



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT
LEGISLATION COMMITTEE

ESTIMATES

(Supplementary Budget Estimates)

TUESDAY, 1 NOVEMBER 2005

CANBERRA

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SENATE
RURAL AND REGIONAL AFFAIRS AND TRANSPORT LEGISLATION
COMMITTEE

Tuesday, 1 November 2005

Members: Senator Heffernan (*Chair*), Senator McEwan (*Deputy Chair*), Senators Ferris, McGauran, Milne and Sterle

Senators in attendance: Senators Adams, Boswell, Brandis, Carr, Evans, Heffernan, Hogg, McEwan, McGauran, Milne, Nash, O'Brien, Siewert, Sterle, Trood and Webber

Committee met at 9.02 am

TRANSPORT AND REGIONAL AFFAIRS PORTFOLIO

Consideration resumed from 31 October 2005.

In Attendance

Senator Ian Macdonald, Minister for Fisheries, Forestry and Conservation

Senator Sandy Macdonald, Parliamentary Secretary for Trade

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

Department of Transport and Regional Services

Departmental Executive

Mike Taylor, Secretary

Mike Mrdak, Deputy Secretary

Susan Page, Deputy Secretary

Corporate Services

Jeremy Chandler, Executive Director, Corporate Services

Simon Ash, Chief Financial Officer, Corporate Services

Sharon Field, General Manager, People and Planning

David Banham, Chief Information Officer

Roger Fisher, Executive Director, Strategic Projects

AusLink

Leslie Riggs, Executive Director, AusLink

John Elliott, General Manager, AusLink Planning

Robert Hogan, General Manager, AusLink Road Investment

Joan Armitage, General Manager, AusLink Systems and Regional Investment

Jim Wolfe, General Manager, AusLink Rail Investment

Maritime and Land Transport

Andrew Wilson, Executive Director, Maritime and Land Transport

Peter Robertson, General Manager, Vehicle Safety Standards

Michael Sutton, General Manager, Maritime

Anthony Ockwell, General Manager, Transport Integration and Reform

Office of Transport Security and Inspector of Transport Security

John Kilner Acting, Executive Director, Office of Transport Security

Andy Turner, General Manager, Aviation Security Task Force

Darren Crombie, Acting General Manager, Maritime Security

Robert Hoytink, Acting General Manager, Aviation Security

Vicki Dickman, General Manager, Regional and Freight Security

Sue McIntosh, Acting General Manager, Critical Infrastructure and Surface Transport Security

Mick Palmer, Inspector of Transport Security

Peter Pearsall, Section Head, Office of the Inspector of Transport Security

Civil Aviation Safety Authority

Bruce Byron, Chief Executive Officer

Bruce Gemmill, Deputy Chief Executive Officer and Chief Operating Officer

Rob Collins Group General Manager, General Aviation Operations Group

Kim Jones, Acting Group General Manager, Air Transport Operations Group

Betty Edwards, Chief Financial Officer

Nicola Hinder, Acting General Manager, Corporate Relations

Christopher Farrelly, Chief Information Officer

Gary Harbor, Head of Human Resources

Neville Probert, General Manager, Maintenance, Certification and New Technologies Office

Peter Ilyk, General Counsel

Richard Macfarlane, Acting General Manager, Personnel Licensing Education and Training Group

Karen Nagle, Risk Manager, Risk Management and Internal Audit Branch

Australian Maritime Safety Authority

Clive Davidson, Chief Executive Officer

Dianne Rimington, General Manager, Corporate

Aviation and Airports

John Doherty, Executive Director, Aviation and Airports

Neil Williams, General Manager, Airport Planning and Regulation

Merrilyn Chilvers, General Manager, Aviation Operations

Nick Bogiatzis, General Manager, Aviation Markets

Chris Stamford, Acting General Manager Airspace Reform Project

Regional Services

Gary Dolman, Acting Executive Director, Regional Services

Daniel Owen, General Manager, Regional and Indigenous Policy

Leo Dobes, General Manager, Analysis and Performance

Steve Pantelidis, Acting General Manager, Regional Partnerships and Networks

Peter Elliott, Acting General Manager, Sustainable Regions and Operations

Territories and Local Government

Sema Varova, Executive Director, Territories and Local Government

Adrian Beresford-Wylie, General Manager, Local Government and Natural Disaster Relief

Richard Magor, Acting General Manager, Territories

National Capital Authority

Annabelle Pegrum, Chief Executive Officer

Lindsay Evans, Managing Director, Business

Graham Scott-Bohanna, Managing Director, Design

Todd Rohl, Managing Director, Planning and Urban Design

Alison Walker-Kaye, Director, Corporate

Emmy Jowitt, Assistant Chief Finance Officer

Phil Wales, Director, Executive Governance

George Lasek, Director, National Capital Estate

Andrew Smith, Director, National Capital Projects

Shamsul Huda, Principal Planner, National Capital Authority

Peter Byron, Executive Manager, Events and Outreach, National Capital Authority

CHAIR (Senator Heffernan)—I declare open the public meeting of the Senate Rural and Regional Affairs and Transport Legislation Committee. I hope everyone has their bets on! Today, through supplementary budget estimate hearings, the committee will further examine the particulars of proposed expenditure in respect of the year ending 30 June 2006 for the portfolio areas of Transport and Regional Services, with Transport and Regional Services on this morning, followed by Agriculture, Fisheries and Forestry covering the Wheat Board and other issues.

Answers to questions taken on notice and additional information should be received by the committee no later than Friday, 16 December 2005. As agreed, I propose to call on the estimates according to the format adopted in the printed program, which we discussed yesterday. The committee has authorised the recording and rebroadcasting of its proceedings in accordance with the rules contained in the order of the Senate of 23 August 1990.

I welcome Senator the Hon. Ian Macdonald, who is accompanied by Susan Page and other officers. Officers are reminded that the Senate has consistently decided, by way of continuing resolution:

... there are no areas in connection with the expenditure of public funds where any person has a discretion to withhold details or explanations from the Parliament or its committees unless the Parliament has expressly provided otherwise.

The Senate has also determined that claims to withhold information on the basis that it is commercial-in-confidence will not be considered, unless it is made by a minister and accompanied by a statement setting out the basis for the claim, including a statement of any commercial harm that may result from its disclosure.

Officers are also reminded that an officer of a department of the Commonwealth or a state shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officers to superior officers or to a minister. Finally, witnesses are reminded that evidence given to the committee is protected by parliamentary privilege. I also remind you that the giving of false or misleading evidence to the committee may constitute contempt of the Senate.

[9.05 am]

Territories and Local Government

CHAIR—Good morning minister; good morning everybody.

Senator Ian Macdonald—Good morning.

CHAIR—I hope you have got the big race all sorted out.

Senator Ian Macdonald—I am not even having a bet, although Makybe Diva is owned by a Port Lincoln tuna farmer.

CHAIR—There you go. There is a horse there from just over the border in New South Wales. Any other tips? Senator Carr, do you propose to commence, or have you got any tips for the committee?

Senator CARR—My tip is that we will not get very many answers today, but we will try anyway.

CHAIR—Is your tip Norfolk Island?

Senator CARR—Yes, that is right. As you know I am still in the process of getting my head around this portfolio area, so I am hoping I can get some assistance here today. I want to begin by asking the officers if they can tell me how much the Commonwealth spends on Norfolk Island each year—the Commonwealth; not just the department.

Senator Ian Macdonald—Are you the territories shadow minister?

Senator CARR—I am.

Senator Ian Macdonald—Have you been there yet?

Senator CARR—No. We have a lot of trouble getting out there, I am told. I understand we had a select committee that was refused access, Minister. Are you aware of that—that members of this parliament were refused access to Norfolk Island?

Senator Ian Macdonald—When I was the minister, I used to be very helpful to the committee.

Senator CARR—You would be. Anyway, we will get to the bottom of that in due course, won't we?

Senator Ian Macdonald—It looks like a bad day in the offing, doesn't it?

CHAIR—I do not think he has got any questions. Could we move to the next—

Senator CARR—I asked a question: how much does the Commonwealth spend on Norfolk Island?

Mr Magor—Each year the Commonwealth spends approximately \$4 million on Norfolk Island, which is for such things as funding for the Bureau of Meteorology, Civil Aviation Safety Authority services, Airservices Australia and some funding provided by the Department of the Environment and Heritage for parks. There is also some funding for the Australian Federal Police. DOTARS also regularly provides an amount of money for the KAVHA management board of about half a million dollars.

Senator CARR—Is there a place where I could find that consolidated account in the budget papers?

Ms Varova—It is part of our departmental funding, if you are talking about just the DOTARS contribution.

Senator CARR—No, I was thinking about the whole-of-government spending—the \$4 million.

CHAIR—Do not let him bluff you.

Senator CARR—Is there a place in the budget papers where I could find a consolidated table?

Ms Varova—Not that I am aware of.

Senator CARR—Will you be able to give me a detailed breakdown of where that \$4 million is spent? You have indicated a number of areas. Is there a consolidated table you could provide?

Ms Varova—We can provide that to you.

Senator CARR—Is that the same amount of money that was provided in the previous year?

Ms Varova—It is in the same order.

Senator CARR—Did you have any forward projections on the amount of money that the Commonwealth will spend on Norfolk Island?

Ms Varova—Similarly, it is in the same order.

Senator CARR—It is not anticipated that there will be major injections of funding?

Ms Varova—Not that I am aware of at this stage.

Ms Page—There are some one-off forms of support as well for Norfolk Island in respect of assistance for the refurbishment of Kingston pier, there is a loan to the Norfolk Island government at the moment in respect of the Norfolk Island airport runway resurfacing and there is a program at the moment to establish an environmental fund as a result of receipts from sale of land on Norfolk Island. Those are not ongoing forms of assistance though.

Senator CARR—I will perhaps go through each of those this morning.

Ms Page—Those ones are set out in the department's portfolio budget statement.

Senator CARR—How much of the \$4 million comes through DOTARS?

Ms Varova—Only the KAVHA expenditure for the Kingston and Arthur's Vale Heritage Area—that is about \$500,000 to \$520,000—and a number of one-off expenditures as required, usually of a reasonably small order.

Mr Magor—For example, in the 2004-05 financial year there was an additional payment of \$60,000 for the removal of asbestos from KAVHA buildings.

Senator CARR—Who is responsible for the coordination of the Commonwealth expenditure?

Ms Varova—There is no specific coordination. Each of the portfolios takes responsibility for their particular area.

Senator CARR—So each department manages its own projects?

Ms Varova—That is correct.

Senator CARR—Is there any interdepartmental committee, for example, that examines the priorities for expenditure on the island?

Ms Varova—No, not an ongoing interdepartmental committee that looks at Norfolk Island expenditure on an ongoing basis.

Senator CARR—Is there any other formal mechanism within the government that I could draw upon to establish or evaluate funding by the Commonwealth on the island?

Ms Page—Norfolk Island is a self-governing territory. To the extent to which we provide assistance, it is in those areas where the Commonwealth has remaining jurisdiction and a funding role. For this reason there is no central or formal coordination.

Senator CARR—So there is no whole-of-government approach to the expenditure of Commonwealth moneys on Norfolk Island?

Ms Page—No, there is not.

Senator CARR—It is essentially a series of ad hoc arrangements.

Ms Page—I would prefer to put it the other way. Norfolk Island is a self-governing territory. To the extent that there are residual responsibilities which the Australian government has, it continues to fund them.

Senator CARR—Where do I look to get some guidance as to what the Commonwealth government's attitude is to the Australian Public Service's management of its responsibilities on Norfolk Island?

Ms Varova—Are you looking specifically for financial information?

Senator CARR—It goes to two questions. It goes to the question of programs and then program expenditure.

Ms Varova—When it comes to financial information, it is as I said: each department, each portfolio, manages its own funding relationship with Norfolk Island government depending on the particular program at hand. So there is no central coordination mechanism. If you are talking about the responsibility for policy development and policy advice, that rests with our department and my area.

Senator CARR—If it does rest with you and there is no whole-of-government approach to the expenditure of Commonwealth moneys on the island, doesn't it make it difficult for you to perform your function to provide advice on public administration on the island?

Senator Ian Macdonald—Before the officer answers, could I say for your understanding that you could almost relate it—not quite, but almost—to the Northern Territory.

Senator CARR—In the Northern Territory they do not have the same sorts of administrative catastrophes that are occurring on Norfolk Island.

Senator Ian Macdonald—I am just trying to say that where the Commonwealth spends money on roads, the environment and regional solutions there, we do not coordinate them across the whole of government, because there is self-government in the Northern Territory, as there is in Norfolk Island.

