individual farms, educate stakeholders about their roles and responsibilities in respect of biosecurity and, I guess, raise the general awareness of the importance of biosecurity in an Australian farming context.

The second project to achieve that particular objective relates to some work that the Bureau of Rural Science have been commissioned to undertake. They are looking at three case studies involving landholder practices and biosecurity risks in periurban environments. The three areas they have chosen are the Swan Valley catchment in Western Australia, the small block holdings around Bendigo in Victoria and the Sunshine Coast hinterland. All those areas have unique aspects and I guess they will look at some of the issues that we need to address in a biosecurity risk management context, such as the tensions that often occur between traditional farmers and small block owners.

Senator O'BRIEN—What sorts of financial resources are thought to be required for this task?

Mr McCutcheon—Just to give you an indication, and I have not got the figures for 2005-06 in front of me, both of these projects are continuing from last year, when we spent in the order of \$380,000 in both those areas. The non-English-speaking background campaign, which was particularly targeted at the Sydney Basin, delivered some excellent results in raising awareness in the communities there. In fact, it received an award for outreach activities in that area from a multicultural council in New South Wales.

Senator O'BRIEN—That is very good. The next point is 'implementation of obligations under the international conventions for chemicals'. How many international conventions relate to the use of chemicals?

Mr McCutcheon—The two that we are particularly concerned about—and that are part of this program—are the Australian government's obligations under the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade—often referred to as the PIC or Rotterdam convention—and the Stockholm Convention on Persistent Organic Pollutants. The first convention—the PIC or Rotterdam convention—refers specifically to the obligation that we have, when chemicals are either deregistered or not listed as a registered chemical in this country, to notify potential importing countries, so that we achieve one of the objectives of the convention, which is to prevent unused or unregistered chemicals being dumped on third countries. The second convention, the Stockholm convention, relates to our obligations to not register for use 12 chemicals—that is the number at the moment—which are deemed as persistent organic pollutants. Again, our obligations are to make sure that we have the mechanisms within the Australian departmental structure to ensure that we maintain our international reporting obligations in that respect.

Senator O'BRIEN—Are you able to say that we are meeting our obligations under these conventions?

Mr McCutcheon—Yes, at this point we are. The money that we have allocated under this program for those activities relates initially, to the communication of what those obligations are to relevant stakeholders in the Australian community and, secondly, to putting in place a database which enables us to maintain that information and provide appropriate reports to international organisations.

Senator O'BRIEN—So how often do we report to the international organisations?

Mr McCutcheon—I would have to take that question on notice.

Senator O'BRIEN—Would those reports be published? Perhaps you could tell us that as well.

Mr McCutcheon—Both of those conventions sit under the United Nations, so I would expect that the information would be available on the web sites of those particular organisations.

Senator O'BRIEN—If they are not, could you get us copies?

Mr McCutcheon—Yes.

Senator O'BRIEN—Further down the page a dot point says 'enhanced emergency pest response capacity and an ability to define plant health status'. I think we have dealt with what the current emergency framework is, haven't we?

Mr McCutcheon—That is correct. That is one of the activities.

Senator O'BRIEN—Can you provide details of the work that has been done and the work currently under way to improve our ability to define plant health status?

Mr McCutcheon—The major initiative under this project is the development of the Australian Plant Pest Database, which was initially established under the precursor program to this one. Essentially it is an internet based database that provides access to a collection of records of invertebrate and pathogenic plant pests held in collections throughout Australia. Currently it has close to 20 collections containing over one million records. Whilst that sounds like a large number, there is quite a bit of information still to be captured. So under this program we have allocated around \$450,000 to refine the database software and further refine the taxonomic checklist. We expect that expenditure to continue over the next three years as we build up that database. It is worthwhile mentioning that the reason we require a database of this magnitude is that in a trade sense we are often required to demonstrate our claims that we are free of a particular pest or disease. Having this facility enables us to do that in a fairly quick and accurate manner.

Senator O'BRIEN—What is the state of our present diagnostic capacity?

Mr McCutcheon—In the animal area, the plant area or in general terms?

Senator O'BRIEN—Plant health.

Mr McCutcheon—Diagnostic capacity in the plant area primarily rests at the state and territory level. With this program we are working with the states and territories to try and improve their capability in this area. The programs we are funding to do that include the development of training scholarships to develop skills in key plant disease pests. We are also developing diagnostic protocols and promoting the use of new technologies to enable a faster

and more accurate diagnosis. For example, we are developing protocols to enable diagnostic work to be done on a pest called the pine wilt nematode. We are also providing some money to help laboratories maintain their national diagnostic protocols. Laboratories need a certain amount of throughput each year to maintain their accreditation so that their results can be officially recognised as accurate. Through Plant Health Australia we are working through arrangements with various laboratories around the country to be able to do that.

Senator O'BRIEN—What about our plant health surveillance capacity?

Mr McCutcheon—With this project we are establishing a plant health surveillance network over the next 12 months and developing a hazard site surveillance protocol. Essentially we will use state and territory based surveillance coordinators to compile information on the surveillance activities they conduct within the region or jurisdiction. That information will then be captured under the biosecurity surveillance incident response and tracing system. This hazard site surveillance protocol is basically designed to collate a lot of the information that is out there in the states and territories so that at a national level we have access to a lot of the results of surveillance undertaken. That is particularly critical for trade, where we require that sort of information to demonstrate our favourable plant health status.

Senator O'BRIEN—The last dot point says:

... mitigating the impact of invasive species through improved early detection and rapid response to plant health invasive species.

There have been many aspects of what you have already told us that deal with that, but I guess the early detection is the end point of all the things that we have been discussing up to now—and responding as quickly as possible. We talked about the outbreak at Emerald. One wonders what would have happened had tests discovered something in 2001. What are we doing about that?

Mr McCutcheon—With respect to invasive species, this is focusing particularly on things like weeds and forest pests. In the case of citrus canker you are talking about an organism that appeared in an orchard that is regularly surveyed and is part of an agriculture production system. Invasive weeds or things like marine pests are often not recognised until well after they have been established. Under this particular initiative we are trying to look at ways of bringing forward the time period within which those particular weeds or pests are notified to authorities. It is not just an agricultural issue; it is an environmental issue as well and it is something that we are focusing on.

Senator O'BRIEN—Who is overseeing the work?

Mr McCutcheon—It is a bit of a joint effort. Our department is actively involved in some of this work. The environment department also has an interest in this area. It is one of those areas we hope that we can address, and we hope to more readily identify roles and responsibilities under the national biosecurity strategy, which we are in the process of developing.

Senator O'BRIEN—Often you see local government area pamphlets about invasive species, pest weeds and plants that are not recommended. Is there any attempt to engage the local government sector, to prepare some common publicly available information to try to get

a united front on some of these invasive species that find their way out of domestic gardens and that are already in the system?

Mr Banfield—You are probably into an area that it would be best to ask about under the heading of natural resource management, which is later on in the program. A lot of the work that is done on invasive species is done by the natural resource management area. Product integrity and animal and plant health obviously have a role in these wider issues but the specifics are probably better picked up by that area.

Senator O'BRIEN—I suppose it has overlapped because of the point in that report that seems to deal with invasive species.

Mr Banfield—The two areas work together but the expertise on invasive species in that sense is with NRM.

Senator O'BRIEN—I want to proceed now to the Tuberculosis Freedom Assurance Program. Can you give me some detail on the National Granuloma Submission Program referred to on page 50 of the PBS?

Mr McCutcheon—In relation to the Tuberculosis Freedom Assurance Program, the work has been going on for a period of about 36 years—to have a national eradication program for bovine tuberculosis. This program is managed by Animal Health Australia—and it does that in accordance with a deed of agreement signed by all parties, including the Commonwealth. The way the program works at present is that the states have responsibility for any field operations, the Commonwealth and the states fund abattoir surveillance and the industry funds compensation for any cattle destroyed as part of eradication activities.

The current program could best be described as an exit strategy for this long-running national program. So from 1 January 2007 stakeholders have agreed to a range of arrangements to be put in place to ensure the management of Australia's recognised TB-free status. Those arrangements have been endorsed by both industry and governments. In relation to your specific question, the National Granuloma Submission Program is essentially one of those areas that the Commonwealth has been contributing funding to. The Commonwealth will continue to do so for the next two years, until the transition to the risk based surveillance program is completed. We also contribute a one-eighth share to the national program management costs.

Senator O'BRIEN—Why is a reference to this in your program if it is animal and plant? You said it was in the PBS under 'Product Integrity, Animal (including aquatic animal) and Plant Health'.

Mr McCutcheon—It is like a number of programs that our division administers. Animal Health Australia, or Plant Health Australia if it is a plant issue, is the service delivery vehicle for that.

Senator O'BRIEN—I have some questions for APVMA. Is it reasonable for me to compare last year's PBS for the National Registration Authority for Agricultural and Veterinary Chemicals and the APVMA?

Dr Smith—Yes, it is, bearing in mind that, between last year's PBS and this year's PBS, there has been an introduction of a new cost recovery framework for the APVMA so that those differences will be reflected.

Senator O'BRIEN—On page 265 of last year's PBS funding for independent product assessment was \$18.58 million and on page 130 of this year's PBS the estimated actual figure for independent product assessment is \$18.211 million. Next year it is budgeted to increase to \$19.975 million.

Dr Smith—Yes.

Senator O'BRIEN—It seems to have been basically on track this year and it is going to go up next year. How do you explain that difference?

Dr Smith—The independent product assessment covers, if you like, the bulk of the APVMA's core registration and approval activities, so that charge includes the cost of operation of our evaluation and registration activities. The key factors driving the increase in those costs relate to a couple of things in particular. Last year, for a number of reasons—and I will talk about those—the number of applications that we referred to external agencies such as the Department of Health and Ageing and the Department of the Environment and Heritage was lower than normal. To explain, in evaluating agricultural and veterinary chemical products we seek expert evaluation on public health issues from the Department of Health and Ageing and on environmental issues from the Department of the Environment and Heritage.

Last year, the number of evaluations referred to those departments was reduced—it was lower than it is normally. We believe the reason for that is the fact that new data protection legislation was implemented last year and companies were perhaps holding off submitting applications for new chemicals or major extensions of use—that is, the sorts of applications that would need to be referred to the Department of Health and Ageing and the Department of the Environment and Heritage. This year, a significant increase in our budget relates to the increased referral of evaluations to those agencies—that is, bringing the rate back to a normal historical level.

The sort of figure that we are talking about for those particular applications in terms of the agencies is about \$700,000. We also have external assessments done on the efficacy of products that are submitted to us. That is usually done by contractual arrangements with the states—people in the state departments of agriculture and the environment—and we anticipate that would be of the order of an additional \$200,000. That is a significant factor in the increase.

Senator O'BRIEN—The forecast total cost for product quality and compliance of \$3.288 million in last year's PBS was revised downwards to \$2.96 million. Why is that?

Dr Smith—Is that the projected outcome for the 2004-05 year?

Senator O'BRIEN—Yes.

Dr Smith—There are a couple of reasons. Within that program there are two relatively new initiatives which have been implemented. Those include the Adverse Experience Reporting Program for Agricultural Chemicals. Historically, the NRA has had an AERP program for veterinary medicines. It also includes a newly introduced program for the quality

assurance of agriculturally active constituents and products. The forecast expenditure on the agricultural adverse experience program in particular has not been at the level that was expected over the year, so the program is basically just building up. The number of reports of adverse experiences that we were predicting has been less than was forecast.

Senator O'BRIEN—What would 2,4-D be used for in Australia now?

Dr Smith—2,4-D is a very widely used herbicide in Australia for control of broadleaf and grass weeds—in an extensive range of crops. It is widely used in various sorts of agriculture: broadacre farming—

CHAIR—Broadleaf weeds?

Dr Smith—Yes.

Senator O'BRIEN—So its use is widespread, is it?

Dr Smith—Yes.

Senator O'BRIEN—Is it pasture and crop based?

Dr Smith—Yes. It is also used in turf situations.

CHAIR—It is specifically a broadleaf killer.

Dr Smith—That is right.

CHAIR—That is what it is used for. Wherever the broadleaves are, it will do the job.

Senator O'BRIEN—A statement on the APVMA web site says:

If APVMA finds that spray drift associated with a chemical application would be likely to cause such harm, APVMA cannot allow that product to be used unless a way can be found to prevent that harm from occurring.

I am told that there has been spray drift of 2,4-D affecting food crops in the Murray Valley. When did APVMA first become aware of that?

Dr Smith—The range of 2,4-D products has been registered in Australia for many years—for decades, in fact—and those products have been widely used. As to when we became aware of reports of crop damage associated with spray drift, I do not have a precise month to give you, but it was probably in the second half of last year or towards the end of last year.

Senator O'BRIEN—How widespread was the problem?

Dr Smith—One of the difficulties in identifying the breadth of the problem and the nature of the problem—and these investigations are carried out by state departments that have responsibility for the use of pesticides—has been the difficulty of pinpointing which particular product is responsible for the reports of damage. There were a number of anecdotal reports of off-target damage with different crops. But in terms of then getting information from the state's investigation as to what the particular product was that was causing that damage, it is only recently that we have had that sort of information made available to us.

Senator O'BRIEN—What threat does 2,4-D pose to humans and animals caught by spray drift?

Dr Smith—The APVMA has under way at the moment a very comprehensive review of all 2,4-D products. It is an extremely comprehensive review. As I am sure you are aware, there are some 130 products with 2,4-D and its various analogues registered in Australia, and those analogues include the free acid amines and various types of esters. That review is under way and it will be another year or more before it is completed. As part of that review, we will be assessing all of the available literature, in terms of the toxicology risk, the environmental risk and other risks such as the potential for spray drift, related to 2,4-D. As an initial comment, the information we have from the health department is that there are not significant public health concerns with residues from 2,4-D. So it is not a key issue of public health concern, though we will be looking at those aspects, in conjunction with the department of health, in considerable detail.

Senator O'BRIEN—I understand that some food crops were affected. Would that mean that the Melbourne markets might have received products affected by spray drift?

Dr Smith—That is possible.

Senator O'BRIEN—Once APVMA became aware of this matter, what action was taken?

Dr Smith—A number of actions. Firstly, it was important for us to liaise with the states to ensure that we got accurate detailed information about the nature of the problems. It is not possible for us to take regulatory action without good evidence. I am sure you would appreciate that. There are other things we are doing. We have the review of 2,4-D; that was already under way. At the moment we are looking at taking some interim actions, pending the completion of the review, to help address these issues in the shorter term. Those interim actions are twofold, I guess.

The first is that in October 2003 our legislation was amended to give us the ability to vary the instructions on a product label without having to go through a full formal chemical review process. So we are looking to vary—we have already started in this regard—the instructions on the existing labels, some of which have been around for decades, to strengthen the warning and the information related to spray drift potential. I should also say that the issue is not just spray drift; there is an issue of spray drift and also an issue of volatility. The drift is in terms of the application of the herbicide and the volatility is in terms of how likely it is to drift after it has been applied, if you like. So the first thing is to strengthen the labels.

The second thing is that we are investigating in collaboration with the states the development of formal seasonal no spray windows for certain potentially higher risk products. As I mentioned, the states have responsibility for the use aspects. There are already, in some states, times during which 2, 4-D and other pesticides cannot be applied. What we are doing—and we hosted a meeting with the states recently—is trying to coordinate a nationally agreed and nationally consistent approach to the windows when these products can be applied.

Senator O'BRIEN—How would you achieve national consensus?

Dr Smith—We would achieve that through the National Registration Scheme for Agricultural and Veterinary Chemicals, which is a partnership, if you like, between APVMA and the states, whereby we regulate up to the point of retail supply and the states regulate beyond that. We have a number of forums where we can discuss issues at the interface and

seek agreement, so we would be looking to seek agreement within the framework. To the extent that we can do so within our legislation—and I think this can be explored further—we would be looking to include those instructions on product labels as well.

CHAIR—One of the things that came out of the 1990 Senate Select Committee on Agricultural and Veterinary Chemicals in Australia was a recommendation—which gladly, I have to say, has been adopted—for chemical users to do a course and get a chemical users certificate. Anyone who has a chemical users certificate is acquainted with all the things you are discussing here.

To cut to the chase: with 2,4-D the rate at which the water goes on with a plane is 15 to 20 litres per hectare. The most practical rate with a ground unit is 50 to 100 litres per hectare and, if you are using something like trifluralin, you would probably put 200 litres per hectare on. If you increase the water rate and the droplet size you do not get drift. What you spoke about is right on the money, but what we are really talking about is the esters, and with them it is not a question of drift but of volatility. On a hot day, esters have a well-documented capacity to go two or three miles down a valley with no trouble at all. All the people who get a certificate—which was a recommendation of this inquiry, which, as you know, Senator O'Brien, I have a view that we ought to revisit—would be well acquainted with that.

Dr Smith—I agree absolutely. In terms of user training as well, the APVMA is very much engaged with training organisations to help promote consistent national training standards around Australia. Senator O'Brien, you asked how we would go about achieving that, and there is one other element to our strategy. Within our legislation we have a provision to declare something a restricted chemical product. Historically, not many chemicals have been declared restricted chemical products but what that means is that, once they have been, they can only be supplied to and used by appropriately authorised people—people authorised by the states. For example, a topical chemical at the moment is 1080, which is restricted.

The other thing we are exploring is whether we can develop the case for having these products—particularly the more volatile ones that Senator Heffernan was referring to—declared as restricted chemical products, so that they can only be accessed by people who are appropriately authorised and have the right skills.

CHAIR—From everyday experience, I have to say that no-one around my way uses ester.

Senator O'BRIEN—Do you know what particular products have been applied in the circumstances we have been talking about?

Dr Smith—No, I do not have that particular information.

Senator O'BRIEN—Would the states have it?

Dr Smith—They may have. That is the sort of information we are working with the states to get at the moment. I can check and then provide that detail to you.

CHAIR—To go a bit further on that, I have been critical of the chemical practices in plantation forestry. I equate the situation in plantation forestry to the situation with cotton 20 years ago—which is basically on the money, I think. When I was a kid, we used to jet sheep for blowflies, and you would get covered in Dieldrin.

Senator FERRIS—Now we know what your problem is, Senator Heffernan!

CHAIR—With modern laser surgery you cannot see where they took the second head off. But we have come a long way and it is something about which there is increasing awareness. In due course, later today, I would like to talk to you about paraquat and the tyrosine family.

Dr Smith—Yes.

Senator O'BRIEN—When did the APVMA set a maximum residue limit for 2,4-D? That is not your job, is it?

Dr Smith—Part of the process in registering an agricultural chemical product is that the APVMA establishes a maximum residue limit, on the basis of good agricultural practice. So the process in general terms is that we receive an application to register a product, we look at the proposed use, we get residue trial data submitted to us as part of the application and, on the basis of that trial data, we assess the likely level of residues that will occur on a product as a result of the use, if it is approved. A dietary risk assessment is done on the basis of that, which is then compared with the dietary intake information. If the level of residue that is likely to occur from the use of the chemical goes anywhere near the safe dietary risk level, that use is not approved, and huge safety factors are built into that.

To complete the setting process for the MRL, the APVMA establishes an MRL, but the MRL becomes law in Australia when it is incorporated into the Australian Food Standards Code, which is the responsibility of Food Standards Australia New Zealand. So we liaise very closely with them. Once we have set an MRL as part of the registration process, the Food Authority, having worked with us in the setting of that, goes through their consultation processes and discharges what they have to do under their legislation to set an MRL.

To answer your question about 2,4-D, there have been MRLs for 2,4-D in a range of crops for many years. I could check the exact date that an MRL was set, but I expect in different crops it would go back to pre-NRA days.

Senator O'BRIEN—Are our MRLs the same as those which exist overseas for the same product?

Dr Smith—Not always. Generally we are fairly well lined up with places—with things like Codex—in other countries—but there are differences. I cannot tell you specifically how they line up on 2,4-D products. I could check that information and provide that to you.

Senator O'BRIEN—If you could, please.

Dr Smith—We will do that.

Senator O'BRIEN—Have you had specific discussions with FSANZ about this issue?

Dr Smith—Yes. We have regular discussions with FSANZ on MRLs, and we have had specific discussions on this issue as well.

Senator O'BRIEN—What has been the product of those discussions, if any, to date?

Dr Smith—The advice generally from FSANZ in terms of dietary risks is that the sorts of levels that we are talking about in various food products are not considered to be of any human health concern. Apart from that, the FSANZ-APVMA interface is a fairly standard well-oiled process. When we are developing MRLs, we work closely with scientists in

FSANZ to do the dietary risk assessment and so, by the time these things get to FSANZ, coming out of our processes, there are very few surprises.

Senator O'BRIEN—Do we know whether there are some human beings who are more sensitive than others to residues of this chemical?

Dr Smith—I am not personally aware of that in terms of 2,4-D. One of the key bits of information in all of this is that there are very significant safety factors built into the setting of an MRL. We are talking about 100-fold or more safety factors at different stages.

CHAIR—I have been gently trying to persuade my committee that it is time to revisit what we visited in 1990 and have a little inquiry into the present regime of farm and agricultural chemicals. What is the position of paraquat in Australia? In the States, paraquat was subject to court proceedings and allegations of falsifying research et cetera. There was a series of court actions.

Dr Smith—You are talking about paraquat as opposed to atrazine?

CHAIR—Yes. We will come to atrazine.

Dr Smith—There are a number of comments I would make in relation to paraquat. Firstly, it is one of the big reviews that is going on at the moment under our chemical review program where we review existing chemical products. We are looking at anything and everything to do with paraquat.

CHAIR—How long have you been looking? What is its present status in America? Or should I google that for you?

Dr Smith—I can tell you that. Paraquat was first registered in the United States of America in 1964. The uses for paraquat in the US are similar to situations in Australia. Some of the major US users are corn, soya bean and cotton. In 1997 the US EPA did their review, which is what they call a reregistration eligibility decision—their RED document. They concluded that paraquat would not pose unreasonable risks or cause adverse effects to humans or the environment when used in accordance with their approved labelling.

CHAIR—Was that subject to a court challenge?

Dr Smith—I am not sure of the detail of the court challenge but I understand there could be some legal challenge.

CHAIR—And allegations of falsifying scientific evidence on behalf of the company concerned.

Dr Smith—I know there is also a legal challenge in the European Commission in relation to paraquat.

CHAIR—In determining your position and Australia's position on paraquat, will you await the completion of those legal challenges?

Dr Smith—Not necessarily.

CHAIR—Paraquat is not a very nice chemical, I can assure you as someone who has already had his first laser hit.

Dr Smith—It is a particularly toxic and nasty chemical.

CHAIR—For the benefit of the committee, it was the original knockdown chemical in a thing called Sprayseed in Australia, which has been absolutely overtaken by Roundup, a much better chemical.

Dr Smith—Glyphosate, yes.

CHAIR—I will await with interest the—

Dr Smith—In conducting our review we will look at everything that is around on paraquat. We will assess it scientifically, and our draft report, as always, will be publicly available for comment, scrutiny and criticism.

CHAIR—The challenge in the States was obviously around the carcinogenic properties of this chemical. There was competing science used to protect the marketability of the product, I might suggest.

I would like to talk about the triazine family, which includes simazine, atrazine et cetera. There was an article in the *Financial Review* a few weeks ago which I thought was well researched. Did you see that?

Dr Smith—I did, yes.

CHAIR—It referred to the registration level for triazine and the difficulty with triazine as a free-emergent grass killer—used in farming, though not that often, on crops such as lupins, to remove grasses. I can give you the rates that go on and the amount of water used, if you like. The more you put on the longer you kill the weeds for, so you can actually stop all grasses growing for a couple of years, if you whack enough on. Dryland farmers have reached a situation which we call ‘zero till’, where there is just one pass and then you sow. It used to be that you fallowed it in the summer, you worked it when the skeleton weed came up and you destroyed the structure of the soil, which in clear-felling in some forestry practices tends to happen—where they pulp the soil and eventually they spray the simazine on, to protect the small plants.

Because it is a base chemical it is bigger than a lot of the surrounding soil and it is the first to move if you get heavy rain, depending on the rate at which it is put on. I know there have been a series of documented fish kills in some of the streams in the Bombala-Delegate area. I had cattle agisted on a place there a couple of years ago and I was there one time and I started thinking about catching a trout. I said to the bloke, ‘Do you think I could catch a fish in that stream?’ He said, ‘There’s no fish in there; they’ve all been killed.’ So I am pretty concerned about this. My question is: if the research in the *Financial Review* article is true, why are we tolerating atrazine at levels many times above the levels they tolerate in Europe? The difference was huge. Is there a reason for that? Are we tougher here?

Dr Smith—No. While there were some interesting points in that article, there were also some errors of fact.

CHAIR—That is why I thought I would get you to sort it out for me.

Dr Smith—There are a couple of things. One is that atrazine is one of the chemicals that the APVMA has extensively reviewed over the last decade. This is all publicly available on our web site. In 1997 we issued an interim report containing some 600 pages of very detailed and comprehensive assessment of everything that was available on public health and

environmental risk at that time. We implemented a number of actions to reduce the risk of ground water contamination and we required some more monitoring data to be compiled. The sorts of actions that we implemented involved putting limits on the amount of active ingredient that could be applied per hectare, how close to lakes and dams it could be applied and things like that. I think one of the themes of the *Financial Review* article was to question the integrity of the assessment, in a sense, by virtue of its similarity to the US EPA assessment. Our assessment was a completely independent and thorough assessment of all the information available at that time.

More recently, we have received the monitoring data and the residues monitoring data that we asked for and reviewed it. We issued our draft report in December last year, and we are currently assessing public comment received on that draft report. Before we release that draft report, we held it up in particular to look at more recent information that had been published in the United States about things like endocrine disruption—the effect on frogs, for example. That has all been thoroughly assessed. The conclusions in our report indicate that the very strong advice to us from the department of health is that it is unlikely to be carcinogenic. That finding is consistent with the findings of not only the US EPA but also the WHO International Agency for Research on Cancer, which is the premier agency in carcinogenicity assessment in the world.

The National Health and Medical Research Council set the health levels that were talked about in the article—the 40 part per billion level—not the APVMA. They set that on advice from the department of health. The guidelines also say that that is the level below which it is considered safe in terms of a health effect, but they say that no atozine should be detected in water. That is basically what they are saying, which is what our review says. No atozine should be detected and, if it is detected, it should be investigated and remedied.

CHAIR—And it has been and is in Australia. What consideration do you give to the accumulation of homeopathic doses of chemicals in the body? To demonstrate—Senator O'Brien, I assume you know what I am talking about—if you drink a glass of something that is a straight chemical, you are likely to spew it out, to get rid of it straightaway, whereas if you have just a tiny little drop in a glass of water, down it goes. If it is a chemical such as dieldrin or others from that family, it will accumulate in your liver and other places in the body, and in the long-term you have had it. In your research into this family of chemicals in Australia, did you take into account the possibility of the long-term effect of contamination of some aquifers in parts of America, such as in the corn belt, and in parts of Europe occurring here? They have permanent contamination of some aquifers over there.

Dr Smith—There are a number of aspects to that. In assessing the health implications, the Department of Health and Ageing looks at both acute and chronic effects—short and long-term effects—when conducting a toxicological assessment. That is considered in their evaluation. As to the specifics of the toxicity assessment, I am getting a little bit out of my depth. The environmental assessment—as I said, both the 1997 report and the 2004 report are publicly available on our web site—looks at the nature of the aquifer and the soil and at the potential for atozine to migrate through different soil types, whether it is clay or sandy loam. There are recommendations in the report which are derived from that assessment.

CHAIR—I am not for a minute suggesting that anyone in the planning side of this has done anything other than be right on the money. The difficulty is putting that into practice in the paddock. For instance, the Tassie government—and I will come to the mainland in a minute; everyone is guilty of the same sins, in my view, in forestry—say that they do not use it on public land. That is true. It gets used in the first rotation by private operators down there.

I have talked to some of the operators and one of the problems is that it is aurally flown on. As you say, according to your guidelines it has to be kept out of waterways et cetera. That, of course, simply does not happen when they do it aurally. I have photos and evidence of that. I have a photo of one poor farmer down there, with a chopper flying overhead. Down at the back of his farm he had a dam, which is spring-fed and supplies his house—and straight over the top of the dam went the chemical. He feels pretty unhappy about that. All Australians are entitled to know when they have a drink of their local water that it is not going to in time kill them.

To give you further evidence that people get used to their own dung hill, I was speaking to one of the journalists down there and this person said that their mum and dad live down a certain valley in southern Tasmania and they have known for many years that they cannot drink the water out of the local stream. Whilst the guidelines are perfectly in order, the supervision of those guidelines is a completely different matter.

Dr Smith—I can understand the situation. As I mentioned earlier, the National Registration Scheme is a partnership between the APVMA and the states. The states have responsibility for control of use.

CHAIR—Yes, I appreciate that. Once again, like the rivers, things do not stop at the borders. It is like the canker problem. These are issues that I intend, if I can get the cooperation of this committee—I am sure I will—to have a bit of a tangle with.

On 1080, once again I will declare an interest, Senator O'Brien: I have used 1080. But we always bury the bait.

Senator O'BRIEN—How does it affect seagulls?

CHAIR—The difficulty once again there is the method of application. If you aurally fly baits on, obviously you are going to kill everything that is about. One of the arguments that is used to defend the use of 1080 in certain situations is the tonnage that is used in Australia versus the tonnage that is used in a particular industry. But it is a very successful bait for foxes, for instance, and there are huge programs in New South Wales where the whole area baits at the one time. But the baits are buried. Do you have any guidelines on the use of above-ground versus below-ground 1080?

Dr Smith—A draft review was released on Monday of this week for public comment. The preliminary findings—I will have to check the details of this—in terms of laying bait for feral pigs, give advice that the baits should be buried.

CHAIR—I must admit that I have done that also; I have used it on pigs

Senator O'BRIEN—There was a program recently on the development of baits where the medium is designed to attract some species but will not be taken by others. I do not know a lot about it, but that was on a scientific program on the television.

Dr Smith—I have to say that I am not an expert in 1080 baits, but by the nature of what you use in the bait, how you place it and all of that, you can minimise the risk of off-target damage.

CHAIR—That is exactly the point. If you just fly it out of the window of a plane, you obviously have a catastrophic effect. For instance, you might kill a bird, something else comes along and eats the bird and so it goes on. But there are ways to responsibly use 1080. Certainly, for dry land farming practices, coming up to lambing et cetera, they are buried. What most blokes do is drag a dead sheep or something—you do not have to drag a dead sheep, because the foxes have a bloody good nose—to a spot and mark the spot with a bit of twine on the fence or something. Then you go along later and pick up the baits that have not been taken. You will find that in different places, through pot holes and things, you will keep losing the bait, so they are not taken there. There is quite an art in using 1080, but it can be used in a responsible way. If it was used irresponsibly on a farm, you would lose all your dogs first-up for a start and we do not; we target the species and that is all.

Dr Smith—The preliminary findings report makes a number of specific recommendations and gives advice about how 1080 baits should be laid to maximise the potential effectiveness.

CHAIR—Do they make any commentary about above ground application?

Dr Smith—Aerial application? I do not believe the review recommends not using aerial application at this stage, so I would be interested to see whether commentary comes in on that during the public comment phase.

CHAIR—Just give me a ring—I will give you plenty of commentary! Thanks very much. There are no further questions.

[10.05 am]

Australian Quarantine and Inspection Service

CHAIR—Welcome, ladies and gentlemen. I hope you have all got your armour plate on.

Senator O'BRIEN—You had better go first then.

CHAIR—No, only bluffing.

Senator O'BRIEN—On budget night this year, Minister Truss, the Minister for Agriculture, Fisheries and Forestry, announced in a press release that an amount of \$560.9 million would be provided over four years to AQIS, Biosecurity Australia and Customs to maintain the quarantine border security program. Does that mean an extension of the four-year program? I think that is right, isn't it—you are extending the previous program?

Ms Stanton—Yes, that is an extension of the program.

Senator O'BRIEN—The funding provided in 2001 was \$596 million over the four years to 2005, which is \$35.1 million more than has been provided for the next four years. Why the difference?

Ms Stanton—Let me lead you through it. There are some ons and offs that we need to go through, so bear with me. As you said, the 2001 figure was \$596.4 million. \$281.4 million of that was AQIS funding. In addition, there was the separated out so-called Nairn funding—funding that had come in the late 1990s after the Quarantine review chaired by Professor Mal

Nairn—and there was funding for the Northern Australian Quarantine Strategy. Together, the four-year value of those bits of funding was \$49.2 million. That takes us in that case up to \$330.6 million over the four years.

However, that figure includes an estimate of cost recovered income for import clearance and sea ports over that time of about \$60 million and the figures this time do not make an estimate of the cost recovered figures. From the \$330.6 million that we just got to we should take off \$60 million and that leaves us with \$270.6 million. In the 2005 budget we have received \$266.1 million. The difference between \$270.6 million and \$266.1 million is largely explained by the fact that we already had one year's NAQS funding of \$4.7 million in our forward estimates. When you add that in to the \$266.1 million that takes you very close to the \$270.6 million. It is about \$200,000 difference and I suspect that is actually in the rounding. The amount of money we are receiving is exactly the same as it was.

Senator O'BRIEN—Predicated on that level of cost recovery?

Ms Stanton—In fact, the level of cost recovery over the four-year period has increased slightly. In 2001 it was approximately \$15 million; it is closer to \$19 million per year now. I should say, in that \$266.1 million the Nairn funding and the NAQS funding, except for the one year that was already in this forward estimates, are now rolled into that, it is a single program.

Senator O'BRIEN—Over that period there has been something approaching a 30 per cent increase in cost recovery charges. How has that come about?

Ms Stanton—Largely, indeed, through just increased activity, increased import clearance activity in particular, increased passenger activity—passenger activity in terms of treatment costs and so on. The bulk of our airports program is budget funded through the passenger movement charge. There has been, basically, an increase in activity and for some export programs too.

Senator O'BRIEN—What is the passenger movement charge raising?

Ms Stanton—I do not have an exact figure, although Ms Gordon may go closer than I. My understanding is it is approximately \$70 million a year we get from passenger movement charges. In 2004-05 we are expecting to get just over \$70 million, about \$71 million, from the passenger movement charge, but that is included in the budget figures.

Senator O'BRIEN—How much is raised by your import processing charges?

Ms Stanton—I would have to see whether Ms Gordon has a figure for our import clearance charges.

Ms Gordon—It was in the order of \$86 million to 87 million for the past financial year for the import clearance program which is our cargo clearance activities.

Senator O'BRIEN—How do we arrive at the \$19 million per annum cost recovery figure?

Ms Stanton—That is a net figure after salaries and so on are taken into account.

Senator O'BRIEN—So that is the profit?

Ms Stanton—It is the residual which goes into the industry reserve to look at evening out the fees.

Senator O'BRIEN—There is a surplus of receipts over costs of \$19 million a year out of those passenger movement and import processing charges.

Ms Stanton—And other charges. I do not have that particular breakdown. I would have to take that on notice as to the precise costs recovered in ons and offs.

Senator O'BRIEN—Yes, if you would, please. So presumably there will be no impact on the number of inspections arising out of the budget changes?

Ms Stanton—There should not be. The inspections for passengers coming into the country will remain at a similar number. Similarly, for import clearance our rates of intervention levels are expected to remain the same throughout. That is subject over time to the extent to which passenger numbers or import levels may increase.

Senator O'BRIEN—We are certainly getting plenty of imports. What about staff numbers, will they remain basically the same?

Ms Stanton—Yes.

Senator O'BRIEN—On page 51 of the PBS we are referred to border security arrangements and the provision of appropriate border control arrangements for international passengers, cargo, mail, aircraft and other vessels entering Australia and on the next page there is performance information. Performance is measured by:

- Quarantine intervention levels at the border.
- Quarantine risk effectiveness at the border.
- Level of awareness of AQIS quarantine services.

I am particularly interested in the level of inspection of containers at ports. What is the current inspection regime for containers at ports?

Ms Stanton—I will hand over to Ms Gordon to answer that specific question in a moment, but in terms of our quarantine performance indicators generally we have targets for quarantine intervention levels and quarantine effectiveness levels, which we can describe to you. They have been set for us as part of government policy. Also in terms of level of awareness of quarantine services, we can also provide figures on those at some stage if you are interested.

Ms Gordon—Senator, you would appreciate that when the government set the original intervention targets for us for containers at ports it was for 100 per cent intervention levels and we have achieved that.

Senator O'BRIEN—So every container is inspected?

Ms Gordon—There is an external inspection of every container that comes through the ports.

Senator O'BRIEN—Going beyond external inspection—what are the other inspections that AQIS carry out?

Ms Gordon—I will ask Mr Murphy to explain the regime that we have in place.

Mr Murphy—The process is that, prior to cargo coming into the country, importers lodge the details of their cargo into the Customs system. Within that system we have profiles which identify goods of quarantine interest and they essentially are then directed to us for us to

respond to in the appropriate way. As Ms Gordon said, we do 100 per cent of the external surfaces of containers coming into the country and we have maintained that. On the basis of those profiles, we inspect and/or treat about 12 per cent of the contents of containers that come into the country.

Senator O'BRIEN—Is that a process of opening the container and inspecting the contents?

Mr Murphy—That is right.

Senator O'BRIEN—Is there a protocol for working with Customs in that process?

Mr Murphy—Yes, we have a very close relationship. As I said, rather than importers lodging documents twice they lodge them once through the Customs system. We work closely with Customs on that so that we have access to that information. Our profiles run over the same information and we treat those within AQIS. The message to importers about what we want done goes back through the Customs system, so there is a close integration of our operations and our interaction with clients, for obvious reasons.

Senator O'BRIEN—Is an X-ray process used for your purposes at all?

Mr Murphy—We use X-ray at a number of levels. We have mobile X-ray machines that we use for particular purposes. We have our own fixed X-ray machines in some facilities, as do Customs, and we use those jointly. We also have staff located in the Customs container X-raying facilities that exist at ports around Australia.

Senator O'BRIEN—Page 52 of the PBS refers to:

Delivery of effective AQIS export services as measured by:

- Number of consignments in export markets where facilitation of release of cargoes is attributed to AQIS involvement
- Rate of rejections of export consignments.
- Level of awareness of AQIS export services.

Do you have a run of data in relation to this measure of effectiveness—that is, what has been the performance against this measurement over the last few years in terms of data sets?

Ms Stanton—We do have some figures. I am not sure that we have them with us, but Mr Read will be able to address your question.

Mr Read—I have a couple of months worth of data with me. Both from an internal governance perspective and in ensuring that we are responding to those indicators, we collect that data in an ongoing way.

Senator O'BRIEN—How would you determine whether the release of a particular consignment could be attributed to AQIS involvement?

Mr Read—We have AQIS involved in negotiating the release of particular consignments. There may well be product held up in a port somewhere in the world that requires representation from AQIS to provide the appropriate declarations or information that will secure the release of that consignment.

Senator O'BRIEN—What have been the rates of rejection over recent years and how has AQIS gone against the rate of rejection test?

Mr Read—How does it assess it?

Senator O'BRIEN—What have been the rates of rejection, given that is a performance measure?

Mr Read—Fairly small numbers of rejections have occurred. The targets that we set on rejections are somewhere less than five per cent of volume across the various commodities that we certify against, such as grain, horticulture, live animals, fish, dairy and meat. The number of rejections across those commodities has significantly been very low. For example, horticulture is 0.06 per cent and fish is 0.005 per cent.

Meat is an area that we have a little trouble collecting data for, because previously we had an arrangement in place with the US where data was exchanged. In the last 12 months they have changed the way they report and collect that data. We are currently negotiating a system to further exchange any issues that they come up with on Australian product that they inspect on arrival in the US.

Senator O'BRIEN—Yesterday we talked about the wheat shipments and we were told about a role that AQIS plays in assessing the shipment before it leaves. I wonder if you could explain that process for me. On reflection, I did not quite understand the routine that AQIS was involved in when assessing a shipment before it leaves. For example, is an assessment made before it is loaded, as it is loaded or after it is loaded and what actually happens? How broad is the sampling? How can you be sure you have a representative sample of a whole shipment when there are thousands of tonnes et cetera?

Ms Stanton—We can get you that detail.

Ms Gordon—I can give you a brief overview and then ask Mr Liehne to elucidate. Prior to a ship being loaded it is required under the grain, plant and plant products orders to be surveyed by a marine surveyor to ensure that the vessel itself is fit for its purpose and able to—

Senator O'BRIEN—Does that mean it is clean and free from contaminants?

Ms Gordon—It means it is clean and safe to carry the grain. Then AQIS conducts a survey on the hold to again ensure that the hold itself is free from any residues or anything that may contaminate the grain. Subsequently, AQIS inspects the grain itself prior to its loading—by and large, through a sampling process. I think it was described generally yesterday, but Mr Liehne may be able to give you some detail of the proportion of the sample and how we treat those samples, and then we can get you more information as you require it.

Mr Liehne—We have a routine sampling procedure which is dictated through the export control orders. The samples are taken automatically during loading. They are checked in a laboratory as they are going on board. We look for the presence of contaminant seeds, insects and other things of quarantine concern to the importing country. We also do a check for contamination by other material. If there is physical contamination, we bring that to the attention of the exporter to ensure it is fixed up before the material leaves. If we find significant problems in that sampling process, the loading is ceased. Occasionally we will

discharge the load to correct that material and recommence loading with material of the right quality.

Senator O'BRIEN—On how many occasions have your checking procedures been questioned in the sense that there has been a suggestion of a contaminant in a shipment after it has been checked by AQIS and you have not discovered it?

Mr Liehne—I cannot give you details of that. I could check and provide that to you on notice.

Senator O'BRIEN—If you could, yes.

Ms Stanton—Mr Liehne is new to his position—in fact, new to AQIS. I do not know the precise number but there have been several occasions over the period that I have been with AQIS, for instance. We can get you the details.

Senator O'BRIEN—Are there reports of those occasions that you can provide us?

Ms Stanton—I am sure there are.

Senator O'BRIEN—Will you be able to get them for us?

Ms Stanton—Yes, certainly. I will get you the details of the occasions over recent years.

Senator O'BRIEN—Can I presume that the exporter pays the cost of AQIS's services with regard to all of those inspections?

Ms Stanton—That is correct.

ACTING CHAIR (Senator Ferris)—The committee will now break for morning tea.

Proceedings suspended from 10.29 am to 10.46 am

ACTING CHAIR (Senator Ferris)—We will resume, with Senator O'Brien continuing with his questions.

Ms Stanton—Senator, my apologies, but I need to clarify some things I was saying about cost recovery just before the break. The amount of roughly \$19 million a year is not the total cost recovery figure and it is not the residual amount that goes into the reserve. It is in fact the cost recovery figure for only those elements that were part of the increased quarantine intervention program—that is, the cost recovery for external container inspection, for external inspection of air cans and for inspection of high-volume low-value airfreight. They were new things that came in in 2001 with the increased quarantine intervention program. So that cost recovery amount was counted in 2001 as approximately \$15 million a year, and it is now approximately \$19 million a year. The figure that Ms Gordon gave is the entire budget for the import clearance area in a year and includes that \$19 million.