Senator CARR—I understand the point you make, but I think we will come to understand the nature of the political problem that arises from those arrangements. How many staff are attached to the department's section dealing with external territories?

Ms Varova—Our FTE is 44.8, I believe. I am just checking the figures. We have 47 people in all if you are talking about bodies. We have a number of people who are there on a temporary basis.

Mr Magor—That is the whole territories branch; it is not just staff involved in looking after external territories. That includes, for example, people looking after the ACT and the Northern Territory.

Senator CARR—Are you able to tell me what the levels of seniority of those staff are?

Ms Varova—I can do that. Would you like to go through it?

Senator CARR—Have you got a table there? Could you table the table?

Ms Varova—Could I take that on notice?

Senator CARR—Yes, thank you. I would like a table showing the number of staff, their levels of seniority and the total budget for the section, including the administrative items for the past three financial years. Is that possible to provide?

Ms Varova—It is possible.

Senator CARR—I would like to know specifically how many are dedicated to Norfolk Island issues.

Ms Varova—We have two people on islands at the moment: one is in the official secretary position and the other is dealing specifically with the land transfer matters. The section is responsible for Norfolk Island and Northern Territory matters, notwithstanding Northern Territory matters are quite small; we do not spend a lot of time on those. We have a total of five people.

Senator CARR—If I go through the list in your annual report, which is an incomplete list, it suggests that these five officers are responsible for financial administration, maintenance and interpretation of heritage sites and values, legal advice, land transfer and works and services programs. Is that a fair summary of what they do?

Ms Varova—That is correct.

Senator CARR—How many of the five officers have specialist skills in any of those areas?

Ms Page—It is fair to say that, in relation to issues including financial administration and legal advice, we do not manage the budget of Norfolk Island, nor do we oversight the financial administration of Norfolk Island. The extent to which we have a financial role is in relation to the management of the small grants and programs that we have on Norfolk Island.

Similarly, legal issues are to do with the overall constitutional framework, and we seek internal and external legal advice on those matters.

Senator CARR—So they are additional officers that you would call upon within the Public Service—

Ms Page—If required for specialist advice, certainly.

Senator CARR—You have one officer dedicated to land title and land transfer.

Ms Varova—That is correct.

Senator CARR—Is that person specifically qualified in legal matters?

Ms Varova—I would have to check on legal skills, but the person has a background in those sorts of land matters. When we need specific legal advice, we buy it in.

Ms Page—It is fair to say in respect of that whole program for land transfer that the framework for that has been established using external advice.

Senator CARR—How many accountants do you have amongst the five? What accountancy skills do you have?

Ms Varova—Not specifically accountants. As I said, if we need specialist skills, we buy in those skills, and we take on consultants. If there is a particular project which needs engineering skills, for example, we would contract in the expertise necessary.

Senator CARR—What qualifications do the officers have in the area of sites and heritage interpretation?

Ms Varova—On heritage interpretation?

Senator CARR—Yes, sites and heritage.

Ms Varova—We work closely with the Department of the Environment and Heritage on those issues—for example, the territories area and Environment and Heritage have members on the KAVHA board.

Senator CARR—I raise these questions because you have already told us that there is no overall coordination within the government; certainly there is no formal coordination between departments. You tell me now that you buy in skills when need them and you liaise with other departments where you need them. What do you do? What specific skills do you bring to bear on the questions that relate to the department's responsibilities on Norfolk Island?

Ms Varova—General public policy skills. Some of the people in the area, as I have mentioned, have other skills which are relevant. I am not in a position to go through a skills assessment of each and every officer.

Senator CARR—If you are relying on consultants, can I get a list of the consultants and the consultancy contracts that have been issued in the last three years that relate to work on Norfolk Island?

Ms Varova—Yes, we can do that.

Senator CARR—And I obviously want the amounts paid. Where reports have been presented, could we have copies of them?

Ms Varova—I would need to consult with the minister on that.

Senator CARR—Do you do any comparative benchmarking with other departmental KPIs in regard to Norfolk Island?

Ms Varova—Norfolk Island is a self-governing territory, as Ms Page has indicated. It is responsible for its own benchmarking when it comes to service delivery.

Senator CARR—Do you see that there are any special responsibilities to ensure that Australian citizens are given equality of rights no matter where they live—and, in this case, if they live on Norfolk Island?

Ms Varova—The Norfolk Island legislation is quite specific in the powers that it ascribes to Norfolk Island, the Norfolk Island government and the Australian government. The parliament has passed that legislation and, in essence, that is the context in which we operate.

Senator CARR—In fact, the department's annual report identifies that residents of Norfolk Island should enjoy the same opportunities and responsibilities as other Australians, and the department in its submission to an inquiry of the Joint Standing Committee on the National Capital and External Territories recently said:

... people living in rural, regional and remote communities in Australia have a right of access to a level of primary and secondary health care and health insurance equal to those of their fellow Australians.

I am just wondering: how does that apply to Norfolk Island?

Ms Varova—Norfolk Island is responsible for delivering its own health care services.

Senator Ian Macdonald—Like New South Wales or Queensland. Heavens, if you were a Queenslander now, you would not be getting the same service as you get anywhere else in Australia. You would be lucky to get out alive!

Senator CARR—So, if there is a deficiency in services, it is the responsibility of the Norfolk Island government, not the Australian government?

Ms Varova—That is correct.

Senator Ian Macdonald—Like it is with the Queensland government.

Senator CARR—Have you raised with the Norfolk Island government in the last two years concerns about the standards of health services on the island?

Ms Page—It is fair to say that the government has a government-to-government relationship with Norfolk Island; as officials, we would not see that as our role. To my knowledge, the government has not received formal representations from the Norfolk Island government concerning the quality of health services.

Senator CARR—Yes, but I am putting it the other way around: representations not from the Norfolk Island government but from the Australian government to the Norfolk Island government.

Ms Page—I think the constitutional position is, as Ms Varova has outlined, that Norfolk Island is a self-governing territory. There is nothing to stop the Norfolk Island government from raising concerns with the Australian government if it chooses.

Senator CARR—Ministers have no trouble pointing out the deficiencies in state administrations. They do it almost on a weekly basis. Why is the government of Norfolk Island any different?

Senator Ian Macdonald—Perhaps I will take that on notice for the minister to see whether he has had any discussions. I can indicate that when I was minister—which is a long time ago now—there were concerns about the health system on Norfolk Island. But you should go across there, Senator. The Norfolk Islanders jealously guard their independence. In fact, some of them think they are too closely aligned to Australia even now. Some of them still recognise Queen Victoria, don't they, rather than the Australian government? It is a longstanding thing—I think it came over from Pitcairn—that they jealously guard their independence. But the officers have given their answers; I will refer that to Minister Lloyd.

Senator CARR—I appreciate that, but no citizen should have to endure Victorian health conditions, should they?

Senator Ian Macdonald—No.

Senator CARR—It is just because some politicians think Queen Victoria is still on the throne.

Senator Ian Macdonald—There are not only politicians over there; there is a small group who genuinely believe that. You are quite right in the first part of your question: we do criticise the Queensland health system. In my day we did have some discussions with the then health ministers. I am not up to that now. I will refer that to Mr Lloyd.

Senator CARR—If you could, please. I understand the department has put a position to various Senate and joint parliamentary inquiries that its responsibility is to ensure—and the word 'ensure' is used in your submissions—that the rights of citizens are protected across the nation.

Ms Page—Ultimately the Australian government, if it chose, could amend the Norfolk Island Act—that is an act of the federal parliament—but it has chosen not to do so to date.

Senator CARR—So it is a political decision by the Australian government that prevents you from proceeding with that protection?

Ms Page—It would have to be a decision of the Australian parliament to alter the governing legislation of Norfolk Island.

Senator Ian Macdonald—Perhaps you could introduce a bill.

Senator CARR—As I understand it, there is a stated policy aim of ensuring greater recognition of and opportunities for the Norfolk Island community to ensure that Norfolk Island, like other Australian territories, provides its citizens with the same opportunities and responsibilities as other Australians enjoy in comparable communities. That position has not changed, has it? That was the position stated to the joint parliamentary inquiry by the government—in this case, in Family and Community Services submission. Has that position changed or is that a position you disagree with?

Ms Page—No, that position has not changed. I think you are aware that the Australian government does have some concerns about the financial sustainability more generally of Norfolk Island and is taking some action in that respect.

Senator CARR—What action have you taken?

Ms Page—The Norfolk Island government contacted the Australian government some months ago in relation to its inability to meet the repayments on a \$12-million loan for the resurfacing of the island runway. The Norfolk Island government does not have the capability to borrow either from the Australian government or commercially without the agreement of the Minister for Finance and Administration. The Minister for Finance and Administration agreed to defer repayment of that loan, but he placed a condition on the revised loan terms, which was that an assessment be made of the current and long-term financial pressures on Norfolk Island. The department has let a consultancy to undertake that work, with the cooperation of the Norfolk Island government, who are fully involved in that work, and we expect a report from that consultancy sometime this month.

Senator CARR—Who is the consultant?

Ms Page—Acumen.

Senator CARR—Where are they based?

Ms Page—In Canberra.

Senator CARR—What specialist skills do they bring to such a consultancy?

Ms Page—Accountancy and financial analysis skills.

Senator CARR—Is it the position of the Commonwealth that loan repayments will be adjusted if there is some change in their financial arrangements?

Ms Page—Any response to the financial assessment will be a matter for the government, depending on what the indications are in that report.

Senator CARR—Have you had an interim report?

Ms Page—No, we have not.

Senator CARR—When was the contract let?

Senator Ian Macdonald—It was fairly recently.

Ms Varova—It was about four or five weeks ago. We will check the date. It was late September, but I will confirm the date.

Senator CARR—Do you have the date?

Mr Magor—Sorry, I do not have the exact date. I think it may have been around mid-September, but we will check that.

Senator CARR—When was the notification by the Norfolk Island government that they were unable to meet their loan requirements?

Ms Page—The Norfolk Island Minister for Finance, the Hon. Ron Nobbs MLA, wrote to the Minister for Local Government, Territories and Roads on 29 July 2005.

Senator CARR—Has this occurred before?

Ms Page—I could not say.

Mr Magor—Do you mean in respect of the airport loan?

Senator CARR—Yes, the airport loan. Have there been any other requests for variation on the repayments of loans?

Mr Magor—There was a variation to the airport loan agreement once before; the amount of money was increased from an initial amount of \$5.8 million up to \$12 million. There is also a separate loan agreement for a project called the Cascade Cliff restoration project, which is a safety project. I think there may have been variations to the repayment schedule for that loan.

Senator CARR—When was the variation from \$5.8 million to \$12 million made?

Ms Page—August 2004.

Ms Varova—That was in the additional estimates period in 2004-05.

Senator CARR—As I say, I am new to the game, so bear with me. Are you saying that in the last two years there have been variations to loan repayment schedules on two occasions?

Ms Page—The previous variation was due to delays in the commencement of the project. They required additional funding.

Senator CARR—So there have, in fact, been three. There have been two variations previously.

Ms Page—That is correct.

Mr Magor—No, I am sorry; I was talking about a different project. There was one variation previously for the airport agreement. I also mentioned the Cascade Cliff project, which is a separate one.

Senator CARR—So in 2004 there was no reference to failure or inability to meet borrowing requirements?

Ms Page—I do not believe so.

Ms Varova—No, the loan repayments had not commenced at that stage.

Senator CARR—Obviously the money was lent on the basis that the Commonwealth expected that moneys would be repaid.

Ms Page—Certainly.

Senator CARR—And there was no knowledge at the time that the money was extended. When was that?

Ms Varova—That was in the additional estimates period in 2004-05.

Senator CARR—Last year?

Ms Varova—That is correct.

Senator CARR—So there was no indication last year that there was financial trouble on the island?

Mr Magor—This is last financial year, so earlier this calendar year.

Senator CARR—I understand that. I am asking when you first became aware—

Ms Varova—There was no expectation that the loan would not be repaid, if that is what you are asking.

Senator CARR—Yes, of course. I would be very surprised if Commonwealth officers would recommend to any government body in the country that moneys be extended on the basis of a loan, with a view that it could not be repaid. I would like to know when you were first made aware of the financial difficulties with regard to Norfolk Island government accounts.

Ms Page—I think a couple of things happened. There was the demise of the regular Norfolk Island air services, Norfolk Jet, in June 2005. We were aware that that would have significant financial implications for the island, because the island government has been supporting an interim air service since, with a cost to the government and also a reduction in tourism numbers. That was the trigger, as we understand it, for the Norfolk Island government to contact us indicating that they would have difficulty in repaying the loan.

Senator CARR—Do you know how much the subsidy is to the air service?

Ms Page—We do not know in exact terms, and that is one of the reasons that we are undertaking the financial assessment. We do not have any formal oversight of the accounts of Norfolk Island.

Senator CARR—What is your understanding of the level of subsidy?

Ms Page—I would prefer not to guess, because there are a couple of elements to it. One relates to the charter of an aircraft from Air Nauru, and the other relates to honouring the tickets of people who bought tickets under Norfolk Jet Express, the failed carrier. That number varies significantly from month to month, depending on how many tickets there are.

Senator CARR—What do you think is the liability to the Norfolk Island government?

Ms Page—There is a continuing liability as long as they are effectively supporting an airline.

Senator CARR—And you have not been provided with any estimates of that?

Ms Page—No, we have not.

Senator CARR—I am surprised that you have not been provided with any of that detail.

Ms Page—There is no reporting requirement by the Norfolk Island government to the Australian government, with the exception that the Australian government must approve borrowings and set conditions on borrowings, and that is exactly what the government has done in asking for a financial assessment.

Senator CARR—Was it a Commonwealth initiative to appoint the consultant?

Ms Page—Yes.

Senator CARR—It was not a request by the Norfolk Island government?

Ms Page—No, it was not.

Senator CARR—Were there any other loan agreements entered into other than that for the airport?

Ms Varova—I do not think we have got any other loan agreements, no.

Mr Magor—Other than for the Cascade Cliff project.

Ms Varova—And that project is complete.

Senator CARR—I have got a copy of the parliamentary report into Norfolk Island published in December 2003. I take it the government still has not replied to that report?

Ms Page—No, it has not.

Senator CARR—Why not?

Ms Page—A second report is expected shortly. The report will be in two stages. The government is considering a response to the first part, but a second part is imminent, which will look at the financial state of Norfolk Island.

Senator CARR—The committee has the view that they are independent of one another. Has that view not been put to you?

Ms Page—A response is a matter for the government, Senator.

Senator CARR—Minister, if that is the case, could I put that question to you. The committee has a view that there are two independent reports. The first report on the inquiry into governance on Norfolk Island was published in December 2003 and there has been no response from the government to date. It is an extremely hard-hitting report and it makes a number of quite serious allegations. I am wondering when the government will reply to that report.

Senator Ian Macdonald—I do not know, quite frankly. I will refer that to Mr Lloyd. I think the officer has said it is the government's intention to reply to both reports at the same time.

Ms Page—They are still considering a response to the first, but a second report is imminent.

Senator CARR—But under that scenario it is possible to argue that there is further delay until next year.

Ms Page—I cannot comment on the timing of the government's response, Senator.

Senator CARR—The report said that service delivery areas such as social services, health and aged care require urgent reform. That was in December 2003. Have you undertaken any research into the level of service delivery on Norfolk Island?

Ms Page—Senator, the work that I have described, which is currently under way, is the principal work that the Australian government has commissioned in relation to Norfolk Island.

Senator CARR—Does that mean, yes, you have undertaken research, or not?

Ms Page—We have not undertaken research as a department, nor would we have the ability to without the express permission of the Norfolk Island government. We are

undertaking a financial assessment consistent with the agreement of the minister for finance and with the cooperation of the Norfolk Island government, and that is a fairly wide-ranging financial assessment.

Senator CARR—So how do you undertake any evaluation as to whether or not your department's own program objectives are being met?

Ms Page—Senator, the department's own projects are really a very small part of the operation of Norfolk Island. They are in particularly small areas of government operation.

Senator CARR—Yes, but the stated policy aim of the Australian government is to ensure a greater recognition of opportunities for the Norfolk Island community and to ensure that Norfolk Island, like other Australian territories, provides for its residents the same opportunities and responsibilities as other Australians enjoy in comparable communities. How do you know whether or not that objective is being met?

Ms Page—The government's policy for Norfolk Island is that Norfolk Island will be self-governing, and that has been the policy approach of successive governments to ensure those policy objectives that you have stated. The government now has a concern, given the ability of the Norfolk Island government to repay loans, and for that reason is undertaking a fairly wide-ranging financial assessment.

Senator CARR—I am wondering if the minister can assist the committee by providing us with an assessment of how they meet the policy objectives of the department in regard to the operations of the territory group on Norfolk Island. Is it possible to get a statement on that?

Senator Ian Macdonald—I think the officers have already explained that, and I am sure they can again.

Ms Varova—Norfolk Island, as has been outlined, is a self-governing territory. However, we work cooperatively with the Norfolk Island government if they require assistance in the meeting of their obligations. We have a cooperative relationship. We work together on major projects, like with the KAVHA board. So in essence, while it is their responsibility as a government and as a community to benchmark their services and deliver their services as they see fit, when they do require assistance we do assess that, and in the main we have provided it.

Senator CARR—The report refers to a number of deep concerns about the fact that Norfolk Island is in deep trouble and needs help. You would agree that is the thrust of this report?

Ms Varova—That is certainly the thrust of the report.

Senator CARR—'Requiring urgent action in December 2003.' You would agree with that?

Ms Varova—That is correct.

Senator CARR—Have you heard of concerns expressed by some within the Norfolk Island community that there are those who are able to exploit the current governance systems for their own personal benefit?

Ms Varova—There is a lot of anecdotal information we receive. If there are formal representations and complaints to the minister, we obviously provide advice. But we have not as a department—

Senator CARR—That is a fair enough call. You cannot rely on rumour.

Ms Varova—No, that is exactly right.

Senator CARR—You cannot rely on people who are cranky with public officials. I understand that. But where you have a full parliamentary committee unanimously drawing to your attention what are effectively allegations of serious corruption—

Ms Page—That is a matter for the government's consideration. That is a report to the parliament, and we are still awaiting a government response. I do not think it is appropriate for us to comment on an appropriate response to the report of a parliamentary committee.

Senator CARR—That is a fair enough response about the government, but I am talking to you about your response, as officials, to evaluate your own programs. That is why I ask again: what analysis, what evaluation, what research has been undertaken to establish the truth or otherwise of the allegations contained in this report?

Ms Page—The government's policy in respect of policy delivery on Norfolk Island is that Norfolk Island is self-governing, and that policy is delivered by the Norfolk Island Act.

Senator CARR—So breaches of the Australian law are prosecuted by whom?

Ms Page—There are courts on Norfolk Island.

Senator CARR—They have their own special police force, do they?

Ms Page—They do.

Senator CARR—And they are not subject to Australian law with regard to, for instance, arson?

Ms Page—There is Norfolk Island criminal law in place.

Senator CARR—And the Australian Criminal Code is overridden by that, is it?

Ms Page—They have their own legislation, as state governments do, in relation to criminal law.

Senator CARR—And the federal is subservient to that?

Ms Page—No.

Senator Ian Macdonald—Federal law applies to Norfolk Island as it does to Queensland and New South Wales.

Senator CARR—Exactly.

Senator Ian Macdonald—But there is a difference between the Criminal Code for the state—which I think is actually based on the Queensland Criminal Code, if I remember correctly—which they administer, and the Crimes Act things which apply to all Australians. You are aware of how that works.

Senator CARR—Indeed I am. That is why I am interested to know why it has taken so long for a response to this report from the Australian government.

Ms Varova—It is a matter for the government. We are not in a position to discuss that.

Senator Ian Macdonald—I have said I would get response from Mr Lloyd about the timing of the response.

Senator CARR—A report about the Kingston Pier project was tabled last Friday out of session. You say in the report that the project has been partly achieved, that the refurbishment is only partly achieved. What is the problem?

Mr Magor—There was \$3 million available for the restoration of the pier during the 2004-05 financial year. An engineering company was taken on to look at the specific engineering works required to restore the pier. In the course of doing that work it identified that a different engineering solution was going to be needed to what had been forecast previously. So the actual construction work had not been able to commence during the 2004 financial year. Only, I think, about \$350,000 was spent on the project then. The remaining funding and restoration works will occur during the 2005-06 financial year.

Senator CARR—So the whole project will be concluded in the next financial year?

Mr Magor—It is expected to be completed by June 2006.

CHAIR—Who is doing the job?

Mr Magor—Pardon me?

CHAIR—Who won the contract?

Mr Magor—The tender process is being done at the moment. Tenders closed on 25 October.

Senator CARR—What is the nature of the engineering problem? I do not think you actually said who had been awarded the contract, did you?

Mr Magor—No. The contract has not been awarded yet for the company who will be doing the restoration work.

Senator CARR—Who discovered that there was an engineering problem?

Mr Magor—An engineering company who are not actually doing the works; they look at the technical requirements. They are Paterson Britton and Partners.

CHAIR—Is that an Australian company?

Mr Magor—I believe they are based in New South Wales.

Senator CARR—Where about in New South Wales?

Mr Magor—In Sydney I think, but I would have to check.

Senator CARR—Can you give me the address, please. They have no connections with the island?

Mr Magor—No.

Senator CARR—Is this urgent work? Was the work ever described as urgent?

Mr Magor—It is important that the work be completed as soon as it can to prevent any further deterioration of the pier.

Senator CARR—What condition is the pier in at the moment?

Mr Magor—It has suffered some deterioration towards the end. It has been closed off to public access now. Because of the effects of the sea and the climate, some of the rock structure within the pier has deteriorated, so there are cavities.

Senator CARR—What sort of effect does this have on the landing of goods?

Mr Magor—For the time being, the pier is closed to being used for landing of freight. There are two points on the island for landing of freight, so for now they are reliant on using the alternative, Cascade Pier.

Senator CARR—Who controls the freight access at the moment?

Mr Magor—The Norfolk Island government.

Senator CARR—And while there is a delay in the completion of this urgent project, the Norfolk Island government have made these alternative arrangements, have they?

Mr Magor—They have their own government business enterprise which undertakes freight unloading, and they manage the operational business of that.

Senator CARR—It is a government owned company, is it?

Mr Magor—Yes.

Senator CARR—Have you heard reports of people who disagree with the Norfolk Island government having trouble getting their goods landed?

Mr Magor—I know from time to time that there are frustrations and delays depending on which way the wind is blowing, wave action and how quickly ships can unload.

Senator CARR—Whether or not goods end up in the water?

Mr Magor—I have not heard that, but I can imagine that would happen from time to time.

Senator CARR—Yes. It has been put to me that people who have trouble with the Norfolk Island government have trouble getting their goods landed, and while this urgent work is not being completed it makes it more difficult to get goods landed on the island. It would be a serious problem if you want goods landed.

Senator Ian Macdonald—The idea behind having two landing spaces—there is now only one—is that it depends on prevailing winds. It is all done by crane too. It is a very primitive system. It is not long ago that they used to boat them in; they still do.

Senator CARR—That is my point.

Senator Ian Macdonald—We have had lots of inquiries about this over the years, but the solutions are very difficult and very expensive. The Norfolk Island government, quite frankly, does not have the money to do some of the things that it needs to do.

Senator CARR—It gets to the point, once again, of citizens' rights.

Senator Ian Macdonald—Yes, you are right. I do not disagree with you, but it is the same with other areas—people talk about many Aboriginal communities; people talk about Queenslanders and their health system. You are absolutely right.

Senator CARR—We will have a look at that further. You will be able to give us a progress report on this project at the next estimates, presumably. How much Commonwealth money is involved with it, by the way?

Ms Varova—We have been allocated in the order of \$3 million for this.

Senator CARR—When was it due to be completed?

Ms Varova—It is expected to be completed in June 2006. That is the scheduled completion date.

Senator CARR—And you think you will still meet that?

Ms Varova—I believe it will depend very much on the views of the company that wins the tender. At this stage, all of our advice suggests that that is a feasible end date. However, if something arises that the engineers bring forward, then that obviously has to be taken into account.

Senator CARR—Are all the companies on the tender shortlist Norfolk Island companies?

Ms Varova—I do not know.**Mr Magor**—The tender is to the Norfolk Island government, and we are not involved in that part of the process at the moment.

CHAIR—I have very scant knowledge of Norfolk Island, but one of the curiosities I noticed over there was that at one stage a contract for refurbishment of the airstrip was won by a company that had a direct connection to a member of the government. I presume they have learnt from that lesson. I took the view at the time that, if it had happened on the mainland, they would be in jail. Do they have propriety so that members of the government cannot tender for this work?

Ms Varova—We would have to check whether there is any particular legislation.