Senator O'BRIEN—I thought that was the case. Could you run through what the \$19 million really is?

Ms Stanton—I have not got a precise breakdown but, basically, there is something over \$16 million that relates to the import clearance program, and the small balance relates to the seaports program.

Senator O'BRIEN—Is that the income?

Ms Stanton—It is the cost recovery income and it relates to the external inspection of containers, the external inspection of air cargo containers—air cans as they are called—and the inspection of high-volume low-value documents and so on.

Senator O'BRIEN—So it is not a surplus—it is actual income?

Ms Stanton—No, it is not a surplus. It is the actual income. My apologies for that.

Senator O'BRIEN—I want to touch on meat inspection fees. On page 66 and 67 of the PBS there are details of the cost recovery regime for the meat inspection industry. According to the PBS, the meat inspection program is to receive \$58 million in 2005-06, and \$34 million of that will be cost recovered. The rest of the money will come from the government's 40 per cent contribution to export programs. The PBS then states:

The Program is currently in consultation with industry about the need to amend some fees and charges to ensure the Program fully recovers the costs of providing inspection and certification services in future years.

It goes on to say:

It is anticipated that some adjustments to fees and charges will be made in the 2005-06 financial year.

That means increases in fees, does it?

Mr Read—It does.

Senator O'BRIEN—Is that just to meet increased costs, or is there a plan to alter the 60 per cent industry 40 per cent government arrangement?

Mr Read—No, it is essentially to meet increased costs within the program. If you look at those numbers that you read out, you will see there is a projected expenditure of something around \$63 million. There is a revenue stream of around \$58 million. That leaves a shortfall of somewhere around \$5 million. Currently there are industry reserves in the order of \$2.7 million, and that then leaves a projected deficit somewhere in the order of \$2.3 million at 30 June 2006. Why is there a deficit there? There is a deficit in this program because it has not had a fee increase since before 2000. Within that period of time there has been, as you would appreciate, a number of certified agreements and consequential salary increases, which are ultimately the bulk of the program costs within this program. It has got to a point where those costs are now in excess of what the revenues were set at six or seven years ago. The time has come now, and we are in the process of consulting with the industry as to what is an appropriate fee increase to ensure that we do not carry that deficit as at 30 June 2006. To reflect on your other question about the 40-60 ratio, there will be no change with that.

Senator O'BRIEN—What have been the factors which have caused this increase?

Mr Read—As I said, there have been at least two certified agreements both with meat inspectors and within the department. There was probably an average, over that period of time, of between two and three per cent increases in salaries. Over a six- or seven-year period it culminates in possibly a 15 or 16 per cent increase over that time. We have not had a change in the number of staff in the program, so essentially we have come to a point where the increases in salaries are no longer covered by the previous fee stream, which was budgeted on numbers that were much lower than they are now.

Senator O'BRIEN—If you take away the pool of accumulated surplus from the past, the difference is about \$5 million between what you are collecting and what you are spending.

Mr Read—That is correct.

Senator O'BRIEN—If you make provision only for the \$2.3 million then the next financial year you will have to increase fees again, won't you?

Mr Read—That is right. We are negotiating with industry as to the appropriate rate that will ensure some longevity, but of course you do not want to be excessively increasing rates beyond what is needed to ensure the program stays viable.

Senator O'BRIEN—I take it you are looking at about a 10 per cent increase?

Mr Read—That would be in the order of what we are looking at, around 10 per cent.

Senator O'BRIEN—What is the industry's response to it?

Mr Read—As we have heard, the industry's response to that certainly would not be a negative one. In fact, there have been a lot of representations that they support strongly a very strong regulatory presence on our meat establishments to ensure security of market access. AQIS meat programs operating costs are somewhere between half a per cent and one per cent of total expenditure on a plant. As many of the plants reflect to us, it is the smallest cost with the biggest offsetting gain to be made, which is market access.

Senator O'BRIEN—The dairy industry fees and charges are being subjected to the same processes. So what increases are likely for dairy inspection charges?

Mr Carlton—The dairy export program will run a small surplus in the current financial year. There may be some cost increases for next year but at this stage we are not looking at fee increases. It is really an annual review we do of the charges to make sure that the fees we are charging are aligned with the costs involved in providing those particular services.

Senator O'BRIEN—Thanks for that. They will be pleased. Can you confirm that there are still annual audits of US licensed export meatworks by the USDA or the Food Safety and Inspection Service.

Mr Read—US audits are conducted regularly—I am not sure that they are always annual, but every one or two years.

Senator O'BRIEN—Are they preceded by inspections by AQIS?

Mr Read—AQIS has a presence on all US plants—meat inspection staff and veterinary officers on those plants. They are audited by the team on the plant. They are audited by a review officer who is responsible for an area and they are also reviewed by a verification team that we have established within the meat program. They are significantly reviewed across a year and those reviews take place monthly in addition to the responsibilities on plant. We are seeking to also do an in-depth systems review annually on all US listed plants.

Senator O'BRIEN—When the US authorities conduct inspections here, do they go through the whole industry or do they randomly pick plants?

Mr Read—They will provide to us the list of establishments which they wish to inspect.

Senator O'BRIEN—When was the last time they came here to do an inspection?

Mr Carlton—It was around April 2004.

Senator O'BRIEN—Do you know what the outcome of their audit was?

Mr Read—The outcome of the audit was probably as positive a US audit we have had to that point. They had noted in the report and in discussions with AQIS that there was improvement in the systems that we were operating in relation to the our meat program.

Senator O'BRIEN—The audits are not scheduled; they just tell you they are coming, do they?

Mr Read—Yes.

Senator O'BRIEN—They are not necessarily annual, obviously.

Mr Read—No.

Senator O'BRIEN—So when was the visit before April last year?

Mr Carlton—From memory, it was about May-June 2003.

Senator O'BRIEN—Have our export works ever been subject to an enforcement audit?

Mr Read—I will take that question on notice. I am not aware of a previous enforcement audit by the US

Senator O'BRIEN—Do we know when the next schedule audit by US authorities of the export meatworks will take place?

Mr Read—We have an entry interview this afternoon with the US and that will then be the commencement of the next US audit of our meatworks.

Senator O'BRIEN—So it is starting now. Is it normal, routine, or is there some special character to it?

Mr Read—This audit has been classified as an enforcement audit. They will be looking at how AQIS enforces the requirements of FSIS on US listed plants, particularly the plants that they will go and look at over the next six weeks.

Senator O'BRIEN—What are the possible consequences of an enforcement audit? What are they looking for? From what you just said, I take it they are testing AQIS.

Mr Read—They are looking at the procedures that are operating on plants, looking at the governance approach that is applied by AQIS, the consistency in relation to those requirements for the US in terms of the standard operating procedures, sanitary standard operating procedures, HACCP plans, sanctions, corrective action requests, the follow-up of those requests, audits that are undertaken, structural issues, maintenance programs and so forth.

Senator O'BRIEN—Is this a more important audit than the normal audit?

Mr Read—We see all their audits as important. All the audits conducted by the US are audits that you would want to perform well in.

Senator O'BRIEN—When was the last enforcement audit?

Mr Read—I said I would take that question on notice.

Senator O'BRIEN—That is right. How much notice do you get of an enforcement audit?

Mr Read—We were probably advised in about December.

Mr Carlton—I think it was in January, in a teleconference that we had with the US authorities.

Senator O'BRIEN—What measures does AQIS take and what measures do the plants take in that context? Do the plants know that the enforcement audit will affect them?

Mr Read—The plants are aware of the importance of ensuring that we perform well with all US reviews and with this one. Is there anything particular that we do before the US get here? In our view, within the meat program, what they are auditing for are ongoing, sustainable, strong systems that operate. You cannot do that with quick knee-jerk one-off actions. It has to be a program that looks and feels and works in a sustained way. We have spent particularly the last two years building a very strong meat program within AQIS. However, coming up to this point in time, all US listed plants would have been aware that the US audit was taking place. We now have the list of the plants that the US are visiting. They were aware that the audit would be conducted at their plants and they would also be very aware of what the focus of that audit is. We will be accompanying the US auditors throughout this audit in looking and examining those plants against a range of requirements.

Senator O'BRIEN—How many US export meatworks does AQIS oversee?

Mr Read—AQIS would oversee in the order of 90 establishments. I think around 70 would be US listed.

Senator O'BRIEN—So there are 90 in total but 70 that are US export accredited. When the US audit, how many plants would they normally audit?

Mr Read—They would take a sample of those 70.

Mr Carlton—I do not know off-hand, but typically it would be about 10 to 15 establishments.

Senator O'BRIEN—I take it from your earlier answer that AQIS's process is not to conduct special audits but to have a regular process of inspection, and oversight of the local inspection by an outside officer from time to time. Is that how we should understand your earlier answer?

Mr Read—That is probably not quite what I said. AQIS has developed a meat program that is supported by infrastructure, which is legislation and management systems, and by a strong raft of personnel—meat inspectors, on-plant veterinary officers and regional veterinary officers who inspect monthly the operations of those plants, and, as I mentioned earlier, a recently established initiative which is a verification unit which conducts cross-audits and ensures that nationally we run a very tight program. There is a lot of structure to the way that we conduct the meat program and review to ensure that the operators within that program are complying with the import requirements of a range of countries, including the US.

Senator O'BRIEN—Perhaps my language was not as accurate as yours, but you have your meat inspectors, your on-plant vets and then you have your regional vet officers that conduct monthly inspections.

Mr Read—Correct.

Senator O'BRIEN—Then on top of that you have a verification unit which randomly audits.

Mr Read—That is right.

Senator O'BRIEN—How often would a plant be randomly audited?

Mr Read—It would depend on their performance. We monitor the performance of those monthly audits. If we see plants that might not be performing as well as they might, that might trigger the need for a cross-review just to ensure that we are getting to the bottom of what the concerns in that plant might be. Others will be looked at in a systematic way. We would seek to try and do at least one in-depth audit on those plants annually from the independent verification point of view.

Senator O'BRIEN—What is the size of the AQIS work force performing this range of tasks we have just been describing?

Mr Read—In the order of 500.

Senator O'BRIEN—Is this the cost that is cost-shared at 60-40?

Mr Read—That is correct.

Senator O'BRIEN—Is the audit task greater for export meatworks than it is for meatworks servicing the domestic market only? I presume that it is because you have got to look at the requirements of the different markets.

Mr Read—That is right. Certain markets will have more stringent requirements possibly than what we might require domestically.

Senator O'BRIEN—Does that mean they would pay a higher level of charges compared to those who do not export?

Mr Read—It depends on what the charging regimes that are operated by those state jurisdictions are, which I am not familiar with.

Senator O'BRIEN—I am talking about charges to AQIS.

Mr Read—But the only ones that pay AQIS charges are the export plants that are exporting.

Senator O'BRIEN—So the answer is yes.

Ms Stanton—I think what is being said is that of the plants that export, which are the plants we have responsibility for, not all of them export to the US. That relates to the question that you asked earlier.

Senator O'BRIEN—I want to ask some questions about AQIS and particularly the quarantine status of the Indian Ocean territories. I am told that Dr Carroll visited there recently.

Ms Stanton—Dr Carroll did.

Senator O'BRIEN—Dr Carroll, could you tell us about the Indian Ocean territories quarantine status? Has there been a recent change?

Dr Carroll—There has. For quite some time Cocos island was covered by the Quarantine Act and had a separate quarantine regime applying through a proclamation. Until the beginning of this year Christmas Island was covered by the Singapore ordinance of, I think, 1946 which had a quarantine regime attached to it. As part of the mainstreaming of services to the islands, the Quarantine Act was extended to cover Christmas Island as well. We took that opportunity to review the quarantine regimes on both Cocos and Christmas islands and introduced new proclamations. The proclamations came into effect at the beginning of this year and now apply to the islands so that they have separate quarantine statuses and regimes from each other and from the mainland, which reflects their different pest and disease statuses and our knowledge of those different statuses.

Senator O'BRIEN—What has AQIS's role been in acquainting the island communities with any impact of such change?

Dr Carroll—We undertook what I believe to be an extensive consultation program. We have quarantine officers on Christmas Island who were previously operating under the Singapore ordinance but as AQIS officers. On Cocos island the Australian Federal Police subcontract to us to provide the service. Those officers began the consultation campaign. We then developed a schedule outlining what the rules would be and circulated that in the appropriate languages to the residents. There was then a visit to take them through that by Canberra staff and me, as well as staff from the Western Australian office, which looks after the two islands. Then there was another round of consultation, again in the appropriate languages for the islands. There was another visit this year to look at the impact to make sure that there were not any unforeseen circumstances arising. It was a slow process of consultation that we made as inclusive as we could.

Senator O'BRIEN—Are there any special quarantine issues that would impact on the relationship between the islands and mainland Australia in terms of them shipping seafood products to parts of Australia?

Dr Carroll—Product shipped by the islands to Australia is looked upon as outside our quarantine barrier, so product coming from Cocos or Christmas islands is regarded in the same way as product coming from Singapore or Europe and needs to go through the same quarantine rules as any product coming into the Australian quarantine zone. Seafood coming from Cocos or Christmas islands into Australia has to meet the import risk assessments and the rules for seafood in the same way as seafood coming from New Zealand or somewhere else.

Senator O'BRIEN—And marine animals are the same?

Dr Carroll—Marine animals are the same. We do not have good information on the pest and disease status of marine animals on either Cocos or Christmas islands, and in the absence of that information they come under the general import requirements.

Senator O'BRIEN—But that is a matter of some significance to their economy, of course. Obviously, Biosecurity then has to conduct import risk assessments.

Dr Carroll—I believe Biosecurity has been approached to do that. We have had some visits and discussions with people on the islands who are interested in that trade. One of the difficult issues with that is that Biosecurity can only work where information exists. They are

not the agency that does the pest and disease surveys on those islands and the difficulty is that information does not exist. We do not know what is there, so it is very difficult to do an IRA when you do not know what is or is not at that location or what threat it might pose.

Senator O'BRIEN—It is a real chicken and egg situation for them.

Dr Carroll—It is. We have provided advice on possibilities for where they could get that work done and we have offered any assistance that we can give with that, but we are not the agency that carries out that work.

Senator O'BRIEN—The quarantine station on West Island of the Cocos (Keeling) group has recently been cleaned up for an expected visit of the Thai elephants, I think.

Dr Carroll—That is correct.

Senator O'BRIEN—Apparently it was in a pretty ordinary state before that. Whether the elephants come or not, what is AQIS's intention with regard to that facility and how will it be maintained if AQIS intends to hold it?

Dr Clegg—The intention of AQIS—it has been the intention of AQIS for quite some time—is to divest ourselves of the quarantine station on Cocos island because there is no-one there to carry out the maintenance and it creates a problem for the local authorities. So we are in negotiations with the Department of Transport and Regional Services about giving them the quarantine station for them to manage. We have a lease for the zoo which expires, I believe, on 30 June. Negotiations between our department and DOTARS are in train.

Senator O'BRIEN—The negotiations are with the territories branch, I presume?

Dr Clegg—Yes.

Senator O'BRIEN—What has been expended in the last 12 months, other than for the preparation for the leased area, for maintaining the property and controlling the weeds, grasses and the like?

Dr Clegg—I am not aware of how much money, if any, has been spent on controlling weeds at the station. The area that I manage now no longer looks after that part but I can take that on notice and get that information for you.

Senator O'BRIEN—There is no-one on the island who has any responsibility for maintaining that property?

Dr Clegg—The way we have managed it in the past is that we have used our contacts with the local government there. When it was the responsibility of the quarantine station we hired a contractor to clean up the weeds. Pest or weed control were the main things that we were doing. I would have to find out about that for you.

Senator O'BRIEN—There are a number of buildings on the property. How long is it since any of those have been maintained?

Dr Clegg—They have not really been maintained since the quarantine station closed. The station was used when we had some unexpected arrivals. It was used by the department of immigration and there was some clean-up of the houses there for that purposes, but that was for a specific purpose.

Senator O'BRIEN—You do not have any role, other than leasing the area to those who want to import the elephants?

Dr Clegg—That is right.

Mr Banfield—If there are no further questions for AQIS I would like to take this opportunity to record that this is the last Senate estimates hearing for Meryl Stanton. Meryl has announced her intention to retire in early July this year. Meryl has had a long and distinguished career in the Public Service, most recently as an executive director of AQIS but she also served with distinction in a number of other Commonwealth agencies. She told me that she had been attending hearings such as this for almost 30 years, which is a cross no mortal should be required to bear. But she has done it with good humour and great professionalism and I am sure you will join with me in wishing Meryl a long and happy retirement.

CHAIR—Hear, hear!

Senator O'BRIEN—Absolutely. I am sure you will miss this!

CHAIR—I am sorry to do this after you have officially put your ticket in, but I have one final question. Did some people from AQIS visit Evergreen Farm when it was originally quarantined?

Ms Stanton—Yes.

CHAIR—Was there evidence of plants or trees being removed before you got there?

Ms Stanton—There was some suspicion that that had happened.

CHAIR—Thank you very much. That is all I need to know.

[11.21 am]

Australian Bureau of Agricultural and Resource Economics

CHAIR—Welcome. Do you need to make an opening statement and tell us when it is going to rain?

Dr Fisher—I will refrain from making comments that are outside my remit. I do not make those sorts of predictions.

Senator O'BRIEN—What contact has ABARE had with the National Water Commission?

Dr Fisher—In what context.

Senator O'BRIEN—I am wondering whether there has been any communication between the National Water Commission and ABARE for ABARE to assist the National Water Commission.

Dr Fisher—We have had informal discussions on an ongoing basis with respect to our ongoing water research.

Senator O'BRIEN—Has ABARE been contracted or have there been discussions about ABARE being contracted by the commission to undertake research?

Dr Fisher—These discussions have been in the context of our ongoing analysis of particular issues. Most of our water research is funded from the appropriation from within the department.

Senator O'BRIEN—In relation to natural resource management, page 56 of the PBS refers to the integration of farm survey data and satellite imagery to build a baseline on which to measure the impact of changed vegetation management practices on agricultural industries. Can you give us a bit of an update on that?

Dr Fisher—Yes. We are currently enhancing our farm surveys by collecting, among other things, the cadastral boundaries of properties. That allows us to integrate information from satellite imagery with the physical and financial information we collect for our farms. So we are in a position to determine the nature of the vegetation on properties and the extent to which the vegetation might have an impact on productivity changes, for example. It gives us a much better data set on which to do a full range of analysis, including our traditional performance analysis, as well as, hopefully, in the future, enhanced analysis on some of the environmental issues that might be of interest to the rural community.

Senator O'BRIEN—What work do you do with the National Climate Centre, CSIRO and the Queensland climate centre in relation to their climate forecasts and your production forecasts?

Dr Fisher—We consult all of those groups for analysis on the run-up to the release of each crop report. So we are reliant on those organisations to provide the physical information we need to make our cropping forecast.

Senator O'BRIEN—So they are supplying you with data for your calculations.

Dr Fisher—That is correct. Those organisations provide us with data which we assess as to its impact on yields.

Senator O'BRIEN—I am particularly interested to find out how what you might be doing links up with data on climate change and the consequences for agricultural production.

Dr Fisher—On climate change more generally?

Senator O'BRIEN—Yes.

Dr Fisher—Most of the analysis that we do on climate change is on long-term international policy issues. At the outlook conference in March we had a paper and a session where we talked about adaptation and the possible consequences of climate change on Australian agriculture. At this stage it is very difficult to do concrete work on that because all of the physical models do not have much skill in doing regional sized analysis of the impact of climate change. So at this point in the scientific development of those models we are still doing scenario analysis, unfortunately.

Senator O'BRIEN—I am told there is historical rainfall data that some scientists are working on as an explanation of what might be a change in the climate in south-eastern Australia. Is that the sort of data that would be feeding into the work that ABARE is doing?

Dr Fisher—We are very interested in that sort of information, although I recently heard a presentation by the Director of the Bureau of Meteorology. He has gone through the statistics

on La Nina and El Nino events over the last 100 years and it would appear that you cannot detect any change in the occurrence of those events over the last 100 years. So there really is not very much information at this stage to suggest that we are seeing a change in rainfall patterns, although it would appear that we are seeing some increase in temperature.

CHAIR—Wragge predicted this, you realise, in the forties—that the last 10 years of the old and the first few years of the new century were going to be dry. I do not know what he knew that we did not know.

Dr Fisher—Yes, possibly.

CHAIR—Indigo Jones's father-in-law, who is Walker's father-in-law.

Dr Fisher—I am not into the business of making those sorts of forecasts; I just observe the statistics.

Senator O'BRIEN—On page 56 of the PBS there is reference to work through an ABS survey on the impact of environmental regulations on farm businesses. Is that reference to Commonwealth regulations or Commonwealth and state regulations?

Dr Fisher—It is principally state regulations with respect to vegetation management.

Senator O'BRIEN—Where is that work up to?

Dr Fisher—That is related to the work I mentioned earlier with respect to enhancing our farm survey collections. Once we have those databases in place, we will be in a much better position to do good, evidence based analysis on the impact of these changes. It is not only a question of doing an analysis of the impact of the regulations but also trying to find ways in which those regulations might be managed in a more rational sense to ensure that both environmental and production objectives can be met.

Senator O'BRIEN—In terms of ABARE's work on commodities, do you do work on forecasts of demand for iron ore and coal?

Dr Fisher—Yes, we do.

Senator O'BRIEN—What can you tell us about the most up-to-date forecasts on demand for those commodities and where it will come from?

Dr Fisher—Basically, over the last 18 months we have seen a very large increase in the price of those products. We have seen something of the order of a 70 per cent increase in the contracted price of iron ore. In the case of coking coal there has been about a 120 per cent increase. Those prices are now locked in on the contracts for 12 months. We would expect to see some easing in those prices over the medium term. In the case of coal, we have seen China go from being a small exporter of some coals to being a net importer. That has meant a substantial turnaround in the total amount of seaborne coal trade and therefore a big increase in prices. Around the world, every supplier has been capacity constrained as a consequence of that. Effectively supply has not been able to meet that demand and prices have gone up substantially in the world market. The country that eases those capacity constraints the fastest will be the one that manages to increase its market share and get the best returns in this particular market. It is also the case that these markets cannot last because there are large

investments going on in mines, ports and railroads that will increase supply and, as a consequence, prices will fall over the medium term.

Senator O'BRIEN—So the constraints that we are experiencing now will prevent us from taking maximum advantage of the current situation?

Dr Fisher—There have been short-term capacity constraints. There is substantial investment going on and those constraints have certainly limited the extent to which we have been able to respond. Having said that, the fact that Australia, Indonesia and Brazil have not been able to respond in a volume sense has meant that prices have gone up quite substantially, so those suppliers are receiving much higher prices than they would have on slightly smaller volumes.

Senator O'BRIEN—How do we assess the impact of being able to supply 10 per cent more on the price? Have you any knowledge you can impart about whether we would be just as well off, slightly better off, or worse off?

Dr Fisher—All of those companies that have been able to supply into the current market have made supernormal profits. The real issue is which particular country can ease those constraints the fastest. The real question is: what arrangements can we put in place in Australia to ensure that we ease those constraints quicker than everybody else? If we do that then we will be able to take that extra share of the volume effectively as prices fall. What we are going to see over the medium term is all of those supernormal profits competed away as new suppliers come in to the market. From Australia's perspective, we want to be that supplier.

Senator O'BRIEN—If this increase in capacity is being pursued around the world, we will have to compete on price to do that.

Dr Fisher—At the moment the prices are locked in, in the short term, in contracts and then we are competing on volume.

Senator O'BRIEN—That is at the moment. But after that it will be competing on price as well.

Dr Fisher—Obviously as output increases then we will be back into a market where there will be hard negotiations on the price. Of course, there are always hard negotiations on the price of these products but it will be a more price based rather than volume based discussion.

Senator O'BRIEN—How important is our currency and the Chinese currency ratio?

Dr Fisher—Most of these products are sold in US dollars, so what is interesting is the value of the Australian dollar against the US dollar. The Chinese currency is pegged to the US dollar and these products are sold in world markets on a US dollar basis. So the real issue is what level the Australian dollar is at and what direction we might expect to see that go in the future.

Senator O'BRIEN—The companies would like to see it go down.

Dr Fisher—Every exporter, if they are not careful about their analysis, wants to see it go down but, of course, there is a balance here. Obviously many of these exporters are importing lots of production inputs, so there is a balance. Every tyre, effectively, on dump trucks is

coming in from somewhere else. If the Australian dollar is higher then you are importing those cheaper than you would be if the Australian dollar was at 60c, so a balance here has to be struck.

Senator O'BRIEN—I suppose that if you are exporting a commodity which is locked into the value of the dollar and you are profiting from that export, you have to be better off if it goes down, whatever the cost of the tyres on the dump trucks.

Dr Fisher—I think it is fair to say that most exporters would be more comfortable at 65c than they are at 75c.

Senator O'BRIEN—There was an article in the *Weekend Australian* on 14 May that quoted the Deputy Prime Minister as saying that the drought could wipe one-third off economic growth next year. Is that based on advice from ABARE?

Dr Fisher—We have not done those sort of calculations for this current event. We are currently in the process of doing the analysis for the next crop report, which we will release on 7 June. That will be our first opportunity to make an assessment of the likely production changes as a consequence of a dry start to this winter cropping year. At that point, if we were asked, we would be in a position to do the macroeconomic analysis—

Senator O'BRIEN—Have you been asked to?

Dr Fisher—No, I have not been asked formally to do it.

Senator O'BRIEN—Did ABARE make any inquiries as to where that information may have come from?

Dr Fisher—No.

Senator O'BRIEN—The same article records Mr O'Donnell saying that ABARE was reassessing its forecasts based on weather conditions. Is that the work you have just been talking about?

Dr Fisher—That is correct. Subsequent to the release of the March forecasts at Outlook we are now going through the process of updating our forecast for the June issue of *Australian Commodities*, which will be released on 20 June. Before that, as I mentioned before, we release the crop report.

Senator O'BRIEN—Has there been some advice process within the department and government to let them know what you are doing, other than the article that was in the *Australian*?

Dr Fisher—At the beginning of each year, ABARE indicates to everybody, and this information is public, on what day and at what time we will release each of our subsequent sets of forecasts.

Senator O'BRIEN—That is when you notified that you were doing the reassessment, was it?

Dr Fisher—Yes. At the beginning of each year we announce the dates and the times of release of each set of our forecasts. The fact that the June crop report will be released on 7 June is announced in January.

Senator O'BRIEN—I am looking at the reassessment that Mr O'Donnell was talking about.

Dr Fisher—Mr O'Donnell was approached by a journalist, and he said to the journalist that we will be releasing our new crop forecasts on 7 June.

Senator O'BRIEN—He did not say that you were reassessing your forecasts in the context of some special condition?

Dr Fisher—No, he did what he always does and indicated that, as we always do at this time of year, we would be issuing a new set of forecasts. Of course, we take account of the physical conditions that we face at that particular time.

Senator O'BRIEN—Has ABARE received any special updates from the Bureau of Meteorology on weather conditions which it is feeding into the revised forecast?

Dr Fisher—We receive, as everybody else does, the public information that the Bureau of Meteorology releases. As late as yesterday I looked at the web site. The information there was information that was available in the middle of May. I think the web site says that they will release something at the end of May. Of course, that will be most interesting to us for the preparation of the next crop report.

Senator O'BRIEN—How does ABARE work with Treasury in the development of forecasts contained in the budget?

Dr Fisher—Those forecasts are the property of the Treasury. What happens basically is that there is an exchange of information from ABARE's publicly released forecasts with officers of the Treasury. We do that as a matter of courtesy. Then the Treasury makes its own assessment of our material.

Senator O'BRIEN—So they have commissioned work which feeds into the budget—it is their property?

Dr Fisher—No, they do not commission work from us. We have a set of forecasts which we make publicly available in our publications. As a matter of courtesy we discuss that material with Treasury officers, and then they go away and do their own assessments. They do not share with me whether they believe my forecasts or not—they may or they may not.

Senator O'BRIEN—Going to page 57 of the PBS under the section 'specific publications/reports'. Has the report of the south-east trawl fishery been completed and, if so, when and when will it be released?

Dr Fisher—No, that work is ongoing.

Senator O'BRIEN—Is there a release date envisaged?

Dr Fisher—I expect that I will be able to talk to you in much more detail about that at the next estimates.

Senator O'BRIEN—Who commissioned the work?

Dr Fisher—Most of that work is funded effectively by the relevant division in the department.

Senator O'BRIEN—The next dot point refers to measures of efficiency at major Commonwealth fisheries. I presume that that is the same commissioning agent?

Dr Fisher—That is correct.

Senator O'BRIEN—What is the status of that work—is it ongoing or are you expecting a release?

Dr Fisher—It is ongoing.

Senator O'BRIEN—The next dot point refers to work on policies to account for third party impacts on surface and groundwater trade. When will that work be completed and released?

Dr Fisher—That work is also ongoing. I would expect the next output from that work to occur in the first quarter of the new financial year.

Senator O'BRIEN—Who commissioned that work?

Dr Fisher—That work is also principally funded from departmental appropriations.

Senator O'BRIEN—Principally?

Dr Fisher—Principally.

Senator O'BRIEN—Does that mean that there were other contributors?

Dr Fisher—We have also been working with the Pratt Foundation on some of this work.

Senator O'BRIEN—So, the National Water Commission has not had any role in it?

Dr Fisher—Only in the sense that we have had discussions about some of the policy consequences of some of this work with some of their officers.

Senator O'BRIEN—The last dot point refers to work on long-term energy projections. What is the status of that work?

Dr Fisher—That is ongoing work funded by the industry department, and something that we do under our research agreement with DITR.

Senator O'BRIEN—Will that be publicly released?

Dr Fisher—Yes, it will.

Senator O'BRIEN—Do you have any idea of what the date will be for the public release?

Dr Fisher—Typically, those numbers are released around November.

Senator O'BRIEN—Can you give us some details on the outlook for a variety of commodities—wool, for example.

Dr Fisher—I can run through some of our preliminary thoughts about the way in which we might adjust our forecasts for inclusion in the June issue of *Australian Commodities*. Of course, that work is ongoing, so I can give you some preliminary indications of our thinking. Perhaps I will start with beef.

Senator O'BRIEN—Okay.

Dr Fisher—Over the last three or four months we have seen a downward trend in the price of beef. The principal reason for that is the ongoing dry conditions in eastern Australia. Over

the next financial year, at some point we would expect to see the US re-enter the Japanese market. That, together with increased turn-off as a consequence of the dry conditions in eastern Australia, would be expected to put some downward pressure on beef prices. My expectation is that we will be revising our numbers down with respect to beef prices in the coming forecast.

In the case of wheat we have, again, those dry conditions affecting plantings and output. We have not at this stage firmed up our assessment of the extent to which that might be the case and, clearly, this is a very difficult time of the year for forecasters. Neither farmers nor I know exactly what is going to happen with the weather, so it is fairly difficult to make those calls. We will have much better information as we move into early June about the likely output for this coming winter crop. However, at this stage I would expect that we will see less output in Australia, more pressure on domestic prices and therefore slightly higher prices but lower output. That is also relevant in the case of feed grains, although in the case of barley there is a lot more flexibility about planting time. We might see a situation where we have barley replacing wheat, simply because of the agronomic flexibility of barley.

In the case of canola, particularly in New South Wales, we are getting to a point where it is almost too late to plant, so I would expect to see less output and therefore upward pressure on prices. In the case of cotton, we are expecting a smaller world crop and therefore some moderate upward pressure on prices—nothing too exciting. The key issue in the case of the cotton industry in Australia is availability of water. It is probably the case that we will see lower output this year. The offset to that is a slightly higher price, but the volume effect is going to outweigh the price effect.

In the case of sugar, there is continuing high production in India and Brazil. It is likely that we will see a slightly lower price than last year, but compared with the March forecast my thinking at the moment is that we will probably raise our forecast from the March number—so probably lower than last year but slightly more optimistic than we suggested at outlook time. In the case of wool, I think demand conditions continue to be difficult in the case of wool, so my preliminary thinking is that we would be expecting a lower price next year for wool compared with this year.

Moving on to lamb, we have complications of course with respect to the drought in eastern Australia so we have seen a fair bit of turn-off of livestock over the last couple of months. On the other hand we have ongoing strong demand from the United States. So potentially there is a lower supply but good demand and possibly some upward pressure in price. At the same time we probably have more domestic beef on the market, therefore there is ongoing competition between lamb and beef. So perhaps there is a slight increase in lamb prices but we are going to be struggling with quality. In the case of dairy products, we have seen continuing pretty strong demand for most of our dairy products on world markets. We would expect to see some lift in farm gate prices for fluid milk. Again, there are some questions about water availability for some of those farms in Victoria that rely on irrigated pasture.

Senator O'BRIEN—With the effect of deregulation in Queensland and parts of New South Wales in particular how has the volume of production of milk been affected? Have we seen stabilisation or a reduction in the actual volume of milk produced?

Dr Fisher—For the dairy industry as a whole the trend to increasing volume is going on. There have been some disruptions to that trend as a consequence of drought effects but, generally speaking, we are seeing a pretty strong upward trend in output. In some coastal regions in New South Wales what has been happening is amalgamation of properties and much larger herds so effectively most of the resources, if not all of the resources that were applied in the dairy industry, are still in the dairy industry; they are just in different hands and fewer hands.

Senator O'BRIEN—And further south.

Dr Fisher—Yes, and further south, correct.

Senator O'BRIEN—Has the bureau done any more work on biofuels and its viability in the light of the current world price for oil and the value of the Australian dollar?

Dr Fisher—We have done a minor update on some of our biodiesel work for ITR. Our conclusions are the same as they were previously. Just to quickly summarise that: basically, if the product was viable previously at an oil price of \$30 then at \$50 it is much more viable.

Senator O'BRIEN—Thank you for that.

[11.55 am]

Bureau of Rural Sciences

CHAIR—Welcome, Dr Grant and Mr Banfield.

Senator O'BRIEN—I want to ask about the Centre of Excellence for Biosecurity Risk Analysis and Research. Under the performance information section on page 55 of the PBS, we are advised:

The Centre is meeting its objectives primarily that of researching and developing risk analysis methods, to build on and strengthen the integrity of Australia's risk assessment capabilities.

Last time we met you were just starting to pull all of this together. Could you give me some detail on how it is going to work?

Dr Grant—Yes, I can give you indications of where we are in the process of implementing the development of the centre. We have been consulting widely over the last several months and have, through that process, developed an expression of interest call, which was made on 14 May. I can provide that to you. It is publicly available on our web site, if you wish it. We have had a briefing—two days ago, in fact, on the 24th—of parties who have indicated their interest in expressing interest. We have been through that process. The expression of interest closes on 10 June. We will now await responses to the call and, on the basis of that, we will be in a position to identify prospective parties or a party that would want to host the centre. On that basis, we would go forward with contractual negotiations.

Senator O'BRIEN—So it is still an on-paper centre at this stage?

Dr Grant—Certainly the intent is that we would have the centre up and running in the early part of 2005-06. We are estimating that, on the basis of receipt of expressions of interest by 10 June, discussions and a process of selection and then negotiations with prospective parties or party, we would be able to have something in place in the August-September time frame.

Senator O'BRIEN—Do you mean it will be in place within the 2006-07 financial year?

Dr Grant—That is our expectation, and early in that year.

Senator O'BRIEN—From BRS's point of view, are there any regional imperatives as to where the centre should be located?

Dr Grant—We do have not any preference at all. Something of the order of a dozen or so organisations attended the briefing the other day, representing all of the mainland states except the Northern Territory and other organisations located variously throughout the country—I am talking about universities, CSIRO, some CRCs and some private organisations. We are suggesting that it could also be a consortium of organisations; the likelihood is that it will be, obviously, somewhere in Australia but where precisely is not known at this stage.

Senator O'BRIEN—Explain to me the process. Expressions of interest have been sought and they will close on 10 June. What happens then?

Dr Grant—The expression sets out what we expect from the centre. The centre will be an entity within a host organisation. We need a host organisation to enter into a legal contract with, for example, a university. When we get that expression of interest, according to the expectations set out in the documentation seeking expressions—which specifies quite broadly the issues that we want to see them deliver on—we want to hear from those expressing interest what it is they can offer within the scope of the specifications. When we receive that we will have a committee, predominantly of people within the department, but it is yet to be determined whether other parties might be involved in assisting us with the selection process, because the intent is that in the early part of the centre's existence it will have a focus on biosecurity.

Senator O'BRIEN—And does this committee make a final decision or does it make a recommendation to the minister?

Dr Grant—The committee will make a final recommendation to the secretary who has been delegated by the minister to make the selection.

Senator O'BRIEN—You are talking about initially having a focus on Australia's risk assessment capabilities. What happens after the initial phase?

Dr Grant—The way the centre has been conceived is that its grant-in-funding is coming through the agriculture portfolio. The focus, as I say, is initially on biosecurity. We have had very broad consultation with about 10 government departments, ranging from Health through Defence, Immigration and Foreign Affairs, and there is strong expressed interest in the desirability of a national centre. They have expressed interest in the potential use of the centre, and in the expression document we have made it such that other parties can indeed enter into commercial arrangements with the centre, whether that be by grant or on a case by case contract or project service basis is very much up to them. And we are being strongly required by government to make it a whole of government functionality.

Senator O'BRIEN—So how are you able to be assured that the initial focus will be on the risk assessment?

Dr Grant—Its function will not be to do risk assessments. Its function will be to produce analytical tools and methods, practices, guidance and training that will assist those who have the responsibility to do assessments to be able to do them with highly refined and improved technologies, methods, tools and processes. The grant that will be made to the centre, or to the agency hosting the centre, will specify in a contract that its focus for the money that the DAFF portfolio provides will be in the first instance on biosecurity. We will be requiring the centre to develop in concert with us a strategic plan over the longer term and an annual work plan.

Senator O'BRIEN—Thank you for that. On page 53 of the PBS there is a section relating to the work you do on water and we are referred there to advice from BRS supporting national water initiatives. You list a number of program areas into which BRS has input. What contact has BRS had with the National Water Commission and what was nature of the contact?

Dr Grant—We had early discussions in February. In fact, earlier than—in December, as I recall—we had discussions with Mr Ken Matthews, the CEO of the commission, and indicated to him that we stood ready to assist in whatever way we could. The negotiations that followed that led to us placing a senior scientist from BRS, Dr Michele Barson, into the commission on secondment for two days a week for a period up until about three weeks ago, when she went on prearranged long service leave. So she has been there for that period, four months or thereabouts, to assist the commission in whatever way she can to make connectivity with other organisations—CSIRO, MDBC and the like, as necessary—to help interpret the applications to the commission for grant moneys and to suggest work that the commission might need to undertake to answer some of its future questions. Since she has gone on long service leave, due back in late June, I have had a meeting with Mr Matthews to discuss how we might go forward from here in a longer term manner. We are going through that process of further discussion.

We have also briefed Mr Matthews on work that we are doing within the bureau and on work that we are doing in collaboration with others, such as the Bureau of Meteorology and the CSIRO. Finally, we are a party to a joint letter by a number of entities who have written to Mr Matthews and said that we, as a collegiate group, are offering to be available to assist and potentially enter into work relationships with the commission.

Senator O'BRIEN—The PBS says that BRS does work on the Murray-Darling Basin and other catchments. I think the Murray-Darling Basin accounts for about 80 per cent of our agricultural production. Given the agency outcome for the National Water Commission is sustainable management it is not surprised you have such a role. Can you give us an outline.

Dr Grant—In terms of our work within the Murray-Darling Basin?

Senator O'BRIEN—Yes.

Dr Grant—I can. It may not be absolutely exhaustive but I can give you a broad array of the things we are doing. We are working with the CSIRO and the Bureau of Meteorology, for example, on some work on the water balance across Australia. That will include the Murray-Darling Basin. We have responsibility to take forward an election commitment by the government regarding expenditure of \$20 million for salinity mapping, focused within the basin. We are planning that, with the commencement in the beginning of the financial year.

We have already done considerable work in the basin. We have contracts on various issues with the Murray-Darling Basin Commission. I would need to take on notice, if you want the detail, what precisely those pieces of work are. We are reasonably deeply infused into the Murray-Darling Basin. We work with state agencies collectively, we work with CSIRO and, as I have indicated, we are offering our services to the National Water Commission. We are doing a considerable amount of work on both water and salinity.

Senator O'BRIEN—Can you update the committee on fish stock assessments that BRS has been undertaking—how many commercial species are you assessing?

Dr Grant—I may need to refer in detail to some background but the recently released fisheries status stock report shows that of 74 species assessed 17 were classified as overfished and the remainder were in various states of full exploitation or development.

Senator O'BRIEN—Those 17 commercial species are under pressure or at risk?

Dr Grant—They are assessed as being overfished.

Senator O'BRIEN—What about under pressure?

Dr Grant—There are various categories. Let me refer to background. 17 have been classified as overfished or subject to overfishing, 17 are not overfished and 40 are uncertain.

Senator O'BRIEN—On page 54 of the PBS, there is a section relating to Australian forest vegetation and land resources. Has the BRS engaged in the forestry package announced by the Prime Minister last week?

Dr Grant—It has been since December. Along with the relevant division in the department, we have been working with the Prime Minister's department, including visits to Tasmania.

Senator O'BRIEN—Can you give us more detail about the nature of the work conducted?

Dr Grant—Yes. We have been looking at various proposals and options that have been considered, identifying the scope of protection that they provide, the production volumes that have been precluded from being made available through the process of protection and in that context the implications for the industry in terms of the values.

Senator O'BRIEN—Has BRS had some sort of sign-off responsibility in terms of the quantification of resource and environmental outcomes.

Senator Ian Macdonald—Sign-off responsibility?

Senator O'BRIEN—In other words, testing that the outcomes claimed are going to be met.

Senator Ian Macdonald—Which outcomes claimed?

Senator O'BRIEN—In terms of areas preserved, quantity of resource remaining available.

Dr Grant—I could make a comment. We have looked at these issues, at the options presented and have identified what is contained within those various areas. We have looked at the logging prospects, at the rotation rates and so on, and have provided that as input information to the decision making which is rested within the Prime Minister's department.

Senator Ian Macdonald—And very good advice it was too, I would say.

Senator O'BRIEN—I take it you have seen the advice, Minister?

Senator Ian Macdonald—Not in detail, but I was just commenting to Dr Grant that the advice was very well given. BRS played a very important part in the whole process. They have some officers who are experts in the area.

Senator O'BRIEN—I would like to see the advice before I commented on it. Was that advice to PM&C, was it?

Senator Ian Macdonald—It was advice to ministers. A lot of different scenarios were looked at, and BRS were our principal source of technical advice on what this meant if you locked that away and what it meant if you did not lock it away. I do not know that there is a document which gives formal advice, but BRS were very much involved in looking at scenarios and giving advice to the government on where we should end up.

Senator O'BRIEN—Does that mean BRS is effectively an authority on the statistical data claims of outcomes in the agreement?

Dr Grant—By using the databases that exist and working in concert with the state forestry authority, we looked at the areas under consideration, the species mix under consideration, the logging potential and timber production from those species, and answered questions accordingly.

Senator O'BRIEN—So you are at complete arms-length to the final product.

Dr Grant—I am sure our advice would have been one part of the advice taken into consideration.

Senator O'BRIEN—I am just noting that you are saying: 'We provided advice about certain matters. The government's made its decisions.' You have not made a commitment on whether they followed that advice or not, which I understand. I am just placing BRS in the context of the final document. The final document is not in any way a product of BRS.

Senator Ian Macdonald—No.

Dr Grant—No.

Senator O'BRIEN—Under the heading 'Key deliverables' on page 54 of the PBS, there is reference to the development of a national production monitoring system and drought assessment. Can you give me some detail about that system?

Dr Grant—Yes, I can. At the last hearing we mentioned that we were doing some development work on a monitoring system. Essentially, it is a web based portal which sources information from a number of sources—rainfall information, production information and so forth—and brings it all together. The parties that are the owners of the information are required to keep it up to date if the tool is going to work. We built this web interface tool to a prototype stage. It was discussed at a recent Primary Industries Ministerial Council and it was strongly endorsed by all ministers of all jurisdictions. In fact, they have supported the further development of it from the prototype to a fully-fledged system. They have jointly funded it—50 per cent Commonwealth and 50 per cent the states collectively—over a three-year period. The intent is that by July 2006 we will have an operating production monitoring system for broadacre industries: crops and cattle and sheep. We have also been asked to investigate the

prospect of developing the tool for the more intensive and irrigation related industries after we have developed the tool for the broadacre industries.

Senator O'BRIEN—Is the drought aspect of the system in any way connected to the exceptional circumstances process?

Dr Grant—It is intended that this be a tool that can be used to assist to streamline the exceptional circumstances applications and also analysis. In other words, the intent here—and the agreed intent by all ministers—is that the production monitoring system tool sources agreed sets of information on which applications can be made and on which decisions can be based. So it is trying to be, and indeed it has been agreed that it will be, a collectively used tool by the parties making application and the parties looking at the detail of that application to make recommendations for exceptional circumstances assessment.

Mr Banfield—We are probably beginning to traverse into rural policy and innovation, but it is worth making the point that, yes, the development of the national monitoring system is in the context of EC reform processes. You are probably aware that Commonwealth and state ministers have agreed to change the criteria for exceptional circumstances assessment. There is currently a criterion which talks about severe and prolonged decline in income. Ministers have agreed that they would replace that criterion with one dealing with impact on production. So the development of a national monitoring system, in the light of that proposed change in the criterion for assessment, will mean that a monitoring system will be much more useful now in terms of information in that decision-making process.

Senator O'BRIEN—I was keen to hear from BRS as to how their development process fits in with the other processes, which we will no doubt deal with in part later. How does this national production monitoring system fit in with the National Climate Centre, CSIRO and the Queensland climate centre?

Dr Grant—Information is sourced both from the Bureau of Meteorology's National Climate Centre and from Queensland as part of the input information that goes into the national production monitoring system.

Senator O'BRIEN—Thank you for that. In an article in the *Weekend Australian* on 14 May there is a reported comment by the acting general manager, Mr Koval, that 45 per cent of agricultural land is drought declared. Is that area drought declared under Commonwealth drought arrangements, state arrangements or both?

Mr Banfield—It might be better to do that under rural policy and innovation. Mr Koval will be here as part of item 1. You can talk to the man himself.

Senator O'BRIEN—Okay. Was it the wrong description in the paper?

Dr Grant—Yes. He was attributed to BRS. We are happy to take him on board but he does not belong to us at the moment.

Senator O'BRIEN—I will ask him if he wants to accept your offer.

[12.25 pm]

CHAIR—We now move to the next item, Rural policy and innovation. Sounds pretty important to me.

Senator O'BRIEN—Mr Koval, do I have to ask the question again?

Mr Koval—No. The comment that was in the *Australian* that weekend relates to the area of agricultural land that is covered by an exceptional circumstance prima facie decision.

Senator O'BRIEN—So it is not drought, it is EC?

Mr Koval—That is correct.

Senator O'BRIEN—Do you have a figure for drought declared, including but not exclusively EC?

Mr Koval—No, I do not. Some states have a different declaration process. It is something we can see if we can determine for you, but I do not have a figure to hand.

Senator O'BRIEN—Turning to page 37 of PBS under the heading 'Performance information for Output 2', the last point on the page refers to 'Compliance by the RDCs and other portfolio agencies under the Commonwealth Companies and Corporations Act 1997 or with the material requirements of Funding Agreements.' Is it true that all R&D corporations and the relatively new private companies, such as AWI, are covered by this part of the department?

Mr Pearson—Yes, either the R&D corporations or the industry owned research corporations are covered by either the PIERD and CAC acts or funding agreements.

Senator O'BRIEN—There are 18 listed in the PBS. Is that the sum total?

Dr Samson—To the best of my knowledge there are indeed 18 covered by that section.

Senator O'BRIEN—What are the resources devoted to the compliance task that is contained in that last dot point?

Mr Pearson—The compliance tasks include those required by legislation—for example, the provision of annual reports. There is also the review of the various documentation provided, for example, under funding agreements by industry owned companies in terms of audit reports and compliance statements from the chief executive officer and the chair that the spending of the particular industry owned company has been in compliance with the funding agreement. These sorts of things are supplied to the department and we make a total assessment of all of that for each of the corporations and industry owned companies.

Senator O'BRIEN—I want to go through the process now applied by the department to ensure compliance with the terms of the statutory funding agreements. When this committee looked at AWI it was clear that the resources available to the department to enable it to ensure that there was compliance with statutory funding agreements were inadequate. How many statutory funding agreements does this division now oversee and what resources are applied to that task—how many people?

Mr Pearson—The statutory funding agreements relate to the industry owned companies. We now have MLA, pork, AWI, horticulture, egg, dairy and, from 1 January this year, a related funding agreement with LiveCorp, the livestock exporters. That makes seven funding agreements. The resources that the department applies relate to a project team with three officers involved in that. As well there is a close relationship with the relevant areas in the

food and agriculture division of the department and they discuss with them developments that are taking place in that industry.

Senator O'BRIEN—How does that differ from the position in the previous financial year? Have the resources increased or have they stayed the same?

Mr Pearson—The resources are basically the same. What has happened is that, recognising the particular emphasis coming out from, for example, the AWI agreement, the focus of a lot of the work has been on the statutory funding agreement templates. A new template has been developed and this has enabled the resources to be used to bring those funding agreements into closer alignment. We are going through a process of negotiating those on an ongoing basis with the various industry owned companies.

Senator O'BRIEN—That is not compliance. It is setting up a system again.

Dr Samson—As I understand it, the thrust of your question is: what has changed since the Senate inquiry into AWI concluded and reported?

Senator O'BRIEN—The report said that the resources available to the department were inadequate.

Dr Samson—The quantum of resources within Rural Policy and Innovation Division, which resides within a section in Mr Pearson's branch, has numerically remained the same. Notwithstanding that there was a close relationship with our colleagues within the Food and Agriculture Division, we have done quite a lot of work to make that interaction even more effective. As Mr Pearson has said, we have looked at aligning the statutory funding agreements perhaps more than they had been previously. In addition, we have directly involved our colleagues in the corporate governance area of the department to, if you like, oversight the compliance work that is done within Rural Policy and Innovation Division. As a direct consequence of the Senate inquiry's report, that extra level of compliance monitoring has been injected into the process.

Senator O'BRIEN—Without any extra resources?

Dr Samson—The resources within the corporate governance area have not been enhanced, to my knowledge, but their expertise and their involvement in the process has been brought to bear. So whilst the bulk of the work to satisfy ourselves as to the compliance with statutory requirements still occurs within the Rural Policy and Innovation Division, we have extra resources that reside somewhere else in the department also bringing their focus to bear on the issue.

Senator O'BRIEN—I am taking from your answer that you cannot quantify the extra resources that are intermittent.

Dr Samson—It is hard to quantify. I could not say to you that it has gone from X to X plus something in terms of people. But I would also make the point that, whilst the resources in Rural Policy and Innovation Division numerically may have remained the same, the work that we have done in improving the statutory funding agreements and aligning the agreements to a greater degree than was the case before means that the resources we have are now more effectively able to be applied.

Senator O'BRIEN—It may be that that is the case because you are doing the work that you have done before again. What I am hearing—maybe I am hearing something you do not intend to be saying—is this: 'Our previous process was not adequate; we ended up with diversity and complexity in our statutory funding agreements. We are fixing that now.'

Dr Samson—I think that is right. We said at the outset of the inquiry on AWI that, in terms of modifying some of the agreements, we were waiting for the inquiry report with interest. We have tried to pick up on the recommendations in the report. I think the process is now more effective than it previously was.

Senator O'BRIEN—In terms of the assessment process, has there been any change to the form of reporting by these organisations and the form of the assessment of their reports or the process of assessment of their reports?

Mr Pearson—Yes, there has. A key change which we have now introduced is in relation to this statement by the chair and the chief executive officer of the various industry owned companies that their overall treatment and management of the agreement is in line with the requirements of that agreement. That is a statement that is a high-level one. That provides an additional level of assurance. In the last 12 months, these were provided on a voluntary basis, but all the companies agreed to provide that. As we go through and revise the SFAs and try to bring them more in line with our standard template which we have developed, this is being wound in as an explicit part of that agreement. And there are other changes that we have introduced reflecting AWI inquiry outcomes. A particular one is in relation to the area of agricultural expenditure. That is explicitly forbidden under the revised template for the funding agreements.

Senator O'BRIEN—When you receive these sign-offs—that is, from the officers you nominated saying that they have complied with the statutory funding agreement—what process does the department follow to be certain that they are not mistaken or misleading?

Mr Pearson—In terms of our process, this is one avenue. There is also the audit compliance report that the company provides. We accept these documents from the company, and the audit compliance, for example, is done by their independent auditor. These are taken as the statements from the companies. There is not a specific additional audit investigation, for example, that is undertaken by the department. These statements are from the chair.

Senator O'BRIEN—The auditor will attest to the entity having complied with the statutory funding agreement. Is that how I should understand what you have told us?

Mr Pearson—There are a number of levels. There is the audit just of the straight adding up, there is the audit of compliance and finally there is the statement from the chair CEO. So there are three levels.

Senator O'BRIEN—I am looking at the accountability of the independent auditor for their attestation of compliance. What sanction exists where they do not, by act or omission, properly inform the department by their attestation? What can you do about it? If they muck it up or are cavalier with their approach or if they mislead, what sanction is there available for that misinformation—being provided with misinformation?

Mr Pearson—If I understand what you are suggesting, it is that if Peat Marwick or somebody else does an incorrect audit—

Senator O'BRIEN—Smith and Jones from Burwood or whatever.

Mr Pearson—and their audit is found to be inaccurate, that would be in line with—not the department, but corporations law et cetera, I would imagine. We are obviously also receiving the independent advice.

Senator O'BRIEN—They do not give any attestation then that the statutory funding agreement has been complied with. You are relying on the chief officers to do that.

Mr Pearson—No. As I said, there were three levels and there is a compliance audit that is looking at systems within the organisation. So there is the external audit of that particular component.

Senator O'BRIEN—Who does this compliance audit? I thought you were saying they are audited by an independent auditor?

Mr Pearson—They are an appointed auditor, yes.

Senator O'BRIEN—That is the point of my question. They do the audit; they sign off the numbers. I am not clear yet. Do they sign off a statement saying that the entity has complied with the statutory funding agreement?

Mr Pearson—In terms of the audit they do, yes.

Senator O'BRIEN—You say that if they were mistaken—or it was by neglect, act or omission—that would be a Corporations Law matter?

Dr Samson—If I may, I think there would be two levels of remedy that might be applied at that point. I would hope that, if malpractice by intent or by accident on the part of the duly appointed auditors was brought to the attention of the board of the company, the board itself would seek to put in place some remedial action. A second level of intervention would be if we were of the view that the action constituted a breach of the statutory funding agreement; then, within the statutory funding agreement, there are provisions for us to withdraw funding. It would depend on the nature.

Senator O'BRIEN—The point is that you have to find out. If you are relying on the advice that tells you they are complying, how will you find out?

Dr Samson—I think it comes back to the discussion we had a number of times during the inquiry—that in essence it involves what level of intervention on a day-to-day basis in the running of these companies the Australian government or the department has. The level of reporting and our reliance on the form of that reporting in respect of these companies is no different from what we apply in other areas, in my view. Short of the department or the government being involved in the day-to-day operation of the companies, this is where the system stands.

Senator O'BRIEN—I know it is a difficulty and this may seem onerous, but I am sure you would be aware that the committee has talked about the responsibility not just for public funds but for the administration of funds that are collected from the industry involved at the order of the parliament.

Dr Samson—I have to say that, following the publication of the inquiry's report—and indeed during the course of the inquiry and subsequently—we have gone to some lengths to work with the companies and reiterated our concern and the importance of the issue on a whole range of reporting and governance matters. I have to say that my observation, certainly in respect of some of them, is that relations have developed very positively in that we are consulted on a number of things that perhaps in the past we would not have been; the corporations test with us whether certain actions that they may be proposing to undertake would in our view be consistent with a statutory funding agreement or not. I think that is a fairly positive development, and I think in part it is as a result of the inquiry.

Senator O'BRIEN—Did the department seek extra resources for this area from government?

Dr Samson—We did not. My take would be that what we did do as a result of the report—not that we were unfocused before—is increased the focus and the clarity of that focus on this issue within real policy and innovation. And, as I said before, we have injected another layer of scrutiny of the compliance regime into the process using our corporate governance area of the department.

Senator O'BRIEN—What is it envisaged would take place if a whistleblower contacted the department and said something is going wrong?

Dr Samson—There are whistleblower provisions formally within the—

Senator O'BRIEN—Yes, but I am asking how, mechanically, the department will respond. Do you have an audit process?

Dr Samson—Obviously it would depend very much on the specifics of the issue, but in the broad, if we within the department were made aware of an accusation about some activity that we felt fell within the ambit of our responsibility, the first action we would probably take—I preface that this is depending on the precise nature of the circumstances—would be to contact the organisation and seek to satisfy ourselves as to the facts surrounding the thing. The short answer is that we would follow it up.

Senator O'BRIEN—I must say that, in the case of the AWI, my impression is that, if you had done that, they would have told you everything was all right. In fact, I am certain that that is what they would have told you. I want to know this: given the responsibility for compliance, what steps do you envisage you would take? To me, asking the company if everything is all right is all right as long as the person you are asking is not the problem.

Dr Samson—I did not say we would simply ask the company if it was all right. I said we would contact the company and seek to ascertain the facts surrounding the matter. Taking on board what the company says is one aspect of that, but—

Senator O'BRIEN—But you are representing my comments in the most simple way, which I do not think is really the nature of my question. Asking if the company is all right in my terms is the same as asking them to assure you that they are complying with the statutory funding agreement or that allegation X has not occurred. The point I am making is this: if you are talking to someone who is the problem, you will not get the answer that will reveal the problem.

Dr Samson—And we would not in those circumstances seek to take at face value what was said either. I think perhaps I can best try and satisfy you by saying that, in light of our renewed and increased focus on and sensitivity to these issues, we would seek to do whatever was required to satisfy ourselves as to the facts of the matter and take whatever action, if any, was appropriate at that point.

Senator O'BRIEN—Does that mean you would initiate your own form of audit? Do you have the power to do that?

Dr Samson—Again, depending on the circumstances and how we assess the situation, if appropriate, we would take legal advice as to what powers we had. I am not sure that I can answer with a simple yes or no whether we have the power to go in and instigate a separate audit of a company. We can certainly require a company to provide us with information.

Mr Banfield—It might be worth making a point at this juncture that the new template that Mr Pearson referred to earlier has a specific provision in it which states words to the effect that if, in the reasonable opinion of the Commonwealth, the company is or may be in breach of this agreement, the Commonwealth may request an audit report or opinion on any matter relevant to the company's compliance with this agreement. That is the proposal in the new template that we are seeking to progress with the companies.

Senator O'BRIEN—Does that mean you could nominate the auditor or that the company would nominate the auditor?

Dr Samson—Depending on the nature of it, I would hope that we would firstly be able to come to an agreement to get an independent third party to do that audit. I think the intent of that clause is that, if we make reasonable request of the company and they do not acquiesce to that reasonable request, that could—

Senator O'BRIEN—I hope that is the case. The purpose of my question was to find out whether you had the power to do that.

Mr Banfield—The short answer is yes, we can appoint our own auditor. If, in the opinion of the Commonwealth, the audit report or opinion cannot be properly given by that auditor, we can engage another auditor to conduct an audit and give the audit report or opinion.

Senator O'BRIEN—I now want to go to section 14 of the Dairy Industry Service Reform Act. Have all of the provisions of this act been fully met? If so, can you tell me when the minister tabled in each house of the parliament a report in relation to the year ending 30 June 2004?

Mr Banfield—We will take that on notice, if we could.

Senator O'BRIEN—Do you know if any statement has been tabled?

Mr Banfield—I do not, and I think Mr Pearson is not in a position to answer that at the table. It might be best if we take that and related questions on notice and come back to you with definitive advice.

Senator O'BRIEN—Can you find out over the lunch break and tell us?

Mr Banfield—We will do our best.

Senator O'BRIEN—On page 19 of the PBS, under output 2, the estimated expenditure for the AAA Farm Help package was set out at \$12.8 million. In last year's PBS, the number was \$34.4 million; it will jump back to \$42.5 million in the coming financial year. Could you explain the zigzag effect if you chart these numbers?

Mr Williamson—The figure for 2004-05—the \$12.83 million—represents our current estimate of actual expense for this financial year. That is clearly below the initial estimate that was in last year's PBS—primarily, as I think we have discussed before, because of EC declarations and access to EC assistance. The number showing is the estimate for 2005-06. The \$42.541 million estimate is the same estimate that was in last year's PBS. It has not been revised at this stage, given the fact that there is obviously some uncertainty in terms of EC—how many areas will come off EC. That has been unchanged at this stage to reflect the possible increase post EC.

Senator O'BRIEN—Is the shift from 34.4 a shift of people out of EC or the reverse? It is a shift of people into EC, is it?

Mr Williamson—Yes. There is not a direct correlation, but our sense is, given that there are significant numbers of farmers on exceptional circumstances assistance currently, that it is having an impact on the uptake of the Farm Help program.

Senator O'BRIEN—So there has been no assessment. I presume you are going to assess whether, if there is a change in EC funding and more flexible guidelines, the numbers will be completely—

Mr Williamson—For 2005-06, yes?

Senator O'BRIEN—For 2005-06, yes.

Mr Williamson—My expectation would be that at the next additional estimates process we would revise and adjust the numbers as necessary.

Senator O'BRIEN—I turn to AAA Industry Partnerships. This program has been allocated \$4.7 million for the current financial year, according to the last PBS. That is down to \$4.5 million. Is there any reason for that?

Mr Williamson—The appropriation for industry partnerships for the next three years is \$15 million in total; and it includes \$500,000 for departmental expenses for each of those three years. There is no particular reason why the administered numbers have gone from \$4.7 million to \$4.5 million.

Senator O'BRIEN—In the 2004-05 PBS, the funding estimate for interest relief for drought for farmers was \$13.9 million. That has fallen for this financial year—the current financial year—to \$3.158 million. That is a \$10 million-plus overestimate. What was the basis for the first estimate? How was that forecast demand developed when the first figures in the original 2004-05 budget estimate were put together?

Mr Koval—When the original estimates were put together for 2004-05, it was based on the number of producers we had at that point in time receiving interest rate relief. I should go back a step. The original estimates were done back in 2002-03 when that first package was announced. We did additional estimates as more areas were receiving interest rate relief. Applications for that element of that program closed in September 2003; producers could get

two years. At that point in time, we had to estimate how many producers would come forward and apply. As areas became EC declared, producers moved off receiving this interest rate relief onto EC interest rate subsidies. It was delivered through the state rural adjustment authorities, so there was some shift of the numbers of producers going onto EC interest rate subsidy. We then revised the estimates for this year based on the number of grants. We still have to pay the second and final instalment for this financial year.

Senator O'BRIEN—Hence the 3.150.

Mr Koval—That is correct.

Senator O'BRIEN—I am just a little confused, and it is probably my recent lack of involvement with this matter. How does the EC entitlement reduce the drought relief—interest rate relief—for farmers? Do they go on to a different interest rate relief?

Mr Koval—That is correct. They can only be eligible for one or the other; they cannot receive a double benefit, if you like.

Senator O'BRIEN—So has that \$10.7 million effectively been transferred to the EC package which is a 50 per cent interest rate relief subsidy?

Mr Koval—There has been no direct transfer, if you like, from one appropriation to another. But when we do the estimates for EC interest rate subsidies, we take into account the number of growers within an EC declared region. We actually do not have the numbers of producers who are receiving interest rate relief broken down into sufficient detail to estimate how many within any specific region have received that. We make an estimate on the number of growers within an area; we know there will be some who will transfer across, but we do not know the exact number—which is the reason why we revise our estimates on a regular basis.

Proceedings suspended from 1.00 pm to 2.04 pm

Mr Banfield—Senator O'Brien, before lunch you asked a question about the dairy act compliance report for 2003-04. Mr Pearson has made some inquiries over lunch and has a response for you.

Mr Pearson—In relation to your inquiry, the minister is currently considering the information provided by Dairy Australia, as the industry services body, in preparing the dairy act compliance report for 2003-04.

Senator O'BRIEN—Why has it taken this long? The act says:

(1) The Minister must, as soon as practicable after the holding of each annual general meeting of the industry services body, cause to be tabled in each House of the Parliament a report in relation to the year ending on 30 June ...

Has he just received the document from them? When was their annual meeting?

Mr Pearson—The annual meeting was in late November. The observation I would make is that this is the first full year of operation for Dairy Australia, and therefore the minister is making sure that the material provided by the services body is sufficient to allow him to make his judgment on that matter.

Senator O'BRIEN—How long has he had the information for consideration?

Mr Pearson—The information—the material from the annual report and from the statements—has been provided. It has been arrived at over the last couple of months.

Senator O'BRIEN—That is as soon as practicable after the November annual general meeting, is it?

Mr Pearson—I would leave that to the minister's judgment.

Senator O'BRIEN—I take it the department has responded to a request for information as the minister has made it.

Mr Pearson—We have tried, as has the industry services body, to provide the information that the minister has sought, yes.

Senator O'BRIEN—When did the minister first seek information about this matter?

Mr Pearson—I will have to take that on notice. I cannot recall. There has been an iterative process. As the annual report and other information have been coming in, the minister has been trying to reassure himself that compliance has been made by Dairy Australia.

Senator O'BRIEN—I would appreciate if you would let me know the details of the process: when the department first contacted the minister about the matter, when the minister first contacted the department about the matter and what requests he made. On page 21 of the PBS, which relates to Appropriation Bill (No. 2), it is estimated that there will be \$131.9 million for exceptional circumstances this year and \$59.3 million for next year. Can you explain the basis of the estimate in last year's PBS that came up with the original figure of \$248.2 million? How did we end up with something approaching half of that?

Mr Koval—The exceptional circumstances interest rate subsidy is a demand driven program. As we went through and costed each EC declaration on an individual basis, we estimated the number of producers in that area, the number likely to come forward to receive an interest rate subsidy as well as the level of that amount. We revise our estimates at least twice during the financial year. The initial estimates last year were based on the number that we believed would come forward. Throughout the 2004-05 financial year we revised those estimates, as the number was lower than anticipated. The number has come down to \$131.985 million.

Senator O'BRIEN—Where did the other \$120 million go?

Mr Koval—It goes back into consolidated revenue.

Senator O'BRIEN—How many farmers did you expect to take up assistance when the figure in last year's PBS was calculated?

Mr Koval—I do not have the exact number to hand, but we work on a rough percentage basis and we do each one as they come along. We initially worked on the basis that about one-third of farmers in an area would come forward to receive payment. The actual uptake is a lot less than that across all areas. In some areas it has been higher but on average it is less.

Senator O'BRIEN—On average, what is it?

Mr Koval—At the moment it is just over 13 per cent of farmers within EC declared areas.

Senator O'BRIEN—So you will be able to get us on notice the number that was used to calculate that figure?

Mr Koval—I can do that.

Senator O'BRIEN—And you will be able to get us the number that has been used to calculate the current figure in the PBS for next year?

Mr Koval—I can do that as well.

Senator O'BRIEN—Is that calculated on a 30 per cent take-up?

Mr Koval—Some of the numbers for next year would be based on some of the extensions the government announced this year, which were based on actual take-up in those areas. We used actual numbers to move forward.

Senator O'BRIEN—So that should be a more accurate figure.

Mr Koval—It should be.

Senator O'BRIEN—Are there any cautionary notes you want to put on the figure now for when I ask you later on how it is going?

Mr Koval—It is a demand driven program. We do not know how many producers will come forward. We do not know how their debt structures will change from one year to the next. We have based it on the number that have come forward in each area to date. We will wait and see how those numbers change.

Senator O'BRIEN—So if the numbers increase there will just be a greater draw-down from consolidated revenue?

Mr Koval—We will seek additional funding through the additional estimates process as we revise the figure.

Senator O'BRIEN—So it is as decision for government as to whether you get it or not.

Dr Samson—I think government has always made it clear that this is a demand driven program and, whatever the demand is, the government will meet the cost.

Senator O'BRIEN—Only a small increase in funding has been allocated in the next financial year for the AAA package for rural financial counselling. I think it is \$13,000. What is the basis for this very small increase?

Mr Williamson—It is indexing.

Senator O'BRIEN—I think it is about 0.2 per cent.

Mr Williamson—Yes. It is nominally the same appropriation.

Senator O'BRIEN—In real terms it will be a reduction, won't it?

Mr Williamson—No. It is a slight increase.

Senator O'BRIEN—In nominal terms it is a slight increase. In real terms, if the increase is less than the projected rate of inflation, it is a reduction, isn't it?

Mr Williamson—I am not sure. The numbers are as they are in the PBS.

Senator O'BRIEN—You said they are indexed. What are they indexed against?

Mr Williamson—I will have to take that on notice.

Senator O'BRIEN—Do you know what cost pressures, if any, have been on rural counselling services? Is it costing them more to run the service? Does it mean that, if you have not increased the funding in line with an increase in their costs, this will be a reduction?

Mr Williamson—In terms of cost pressures, it is true that some services have expressed difficulties with meeting some costs.

Senator STEPHENS—What is being done about that?

Mr Williamson—The department continues to monitor it through its agreements with each of the services. They are required to provide financial reports three times a year and an annual report. The department monitors their expenditure against budgets. Whilst some services have expressed problems, to date that has not manifested in a particular way.

Senator STEPHENS—Mr Williamson, I attended the drought summit last week in Parkes and spoke to several rural financial counsellors who expressed genuine concerns about the simple things like the petrol costs that they were incurring and about being able to manage to continue to service clients who are under extraordinary levels of stress. Is that something that you are aware of?

Mr Williamson—I am aware of that. Issues relating to funding have also been captured, if you like, in the review of the Rural Financial Counselling Service program that was undertaken late last year. Senator Colbeck announced the government's initial response to that a couple of weeks ago. One of the key principles for moving forward with the program, as announced by Senator Colbeck, was a re-examination of funding arrangements for the program.

Dr Samson—It is probably also useful to point out that the Australian government's funding contribution to the Rural Financial Counselling Service program was one of three elements of the funding base for the program; the other two being local communities and state governments.

Senator O'BRIEN—So you are shifting to them, are you?

Dr Samson—I am not shifting at all; I am just pointing out that that is a fact. I think that, without exception, the Australian government has met 100 per cent of its funding obligations.

Senator STEPHENS—And of course New South Wales has announced continued funding for four years in its budget.

Senator Colbeck—Funding from the states varies from state to state as to their contributions to each service. Some contribute more per service; some contribute less.

Senator STEPHENS—Given the current drought situation, I assume that you are giving some thought to the increased workload and pressures that are on the financial counsellors. Part of the review of the Rural Financial Counselling Service involved additional professional peer support. Is that part of the plans now?

Senator Colbeck—We have already commenced working with the counsellors to look at professional support and some benchmarking of their skills, so that we can ensure that there is an even delivery of service across the country from all services, and to provide professional

development to the counsellors to pick up where there may be some deficiencies. That process has already commenced.

Senator STEPHENS—Does that include opportunities for psychological debriefing of the counsellors?

Senator Colbeck—That already exists within the service. In fact, the day that you were at Parkes I was travelling from Mildura to Balranald to talk to one of the counsellors there. He goes to Melbourne on a regular basis for debriefing. There is also an informal process where they talk amongst themselves to facilitate that.

Senator O'BRIEN—Are any details available on the number of clients helped by rural counselling services in 2003-04 and the level of demand this financial year to date?

Mr Williamson—Yes. Client numbers for 2003-04, as reported by the services to the Commonwealth, were 10,400. As at the end of February 2004-05 that number was 6,459.

Senator O'BRIEN—That is about two-thirds of the way through the year, so it is tracking on about the same level.

Mr Williamson—That is correct, Senator.

Senator O'BRIEN—What are the parameters for the reassessment that is being undertaken? Are there financial limitations on what can come out of the reassessment in terms of meeting the needs of rural counselling services?

Mr Williamson—The current figures in the PBS represent the current financial commitment from the Australian government. As I mentioned, one of the principles being used as a basis for moving forward is an examination of funding arrangements.

Senator O'BRIEN—Does that mean that there can be no more money?

Mr Williamson—The Commonwealth's commitment currently is as expressed in the PBS.

Senator O'BRIEN—What is the point of the review then?

Mr Williamson—I would not want to pre-empt any decisions of government.

Senator Colbeck—The review looked at a number of things, not necessarily just the finances of the counselling services. There was a range of other issues, including corporate governance, consistency of service across the country and the best delivery of the service—and all of those parts were incorporated in the report. So it was not specifically based on the finances of the report. Those issues are still being determined. We are actively in discussion with the states at this point in time to determine their continued commitment to the services. We will also be engaging local government to see what involvement they would like to retain.

Senator O'BRIEN—It just seems that there is a dangerous cocktail potentially developing of increasing demand and declining support, and it is a problem that could possibly be attended to with not much more money. It is a very small part of the government's budget.

Senator Colbeck—I would not say that at all, Senator. The report did identify some potential cost savings that might be achieved with the recommended models, and that will be investigated. As I said, we are in active discussion with the states, who are interested in talking to us about delivery of the services. We have already had discussions with several

states in relation to that and the response to this point has been quite positive. We are aware of the current circumstances and very sensitive to the current circumstances that exist in the areas where the counselling services are situated, and that will form part of our approaches to the response.

Senator O'BRIEN—What sorts of cost savings are there?

Senator Colbeck—Essentially, in some of the administrative functions. They are not specifically quantified to that extent, but there is a suggestion of some cost savings for the recommended models over and above the model we operate now.

Senator O'BRIEN—Administrative savings for the services, you mean?

Senator Colbeck—For the new model of delivery.

Senator O'BRIEN—So you are contemplating a revamp of the current service provider model?

Senator Colbeck—We are.

Senator O'BRIEN—Has there been consultation about a change of that nature to date or is that something you would envisage testing?

Senator Colbeck—That process is currently under way and has commenced in some states. Officers have already visited Victoria, as I am aware. There is a document that is being circulated to the services which gives some information to them on the outcomes of the review and our proposed way forward.

Senator O'BRIEN—Could the committee have a copy of the document?

Senator Colbeck—Certainly.

Senator O'BRIEN—The forecast in the 2004-05 PBS for this year for interim income support payments, on page 19, was just \$594,000. In the estimated expenses it has grown to \$4.2 million, and it is slightly higher for next year's PBS. Is that dramatic increase a reflection of the ongoing drought?

Mr Koval—The increase reflects the applications that have come forward and been granted prima facie during that year, and the ones that we have currently got which have some funding flowing through to 2005-06.

Senator O'Brien—So the prediction before the start of the current financial year was that you would have much fewer applications.

Mr Koval—No, the applications are costed as they come in. We do not forward predict what we are likely to spend on these programs. As an application comes forward, we cost that and that then goes through to the PBS and the portfolio additional estimates. The numbers reflect actual applications that we have and are currently funded. We do not make an estimate of what is likely to come forward in the future.

Senator O'BRIEN—So these numbers—\$4.277 million for 2005-06—are based on current ongoing funding arrangements.

Mr Koval—That is correct.

Senator O'BRIEN—If you receive no other applications, this figure will be right—is that what you are telling us?

Mr Koval—If we receive no other applications, if the applications that this money is provided for run for their full six months and if the numbers of farmers come through at the expected rate then this number is right.

Senator O'BRIEN—What is the expected rate of the number of farmers who will come through?

Mr Koval—It is based on a third of the farmers in those areas coming forward for the full six months.

Senator O'BRIEN—Currently that is 13 per cent. Why would you use the 30 per cent?

Mr Koval—That is 13 per cent interest rate subsidy, not necessarily for income support.

Senator O'BRIEN—What is the rate for income support that is coming forward?

Mr Koval—The current rate for income support for ECRP is about 15 per cent. I am not quite sure of the percentage for the current prima facie errors. I can get that on notice for you. It is slightly below that. That is because farmers actually have the full six months to apply—it is not time critical. Some farmers come in on the first day. We find that it takes about four to five months before the numbers start to plateau out. For the two applications, it is relatively early days in those declarations or those announcements.

Senator O'BRIEN—On page 21 of the PBS there is an allocation of \$3 million for 2004-05 for RIRDC but nothing for the next year. Is that the end of the program? Can you explain that?

Mr Banfield—Sorry; would you repeat that?

Dr Samson—Which page are you on?

Senator O'BRIEN—I will come back to that. I have got the wrong page number marked, so I will have to come back to you on that when I find it. I will just deal with one other thing. On page 21, under output 2, regional assistance, there was no allocation and there has been no estimated expense for 2004-05. Apparently in last year's PBS, for 2003-04, the estimated expense was \$4.7 million. Then for 2004-05 the estimated expense matches the budget amount—that is, nothing—and then in the budget estimate for 2005-06 there is an allocation of \$702,000 for the next year. Can you give me a clue on what that one-year gap means?

Mr Williamson—Firstly, going back to 2003-04: as you mentioned, the forecast was \$4.733 million and the actual expenditure for that year was \$4.07 million. This program, in the broad, incorporates a couple of the remaining projects under the 1994 Rural Partnership Program. There are four projects still going. There have been a number of delays with them. The PBS shows zero expenditure for this year but in fact we are expecting some expenditure of about \$3.8 million this financial year.

Senator O'BRIEN—Where is that coming from?

Mr Williamson—That will be sourced from the ADP program and some from the FarmBis program.

Senator STEPHENS—What are the four projects?

Mr Williamson—The four projects are the desert uplands project, the MIA PowerPACT project, the West 2000 Plus project and the Gascoyne Murchison project.

Senator O'BRIEN—When was it known that this funding would be required? As I said, there has been absolutely no indication of any allocation or expenditure against this program in this current financial year, and now it is going to be \$3.8 million.

Mr Williamson—As I said, there have been delays with some of the projects and it has been difficult to estimate whether there would have been expenditure or not in this financial year.

Senator O'BRIEN—But there would have to have been a strong view that there was not going to be expenditure on this.

Mr Williamson—There was. It was not expected, obviously, at the time the documents were prepared. However, in the interests of trying to progress the projects when it has become apparent that expenditure was possible—milestones having been met and so on—then payments will be made by the end of the financial year.

Senator O'BRIEN—On notice, can you give us more detail about this? I would like to know why there was a view that no milestones would be met and suddenly \$3.8 million worth of milestones has popped up in these projects.

Mr Williamson—Certainly, I can get you a breakdown project by project.

ACTING CHAIR—I have questions relating to the drought in South Australia. Just to contextualise them: to date, over 510 applications for assistance from farmers in South Australia have been approved for Australian government income support and interest rate subsidies, including those covered under the 9 December 2002 package. Can you advise the committee how many EC applications have been received from the South Australian government since 2002-03 and how many of these have been accepted?

Mr Koval—Currently three applications or three EC declared areas in South Australia have been accepted and another two applications were rejected. So there has been a total of five, of which three have resulted in EC declarations.

ACTING CHAIR—For the sake of the record, can you outline those areas for me?

Mr Koval—The first application was for an area we call the south-east Mallee; that application was submitted twice, which represents the two rejections. There is one for the central north-east of South Australia, which is called the upper north cropping, and one for South Australian pastoral zones.

ACTING CHAIR—I understand that in January this year the government announced that a case for EC had been demonstrated for producers in the upper north cropping district. Is that correct?

Mr Koval—That is correct.

ACTING CHAIR—Is that under the arrangement whereby NRAC will still have to visit the area, or has that been now confirmed?

Mr Koval—It has been declared.

ACTING CHAIR—The extension of EC for 12 months in the central north-eastern pastoral region of South Australia is the only area in the state that has been assessed so far, I believe, for an extension of EC assistance under the streamlined arrangements. In November, the minister announced that an extension of EC assistance for a further 12 months had been granted in the central north-east pastoral area. Can you confirm if any areas in South Australia have been assessed for an EC extension under the new streamlined arrangements?

Mr Koval—Apart from that area?

ACTING CHAIR—Yes.

Mr Koval—That is the only area.

ACTING CHAIR—The Australian government has committed more than \$1 billion in drought funding to farmers since 2003-03. In total, this is four times the amount of funding announced by all state governments. In the current drought, more than 46,000 applications for income support grants, EC relief payments and interest rate subsidies have been approved. Total Australian government expenditure to date for drought measures amounts to \$676 million. For this drought, though, a special Premier's package of up to \$5 million was announced in October 2002 for rural counselling support, additional FarmBis support, individual business and community grants, but no real money went directly to farmers. In fact, of the total, South Australia has spent only \$2.3 million. Can you advise the committee: how much real money has the South Australian government contributed to drought funding during 2003-04; how this would compare with other states?

Mr Koval—I will have to take that on notice. I do not have how much money the states have committed direct to farmers on a financial year basis.

ACTING CHAIR—To date, 510 applications for assistance from farmers in South Australia have been approved for Australian government income support and interest rate subsidies. Can you advise the committee how many applications for assistance from farmers in South Australia have been approved for Australian government income support and interest rate subsidies to date, including those covered under the 9 December 2002 package?

Mr Koval—The latest information I have is that 511 applications have been approved, and that is of 13 May 2005.

ACTING CHAIR—Are you able to tell me how much money that involves in terms of payment?

Mr Koval—It is \$5.49 million.

ACTING CHAIR—All of that is federal funding?

Mr Koval—Yes, that is the amount of money the Australian government has paid.

ACTING CHAIR—This question has a fairly lengthy preamble, but I think it will contextualise my question for you. While it is generally recognised that there is a longstanding South Australian government policy not to have programs of drought measures, I question the South Australian government's criticism of the federal government for not providing enough exceptional circumstances assistance to South Australia.

You would perhaps be aware that the South Australian Farmers Federation this week has also claimed that the exceptional circumstances classifications, and even the means by which they are concluded, are eastern state-centric. Can you comment on why the rejections have occurred? You probably realise from the media that in South Australia there have been ongoing claims—and perhaps recently, more loudly voiced claims—that South Australia is being discriminated against in the national drought initiatives. Can you comment on that?

Mr Koval—All I can say is that South Australia has submitted five applications, three of which have been EC declared.

ACTING CHAIR—Can you explain to me why the other two were not accepted?

Mr Koval—As far as I can recall—and I will qualify my comments by saying that this is going back a number of years—

ACTING CHAIR—You might like to perhaps bring some more material when you get a chance.

Mr Koval—Okay.

ACTING CHAIR—But, please, do recall what you can for now.

Mr Koval—As I recall, the first application was rejected on the basis that it could not demonstrate a rare and severe event that resulted in a prolonged impact on the majority of growers in that region. I can get more details of the exact recommendation from NRAC if you like.

ACTING CHAIR—It is my recollection that some of the reasoning in the applications related to specific events on specific days—whether it was frost, wind or particularly bad climatic conditions—which dramatically affected the crop but which may not in the wider context have met the conditions for a successful application. Is that your recollection?

Mr Koval—I will have to take that question on notice to be exactly sure of the exact nature and extent of the event that they applied for.

Dr Samson—As I am sure the senators are aware, there are set criteria against which the National Rural Advisory Council assesses applications that are lodged by the states. Those three criteria are assessed consistently across all applications. The Australian government cannot do anything other than assess the applications that it receives from the states. The state government defines the boundaries of the application and, as you would appreciate, within that defined boundary we consistently apply the three criteria. As Mr Koval said, this is going back in time somewhat, so we are happy to revisit it and provide you with as much information as we can.

ACTING CHAIR—One of the criticisms of exceptional circumstances of course is that the word ‘exceptional’ applies in different ways to different situations, whether it is fire, flood, insect damage, frost, wind or a prolonged period of no rain. I can remember similar rejections some years ago in New South Wales, which attracted the same sort of criticism. But I think it would be useful if you were able to give me any information that would indicate that the national drought policy is being applied equitably and that this issue between eastern states and western states is not a reasonable criticism. Generally speaking, when you receive

an application, do the farm organisations have a role to play in that application from the state government, or is it always an application that comes from just the state government?

Mr Koval—The application has to be lodged by the state government.

ACTING CHAIR—Yes.

Mr Koval—But in the development of the application, generally speaking, the local community, and that could be farm organisations, do play some role in developing the application, sourcing information and things like that. It does vary from state to state.

ACTING CHAIR—When you are looking at the records that go back a couple of years, can you see whether you are able to comment on the role played by the South Australian Farmers Federation in those applications?

Mr Koval—We can see what we can do, but sometimes that role is played out behind the scenes and we may or may not be aware of it.

Dr Samson—As Mr Koval said, the level of engagement of state farming organisations varies. There is at least one state, to my knowledge, where that farming organisation co-signs, if you like, the application, which, as Mr Koval said, has to be lodged by the state government. In other states it may not be clear, simply by examination of the documentation, the degree of involvement of the organisation. But we will do our best to provide you with that information.

ACTING CHAIR—I would appreciate that. Thank you very much. As there are no more questions, I thank you all for your time. We appreciate the information that you have given to the committee. Senator Colbeck, I think we will need to get Senator Macdonald to come for the questions about fisheries and forestry since that is his portfolio. We will wait a few moments for him.

Proceedings suspended from 2.45 pm to 2.57 pm

ACTING CHAIR—We will resume, and I understand we are going to ask questions first on fishing, unless you, Minister, want to make an opening statement.