CHAIR—Go back and have a look at the refurbishment of the airstrip.

Ms Varova—I know that they have a very robust tendering process. It is a quality tendering process, but whether they have specifically articulated in any policy—

CHAIR—Do they understand conflict of interest?

Ms Varova—Could I take that on notice?

CHAIR—You may do whatever you like.

Mr Magor—Senator Carr, I will add a bit of information to Ms Varova's answer about the cost of the pier refurbishment. I mentioned before that Patterson Britton had identified that a different engineering solution would be required. Part of that entailed an increase in the likely cost estimate for the project. The government has confirmed that it would make some additional funding available subject to the outcome of the tender process.

Senator CARR—Do you want to reveal that at this point?

Mr Magor—No.

Senator CARR—Because of commercial-in-confidence reasons? I can understand that argument.

Mr Magor—Because of the tender process.

Senator CARR—I would be interested to know, though, whether Commonwealth law or territory law applies to the awarding of Commonwealth funded tenders.

Mr Magor—I suspect that it would be Norfolk Island government law.

Ms Varova—The tender is occurring under the auspices of the Norfolk Island government. The Norfolk Island government is conducting the tender.

Senator CARR—But the Auditor-General would have an interest, wouldn't he, in the expenditure of Commonwealth money?

Ms Varova—No.

Senator CARR—The Auditor-General has no control over that?

Senator Ian Macdonald—Aren't they loans from the Commonwealth to the Norfolk Island government?

Ms Varova—No.

Senator CARR—This is a loan, is it?

Senator Ian Macdonald—No.

Ms Page—No, this is a grant.

Senator CARR—Senator Macdonald, that is the sort of the thing that is likely to interest me a great deal.

Ms Page—It is a grant because the pier is a Commonwealth heritage asset.

Senator CARR—Let me be clear about this. The Commonwealth makes a grant. This is a grant?

Ms Page—That is correct.

Senator CARR—A specific purpose payment?

Ms Page—It is a grant.

Senator CARR—I am wondering how the financial arrangements work. If the Commonwealth moneys were paid to a state government and corruption was demonstrated, then I would have thought Commonwealth law would apply. But you are saying that, in the case of Norfolk Island, Norfolk Island law would apply.

Senator Ian Macdonald—The grant is to whom?

Ms Varova—It is to the Norfolk Island government for the refurbishment of the pier. Perhaps I could explain further. The day-to-day management and operation of piers are the responsibility of the Norfolk Island government.

Senator CARR—Who owns the pier?

Ms Varova—The Australian government owns the pier.

Senator CARR—It is a Commonwealth asset. So we are talking about work on a Commonwealth asset to which you say Norfolk Island law applies.

Mr Magor—Under the Norfolk Island Act, the Norfolk Island government has a clear legislative responsibility for the maintenance of piers.

Senator CARR—Even if they are Commonwealth assets?

Mr Magor—That is right.

Senator Ian Macdonald—They are Commonwealth assets because they are heritage listed.

Senator CARR—That might be the case. I am just trying to establish whose laws apply to it, as a Commonwealth asset.

Ms Varova—Under the Norfolk Island Act, piers are a schedule 2 matter, and that is the responsibility of the Norfolk Island government.

CHAIR—Would it matter a dish to the Commonwealth if a company connected with a member of the government won the contract to refurbish it?

Ms Varova—In essence, in regard to the—

CHAIR—It would to me.

Ms Varova—running of its public service, the Norfolk Island government is responsible for the ethics that they demonstrate in all of their dealings and business.

Senator Ian Macdonald—I do not even know if they are still around; I am not mentioning names—

CHAIR—I know who you are talking about.

Senator Ian Macdonald—It is a very small voting community. There are about 450—

Ms Varova—Close to 2,000 in total.

Senator Ian Macdonald—About 450 people vote.

Senator CARR—How many people own boats?

Senator Ian Macdonald—They have a government with nine members, the top four elected of whom are ministers. It is a very close-knit community. I will just explain this to you. You really should get over there and have a look. It is fascinating.

Senator CARR—No, I—

Senator Ian Macdonald—What I am going to say is that, in history long past, the minister in charge of an area was a successful tenderer. But it was all done—conflict of interest—

CHAIR—It would be nice to think that they have come to mainland values. I can recall when I was there, Minister, I said to them, ‘If you blokes were on the mainland you would probably be in jail.’

Ms Varova—Could I give one more explanation that might clarify the matter when it comes to the application of legislation. When it comes to Commonwealth law, it applies to Norfolk Island only if it is expressly designed to do so. There is an interesting situation where all Commonwealth law does not apply to Norfolk Island.

Senator CARR—I have one other issue. Obviously there is much more to Norfolk Island than I expected. We may need further time at the next hearings to deal with this in more detail. I want to deal with one other issue, and I will put my other questions on Norfolk Island on

notice. The report refers to 129 crown leases that are being transferred to freehold this year. Is that right? Have I read that correctly? It is on page 131.

Mr Magor—Offers are being made in respect of the 129 crown leases.

Senator CARR—How many crown leases are there on the island?

Mr Magor—The crown leases that are being offered are residential and rural crown leases. There are different categories of crown lease on the island—special purpose leases, commercial leases and that sort of thing. I do not have a figure for the total number of leases.

Senator CARR—Can you give me a breakdown of what they are, please, on notice.

Mr Magor—Yes.

Senator CARR—And what the total area is. What area do the 129 that are now up for transfer cover?

Mr Magor—What area of land?

Senator CARR—What is the area?

Senator Ian Macdonald—While the officer is getting that, can I just help you. This was all about a philosophical approach to ownership of your own home on the island. It was something that I am proud to say I instituted when I was the minister. We tried to make Canberra land freehold, you might recall, a little while ago, but the Senate blocked that. We believe that people should own their own houses rather than having a crown lease. We were able to implement that on Norfolk Island. It sounds dramatic, but it is really converting long-term crown leases. They used to come up every 30 years, and as a government we thought philosophically that people should be able to own their own home in perpetuity rather than having the lease come up every 30 years.

Senator CARR—Is there any transfer of money involved in these transactions?

Mr Magor—Yes, there will be. One of the conditions of the transfer offer is that people pay a consideration.

Senator CARR—How much is that?

Mr Magor—It is 10 per cent of the 1996 unimproved value of the land, plus an administration charge of around \$260.

Senator CARR—Who did the valuation in 1996?

Mr Magor—The Australian Valuation Office, I believe.

Senator CARR—Did they go out to the island to do that?

Mr Magor—Yes.

Senator CARR—You are transferring land at 1996 values and for a fee of \$260—is that right?

Mr Magor—It is \$260 plus 10 per cent of the value.

Senator CARR—That is remarkable.

Senator Ian Macdonald—It is their own house that they have owned for ever. This is what I am trying to explain to you so that you do not run off on some great conspiracy theory. It is about people who have had crown leasehold. The government thought it was appropriate that they own that in freehold. I think that even 10 per cent is too high, but that was determined on best advice at the time. They will now have a freehold title to their land rather than a 30-year lease.

CHAIR—With the western land leases in the Western Division or the crown lands leases in New South Wales, you can convert them. There was a restriction on western land leases—who could buy and sell them. Are there restrictions on the crown leases or whatever the leases are on Norfolk Island that will eventually free up the market when they become freehold? Can I go and buy a house on Norfolk Island?

Mr Magor—Currently you cannot purchase one of those leases, because there is a moratorium on lease trading while these land transfers take place. After that, it is a matter of the Norfolk Island government's own regulatory regime in relation to land and whether or not they will permit any further subdivision.

CHAIR—So with the system of title over there—this is just a curious mind at work here—do some individuals own many of these leases? In other words, do they sublease them to the people who are in the houses?

Mr Magor—I am not sure.

CHAIR—That would be an interesting question for you to get the answer to.

Senator Ian Macdonald—Again, my updated knowledge is that it is like any community: some people would own two or three but with most of them they own their own leases.

CHAIR—I presume that if this frees up the block of land from a very restricted market to a global market, we are talking about big dollars.

Senator Ian Macdonald—Again it is up to the planning authorities. I think the Norfolk Island government have a quaint rule about who can own what on the island.

CHAIR—The problem will concern once again the direct connection to the few people that run the show and what their own vested interests might be. I presume that someone has had a look at that or, if they have not, will after this hearing.

Senator Ian Macdonald—This was not their initiative. Even if your mind is—

CHAIR—Too curious.

Senator Ian Macdonald—Even if you have that conspiracy theory—even if that is where you are going—the decision was not made by the Norfolk Island government; the decision was made by the Australian government. It was on the basis of the philosophy that people should be able to have freehold.

CHAIR—Which, by the way, is the philosophy for leases with the New South Wales government. They convert them to freehold.

Senator CARR—But they do not restrict them to people who can actually—

CHAIR—We are going to run out of time here.

Senator CARR—I know. I would just like to know how much money is anticipated. What is the aggregate amount that is expected on this?

Mr Magor—The total amount of consideration that is anticipated is roughly \$400,000. The specific figure I have here is \$386,000. That is if the offer of transfer is accepted for all 129 leases.

Senator CARR—Do you have any comparison with private transfers of land on the island in the last three years, say? Do you have any valuations at all based on contemporary values?

Mr Magor—No.

Senator CARR—So you have no sense of the average price of land on the island?

Mr Magor—As I said, there has been a moratorium on lease trading for the last four years.

Senator CARR—So there is no private land at all?

Mr Magor—There is also freehold land on the island.

Senator CARR—What is the average price of freehold land at the moment?

Mr Magor—I would need to take that on notice.

Senator Ian Macdonald—I would say it would be a falling market.

Senator CARR—I will come back to that.

CHAIR—Thanks very much for that.

Senator CARR—I have quite a few others to go.

CHAIR—I am sure you have.

Senator CARR—I understand that there is something on Christmas Island. Is that right?

Senator MILNE—I want to ask some questions in relation to Christmas Island. A couple of years ago, a number of things going on on Christmas Island—namely, the fire ant threat to the natural ecosystem, the construction of the detention centre, the possibility of a space centre, the request at the time for an increase in mining leases, and management of the national park—led the government to say that it would do an integrated assessment and plan for Christmas Island. Basically each of these developments cut across one another in terms of planning issues, access issues and so on. First, I want to ask whether the integrated plan for Christmas Island was ever completed. Also, what consultation was there around the plan, has it been released, and are there any details about the plan?

Ms Varova—I will have to take that on notice. I am not aware of any broad integrated plan for Christmas Island, if you are talking about an environmental plan. There are specific heritage plans—for example, the Parks Australia organisation does have a management plan for the park itself.

Senator MILNE—No, that is not what I meant.

Ms Varova—I will have to take that on notice. Perhaps it is something that was discussed before we took over responsibility, but I will provide information.

Senator MILNE—It may have been, but the government certainly announced their intention to develop an integrated plan for the island simply for the very reason you have just

stated: every different authority had its own plan but, because they cut across one another, the idea was to develop an integrated plan for the island. So I wondered where that had got to and what had happened about it. So you will take that on notice.

Ms Varova—I will do that.

Senator Ian Macdonald—Could you help us. About when was that and who announced it?

Senator MILNE—It was probably at least two years ago. It was about the time that a space station was under discussion.

Senator Ian Macdonald—It would be more than two years ago.

Senator MILNE—Three years, maybe.

Senator Ian Macdonald—No, that was all when I was the minister. That was five years ago now.

Senator MILNE—I will have a look.

Senator CARR—The space station is still under discussion.

Senator MILNE—I will come to that in a moment, Senator Carr.

Senator Ian Macdonald—If you could give a reference that would guide the officers in their search to try and find the answer to your question.

Senator MILNE—Certainly, I will do that. Now if I can come to the detention centre. Can you indicate what the current situation is with the detention centre on the island. Is there anyone currently resident there? How many units were built in addition to the detention centre? How many of those are occupied?

Ms Varova—When it comes to the detention centre, that is a matter for the Department of Immigration and Multicultural and Indigenous Affairs. When it comes to the construction of the new detention centre, that is a matter for the department of finance.

Senator MILNE—So you do not know what the situation is with the detention centre in any shape or form.

Ms Varova—I am aware that the detention centre is empty at the moment. I do not believe that there is anybody there. However, it is not within the ambit of our responsibility, so I could not give you firm details on any of that.

Senator MILNE—Okay, can we go to the mining leases. Do you have responsibility for those?

Ms Varova—Yes.

Senator MILNE—Can you tell me whether any land swaps have occurred with the national park to exchange land inside a national land for phosphate leases in the last couple of years, or at least the last 12 months?