Senator Ian Macdonald—I apologise to the committee; I thought Senator Colbeck could continue with these, but thank you anyhow.

ACTING CHAIR—I think the arrangement is that ministers cover their own portfolios where they can. Do you want to make an opening statement, Minister?

Senator Ian Macdonald—No, thank you.

ACTING CHAIR—Then we will proceed straight to questions on fishing.

Senator O'BRIEN—We have had some information on the current state of commercial fish stocks in Australian waters. In general terms, do we have management regimes now in place to ensure the long-term sustainability of all stocks?

Mr McLoughlin—I believe that the answer is yes, we do have management arrangements in place for Commonwealth fisheries. I say that in the following terms: we have management plans that have now been approved by the AFMA board for approximately 95 per cent of the value of Australia's Commonwealth fisheries, and those management plans have set the

framework for sustainable development and management of those fisheries. As part of the process for approval of those plans by the minister and subsequent implementation, they have to be assessed and approved by the minister for the environment under the EPBC Act so that they pass what is called the strategic assessment. The plans that are in place have been through strategic assessment under the EPBC Act. In some cases they have received the full tick of approval for five years of exemptions from export approvals; sometimes they have had a wildlife trade operation with conditions placed on improvements in the fishery. But they have all passed is the main answer, and those management plans are being rolled out as we speak. We have greater than 95 per cent of the value of Commonwealth fisheries under those plans now. Those plans are the framework and the platform for sustainable long-term management.

Senator O'BRIEN—I will come back to specific fisheries shortly. On page 128 of last year's PBS, total revenue was forecast at \$29.669 million and total cost of outputs was forecast at \$29.655 million. Fisheries policy and planning was estimated at \$12.806 million and fisheries administration at \$16.89 million. The estimates in this year's PBS at page 110 for those last two items is \$12.921 million and \$18.592 million. How is the increased cost of fisheries administration for 2004-05 to be funded?

Mr Quinlivan—Almost all the increase from 2004-05 to 2005-06 is on the government account rather than on the cost-recovered element of AFMA's budget. Most of it relates to additional funds provided for the management of illegal fishing both in the southern waters and for the new detention arrangements in the north.

Senator O'BRIEN—How much is attributable to each of those two items?

Mr Quinlivan—I will take you through the Southern Ocean first. The allocation to AFMA in 2004-05 is \$2.4 million and again \$2.4 million for 2005-06.

Mr P Murphy—In 2004-05, from the additional estimates, there is \$2.8 million to provide for interim arrangements while more permanent northern detention facilities are provided in the north. In this current budget there was an additional \$2.4 million, \$1.9 million of which covered a previous shortfall in AFMA's funding for illegal fishing and half a million being provided to facilitate quicker repatriation of people, which resulted in our having to destroy more vessels.

Mr Quinlivan—But the aggregates for 2004-05 and 2005-06 for AFMA are \$10.918 million and \$17.4 million. That accounts for the difference you mentioned before.

Senator O'BRIEN—When you say 'for AFMA', do you mean fisheries policy and planning? No, I am sorry; AFMA is fisheries administration. The figure for AFMA is \$10.91 million. What does that relate to?

Mr Quinlivan—That relates to the compliance budget.

Senator O'BRIEN—What is the \$17.4 million?

Mr Quinlivan—That is AFMA's 2005-06 foreign compliance budget. I was making the point earlier that it is the foreign compliance budget that accounts for the increase in the cost of fisheries administration.

Senator O'BRIEN—So the growth is clearly in the foreign fisheries compliance budget.

Mr Quinlivan—Correct.

Senator O'BRIEN—Is it possible to get an allocation for north and south on that compliance?

Mr Quinlivan—They are the numbers I have just provided. The number for the south is \$2.4 million for both those years. I think I said earlier that it increased; in fact, it does not increase until next year. The numbers \$10.9 million and \$17.4 million are the total foreign compliance budget. Of both of those numbers, \$2.4 million is for the south and the remainder is for the north.

Senator Ian Macdonald—So that you are not misled on that: these are the direct costs of AFMA in apprehension, detention and processing—and, I think, even post-court processing. The actual funds for the patrol vessels and the armed officers do not come from our department but from the Customs area. The funding to deal with the *Oceanic Viking* and for the Coastwatch program all comes through Customs, but if you have questions on that we can help as much as possible, though we cannot be precise—if you do have questions, that is; I am not encouraging you to ask questions! I just wanted to put that in perspective lest you think that the government spend on the protection of our fisheries is small; in fact, the spend on protection is enormous, but it goes across two and even three departments.

Senator O'BRIEN—On page 128 of last year's PBS, there is a prediction of a small cut in funds for domestic fisheries compliance activities. Have savings been identified or is there a reduced effort?

Mr McLoughlin—Domestic fisheries compliance budgets are a matter for negotiation between AFMA and industry on the basis of identified risks for each of the domestic fisheries. There is usually a risk assessment around compliance done for each fishery. There is then a costing done for it and quite often a negotiation between AFMA and industry about acceptable compliance budgets, where we can meet all the high-risk items. Where identified risk might go down from time to time, the budgets are reduced accordingly.

Senator O'BRIEN—So it is a reduction in risk?

Mr McLoughlin—For some fisheries, indeed—as a result of experience—and particularly for fisheries where we have very few vessels operating or there are low levels of activity in a fishery.

Senator O'BRIEN—The authority's average staffing level of 125 in last year's PBS for the current financial year is, according to this year's PBS, predicted to grow in the next financial year to 133. Where will the additional staff be located and what will their functions be?

Mr McLoughlin—Those staff will be almost entirely in the area of foreign compliance to reflect the increased budget that we have available over the coming years.

Senator O'BRIEN—Where will they be located?

Mr McLoughlin—Given that the bulk of the foreign compliance work occurs in Northern Australia, we are planning to open an office in Darwin and operate our own directly employed Commonwealth fisheries officers from that office.

Senator O'BRIEN—Can I go to the performance indicators on page 111 of the PBS. How many rebuilding strategies do you have in place, for what fisheries and for what species?

Mr McLoughlin—There is a combination of rebuilding strategies built into existing fishery management plans and specific rebuilding strategies that might be components of environmental response measures that sit inside, for example, the strategic assessments. The main rebuilding strategies would be reflected in the quota levels that we would set in a fishery from time to time. Whether that rebuilding strategy is explicit or implicit in the management plan and the TACs, the total allowable catches, that we set, varies between fisheries. The majority of fish stocks that we have that have been overfished over the last 20 years or so are in the south-east. There is a fishery management plan that was implemented on 1 January this year for the South-East Fishery and we have been steadily reducing total allowable catches and quotas on species in that fishery over the last two years to reflect the need to rebuild some of those stocks. That is contained within the strategies and the objectives of the management plan.

Senator O'BRIEN—On notice, can you tell me how long each of these strategies has been in place and how many of them have been judged to have resulted in positive trends in species numbers to date?

Mr McLoughlin—For example, with an overfished stock like gemfish on the east coast, which has been overfished for quite some time, the total allowable catch for that species has been set at 100 tonnes for quite a number of years now. That 100 tonnes is only put in place so that the by-catch of fishing for other species can enable a small number of those gemfish to be landed so that they are not dumped at sea because there is a zero quota. That strategy has been in place for some years now. Despite that strategy, it is clear that for that species as an example we are not seeing a rapid response of that fish stock. Given that we now have data over a number of years that says it is not responding to that strategy of just minimal quotas to allow for some by-catch landing, then this year, now that the management plan is in place and we have a statutory framework to do so, we will be considering other measures such as large closed areas and changes on mesh sizes as we move to a more intense phase of trying to rebuild that stock. It varies between a range of fish stocks that we have in that fishery.

Senator O'BRIEN—I understand that it is not a simple question, which is why I suggest you might take it on notice.

Senator Ian Macdonald—I hate to say this, but if you have a look at my media release, it goes through the 17 species that are classified as overfished, which has a technical consideration. It is a pretty good press release—I hate to say it, because I did it by myself, with a bit of help from AFMA and BRS. It does indicate which fisheries are strictly classified as overfished, what is being done and how long it has been going. It is probably not as detailed an answer as a question on notice would give you, but it is probably a good template to work from to give you an idea. I am very concerned about the fisheries that are classified as overfished. I am also concerned about the classification system, which is a little confusing. We are looking at trying to change that internationally, because overfished means something different to overfishing.

Senator O'BRIEN—The question was about the strategies that have been in place, how long they have been in place and how many of them have resulted in positive trends. I am not sure if you are saying that that is what is in your press release.

Senator Ian Macdonald—To a degree it is. BRS had a copy of it, but I am not sure if all my other advisers are carrying it around as they should. For pink ling, for example, the TAC has been reduced by over 20 per cent from January 2005. Certainly AFMA will be able to give you a more detailed explanation. I was really just suggesting that using that as a template as a way to give an easily understandable indication of just what is happening with each of the fisheries.

Senator O'BRIEN—It might be the template for another press release; you never know. Can we find out how many assessments have been completed, or are under way, of ecological indicators for marine ecosystems covering species, habitat and communities?

Mr Roberts—In broad terms all of those issues are picked up under a broadscale project we have been running for ecological risk assessments across all Commonwealth fisheries. There have been assessments completed in each of those fisheries identifying level of risk and they cover target species, by-catch species and the broader marine environment. It is a very comprehensive work which has been driven out of a project we established with CSIRO about two years ago.

Senator O'BRIEN—Is that concluded?

Mr Roberts—The project is moving through a series of phases. At each phase it steps down and identifies the species that are high risk. We are moving into the phase now with some of our major fisheries where we are doing quantitative assessments of risk, having done the broader qualitative assessments across all fisheries.

Senator O'BRIEN—So how many are showing positive trends?

Mr Roberts—This is a risk assessment process; it is not about species-by-species positive trends but it identifies risks within the fisheries more broadly.

Senator O'BRIEN—So you are not actually looking at this stage for trends?

Mr Roberts—In terms of recovery?

Senator O'BRIEN—In terms of the ecological indicators for marine ecosystems.

Mr Roberts—In the first instance, the process needed to establish the benchmarks, the levels of risk and the risk assessment processes.

Senator O'BRIEN—What quantitative evidence has been identified that ongoing adjustment is occurring in fisheries in response to resource and market changes? You have talked about some aspects of that today, but can you address that matter more broadly?

Mr McLoughlin—We do have some evidence but I would have to say that overall across fisheries, over the last two or three years at least, the level of autonomous adjustment has been relatively slow. It has been slow for a couple of reasons, but the prediction is that over the next couple of years it will speed up. One of the reasons is that over the last couple of years—until 12 months or so ago—the Australian dollar was relatively low and fuel prices were low, so the industry was relatively profitable—certainly through the second half of the nineties.

Those cash reserves have enabled the industry to essentially hang in there even when businesses were relatively marginal. The terms of trade have shifted in the industry over the last 18 months or so, with high fuel prices and a high Australian dollar. The high Australian dollar has two impacts. The first is that it affects our exports and the second is that it makes the imports cheaper. Particularly for some of our fisheries, such as our prawn fisheries in northern Australia, it has made imported farm prawns very cheap relative to locally caught wild product. So our fishing industries are dealing with very tough economic conditions at the present time and our expectation is that we will start to see a more rapid rate of autonomous change in those fisheries as businesses start to rationalise, and to consolidate as well.

Senator O'BRIEN—So the driver is more expensive fisheries and lower prices rather than the management system?

Mr McLoughlin—The management systems are largely in place to provide for autonomous adjustment. That is what rights based fisheries are all about, particularly in quota management systems. We are implementing those across Australia. In fact, we have implemented them in most of the major fisheries. Those operators who could maintain good cash flows up until the last couple of years have managed to hang in there, but the current economic conditions will, I believe, start to force some rationalisation in the industry and we will see a more rapid rate. The main thing is that the statutory mechanisms are in there for that adjustment to occur—and it would be a market based adjustment as well.

Senator O'BRIEN—So, rather than the evidence being available at the moment, you are expecting it to start to spill out over the next two years?

Mr McLoughlin—There is some evidence, but it is anecdotal. For example, we have transfers of licences coming throughout the year and we cannot predict who is going to renew their licence or sell it to someone else. Many of our fisheries have different starting dates through the year, so it is a continual process. We can only go on the continual discussions that we are having with industry about these things, and that is certainly the message they are giving to us.

Senator O'BRIEN—Is there a decline in the value of licences if they can be sold?

Mr McLoughlin—Yes, that is certainly one of the impacts of tougher economic conditions. A lot of that is related to, for example, a surplus number of fishing vessels. There are a range of economic drivers.

Senator O'BRIEN—What are the constraints to efficient market operation that you have identified and the processes under way to remove those constraints?

Mr McLoughlin—I will give you one example of something that we are doing. Our South-East Fishery extends from north of Sydney right around to Adelaide, and including Tasmania. That single fishery has some 35 landing ports. One of the issues in fishery market operation is people getting in contact with each other and understanding where a willing buyer or seller might be for whatever it is they might want to trade. We have moved to implement some internet based information services through which people who are looking to trade in quota and/or licences can identify each other and get in contact. That will be rolled out this year as well. There seems to be a market failure in the private sector for these sort of services.

Senator O'BRIEN—Are we on track to have the Macquarie Island toothfish fisheries management plan in place by 31 December this year?

Mr McLoughlin—Yes, the planned completion date is December this year.

Senator O'BRIEN—There is no question but that that will happen?

Mr McLoughlin—Now that we have resolved allocation in that fishery, now that the AFMA board has made some decisions around allocation in that fishery, we can move to confirm that in the plan and move forward on it. Allocation—who was going to end up with the long-term rights for that fishery—was always the issue there, and that has now been resolved.

Senator O'BRIEN—What about the small pelagic fishery management plan? Will you meet the 30 June deadline next year?

Mr McLoughlin—I believe we will. We have made good progress with the preparation of a plan for that fishery. We have formed a management advisory committee, which has had its first meeting. We have appointed an allocation advisory panel and a resource assessment group has been put together as well. The first formal budget for the fishery will start from 1 June. So we believe that plan, which will not essentially be very complex to write, will be on track for that date.

Senator O'BRIEN—There are some by-catch plans I wanted to be updated on: the Bass Strait scallop, the northern prawn fishery and the sub-Antarctic fisheries.

Mr McLoughlin—A new by-catch action plan was published in June 2004. That was the first one. A further by-catch action plan for Bass Strait scallop will now not be developed in 2004-05. It will have a two-year life or thereabouts, depending on advice from DEH. What was the other one?

Senator O'BRIEN—The northern prawn fishery.

Mr McLoughlin—It has a by-catch action plan in place. I do not have the current term of that plan in front of me, but I can provide it.

Senator O'BRIEN—Is it being reviewed or is it just in place?

Mr McLoughlin—I do not have that information in front of me, but I can provide it.

Senator O'BRIEN—Thanks—and the sub-Antarctic fisheries by-catch plan? Is that whale exclusion devices?

Mr McLoughlin—Similarly, I do not have that in front of me either, unfortunately. I have nearly all of the others.

Senator O'BRIEN—Can you let us know when each of the reviews is scheduled to be completed when you do that, please?

Mr McLoughlin—Yes.

Senator O'BRIEN—I believe the authority is updating strategic research plans for all fisheries and that is due to be completed by 1 December this year. How many plans are there?

Mr McLoughlin—The strategic research plans are in the process of being reviewed for all fisheries, and there is an overall research plan which is a creature of the AFMA board and its

research advisory committee, which is a subcommittee of the board. There are research plans that are being pulled together as part of a requirement for nearly all the management plans. So that would be some 12 research plans, from memory, but the exact number I will have to provide for you because they are in various states of preparation. Again, it is a variable number.

Senator O'BRIEN—Can you advise on the progress on the updating of data on acquisition plans for all fisheries?

Mr McLoughlin—A draft data plan for all Commonwealth fisheries has been developed and is due for completion by the end of August. Individual fishery data plans have been drafted for five fisheries and they are our largest and more important fisheries. It is anticipated that fishery specific data acquisition plans will be completed for all major Commonwealth fisheries by the end of this calendar year.

Senator O'BRIEN—How many fisheries are there?

Mr McLoughlin—There are approximately 12 of the major fisheries.

Senator O'BRIEN—In accordance with the first dot point on the top of page 115 of the PBS with regard to foreign fisheries compliance, have you undertaken an assessment of the extent of foreign fisheries compliance acts as a deterrent to the IUU fishing?

Mr P Murphy—Certainly, in the south, with the new program of the Australian vessel and the joint operations with the French, it appears there has been very little IUU fishing for patagonian toothfish, so by any measure I think the program has been very successful. In the north it is a lot more difficult to measure deterrence. The main information that we have comes from the Coastwatch surveillance program, where they do their surveillance flights and report on sightings. However, the problem with sightings data is that we never know how many times we see the same Indonesian vessel, so it makes it very difficult to know what proportion of vessels sighted can be apprehended. However, we do know that there are estimates of over 100,000 small Indonesian fishing vessels throughout the archipelago, and the sightings data that we get is a very small fraction of that, so we assume there is a reasonable deterrent effect as shown by those numbers.

Mr McLoughlin—I can add some additional high-level information. We are aware that over the last four years or so the take of patagonian toothfish by illegal vessels has probably dropped down from around 60 to 100 per cent of the legal take. The estimate is down to about 22 per cent in the last year that we have data for, 2003-04. Anecdotally, the legal companies—and there is a coalition of legal toothfish operators in the Southern Ocean—advise us that they are seeing an increase in price in the marketplace for toothfish as a result of a lowering of the amount of illegal product that is turning up in markets. So we think there has been a significant deterrent value of the efforts down south so far.

In the north one of the indicators of the deterrent effect is the fact that we are now starting to see Indonesian vessels coming equipped to repel boarding parties. They are attaching sharpened metal spikes to the gunnels of their boats to stop Customs or defence personnel boarding the vessels. They have been quite prepared to hightail it north to the AFZ boundary rather than be apprehended because they know that the penalties will be severe—in terms of financial penalties and potential jail terms for skippers. We are seeing the effects of the

compliance effort as a deterrent in terms of the stronger measures they are taking to avoid detection and apprehension, and in their being prepared to make a run for it. As well, there has been a reduction in catch. Those are anecdotal measures, but in an area where it is very difficult to get hard data we are seeing those things happening.

Senator O'BRIEN—I have heard something quite different so I suppose anecdotal information is just anecdotal. What you hear might differ according to who you talk to.

Senator Ian Macdonald—Are you talking about the south or the north?

Senator O'BRIEN—I am talking about the north. I do not know too many people who boat or fly through the south. Level of successful prosecutions brought to court, and other legal actions—can you give us details of your performance against that test?

Mr P Murphy—Up to 20 May this calendar year, in the north we had apprehended 97 boats, with some 748 crew. There were 121 crew charged, 165 charges laid, and 156 of those charges resulted in successful convictions.

Senator O'BRIEN—Does that mean 121 crew members were convicted, or was it something less than 121?

Mr P Murphy—We had a recent failure in Darwin where there were nine crew of one vessel who were allegedly jointly culpable in that they were engaged in a dive fishery. There was confusion over the language that they spoke in the court and the DPP decided to withdraw the charges.

Senator O'BRIEN—So do you think that there were about 112 people convicted?

Mr P Murphy—The number would be very close to that.

Senator O'BRIEN—Can you provide the committee with some detail about the progress being made in improving data collection? These figures appear in the data collection section so I presume they apply authority wide.

Mr McLoughlin—I gave some of the detail in a response to an earlier question. A draft data plan for all Commonwealth fisheries has been developed and will be completed by August. Individual fishery acquisition data plans are being prepared under each of the management plans. For example, we have introduced a Torres Strait fishery docket book so that we have Indigenous fishers filling in log books about their catches of rock lobster and other things. We have introduced reviews of the logbook data for the gill net, hook and trap fishery in southern Australia. There is a workshop currently running here in Canberra with operators from the south-east trawl fishery and Great Australian Bight trawl fishery on data acquisition under their new management plan. These are constant update matters for us as the plan is rolled out and implemented fully.

Senator O'BRIEN—How is logbook data validated against independent observer data and/or catch disposal records where available?

Mr McLoughlin—All fishers have to fill in logbooks. We put observers on vessels, and the observer reports are validated back at AFMA during the year. That information is provided back to the MAC in terms of the validity of the data for stock assessment purposes and to feed

back into the compliance risk assessments that are undertaken each year for fisheries to determine whether discrepancies are occurring.

Senator O'BRIEN—At the top of page 116 are the quality and price performance indicators. Could you give us some advice against performance on those eight dot points? Have they been met?

Mr McLoughlin—That is 'quantity' and price data.

Senator O'BRIEN—Obviously they have not been. Sorry; that is planned activity for next financial year, is it?

Mr McLoughlin—Yes, it is. You had me confused for a second.

Senator O'BRIEN—Sorry, I confused myself. I apologise. At page 117 of the PBS, the first dot point says: 'Various reviews of 'due diligence' to identify and mitigate key corporate legal risk areas.' How many reviews are we talking about? Do you know yet?

Mr McLoughlin—No, I do not know yet, because it is something that will be rolled out across this whole year. One of the features of the Fisheries Management Act is the number of relatively complex administrative processes that are specified in the act itself. As it says in the PBS, we have a set of reviews under way to review the corporate legal risks of not fully administering those complex processes, particularly in relation to such things as allocation of statutory fishing rights. There are very strongly held views in the fishing industry about their entitlement to those fishing rights, and they want the processes to be entirely valid. So we have to make sure that we carry out those processes absolutely scrupulously.

Senator O'BRIEN—Do you know who will be doing the reviewing?

Mr McLoughlin—We have a corporate legal area that is undertaking those reviews, and we engage external legal advisers from time to time to quality control that.

Senator BROWN—Nippon Suisan Kaisha Ltd has an arrangement with Australia for mackerel icefish and patagonian toothfish. Can you tell me what that arrangement is?

Mr McLoughlin—In Australian fisheries, where management plans are in place and statutory fishing rights have been issued, those rights are tradable between legal entities and they can be traded as property. We have a number of fisheries where those rights are in place, including the Heard Island and McDonald Islands Fishery. The statutory fishing rights to that fishery are held by a whole range of entities. Some are held by New Zealand companies, some are held by the company you named and others are held by Australian companies.

As long as those companies meet Australian investment review guidelines, there is no legal impediment to owning entitlements for the fishery. However, the management plan specifies that only Australian boats can work those entitlements—that is, only Australian boats can catch the fish—and the entitlements have to be allocated to or leased to that Australian boat before they can be caught. One of the reasons that this often occurs where you see foreign companies involved is that the companies are, for example, trading companies that are looking for the product to sell back in Japan. That is quite often to the advantage of Australian companies too. Essentially, you have a business arrangement where there is a share of ownership of the fish being taken such that they get advantage in the marketing arrangements for those fish.

Senator BROWN—Can you tell the committee the price of those fish on the Japanese market?

Mr McLoughlin—No, I cannot, because of the price variability through time. It is very dependent on the exchange rate at the time, as well. I know that there is a vessel down there at present, but it is fishing in CCAMLR waters rather than HIMI waters, and it is under another set of arrangements. I cannot tell you what the market price is at present.

Senator BROWN—What sort of vessel?

Mr McLoughlin—A long-line vessel.

Senator BROWN—Owned by?

Mr McLoughlin—Owned by Petuna Sealord of Devonport, which is a company that has a range of people on the board and business interests that, in fact, AFMA has no particular interest in as long as the fish are being legally caught under the management plan.

Senator BROWN—The company I spoke about owns Kyodo Senpaku Kaisha, which takes part in whaling, including in Australian waters. Is that a consideration in their ability to fish for Australian fish, or is there no consideration taken of that in terms of the arrangements you have just described to the committee?

Mr McLoughlin—There is not much that we can do about other company arrangements in a foreign country such as Japan. I am not sure at all that you are correct that the company is whaling also in Australian waters, because there is no foreign vessel operating in Australian waters at all, for any fishery.

Senator BROWN—I am talking about the Antarctic whaling refuge in the EEZ off Antarctica. Maybe we are using different terminologies for Australian waters.

Mr McLoughlin—CCAMLR waters are not Australian waters formally, but Australia does make claim and we are a signatory to CCAMLR.

Senator BROWN—Australia does claim those waters, doesn't it?

Mr McLoughlin—Some of them, yes indeed.

Senator BROWN—It claims the EEZ off Antarctica, doesn't it?

Senator Ian Macdonald—I am not sure that Mr McLoughlin is competent to answer that. I heard you speaking to Senator Ian Campbell this morning, who I think gave you an accurate indication of the situation. If you want legal advice on those waters, I think you would really need someone from the Attorney-General's international law area.

Senator BROWN—I was not seeking legal advice.

Senator Ian Macdonald—Weren't you?

Senator BROWN—No. I was just seeking where Australia's territorial waters lie. That is not a legal matter. That is a matter that Australia has asserted.

Senator Ian Macdonald—As you know from your discussion with Senator Campbell this morning, the issue with the Antarctic, both the mainland and the adjacent waters, is complex in international law. As I heard Senator Campbell explain to you, there are only four countries who claim part of the Antarctic mainland—I think he said four; it might be five—and the

adjacent waters. Each of those recognises each other's claims, but nobody else does. I am not even sure that your assertion regarding waters is correct. Can anyone help me as to whether we have actually claimed an EEZ? It is a continental shelf claim, isn't it? I am not sure.

Mr McLoughlin—To the best of my knowledge—and I am not an international lawyer—the only formal EEZ that Australia has in subantarctic waters is around Heard and McDonald Islands.

Senator Ian Macdonald—That is certainly true.

Mr McLoughlin—The waters within the CCAMLR boundary are as Senator Macdonald described.

Senator Ian Macdonald—I think, Senator, it might be good for all of us—I only saw a bit of your interaction with Senator Campbell and I am not sure whether he offered to do this—so that none of us are making claims to the media that are not accurate, if we get a note from the Attorney-General's Department on just what the status of those waters is. I will take that on notice and make it available.

Senator BROWN—That would be very helpful. I came here thinking you would know but if you do not I would be very happy to get the right answer from somebody else.

Senator Ian Macdonald—My own thought is that it is not part of the AFZ. Were it so, I would be very keen to do some of my own things down there, but my advice has been that that is not possible, which leads me to think fairly confidently that it is not part of Australia's AFZ.

Senator BROWN—What is happening with the *Veronica*? Can you give the committee an update on that?

Senator Ian Macdonald—I will ask the officers: have you got any idea what is happening with the *Veronica*? Has it come anywhere near you?

Mr McLoughlin—The last I heard was that it was in a port in Norway up for sale. That was earlier this year.

Senator BROWN—What is the state of play as far as the attempt by the owners of the *Veronica* to take part in Australian fishing?

Mr McLoughlin—I can confirm that no application has yet been made, and that the freeze on large vessels entering fisheries is still in place.

Senator BROWN—Have the owners got an allocation?

Mr McLoughlin—No.

Senator BROWN—So they in no way have any claim on potential entry into Australian fisheries?

Mr McLoughlin—I can only go on what they have done: they have not applied to bring the vessel here. The freeze is still in place on large vessels and there is a deliberate process, which is rolling in at the present time, to put long-term, sustainable, ESD based management arrangements in place for the small pelagic fishery—as I described earlier—with the

appointment of a management advisory committee and a resource assessment group and the like. That has now happened.

Senator BROWN—When is the freeze in place until?

Mr McLoughlin—The freeze continues in place until the AFMA board decides to lift it. The management plan or other arrangements have been put in place to ensure rational development of the fisheries—that is really the term we have to use. But it will be moving to an ITQ managed fishery, so if strict quotas are in place and people are allocated quotas presumably they will make rational business decisions at that time once that is announced.

Senator BROWN—There have been a great number of regulations before the Senate and the House of Representatives regarding by-catch and listed species for protection. Can you explain to the committee what the purpose of those many regulations has been.

Mr McLoughlin—I am not sure if they are AFMA regulations. They may be DEH regulations under the EPBC Act in which case I do not have the detail to hand.

Senator Ian Macdonald—Are you talking just in terms of recent times or over the last 20 years about the regulations?

Senator BROWN—This year.

Senator Ian Macdonald—I do not remember—would I have to sign those?

Mr McLoughlin—Yes, you would.

Mr Hurry—As Richard said, I think a lot of those would be EPBC Act accreditation of fisheries for export, and they would come under the responsibility of the Minister for the Environment and Heritage.

Senator BROWN—Why is an EPBC accreditation required there?

Mr Hurry—All Australian fisheries that export product are accredited under the EPBC Act.

Senator BROWN—Are those regulations required because of the impact on endangered species?

Senator Ian Macdonald—Perhaps if you would just start at the beginning and explain the EPBC accreditation process and go into that question.

Senator BROWN—No, I am quite happy to have the answer to that question without us having to go through that, Minister. If you want it explained for your own edification you can.

Senator Ian Macdonald—Thank you for allowing me that. I will ask them outside the committee if I need edification, but I don't. I thought it might help your obvious misunderstanding if we went through it, but if you do not want to find out exactly what is happening, well—

Senator BROWN—If the question is answered it will be all right, thank you.

Mr Quinlivan—The short version is that all Commonwealth fisheries and all export fisheries, as Glenn says, that wish to export require approvals of various kinds under the EPBC Act. When it was introduced a time period was allowed in which the strategic assessments were to be undertaken. That period has now expired and virtually all the strategic

assessments have been completed. Various approvals under the EPBC Act, whether they be exemptions from the act, from the wildlife trade provisions under the act, or whether they be wildlife trade operation approvals under the act, are now being issued for individual fisheries. Some of those are for five years, some for two years, some unconditional and some with conditions. I think all of those instruments are being tabled.

Senator BROWN—What exemptions are being sought there?

Mr Quinlivan—Exemptions from the prohibition of trade in wildlife under the EPBC Act.

Senator BROWN—A prohibition in trade of what?

Mr Quinlivan—Australian native wildlife; in this case fish.

Senator BROWN—Why is an exemption required?

Mr Quinlivan—I am not an expert on the EPBC Act but, as I understand it, there is a blanket ban on trade in Australian wildlife. But then various exclusions and exemptions and so on are available if you satisfy the terms of the act, which in this case has been happening with Australian fisheries. It applies also to wallabies, possums and so on.

Senator BROWN—So it is not to do with endangered species; it is to do with common fish species that are being exported.

Mr Quinlivan—There may be cases involving endangered species, in which case I presume other elements of the EPBC Act would be triggered, but we do not deal with those in the fisheries case.

Mr P Murphy—However, part of the assessment does concern the impact of fishing on listed species, so that is taken into account during the assessment and leading to the accreditation.

Senator BROWN—What is done when it is found that there will be an impact on endangered species?

Mr P Murphy—There has to be a judgment made about whether the impact meets the criteria set out in the act.

Senator BROWN—And if it doesn't?

Mr Quinlivan—That would be a matter for the Minister for the Environment and Heritage to judge. He makes that decision in accordance with the act and his own judgment.

Mr McLoughlin—The context to that, because this is a complex story, is that the minister for the environment can then say no to any exports of that fish or—and this is more commonly the case—the fishing operation has to be modified, changed or shifted from one area to another or excluded from an area to satisfy the requirements of the act.

Senator BROWN—Has the minister ever said no to fishing because of the threat to an endangered species?

Mr McLoughlin—A whole range of measures have been put in place, such as closed areas and additional mitigation measures for seabirds, for example. As my colleague Mr Quinlivan said, that explains why such a wide range of instruments have gone through to the parliament,

such as wildlife trade operations with conditions, some without conditions and some exemptions. It is dependent on the individual fishery.

Senator BROWN—In answer to Senator O'Brien earlier, we heard that the gemfish, for one, is not recovering. How many endangered fish species are there listed by the Commonwealth?

Mr McLoughlin—I am not aware of any marine fish species that is listed as endangered, although there are a couple of nominations. Most of the fish species that have been listed as endangered in Australia are freshwater species.

Senator BROWN—Does that mean there are no endangered species in the oceans?

Senator Ian Macdonald—No species that have been deemed to be endangered under Australian legislation; I would assume that is what that means.

Mr McLoughlin—There are some nominations for certain species that have a very high vulnerability, but that process is still in train at DEH.

Senator BROWN—Who makes those nominations?

Mr McLoughlin—As I understand it—again this is really a question for my DEH colleagues—anyone can suggest a nomination to the endangered species scientific committee. I believe it is called that or an equivalent.

Senator Ian Macdonald—I think anyone can.

Mr McLoughlin—So third-party nominations are possible. That scientific committee assesses those and makes a recommendation to the environment minister. It is not a fisheries portfolio matter.

Senator BROWN—But it goes to the scientific committee after it is nominated by someone, doesn't it?

Mr McLoughlin—That is correct, as I understand it.

Senator BROWN—Has AFMA ever made a nomination?

Mr McLoughlin—No.

Senator BROWN—But you are aware that there are some vulnerable species.

Mr McLoughlin—They are vulnerable commercially. Whether they are vulnerable as a species is quite another matter. That is really a discussion that quite rightly and properly occurs in that scientific committee that was established under the EPBC Act.

Senator BROWN—But it cannot happen in the scientific committee until a nomination is made, can it?

Mr McLoughlin—Unless DEH themselves nominate. Given that they are involved in the process of conducting strategic assessment for every Commonwealth fishery, they have the opportunity to have a good look at each fishery.

Senator BROWN—If AFMA is aware of a species that is vulnerable, is it in a position to make a nomination?

Mr McLoughlin—I do not see why not. Normally, if it were to happen, though, we would be working with our DEH colleagues on it. Appropriately, endangered species are dealt with under the EPBC Act, not the Fisheries Management Act.

Senator BROWN—There is the example of the Tasmanian spotted handfish, which is on the brink of extinction.

Mr McLoughlin—But that species is managed by the state of Tasmania and not the Commonwealth.

Senator BROWN—That may be so, but should it not be listed as a nationally endangered species?

Senator Ian Macdonald—Senator, we are trying to be very helpful, but you are asking the wrong people. My concern about that is that you may get answers given in good faith from officers who really are not expert in the EPBC Act. This is not their area, unfortunately.

Senator BROWN—The point is being made here that all of us who have expertise in Australian wildlife, including marine wildlife, have an obligation to take part in the process of ensuring that species are not let go to extinction. That means nominating them for listing where there is a case for doing so.

Senator Ian Macdonald—I want my Australian Fisheries Management Authority, with its limited resources, to do what it is supposed to be doing, which is managing fisheries and not involving itself in perhaps good humanitarian work that you and I and others could do. I am sure that, if a species is endangered, you as a responsible person will nominate it.

Senator BROWN—Minister, doesn't managing fisheries involve ensuring that species are protected from extinction?

Senator Ian Macdonald—It does not involve getting involved in state-run fisheries, over which the Commonwealth has no jurisdiction and of which this authority has no expertise, understanding or formal knowledge apart from what might be read in the paper.

Senator BROWN—What about federally run fisheries? Does it involve them there?

Senator Ian Macdonald—Their job is to manage Commonwealth fisheries.

Senator BROWN—And that involves ipso facto preventing species from becoming extinct.

Senator Ian Macdonald—I am not sure what the Fisheries Management Act says about that.

Senator BROWN—But what do you do say about it, Minister?

Senator Ian Macdonald—Any commercial species that are endangered, I am sure, would come in some way, through some process, to the attention of the AFMA board.

Senator BROWN—And if they are not commercial?

Senator Ian Macdonald—Then I do not know that the AFMA board would be involved with or have any formal knowledge of the matter.

Senator BROWN—I think management of fisheries involves the interplay of ecosystems and all the species, Minister. If you have a different rationale from that, I am sure the committee would like to hear it.

Senator Ian Macdonald—We do have ecosystem based management arrangements, but your belief and my belief of what AFMA should do are secondary always to what the act instructs it to do.

Senator BROWN—It is not my belief that counts here; it is yours.

Senator Ian Macdonald—You are the one who is stating your belief of—

Senator BROWN—No, I am asking a question.

Senator Ian Macdonald—What is your question?

Senator BROWN—The question is: is it not a part of the responsibility of managing fisheries to ensure that species in those fisheries do not become extinct and that at least part of the process for ensuring that does not happen is notification and listing under Commonwealth legislation?

Senator Ian Macdonald—As has been explained to you, there is a Commonwealth department that deals with that. This authority of my departmental area manages the commercial fisheries with ecosystem based management principles, and its concentration is on the species that are caught. I am not quite sure what you are referring to. We would not be targeting some little bug that may hypothetically be in some danger, because it is not something we would be aware of or concentrate on.

Mr Quinlivan—I think the issue here is more prevention than listing. The EPBC Act process has allowed for fisheries to be managed to ensure these situations do not arise. That is exactly what the strategic assessments are meant to do—to understand these risks and make sure the fisheries are managed to avoid those outcomes. It is a collective process involving a few departments. So I think the listing issue for AFMA does not or should not arise.

CHAIR—Does the department have an answer for me about the mandarins at Eastern Creek?

Mr Banfield—I have not, personally. I will check during the afternoon tea break.

CHAIR—I am told they took photos of this fruit two years ago and there is fruit there. If someone has not nicked it overnight, you should be able to tell me.

Mr Banfield—I will check during the afternoon tea break.

Proceedings suspended from 4.02 pm to 4.21 pm

CHAIR—Over to you, Senator Stephens.

Senator Ian Macdonald—Sorry, Senator Stephens, I thought Senator Brown might be getting around to questions—unfortunately he is not here at the moment. If anyone did have any questions about the CCSBT, the Commission for the Conservation of Southern Bluefin Tuna, which is where I thought we were going, Mr Hurry has to go at half past to catch a plane to the Seychelles.

CHAIR—Do you have any questions on that, Senator Stephens?

Senator STEPHENS—I do not think I have any questions on that.

Mr Hurry—Bugger!

CHAIR—If I were you I would clear out.

Mr Hurry—Thank you, Senator. I think that is the best advice I have had.

Senator Ian Macdonald—He is clearly the expert on these matters and I just wanted to offer the committee the chance to question him.

Senator STEPHENS—We will put any questions we have on notice. He has a note from the chair—he can go.

CHAIR—Blame me if it all blows up.

Senator STEPHENS—To get back to some of the mundane things, page 41 of the PBS says that the department is going to continue to refine the policy framework for managing Commonwealth fisheries as the findings of the review of the Commonwealth's fisheries policy are implemented. Can you tell me where that process is up to please?

Mr Quinlivan—It is an ongoing process, but there are quite a few things we think are going to make more rapid progress over the next 12 months than perhaps they have made in the past. We are nearing the end of various commitments that were made in the Commonwealth fisheries policy review. There are only a couple outstanding and we are hoping to deal with those over the course of the next year. As you are probably aware, the government has announced reviews of the governance of portfolio bodies. AFMA, as a regulatory authority, is one where governance issues are extremely important. So the review of AFMA and its arrangements are very important, particularly at a time when we are expecting the fishing industry to be going through quite a deal of stress.

We have an MOU signed with all the states on offshore constitutional settlements. We will be making amendments to Commonwealth law and the states will be making amendments to their laws which will allow us to change offshore constitutional settlements quickly in future and adapt to circumstances. That will make a lot of difference to the effectiveness of Commonwealth-state coordinated management of our marine environment.

The last one is resource sharing between commercial and recreational sectors. Again, we have an agreement with the states on how that will be managed and we are in the process of negotiating the east and west coast resource sharing arrangements between the recreational and commercial sectors. So in all those areas we are anticipating good progress over the next 12 months.

Senator STEPHENS—Nothing more than 'good progress'? Is there much to be finalised?

Mr Quinlivan—These things are never completed as management is an ongoing task, but we are hoping that we will be making a significant leap forward in a few of those areas and will solve problems that have bedevilled us in the past.

Senator STEPHENS—So to the extent that we will be seeing the government introduce the legislation in the federal parliament?

Mr Quinlivan—Yes. You will have noticed there has been an awful lot of fisheries legislation going through over the last 12 or 18 months, and we are expecting that to continue.

Senator STEPHENS—The final sentence in that paragraph is about performance in ‘changing the commercial and biological outlook for Australia’s fisheries, and strategies for reducing the number of overfished species’. We had a conversation with Senator Brown about some of those issues. Is there other information that you would like to share with the committee in that regard?

Mr Quinlivan—I think the main conversation on that issue was the one that was before that, with Senator O’Brien, when Richard was outlining where we are currently and our plans for further reducing overfished species.

Senator STEPHENS—Thank you for that. I will go back to the *Hansard* and have a look to make sure I have covered it all. What about the reference that you have made here to Torres Strait fisheries and the intention to achieve greater consistency with contemporary fishing models? Can you tell me what that is about and also about the five fisheries: prawn, ling, lobster, dugong and turtle? Can you elaborate on that whole process as to what is involved there and what you are doing?

Mr Quinlivan—We have highlighted the Torres Strait fisheries here because it is an area for which we are hoping, after a lot of good work in the last two or three years, to see the outcomes of that in this following year. Torres Strait fisheries have got, by most standards in Australia, fairly primitive management arrangements. We do not have fishing effort capped in a number of these fisheries and in some where it is capped the manner in which it is capped is not very efficient. We do not have very good catch records, so the normal knowledge management of fisheries is not as effective in the Torres Strait as it is elsewhere. Also, there are issues as to competition for access to the resource between the commercial and Indigenous people in the strait. So after a lot of work within the protected zone with the joint authority and also with the commercial and the Indigenous sectors in the Torres Strait, we are hoping that quite a number of those problems can be solved over the next 12 months.

Senator STEPHENS—So this is a commitment that the department has as part of the Torres Strait treaty?

Mr Quinlivan—Everything that we do now and have done in the past is consistent with the Torres Strait treaty and the Torres Strait act which implements the treaty. But what we are saying is that there has not been enough progress in managing the resource under that treaty in the past and we are hoping to make some big improvements.

Mr McLoughlin—It is worth noting that there is a separate fisheries act for the Torres Strait and it is not as contemporary a piece of legislation as the current Fisheries Management Act, which is applicable to all other Australian waters. So there are those issues associated with a less than contemporary piece of resource management legislation as well as all the socioeconomic and biological issues that Daryl raised.

Senator STEPHENS—So should we be anticipating some legislation around that issue as well to update the legislation?

Mr Quinlivan—We will be making some changes to the Torres Strait act in the compliance area and the foreign illegal fishing area. We will implement modern legislative arrangements for actually managing fisheries in the Torres Strait only after we have

successfully negotiated agreements with the local people and the Queensland government. That is not an easy process. So we are hoping to, but I am not holding my breath.

Senator STEPHENS—What was the last word?

Mr Quinlivan—I said that we are hoping to, but there is a lot of consultation and negotiation. I do not think we will get a bill on those matters to the parliament in the next 12 months because we will need to negotiate.

Senator STEPHENS—Thank you. I just missed the last word. I thought you said ‘confident’.

Mr Quinlivan—I said that I was not going to hold my breath to do it in the next 12 months. It might be a longer term project than that.