Ms Varova—I would have to take on notice whether any of that is concluded. I understand the mine is negotiating with the Department of the Environment and Heritage on that issue. We are not involved in that negotiation. They are working through land swaps. I am aware of

that. But I would have to come back to you on whether there is a conclusion after consulting with the relevant department.

Senator MILNE—Would you mind also checking to see whether any new mining leases have been granted in the last year.

Ms Varova—I am not aware of any new mining leases being granted.

Senator MILNE—Senator Carr has informed me that the space centre is ongoing. I had assumed that it was not ongoing. Can you give me any information in relation to what the current situation is with the space centre?

Ms Varova—There is no change in the current situation, as far as I am aware. I do not believe there has been any progress on that front.

Senator MILNE—So what is the current situation?

Ms Varova—Again, that project is the responsibility of the department of industry. We are not responsible for managing that project.

Senator CARR—You are responsible for the joint facilities, though, aren't you?

Ms Varova—For common use infrastructure on the island, yes. But the project itself is a matter for the department of industry.

Senator MILNE—So when you tell me that you do not know anything about the detention centre, I am unclear—you are responsible for Commonwealth infrastructure. Is that not Commonwealth infrastructure?

Ms Varova—The department of finance is responsible for the construction of the detention centre.

Senator MILNE—I am assuming also, then, that the whole fire ants program is not your responsibility either.

Ms Varova—Again, that is the Department of the Environment and Heritage. Relevant portfolio, bodies and departments look after and take responsibility for the relevant functions on the island.

Senator MILNE—And is it the same with the airport extension?

Ms Varova—The airport extension is our responsibility.

Senator MILNE—What can you tell me about that?

Ms Varova—It is not yet proceeding. It is dependent on the Asia-Pacific Space Centre project moving forward. That was part of the agreement relating to common use infrastructure. Until the milestones of the Asia-Pacific Space Centre project and agreement are met, we are not in a position to proceed with construction of the upgrade. We have done a little preparatory work on feasibility et cetera, but that is all.

Senator MILNE—Has the preparatory work shown what the projected cost, the ballpark figure, of the extension of the airport for the Asia-Pacific Space Centre project is?

Ms Varova—That would be a matter for a tender process.

Senator MILNE—So you have not got a ballpark figure?

Ms Varova—My understanding is a ballpark figure is around \$40 million, but that is very much a ballpark figure—

CHAIR—A brave call!

Ms Varova—and one does not know at all what the costs might be until the design is complete, the tender is complete.

Senator MILNE—So we can assume from what you are saying that the whole reason for being for the airport extension is to do with the space centre and nothing else?

Ms Varova—That was the original agreement, yes; that is correct.

Senator MILNE—Is the space centre a joint Commonwealth and private sector facility, or a private sector facility only?

Ms Varova—It is my understanding that it is a private sector facility.

Senator MILNE—So the \$40 million is a direct subsidy.

Ms Varova—No. I could not go into the detail of the arrangement between the Commonwealth and the APSC. As I said, that is a matter for the department of industry. However, there was an agreement that there would be an upgrade of certain infrastructure, and that was a matter for the government at the time deciding on the whole package. No, I would not call it a subsidy.

Senator CARR—You probably should know a number of milestones have been met with regard to the space centre—or, as the Russians call it, the cosmodrome. The contract was with the Russian government, wasn't it?

Senator MILNE—Yes, I know.

Ms Varova—I am not in a position to give you advice specifically on the contract requirements or the delivery against those requirements by the APSC.

CHAIR—Senator Carr, just control yourself and let Senator Milne—

Senator MILNE—No, that is all right.

Senator CARR—I was just trying to help.

Senator MILNE—That is fine. From what you are saying, we do not know at what point the contract may become null and void because of a failure to reach the performance milestones?

Ms Varova—It is a matter for the relevant department and minister.

CHAIR—Senator Carr, this may not have been a demotion; your new shadow portfolio may have been a promotion.

Senator CARR—You think so? I always look upon it in those terms.

CHAIR—Does the Kremlin come under your portfolio? You may continue.

Senator Ian Macdonald—There are a couple of people over on the island you would like to meet.

Senator CARR—This is a pretty straightforward question. What involvement has the department had with the sea change task force?

Mr Beresford-Wylie—The department has had at least one meeting with the person who has been employed by the National Sea Change Task Force to draw up its report on sea change issues. This is an issue which minister Lloyd placed on the agenda for the most recent meeting of the Local Government and Planning Ministers Council, and to that extent the department has had a dialogue with the sea change task force.

Senator CARR—But the dialogue consists of one meeting?

Mr Beresford-Wylie—We have received information from the Sea Change Task Force about the issues which they believe are of concern in terms of sea change councils. Those issues were discussed at a meeting of the Local Government Joint Officials Group, which supports the ministerial council in the lead-up to that state council meeting. I had a meeting with, as I said, the person who is handling the research for the Sea Change Task Force. That meeting would have been around about a month ago, and there will be an ongoing discussion.

Senator CARR—So that is two meetings?

Mr Beresford-Wylie—That was the same meeting.

Senator CARR—So just one meeting?

Mr Beresford-Wylie—That is correct.

Senator CARR—So it is not a very high priority for the department?

Ms Varova—It is not a matter of priority. There is an interest, obviously. However, most of the responsibilities related to the sea change phenomenon, if we can put it in that way, are issues relating to planning et cetera. Obviously they are predominantly and primarily state and territory responsibilities.

Senator CARR—I notice that the Commonwealth minister announced his intentions to strip local councils of development powers in order to protect Australia's coastlines. On 24 July this year, there was a statement issued, and you will find the quotes in a *Sunday Telegraph* article headlined 'Howard wants control over all coastal planning'. Senator Ian Campbell's plan was to include an integrated approach on planning issues relating to coastal regions. I am wondering what consultation there was with the department of local government on these bold proposals.

Ms Varova—You might have to request advice from Senator Ian Campbell on his comments and subsequent actions. From our perspective, the government's policy is quite clear: when it comes to planning issues, they are responsibilities of states and territories. I understand from Minister Lloyd that his intention in putting it on the agenda of the Local Government and Planning Ministers' Council was purely to ensure that there was an opportunity at that meeting for ministers to exchange information and ideas about what was happening in each jurisdiction and how the matter was being handled more broadly.

Senator CARR—I appreciate the confusion you have on this matter, because I was not aware there had been any formal processes within government to change this position. Am I

right on that? Has there been a formal position within government for the Commonwealth to strip local councils of development powers?

Ms Page—We do not have responsibility for planning and development issues, so I do not believe it is appropriate for the department—

Senator CARR—But you do have responsibility for local government?

Ms Page—We have responsibility for distributing financial assistance grants to local government.

Senator CARR—So I take it you have not been consulted on any possible legislative proposals to support this initiative?

Ms Page—I do not believe so.

Ms Varova—And we would not be in a position to tell you if we were.

Senator CARR—That you are being consulted?

Ms Varova—We have not been involved in anything of that nature.

Senator CARR—So you are not aware of these statements?

Ms Varova—Of course we are aware of the statements.

Senator CARR—But you have not been involved in any discussions that led to these statements being made?

Ms Page—I do not think it is appropriate for us to talk about policy announcements made by ministers.

Senator Ian Macdonald—Particularly not by ministers not in this portfolio.

Senator CARR—But on the contrary, if it is directly related to responsibilities for local government—

Senator Ian Macdonald—Well, it is not. The Commonwealth department of local government does not have any town planning or regulatory or land management roles.

CHAIR—No, it processes the cheque.

Senator CARR—I get the feeling that Senator Ian Campbell might be on his own with this one.

Senator Ian Macdonald—Senator Ian Campbell is never on his own. He is a great minister and totally supported by the government in all he does.

Senator CARR—He seemed to be on his own with that heritage issue in regard to mountain cattlemen. I thought that was pretty much on his own. Is this another cowboy routine he has engaged in?

Senator Ian Macdonald—I thought he did very well on that—

Senator CARR—Except that he had to completely back down.

Senator Ian Macdonald—as he is doing with whales, as he is doing with climate change.

CHAIR—Senator Carr, while we enjoy the banter, we are running out of time. I am feeling sorry for Kate Lundy, because she always has some deep and meaningful questions on the national capital.

Senator CARR—She does and we are about to get to that. Can I ask about waterskiing on like Burley Griffin? Is there someone here who can help me with this issue?

CHAIR—We will move to the National Capital Authority. Thank you very much to Territories and Local Government.

[10.21 am]

National Capital Authority

Senator CARR—I welcome officers from the National Capital Authority. I look forward to working with you.

CHAIR—He wants to know if you have been waterskiing on Lake Burley Griffin!

Ms Pegrum—Not personally.

Senator CARR—I would like to know about waterskiing on Lake Burley Griffin. Are you the officers responsible for that?

Ms Pegrum—Yes we are responsible for the management of Lake Burley Griffin as national land and an administered asset of the Commonwealth. Recently we have been considering a new recreation policy for the lake, which is part of a suite of documents that have covered water abstraction and water quality management. In fact, we have recently released that recreation policy. Part of that was the establishment of a lake users group that came out of a lake forum about 12 months ago. One proposal that was put before us was by the ACT WaterSki Association to allow for their waterskiers to train on the lake. The trial, which begins today, is a response to that proposal. There was a great deal of discussion about where exactly in the lake the trial should be permitted.

CHAIR—On the bank!

Ms Pegrum—Thank you for that—that was not considered.

Senator CARR—Whereabouts is it being undertaken?

Ms Pegrum—It is in East Basin. It is adjacent to Kings Avenue Bridge.

CHAIR—But on the eastern side?

Ms Pegrum—It is on the eastern side of the lake.

CHAIR—Is that where the canoeists go?

Ms Pegrum—I believe there may be some canoeists through that area.

CHAIR—The answer is no—I could see a head nodding.

Ms Pegrum—I will ask Peter Byron, who has put the trial together, to come to the table. Whilst Peter is coming to the table I should point out that is a highly controlled trial. We are allowing one boat and one skier on the lake at any one particular time.

Senator CARR—On one leg!

Ms Pegrum—They are members of the ACT WaterSki Association. It is not for the general public.

Senator CARR—I see. So this is an elite sport, is it?

Ms Pegrum—That will include some elite training. It is certainly not just for anyone in the public to go out and ski on the lake at any time in an uncontrolled environment.

CHAIR—I will have a pound to a peanut with you that within a few years every man and his dog will be out there on skis.

Ms Pegrum—They would not be able to legally without a permit by us.

CHAIR—I will bet you that gradually the amenity of the whole area will get destroyed. They will eventually say, ‘If it is good enough for them, it is good enough for me.’ And politics being politics—

Ms Pegrum—I do not think I am permitted to comment on that at Senate estimates.

Senator CARR—When will the trials be completed?

Ms Pegrum—I think we are allowing four months.

Senator CARR—There will be four months of this?

Mr Byron—Yes, it is a four-month trial.

Senator CARR—And when will the jet skis start up?

Mr Byron—We do have a jet ski event booked. We have a number of powerboat events each year on Lake Burley Griffin, but there is no open slather—

Senator CARR—The jet skis are not part of the trial?

Mr Byron—They are not part of the trial, no.

Ms Pegrum—Jet skis are not generally permitted on the lake without a permit either.

Senator CARR—So they will be eventually allowed as part of the project?

Ms Pegrum—We are not considering that at the moment. We have said in the new policy that powerboat events will be considered on merit. They are usually major events, like the jet ski one that Mr Byron has referred to. There is no proposal at this time to uplift the requirement for permits for, say, just the public to access the lake on jet skis.

Senator CARR—Who will be consulted about this trial?

Ms Pegrum—The trial has been put together in consultation with the lake users group. The consultation stakeholders include the Boat House by the Lake restaurant; Clare Holland House hospice; Capital Lakes Rowing Club; the Land Development Agency, which has an interest in the Kingston foreshore redevelopment; the Burley Griffin Canoe Club; the Canberra Model Boat Society; Environment ACT and the Environmental Protection Authority; the Canberra Ornithologists Group; and the lake users group members as well.

Senator CARR—No fishing groups?

Mr Byron—Fishing groups are part of the lake users group.

CHAIR—If I buy a penthouse at the new foreshore and I have plenty of money and plenty of wherewithal to go with it, do you think I would be allowed to moor my boat out the front there eventually?

Ms Pegrum—We do not have control of the Kingston foreshore redevelopment but we do of the lake edge. They are proposing a harbour as part of their considerations. But their boats would be subject to exactly the same—

CHAIR—What will these boats that are tied up in this proposed ‘harbour’—because it sort of goes with the ‘penthouse’—do? Will they just stay tied up, or will they roar around the lake too?