Senator STEPHENS—Can you explain to the committee the basis for the reduction in funds allocated in 2005-06 to fishery resource research, as compared to 2004-05?

Mr Quinlivan—The funds available for this program vary every year. The primary number is calculated every year. It is a function of the gross value of production in the Commonwealth fisheries. It is set at a fixed rate. That is the basis each year. This year, there is an artificially high number because there was, I think, about \$400,000 unspent last year, which was re-phased into this year. Next year, that comes off, plus the reduced GVP of Australian fisheries. As Richard was describing earlier, our fisheries are under some commercial pressure at present—the GVP has dropped. Also, the payment to the Australian Seafood Industry Council—the \$100,000 that you can see in the PBS—is being funded from that program. That accounts for the variation into next year.

Senator STEPHENS—So that \$50,000 is for the seafood council and then recreational fishing—

Mr Quinlivan—It is actually \$100,000 next year.

Senator STEPHENS—I understand that the recreational fishing community grants program was an election commitment. It is quite a significant grants program. Can you provide some details about how it might work?

Mr Quinlivan—I think it would be premature to do that, because the minister has not settled that yet. But the discussions that we have had so far indicate that it will have similar features to other great programs we run. There will be guidelines for people to apply against, there will be an open call for invitations, and a panel of suitable people will be organised to assess the applications and make recommendations to the minister. There is \$5 million allocated over three years, so there will be one or two calls each year. The election commitment envisages a fairly wide range of types of projects that will be eligible. But mainly they will be of a local and specific nature to the area or local community.

Senator STEPHENS—Minister, can you advise us when you think there might be applications called for those grants?

Senator Ian Macdonald—Very soon. As you have noted and mentioned, the budget allocation has been made—the money has been got. We are in the throes of putting together

the criteria and the guidelines and getting the panel together. My goal would be probably July-August. Is that is too optimistic?

Mr Quinlivan—August sounds fine.

Senator STEPHENS—There is a hint.

Senator Ian Macdonald—But the sooner the better. It should be popular with recreational and tourist fishers, and I am looking for a good response.

Senator STEPHENS—There is a note in output 3 about expenditure under the Fisheries Administration Act 1991, which was estimated in 2003-04 to be \$11.3 million. The estimate for 2004-05 in that year's PBS was \$13.7 million. But in the current PBS that has jumped to \$16.5 million and then \$23.4 million next year. Can you explain those differences?

Mr Quinlivan—Could you direct me to the specific tables that you are referring to.

Senator STEPHENS—I am on page 19 looking at output 3. I am looking at last year's PBS.

Mr Quinlivan—That is the government account for AFMA. AFMA is funded in two ways. One way is through cost recovered services, which are levied on the industry—that is the smaller number. The other is the government account, which has gone up significantly next year, for reasons that we were discussing earlier with Senator O'Brien. That was mostly due to the increase in funding for northern detention facilities.

Senator STEPHENS—I have one question about illegal fishing, and I appreciate the sensitivities you raised earlier. On page 41 you have made a comment about the investigation of new and innovative approaches to deal with what is a serious and growing issue. Are you able to elaborate on any of those approaches at this stage?

Mr Quinlivan—I would prefer to just say that the government realises this is a very serious problem. Fishing is very nearly out of control in Indonesia in the sense that they are unable to manage it domestically. We are seeing the spillover effect from that in Australia. We are putting significantly more resources into deterrence and compliance activity in the north, as we have discussed, but we do not see that as being a complete solution. A long-term permanent solution to the problem rests more with the Indonesian government and provincial governments taking more of a role in controlling that activity. How we go about that is a very difficult problem for us to engage them on because it is a small part of a very much larger problem for them. They have a great deal of difficulty managing illegal fishing in their waters by other neighbouring countries. So they see our problem as being significant but one of the lesser problems for them. For us a permanent and lasting solution must rest more with activities in Indonesia. Just what form that takes is difficult to envisage.

Senator STEPHENS—I understand that. That is fair enough. We talked about the national plan of action at the February estimates hearing. Where is that process up to, given that we thought the plan would be taken to the ministerial council and then to the United Nations committee on fisheries?

Senator Ian Macdonald—A number of states have signed off on that, and I tabled it at the Food and Agricultural Organisation meeting in Rome in March. It sets out our plan of action. Mr McLoughlin might be able to broadly indicate how the plan of action works. It

encompasses a lot of things we are already doing but it simply records them and tries to get the states and territories on board as well.

Mr McLoughlin—Senator, I just want to confirm that you are discussing the national plan of action on sharks.

Senator STEPHENS—I am talking about the International Plan of Action to Prevent, Deter and Eliminate Illegal, Unrecorded and Unregulated Fishing.

Mr Quinlivan—I was mostly going to say what the minister has just said and then add that it is about domestic illegal fishing. In Australia that is mostly a state responsibility because of the nature of their responsibilities compared to ours. The Australian fisheries management forum is a group of all the CEOs of Australia's fishery agencies, of which Richard is a member. They are very active on this issue and they regard it as a high priority. Through the ministerial council we have recently commissioned some work from the Australian Institute of Criminology on crime in fisheries, which you may have seen. It has been published. We have a continuing program of work nationally—and it is a Commonwealth and state process—to improve our overall compliance effectiveness.

Senator STEPHENS—I want to revisit your comments about Indonesia. You told us in February that the second phase of the AusAID program was following shortly. Has that proceeded?

Mr Quinlivan—There are two senior officials from the fisheries agency in Jakarta coming to Australia—I think it is next week but it may be the week after. They will be spending a long period here—I think it is eight or nine weeks. They will be spending time with AFMA and also with one or two state agencies to learn about our systems and so on. That is the second part of the project you were referring to.

Senator STEPHENS—Can you inform the committee of the value of that second stage?

Mr Quinlivan—I am not sure. I would have to take that on notice.

Senator STEPHENS—If you could. Also, how long do you think it will last?

Mr Quinlivan—I know it is in the order of eight or nine weeks.

Senator STEPHENS—Can we get an update on the general picture of illegal fishing so far this financial year?

Mr P Murphy—For the Indonesian incursions in Northern Australia, by financial year to 20 May we had apprehended 194 fishing vessels and performed a further 154 forfeitures of catch and fishing gear.

Senator STEPHENS—Besides those vessels impounded and catches seized, have other boats been sighted in the fishing zone that have not been boarded?

Mr P Murphy—There is little doubt that there are sightings of vessels where there is no apprehension. As I alluded earlier, there are difficulties working out whether sightings are of the same vessel. If you fly over one day and then fly over the next day and you see an Indonesian fishing vessel, you do not know whether it is the same vessel, because a lot of them look similar.

Senator STEPHENS—A lot of them would look the same from the air, wouldn't they.

Mr P Murphy—Yes. There are about four different types that are recognisable, but the boats themselves are not registered, so it is quite difficult to know how many vessels are in the zone, but there is data on the number of sightings.

Senator STEPHENS—How do the figures you gave me—194 impounded and 154 boarded—compare to last year?

Mr P Murphy—By financial year?

Senator Ian Macdonald—I was just querying this myself. When I issue media releases I talk about this calendar year. These are financial year figures. I just want to make sure you understand there is a difference in case you are checking one of my media releases, because we are talking about different things.

Mr P Murphy—I have the calendar year data as well.

Senator STEPHENS—Calendar year would be useful, and then I can check the minister's press releases!

Mr P Murphy—The figure for apprehensions in the calendar year up to 24 May is 98 and there have been 70 seizures of catch and fishing gear. I have calendar year data for 21 May last year, which shows that 48 boats were apprehended and 41 had forfeitures of catch and fishing gear.

Senator STEPHENS—And the year before?

Mr P Murphy—I can give you the totals for calendar year or financial year going back.

Senator STEPHENS—Maybe you can take that on notice and provide it later—that will be fine.

Mr P Murphy—Okay.

Senator STEPHENS—But you have some figures there?

Mr P Murphy—I do have lots of figures. The key thing to note from the figures is that there has been an increase in apprehensions. For the entire calendar last year there were 161 apprehensions, for the year before there were 138, and for the year before that there were 108. I have lots more numbers, so it really depends.

Senator STEPHENS—So the apprehensions are on the increase?

Mr P Murphy—Yes.

Senator STEPHENS—What about the nationality of owners of the vessels? Are you able to provide some detail to the committee about that—primarily who owns these vessels?

Mr P Murphy—We know that there is a combination. Some of the vessels, but very few, are owned by the fishermen themselves. With most of the vessels that we apprehend, the intelligence that we gain indicates that there are people based in Indonesia who are financially backing the operations. In fact, there is evidence that, where we confiscate vessels, they will fund new vessels and put the debt of that new vessel back on the fishermen.

Senator STEPHENS—How many of the vessels that you have impounded have you destroyed?

Mr P Murphy—This calendar year?

Senator STEPHENS—Yes.

Mr P Murphy— So far we have destroyed 47 vessels. We envisage that probably another 46 will be destroyed from the ones that have already been apprehended. Five have been released under bond back to the Indonesians.

Senator STEPHENS—Why do you do that?

Mr P Murphy—There is an obligation under the international law of the sea to, upon request, provide a reasonable bond over fishing vessels. The bond is based on the value of the fishing vessels, so effectively under domestic law the ownership of the vessel goes to Australia once illegal fishing has taken place. However, the owners of the vessel have the opportunity to purchase back that vessel within 30 days. It is called a bond because, if they wish to challenge the charges against them and they are found innocent, of course the money would be returned to them.

Senator STEPHENS—Of those five vessels, what do the bonds represent financially?

Mr P Murphy—For those five, they would be, roughly, \$4,000 or \$5,000 per vessel.

Senator STEPHENS—How does that compare to last year in terms of bonded and released vessels?

Mr P Murphy—There has been a policy change, which started roughly—I cannot remember exactly—at the beginning of this financial year. That policy change is to facilitate quicker repatriation of the apprehended fishermen. Previously, fishers would remain in detention until they organised their bonding arrangement, and those two processes have now been separated to shorten the detention time. The effect of that is that there are a lot fewer vessels bonded because the crew have already flown back to Indonesia—so they have been repatriated—and there is no crew available to put them back. So the figures since then, from July to December 2004, are that 40 vessels were bonded and 47 disposed of, compared with five bonded from January to April and 48 disposed of. So you can see the effect of the policy change in terms of its impact on bonding vessels.

Senator STEPHENS—Of the vessels that you have impounded, how many individuals have been charged with offences related to illegal fishing? I am interested to know how many people are usually on those vessels.

Mr P Murphy—I gave the figures earlier. This document looks at apprehensions that have been processed, so it relates to people from 97 boats, rather than 98. There was a total of 748 crew and 121 of them were charged. The number of crew depends on the type of vessel. The bigger ice boats might have, say, 10 crew, where smaller boats could have as few as four crew.

Senator STEPHENS—Why are so few charged? If there were 748 apprehended why were only 121 charged?

Mr P Murphy—It is a matter of whether, during the investigation, the officer feels that all crew are culpable in the fishing. It is most common that the master is charged, and a lot of emphasis is put on identifying recidivists—where people have been here before.

Senator STEPHENS—Does that happen very much?

Mr P Murphy—It is difficult to identify recidivists. The government is giving AFMA some money in later years to establish an identification system, which will obviously help us.

Senator STEPHENS—Yes. I am sure we could talk about this all day. Can we talk about the detention facilities in Darwin and elsewhere? Where is the refurbishment of the detention facility at Berrimah up to?

Mr P Murphy—That facility will be run by the department of immigration. They are responsible for bringing that up to speed.

Senator Ian Macdonald—I can help out there.

Senator STEPHENS—If you could that would be great.

Senator Ian Macdonald—As Mr Murphy has said, the facility is the responsibility of the Department of Immigration and Multicultural and Indigenous Affairs, but obviously it is for the fishermen that we apprehend. I am very keen to open the facility at the earliest possible time. The money has been allocated in this budget, but then there are processes to go through. I understand that this morning it was referred to the parliamentary Public Works Committee, which I must confess, after being here for some time, I do not fully understand. I believe that that committee, because of its processes, does not work all that quickly.

I am not confident of when it is going to be operational. It is an existing facility at Berrimah that was built for boat people five years ago and has never been used. I am not quite sure why it needs a massive upgrade and Public Works Committee involvement, but I am still very keen to get the facility operational as soon as possible. My goal is towards the end of this year but whether we can do that will depend upon how quickly the processes work. We have the money and we have the commitment. We want to get them off the boats and regularise the arrangements. It is really just a question of the physical capability of achieving that goal.

Senator STEPHENS—In February, when you told the committee that you hoped it would be August, nothing happened?

Senator Ian Macdonald—I was perhaps being a bit optimistic then. I cannot understand why it could not have been opened by August but people who understand these things a bit better than I do tell me it is a long-winded process. I am trying everything I possibly can to get it done as quickly as possible. It is difficult for me because it is not our department which is in charge of it; it is the department of immigration—and then it gets involved in the parliamentary PWC system. I am with you: the sooner we can do it, the better. It is just a question of the physical possibility.

Senator STEPHENS—How many fishermen are detained on boats in Darwin at the moment?

Senator Ian Macdonald—I am not quite sure what the answer is but there is an unusually large component at the moment because of Operation Clearwater, which you may have heard about, in which we apprehended 29 vessels and over 250 people. I am not quite sure what the stats are at the moment but I think it would be higher than normal.

Mr P Murphy—As at 26 May there are 37 crew in Darwin Harbour.

Senator STEPHENS—How long have they been held on their boats?

Mr P Murphy—For those people specifically, I do not know. We have some average figures for the amount of time people spend on their boats. For the financial year, for people not facing charges the detention time on boats is about 11½ days.

Senator STEPHENS—And if they are facing charges?

Mr P Murphy—For those people, it goes out to about 50 days.

Senator STEPHENS—Would it be 50 days or longer for the person who has been detained longest?

Mr P Murphy—I will have to take that on notice. It would be longer.

Senator Ian Macdonald—There is a difference, though. These people do not want to be in Australia. We bring them here and we want to get rid of them as soon as possible. So do not equate it with other detention centre issues.

Senator STEPHENS—No. They will be moving on, so that is all right. When is it anticipated that the 37 who are still here will be repatriated?

Mr P Murphy—The 37 is a snapshot in time as at 26 May. There are always vessels coming in and people being shipped out.

Senator STEPHENS—So they are repatriated regularly?

Mr Quinlivan—Yes. As each vessel comes in, investigations are conducted. Under the fisheries legislation there is a seven-day period during which ideally the investigation is completed. It usually takes about three to five working days to work out who is not to be charged. They then become available for repatriation. The department of immigration organises travel documents and flights back to Denpasar.

Senator STEPHENS—Has any consideration been given to making temporary onshore detention arrangements for those being held on their boats at the moment?

Senator Ian Macdonald—We do that at times. This is more DIMIA's area, so I am not up to date on a daily basis with the exact situation now. If anyone is there for a long time, DIMIA is quite prepared to fly them to Baxter and bring them back to Darwin for court processes, which should really take place. It is a pretty dysfunctional system at the moment, which is why we want to regularise it at the earliest possible time. There are occasions when they are held on land at accommodation establishments in Darwin.

Senator STEPHENS—Accommodation establishments?

Senator Ian Macdonald—They are not five-star hotels. It is not a regular place. I am not sure exactly what DIMIA does.

Mr P Murphy—There are two primary alternatives used for accommodation in Darwin. DIMIA has some room at the Berrimah jail that is dedicated to immigration detention. From time to time we use motels as temporary accommodation for fishermen.

Senator STEPHENS—I acknowledge that it is a DIMIA issue, but I am not sure if you are aware of the recommendations of the Commonwealth Ombudsman and the Northern Territory coroner. The Northern Territory coroner found that to keep seven men on a vessel such as the *Yamdema* for some weeks, where their only shelter and sleeping accommodation is a small

box, is unacceptable. The Commonwealth Ombudsman was also critical as far back as 1998 of the practice of holding these fishers on their boat and found that a shore based facility near Darwin is warranted. So I hope we can do something about escalating the process of getting the refurbishment under way.

Senator Ian Macdonald—I am very conscious of both of those reports. That is one of the reasons why I am determined to do it as soon as possible. You and I might have to influence the Public Works Committee to work extra quickly.

Senator STEPHENS—We certainly need to emphasise the importance of it. Minister, you also announced the establishment of a detention facility on Horn Island. Your press release states that the survey work is under way on the island. Where is that up to now?

Senator Ian Macdonald—I think that is a better news story. I will ask the experts.

Mr P Murphy—We have conducted a number visits to Horn Island to identify a site that can be transferred from the Department of Defence. I should clarify that the aim is that it be a very transitory facility where people stay pending flights to the Darwin centre, which will be the main detention centre. Very recently a piece of land was chosen and a surveyor engaged. They have surveyed the land and they are currently drawing up the plans for us so that negotiations can take place with the Department of Defence on the transfer of the land. We have also hired a project manager to oversee the building of the centre. At the moment we are waiting for the surveyor's report and hopefully we will secure the land.

Senator STEPHENS—So tenders have not been called yet?

Mr P Murphy—We were going to do it in a staged process. We have engaged a project manager to coordinate construction and the facility design because we, as a fisheries management authority, have very limited expertise in building. They will oversee the process and other requirements such as identifying a provider for demountables—that sort of thing.

Senator STEPHENS—When is it likely to open?

Mr P Murphy—It is due to be completed this year. However—

Senator Ian Macdonald—However, nothing.

Senator STEPHENS—This financial year or this calendar year?

Senator Ian Macdonald—This calendar year.

Mr P Murphy—It is a very remote place and obviously we are competing for very limited resources when it comes to building projects.

Senator Ian Macdonald—I will be inspecting the site at the next PZJA meeting—an extra one—in early July. I will just have a look at it myself. What Mr Murphy says is correct. It is very difficult to get tradesmen and materials in the Torres Strait. It will be a very small facility. As the officer indicated, it is only a transitional centre. I am not anticipating the sorts of problems that might be anticipated by DIMIA over in Darwin. We will do everything we can to make sure it is opened at the very earliest time—even if I have to send the officers themselves with a hammer and nails to do it.

Senator STEPHENS—I will not go there.

Senator Ian Macdonald—If they are not here for the next estimates, you will know that they are up there with hammers and nails!

Senator STEPHENS—How many people do you hope to accommodate in that facility?

Mr P Murphy—We plan to have a capacity of up to 48 people at a time.

Senator STEPHENS—I hope you do not have to resort to building it yourself.

Senator Ian Macdonald—It is a challenge for them. Thank you for raising it, Senator.

Senator STEPHENS—I will now go to a story that appeared in the *West Australian* newspaper on 2 April this year entitled ‘Fishermen hold illegal crews’. Are you familiar with that story?

Mr McLoughlin—Yes, we are.

Senator STEPHENS—Can you confirm the basic details of the story?

Mr McLoughlin—As I remember that story, a Western Australian fisherman was operating off the coast and undertook to make an apprehension and take the boat back to Broome. Coastwatch was aware of the vessel. It was a long way south of where the patrol vessels normally operate—north of Darwin and across to the Torres Strait. A patrol vessel was tasked with that job but it was going to take some time to get there. As I understand it, this fisherman took it into his own hands to bring the boat in, on the basis that the vessel was taking water. Those are the details I remember from the story.

Senator STEPHENS—It reads a bit differently in the *West Australian*.

Mr McLoughlin—I have got it wrong; I am sorry. There were about three different versions made available to me.

Senator STEPHENS—The article says:

Fishermen say they are being forced to police the State’s northern coast-line against illegal fishing boats because of a lack of patrol boats.

That is the basis of the case. It continues:

They claim they are rescuing starving Indonesian crews and then being asked to detain them. A Broome fisherman was forced recently to make a “citizen’s arrest” of an Indonesian fishing boat just six nautical miles offshore.

The boat had been spotted by Coastwatch five days earlier but no further action had been taken until [the gentleman] came across it. He said the Australian Quarantine and Inspection Service directed him to secure the vessel and then to stay with it.

The article later says:

Mr Masters—

the person involved—

said the boat had to be secured and he was the only one able to do it.

The story goes on to talk about a growing resentment of the numbers of illegal fishing crews and of the fishing industry having to become the eyes and, now it seems, the arm of the law. The story says that Coastwatch was aware of the boat, and that it was within the fishing zone.

Mr McLoughlin—I believe that is what I said. Yes, they were aware of it.

Mr Quinlivan—We will get you AQIS's account of the actual events.

Senator STEPHENS—That would be useful.

Mr Quinlivan—We did check with them after that story was reported and they said it was quite untrue. At least, the allegation that they had 'directed'—I think that was the word—this fisherman to make this arrest was quite untrue. But I cannot recall the precise detail of their conversations with the fisherman. We might get that and provide it to you.

Senator STEPHENS—Thank you; that would be useful. Will that provide some information about the name of the boat, the type of boat, what it was fishing and what catch was secured, et cetera?

Mr Quinlivan—I am not sure what information is available but, whatever it is, we will provide it to you.

Senator STEPHENS—Thank you. Where did it end up? Did you say it was Broome?

Mr McLoughlin—Yes. It is my memory that it was taken to Broome. As Mr Quinlivan said, we will provide those details to you.

Senator STEPHENS—Perhaps you can tell us where it ended up and what happened to the crew—where they are, whether or not they have been repatriated and whether or not they are repeat offenders. That might be useful information. The story makes another point. It says: Customs spokesman Simon Latimer said that 52 vessels had been apprehended in 2005 and the number was rising. There were 1690 illegal incursions in 2003-04, up from 685 the previous year.

He makes the following point:

Once we receive a report from Coastwatch, it is assessed by several agencies and, if necessary, a Customs boat is sent to intercept. If there is no boat available, then there is no boat.

Is that how you see things in the north-west?

Mr P Murphy—The process that takes place is that Coastwatch, under the civil maritime surveillance program, does flights and, where sightings of suspected illegal fishing activity take place, a message comes through Coastwatch to AFMA to decide whether or not a response is required. AFMA assesses the information put before it and would then ask Coastwatch for a response, depending on the circumstances. Coastwatch work with Customs and Defence. They look at available assets and other priorities and then task a vessel appropriately. If a boat goes out, they may choose to board the vessel. Then they will again go through Coastwatch and contact AFMA to ascertain what action should be taken, such as apprehending the vessel.

Senator STEPHENS—Given the level of activity north and east of Darwin—you have obviously been concentrating on that area and been successful—does this mean there are fewer resources being applied to the north-west waters of Western Australia?

Senator Ian Macdonald—Did you say less done to there than—

Senator STEPHENS—No. I acknowledge that there are. I am asking: is there an implication that the concentration of effort that has happened in Darwin and east of Darwin mean that there are fewer resources being focused on north-west Western Australian waters?

Senator Ian Macdonald—I think it depends on the situation and circumstances at any one time. There are seasons when the Indonesian boats come to various areas. When was this incident?

Senator STEPHENS—In early April.

Senator Ian Macdonald—I am not sure if that was around the time of Operation Clearwater, when there was quite clearly a major presence in the Gulf of Carpentaria-Arnhem Land area. But even at that time there were arrests being made, quite separately to Operation Clearwater, over in the north-west. We have, I think, 15 naval patrol boats and eight customs patrol boats. They have work to do right around Australia, of course; they are not all just up in the north.

It depends where they are at any one time, what general area they are in and what else they are doing—some of which we can talk about and some of which we cannot talk about. There is no policy or direction of there being fewer boats in the north-west. I think at times there are more over there; it just depends on the operational requirements of the various patrol boats at any given time.

Senator STEPHENS—Given that range of responsibilities you just described, would there be periods of the year when there was no patrol vessel off Western Australia to pursue illegal vessels?

Mr Quinlivan—I do not think it would be appropriate for us to answer that question.

Senator Ian Macdonald—It would not be appropriate. We do not want to tell people what we are doing. A massive effort goes into protection across the top of Australia. It is pretty broadly based.

Senator STEPHENS—We will just keep moving along here. I want to talk about the relationship between illegal foreign fishing and organised crime. You alluded to that when you said that people finance vulnerable fishers to come and crew these boats. Minister, on 20 April you made a media statement that there are indications of organised crime rings involved in the operation of foreign fishing vessels. Can you tell me what prompted you to make that statement?

Senator Ian Macdonald—There are a number of things that I can talk about; some I cannot talk about. You are talking about in the north now?

Senator STEPHENS—Yes.

Senator Ian Macdonald—Quite clearly we believe that there is transnational criminal activity involved in the Southern Ocean, although, as you heard earlier, there has been a lot of good work done there that has seen a real fall off in the amount of illegal fish being traded around the world. That is in the south. In the north there has been a disturbing trend in the vessels that are being apprehended having quite sophisticated navigational equipment and communications equipment on board. This was not the case in the past, as I understand. In the past, it was village fishing. This is obviously much more organised. Someone is promoting

and financing this sophisticated equipment. Someone is obviously dealing with the catch that does get back to Indonesia. As well as that, there is—I am not sure how far I can go here—anecdotal evidence of foreign—that is, foreign to Indonesia—involvement in some of these vessels. And they do seem to be working in concert more than they did before.

Senator STEPHENS—You refer to transnational organised crime. Is there evidence that they have moved from other places to target our waters?

Senator Ian Macdonald—You see shark fins selling in Asia at—the last I heard—\$600 a kilo. At that price, it is a pretty attractive incentive to village fishermen. But the village fishermen themselves would not have the means of getting their product from a fishing village on the one of the small islands in Indonesia into the Chinese market where it seems to be going. Quite obviously, without giving away too many secrets, there are middlemen working their way through.

Senator STEPHENS—Continuing our discussion about illegal fishing, what about crime in the Australian fishing industry? Can we go to that issue now and the recent report from the Institute of Criminology, *Crime in the Australian fishing industry*, which was referred to earlier. It identifies a number of illegal practices that currently exist in Australia's commercial fishing industry and refers to the possibility that this sector might also be targeted by organised crime networks. Is there evidence that such targeting is actually going on?

Mr Quinlivan—Yes, there is some evidence. The evidence that attracts most public attention and is best documented is in the abalone fishery.

Senator STEPHENS—Have you any sense of the size or the extent of the involvement of organised crime in Australia's fishing industry?

Mr Quinlivan—Not really. We think it is small at present. It is significant in its impact on a couple of fisheries, but it is small. But the evidence is that it may be growing. That is the reason that Commonwealth and state governments are concerned about it.

Senator STEPHENS—Is the national action plan to address this issue?

Mr Quinlivan—Yes. That goes back to our conversation earlier about the principal role for state governments and state fisheries agencies in this area.

Senator STEPHENS—Is anything else being done to identify the level of organised crime in the fishing industry?

Senator Ian Macdonald—We have had the Australian Institute of Criminology doing this work. It is being done as a joint Commonwealth-state thing under the auspices of the ministerial council. Most of the fisheries where this occurs—for example, the abalone fishery—are state controlled fisheries. One of the problems is that the different states have different laws. It makes border hopping easier. Also, in some states fisheries officers, who are generally skilled in managing fisheries, are not really the right people to be doing criminal investigation work. The report we have commissioned, which the Commonwealth has taken a leadership role in, was to look at those issues and see how we could help the states and show some national leadership in understanding the problem and trying to suggest solutions. This is the first in two series of reports that the institute is doing. We are making this one public. I

suspect that the next one will not be made public, because it will have some more detailed suggestions in it. But it is something that we are conscious of.

Senator STEPHENS—When do you hope to get the second one?

Mr Quinlivan—I am not sure. We can provide you with an indication of timing, although, as the minister said, we are not envisaging that the next production of this work will be published.

Senator Ian Macdonald—I think this one is on the web site.

Mr Quinlivan—A version of it is.

Senator STEPHENS—Getting to the issue of abalone, the department produced its discussion paper in March. It also canvasses some options around the illegal trade, I understand. What is the next step?

Mr Quinlivan—You have us at some disadvantage now, because the person who dealt with that has left. If you have questions on that—

Senator STEPHENS—I have a couple of questions.

Mr Quinlivan—Can we take those on notice?

Senator STEPHENS—Yes. There are quite a few questions here about the Southern Ocean. I will put those on notice as well.

Senator Ian Macdonald—We are happy to answer those, but if you want to put them on notice that is up to you.

Senator STEPHENS—I thought I was asked to.

Senator Ian Macdonald—The officer dealing with the abalone is not the southern oceans man.

Senator STEPHENS—The southern oceans surveillance continuation measure is \$3.3 million. That is a continuation of the current arrangements, I understand.

Mr Quinlivan—As the minister said much earlier about the southern oceans and this portfolio, while we have an important role in the policy, in this program we are no longer delivering it. For 2005-06 the total funding for the program is \$41.4 million, with \$38.9 million of that in the Customs portfolio. That is for the delivery of the actual patrols and related services. Then there is \$2.5 million in this portfolio, almost all of it for AFMA.

Senator STEPHENS—In terms of the southern oceans surveillance, how many reported sightings of foreign vessels operating in Australia's fishing zone around Heard and McDonald islands have there been?

Senator Ian Macdonald—In recent times?

Senator STEPHENS—This year.

Senator Ian Macdonald—I think the answer is nil.

Mr Quinlivan—Yes.

Senator Ian Macdonald—We have chased them away.

Senator STEPHENS—Can you tell me how many days this year the *Oceanic Viking* has spend patrolling these waters?

Mr Murphy—In this financial year the *Oceanic Viking* has conducted three patrols. The first patrol went from—

Senator Ian Macdonald—I hasten to add that we will give you these figures, but, for you or anyone else who might be interested, that is not to be taken as any indication of what might happen next year or the year after.

Senator STEPHENS—Sure.

Senator Ian Macdonald—That is why I am hesitating.

Senator STEPHENS—In those trips has the *Oceanic Viking* actually intercepted any foreign fishing vessels this year?

Mr P Murphy—In the last patrol, it sighted vessels in CCAMLR waters, but not in the Australian fishing zone. Those three vessels were right on the boundary of high seas and CCAMLR waters. In the patrol before that, they sighted six vessels in CCAMLR waters, but again none in the Australian fishing zone.

Senator STEPHENS—There were some media reports of at least six flags-of-convenience vessels in CCAMLR waters.

Senator Ian Macdonald—That is right. I just want to doubly emphasise, though, that, within the Australian fishing zone, which is the 200-mile EEZ around Heard and McDonald islands, if they are there and we come across them they are ours. But on the high seas, which are the other waters that we sometimes patrol as a good international citizen and a leading member of the Commission for the Conservation of Antarctic Marine Living Resources, CCAMLR, CCAMLR have a zone which they have fisheries management arrangements in place for, and all members of CCAMLR—Australia is a member, and Japan, France, the United States and New Zealand are; most of the major responsible fishing countries are members of CCAMLR—are required to abide by the CCAMLR rules even on the high seas. Flags-of-convenience vessels—and in this instance vessels flagged to Togo and Georgia—are not members of CCAMLR. If they are on the high seas, there is a 500-year old convention about freedom of the high seas—which I would like to see changed, but it would take a long time to do.

They were fishing in CCAMLR waters when they were come across by the Australian vessel. We requested permission of the governments of the flag states to board them, but received either no or negative replies. Togo, for example, was then in the middle of a civil war. It is not much better off now. The last thing they were interested in was what was happening to boats thousands of miles away that they really had little connection with apart from the fact that they had bought their flag to fly on them. That is one of the problems.

That was a very long answer, to explain it. The shorter answer is that the six vessels that we came across were six flags-of-convenience vessels that we have taken photos of; we have reported to their governments but we have been powerless to do anything about them.

Senator STEPHENS—Have they moved on or are they still there?

Senator Ian Macdonald—Yes, they all eventually did. This was a couple of months ago now. But, in our last patrol, we found a couple of them back there—not actually in CCAMLR waters, but in the general vicinity.

Senator STEPHENS—You indicated that they were not operating in Australian waters.

Mr Quinlivan—That is correct.

Senator Ian Macdonald—If they were in Australian waters, they would be back in Fremantle by now.

Senator STEPHENS—In terms of the Japanese vessels, as members of CCAMLR they can operate there? You said the *Oceanic Viking* saw a Japanese vessel.

Senator Ian Macdonald—They were fishing just outside CCAMLR waters, although we did detect one vessel that was actually fishing in CCAMLR waters. There was some uncertainty as to whether they were fishing for toothfish or tuna, but in the end it did not matter whether they were fishing for toothfish, tuna or tadpoles because they were not licensed to fish in CCAMLR waters. In that instance, we reported that to the Japanese government and we requested their permission and the permission of the captain to board the vessel. Both were refused. The captain said he was legally fishing for tuna and refused to let us on board. The Japanese government also refused, but they said they would investigate and they do have a good record of investigations in these areas where it is reported by a responsible nation. I am confident that the Japanese government will pursue that particular vessel that was observed fishing in CCAMLR waters. If the Japanese government find that in fact there were offences committed, they will no doubt take action under their own domestic law—the same as Australia would if someone reported to us that an Australian vessel was fishing without permission in CCAMLR waters.

Senator STEPHENS—Is the communication with the Japanese government done through you or is it done through Foreign Affairs and Trade?

Senator Ian Macdonald—It was done in a number of ways. My departmental secretary actually spoke to the ambassador; I have written to the minister, who I have met at conferences recently; and Foreign Affairs have also taken it up. And, of course, the evidence will be transmitted to Japan through Customs, who operate the vessels for us, if it has not already been.

Senator STEPHENS—So there has been no acknowledgment of your letter yet?

Senator Ian Macdonald—I have not seen it. That does not necessarily mean that that is the case.

Senator STEPHENS—So we could say that the matter is still ongoing?

Senator Ian Macdonald—Yes, most certainly.

Senator STEPHENS—Is the *Oceanic Viking* still in contact with the vessel or has it moved on?

Senator Ian Macdonald—It is continuing its patrols, I think is what we have said.

Senator STEPHENS—I meant the Japanese vessel. Has it moved?

Senator Ian Macdonald—It has certainly moved out of the CCAMLR zone. It is fishing on the high seas now, and, in its defence, it claims to be fishing legally for tuna.

Senator STEPHENS—Is that an unusual occurrence—for a CCAMLR nation to refuse a request of another member of CCAMLR to board the vessel or see if there was a reasonable suspicion of illegal fishing activity?

Senator Ian Macdonald—I am told—and people will correct me if I am wrong—that the Japanese have a standing policy to do with their own sovereignty that they will not allow boarding on their vessels on the high seas.

Senator STEPHENS—Has it happened to us before—that Australia has asked a CCAMLR member for access to board and it has been refused?

Mr P Murphy—The distinction here should not be about whether or not they are CCAMLR members; the vessels were on the high seas side of the boundary. The laws applying to them as CCAMLR members do not apply to them when they are outside CCAMLR waters and on the high seas.

Senator STEPHENS—I understand. Let us go to the national management system program. There is a reference at the top of page 43 of the PBS to:

...a single National System for the prevention and management of marine pest incursions over three years in accordance with the timetable agreed by the Natural Resource Management Ministerial Council...

Mr Quinlivan—Correct.

Senator STEPHENS—Can you tell us where that is up to?

Mr Quinlivan—We have an intergovernmental agreement that I think has now been signed by all states other than Queensland. The Commonwealth-state group that has been working on implementation of the national system is working towards having it fully in place by October 2006—they have a work program to get there. The Commonwealth has most of its elements well under way. Victoria has a system within Victorian waters which is operating well and will be folded into the national system when the time is right. In all other states I think the progress is slower, but October 2006 is the target date for implementation.

Senator STEPHENS—Thank you.

CHAIR—Have you finished with fish?

Senator STEPHENS—I am finished with fish.

CHAIR—About bloody time! I thank the witnesses. We will move to forests.

[5.38 pm]

Senator BROWN—Can you give us the state of play with logging on the Tiwi islands.

Senator Ian Macdonald—The Northern Territory government is the expert on the Tiwi islands, but—

Mr Quinlivan—To my knowledge we do not have any involvement with logging operations on the Tiwi islands. There is no RFA; we do not have any role there, to my knowledge.

Senator Ian Macdonald—I believe we have recently removed the export controls for the Northern Territory.

Mr G Grant—There was EPBC Act approval, and it is a responsibility of the Northern Territory government, I think.

Senator Ian Macdonald—I am sorry, Senator, allow me to explain. As you know better than most, perhaps, forests and land management are issues for state governments. Where the Commonwealth becomes involved is where we have a regional forest agreement with the states, which happened in New South Wales, Victoria, Western Australia and Tasmania. The Commonwealth has involvement in accordance with the terms of those agreements.

We have contributed to all of those states financially as part of our commitments under the regional forest agreements. The Tiwi islands are not an area where we have had any involvement. The Commonwealth has always had export control on the export of wood products, but in those states with RFAs that was dealt with in the RFA. In those states which do not have RFAs—which are Queensland, South Australia and the Northern Territory, as I understand it—

Senator BROWN—A territory is not a state. Does that make no difference—

Senator Ian Macdonald—No.

Senator BROWN—as far as the Commonwealth's ability to take responsibility for what is going on there is concerned?

Senator Ian Macdonald—No. Again, I am only recalling this from the days when I was territories minister, but these days, whilst the Northern Territory are a territory in name—and I guess technically they are a territory—in all other respects they consider themselves a state, and they brook little influence from the Commonwealth government.

Senator BROWN—Who asked for the export controls to be lifted?

Mr Quinlivan—The states collectively, as part of the RFAs. In the case of South Australia and Queensland, there was an agreement that the export controls would be lifted on the basis of a CSIRO analysis of their plantation arrangements, to make sure that they were sustainable.

Senator BROWN—And the Northern Territory?

Mr Quinlivan—I am not sure about the Northern Territory.

Senator Ian Macdonald—I am going on my memory, which is not good—and I do not think any of my officers have the detail—but I have a recollection that in the last 18 months I agreed that the Northern Territory had done the things that would allow it to be not subject to export control. But there is nobody here who is really certain on that.

CHAIR—So the answer—

Senator Ian Macdonald—The answer is that we will get you an answer in writing that is accurate.

CHAIR—So if there happens to be a bunch of southern foresters who think they have gone to foresters' heaven with their wild farming practices on the Tiwi islands, you will tell us who Senator Brown should meet?

Senator Ian Macdonald—Yes. I would put you in touch with the Northern Territory government, who are the ones with real influence. Our only influence—and it is very minor—is on export controls.

CHAIR—They tell me it is a pretty wild scene up there.

Senator Ian Macdonald—I have actually seen the Tiwi trees. This is an amateur's view, but I thought they were doing very well and involving a lot of the Indigenous people on the Tiwi islands.

Senator BROWN—Is there clear-fell logging on the Tiwi islands?

Senator Ian Macdonald—It is all plantation, if there is. I guess there would be. When I saw them they were fairly small trees.

Senator BROWN—Is it intended to increase the project from 30,000 to 100,000 hectares?

Senator Ian Macdonald—That is not really information that we would have, unfortunately.

Senator BROWN—Is the logging material going to Korea and other places overseas?

Senator Ian Macdonald—I can see whether we have that information, but it is unlikely that we would.

Senator O'BRIEN—I was there when the first barge left.

Senator Ian Macdonald—Sorry?

Senator O'BRIEN—I was there when the first barge loaded with the hardwood timber was being transported to, I think, Indonesia and China.

Senator Ian Macdonald—Okay, then you do not need to ask—

Senator O'BRIEN—Yes, it was clear-felling for the creation of plantation and the replacement of an existing species with a fast-growing eucalypt species, I think.

Senator BROWN—I think it was clear-felling to sell logs to Indonesia, Korea and China.

Senator O'BRIEN—I did not hear of Korea, but it may have been.

Senator Ian Macdonald—Were the clear-felling—

Senator O'BRIEN—The areas were cleared to create space for the plantation.

Senator Ian Macdonald—This is only from what I recall of seeing it on the ground—this is not, again, an expert view—but the timber that would have been clear-felled would not have been terribly good—

Senator O'BRIEN—It was very good quality hardwood.

Senator Ian Macdonald—Was it?

Senator BROWN—Yes, and being exported for profit.

Senator Ian Macdonald—For sawlogs?

Senator O'BRIEN—If we had kept it here, it would have been.

CHAIR—Those blokes who have gone up there from down here think they have gone to heaven.

Senator Ian Macdonald—Do they?

Senator O'BRIEN—I am sure they have.

Senator BROWN—And it is has been reported that it is environmentally a very destructive process.

Senator Ian Macdonald—I will make sure that the Northern Territory government—

CHAIR—I have been invited to go and have a look.

Senator Ian Macdonald—are aware of that. It is really nothing that the Commonwealth has any—

Senator O'BRIEN—Look at what?

CHAIR—The Wild West.

Mr Quinlivan—One thing I can add to this is that, because there is no RFA in existence for the Northern Territory, the logging operations there would be subject to the EPBC Act. So if there were actions associated with either the original clearing of the land or the operation of the plantation that triggered the EPBC Act, the EIS processes and so on would follow. I do not know if that happened; it does not sound like it did.

Senator BROWN—Logging began at Wielangta in Tasmania today, in a very species rich part of the ecosystem there. Have you got information about what is happening there?

Mr Quinlivan—There were reservations in the Wielangta area in the recent package agreed with Tasmania, and I can only assume that logging operations that are occurring now are not in those areas that were reserved and are therefore being done legitimately by Tasmanian companies in accordance with the RFA.

Senator BROWN—I will not ask you about this because you obviously do not know about what is happening there, but there was a recent letter to the *Mercury* newspaper by Mr Greville Vernon, who is an uncle of the owners of a particular piece of land on the Recherche Bay north-east peninsula, saying that he opposed what was happening there but felt that the right way out was for there to be a just settlement to protect the peninsula and to recompense the landowners, his nephews. Is the Commonwealth looking into what role it might take in facilitating that win-win outcome?

Mr Quinlivan—The first question to ask would be: were the areas that you are asking about captured in the recent reservations? Do you know the answer to that, Allen?

Mr A Grant—No, they are not.

Senator BROWN—No; I can tell you that they are not.

Mr Quinlivan—In that case, the answer would be that the Commonwealth has no plans for further reservations in Tasmania.

Senator BROWN—No, but you have put an allocation to private land. Can you tell us how much that allocation for private land reserve is?

Mr Quinlivan—That program will be managed by the Department of Environment and Heritage, and my understand is that they are hoping to commence that program in the first quarter of next year.

Senator BROWN—Is that the Commonwealth department?

Mr Quinlivan—That would be the Commonwealth department. The Commonwealth will be seeking to achieve the targets announced in the election commitment, which I think was for 43,000 hectares of private land. We will be seeking to do that through either acquisition or the acquisition of covenants on private lands to achieve the reservation objectives. Whether the particular land that you are referring to will satisfy the criteria of that program I cannot say, but when the program commences it will be very widely known in Tasmania.

Senator BROWN—How much money is in that program?

Mr Quinlivan—There will be commercial processes between—

Senator BROWN—How much has the Commonwealth allocated in this agreement?