Ms Pegrum—We would not be able to give them a permit for a powerboat on the lake.

CHAIR—I will have another pound to a peanut with you on that one that in a few years time they will be.

Ms Pegrum—We will wait first to see what the response is from Kingston foreshore in relation to the water ski trial, obviously.

CHAIR—Money speaks the loudest.

Senator CARR—What effect will this trial have on aquatic life? Will that be assessed at all?

Ms Pegrum—That is part of the assessment, particularly through Environment ACT.

Mr Byron—Yes, that is correct.

Senator CARR—When will the evaluation be released publicly?

Mr Byron—Following the trial. We should be able to release that fairly soon after the trial.

Senator CARR—So in four months?

Ms Pegrum—At the latest, but I imagine that the lake users group will want to see progressive information on this. We would have no reason not to make that available publicly.

Senator CARR—Can I ask you about shopping at the airport?

Senator MILNE—Just on this, it is a trial for one boat and one skier. Supposing the trial is deemed to be successful, what is the proposition about the number and the frequency of events, people and boats?

Ms Pegrum—As I understand it—and Mr Byron will correct me if I am wrong—it is only intended that if the water ski trial, for example, shows a positive outcome it would continue with the ACT WaterSki Association for training of their members only. The same considerations as with the trial would continue to be in force; that is, at any one time, one boat, one skier at particular times of the day and at prearranged times associated with other water events. Separate from that is the issue of powerboat events on the lake, and each of those are considered separately on their merit, as with any other event—be that on the lake or on land. Associated with that, one key component is a risk management strategy and plan being provided to the authority for consideration.

CHAIR—How does this interact with the present skiing area?

Ms Pegrum—Do you mean up on the Molonglo Reach itself?

CHAIR—Yes. Does this area run out and join up to that?

Ms Pegrum—No, it does not. It is right down the other end of East Basin.

CHAIR—So you can give the people of Australia a cast-iron guarantee, can you, that over the next 50 years there will not be any more than one skier on one boat?

Ms Pegrum—I certainly could not do that. I may not be the person. I may not even be alive then.

CHAIR—Just to complete the equation, I will bet you the other way; I will put money on the other side of the argument. Are there plans to have a nice marina so that the wealthy penthouse holders et cetera in the new development there can have champagne on the wharf?

Ms Pegrum—I could not say whether it is designed for champagne on the wharf. I know there is a harbour being considered. Whether it is primarily recreational for boats—

CHAIR—So these boats are not going to intrude on the atmosphere or the dignified look across from here to the War Memorial?

Ms Pegrum—Their boats would be subject to exactly the same controls as anyone else's under the Lakes Ordinance considerations, which we administer.

CHAIR—So if they had a big, powerful ski boat tied up there, you would not let them use it?

Ms Pegrum—That is correct.

CHAIR—What would you allow them to use—sailboats?

Ms Pegrum—At the moment sailing boats are permitted in the lake or on the lake. There are issues with the height of masts associated with sailing boats, so you mostly get—

CHAIR—I can understand that, if you want to keep the mast.

Ms Pegrum—You will mostly get sailing in West Basin, because the tall yacht masts—I am not a sailor, but I am advised—have to be lowered to go under the bridge. So you get the small boats in Central Basin.

CHAIR—That would make sense, yes.

Ms Pegrum—There is rowing, canoeing and kayaking. They are the primary uses for boats on the lake.

CHAIR—So the question really is: will the boat harbour be confined to non-power boats?

Ms Pegrum—The boat harbour would have exactly the same provisions as any other area of the lake, and at the moment that would restrict powerboats.

CHAIR—What does 'restrict powerboats' mean?

Ms Pegrum—That means you cannot use powerboats without a permit. The only powerboats—and again I will be corrected—are those associated with support for sailing events, used for emergency purposes or used by the water police.

Mr Evans—Perhaps I might add to that. There is an existing boat harbour which has operated in that area for some time.

CHAIR—Yes, I am aware of that.

Mr Evans—It has been a working boat harbour from which boats which are used to maintain the lake, which includes a variety of boat types, have operated over the years. My understanding is that the intention is that the boat harbour will be retained for that purpose. If there were other purposes in terms of the mooring of recreational boats, as Ms Pegrum has said, they would be confined to the types of boat classes that are currently approved. If, for example, a boat required for maintenance or other operational requirements was to be moored there, that would still fit within the requirements.

CHAIR—Anyhow, we are coming to the end of our session. I will look with keenness to see—

Senator CARR—I have a few questions.

CHAIR—I know—about whether money does speak all languages.

Senator CARR—I think you may well be right. Can I ask about the shopping facilities at Canberra airport. What was the process for the approval of the development of Canberra airport?

Ms Pegrum—As you know, Canberra airport was leased through the Department of Transport and Regional Services when the Airports Act was put in place. The Airports Act requires that particular airport, unlike others, to also be subject to works approval by the National Capital Authority because it is in a designated area of the capital. That means that clearly it is deemed to have the special characteristics of the national capital as a primary gateway to the capital. In the first instance, a master plan is approved by, I think, the minister for transport. I am sure they will correct me if I am wrong. That master plan cannot be enacted in a way that is inconsistent with the National Capital Plan. The National Capital Plan includes provisions for the airport associated with land use. Each of the development applications for physical works at the airport comes before us for works approval.

Senator CARR—Was the NCA consulted about the approval of a discount goods warehouse?

Ms Pegrum—A direct factory outlet?

Senator CARR—Yes.

Ms Pegrum—That was put before us for approval and we gave works approval to that outlet. We are just checking the exact date, but it was recent; it was this calendar year.

Senator CARR—Who did you talk to before you gave the approval?

Ms Pegrum—The approval was lodged in the way any works approval would be lodged. Because this one related to a retail land use, and retail land uses are restricted in terms of the square metre area that can be leased to a particular retail proprietor, it went before the National Capital Authority itself—before what most people refer to as the board, although it is a statutory authority.

Senator CARR—When did the board approve this?

Ms Pegrum—I believe the board had recommendations put to it on two occasions.

Mr Huda—It went to the authority in June for consideration. Two applications were lodged: one for the infrastructure works and the other for the factory outlet centre, with associated landscaping. We approved the infrastructure works for the precinct—for the whole of the precinct at the airport—on 7 June 2005. We approved the factory outlet centre, with its associated landscaping and site-servicing works, on 6 July 2005.

Senator CARR—Were there any objections to this proposal?

Ms Pegrum—These proposals are works approvals so they are not subject to public notification under our act.

Senator CARR—So there is no public notification.

Ms Pegrum—There is no public notification for works applications to the authority other than those in standard residential areas, relating primarily to what is known as the Deakin-Forrest area.

Senator CARR—Who did you talk to about traffic management, for instance?

Ms Pegrum—The primary considerations in these are the provisions of the National Capital Plan, which is a plan that belongs to the Parliament of Australia. The primary consideration for that is in relation to the retail hierarchy. There were issues associated with the roads, and I believe there are roadworks associated with this, outside the airport, which the airport is funding.

Mr Huda—That is right. We did certainly consult with the ACT Department of Urban Services, Roads ACT, who manage the access road, which is Majura Road, which gives access to the precinct. The traffic consultants working for the proponent had discussions with Roads ACT in getting an approval for two roundabouts that were to be built as part of the site access to the precinct.

CHAIR—Have you been down there at half past eight in the morning?

Mr Huda—No.

CHAIR—It is about equivalent to Broadway in Sydney; it is a bloody mess.

Mr Huda—In terms of traffic consideration, we would have to rely on the managers of the road, which is Roads ACT.

CHAIR—But they probably do not use it.

Ms Pegrum—They are responsible for the administration of those roads.

CHAIR—Take a run down there.

Senator CARR—When did you approach Urban Services?

Ms Pegrum—Prior to giving the works approval.

Senator CARR—When?

Ms Pegrum—I would have to go back to the dates and give those on notice.

Senator CARR—Did they have the capacity to say no to this project?

Ms Pegrum—They have the capacity to give their advice; they do not have the capacity to say no to a development approval. Their information is made available to our delegates. On this occasion, it was part of the consideration that the board—and bear in mind that I am using ‘board’ in the colloquial sense; it is in fact an authority under the act—

Mr Huda—One point that I need to mention is that the road itself is territory road; it is located outside the designated area. That means that any infrastructure works within the road reservation, like the two roundabouts, would have to be approved by the ACT government—would have to be approved by Roads ACT.

Senator CARR—Sure. But this problem is occurring all over the country. DFOs are being established. There is traffic chaos around the airports as a result of approvals being made without any effective intervention by local authorities. Basically what you are saying is that you make the decision; you might well tell them but they have no capacity to stop the decision.

Mr Huda—In this particular case, we did certainly consult with Roads ACT to get confirmation from them that the proposal—the factory outlet centre—would not create any traffic problem and that the roads have the capacity to cater for that development.

Senator CARR—On what dates were those consultations had?

Mr Huda—I will have to come back to you with the dates.

Ms Pegrum—Senator, because of your comment about the general issue with airports, I would make a comment which I think is important for the committee to understand. This airport is different from others to the extent that it requires a development approval—called a works approval under our act—from the authority. Other facilities in other parts of the country do not require that. They merely require what I think is called the airport controller, under the Airports Act, considerations. Issues like good neighbour approaches are used in other parts of the country. For development within the airport in Canberra, you are correct: we are the only agency that gives approval in Canberra. For development outside the airport, such as the roads, we are required to consult, because any changes to those roads would require the approval of the territory government, as was the case in this scenario.

CHAIR—Can you table any traffic flow report flowing from that?

Ms Pegrum—We can table what advice we received from the territory and I can ask the territory government whether they would like to provide you with anything additional.

CHAIR—Come for a drive with me at half past eight in the morning, and I will demonstrate that whatever you decided, and whatever they decided—I will not say what I really think it is—does not work; it is a disgrace.

Ms Pegrum—I can only take that as noted.

CHAIR—For the love of me, why are they building double carriageway and single carriageway bridges on whatever they call that new road that goes up over the top? It is one of those great mysteries in life. The bottom line is: it does not work.

Ms Pegrum—Part of the roads I think you are referring to are the Majura Road and the Majura Parkway. These are territory roads, and they are looking at them in the context of their broad transport strategies for the capital.

CHAIR—I hope they are listening, because those roads do not work. They are a disgrace.

Ms Pegrum—I can only pass that on to the territory.

CHAIR—Come for a drive with me and I will prove it. We will have sandwiches down by the lake!

Senator CARR—Why did you approve the outlet?

Ms Pegrum—The application was lodged. We found it to be consistent with the National Capital Plan. As part of that, we looked at the retail hierarchy for the capital under the plan.

Senator CARR—In the process of approving that plan, did you consult with only the transport people?

Ms Pegrum—Primarily.

Senator CARR—Did you discuss it with anybody else in the territory?

Ms Pegrum—I think it was primarily with the Department of Urban Services.

Senator CARR—So, effectively, the developer came along, dropped this on the table and you said yes to it.

Ms Pegrum—I do not think that would describe the process at all. There was very careful consideration given to the considerations under the National Capital Plan for the retail hierarchy.

Mr Huda—There are a range of policies in the National Capital Plan. Considerations that we gave, which were consistent with the policies of the National Capital Plan, include whether it was consistent with the land use policies of the National Capital Plan. There are very strict requirements for land use policies. It talks about retail establishment outside the terminal building. If it is not associated with primary use, it is to be limited to 500 square metres per establishment, so you cannot really have large, bulky goods retailing type activities. This was a very specific proposal that was considered on merit as to whether it complied with the land use policies.

We considered it against the design and siting conditions. There is a good set of conditions in the National Capital Plan that the proposal had to meet. We assessed it against the hierarchy of centres. As you know, in the ACT there is an established hierarchy of employment centres. It had to thoroughly meet those requirements to say that it does not undermine or impact on the retail hierarchy of centres in the ACT. We considered it against the transport and infrastructure policies that are in the National Capital Plan. As part of that, we consulted with Roads ACT. There are specific car parking provisions that the proposal had to meet. Then there are environmental and heritage considerations of the National Capital Plan that the proposal had to comply with. We thoroughly took it through a very rigorous process.

Ms Pegrum—I would be happy to table the authority's decision in regard to that so that you can see the considerations that were taken into account.

Senator CARR—Thank you; I would appreciate that. I understand that there are a number of other projects that the Capital Airport Group will be seeking approval for.

Ms Pegrum—That is correct.

Senator CARR—Do you have a list of those?

Ms Pegrum—I think our planning unit could tell us what has already been received. We could identify for you those that might be received, but until we actually receive an application we cannot be assured of what is coming forward. Perhaps the most comprehensive notion of where the airport is headed is the approved master plan.

Senator CARR—Do you intend to follow the same processes that you have for the direct factory outlet project?

Ms Pegrum—That is correct.

Senator CARR—That is now the template?

Ms Pegrum—We have a statement of reasons each time we make a consideration, particularly where we are making considerations over a range of provisions in the National Capital Plan.

Senator CARR—Is it just coincidental that this same development is occurring everywhere around the country at airports?

Ms Pegrum—I do not think that that would be coincidental. I think airports are being looked at broadly. They are a significant issue not only in Australia but overseas as well. The nature of business at airports has been changing and growing, and I think this is simply a reflection of that.

Senator CARR—It is a retail outlet.

Ms Pegrum—It is a direct factory outlet.

Senator CARR—It is a retail outlet, isn't it?

Ms Pegrum—Yes, they are retail outlets.

Senator CARR—What involvement was there with other levels of the Public Service on this issue? Has there been any coordinated response across the Public Service on these matters?

Ms Pegrum—No. From our point of view, our consideration is a works approval. It is not about whether or not there should be particular types of development but whether or not developments before us comply with the National Capital Plan. It is a regulatory decision that we are taking, which is different to the situation at any other airport.

Senator CARR—Did you receive any advice from any other sections of the Public Service?

Ms Pegrum—Not to my knowledge.

Mr Huda—Not to my knowledge either.

Ms Pegrum—But we did take into account things like the percentage of retail and evidence in relation to how much retail there was in other areas in the town centres with respect to the retail hierarchy. That is public information.

Mr Huda—To give you an idea, by the time it is finished in 2008, which is the expected date of completion, it will be about one per cent of the total retail of the ACT—14,900 square metres.

CHAIR—Are you going to come for a drive with me one morning at half past eight?

Ms Pegrum—I think I have actually driven around there on my way to the airport, so thank you.

CHAIR—So you do not want to come for a drive. But can I say that it is a serious problem. I do not know who is going to fix it. The cars literally move three at a time and are blocked in that main area. To get to the airport at that hour of the morning is a big task. With the retail, that will probably put some of the off-peak load on the road. That may make some sense. But I want to know who is going to fix the road, because it does not work.

Ms Pegrum—I can only note your comments. As I said, these are territory roads

CHAIR—I guarantee you that I will pursue it for you.

Proceedings suspended from 10.46 am to 11.02 am

AGRICULTURE, FISHERIES AND FORESTRY PORTFOLIO**Department of Agriculture, Fisheries and Forestry**

Senator the Hon. Ian Macdonald, Minister for Fisheries, Forestry and Conservation

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

Executive

Ms Joanna Hewitt, Secretary

Mr Don Banfield, Deputy Secretary

Mr Peter Yuile, Deputy Secretary

Mr Daryl Quinlivan, Deputy Secretary

Dr Gardner Murray, Chief Veterinary Officer and Special Adviser

Management Services and Corporate Governance

Mr Bill Pahl, Chief Operating Officer, Management Services

Mr Allan Gaukroger, Chief Financial Officer, Management Services

Mr Peter Moore, Budgets Manager, Management Services

Food and Agriculture

Mr David Mortimer, Executive Manager, Food and Agriculture Division

Mr Richard Souness, General Manager, Food Policy and Safety

Mrs Sally Standen, General Manager, Meat, Wool and Dairy

Mr Russell Phillips, General Manager, Crops, Wine and Horticulture

Mr Tim Besley, Chairman, Wheat Export Authority

Mr Glen Taylor, CEO, Wheat Export Authority

Ms Robyn Kemp, Corporate Governance, Wheat Export Authority

Mr Kyle Thomas, Senior Manager, Communications and Corporate Support, Wheat Export Authority

Biosecurity Australia

Mr John Cahill, Chief Executive

Dr Bill Roberts, Principal Scientist

Mr Stephen Prothero, General Manager, Biosecurity Development and Communications

Ms Louise van Meurs, General Manager, Plant Biosecurity

Dr Robyn Martin, General Manager, Animal Biosecurity

International

Mr Paul Morris, Executive Manager, International Division

Mr Craig Burns, Executive Manager, Free Trade Agreements

Dr Sarah Kahn, Technical Market Access Specialist

Dr Dennis Gebbie, Chief International Agricultural Adviser

Dr Melanie O'Flynn, General Manager, International Technical

Ms Nicola Gordon-Smith, General Manager, International Trade

Product Integrity, Animal and Plant Health

Mr Steve McCutcheon, Executive Manager, Product Integrity, Animal and Plant Health Division

Mr Bob Biddle, 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 Dean Merrilees, General Manager, Animal and Plant Health Policy

Mr Allen Grant, General Manager

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

Australian Quarantine and Inspection Service

Mr Peter Yuile, Executive Director, Australian Quarantine and Inspection Service

Mr Greg Read, Executive Manager, Exports and Animal Programmes

Ms Jenni Gordon, Executive Manager, Quarantine and Plant Programmes

Dr Narelle Clegg, Acting National Manager, Animal Programmes

Ms Caroline Martin, Principal Policy Advisor, Technical Standards Branch

Mr Peter Liehne, National Manager, Plant Programmes

Ms Cathy Cox, National Manager, Business Strategy

Ms Helen Banks, Chief Financial Officer, Business Strategy

Mr Richard Shutt, Acting Corporate Accountant, Business Strategy

Mr Tim Carlton, National Manager, Food Exports

Dr Ann McDonald, General Manager, Technical Standards

Dr John Langbridge, Fields Operations Manager, Technical Standards

Mr Robert Murphy, National Manager, Cargo Management

Dr Andy Carroll, National Manager, Border Group

Ms Helen Gannon, Airports Manager, Borders Group

Mr Graham Turner, Regional Manager, Australian Quarantine and Inspection Service New South Wales

Mr Hendrik Immonen, Acting Program Manager, Import Clearance

Australian Bureau of Agriculture and Resource Economics

Dr Brian Fisher, Executive Director, Australian Bureau of Agriculture and Resource Economics

Bureau of Rural Sciences

Dr Cliff Samson, Executive Director, Bureau of Rural Sciences

Dr Colin Grant, Deputy Executive Director, Bureau of Rural Sciences

Rural Policy and Innovation

Mr Ian Thompson, Executive Manager, Rural Policy and Innovation Division

Mr Simon Murnane, General Manager, Science and Economic Policy

Ms Anne McGovern, Acting General Manager, Rural Support and Adjustment

Mr Matt Koval, General Manager, Drought Task Force

Mr David Williamson, General Manager, Rural Policy and Innovation

Fisheries and Forestry

Dr John Kalish, Acting General Manager, Fisheries and Aquaculture

Mr John Talbot, Manager, International Fisheries, Fisheries and Aquaculture

Mr Garry Grant, Acting General Manager, Forest Industries

Mr Russell James, General Manager, Fisheries and Marine Environment

Mr Richard McLoughlin, Managing Director, Australian Fisheries Management Authority

Dr Nick Rayns, General Manager, Fisheries, Australian Fisheries Management Authority

Mr Rohan Wilson, Acting General Manager, Operations, Australian Fisheries Management Authority

Natural Resource Management

Mr Simon Smalley, Acting Executive Manager, Natural Resource Management Division

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

Mr Mike Lee, General Manager, Australian Government Natural Resource Management Team

Mr Gerry Smith, General Manager, Australian Government Natural Resource Management Team

Ms Heather Tomlinson, General Manager, Natural Resource Management Strategies and Climate Change

Mr Charles Willcocks, General Manager, Landcare and Sustainable Industries

Secretariat

Mr Craig Penney, General Manager, Ministerial Services and Communications

Mr Andrew Burgess, Acting Manager, Parliamentary Liaison Service

Ms Courtney Smith, Management Services Division

Ms Jill Le, Management Services Division

Mr Michael Carey, Management Services Division

Mr Craig Cowan, Management Services Division

Department of Agriculture, Fisheries and Forestry

CHAIR—The committee will now further examine the particulars of proposed expenditure in respect of the year ending 30 June 2006 for the Agriculture, Fisheries and Forestry portfolio. Answers to questions taken on notice and additional information should be received by the committee no later than Friday, 16 December 2005. As agreed, I propose to call on the estimates according to the format adopted in the printed program. The committee has authorised the recording and rebroadcasting of its proceedings in accordance with the rules contained in the order of the Senate of 23 August 1990.

I welcome Senator the Hon. Ian Macdonald, Minister for Fisheries, Forestry and Conservation, representing the senior minister. Senator Macdonald is accompanied by Joanna Hewitt, whom I welcome; Don Banfield, Deputy Secretary; and Daryl Quinlivan. Peter Yuile is not here. Officers are reminded that the Senate has consistently decided by way of continuing resolution that:

... there are no areas in connection with the expenditure of public funds where any person has a discretion to withhold details or explanations from the Parliament or its committees unless the Parliament has expressly provided otherwise.

The Senate has also determined that a claim to withhold information on the basis that it is commercial-in-confidence will not be considered unless it is made by a minister and accompanied by a statement setting out the basis for the claim, including a statement of any commercial harm that may result from its disclosure.

Officers are reminded that an officer of the department, Commonwealth or a state shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to a minister. Finally, witnesses are reminded that evidence given to this committee is protected by parliamentary privilege. I also

remind you that the giving of false or misleading evidence to the committee may constitute a contempt of the Senate. Minister or Secretary, would you like to make an opening statement?

Ms Hewitt—No. I think we are happy to proceed.

Senator Ian Macdonald—I always respond to what you read out, Mr Chairman, by giving my advice.

CHAIR—I know; I thought you would take the bait.

Senator Ian Macdonald—You say it, so I say it. The officers do have certain constraints on them where they will not answer questions. They will take my guidance on that. Apart from that, I know that we will have a jolly time.

CHAIR—Senator O'Brien.

Senator O'BRIEN—Someone might have some questions on the executive; I do not today.

CHAIR—Are there any questions on the executive?

Senator O'BRIEN—It was a dead giveaway when you did not have an opening statement. I want to ask some questions about the sugar package, which I think is in 'Food and agriculture', isn't it? Unless someone wants to jump in beforehand with something earlier in the program, I will move to that.

[11.07 am]

CHAIR—We will move to 'Food and agriculture'.

Senator O'BRIEN—Can someone provide the committee with an update on the implementation of the current sugar packages, if I can put it that way—one of the many.

Mr Phillips—In terms of where it is up to, the sustainability grant has now been paid—both tranches. That is \$146 million. That income support component is finished. That expended almost \$18 million. The other elements are still running. You may be aware that the second round for regional and community projects has been called, with a closing date of 18 November. As of 21 October, the total amount expended had reached almost \$215 million.

Senator O'BRIEN—Out of the total package? How is that comprised?

Mr Phillips—The income support is almost \$18 million. Restructuring grants to date are \$13.5 million. Re-establishment grants are \$28.5 million. Business planning support is \$3.5 million. There is a small amount for retraining grants. Business planning assistance to mills is \$700,000. The sustainability grant is \$146 million. Costs associated with the industry oversight group and the regional advisory groups are \$1.9 million. For crisis counselling there is \$1.2 million. And for the intergenerational transfer component of the package there is \$88,000.

Senator O'BRIEN—On 19 September the minister announced that the second tranche of the sustainability grants would be paid and said that the industry oversight group had determined that the regional plans were a solid basis for going forward in reforming the industry. He said further, 'I am satisfied that the reform process has progressed sufficiently to

warrant the second payment.’ Can you provide me with the details of the demonstrated commitment by the industry to genuine structural reform referred to by the minister?

Mr Phillips—There is the statement of intent that the industry signed at the commencement of the package which commits the industry to reform. Then there are the regional plans, which have been developed and accepted by the industry oversight group and which detail what each of the regions proposes to do to progress industry reform and improve its efficiency or to diversify into other activities. A precis of those plans is available on the web.

Senator O’BRIEN—Unfortunately, I cannot look that up here.

Mr Phillips—What each one proposes differs depending on the region.

Mr Mortimer—We can provide that on notice, if you wish.

Senator O’BRIEN—I thought you might be able to give us some examples.

Mr Mortimer—Okay.