Mr Quinlivan—The Commonwealth has not allocated any funds in this agreement for that program. The Commonwealth has provided funds in the budget for the program—they are not actually part of the joint program with Tasmania—but the exact sum is not disclosed in the budget because this is going to be a commercial acquisition program. We do not disclose this in the same way that we do not include precise sums for asset sales or asset purchases in the budget—this is along the same lines.

Senator BROWN—Can you explain to me why the sum is not stated?

Mr Quinlivan—It will be an open property market operation by the Commonwealth, and we will have our own objectives and indicative prices and so on. We would be foolish to disclose those to landowners before we have an open process.

Senator Ian Macdonald—If we said we had a million dollars and there are 43,000, you would divide 43,000 into \$1 million and that would indicate what we want to pay. But it will be an open tendering process. It will be entirely voluntary, so it is up to the people who own the property. If they think it qualifies they will tender a price and if it is within our budget—not just our financial budget but our desired outcome budget—then we will make them an offer or accept their offer.

Senator BROWN—Can you comment on the trend for export woodchip sales out of Australia, taking into account the global market and the projections into the next two years?

Mr Quinlivan—We cannot do that, Senator, but certainly ABARE can. They were here earlier today. So I could take that question on notice. They have recently published forest and wood product statistics. We can get back to you with some information on that.

Senator BROWN—Minister, why didn't you go to Tasmania for the announcement of the package with Prime Minister Howard?

Senator Ian Macdonald—I did go to Tasmania, Senator. I was attending the Timber Communities Australia conference that weekend, with the Prime Minister on the Saturday.

Senator BROWN—Yes, but he made the announcement the day before.

Senator Ian Macdonald—On the Friday.

Senator BROWN—Yes.

Senator Ian Macdonald—I chose not to. I had other things on then.

Senator BROWN—You had other things on.

Senator O'BRIEN—You had to leave room for Mr Baker and Mr Ferguson to stick their heads in the back edge of the news-shots.

Senator Ian Macdonald—They should be there too, of course, because they played a very important role in getting this fabulous package for Tasmanians, and they deserve every bit of credit that they might have received.

CHAIR—Come back to focus, boys!

Senator Ian Macdonald—That is focusing.

Senator O'BRIEN—So that is why you were not there—as long as we understand that.

Senator Ian Macdonald—I was doing other things, and I was on my way to Launceston.

CHAIR—I was not there, either. Senator Ferris, were you there?

Senator FERRIS—I gave the minister leave so that he could be there.

Senator Ian Macdonald—That is right. That was the TCA conference.

Senator O'BRIEN—On Saturday?

Senator Ian Macdonald—No, I was at the TCA conference on Friday.

Senator BROWN—The phase-out announcement of 1080 poisoning was made some years ago—certainly many months ago, and many months before the last election—but it was not extended to private land, as the Prime Minister said it would be in the week before the election. Can you explain why?

Mr Quinlivan—As you are probably aware, the Commonwealth has the capacity to set the rules for the import and national operation of use of chemicals, but the use by landowners is a state constitutional responsibility. So the Commonwealth did not have the capacity to enforce a ban on the use of 1080 by private landowners. The Tasmanian government had, as you say, announced that they would phase out the use of 1080 on public lands, I think by the end of this year. And they are doing that. We are spending quite a bit of money, as you know, through the program, on research on alternatives to try to reduce or phase out its use totally in Tasmania. As you are probably also aware, in the last day or so the APVMA have released a report on the use of 1080 which has not supported a ban on its use.

Senator BROWN—So the Prime Minister did not know about the constitutional prohibition when he made that promise in October last year?

Mr Quinlivan—I do not know what the Prime Minister or the authors of that policy knew when the statement came out, but in discussions with Tasmania it became clear that we were not going to implement that as it had been promised.

Senator BROWN—You are not prepared to use the corporations power there to restrict Gunns and other companies from using 1080, as the government is prepared to use it on other matters?

Mr Quinlivan—I think that is an established constitutional responsibility of the state government.

Senator BROWN—No, it is not. There is a corporations head of power there—

Mr Quinlivan—No, I mean the management of land use and these things in use is an established state responsibility and the Commonwealth did not consider overriding that state responsibility, as we have not done on the mainland.

Senator BROWN—But the Prime Minister promised it.

Mr Quinlivan—There is nothing further I can add on that, I am afraid.

Senator BROWN—Except for one matter—that is, atrazine and simazine. I was asking in another place this afternoon about the impact, potentially, on the facial tumours that Tasmanian devils are being ravaged by. What is the Commonwealth's role in assessing dangerous chemicals like those, which have carcinogenic properties, being used under the aegis of the regional forest agreement?

Mr Quinlivan—That would be a normal responsibility for the APVMA, which is another portfolio body that regulates chemical imports. I cannot speak on their behalf.

Senator BROWN—It is the forest industry that is using it.

Mr Quinlivan—That is not a relevant factor. The relevant factor here is that the APVMA is responsible for regulating that issue. It is not handled as a forestry issue in the portfolio.

Senator BROWN—Should it not be when there are very concerning statistics about cancer rates for human beings?

Mr Quinlivan—No, because we are not chemists and experts in the area. Our field is forest policy.

Senator BROWN—Not forest workers?

Mr Quinlivan—We leave those issues to experts in the field, as the APVMA is.

Mr Banfield—I will add a comment. We had some discussion in the committee this morning. We had representatives from the APVMA there. As I recall, the subject of atrazine came up and we had some discussion about that. If you have any particular questions, we would be happy to take them on notice. But we did have a discussion about this matter this morning.

CHAIR—Senator Brown, I raised the questions that you probably would have wanted to ask.

Senator BROWN—It is a very good line of questioning, because it is a matter of great concern in Tasmania. I am concerned to hear that your department is not concerned about the potential impact of these chemicals.

Mr Quinlivan—That is not what I said. What I said was that, within the portfolio, that is not a matter handled by the forest policy area. It is handled by the people who have expertise in chemicals, which is the APVMA.

CHAIR—This morning, Senator Brown, we talked about the contamination—basically about articles in the *Financial Review* and the accuracy of those, the application, water rates, spray-ons, spray-overs. There has been some spray-over of catchment areas, which is not supposed to happen. We went through that stuff, so it will be in the *Hansard*.

Senator BROWN—I just want to point out that it is a forestry matter. The chemicals are being imported for application by forestry in plantations.

Mr Quinlivan—Yes, but my response is that it is a matter best handled by experts, not by amateurs, as we would be in this area of chemical issues.

Senator BROWN—I have no dispute with that, but I am surprised to hear that you say it is not a matter for you to be involved in or interested in seeking answers about. That is what I would have thought would be a reasonable response.

Mr Quinlivan—I have offered to get whatever information we can on this matter from the APVMA, and if there is anything additional that can be added to the conversation that we had earlier today, we will be happy to get that for you.

Senator BROWN—What action has been generated by your department on the matter of these chemicals to date?

Senator Ian Macdonald—Let me point out that my understanding is that this is used for other things besides forests.

Senator BROWN—Correct, but I am talking about the application in forestry.

Senator Ian Macdonald—It is applied for many purposes. The APVMA is the authority, and they went through the circumstances surrounding it this morning—not that I was here, I might say.

CHAIR—I raised it and said that I had used it in lupin crop situations. I also pointed out that with modern laser surgery you cannot see where they have taken a second head off. So it is all pretty good.

Mr Banfield—It is probably better that we take these as questions on notice and come back to you. The discussion this morning was around the role of the APVMA as regulating and assessing, on a scientific basis, conditions under which chemicals, including atrazine, can be used. The issues of control of use are state matters. So there is a division of roles and responsibilities here. But we did have a discussion this morning about some of the issues you have raised. As I say, if there are additional questions that you would like us to put to the APVMA we would be very happy to do that and come back with the answer.

Senator BROWN—Thank you. What work have you done on the effect of plantations on water catchments?

Mr Quinlivan—That question is probably best addressed to the Natural Resource Management Division, who will be appearing after us and who are handling water policy.

Obviously, catchment based management of water, and the impacts of various forms of interception and land use on water in those catchments, is a big issue at present.

CHAIR—I will ask all those questions for you if you are not there, Senator Brown. I know them all off backwards.

Senator BROWN—I am sure you will, Senator, but I just want to ask, because the impact is coming from forestry: what is your knowledge about that impact on water catchments?

Mr Quinlivan—The issue is coming from changed land use, and forestry is one such change in land use. As I understand the story, basically, if plantations are being established in high rainfall areas, there is likely to be a net cost to the catchment in terms of water quality. If the plantations are established in the right area—typically in lower rainfall areas where they intercept salt movements—they are likely to be a net benefit to the catchment because of the reduced salt flows into the streams running out of the catchment. There is a big issue about how to target them and how big and small those areas are.

CHAIR—And how to bring that to account.

Mr Quinlivan—Yes, but that is the gist of the science, as I understand it, at present.

Senator BROWN—I come from a high rainfall state, which has the biggest plantation growth rate for its size of any state in the Commonwealth, so how can that be?

CHAIR—Senator Brown, I could help you with that. When I went there two Januaries ago, they did not think they had a water problem, nor that water was an issue in relation to plantation forestry. It was not just a Tasmanian issue; it was a mainland issue and, in fact, every river management plan in New South Wales totally excluded any work done on the interception rates of plantation forestry. But I think it is fair to say that everyone is aware of it now.

Senator Ian Macdonald—There is a very good BRS paper on that too. Unfortunately, BRS have been and gone, but I can give you the reference to that on notice if that would be of help to you. It does show that, where there are only small plantation establishments in catchments, the effect is very small. I will not try and summarise what was a very technical, very good paper, but I will refer you to it and you might be interested in some of the information there. I know the chairman would be too.

CHAIR—That is, of course, a fantasy proposition in a lot of practical scenarios—very good science but a very poor practical proposition because, as we all know, 38 per cent of the catchment of the Murray-Darling Basin comes from two per cent of the catchment, and the issue is what you do in that two per cent. It is a furphy that if you only plant out 20 per cent of a catchment you do not have this impact. You most certainly do, depending on where you put the 20 per cent.

Senator Ian Macdonald—It is a pity we did not have this discussion when BRS were here to give the—

CHAIR—No, I do not have to have the discussion. I am well drilled on it, and I am pleased that the New South Wales and other governments are recognising this problem; their new river management plans are now bringing this to account.

Senator Ian Macdonald—We understand and act upon these things, and we do it on the advice of scientists, for whom we have a great regard, in the Bureau of Rural Science.

CHAIR—Yes, I am sure.

Senator BROWN—But the question here is that the government, as I understand it, believes in user pays. Ought not plantation establishments also pay for the cost of the water withdrawn by plantations, just the same as irrigators downstream have to pay for it?

Senator Ian Macdonald—They have a view that they should not be treated differently to anyone else.

Senator BROWN—Who has?

Senator Ian Macdonald—The industry itself.

CHAIR—I entirely agree with that, because I happen to know the difference in the interception rates between the various rainfall zones. If the argument is that you are going to compete with that argument against the person who grows lucerne, I am quite happy to back the lucerne.

Senator Ian Macdonald—Or rice, or—

CHAIR—Yes, all of that. But that is not interception; that is the other end—

Senator Ian Macdonald—That you pay—

Senator BROWN—Can you name any place in Australia where plantations pay for the water they take out of the system?

CHAIR—The rice bloke. This is the market that has to bring to account. As you know, Minister, and this probably is not the right forum for all this, it is fair to argue that, if you are going to plant plantation forestry in a critical interception zone—I could nominate a few of them in New South Wales where there is up to 60 inches of rainfall, where they are going to intercept 2¾ megalitres per hectare per annum for half the life cycle of the plantation forest—that is going to, like a pump, remove that water from the river. Should the economics of forestry include that in their economic plan, or should we—as I think we should—encourage those forests to go down to a lower rainfall area, which, as Mr Quinlivan said, would produce a salinity credit as well as a forest, and perhaps some national action plan money to assist the process? I just think there is a solution which may have to be driven by something like bringing the water to account in high rainfall areas.

Senator Ian Macdonald—But the work is all being done on that.

CHAIR—I appreciate that it is a work in progress.

Senator Ian Macdonald—A lot of work has been done.

Senator BROWN—Is there anywhere in Australia where plantations pay for the water they withdraw from catchments?

Senator Ian Macdonald—I do not know the answer to that.

Senator O'BRIEN—That is an interesting term 'withdraw from catchments'—before it gets to the catchments or withdrawn from the catchments?

Senator BROWN—They do both. Whichever term you use, knowing exactly what they—

Senator O'BRIEN—No. If they draw it out of the catchment they probably do pay for it.

Mr Quinlivan—The water policy people, who are going to be speaking here soon, are going to be spending a lot of time on these issues. I think it is best you direct that question to them.

Senator BROWN—Before we do that though, could you take on notice my question: are there any plantations—

Mr Quinlivan—I am saying they are the appropriate audience for that question.

Senator BROWN—No, it is a forestry question. I am asking: is there any forestry operation or plantation in Australia that pays for the water that it withdraws or which does not get into the catchment because of that plantation growth? Could you take that question on notice?

Senator Ian Macdonald—We would have to refer it to all the state governments.

Senator BROWN—I would be happy if you did.

Senator Ian Macdonald—I am not quite sure whether that is our role, but we will see how generous we are feeling at the time.

Senator BROWN—I have put the question on notice.

Senator Ian Macdonald—We will see how much effort it is to get the information from the states, but it is not something that the Commonwealth forestry department has information on.

CHAIR—The answer is no.

Senator BROWN—But we cannot get that information from our panel, Chair.

CHAIR—They are not in a position to answer it. As a knockabout country person, it seems to me the answer is no, because that is not official information for this—

Senator BROWN—I think it would be salient if the minister did discover it independently.

CHAIR—No worries.

Senator O'BRIEN—I want to ask about the Forest Industry Structural Adjustment Package. Funding in 2005-06, according to the PBS, is estimated to jump from \$7.9 million to \$8.7 million. In appropriation No. 2 in this year's PBS there is an estimated expense of \$13.3 million for FISAP for states, but nothing for 2005-06. Last year's PBS had that same item estimated at only \$6.4 million. Can you give us an explanation of what is represented by all of those numbers?

Mr Quinlivan—The short explanation is that FISAP, with the exception of the remainder of the WA program, ends this year. That is the reason there is \$8.5 million allocated for next year—it is for the remainder of the WA program. FISAP in other states, I think, was allocated \$13 million this year. There are not envisaged to be any further FISAPs operating in other states beyond the end of this financial year.

As to the reconciliation of numbers across years, it is extremely complicated. Because the funds are appropriated through bills No. 1 and No. 2 some payments are to states and others are direct to grantees. Some projects have proceeded more slowly than was originally envisaged, and so, in some cases, those moneys have been re-phased into one year; in some cases they have been swapped between states. So it is difficult for me to give you a sensible and understandable reconciliation of all those numbers, because there are multiple movements in each year across the program. But the important thing is that, with the exception of WA, the program ends this year.

Mr A Grant—What Mr Quinlivan said is right in terms of the budget papers but, of course, since the budget papers we have announced that there will be a FISAP in Tasmania, which will be allocated \$46 million. To the extent that the other ones run out the Tasmanian one will start this year.

Mr Quinlivan—I did not envisage that you were including Tasmania in that question.

Senator O'BRIEN—No, I had not thought that it was called the same thing; that is why.

Mr A Grant—It is not called the same thing, but it would be part of the same broad program.

Senator O'BRIEN—You refer to the Western Australian aspect of the package, and to performance information related to that program, on page 42 of the PBS. The information includes the number of businesses assisted and jobs created, the extent of new investment in forest industries and assistance being given within agreed time frames. What is the actual target in each of those categories? How many businesses is it aimed to assist? How many jobs is it aimed to create? How much new investment will there be in forest industries? What are the time frames you envisage?

Mr Quinlivan—I am not aware that we had specific targets in mind. It was an open program, and the program was significantly oversubscribed. Projects were selected on merit. The sorts of things that you have talked about were exactly the sorts of things that were taken into account in deciding which projects would be funded. We certainly expected to do an evaluation of the program, as we have done with others, to test that the undertakings given by the project proponents were in fact delivered, but we did not actually have concrete targets in mind.

Senator O'BRIEN—So it is not targets; it is just performance information?

Mr Quinlivan—The targeting was more towards the areas of Western Australia—the communities and the firms—that were affected by the resource reductions made by the WA government. So the logic of the grant allocations was more that people were proposing projects that were either responding to those pressures or in some way going to help the communities that were affected by those WA decisions.

Senator O'BRIEN—I want to ask some questions about the Victorian data assistance strategy. This funding relates to the regional forest agreement review allocation in the previous PBS for 2004-05. It was \$400,000. That comes from page 29 of the previous PBS. The number on page 21 of this year's PBS is \$1.34 million as the estimated expense for the

year, and there is nothing in the coming financial year. Would it be fair to say that there has been little or no progress on this program?

Mr Quinlivan—Yes, it would be. The program was well conceived, because it was designed to try and help Victoria with a problem. When the program was conceived a couple of years ago, there was perceived to be a lack of robust data on which Victoria could settle its sustainable log estimates and therefore commercial allocations to Victorian companies. The idea behind the program was for the Commonwealth to provide some small amount of funds out of the Victorian FISAP to accelerate the scientific and technical work which would allow contracts to be signed and people to get on with their businesses. But, as things have panned out, the Victorian government have not been willing to engage and do the sort of work that was required, so they have not taken up the program despite many attempts on our part to try and encourage them to do so. Therefore we have not spent the funds.

Senator O'BRIEN—So I take it that this program is at an end?

Mr Quinlivan—Unless there is a decision between now and the end of the year to do either something this year, which is extremely unlikely, or something that might encourage the minister to seek a rephrasing of the moneys into next year on the basis of a very concrete outcome, your assumption is correct.

Senator O'BRIEN—They are the questions that I have for this division.

[6.15 pm]

CHAIR—We now come to natural resources management.

Senator STEPHENS—In the PBS under the heading 'Movement of administered funds in 2004-05 to 2005-06' there is reference to the national action plan for salinity and water quality and a transfer of \$14.4 million. Is that an underspend for this current financial year?

Mr Thompson—That will be an underspend this financial year. As the figures indicate, it has been transferred into the two out years.

Senator STEPHENS—Where in the program has the money come from?

Mr Thompson—The money has predominately come from some delays in New South Wales. They have gone through the process of revising their catchment management structures and then finalising catchment management plans. We do not expect it to impact on the overall expenditure under the national action plan in New South Wales, just the time expenditure will take.

Senator STEPHENS—Funding for the defeating the weed menace program for 2004-05 was \$1.7 million and then jumped quite dramatically in 2005-06. Can you outline for me in general terms how the \$9.4 million will be spent?

Mr Willcocks—An investment framework has been approved by ministers for the weed menace program. The program is already under way with some interim projects being funded this year. An advisory group is being appointed and is to meet early next month. The advisory group will be providing advice on the priorities for funding for future years of the program so that the expenditure will be largely guided by the advice to ministers from that advisory group.

Senator STEPHENS—So a research and development strategy for the program is being developed. The terms of reference are on the web site and consultancy services have been advertised. Can you elaborate on that consultancy program—the requirements of the consultant, the time frame for reporting and when that consultant will be recruited?

Mr Willcocks—This is the consultancy for the development of an R&D program?

Senator STEPHENS—Yes.

Mr Willcocks—The R&D strategy is being developed by Land and Water Australia.

Senator STEPHENS—Yes, it is. So how does that relate to your advisory group?

Mr Willcocks—The program provided for research as part of its expenditure. The first stage is an interim measure to get the research program under way. The task of developing a strategy was given to Land and Water Australia.

Senator STEPHENS—What else will the \$9.4 million be spent on?

Mr Willcocks—The government's election commitment identified regional expenditure as a major area of expenditure—research, biological controls and other measures.

Senator STEPHENS—I do not have the detail of the election commitment. Is there some documentation that you can provide to the committee?

Mr Willcocks—We have some documentation on the weeds menace program. It is on the web site.

Senator STEPHENS—I have found it, thank you. So the initiative is reliant upon matching cash contributions being sought from states and territories?

Mr Willcocks—Yes.

Senator STEPHENS—Where are the discussions or the negotiations around this issue with the states and territories at?

Mr Willcocks—The states and territories have been advised of the program through papers to the Natural Resource Management Ministerial Council at its last meeting. Out of that, some decisions were made about the management of the program to the extent that it involves the states.

Mr Thompson—It was agreed that there be bilateral discussions with each of the states in relation to that commitment to seek matching funding, and that will take place.

Senator STEPHENS—That has not occurred yet?

Mr Thompson—No, it has not all occurred yet.

Senator STEPHENS—I now move to the Living Murray Initiative and the funding allocation of \$25 million for the next financial year. Where is that program up to?

Mr Thompson—The Living Murray is a program that we are undertaking jointly with our other Murray-Darling Basin partners. The management of the recovery of water for the Living Murray and then the application of water are being undertaken in accordance with the business plan that was agreed by the ministerial council at its last meeting. The states have come forward with a range of proposals for recovering water to then be applied to the

environment. In each of the ecological assets along the river, watering plans in the context of a broader environmental management plan for the site are being developed. They are at various stages of development, with people going out to public consultation and review. The proposals for the recovery of the water are being put together by the states, and they are seeking the Commonwealth's and other parties' contributions to invest in them. Investments have not been finalised yet, but broadly speaking the Living Murray is on track.

Senator STEPHENS—Can you please explain to me the relationship between the Living Murray initiative in this portfolio and the commitment under the National Water Initiative?

Mr Thompson—The National Water Initiative put in place in this context a National Water Commission to oversee the implementation of the reforms in the intergovernmental agreement for the National Water Initiative. The National Water Commission also runs a large program to provide funds to undertake water efficiency measures or measures to address overallocation of water. That is a broad program that runs separately to its timetable. The Living Murray initiative is a much more targeted initiative that was developed by the commission partners to improve the overall health of the River Murray. As part of signing on to the National Water Initiative, the basin states and the Commonwealth government agreed to provide funding to recover water to implement the Living Murray initiative. So they are very closely aligned initiatives but there are two agreements with the states: one for the National Water Initiative and a companion and linked initiative for the Living Murray.

Senator STEPHENS—So this \$25 million of the Living Murray initiative is not part of the \$500 million commitment under the National Water Initiative?

Mr Thompson—Yes, it is. The National Water Initiative has a \$2 billion commitment to improve water resources management across Australia. The basin states committed \$500 million to recover water for the Living Murray. Of that there was a \$200 million share that the Commonwealth committed to and the \$25 million is the first Commonwealth instalment to meet that commitment. So there is \$500 million plus the National Water Commission's, roughly speaking, \$2 billion.

Senator STEPHENS—So what has the federal government allocated in, say, the past three years to increase the environmental flows in the Murray?

Mr Thompson—I will have to do a little bit of work to calculate that.

Senator Ian Macdonald—I do not think the initiative has been going for three years, has it?

Mr Thompson—The Murray-Darling Basin initiative has been providing some works and measures for—

Senator Ian Macdonald—But not the Living Murray.

Mr Thompson—No.

CHAIR—We will now break for dinner and resume at 7.30 pm.

Proceedings suspended from 6.28 pm to 7.30 pm

Senator STEPHENS—We were talking about the Murray River before the break. I wonder if you are aware of a report that was presented to the Murray-Darling Basin Ministerial Council on 26 March 2004 about managing risks to shared water resources.

Mr Thompson—Yes.

Senator STEPHENS—That report suggests that if a business's usual approach was taken to climate change, reforestation, groundwater use, farm dams, bushfires and return flows for irrigation, the potential reduction in river flows could be up to 2,000 gegalitres each year after 20 years.

Mr Thompson—I could not confirm that those were the numbers in the report. I cannot recall it, but there was a study—a paper presented to the commission—that did run through all of those risks and identify potential changes in water availability in the basin that could arise from those, and work is continuing on refining those figures. Those figures should also be used a little bit carefully. It is not accurate to add the bushfires, to the ground water, to the climate change, because there are figures that double up in that respect.

CHAIR—There is actually a gross and a net.

Senator STEPHENS—Yes. The recommendation endorses the commission's actions to address these issues with immediate priority given to bushfire and groundwater use and through medium-term strategies for climate change, farm dams, reforestation and return flows for irrigation.

Mr Thompson—Yes, that is correct.

Senator STEPHENS—I am interested in what is happening to address those risks. Can you bring us up to speed?

Mr Thompson—The commission is continuing work on addressing each of those risks. Ground water is the one that the highest priority has been put on, and the commission recently released a report which summarised the status of ground water across the Murray-Darling Basin. It is continuing work on the bushfire risk. There are a number of uncertainties associated with that because, at the time that work was done, initial work was done on the presumption that many of the trees affected by the bushfires actually died; therefore there would be a much bigger re-establishment phase using more water. The figures that are now coming in suggest that more trees survived, so those numbers will be less than was anticipated 18 months ago, but they are still significant amounts.

A survey has been completed—and it is still being finalised and is subject to peer review—on the interception of water in farm dams across the basin. All of that is regularly reported to the ministerial council.

CHAIR—What is described as a farm dam?

Mr Thompson—Essentially, water storages on land that are not the major public storages.

CHAIR—What does that mean?

Mr Thompson—Earth tanks on properties that impound water.

CHAIR—Yes, but through natural run-off, or do you include the turkey nests?

Mr Thompson—It includes the turkey nests. It includes any man-made impoundments to store water, and the loss figure that is calculated is the increased evaporation that occurs from storing water in those dams.

CHAIR—You include the turkey nests. In the Lower Balonne 1,200 gigalitres of off-river, on-farm storage was the mean equivalent of the flow of the system. What do you blokes think about that? I have asked you before. You can tell me again. It is a disgrace, a national disgrace, and you blokes have not said boo to a goose.

Mr Thompson—The storage of the water in the Condamine-Balonne is part of the Queensland water sharing plan.

CHAIR—It is out of control. It is the equivalent of the mean annual flow of the system. It is a national disgrace that they can allow a system to be built—with all the science and visionaries and experts around—where even just one stream, the Culgoa, used to deliver 28 per cent of its flow as a contribution to the Darling, now four, and no-one says, ‘Hey, hang on.’ Now we say, ‘No, that’s a state issue. Don’t go near that.’ The law is silent. You would get put in jail in New South Wales if you did not retrieve some of the work that has been done there by way of blocking the natural waterways. It is a national disgrace which everyone is silent on. It is the mean equivalent of the entire valley catchment. And you go to Victoria, where we say—as I said to Macka earlier—that it is critical that 38 per cent of the run-off, as you know, comes from two per cent of the catchment, so what happens in that two per cent is critical and we say to those farmers there, ‘You virtually can’t capture anything,’ but we allow one bunch of cowboys up there to have the mean equivalent of the entire system on off-river, on-farm storage. Do you blokes have a view? I realise it is outside the jurisdiction.

Mr Thompson—It is outside our jurisdiction.

CHAIR—But you are not allowed to have a view?

Mr Thompson—As we are doing for the rest of the basin, we are calculating the storage of water in these sorts of impoundments and what impact that will have on the run-off. The difference in the southern basin—and why we do have a much stronger interest in that is because of the impact it has on the shared resources of the southern basin that are subject to the Murray-Darling Basin agreement.

CHAIR—I understand that, but that contribution up there, where we only have a constitutional jurisdiction in the Narran Lakes thing, is a national disgrace, which I will keep saying till someone with a bit of sense does something about it. As you know, the Menindee Lakes actually evaporate more water than all the river pumps use up upstream, and we just sit there and say, ‘These are the figures and we’ll squeeze up catchment in other parts of the catchment. We’ll regulate what farmers can capture’—which is fair enough—‘but we’ll ignore that.’

Mr Thompson—The inflow from Queensland is not ignored. It is built into the calculations. I do not have the exact figure, but the contribution of water from Queensland to the water that falls within the ambit of the Murray-Darling Basin agreement, by the time it gets to the lower Darling, is not a major contributor compared to the major rivers like the Murrumbidgee and the Goulburn.

CHAIR—I understand all that, but try telling that to the blokes that are just downstream. They use this myth that Peter Cullen has ticked it off somehow. Peter Cullen did not tick it off. It suited the Queensland government and the St George reference group chaired by Leith Bouilly to say that it was all right, but he did not say that at all. They choose their words carefully. He said that, if that capacity was ever brought to bear, it would cause serious long-term environmental damage to the whole system. I think it is a national disgrace. Thanks.

Senator STEPHENS—Let us go back to those key proposed actions. We have talked about ground water and we have talked about bushfires, which were the high-priority issues, and farm dams which were identified as a slow and ongoing issue requiring further quantification, starting in 2004-05, to identify ways to improve estimates in modelling of farm dam impact on stream flow. How is that progressing?

Mr Thompson—A draft of a study has been completed on the storage held in farm dams. As that recommendation implied, it is a very complicated matter because it is a matter of getting hold of all the dams and estimating their volume and then modelling evaporation over and above that would have occurred under other circumstances. That work is still being completed and going through the process of being peer reviewed before it is broadly released, because it has impacts on availability and it could cause some concern to people who have got dams, so it is very important that we get it accurate and done in a way that assures all parties that it is based on best science.

There are also studies going on in the other area of the reuse and the return flows. That again is also quite complicated because it depends on the adequacy of the models and flow paths between surface and ground water. There are a number of pieces of work going on to try and get a very important handle on where the water is in the system, both in terms of surface water, ground water, water that is being returned to the system from drainage or overflows from irrigation. That work is continuing.

Senator STEPHENS—In relation to that, did the independent audit group report in September-October 2004 on that issue?

Mr Thompson—The independent audit group on the Murray-Darling Basin cap did report.

Senator STEPHENS—Climate change was seen as a long-term issue requiring a medium-term response. How far has the commission got in developing a research partnership to build knowledge of the climatic drivers in the Murray-Darling Basin?

Mr Thompson—The recommendation said it required a medium-term response. One of the issues has been that there are a lot of other players—the Bureau of Meteorology, CSIRO and some of the state agencies—doing a lot more work in this area, with a lot more resources than can be put in by the commission. What the commission is doing is pulling together an analysis of the work that is being done by those people to identify what the gap is in being able to get a picture of the consequences for climate change across the basin. If Queensland does work on water availability in Queensland and New South Wales does it in New South Wales, the commission's role will be to join that together. The last thing the commission wants to do, since it is made up of the jurisdictional partners, is duplicate that work. It is fair to say it is riding off the back of the major pieces of work being done by the other major agencies in that area.

Senator STEPHENS—One of the points in this brief is that without action these processes are likely to erode the value of the additional 500 gigalitres a year of water secured over the next five years for environmental outcomes delivered by the Living Murray initiative. Are you suggesting that might not be the predicted level of erosion but there still will be some?

Mr Thompson—We are still doing some analysis, as I said. In the case of bushfires the analysis is suggesting that the initial estimates were on the high side.

CHAIR—It was 1,000 gross and 600 net, wasn't it?

Mr Thompson—Something of that order. It looks like coming in at perhaps 100 gigalitres less than that.

CHAIR—With 10 years for the regrowth.

Mr Thompson—Yes. The other important factor is the time span in which these things will start to affect water supply. The bushfire one is when the trees start growing, so that is relatively immediate, but for climate change and ground water we are looking at time frames that are in the range of 10 years. For the water recovery for the Living Murray and those projects, optimistically we are talking about a three- to five-year time frame.

CHAIR—How have you done the ground water one? Did you do some sort of modelling on where your 2020 thing is going to go, to work out the interception?

Mr Thompson—The interception work has been done on working out where trees might be but the most important part of the ground water one is working out how much ground water is in the basin, where it is and what use is being made of it. Also important are the figures that are being used for water allocations to try and identify if there is any double counting of surface and ground water. It is focused on those gross amounts.

CHAIR—In the case of the aquifer, which is more or less an unbroken aquifer west of Albury, Jerilderie, Narrandera and Hillston—there is a broken aquifer back this way—around Carrathool, those places where up until now it appears they have used Rafferty's rules for allocation, have you blokes done any work on exactly what is happening to that aquifer?

Mr Thompson—I am not familiar with that aquifer. The arrangements for the allocation of ground water, in terms of the understanding of water availability and drawdown and the interconnectivity between surface and ground water in some of the ground water basins does make it quite complicated. The work is being done to get an accurate picture of what the physical water supply situation is. It is a major focus of the National Water Initiative to get a handle on that.

CHAIR—Do you have the complete cooperation of the states in that?

Mr Thompson—In the Murray-Darling Basin context we have the complete cooperation of the states in working through the models and drawdown characteristics et cetera of those aquifers.

CHAIR—Is there any proposal to deactivate the phantom and sleeper licences?

Mr Thompson—Under the National Water Initiative the states in the Murray-Darling Basin have agreed to address overallocation. How they address overallocation is essentially a process that they have to work through because licences are issued under their jurisdiction.

CHAIR—Will you have any input into that? You have heard this before, but a portion—and the locals say 25 per cent—of the Gwydir aquifer licences are owned by people who do not have the capacity to draw on the aquifer. Do you blokes have any capacity to influence what happens to those licences?

Mr Thompson—No. They are state licences under state jurisdiction.

CHAIR—If they were compensated, it would be a public fraud of the purse.

Mr Thompson—They were licences issued by the states. How they manage that circumstance—

CHAIR—They were issued to people who cannot draw the water from the aquifer that is underneath them because they have not got the capacity, or they have not even got an aquifer. Do we just sit around and say, ‘Well, we’ll turn all those blokes into millionaires and cop it’?

Mr Thompson—New South Wales has committed the National Water Initiative to address those issues of overallocation. The National Water Initiative funding does allow for some of those resources to be applied to those sorts of things.

CHAIR—I will give you the answer: they are waiting for us to send them a cheque. That is the answer, as far as they are concerned. I am not too sure if this 2020 plantation growth is going to occur but have you calculated the impact of that on run-off?

Mr Thompson—It has not been done in a comprehensive sense.

CHAIR—Until you know where you are going to put it.

Mr Thompson—No-one knows where the trees would actually be planted. The work that was referred to earlier this evening, by BRS, which was done jointly with CSIRO on plantations intercepting ground water and the effect that might have on water availability, did broadly look at that.

CHAIR—What did they say? One thousand gigs or something?

Mr Thompson—I could not give you the numbers right here. It was able to show that where the trees were planted was quite significant. It also said that some of the estimates of the extent of tree planting that would occur under the plantations targets may not be as great as some people have projected. The other thing that has arisen is that the amount of tree planting that is required to address salinity may not be as great as some people had earlier suggested. The work from airborne geophysics suggests salinity is a bit tighter in the landscape than needing to plant out 30 to 40 per cent of the catchment.

CHAIR—That is all old-fashioned. Will you be suggesting to the government, if necessary, that some money is thrown at it? Obviously they are going to have to build these plantations around some sort of a hub to make it economic to cut the trees when they harvest them, but to identify the hub, plus to pick up the salinity credit, they may have to move out of the best forest country and the quickest growing. Will there be, if need be, a suggestion of some sort of assistance to get the salinity credit for foresters, despite the slough of the forest?

Mr Thompson—There are two things going on in that regard. The first is that we are working jointly with the states and some of the state forest corporations on a set of criteria for

identifying those areas in the landscape where it would be beneficial to plant trees from a salinity and water point of view.

CHAIR—That is fantastic.

Mr Thompson—That is a useful piece of work. The other one is to provide money through regional bodies and statewide projects to understand where the salinity occurs in the landscape, and then to be able to combine that with information about run-off and ground water yield and the like. The regional bodies who are being given resources will be able to put in place schemes if they want to reduce salinity or increase run-off quality. They can provide target incentives, perhaps by way of auction, to encourage tree plantings in areas that may be subeconomic. We have been working in Western Australia on a similar thing—

CHAIR—Yes, exactly the thing I am talking about.

Mr Thompson—for salinity mitigation, whereby funds would be provided on a target and auction basis to virtually make up the difference between the lower growth that you get in the lower rainfall areas where the trees are beneficial, versus the high growth rate they get in naturally high-rainfall areas.

CHAIR—Will part of that strategy be the possibility of assistance in genetic work on the trees which may be required?

Mr Thompson—None of our programs preclude providing assistance for genetic improvement in tree stock. I think we have funded some work in that regard through some of the R&D corporations and I know that there are a number of companies looking very closely at tree stock for those that are saline resistant and also trees that grow well with lower water use.

CHAIR—If the New South Wales state government in its wisdom, and in a search for cash reserves I presume, cashed in state forests—just handed over the state forests to a private operation—for strategic planning purposes, who would set the guidelines? A lot of the plantation forestry that was done in New South Wales did not involve any environmental planning at all, so there are a lot of old forest plantations that are three- and four-class streams. Do you blokes, because of the environmental side of the planning of a plantation forestry, have an input into what they can do when they go back to the next cycle?

Mr Thompson—From our point of view, dealing with a private forest corporation or a state government corporation probably does not make a great deal of difference. We are trying to set up models for providing incentives that are independent of the ownership arrangements. We put in place a process whereby we would be able to feel secure that our investments were going into areas that were providing public benefit. Planning arrangements for where trees are planted, and whatever else in New South Wales, is a state responsibility.

CHAIR—It would be buyer beware. Say I decided to buy a New South Wales state forest, which allegedly is for sale, and there has to be a reconfiguration of how the forest is replanted after it is harvested. It would be buyer beware, wouldn't it? If, for sound, fundamental environmental reasons, we said, 'You have to leave that out, that out and that out,' even though it was planted in the old cycle, who would wear the—

Mr Thompson—I would not be able to comment on that. All I can say is that, if we were investing in forestry in New South Wales for environmental or resource management purposes, we would have a say over where our money was spent. But how New South Wales chooses to spend its money is, to a fair extent, its business.

CHAIR—Unfortunately, I cannot ask all these things in New South Wales, or I would. I thought I might as well ask them here tonight.

Senator STEPHENS—In relation to the Murray-Darling Basin Commission, there is a significant increase in funding this year. What is that increased funding for?

Mr Thompson—It is predominantly for the implementation of the Living Murray initiative—works and measures to improve the health of the River Murray and to apply the water to sites along the river. Those works and measures include things like channels, regulators and fish ladders. We are also starting construction work on some further salinity interception schemes along the Murray.

Senator STEPHENS—It is project money as opposed to research and development.

Mr Thompson—It is virtually all project money.

Senator STEPHENS—Moving on to the national action plan on salinity, you estimate expenses for that plan and water quality to be \$1.2 million from the PBS and then it moves in 2005-06 to \$7.8 million.

Mr Thompson—I am not sure where you are looking.

Senator STEPHENS—Page 19 of the PBS.

Mr Thompson—Yes, that is correct.

Senator STEPHENS—But in the 2004-05 PBS, at page 27, the estimate for this financial year was zero. What has happened to explain those large swings?

Mr Thompson—Bill No. 1 in the budgeting processes for the departmental expenses of government as opposed to bill No. 2, which is predominantly payments to the states and capital activities. In previous years the administered expenses of the National Action Plan for Salinity and Water Quality that fitted under bill No. 1 were quite minor and related to communications and the like. In this year's election the government announced funding of \$20 million for salinity mapping across the Murray-Darling Basin.

It is not clear, since discussions with the states are still continuing, whether that money will be able to be paid via the states or may be undertaken directly by the Commonwealth. Moving the money and placing it in bill No. 1 means that it can be directly administered by the Commonwealth. If we reach agreement with the states to do it that way, we can still contribute to it via the states. It is essentially making provision for a salinity mapping program in the Murray-Darling Basin.

Senator STEPHENS—When we move to bill No. 2—table 2.6 on page 21—there is a huge jump next year.

Mr Thompson—The national action plan profiled expenditure was to start off with a modest level of expenditure, building up to a peak and then declining in the later years of the program as projects wrapped up. As we discussed earlier, there has been some delay in that

and expenditure has slowed down. We have moved some of that money into the future years. By the beginning of the next financial year we expect to have regional plans in place in every NAP region and three-year investment strategies in every NAP region, which means the regions are in a far better place to undertake significant amounts of expenditure. So it is really just the program hitting its straps.

Senator STEPHENS—There is reference to ‘specific arrangements in place for non-regional elements of the national action plan’. What does that mean?

Mr Thompson—There are a couple of non-regional elements of the NAP. At the national level the national action plan, with the agreement of the states, is funding a series of what are termed market based instruments—trials across Australia—which are trialling commercial approaches to natural resource management. That is a \$5 million program. There are some elements of communications that are being done nationally. Within at least one state there are some elements of the national action plan that are implemented not on a regional level but on a whole-of-state level. For instance, in Victoria some pieces of information-gathering and monitoring were undertaken across the state, because it was more efficient to do it on a whole-of-state basis. The majority of the national action plan is delivered regionally.

Senator STEPHENS—You say that you are trialling a series of market based instruments.

Mr Thompson—Yes.

Senator STEPHENS—How many different models?

Mr Thompson—It is a small number, Senator. It is seen as an experimental approach. We are trialling 11 pilots at the moment in virtually all states of Australia.

Senator STEPHENS—Is it possible for the committee to have the outline of those models?

Mr Thompson—Yes. I do not have the outline here—all I have is a title—but I think it is on the web. We could provide that. There is a description of the projects.

Senator STEPHENS—And the location in which those trials are taking place?

Mr Thompson—Yes, I could tell you that.

Senator STEPHENS—Please do.

Mr Thompson—I could give you a list of them tonight, with their budgets and their regions. There is information on the web that outlines them in more detail.

Senator STEPHENS—Thank you very much. There is a monitoring and evaluation strategy in place for each state and territory, I understand.

Mr Thompson—Yes, there is one for each state and territory under the auspices of the agreed national monitoring evaluation strategy.

Senator STEPHENS—I did not quite understand this issue on page 34 of the evaluations, the start and end date. It is a very short time frame. Can you tell me from the evaluations outlined here, the likely effectiveness of investments and activities related to those components of the National Action Plan on Salinity and Water Quality and the Natural

Heritage Trust? Can you walk us through what is involved in that because it is such a short time frame.

Mr Thompson—Essentially that first consultancy is about going through all the regional plans and looking—within the regional plans that are set targets—at what projects they are putting in place that are linked to salinity and are likely to deliver in terms of salinity outcomes and contribution to their targets. In a broad sense it is really a literature review of all the plans, trawling right through them and then doing the calculation, region by region, of their likely salinity impacts.

There is another one on biodiversity outcomes of regional investment which is, again, using a group of experts with consultancies to go through and look at how each of the projects have contributed to important elements of biodiversity management, for services provided in the catchments, better water quality and pest control or whatever, but also the relationship between relevant national policy, coastal policy, biodiversity hotspots and endangered species plans. The government's arrangements are really—and we have recently let a tender for that—for someone to look at an ideal model of governance for risk management, financial management and corporate governance within regional bodies to see how that is tracking across the country and to come up with some guidelines.

Sustainable agriculture is just starting now. That will be taking a thematic view across all the plans and the projects to see how well they are looking at the contribution to agricultural management that, in a broad landscape sense, they are making to deliver NHT outcomes like water quality or salinity. Given that agriculture is 50 to 60 per cent of the landscape in most of these regions, that one is being retained.

In a sense they do not have to take a long time. It is someone doing a review of the action in place, talking about and, in some of the regions, looking at some cases studies of what they are doing and then analysing that in terms of guidelines and thoughts for the future about how we might implement our programs. Each of them is under the guidance, or will be under the guidance of a steering committee made up of Commonwealth and state people, independent experts in the area and people from the community sector.

Senator STEPHENS—You say they are all under way in various states or forms.

Mr Thompson—Some of them have commenced; others are just about to start.

Senator STEPHENS—You suggested that they were consultancies.

Mr Thompson—They all involve some consultancy, but the whole activity is not a consultancy. All of them involve consultancies carrying out some of the work.

Senator STEPHENS—Could you provide the committee with a list of who is doing the work; details of the consultants and the budgets for each of those reviews. Is that possible?

Mr Thompson—Yes, we can do that.

Senator STEPHENS—Thank you. I was interested in the time frame because it seemed so short and I wondered if there was an imperative; if August 2005 was a significant date in terms of some of the work.

Mr Thompson—No, August 2005 is not a significant date but they have budgets, of the order of \$100,000 to \$200,000 which, using consultants in the process, would involve amounts to about a two-month to three-month piece of work. We would like to be able to use those pieces of work to feed into consideration of future directions as people start to roll out investment and other plans. It is about mid-term through the national action plan, so it is time to see how we are travelling and if we need to refine directions. It is really to have something available by the end of the year and August is our target date.

Senator STEPHENS—That is the final review of the environmental management systems pilot program.

Mr Thompson—Yes, the environmental management systems were a subcomponent funded out of the Natural Heritage Trust that this department is administering. It has been running for a number of years. We have had a number of pilots operating in various industries and in various catchments. This is a review to pull together the learnings from those with a view to being able to produce material that can be extended more widely as to how environmental management systems can contribute to industry sustainability and to environmental outcomes. Again, it was a little bit like market based instruments; a range of different industries and things were being trialled and it was said, ‘Let’s capture the learnings from it now.’

Senator STEPHENS—Do you think that one will be done by the end of next year?

Mr Thompson—Yes.

Senator STEPHENS—June 2006. Thank you. We will move on to the Landcare program. It looks like there is a \$2 million reduction in funding next year. Is there a reason for that?

Mr Thompson—Before I start on that I wonder if I can correct something I said previously about monitoring evaluation strategies.

Senator STEPHENS—Yes.

Mr Thompson—They are in place in all states except the ACT and Tasmania. They are very close to being completed in that one territory and one state. That is just a correction. Coming back to Landcare, there has been a reduction in funds in landcare, as you identified. That was a decision taken by the government in the budget context.

Senator STEPHENS—Can you explain a little bit more about the water resources and assessment and research grants. I was not really able to find much information about that.

Mr Thompson—It is a small program used to supplement our activity on water resources management policy. Each year a number of research or investigation projects are undertaken under that banner and it also contributes to the Commonwealth’s participation in a national body associated with irrigation and drainage.

The projects done this year related to water pricing and irrigation efficiency and those sorts of things. We are still working on the ones that might be pursued next year. There were things like using options such as what measures can be used to recover environmental water, some work on on-farm monitoring and irrigation and, as I said earlier, our membership of the Australian irrigation and drainage commission and some sponsorship of their awards. It is all about encouraging improved water resources efficiency. The projects that are funded under

that banner, when completed, are made publicly available and promulgated throughout the industry as an aid to improving management outcomes.

Senator STEPHENS—Are those grants managed in a way where you determine the issues and the research priorities and call for expressions of interest, or do you tender it out to another agency?

Mr Thompson—We determine areas of interest that align with national policy imperatives at the time, or where there are gaps in information bases. Depending on the nature of it, we will call for tenders for people to submit proposals in specific areas or, if they are smaller, within the Commonwealth purchasing guidelines, we will commission pieces of work, or perhaps even go to tender. Because it is a small program we are often calling for things of the order of \$20,000 or \$30,000.

Senator STEPHENS—In terms of the Tasmanian water infrastructure, which is the Australian government's funding towards constructing dams on the Meander and Macquarie rivers, where is that one up to?

Mr Thompson—Mr Dalton is checking the exact details. That has been delayed this year as a result of having to finalise some Tasmanian approval processes to commence work. There were some legal issues associated with putting it in place. I think they are just about ready but it means that it will not be completed this financial year.

Mr Dalton—Between that time and the preparation of the documents, we received a request from the Tasmanian government to rephrase some of that expenditure identified for 2005-06 because of delays occasioned at the Tasmanian end as a result of legal action and further work within the Tasmanian government to identify commercial proponents and the due diligence associated with that. We would be expecting that the \$2.1 million that was due to be paid in 2004-05, which is identified as 2005-06, may not in fact be all spent in 2005-06; it is dependent on the processes within Tasmania. We would expect to have further information on this issue for the next session of estimates.

Senator STEPHENS—What would you anticipate the time frame to be for the construction of those dams?

Mr Dalton—Two years. The time lines were over two years. Payments were identified against particular time lines and that is the matter about which the Tasmanian government has approached the minister—to seek to alter those time lines in the light of events.

Senator STEPHENS—Thank you. In terms of the Tasmanian forestry agreement, the package that was announced by the Prime Minister, do you have other contributions to make to that package that is outside of the announcements? There was some additional assistance that was described around skills training and those kinds of things. Does your departmental minister have any further contributions to make to that?

Mr Thompson—The overall Tasmanian forest package did make reference to the matter of non-forest vegetation on farm communities. There are existing funds set aside for that under the Natural Heritage Trust, which are being administered in that program. The announcement suggested some modifications to the bilateral with Tasmania for handling that process. Discussions with Tasmania and the farming industry on exactly how the non-forestry

elements of the package are to be handled are taking place not quite as we speak but have commenced. Following the announcement, there have been some preliminary discussions and further discussions are expected over the next couple of weeks.

Senator STEPHENS—We have talked about the management systems program for the Natural Heritage Trust. That is the pilot management systems, isn't it?

Mr Thompson—A series of management systems for funding environmental management systems, yes. We are doing a review of them next year.

CHAIR—Has the water side of the Commonwealth given any consideration or been asked to give any consideration to the long-term securing of Launceston's water supply by way of dam planning?

Mr Thompson—I am not aware of any requests in relation to Launceston's water supply.

CHAIR—Does the Commonwealth have a role to play in terms of the environmental aspects of, for instance, alternative water supplies for Goulburn and the interception of the Shoalhaven for Sydney?

Mr Thompson—Those are questions that would have to be directed to the Department of the Environment and Heritage, which administer the Commonwealth legislation. As I said, we have not been approached for Launceston and we have not been approached in relation to Goulburn or Shoalhaven. But the environmental consequences of those sorts of things would be matters for the Department of the Environment and Heritage.

CHAIR—Thank you very much.

Senator STEPHENS—I want to make sure that I have covered all of the issues on the environmental management systems pilot program. Did you say that the preliminary reviews have been undertaken and are publicly available?

Mr Thompson—No. I think I was talking about the market based instruments. We can provide you with a list of the projects, but there is a publicly available booklet that describes what the market based instruments are and what we are trying to achieve. In relation to environmental management systems, the review is being done next year. We have held a number of environmental management systems forums where reports have been produced by a lot of people participating in the program and where those people participating in the pilots could share information. We have not published anything in that area but there is certainly a lot of information circulating around rural industries about different sorts of environmental management systems.

Senator STEPHENS—Do you anticipate that the people who have been doing the preliminary reviews will do the final review for you?

Mr Thompson—We would anticipate that, similar to other reviews, each person undertaking the pilot would do an assessment of what they learnt, what they achieved, and complete that by way of progress and completion reports. We have a project manager in a firm overseeing and helping us to manage those programs and providing reports on that. That will feed into the process. We have not determined what sort of process we will use to review the outcomes of the program; it may involve an independent look or it may involve using internal resources.

Ms Tomlinson—Halfway through the life of the pilots, there was a review of the program. That was completed at the end of 2004. One of the cross-learning activities that we had was an annual pilot forum that was held in March 2005. Ian Thompson mentioned that we had a list of the MBI pilots; we have a similar list of the EMS pilot programs that we could provide to you.

Senator STEPHENS—Thank you. That would be useful. Who did you engage to project manage the pilots?

Ms Tomlinson—Can we get back to you on that one?

Senator STEPHENS—Certainly. I do not know if I misheard you, Mr Thompson. I thought you said that you had engaged an organisation as opposed to an individual.

Mr Thompson—We have. It is an individual in an organisation. I believe the organisation is Hassell and Associates but I am not sure of the name of the individual.

Senator STEPHENS—That is fine. That is it for me, thank you, Chair.

CHAIR—Thank you very much. In terms of water quality, what does Natural Resource Management have to do with that?

Mr Thompson—We are interested in water quality for two reasons. The first is in terms of the quality of water that is available for urban, agricultural and other uses.

CHAIR—Do you take some sort of portfolio responsibility to see that what we drink does not kill us, or does someone else do that?

Mr Thompson—The direct responsibility for that rests with the states, who provide that water. Through the Natural Resources Management Ministerial Council and the National Health and Medical Research Council, we jointly produce guidelines for drinking-water quality which take into account impacts on human health of the water. Then it is up to the responsible jurisdictions or authorities.

CHAIR—You say that, for instance, in the case of atrazine, you set a benchmark for that of so many parts per million. Someone else supervises what is actually in the water.

Mr Thompson—The way the guidelines are written, it sets out a level of—I do not know whether it is atrazine—

CHAIR—Whatever.

Mr Thompson—whatever in water that would make it suitable for human consumption on the basis of the evidence and the analysis that is available.

CHAIR—Then it is someone else's job to see that that is happening.

Mr Thompson—It is up to the providing authority—Sydney Water, Melbourne Water or whoever—to ensure that their water supply meets the standard they believe is necessary for human health purposes.

CHAIR—When there is a fish kill in a stream at Delegate or Bombala, that is not your business?

Mr Thompson—No, that is not our business.

CHAIR—There you go. Thank you very much, everybody. That completes the estimates for all of you from the Department of Agriculture, Fisheries and Forestry.

[8.27 pm]

TRANSPORT AND REGIONAL SERVICES PORTFOLIO

Territories and Local Government

Senator STEPHENS—I want to ask a very straightforward question that perhaps you are not going to be able to answer. In estimates in Finance and Administration the other day, we heard some extraordinary stories about 25,000 litres of water leaking from the fountain of Parliament House, and I was very interested to try to understand how the ACT government could not possibly know that Parliament House was losing that kind of water every day. What is the relationship between an agency like ACTEW and the ACT government and the National Capital Authority? Is there some kind of connection there that would ring an alarm bell? It is a pretty amazing thing, is it not?

Ms Varova—This would be one for the National Capital Authority.

CHAIR—Are they coming later?

Ms Varova—They are coming tomorrow afternoon.

Senator Ian Macdonald—Tomorrow afternoon? There will be no-one here.

Senator STEPHENS—In terms of the issues that were raised in the National Water Commission estimates, we were talking about the idea of the proposal that the Yass council is pursuing about a pipeline between the ACT and Yass, which requires amendments to intergovernmental arrangements because it is across the state and territories. How is that process facilitated? Perhaps, Minister, you might be able to help with that one.

Senator Ian Macdonald—I certainly could but I know Ms Varova will be far more experienced and capable of answering the question, so I will defer to her and to Senator Colbeck.

Ms Varova—Their agreement on water usage would be a matter for New South Wales and the ACT to resolve between themselves.

Senator STEPHENS—It does not require something from the Commonwealth? It was my understanding that it was a Commonwealth issue.

Mr Wilson—Senator, I believe that the provision of water would require an agreement between the New South Wales government and the ACT government. It also would require the approval of the minister for territories, as an overarching agreement to the provision of water that is sourced within the ACT and provided across the border.

Senator STEPHENS—Would that be an unusual kind of request?

Mr Wilson—There is currently water provided by the ACT government to New South Wales from the ACT catchment and the Googong Dam catchment. That is the source of water for Queanbeyan and for Jerrabomberra. While it would be an additional approval, it would not be an unusual situation.

Senator STEPHENS—Could it be a lengthy process? Is it a complex process?

Mr Wilson—The approval process?

Senator STEPHENS—Yes.

Mr Wilson—New South Wales and the ACT are currently negotiating a cross-border water agreement. That is taking a reasonable amount of time. There are some significant technical issues with it in terms of supply. I am not certain how long it would take the ACT and New South Wales governments to agree on a proposal for piping water from the ACT catchment to New South Wales.

Senator STEPHENS—I am sorry, my question was in terms of the minister for territories giving approval. Would that be a long process?

Mr Wilson—I do not believe that there is a statutory time limit in terms of his approval.

Senator STEPHENS—Thank you very much.

Senator O'BRIEN—I believe that the *Local government national report* was tabled in the House of Representatives today.

Ms Varova—That is correct.

Senator O'BRIEN—So you will not be surprised if I am not equipped to ask any deep and meaningful questions about it in this round of estimates. Perhaps the Senate committee will convene to allow us to have a discussion about it sometime in the second half of the year.

I will return to some of the matters that we were dealing with last Tuesday evening, particularly the Hawker report or the *Rates and taxes: a fair share for responsible local government* report. In February we were told that a response to the Hawker report on cost-shifting to local government and the development of an intergovernmental agreement were two priorities of the local government branch. Are they still priorities?

Ms Varova—That is correct, they are very high priorities.

Senator O'BRIEN—In relation to the formal response to the Hawker report, I have had a look at the *Hansard* from the February estimates round, and Mr Beresford-Wylie told me that the task force formed to develop a response had existed for just three months. An answer to a question on notice from the department—that is, PTLG 19—says that the task force was established on 25 November 2003. Did it cease work in February 2004? Has a draft response been prepared by the department yet?

Ms Varova—With regard to the task force, I might ask Mr Beresford-Wylie to answer that, but the government is presently considering a draft response.

Senator O'BRIEN—How long have they had the draft response?

Mr Beresford-Wylie—In relation to the task force, yes, it was created on 25 November and I returned to my line duties around the middle of March, just to correct those dates.

Senator O'BRIEN—As I say, the answer says that the task force was formed in November 2003.

Mr Beresford-Wylie—Yes, the task force was convened in November 2003 to around March 2004, when I returned to my line responsibilities.

Senator O'BRIEN—How long has the government had the draft response?

Ms Varova—It was only very recently that they received the final draft. It has been an iterative process. As you may be aware, the recommendations cover very wide-ranging and complex issues. There was consultation with the states in 2004, through the local government ministers council. There was a roundtable, where the Hawker inquiry outcomes and recommendations were discussed. There have been a variety of meetings across the Australian government with central agencies to discuss, again, the complexity of the responses to the various recommendations.

It is only quite recently that the government received what we would consider to be the final draft, and there are still discussions proceeding as we speak. However, we are hoping that the government will consider that and that there will be a response reasonably shortly.

Senator O'BRIEN—Before 30 June?

Ms Varova—I cannot speak on behalf of the government and when they might finalise their considerations, Senator. It is our hope that that will be the case, but that is a matter for the government to decide.

Senator O'BRIEN—Can local governments, like the Sutherland shire, that have made submissions to the government on its response to the Hawker report be confident that the minister will have regard to those submissions?

Ms Varova—My understanding—and Mr Beresford-Wylie can add any information, because of his intimate involvement with the process—is that the minister has considered and is considering very closely all input from local government bodies.

Senator O'BRIEN—Can we have an update on the progress of the development of an intergovernmental agreement, please.

Ms Varova—At this stage there is a small group of officials that is working on a without prejudice basis. These officials come from the Australian government, state and territory governments and representatives of local government associations. The small group is a subset of the larger group which includes all states and territories, all local government associations and the ALGA and representatives of the Australian government.

This draft is, I could say, complete insofar as it is now ready for members of that group to take to their various jurisdictions and to consult internal to their jurisdictions with their ministers, with their governments. We have a local government officials meeting in early June and we would presume that it will be a matter for discussion there as well. I am presuming some jurisdictions will have some feedback. Others may not yet because they may not have had the opportunity to go through the full processes that are required in their own jurisdictions and so we will get an update there on the state of play. At this stage that draft has no status except as an issues paper by the officials concerned.

Senator O'BRIEN—So there is no guarantee that there will be anything to report of the ministerial council meeting in August?

Ms Varova—That will depend very much on the reactions to the draft itself by the various jurisdictions. If it is reasonably non-contentious, one could assume that certainly there could be a report to the ministers council. If there are issues that are contentious, that are show stoppers, that need more negotiation, debate, discussion, consultation, then my presumption

would be ministers would discuss the state of play as it stands at that time, look at what some of the issues might be and decide upon next steps. It really depends on the reaction of all around the table.

Senator O'BRIEN—As I said, there is no guarantee that there will be anything to report in August.

Ms Varova—It certainly will be on the agenda. If you are asking will there be an intergovernmental agreement signed, sealed and delivered, no-one can guarantee that, but there will certainly be a report to the ministers.

Senator O'BRIEN—Looking less and less likely, I suspect. I am sure you are aware of the recent skills report by the University of Western Australia commissioned by the local government managers association of Western Australia. The report found that there are five specific occupations in which the local government sector is experiencing shortages: planners, civil and electrical engineers, finance, environmental health officers and building surveyors. Can you tell me what impact skills shortages in these and other areas are having on the capacity of local government to perform its statutory functions and to serve communities?

Ms Varova—Besides that report, I do not believe we have any specific information. We are well aware, of course, of the impact of skills shortages, particularly in some of the smaller rural regional councils and Indigenous councils. From our perspective, obviously, the financial assistance grants that the government provides are a major contribution to local government's ability to set strategic direction for itself and also, in a sense, to use money for training. It is up to them how they use their funds.

We do not have a direct role in that sort of capacity building. It is certainly a matter for the states. However, we do have a role in supporting local government. We do that primarily through our awards process, as you are well aware, as encouragement for leading practice in local governments, and through creative ways of attracting people with skills to particular local government jurisdictions, and so there is a certain focus on that. But if you are asking whether we are doing anything else, our only other activity—and that would be internal to our department—is to work with our colleagues in the regional and Indigenous policy area. What we have under discussion at the moment is a possible collaboration in our West Kimberley COAG site when it comes to capacity building of the Indigenous communities there, the local bodies and authorities, but that would be the extent of it.

Senator O'BRIEN—If I understand you correctly, there have been no discussions with the Australian Local Government Association on this issue?

Ms Varova—No, Senator.

Senator O'BRIEN—You are not doing any work with ALGA on the issue?

Ms Varova—Not directly.

Mr Beresford-Wylie—No, we are not, Senator.

Senator O'BRIEN—Has the department had any discussions with the Department of Education, Science and Training about how the skills needs of local government could be better addressed?

Ms Varova—Not specifically from this area but certainly as a broader issue. Our regional policy colleagues are focusing very much on the skill shortages issue, including skill shortages in local government, so as a department we certainly have an involvement in that area, and I am aware that the regional development officials have done a substantial amount of work on the issue of skills shortages, particularly in rural and regional areas.

Senator O'BRIEN—But not necessarily in those particular key skill areas that I mentioned: planners, civil and electrical engineers, finance, environmental health officers and building surveyors.

Ms Varova—No, not specifically that I am aware of.

Senator O'BRIEN—As I am understanding your answer, you have not spoken to the Local Government Association; you have not spoken specifically to DEST about local government's needs; you have not spoken to state government bodies about how governments can work together to address skills shortages in local government?

Ms Varova—No, not that I am aware of.

Senator O'BRIEN—And you have not spoken to the ASU which represents workers in the area and, as I am aware, has an interest in this matter and has raised it directly with me?

Ms Varova—No, I am not aware that the Australian Local Government Association has raised it with us as a specific issue for debate and discussion. If they did, we would certainly welcome it.

Senator O'BRIEN—I am pleased to hear that. I am surprised nothing has happened to date. It does seem to me that, if there are shortages in those areas, that has the potential to create developmental roadblocks and bottlenecks as the economy moves along and as developments are proposed in regional Australia if there are not the skills available for local government to do its statutory work.

Ms Varova—I am not in a position to give you an outline of all of the initiatives that the education portfolio has under way. I am very aware of the Australian Technical Colleges initiative and I do know there is quite a substantial amount of work—

Senator O'BRIEN—But they do not touch local government.

Ms Varova—But from our perspective, no, we do not have the capacity to be looking broadly at all of those issues.

Mr Beresford-Wylie—Senator, I can add one thing. Within the area I head, we also look after planning. There is a Planning Officials Group which mirrors the Local Government Joint Officers Group. That Planning Officials Group has received some representations from the Planning Institute of Australia regarding the shortage of planning, and that has been discussed in that broad group. A paper was presented there and it was discussed by the planning officials who represent the state governments, for whom obviously planning shortages are a more direct issue.

Senator O'BRIEN—Can you tell me what funding, if any, the Australian Local Government Association has received from this department in the current or the previous financial year, and the purpose of the funding, please?

Ms Varova—Outside of their financial assistance grants or including them?

Senator O'BRIEN—I am talking about the association itself. Did they receive money from the financial assistance grants direct?

Ms Varova—Sorry. I understood 'local government'. I did not hear properly.

Mr Beresford-Wylie—Senator, I do not have the full details with me but during the course of this financial year, a sum of money was provided to ALGA to assist in the development of a local roads database. The sum of that money was about \$15,000 but I will need to confirm the exact amount that was provided. It was provided in partnership with ALGA, looking at the development of that database, which will provide access to data about local roads through the local government sector.

Senator O'BRIEN—You don't know of any other?

Mr Beresford-Wylie—That is all I can recall at the present time. I would need to go back.

Senator O'BRIEN—Perhaps you could check. If there is something, I will get you to answer that on notice. Short of having a chance to look at the *Local government national report*, I do not have any more questions for the local government area. I do not know whether Senator Crossin has any local government questions.

Senator CROSSIN—I do not.

CHAIR—We will have a break.

Proceedings suspended from 8.52 pm to 9.03 pm

CHAIR—Thank you, Senator O'Brien.

Senator O'BRIEN—First, can I thank Mr Andrew Wilson for the assistance he gave to Ms Hannah Taylor, an ANU student who just completed an internship in my office on a project relating to the Indian Ocean Territories. I know Ms Taylor appreciated the time you gave her, Mr Wilson. I am also grateful to the minister for facilitating the assistance from the department, and Mr Wilson in particular.

To the portfolio: figure 3.7 on page 49 of the PBS contains a figure of \$17.1 million for general services to territories in 2005-06 under outcome 2. Can we get a breakdown of the \$17.1 million figure?

Ms Varova—The sum of \$12.51 million of that \$17.1 million is the resource allocation from the departmental vote for the Territories function and \$4.54 million is the corporate overhead.

Senator O'BRIEN—Can you explain what those two areas are?

Ms Varova—The \$12.51 million covers all of the salary cost for departmental staff that work on Territories functions. It also includes departmental expenses—travel, consultancies and the like—and all of the services for the Jervis Bay Territory and, again, just a few minor payments that we make to the ACT as well.

Senator O'BRIEN—Can we get a breakdown of the numbers for those areas?

Mr Wilson—These are not final figures for 2005-06. They are still subject to some variation, but they are in the order of these numbers: salaries is around \$4.9 million; for JBT,

Jervis Bay services, repairs and maintenance is around \$4.8 million; payments to the ACT are around \$1.1 million; payment in relation to the Kingston and Arthur's Vale Historic Area on Norfolk Island is around \$500,000; and costs associated with the Norfolk Island Administrator's office are around \$1.2 million.

Senator O'BRIEN—What does the \$4.54 million corporate overhead cover?

Ms Varova—That is an allocation that our corporate area in the department has responsibility for.

Senator O'BRIEN—What do they do with that?

Ms Varova—It provides part of their funding, but we might best take that on notice.

Senator O'BRIEN—Yes. Could I get a breakdown, please?

Ms Varova—Our CFO can respond.

Senator CROSSIN—Do you have, as part of that \$17.1 million, an amount of money that is allocated for Norfolk Island, for Christmas Island, for Cocos Islands, for Jervis Bay?

Ms Varova—Not—

Senator CROSSIN—Not specifically?

Ms Varova—For Jervis Bay, certainly, when it comes to the services that are provided. These are provided under contractual arrangements or MOUs. For the repairs and maintenance, there is a schedule, although sometimes there are unforeseen events, so there are a number of fixed costs there. The Kingston and Arthur's Vale Historic Area is a reasonably fixed, ongoing cost.

Senator CROSSIN—You cannot actually say to me that, of that \$17.1 million, if you set aside department salaries, X million is allocated for Norfolk Island this year or X million for the Indian Ocean Territories?

Ms Varova—We could, but it is not necessarily the same every year. It is a matter of what the requirements are.

Senator O'BRIEN—To be clear, you have a number of other items in that figure 3.7 in addition, which go to the provision of particular services.

Mr Wilson—Of the \$17.1 million, excluding the corporate overheads—which is not funding that is made available to my branch but is a corporate cost—the remaining \$12.5 million is the cost associated with the operations of my branch, which is staff salaries, costs associated with the provision of services of Jervis Bay and a number of other on-costs. Going to Senator Crossin's question, the branch is broken up into areas that deal with the Indian Ocean Territories, with Norfolk Island and with the ACT, so I can provide a reasonable estimate of the costs associated with those different areas, but they are not the costs which I think you are referring to, which are the costs of provision of services to the Indian Ocean Territories.

Senator CROSSIN—Yes.

Mr Wilson—Those costs are the costs associated with the Indian Ocean Territories services program, which is the—

Senator O'BRIEN—\$8.8 million.

Senator CROSSIN—None of that \$17.1 million is part of that, then?

Mr Wilson—No, none of that \$17.1 million.

Senator O'BRIEN—Thank you for that breakdown. I have some questions about the transfer of crown leases on Norfolk Island. You will be aware, of course, that recommendations 2 and 3 of the July 2004 annual report review by the Joint Standing Committee on the National Capital and External Territories went to this, recommending firstly:

That the Federal Government make no decision or commitment in respect of the transfer to freehold title of other types of Crown leasehold or licences until after a suitable period has passed to enable an assessment of the effectiveness of the new land management regime, especially in respect of residential Crown leases that will have been transferred to freehold title—

and secondly:

That, before any land transfers take place, the Federal Government ensure that the new land package is appropriately resourced and will continue to be in the future and that, prior to any transfer, the Federal Minister report to Parliament on steps taken to ensure the latter.

Before I ask where the transfer is up to, can you tell me what regard the government has had for these recommendations when managing this process?

Ms Varova—The government is presently considering the response to that report and so the minister certainly has had regard to all of the recommendations in proceeding with these actions. However, this action is underway as we speak. The government has not responded, and so there has not been a stoppage of the process. It is underway and, as you may be aware, 66 portions of the land are affected by a possible Commonwealth Heritage List nomination and the transfer of those particular portions has been deferred until resolution of the nominations, so it is still quite a lengthy process, notwithstanding that the remainder are in the process of the transfer and we are working on the legal aspects of that.

Senator O'BRIEN—How many other lots will be transferred?

Ms Varova—My understanding is that it is up to about 72 portions. If that is not the correct number, I will correct it.

Senator O'BRIEN—Essentially, what you are telling me is that the government might be considering the joint committee's report but they have not factored it into their consideration of the process on the transfer of leasehold to freehold at the moment.

Ms Varova—I am not in a position to speak for the government in this regard. We have a process underway; we are working on it; the government is considering that report. This process started quite some time ago and it is continuing.

Senator O'BRIEN—Can you take my question on notice and get an answer from the minister.

Ms Varova—Certainly.

Senator O'BRIEN—Is the department aware of any concerns about the Norfolk Island planning and land management regime, particularly in relation to environmental protection?

Mr Wilson—It has not been raised with me nor, do I believe, with any of my staff in recent times.

Senator O'BRIEN—Has the land management regime changed since the Commonwealth commenced the transfer of crown leases?

Mr Wilson—The question would be as to when you define the commencement. The land management regime has improved. It was one of the preconditions of the Commonwealth going through with the land management policy that the Norfolk Island government introduced a comprehensive land management regime. Since the offer was on the table a number of years ago the land management regime has changed, but since they have introduced it I am unaware of any changes.

Senator O'BRIEN—In the answer to question on notice 264, the minister told me that transfer offers will be made with respect to 136 leases, with projected administrative revenue totalling \$425,000 and departmental revenue from instrument fees of \$28,000. Can I take it that that number has changed because of the heritage listing?

Mr Wilson—I do not believe the overall number will change. It is still the intent that transfers would occur. However, a number of blocks of land have been put on hold pending the outcome of the heritage listing process.

Senator O'BRIEN—I take it, from your earlier answers, that no leases have yet been transferred.

Mr Wilson—That is correct.

Senator O'BRIEN—So it is unlikely that there will be any revenue this financial year.

Mr Wilson—This financial year, no.

Senator O'BRIEN—How much are you expecting in the coming financial year?

Ms Varova—About \$450,000. I think that is the total revenue projected over the five years.

Senator O'BRIEN—How many leases are you expecting to sell off next year, or transfer and collect fees from?

Ms Varova—We are hoping to go through those that have not been affected by the potential of Commonwealth heritage listing very quickly. We are resolving some legal issues now. Unless some unforeseen circumstance arises, we would hope to be completing that process over the next five years. How many we will get off and away in the first year I really could not say at this stage.

Mr Wilson—I do not have the number with me but, given we will be back tomorrow morning, I will try to have it for you then.

Senator O'BRIEN—Thank you. Can we have an update on the Norfolk Island airport upgrade.

Ms Varova—Norfolk Island have entered into a contract with Boral. They entered into that contract in April, I believe. The EPBC approvals have also been received for the project. It is well and truly under way, as far as we are aware.

Senator O'BRIEN—Do you know a time line?

Ms Varova—My briefing note informs me that the preliminary work has been completed, and that includes the initial site survey and the rock testing. Site preparation is expected to be completed by June 2005. The next phase of the operations will result in the transportation and stockpiling of the rock. The prime contractor is expecting this process to be finished towards the end of October. Between October and the new year other materials and equipment are scheduled to be delivered through the temporary ramp at Ball Bay. The paving phase is expected to commence very early in the new year and to be completed, with the necessary line marking, in April 2006.

Senator O'BRIEN—In December 2003 the Joint Standing Committee on the National Capital and External Territories delivered the first of two reports on the governance and financial stability of Norfolk Island called *Quis custodiet ipsos custodes?* The recommendations went to the reform of governance, accountability and electoral arrangements, the extension of social security and Medicare to the island and other important matters. The government has embraced some electoral reforms, but not much else, or have I missed anything done in response to the joint standing committee's report?

Mr Wilson—The government has not responded to the report as yet. The department has undertaken considerable negotiations and had discussions with the Norfolk Island government in regard to a number of the recommendations. Certain changes have happened with regard to the government on the island, but as yet the government has not responded to the report.

Senator CROSSIN—What sorts of changes has the Norfolk Island government made?

Mr Wilson—I am sorry, I do not have the details of the changes that they have made in the intervening period. I would have to take it on notice to give you an accurate answer.

Senator O'BRIEN—We have been told that, in response to the Hawker report on cost-shifting to local government, the department established a departmental task force to prepare a government response. Has a task force been established to respond to the December 2003 report of the joint standing committee on Norfolk Island governance?

Mr Wilson—Not in a formal sense. There was a working group established between the Norfolk Island government and the Australian government at officer level, from officers within my branch.

Senator O'BRIEN—It was just an officers group?

Mr Wilson—Yes.

Mr Yuile—Was it a task force?

Senator O'BRIEN—A task force is formal. I am not sure what this is. What does it do?

Mr Wilson—What did this group do?

Senator O'BRIEN—Yes.

Mr Wilson—This group worked through the Australian government's position in regard to the recommendations and the Norfolk Island government's position in regard to the recommendations.

Senator O'BRIEN—Did you prepare something for the minister or just for the department?

Mr Wilson—We prepared information for the minister.

Senator CROSSIN—Is it usual to have someone from the Norfolk Island administration assist you to do that?

Mr Wilson—I would not describe it as 'assist'. It was the fact that we consulted to obtain the Norfolk Island government's views in regard to the recommendations and their processes for implementing actions which may or may not affect those recommendations.

Senator O'BRIEN—Whose decision was it to involve them?

Mr Wilson—I would have to check. I cannot recall whether it was a decision of the department or a decision of the minister.

Senator O'BRIEN—If you could, please, thank you. I am interpreting your earlier answers to say that no draft response has been presented to the minister for his consideration. Is that correct?

Ms Varova—There are a number of reports and responses which are related to Norfolk Island.

Senator O'BRIEN—The December 2003 report.

Ms Varova—That is right. While we have been working on a draft response, we are also waiting for the second phase report on financial sustainability. Many of the issues raised in the first phase are very much related to the second part of the report. While it does lengthen the process, we are waiting to be informed by that committee report.

Senator CROSSIN—You might have a situation where the Norfolk Island government has implemented most of the recommendations before the federal government formally responds to the report.

Ms Varova—If the Norfolk Island government implements measures that assist in their ongoing financial sustainability, we will be delighted.

Senator O'BRIEN—Can someone explain the apparent five per cent reduction in expenditure on services in the Indian Ocean Territories?

Ms Varova—It is not a reduction in the program per se, Senator. There was \$3.2 million included in the previous budget as compensation to the mine. Of course, that does not figure or appear in 2005-06.

Senator O'BRIEN—According to page 32, 2004-05 actual is \$61.746 million. Budget estimate for 2005-06 is \$58.762 million, variance minus five per cent. The forward estimates go back to \$60.113 million, \$61.528 million and \$63.382 million.

Mr Wilson—That is correct. The 2004-05 program included \$3.2 million for compensation to PRL for resuming land associated with the IRPC project. Those funds were originally appropriated to the department. However, with the change to an administered program at the commencement of 2004-05, payment needed to be made out of the program rather than out of departmental funding. The original funds that were allocated to the department were returned

to consolidated revenue and the program was supplemented—for want of a better word—by \$3.2 million. Those funds are not part of an ongoing provision of services to the Indian Ocean Territories so they do not appear in 2005-06 funding, which gives you an artificial reduction of \$3.2 million.

Senator O'BRIEN—Why do the out years go back up?

Mr Wilson—The out years go back up because the costs of providing services have a tendency to rise. You will see that they go up over the next four years.

Senator CROSSIN—Has the mine been paid the \$3.2 million compensation?

Mr Wilson—Yes. The mine was paid in July of 2004.

Senator CROSSIN—Just \$3.2 million?

Mr Wilson—Yes, \$3.2 million was the payment.

Senator CROSSIN—Is that the negotiated settlement over the reclaiming of the land where the IRPC is to—

Mr Wilson—That is correct. There was a negotiated settlement between the Commonwealth and the mine.

Senator O'BRIEN—Can you give us a bit of a breakdown of how the \$58.762 million will be spent in the coming financial year?

Mr Wilson—The funding allocation has not as yet been approved by the minister. As it is an administered program, the allocation will be presented to him in draft and he will approve it or not. I can give you an indicative figure based on 2004-05 allocations. I can run through the major items if you would like, or I can provide those on notice.

Senator O'BRIEN—Provide it on notice. When will the final position be determined?

Mr Wilson—I hope to give the minister the operating budget within the next two weeks. Then he can provide it on notice following that.

Senator O'BRIEN—I appreciate that, either notice through the estimates or the other way.

Mr Wilson—Okay.

Mr Yuile—How much detail did you want from that particular budget?

Senator O'BRIEN—I have not seen it to know how much detail you are proposing to supply.

Mr Yuile—I understand that but I did not want to disappoint you. Perhaps Mr Wilson could indicate the key headings. Maybe they are the sorts of issues you want to have covered.

Mr Wilson—There are a number of headings. I will lump the service delivery agreements as one. On top of that there is the power business, the health services, education, airports, ports and marine, water and sewerage, costs associated with the Administrator, corporate overheads, air services and a number of others.

Senator O'BRIEN—That sort of breakdown sounds like what I need. The department's budget of financial statements contains a total of administered receipts on page 74 which are under the heading 'Sale of goods and services and other sources of non-taxation income'. It

lists the figure of \$8.845 million next to the Indian Ocean Territories for the coming financial year. What does this figure represent?

Ms Varova—Those administered receipts include the power, employee housing, public housing, port and marine, airport, water and sewerage, health and a variety of other smaller revenues that accrue from motor registry et cetera. They are all revenue items.

Mr Wilson—Basically it is the revenue that the program receives from the sale of services to the Indian Ocean Territories.

Senator O'BRIEN—Can I get a breakdown of that?

Mr Wilson—For the next financial year?

Senator O'BRIEN—Yes, what is budgeted. The same table on page 95 of last year's PBS reveals nil receipts under this item in 2002 through to 2004 and estimated receipts of \$6.5 million in 2004-05. Now we have come up to nearly \$8.8 million. Why has the representation of this figure changed?

Mr Wilson—The reason for going from zero to \$6.6 million is that it is the change from having the funding for the provision of services to the Indian Ocean Territories within departmental books up until the end of 2003-04. From 2004-05 the program was established, so prior to that there was a zero revenue item in that column, whereas the revenue was received by the department. The estimate in the revenue budget for 2004-05 was around \$6.6 million. Our estimated revenue for this year is around \$8.8 million. I believe revenues for 2004-05 exceeded the \$6.6 million figure.

Senator O'BRIEN—It has \$8.845 million actual.

Ms Varova—No, \$8.845 million is our estimate for 2005-06.

Senator O'BRIEN—Estimated actual, sorry. The same number is for the 2005-06 budget estimate.

Mr Wilson—Yes.

Senator O'BRIEN—Can you tell me if the department proposes to alter its existing staffing arrangements with respect to Indian Ocean Territories? I believe the department has already withdrawn departmental staff from the Cocos (Keeling) Islands. Has any consideration been given to withdrawing staff from Christmas Island?

Ms Varova—We are not considering withdrawing staff from Christmas Island.

Senator O'BRIEN—Can I be provided with the current staff profile with respect to Indian Ocean Territories—that is, how many staff are engaged on Christmas Island and how many staff are engaged in the Perth regional office on Indian Ocean Territories matters?

Mr Wilson—I will take it on notice, Senator, to give you a precise answer. Do you mean departmentally employed staff? There is a difference between staff that we employ departmentally and employ through the program to deliver services on the islands. The minister employs staff under the act on the island to deliver services under the program. The department employs staff on Christmas Island and in Perth to administer the program.

Senator O'BRIEN—Can we have those figures as two separate sets?

Mr Wilson—Yes.

Senator O'BRIEN—Are there any plans to subject current management arrangements involving officers in Canberra, Perth and Christmas Island to any review?

Ms Varova—Certainly not a review. As part of our normal business planning process, we are planning a workshop in either late June or early July, which includes everyone who works on the Indian Ocean Territories—departmental staff, staff from the island and staff from Perth—to look at the priorities for the year and what we will be implementing. In that context, one always looks at how things are working. Are they working effectively? If changes are suggested, how feasible are they? If they are good ideas and if they are going to work well, we have the capacity to implement them. There is no predestined plan at this stage. That would be the extent of any review when it comes to departmental staff.

Senator O'BRIEN—Can you outline the mechanisms used by the department to consult with the people of the Indian Ocean Territories?

Ms Varova—Mr Wilson has most recently been involved. I understand that a ministerial advisory committee is in the process of being formed, to be chaired by the Administrator on the island. This was a suggestion put by the Christmas Island Shire Council. I understand they took it up with the minister when he was there recently, and he was very interested in seeing their proposal. The Administrator is working with the council at the moment to further that. My latest information is that the council is preparing a draft terms of reference and possible composition to put to the Administrator, and consequently the minister, for consideration.

I am aware that there is significant consultation that occurs through the development of the arrangements with Western Australia, with the different contracts that we have with them to deliver services. There are about 29 of those SDAs, and officers from those relevant departments travel to the island on a regular basis in the process of their service delivery. We consult with the community through the Western Australian personnel and our Perth office in the development of service delivery arrangements. We also have a review process in relation to those service delivery arrangements. Some of the on-island services—for example, the Health Service—have their own consultation arrangements. So they are quite extensive, although we acknowledge that they can always be improved and be more customer focused. It is our intention to bring about that improvement over the next year.

Senator O'BRIEN—Do you think that the communication between the department and the island has been good?

Ms Varova—I cannot directly comment on that, but it is extensive. Mr Wilson is in constant communication. It is a high priority for us in this next financial year to ensure that we have a robust framework for consultation with the communities on the islands.

Senator CROSSIN—In relation to the ministerial advisory committee that you suggested the minister wants to establish, how does that differ from the advisory committee that the Administrator had organised?

Ms Varova—No, my understanding is that this was a suggestion put by the Christmas Island Shire Council, although I am happy to check that, to the Administrator and the minister. It is a single body, not two separate—

Senator CROSSIN—My understanding is that an advisory committee that the Administrator organised has been operating there for quite a number of months now.

Mr Wilson—I believe that the Administrator meets with a loose collection of parties.

Senator CROSSIN—So there is no formal arrangement?

Mr Wilson—Certainly not that I have been advised of. In December 2004 the shire wrote to the minister proposing the establishment of a ministerial advisory group, with formal terms of reference and a formal remit signed off by the group and the minister. There have been discussions back and forth, and the minister is awaiting a draft terms of reference from the shire for his consideration. I would assume that the Administrator has an ongoing consultation process on the island.

Senator O'BRIEN—When was the decision taken to establish a ministerial advisory committee?

Ms Varova—I do not know if the decision has been made per se. My understanding is that it was put to the minister when he was on the island, and he was very willing to look at any terms of reference or proposed composition that the council could put to him for his consideration.

Senator O'BRIEN—On 24 March this year the *Islander*—a Christmas Island publication—published a letter from Mr Lloyd which said:

One of the issues I'm very aware of is the confusion over the nature of the governance and service delivery systems that operate in the Indian Ocean Territories.

Who should accept responsibility for that confusion?

Ms Varova—If there is confusion, we would accept responsibility for it.

Senator O'BRIEN—The minister says there is.

Ms Varova—My knowledge of the people who are working in that area is that they are conscientious, competent and committed. There is no question about that. There is a huge volume when it comes to the activities related to delivering such a wide expanse of services, and there are some services where we get extraordinarily positive feedback; people are very happy and they believe that the level of services on the island is probably much better when compared to other similar communities around Australia, and one would have to agree if one could see that. There are others where that may not be the case. We certainly have a way to go. We would be quite open about it. The applied Western Australian legal regime is a very complex arrangement. Many people become confused and believe that they are living under Western Australian law. It is not necessarily an easy concept. In addition to that, any amendments to the applied legislation et cetera makes it even more complex.

It is a complex circumstance. The ability to provide information on an ongoing basis to such a remote island is not as it is in a city. The newsletter is one way of ensuring that there is constant contact and it is one of the reasons that, through our business planning process, we have acknowledged to ourselves that we need to put more effort into that engagement and interaction and ensure that we have feedback when it comes to how our services are being accepted on the island.

Senator O'BRIEN—I am only reporting the minister's words to you:

In August 2000 the Australian government decided its preferred approach for the Indian Ocean Territories was to pursue their eventual incorporation into the existing state or territory, preferably WA.

That is another quote from this letter. Is that still government policy?

Ms Varova—It is.

Senator O'BRIEN—Am I correct in understanding that the government's preference is Western Australia but it would be content for the Indian Ocean Territories to be incorporated into another state?

Ms Varova—I do not think another state, but perhaps a territory. Certainly the preference is Western Australia, not surprisingly, because of proximity and the service delivery arrangements already in place. The legal regime is an applied Western Australian legal regime.

Senator CROSSIN—What consultation occurred then with people on the Indian Ocean Territories prior to that policy announcement.

Ms Varova—I would have to take that on notice, unless Mr Wilson has some information. My knowledge of that part of it is limited.

Mr Wilson—Prior to August 2000 is prior to my time in the role. It would be best to take it on notice.

Ms Varova—We might take it on notice.

Senator O'BRIEN—I suppose they could all be part of the ACT as well.

Senator CROSSIN—Or the Northern Territory.

Senator O'BRIEN—It is probably easier to get to Canberra than it is to the Territory from Christmas Island.

Senator CROSSIN—It is never easy to get to Canberra, is it?

Senator O'BRIEN—It is a direct flight from Canberra to Perth.

Senator CROSSIN—I am sure they would love that even more!

Senator O'BRIEN—What would have to happen for the government's preferred options for the Indian Ocean Territories to be incorporated into a state or a territory?

Ms Varova—In my understanding, there would need to be a referendum in Western Australia, as the proposal is related to changing the borders of that state, and a majority of Western Australians would need to vote in support of it.

Senator O'BRIEN—What about for a territory?

Ms Varova—My understanding is that it is not a necessity for the territories to vote. We are talking about what legally needs to happen.

Senator O'BRIEN—In the *Islander* published on 24 March, Mr Lloyd's letter tells the Christmas Islanders he would be in contact with the newly elected Labor Premier of Western Australia to discuss closer cooperation. Do you know if the minister has written to the Premier of Western Australia, or called him?

Mr Wilson—Not to my knowledge.

Senator O'BRIEN—Can you check that and let us know, please?

Mr Wilson—Certainly.

Senator O'BRIEN—Has the government at any time since 2000 had a serious discussion with the Western Australian government about incorporation?

Mr Wilson—I would have to take that on notice. If you mean at ministerial level, I would have to take that on notice.

Senator O'BRIEN—Thank you. Will the minister and this department cooperate with the joint standing committee inquiry into the Indian Ocean Territories governance?

Ms Varova—Obviously, that is a matter for the minister, and we will do whatever is required.

Mr Yuile—Are you asking us to ask the minister to respond to that?

Senator O'BRIEN—If you do not know the answer already, yes.

Mr Yuile—I have not seen anything formally from him since the terms of reference were announced. The normal thing would be for us to, obviously, respond to the committee's request for a submission and evidence. I have no reason to believe that he would be other than willing to assist, but I will ask him that question and confirm that with you, Senator.

Senator O'BRIEN—We had some evidence about the vast number of service delivery agreements. Can the committee have a full list of current services provided under service delivery agreements with the Western Australian government?

Ms Varova—I have a list which I could table.

Senator O'BRIEN—That would be great.

Ms Varova—It includes all of the service delivery arrangements in place.

Senator O'BRIEN—Does that document have the contract details for these arrangements?

Ms Varova—No, it does not have the full contract details. It gives the name of the agency and a description of the services provided.

Senator O'BRIEN—How would we get the contract details? Are they 'do and charge' contracts or are they set-fee contracts?

Ms Varova—It very much varies from service delivery arrangement to service delivery arrangement. Could I take that on notice?

Senator O'BRIEN—Yes, please.

Senator CROSSIN—Ms Varova, if my memory serves me correctly, the joint standing committee in its last inquiry associated with the Indian Ocean Territories received a full copy of all of the contract details of all the SDAs.

Ms Varova—It may very well have. I would have to check that. I am happy to take this on notice.

Senator CROSSIN—I think that was about 18 months ago. Would they have varied very much since then?

Mr Wilson—I do not recall whether we provided them or not, Senator.

Senator CROSSIN—I do, because there were volumes of them.

Mr Wilson—That would be them. I do not think they will have varied a great deal. A number of them will have expanded coverage, because we constantly review and try to expand the coverage of them. We will check and provide, if okay—

Senator CROSSIN—Each contract lasts for a year, or do they vary from one to the other?

Mr Wilson—Over time they have varied in length of contract. We are going through a process of trying to standardise the length of the arrangements with the Western Australian government and standardise the time at which they lapse.

Senator O'BRIEN—You will probably need to take this on notice. Can the committee be advised of how much the Commonwealth is expected to pay the Western Australian government agencies under service delivery agreements in the current financial year?

Mr Wilson—This financial year?

Senator O'BRIEN—The current one, 2004-05.

Mr Wilson—I would have to take that on notice.

Senator O'BRIEN—Do you have what you paid them in the last financial year?

Mr Wilson—I have an estimate of what we budgeted for this financial year. That was a November estimate. I will take it on notice to give you a more up to date figure.

Senator O'BRIEN—Do you have a budget for the coming financial year?

Mr Wilson—The budget is under development and will be given to the minister in a couple of weeks time. I do not have the number with me. He will have to review and approve it before it becomes a real budget.

Senator O'BRIEN—How discretionary are the payments under the service delivery agreements? That is the question that enters my mind. If you have an agreement to provide a service, how does the minister's decision-making process affect the delivery of services under already entered into agreements?

Mr Wilson—It will vary, depending on the service delivery agreement. Some of them are set contracts, more akin to a set figure. Some of them are service provision type contracts, so that if there is fee for service, if there are additional services that have to be provided, the costs will vary. You will get a variation between the service delivery agreements.

Senator O'BRIEN—I was going to ask you if you have an SDA with WA History, but they are on the list. What arrangements are currently under negotiation?

Ms Varova—We do have ongoing discussions with the Department of Education and Training for additional school based education; expanding the arrangement we have with the Department of Environment to direct the provision of environmental protection and regulatory services. We are renegotiating an SDA with the Department of Health for regulatory oversight of the Indian Ocean Territories Health Service. Again, there is a

renegotiation with the Department of Consumer and Employment Protection, and that is for energy safety regulatory services. We have a negotiation under way with the WA Police Service for community policing; WA tourism commission for advice and support to the IOT's tourism associations; the WA Electoral Commission for IOT local government electoral matters; and the Department of Sport and Recreation to assist with the appropriate development and management of recreational facilities in the IOT. They are the ones we are working on currently.

Senator O'BRIEN—I was given to understand that tourism associations on Christmas Island and Cocos Island cannot access funding support from Tourism Australia and there are difficulties in forming a service delivery agreement with Tourism Western Australia. Is that right?

Mr Wilson—That is correct. We have been, and are currently, negotiating with the Western Australian government for an SDA in regard to tourism. There have been some difficulties associated with it, given what could be considered to be a conflict of interest for a Western Australian agency, whose role is to promote tourism to Western Australia, providing advice to the Indian Ocean Territories to promote tourism to the Indian Ocean Territories. You could consider them to be in competition.

There have been ongoing negotiations, which have taken longer than either of the parties had hoped for. I have been advised about a reasonably positive development recently that should see a resolution of the issues by June of this year. I have asked the Western Australian Department of the Premier and Cabinet, who are the lead negotiators in terms of SDAs from the Western Australian government side, to keep the Indian Ocean Territories tourism associations, both on Christmas Island and Cocos Island, informed of developments leading up to what will hopefully be a positive outcome.

Senator O'BRIEN—When do you expect all this to be resolved?

Mr Wilson—Hopefully, June this year.

Senator O'BRIEN—Good. Obviously, reliable air transport to the Indian Ocean Territories is critical. Both National Jet and Austasia services provide a critical link for passengers, mail freight and fresh food. What financial support does the Commonwealth provide to maintain reliable air services from Perth, via Learmonth or otherwise, and from Denpasar?

Mr Wilson—Currently we provide no financial support to the National Jet Systems service. They do not draw a subsidy from the Commonwealth. The arrangements that we established following an open tender process in 2004 provide what you could call a safety net arrangement with National Jet whereby, if demand falls below a certain level, the Commonwealth will step in and provide assistance to ensure that there is a minimum level of service from the mainland to the islands.

In regard to the connection between Denpasar and Christmas Island, the government has been providing a short-term subsidy to Austasia Airlines, which runs the service. That subsidy, I believe, finished in April of this year and has not been renewed.

Senator O'BRIEN—When you say 'short-term', how long does it apply for?

Mr Wilson—I believe it commenced in August 2004.

Senator O'BRIEN—Does the department have any knowledge of the intentions of Austasia with the expiry of the subsidy arrangements?

Mr Wilson—We have received correspondence from Austasia in regard to their approach to the minister, which indicated that they may consider changing from Denpasar to Jakarta, but to date they have not confirmed that or approached the department.

Senator CROSSIN—Is that one of the reasons why the contract or the subsidy was not renewed?

Mr Wilson—No.

Senator CROSSIN—Why was it not renewed?

Mr Wilson—When Austasia approached the minister in July 2004, they approached him on the basis of a short-term subsidy to assist in establishing a changed route, because at that time they were changing route from Jakarta to Denpasar to Christmas Island. To assist in that change, they wanted a short-term subsidy to get them over the initial costs associated with that change until the work at the immigration and reception processing centre came into full swing. The minister at that time provided a subsidy until the end of February 2005. With some delays in the IRPC construction, Austasia approached the minister for a two-month extension, from February through to April, and the minister approved that in February of this year but indicated to Austasia that that would be the extent of the subsidy, so the minister's decision was only until the end of April 2005.

Senator O'BRIEN—How much was the subsidy?

Mr Wilson—The subsidy was \$8,500 per weekly flight, with arrangements for repayment to the Commonwealth of \$4,500 following the end of the subsidy period.

Senator O'BRIEN—Per flight?

Mr Wilson—Yes. For the period, it works out at \$4,000 per flight.

Senator O'BRIEN—That is an unusual arrangement. Why the payment of the up-front repayment?

Mr Wilson—That was the arrangement Austasia felt best suited their business needs at the time. I assume that it is to do with cash flow because, if you think about it, once the IRPC builds up you will have a higher level of patronage coming down through Denpasar, so there will be additional funding to repay them.

Senator CROSSIN—How do you work that out?

Senator O'BRIEN—The manager of Boulderstone Hornibrook advised that his easy way of getting there was Brisbane-Darwin/Darwin-Denpasar/Denpasar-Christmas Island.

Senator CROSSIN—I see.

Senator O'BRIEN—That was the base of operation. I suspect some of his other people would come the same way.

Mr Wilson—That is my understanding as well.

Senator O'BRIEN—And he could do it in one leg, without an overnight stay.

Senator CROSSIN—One day without an overnight stay?

Senator O'BRIEN—Yes, one day, on a certain day of the week apparently. Is the government proposing to put so-called market testing of the Indian Ocean Territories Health Service on hold pending the outcome of the joint standing committee inquiry which will look at service delivery?

Ms Varova—The market testing is all but complete. We have an evaluation presently being finalised. We are hoping to get a recommendation to the minister in a matter of a couple of weeks, so we are nearly there. We would be most concerned if we had to stop the process because, no matter what, these sorts of processes cause uncertainty for the people working there. The consumers on the island are waiting for a result of some sort, and so we would hope to proceed with that to ensure the people on the island know exactly what the outcome is, and we can implement it immediately, whatever it may be.

Mr Wilson—Could I just add something there. I think, if I heard your question correctly, it was, 'Will the government postpone it?' We will provide a report to the minister. The minister will make the decision as to the next steps. I think it is probably a question that is properly put to the minister rather than to us to answer definitively.

Senator O'BRIEN—I am happy for you to take it on notice and consult the minister, if that is appropriate. Have proposed tenderers visited the island?

Mr Wilson—Yes.

Senator O'BRIEN—Who were they?

Mr Wilson—I have a horrible feeling I do not actually have the names of the tenderers with me. I will tomorrow morning.

Senator O'BRIEN—Thanks for that.

Senator CROSSIN—They were published in the *Islander*, were they?

Mr Wilson—They were published in the *Islander* and they did hold public meetings. I can remember one or two of them, but off the top of my head I cannot remember all three of them. I will give them to you tomorrow morning.

Senator O'BRIEN—Did they go to the island at their own expense or government expense?

Mr Wilson—I am not certain. I would believe that it was at their expense, as part of the tendering process.

Senator O'BRIEN—If that is not the case, you will let me know?

Mr Wilson—If that is not the case, I will correct it.

Senator O'BRIEN—When was the intention to market test first announced?

Mr Wilson—I believe in the middle of last year.

Senator O'BRIEN—And do you know when the government aims to decide and announce what it wants or how it wants the future services managed?

Mr Wilson—As Ms Varova has indicated, it is our intention to provide the minister with a report on the overall assessment of the market testing process within the next couple of weeks. It will then be up to the minister to decide the timing of his findings, his considerations of that report.

Senator O'BRIEN—And is the community going to get a say at any stage or will it be that the government's decision is final and no correspondence will be entered into?

Mr Wilson—I believe that I would have to take that on notice.

Senator O'BRIEN—Do you know what the market testing process has cost the Commonwealth so far?

Mr Wilson—Not off the top of my head. I would have to take that on notice.

Senator O'BRIEN—What will happen to current Health Service staff if they lose their jobs as a result of the market testing process?

Mr Wilson—I can make some assumptions, if that is what you would like. I would anticipate that some of the staff may pick up work with a new provider, if that were the way that the government went, and some of them would not.

Senator O'BRIEN—Are they entitled to any special benefit on termination if that occurs?

Mr Wilson—They will be entitled to the redundancy arrangements within the certified agreement,

Senator O'BRIEN—What would be the impact on the community if all the Indian Ocean Territories Health Service employees lost their jobs, as happened in the outsourcing of the airport?

Mr Wilson—The impact is difficult to assess. You will have some members who are currently employed in the Indian Ocean Territories Health Service who will leave the island, I would assume, if they do not pick up jobs with an alternate provider. You will have some who will pick up work with the alternate provider and will stay, and you will have some who will lose their jobs and will stay on the island. The impacts will be felt through the community in terms of a loss of some jobs.

Senator O'BRIEN—So the government has not, it seems, done much to evaluate the impact of potential changes?

Ms Varova—I do not think that is the case. It is very difficult to speculate at the moment, until we actually have a recommendation to the minister which he can consider and we have a successful outcome. In all of these situations, one of the important aspects is the transition strategy. If, perchance, there were a new provider, that transition strategy would be critical and we would be working with that provider from day one obviously, to ensure that the transition was as seamless as we could make it. That does not mean that there may not be issues that arise when it comes to the jobs for personnel. I cannot presume anything at this stage. But those transition strategies are certainly very much to the forefront in our mind if there happens to be a change in the deliverer of the health services.

Senator O'BRIEN—Would existing Health Service employees be able to transfer their entitlements from the department to a private health service provider if they got a job?

Mr Wilson—I do not believe so.

Senator O'BRIEN—How much notice will current employees receive of any proposed change?

Mr Wilson—If the minister decides that the service is outsourced, I believe that the certified agreement provides for a minimum of three months notification of change.

Senator O'BRIEN—What are the current management arrangements at the hospital?

Mr Wilson—The Indian Ocean Territories Health Service is currently managed by an officer on secondment from the Western Australian Department of Health. There is a medical director, there is a general manager and then there is a head of nursing located on Christmas Island, and there is a head of nursing located on Cocos.

Senator CROSSIN—I am assuming that if you outsource or privatise the Health Service, those people would just go back to the Western Australian Department of Health?

Mr Wilson—I am sorry, Senator. Only the general manager is from the Department of Health.

Senator O'BRIEN—Has the Health Service staffing profile changed? Have more staff been put onto short or fixed-term contracts due to the uncertainty about the future?

Ms Varova—There is a higher level of agency nurses. I understand that the percentage has gone up from about 31 per cent to 48 per cent of agency staff. The speech pathologist, for example, and the dentist are still in place.

Senator O'BRIEN—Is one of the directors of nursing an agency employee?

Mr Wilson—I believe so.

Senator O'BRIEN—How long has that been in place?

Mr Wilson—I would have to check. The previous head of nursing left late last year. I would have to check on the precise dates.

Senator O'BRIEN—Is that director of nursing also responsible for selecting the agency providing nurses?

Mr Wilson—I believe so.

Senator O'BRIEN—Isn't that a conflict of interest?

Mr Wilson—I would not have thought so.

Senator O'BRIEN—She gets the position through an agency and then selects the agency to supply the other nurses. The department has not considered that obviously.

Mr Wilson—I have not considered it to be a conflict of interest in regard to the selection of nurses.

Senator O'BRIEN—Certainly a potential conflict of interest. I do not know what the evidence of performance show. Have you got any information about that?

Mr Wilson—I would have to check in regard to the performance statistics and in regard to the agency nurses.

Senator O'BRIEN—Is it the case that that director of nursing is employed on a fly-in, fly-out basis?

Mr Wilson—I will have to check. I do not have the details of the head of nursing's employment arrangements with me.

Senator O'BRIEN—I am told that she works extended hours and receives overtime payments for hours she assigns to herself when she is on-island.

Mr Wilson—I would have to check.

Senator O'BRIEN—Which I presume then the Commonwealth paid to the agency.

Mr Wilson—I would add, Senator, the head of nursing does report to the general manager who runs the service.

Mr Yuile—Senator, do you have evidence that there has been some impropriety or suggested impropriety?

Senator O'BRIEN—I do not have paperwork. I do not know if there is impropriety. I do know that there are things that have been said. I have not named anyone but I suppose it will not be hard for people on the island to know who is being referred to, so I am deliberately not putting names in the *Hansard*.

Mr Wilson—As I said, I will check the details in regards to the arrangements for the head of nursing and her approval processes.

Mr Yuile—Particularly with respect to the general manager, whose responsibility it is to manage the hospital.

CHAIR—Who pays the head of nursing, the government or the agency?

Mr Wilson—The government pays the agency.

CHAIR—Then the agency supplies the resident nurses, and the agency is selected by the head nurse?

Mr Wilson—Whilst the statistics show an increase from 31 to 48 per cent in terms of agency nurses, that is a statistic that is slightly misleading. It is two agency nurses that we are talking about.

Senator O'BRIEN—From 31 to 48 per cent?

Mr Wilson—There are 10 nurses, 11 part-time additional hours, so we are talking about a staff increase of two.

Senator O'BRIEN—I see what you mean.

Mr Wilson—There are some issues in regard to long-term and short-term employment. When you are going through a market testing process there are uncertainties from both sides of the employer-employee relationship. As an employer it is difficult to take on staff for a long time if there is an uncertainty as to whether or not you will be continuing to provide the service post a certain date.

Whilst we are going through that period, although it creates less continuity, agency staff are a better option for the provision of services, rather than to employ somebody on a long-term

contract or as a permanent employee with a prospect that in six months time you potentially will then be saying, ‘The government has now made a decision and we’ll be outsourcing the provision of those services.’ Equally, as an employee it is less attractive to be applying for a position which may disappear in six months time.

Senator O’BRIEN—That is a bit of a straw man argument because the government could equally say to any tenderer that a condition of success would be to engage existing nursing employees. Given the cost of transportation, I would have thought it would be fine for the successful tenderer. Can you give us a comparison of the cost of agency nurses versus direct employees?

Mr Wilson—I can, but not here, Senator.

Senator O’BRIEN—What is the current annual budgeted cost of the Indian Ocean Territories Health Service?

Mr Wilson—The approved funding level for 2004-05 was \$7.825 million.

Senator O’BRIEN—Does that include costs of the Patient Assisted Travel Scheme?

Mr Wilson—I believe the Patient Assisted Travel Scheme is additional to that. It is paid through the Western Australian arrangements.

Senator O’BRIEN—Is that the cost against which the government will assess the tenderers?

Mr Wilson—The government will assess the tenderers against the all-up cost of the provision of the service, both direct and indirect. It will include the Patient Assisted Travel Scheme as well. It will also include a number of other overheads associated with the provision of the service.

Senator O’BRIEN—Can you provide us the breakdown of the figure that is the existing comparison?

Ms Varova—Is this on the Patient Assisted Travel Scheme?

Senator O’BRIEN—No.

Mr Wilson—You mean the total package. I do not have that number, Senator. I have not seen any documentation associated with the tender process. The probity advice that we have received is that I as the—

Senator O’BRIEN—I am not asking for the tender material but I am asking for the cost of what is comparative.

Mr Wilson—I know. If I could just explain it, I have not seen the full costs that the review panel have put together that make up the assessment against which they compare the tenderers with the cost of delivery of service to date. I have not seen that and will not see that until they present the report to me. The short answer is I do not have it at the moment but the minister can provide that. I can take it on notice.

Senator Colbeck—It would be highly irregular to put that sort of information out with the prospect of a tender process. It would be highly irregular to put out the cost of service. It is the job of the tenderers to assess that. If it is going to tender, why would you be broadcasting

that information? That is like telling tenderers how much money you have got to do a job beforehand. That is what they tender for. I consider that is highly irregular.

Senator CROSSIN—That information is publicly available anyway through the annual reports or budgets or estimates.

Senator O'BRIEN—Could we short-circuit this? I know you, Mr Wilson, do not know exactly what is in the package but what access have tenderers had to the information about the cost to the Commonwealth?

Mr Wilson—The existing cost to the Commonwealth?

Senator O'BRIEN—Yes.

Mr Wilson—I do not believe that the tenderers have available the existing cost to the Commonwealth for the provision of service. They do not have what they have been compared against.

Mr Yuile—That would be highly irregular.

Mr Wilson—Senator, in terms of your question, I think the best option is for me to take it on notice, and then the government can consider an appropriate response.

Senator O'BRIEN—During my visit to the Cocos (Keeling) Islands, I was impressed by the range of health promotion activities run by the health service. These activities and the health outcomes they deliver seem to be able to be attributed to the dedicated staff of the service. Can you tell me what financial support the department provides for health promotion activities on the Cocos (Keeling) Islands.

Ms Varova—The department does not directly provide that support, but I understand the Cocos Women's Association has received a \$10,000 grant, which is part and parcel of our administered program. That is to provide them with support in progressing their fitness; undertaking a walking group and increasing the amount of physical activity that is undertaken by the Cocos Malay women in particular. That is all that I am aware of at this stage. However, the personnel of the community health centre are very dedicated and focused on these particular initiatives, as you have seen, and that is part and parcel of their work. That is what they are there to do; to promote community wellbeing. I do not know if Mr Wilson can add any other initiatives.

Senator CROSSIN—Did you say Country Women's Association?

Senator O'BRIEN—No, Cocos.

Senator CROSSIN—I have never met the Country Women's Association when I have been there, I can tell you that.

Ms Varova—No, the Cocos Women's Association.

Mr Wilson—As part of the move to a more interactive community based operation, the Cocos Health Centre is involved in roughly 20 community based health promotional or health community projects. Some of those projects are operated outside of working hours but are part and parcel of the delivery of health services to the Cocos community, which is funded by the Indian Ocean Territories services program. We provide support through the provision of funding for the overall program.

Senator O'BRIEN—Does the government guarantee that no health service, including health promotion activities, will be cut or downgraded if the outcome of the market testing process is outsourcing?

Ms Varova—It is only for the minister and government to guarantee anything when it comes to—

Senator O'BRIEN—Could you put that question to the minister, please?

Ms Varova—Certainly.

Senator CROSSIN—You would no doubt be aware that we have had quite a lot representation about the introduction of mammography services for the Indian Ocean Territories. In answers to questions I have received, there has been an indication from the department that there is no identified need for these services. In fact, in answer to a question on notice received in April, the department said, 'There is no mammography service within the Indian Ocean Territories Health Service because it has not been identified to date as a need.' What has changed between that answer that I received and the minister's media statement on 12 May announcing that there would, in fact, be a new mammography service for the Indian Ocean Territories?

Mr Wilson—When we provided that answer, we were operating under the assessment in regard to what would be available in a comparable community on the mainland. At that stage, our assessment was that a mammography unit would not be available. Following further analysis, we discovered that the facts that we were working off at the time were incorrect and that doing a comparison between what would be available in a comparable community on the mainland and what should be available in the Indian Ocean Territories indicated that we should provide mammography services. We briefed the minister and the minister made a decision to purchase the equipment and put in place arrangements to provide the service.

Senator CROSSIN—Does that mean that your department is going to purchase a mobile mammography machine?

Mr Wilson—No. The department will purchase, on behalf of the government, a mammography unit which will be located on Christmas Island.

Senator CROSSIN—The unit will be located on Christmas Island?

Mr Wilson—That is correct.

Senator CROSSIN—Rather than purchasing a mobile unit similar to, say, that in Queensland.

Mr Wilson—That is correct.

Senator CROSSIN—What cost is involved?

Mr Wilson—I believe that the cost is around \$250,000.

Senator CROSSIN—When the minister says, 'The service will begin within six months, subject to availability,' what does that mean?

Mr Wilson—That means subject to going through the purchasing and delivery processes of getting a machine on the island and putting in place arrangements with the Western Australian government to provide a radiography team to undertake the work.

Senator CROSSIN—So you are going to purchase a mammography machine and put it on the island. Is there the capacity to house it on the island? Is there a room available in the hospital?

Mr Wilson—Yes.

Senator CROSSIN—Would radiographers travel to the island to operate that machine rather than have someone stationed there all the time?

Mr Wilson—That is correct.

Senator CROSSIN—How often would that occur?

Mr Wilson—Twice a year. We believe that it will happen twice a year for a two-week period.

Senator CROSSIN—If a woman on Christmas Island happened to discover a lump one month after the radiographers left—

Mr Wilson—We would fly the person to Perth.

Senator CROSSIN—Under the PAT Scheme?

Mr Wilson—Yes. During that two-week period, we will fly Cocos women that meet the age and medical profile to Christmas Island under the PAT Scheme.

Senator O'BRIEN—Will they have to stay there for several days or—

Mr Wilson—They will have to stay there for several days rather than fly to and from in the same day.

Senator CROSSIN—In answer to a question, you suggested that the unit would be between \$138,000 and \$258,000. Are you now saying that it is about \$250,000?

Mr Wilson—The minister has allocated around \$250,000 for the purchase of the machine. We do not have a definitive price on purchase and delivery.

Senator CROSSIN—Are the radiologists flying up twice a year? Are women from Cocos who are flying across an additional cost, or does it have to be within that \$250,000?

Mr Wilson—No, that is the capital cost associated with purchase of the equipment and delivery and installation. I understand a team consisting of five people is involved in mammography testing. The costs associated with those five people travelling to Christmas Island for the two-week period, the costs associated with transporting the Cocos Island women across to Christmas Island will be operational costs on top of that. In addition there will be maintenance costs associated with maintaining and testing the equipment before the two-week period. All of those costs will come out of the Indian Ocean Territories services program costs.

Senator CROSSIN—So will the service be provided by the Indian Ocean Territories Health Service?

Mr Wilson—It will be provided by Western Australian specialists on behalf of.

Senator CROSSIN—BreastScreen probably.

Mr Wilson—I do not know.

Senator CROSSIN—I am assuming the service will survive any market testing process.

Mr Wilson—Yes.

Senator CROSSIN—Will the service extend to women who might be held in detention on the island?

Ms Varova—We will take that on notice.

Senator CROSSIN—Can you take that on notice for me because there are some women from Vietnam who have now been in detention coming on close to 18 months or two years. Will they be eligible to access this service?

Mr Wilson—I believe there is an arrangement between the Indian Ocean Territories Health Service and the detention facility and the Department of Immigration, Multicultural and Indigenous Affairs.

Senator CROSSIN—Can you take it on notice and just check that that will be the case?

Mr Wilson—And confirm it for you, yes.

Senator CROSSIN—I shall have pleasure tonight responding to the many emails I have had from women in the territories. When are you expecting this machine to be in place—within six months?

Mr Wilson—I hope so, Senator.

Senator O'BRIEN—I was going to ask a question about you saying it had come out of the budget for the Indian Ocean Territories services—not the \$250,000, but the operational costs.

Mr Wilson—Yes.

Senator O'BRIEN—What will go? What will give? Where will the extra funds come from? What savings need to be made?

Mr Wilson—In developing the program for next year, we will examine where there may be cost savings associated with delivery of other services, which bits can be reduced and which bits cannot.

Senator O'BRIEN—How many Cocos (Keeling) women are you expecting to travel every six months? Any ideas?

Mr Wilson—I do not have the number with me.

Senator O'BRIEN—I presume some estimate has been made.

Mr Wilson—Yes, there has been, but I do not have the number with me.

Senator CROSSIN—Will it be women over 50 and those with a history of breast cancer in the family?

Mr Wilson—Yes. There is a form profile that picks the women that will meet that.

Mr Yuile—It is a significant step forward, as you indicated, in addressing that issue.

Senator CROSSIN—It is, because predominantly, as you would know, women on the Indian Ocean Territories have been told that if they get PATS'd out for some other reason—'While you're there you may as well get a BreastScreen done,' or, 'If you're going down to Perth for some other reason, while you're there get a BreastScreen done'—their visit may never coincide with BreastScreen having a vacancy. The question has been put to me for nearly a year now, 'What happens to those people who don't go to Perth?' 'What happens if they fly north for their holiday?' It is a significant step forward for them. They will be very pleased about that.

Senator O'BRIEN—Congratulations to people such as Senator Crossin and Warren Snowdon for agitating the subject, as well as all the women on the island who have been so persistent about the issue, and congratulations to the minister and the department for picking up their concerns. Can you give me the number and value of trips funded under the Patient Assisted Travel Scheme, between Christmas Island and Cocos (Keeling) Island to the mainland, in the past financial year, or the current financial year?

Ms Varova—The expenditure for PATS to 20 May is \$545,006. The Christmas Island expenditure is \$340,006. The number of trips to 30 April was 124 for Christmas Island. Are we talking Cocos?

Senator O'BRIEN—Yes.

Ms Varova—\$205,000. That includes \$28,000 for a medevac charter as well. The CKI number of trips is 94 to 30 April.

Senator CROSSIN—That is a pretty large percentage of the population, is it not, on both places?

Senator O'BRIEN—It is a bigger percentage from Cocos.

Senator CROSSIN—What sorts of conditions are medevac'd out in that instance?

Ms Varova—They will range. We have guidelines in regard to who does and who does not. Rather than 'who does', it is what does and what does not qualify as patient assisted travel. It will range. I think in the last year we had somebody PATS'd off for a brain haemorrhage, and it goes through to broken legs. Basically they are transported off the island when the treatment available on the island is insufficient to deal with the illness or injury.

Senator O'BRIEN—Is any Australian citizen eligible for that subsidised travel?

Mr Wilson—Any resident of Christmas Island or Cocos Island is eligible for patient assisted travel.

Ms Varova—But, having said that, if there was a tourist on the island and there was an accident or an illness, they would be medevac'd out. Certainly in an emergency situation there would be no question of delivering the person to the right medical care.

Mr Wilson—Sorry, by 'resident' I meant anybody at that time residing on.

Senator CROSSIN—But the PATS operates in the Northern Territory as well, doesn't it?

Mr Wilson—That is correct, yes.

Senator O'BRIEN—There are various places. I just was not sure if someone said, 'If you don't live here for six months, bad luck.'

Mr Wilson—No. If you are on the island and you require patient assisted travel and you meet the criteria—

Senator O'BRIEN—The medical criteria.

Mr Wilson—The medical criteria—you will be transported off.

Senator O'BRIEN—Has any other department or agency had any discussions with this department about locating an Indian Ocean tsunami monitoring station on Christmas Island or Cocos (Keeling) Island?

Mr Wilson—Not to my knowledge.

Senator O'BRIEN—Indian Ocean Territories were not affected by that terrible Boxing Day tsunami, even though it was relatively close to them. Why is that? Is it, as I am told, related to the depth of the water surrounding both islands?

Mr Wilson—You have the same information that I have, Senator. That is as much as I can add. That is the information with which we have been provided.

Senator O'BRIEN—What is your source of information? Better than mine?

Mr Wilson—Geoscience Australia.

Senator O'BRIEN—That probably is better than mine.

Mr Yuile—I guess it is the department of industry's estimates.

Senator O'BRIEN—They are on Monday.

Mr Yuile—Yes.

Senator O'BRIEN—Perhaps I will ask them whether it means that the islands are tsunami-proofed.

Mr Wilson—I would not proffer an opinion on it, Senator.

Senator O'BRIEN—Can you confirm that the appointment of the current Indian Ocean Territories Administrator, Mr Evan Williams, expires on 20 November this year?

Ms Varova—It does expire in November this year.

Senator O'BRIEN—Can that term be extended?

Ms Varova—That would be a matter for the government to decide.

Senator O'BRIEN—Have there been any negotiations commenced on an extension of Mr Williams' term?

Ms Varova—That is a matter for the government and for the minister, Senator. I could not comment.

Senator O'BRIEN—Can you take that on notice, please?

Ms Varova—Certainly.

Senator O'BRIEN—Can you tell me why administrators in the Indian Ocean Territories are appointed for a short fixed term, whereas administrators on Norfolk Island are appointed on an at pleasure basis?

Ms Varova—Again, could I take that on notice?

Senator O'BRIEN—Okay. Can you provide the actual cost of maintaining the administrators for the Indian Ocean Territories and Norfolk Island for the current financial year, as separate items.

Mr Wilson—I can provide you with the figure that we budgeted for his costs for this financial year, which is \$390,000.

Ms Varova—We do not have the full expenditure.

Mr Wilson—I do not have the full expenditure. I do not have the expenditure to date.

Senator O'BRIEN—That is the Indian Ocean Territories Administrator?

Mr Wilson—That is the Christmas Island Administrator.

Senator O'BRIEN—He does both now, does he not?

Mr Wilson—He does Cocos as well.

Senator O'BRIEN—That is including travel between the two islands and travel off the island?

Mr Wilson—That is correct. That is an all-up budget.

Mr Yuile—The budget of the operation of the Administrator.

Senator O'BRIEN—Does that include entertainment and hospitality?

Mr Wilson—It is an all-up budget for the position, yes.

Senator CROSSIN—And Norfolk Island?

Mr Wilson—The budgeted costs for next financial year for the Norfolk Island Administrator's office, including staff and additional costs associated with upkeep of the Norfolk Island government house, is \$1.2 million, but there is a difference in what that includes as opposed to—

Ms Varova—It is on a different basis.

Mr Wilson—Yes, it is a different base.

Senator O'BRIEN—What do you mean it is a different base?

Mr Yuile—For example, there is no government house to be maintained on Christmas Island. Government house is no longer.

Senator CROSSIN—A heritage government house, do you mean?

Mr Yuile—Yes, on Norfolk Island.

Senator CROSSIN—Christmas?

Mr Yuile—On both. There is heritage on both.

Senator O'BRIEN—The difference between the two is the number of staff positions on Norfolk and the cost of maintaining the premises?

Mr Wilson—They are the major differences. I would have to dig into the actual detail of what is allocated to the two to give you a precise differential.

Senator O'BRIEN—The budget would be broken down, would it not?

Mr Wilson—Yes.

Senator O'BRIEN—Can you get a breakdown of the Norfolk budget?

Mr Wilson—I can provide you with a breakdown.

Senator O'BRIEN—I want to ask some questions about the Indian Ocean Territories economic development plan. What has happened with the SGS economic development strategy?

Ms Varova—That is being developed as we speak. I understand that the Administrator has a draft. He has asked us for comment. We are looking at that draft as well and once we have provided him with our comments, the next stage for him would be to perhaps consult more widely. That would be a matter for his judgment once he has received the information from the department.

CHAIR—But that would only be because of the time zone, would it not?

Ms Varova—Sorry?

CHAIR—It would only be because of the time zone that he would be doing it as we speak. No-one would be silly enough to be up at this hour of the night doing it, would they?

Senator CROSSIN—Doing what?

CHAIR—It is happening as we speak, you see.

Senator CROSSIN—I see.

Mr Wilson—Actually it is 10 to 8 on Christmas Island.

Ms Varova—It is earlier there, Senator, so they are still working.

Mr Wilson—Could I just add a point of clarification there. To date, the Administrator has only received the final working draft of the Christmas Island strategic economic development plan. He has not received the one for Cocos or the overarching one for the Indian Ocean Territories.

Senator CROSSIN—Who is developing that?

Mr Wilson—A company called SGS.

Senator CROSSIN—In consultation with the Economic Development Committee?

Mr Wilson—Yes. It is a jointly funded project being coordinated through the Administrator but funded by the Economic Development Committee as well on Christmas Island.

Senator O'BRIEN—And what is the value of the contract awarded to SGS?

Mr Wilson—The value of the contract from the department's point of view is \$30,000.

Senator O'BRIEN—Is that the total cost incurred so far with respect to the development of this strategy?

Mr Wilson—The department has so far paid \$16,500.

Senator O'BRIEN—Is that towards the consultancy?

Mr Wilson—That is to SGS.

Senator O'BRIEN—Anything else? Any other costs, or is it just coming out of the Administrator's budget?

Mr Wilson—That is coming out of a separate approval made by the minister under the Indian Ocean Territories services program, so that is not incorporated in the \$390,000.

Senator O'BRIEN—Are they the only costs that have been incurred to date?

Mr Wilson—In that plan, yes.

Senator O'BRIEN—Is there a deadline for the release of the strategy?

Mr Wilson—Not that I am aware of.

Senator O'BRIEN—Is there an expectation as to when it will be released?

Mr Wilson—I would hope that the department will be able to provide the Administrator with comments within the next week or so. Then he will present it to the Economic Development Committee and they will finalise the document. I should add that the document is in two parts. There is a foreword, which is factual information, and there is an action plan. The department is only providing comments in regard to the factual material at the front of the document. We will also provide comments in regard to the actions as to our thought processes to assist it. We are not shaping the document that is being developed on-island.

Ms Varova—However, it will be important for us to communicate views on some of the proposed actions put forward because, if we can clearly see that funding is going to be a difficulty or there are some lengthy processes involved, we need to be able to tell them that so they are quite realistic in what they put forward as a final plan.

Senator O'BRIEN—So what happens then? There is nothing in this year's budget to fund the implementation.

Ms Varova—No, there is not. It is not complete. Once they have finished the strategy, it would go through normal processes and be presented to the minister. If there are funding implications, the government would need to consider that through a budget process, so it would be a classic process in that regard.

Senator O'BRIEN—A classic process?

Ms Varova—Classic in the sense of a normal budgetary process.

Senator O'BRIEN—Is the Economic Development Committee on Christmas Island working well?

Ms Varova—Neither committee has generated any business to date. Having said that, it is a single point of contact for interested investors. I would need to look at what the consultants say when it comes to their actual performance. They are provided with funding support. The

performance indicators there are really to ensure that they start developing a strategic approach, doing what they can, working to open up business opportunities.

Senator CROSSIN—The delay in the IRPC has not helped, though, has it?

Ms Varova—No. That is why we need to look more closely, because these things take time and the islands are tough when it comes to business.

Senator CROSSIN—The decision on the casino licence did not help either, so perhaps it is not all their fault.

Senator O'BRIEN—What has the government said about its commitment to help the community develop and diversify its economy?

Ms Varova—I think it says constantly that it is very committed to diversifying the economy and ensuring that the island itself and the locals create their own opportunities. It is not just dependent on government. It is very encouraging in that regard.

Senator O'BRIEN—It is interesting that you say that. Could you take on notice to provide for us references to statements made by the minister which indicate a commitment to help this community to develop and diversify its economy.

Ms Varova—I would have to take that on notice, to see if there are any public statements. Certainly, in communicating on the island—in his recent visit and in his newsletter—implicit in what the minister says is that encouragement.

Senator CROSSIN—What is the current unemployment rate on Christmas and Cocos Islands?

Ms Varova—I do not have that figure at hand. I do not know if Mr Wilson knows. If not, we will take it on notice.

Mr Wilson—I do not have it on hand, Senator, but I do not think Cocos would have changed much since the last time we discussed the issue.

Senator O'BRIEN—Does the Commonwealth have a program of transferring assets to the Shire of Christmas Island and the Shire of Cocos (Keeling) Islands?

Ms Varova—Yes. We could certainly speed it up, but we are very keen to progress that.

Senator O'BRIEN—AQIS want to transfer some assets to you. What is happening about those assets—the quarantine station?

Mr Wilson—Because it would become an administered item under the program, approval would be required from the minister for territories to accept those assets onto our books.

Senator O'BRIEN—I know that the shire would be happy for you to then transfer those assets to them.

Mr Wilson—That is correct.

Senator O'BRIEN—I don't think there will ever be any elephants there!

Senator CROSSIN—Did the elephants arrive?

Senator O'BRIEN—No.

Mr Wilson—No, Senator.

Mr Yuile—Not yet, Senator.

Ms Varova—The minister for the environment is considering their situation.

Mr Wilson—I believe the department of environment has an application for importation under the EPBC Act.

Senator CROSSIN—You had it this time last year, didn't you?

Mr Wilson—That situation? No. I believe that that document is the last piece in the puzzle.

Senator CROSSIN—But I think it was about this time last year that I asked whether they were Mr Anderson's elephants, didn't I?

Mr Wilson—I believe you did.

Senator CROSSIN—I assume they are not.

Mr Wilson—I do not know, Senator, but I do not believe so.

Senator O'BRIEN—I am told by AQIS that the lease for their premises as an elephant compound expires on 30 June.

Mr Wilson—That is my understanding as well.

Senator O'BRIEN—It will be an interesting logistical exercise if the approval comes after the lease expires. I suppose another one could be entered into. Maybe they will want to transfer it to you so that you can lease it to them.

Mr Yuile—Senator Bishop asked us questions yesterday in relation to a fire on a vessel in Cairns, the *Jervis Sea*, I have the answers to those questions. I also have answers to his questions in relation to the *Destiny Queen*, which is an abalone vessel in the Spencer Gulf off Port Lincoln. Also, Senator O'Brien directed some questions to me concerning the allocation of \$400,000 to the Inspector of Transport Security, and I wanted to let him know that we are still confirming those figures.

In checking the *Hansard* and the sequence of questions, I said that officers working with the inspector had also been involved part time with his current duties and I indicated that that was on a cost recovery basis. I wanted to clarify that that cost recovery relates to the expenses in respect of the inquiry that has been the subject of that cost recovery. There are two officers. There is an executive assistant, who was involved for some weeks as well. The salaries for those officers were absorbed by the department, and they involved some \$14,000. The expensing for the activity was taken by DIMIA.

Senator O'BRIEN—Subsidising DIMIA? I don't know!

Committee adjourned at 11.02 pm