Mr Phillips—In some regions it is looking at alternative crops and moving into alternative activities. There are initiatives to improve on-farm practices, to improve the efficiency with which cane farmers operate, to improve the efficiency of the transport systems between farms and mills, and to improve the efficiency of the mills. There are also initiatives to look at other proposals for cogeneration. What the actual plans contain depends on the region in question, but each region has addressed, to the IOG’s satisfaction, a sound basis for moving forward. Each region has also had the assistance of PricewaterhouseCoopers in developing that plan. They have done a SWOT analysis of their situation as part of moving forward.

Senator O’BRIEN—So there are eight regional plans. Is each plan dealt with separately in terms of this demonstrated commitment, or is the government relying on a general commitment to reform?

Mr Phillips—Each plan is satisfactory and has been accepted by the industry oversight group, which has then advised the minister that it is sufficient.

Senator O’BRIEN—I am interested in who actually gives the demonstrated commitment by the industry to genuine structural reform and in what form that commitment is given.

Mr Phillips—The original statement of intent was signed by the Sugar Milling Council and Cane Growers. The individual plans are signed off by the regional advisory groups, who have members from industry in those regions.

Senator O’BRIEN—So there is no requirement for those growers receiving money to sign off?

Mr Phillips—That is correct. It is a process whereby there is agreement at the regional level to that plan. It is accepted or endorsed by the industry oversight group. The minister then considers whether or not it would be an appropriate plan to warrant paying the second part of the sustainability grant.

Mr Mortimer—Neither of the tranches of the sustainability grant required sign-on by each and every sugar farmer in the industry. Throughout the process, the industry organisations—Cane Growers and the Sugar Milling Council, in particular—negotiated with and dealt with

government on behalf of their industries. Those organisations are represented both in the regional advisory groups and in the industry oversight group. So there is a high degree of industry involvement at sign-on to the plans at every level.

Senator O'BRIEN—There is sign-on at a high level, but there is not a sign-on at the grower level, is there?

Mr Mortimer—The industries represent their members and those industries are also represented on the regional advisory groups.

Senator O'BRIEN—Going back to the minister's media release, can you take me through the reform progress he was referring to? Exactly what were the milestones for the reform program, and how many of those milestones have been met?

Mr Phillips—The principal milestone is the completion of the regional plans, which was a precursor. The statement of intent required that to be completed before the second part of the sustainability grant could be paid. As for the other milestones, there are none specified, as in X, Y and Z must happen. It is a demonstration of what people are doing on the ground.

Senator O'BRIEN—So the reform progress justifying a further \$73 million be paid to the industry is the preparation of these regional plans?

Mr Phillips—That was the major requirement, but there is also demonstrated activity on the ground of farmers restructuring the way they operate, mills looking at the way they operate. They have done business plans to examine their operations and how they can be improved. So it is not as though there is a checklist about which you can say A, B, C, D. There was certainly the requirement about regional plans, and that has been satisfied. Then there is what is actually happening on the ground.

Senator O'BRIEN—How has the minister satisfied himself about what is happening on the ground?

Mr Mortimer—I think it is fair to say that the minister has had advice from the industry oversight group, which has worked through the network of regional advisory groups. It draws together the range of industry players and they have been observing and commenting on the process that they are engaged in. They gave a report to the minister. That was part of the original agreement. That report provided the basis for the minister deciding that the progress that had been made justified paying the second tranche of the sustainability grant.

Senator O'BRIEN—I go to an answer to a question on notice on food and agriculture. The answer was in response to a question about concerns that the original regional plans were about a patching and repairing approach rather than genuine structural reform. You stated in that answer that the industry oversight group believed that the plans needed to include the following: specific, realistic and measurable targets; detail on how structural changes will occur, when changes will be completed and what changes will achieve; quantification and provision of appropriate evidence of the added benefits to the region of changes being implemented; and contingency plans where identified strategies for change are not successfully implemented to provide regions with the flexibility to identify the alternative paths to achieve the region's goals. I would like to go to the detail of these plans and the

extent to which these objectives have now been met. Does each plan contain measurable targets?

Mr Mortimer—In broad terms. Let me comment that that reply was given in response to your question on notice at our previous discussion. Since then there has been considerable work done on the plans by the regional advisory groups. You would be aware also that consultants were employed to work with the regional advisory groups and also with direction from the industry oversight group to ensure that the plans were upgraded and met the requirements that were set. That was a very complex, difficult process that was gone through by the regional advisory groups to the consultants. Those plans were revised to meet those requirements in the light of that work. On that basis, the industry oversight group was happy to sign off that the plans met the requirements.

Senator O'BRIEN—That was a nice answer but it did not answer my question at all. The question was: does each plan contain measurable targets?

Mr Phillips—We can supply you with copies of each of the plans.

Senator O'BRIEN—Thank you, I accept that, but—

Mr Phillips—The answer is yes, they do. There are things like a 15 per cent improvement in on-farm efficiency, a 10 per cent reduction in costs. There are measurable targets like that.

Senator O'BRIEN—A 15 per cent improvement in on-farm efficiency. Sorry, what was the other one?

Mr Phillips—The two main ones are improved yields on-farm and reduction in costs.

Senator O'BRIEN—They are the principle measurable targets.

Mr Phillips—They are the two most common ones, as I said. It varies from region to region.

Senator O'BRIEN—Presumably all plans have these measurable targets. What are the other sorts of measurable targets?

Mr Phillips—Transport efficiency measures for transporting cane from one level to another; efforts to improve the commercial content of sugar in cane.

Senator O'BRIEN—So they have set targets for improved sugar content, have they?

Mr Phillips—Some areas are endeavouring to improve that, yes.

Senator O'BRIEN—That is a genetics thing, isn't it?

Mr Phillips—And growing conditions. I am not an expert in that area.

Senator O'BRIEN—How are they proposing to effect the transport efficiency targets? How would we measure that?

Mr Phillips—It can be done on what it costs to transport a certain tonnage of cane to a mill; fuel consumption in trains, the network that you have and how many wagons you need to transport the cane.

Senator O'BRIEN—Who runs the trains? I thought that was Q Rail.

Mr Phillips—I cannot answer that one. I will have to take it on notice.

Senator O'BRIEN—Presumably that target is a price per tonne of carriage.

Mr Phillips—As I said, I do not have the exact details at my fingertips. I will have to take that on notice.

Senator O'BRIEN—With measurable targets, presumably someone has made an assessment that you can actually measure these achievements against particular benchmarks. Who is going to do that?

Mr Phillips—It will be a function of the regional advisory groups and the industry oversight group.

Senator O'BRIEN—How long will they be funded to continue that work?

Mr Mortimer—Those activities are funded for the length of the program, which runs to 2007-08.

Senator O'BRIEN—The plans are all built around a three-year time line, as I understand it. That is the time line you just talked about?

Mr Phillips—As the minister has indicated, they are meant to be living documents. They could very well go beyond that time frame.

Senator O'BRIEN—And presumably each of them details the structural change that will occur in that time—is that right?

Mr Phillips—That will be attempted to be achieved.

Senator O'BRIEN—Do the plans detail the changed production practices that will be used to achieve structural change?

Mr Phillips—Not necessarily the actual specifics; they are more generally measured as targets to be achieved over the life of the plan.

Senator O'BRIEN—But we were told that there would be detail on how structural changes will occur, when the changes will be completed and what the changes will achieve.

Mr Phillips—It varies from plan to plan. Each full plan is about so thick. I do not have the detail in my head of each one. There is a precis that is publicly available. I could take that on notice if you wish further detail.

Senator O'BRIEN—We are talking about the expenditure of \$76 million of public funds. We were given some assurances about how the minister would go about expending those funds. What seemed to be reasonably sensible hurdles were put in the way of simply walking up and taking the money. I am trying to find out whether we have actually used those hurdles or whether we have built paths around them. So I am interested to know—and perhaps you can take it on notice, unless you can answer it now—how each of the plans details how structural change will occur, when the changes will be completed and what the changes will achieve.

Mr Phillips—I will take that on notice.

Senator O'BRIEN—Are all the time lines three-year time lines, or are there benchmarks along the way?

Mr Phillips—It varies from plan to plan, as I recall, but I will take that on notice and get back to you.

Senator O'BRIEN—Could you detail where the benchmarks are in each of the plans. Can you confirm that each plan has quantified the regional gains from the implementation of the plans?

Mr Phillips—There is not a number of \$X million that will be achieved if all of these items are fulfilled.

Senator O'BRIEN—Again, we were told that there would be quantification and provision of appropriate evidence of the added benefits to the region of changes being implemented. I am trying to find out how these plans address that hurdle. Can you help us?

Mr Mortimer—It might be best if that is taken on notice in terms of what is in the plans. I would make the comment that the plans are all designed at a regional level, so the measures and the other quantification will clearly have to deal with setting that out and providing that at a regional level.

Senator O'BRIEN—Is the minister satisfied that the criteria that he set earlier have been met?

Mr Mortimer—Yes, the minister said that in his press release. He was happy, on the advice of the IOG, that the plans provided a basis for reforming the industry and met the condition for releasing the second tranche of the sustainability grant.

Senator O'BRIEN—Does each plan have a contingency if the identified strategies do not work?

Mr Phillips—I think we will take that on notice, because we will go through each of the plans so that we do not say anything that is generalised.

Senator O'BRIEN—In answering that, could you provide the committee with some detail as to what these contingency plans are for each of the regional plans and, where there is a contingency plan, what the time frame is for the triggering of the contingency plan. Do the plans have internal review arrangements that would enable a decision to be made to change direction in relation to reforms and desired outcomes?

Mr Phillips—As the minister said, they are meant to be living documents. Their progress will be monitored and, if there is a need to change them, they can be reviewed by the regional advisory group and the industry oversight group.

Senator O'BRIEN—This is the second round of grants that will directly go to growers and the mills?

Mr Phillips—It was one grant that was paid in two tranches.

Senator O'BRIEN—Will the growers be required to spend the money on the basis of the regional plan?

Mr Mortimer—Are we talking about the regional community program element?

Mr Phillips—Or the sustainability grants?

Senator O'BRIEN—The \$76 million that we have been talking about.

Mr Phillips—No, that was not a condition of the payment.

Mr Mortimer—As I said earlier, there was never any requirement for individual growers to sign on or to report individually. The sustainability grant was always done on an industry-wide basis out of the framework that I have set out.

Senator O'BRIEN—So there is no binding arrangement that requires some sort of audit or acquittal of how the money is spent?

Mr Mortimer—No, absolutely not. Indeed, we may have had this discussion at earlier estimates hearings. The sustainability grant was agreed to by the government on the basis of an industry-wide approach to change and reform. The condition for the first grant was essentially the signing of the statement of intent. For the second, I think I have taken you through the process with the regional advisory group and the IOG report.

Senator O'BRIEN—The funding allocation for the industry oversight group and the regional advisory groups was \$7.5 million and then it increased to \$8 million. I think some more money was put in to try to get these regional programs in order. What is the up-to-date funding for these groups? You may have given it to me earlier.

Mr Phillips—The allocation for the industry oversight group and the regional advisory groups is still \$8 million over the life of the program.

Senator O'BRIEN—I do not think that is the number you gave me. Can you remind me of how much of that has been expended?

Mr Phillips—The expense so far is \$1.9 million.

Senator O'BRIEN—What costs are expected? What is expected to be the ongoing role of the IOG and the regional advisory groups?

Mr Phillips—Their ongoing role is to monitor implementation of the regional plans and the overall industry plan, to monitor performance against the plans, to continue to revise them if necessary and to report on progress.

Senator O'BRIEN—And there is \$6.1 million available to fund that?

Mr Phillips—There are some expenses that have already been incurred which may not have been paid yet—for example, the consultancy fee for PricewaterhouseCoopers to help develop the plans will come out of that. So it is not all available for the running of the IOG and the RAGs.

Mr Mortimer—Correct me if I am wrong. I think that money also provides for the sugar executive officers, who are employed by the Commonwealth and who work with the regional advisory groups at each of the eight regions.

Senator O'BRIEN—Sugar executive officers were estimated, I think, at a little over \$3 million for five years. So we take that \$3 million out of the \$8 million, plus we take out the PricewaterhouseCoopers bill. We do not have a bill yet?

Mr Phillips—The final amount is not in yet, no.

Senator O'BRIEN—How much has been billed so far?

Mr Phillips—I will just to have find that number.

Mr Mortimer—While Mr Phillips is finding that number, I would comment that, in terms of the \$8 million for industry oversight groups, that funding was allocated on an annual basis over the five years of the program. I would say it needs to be borne in mind that there are allocations for years ahead which will be expended as need be. I just ask that that be kept in mind in considering how the numbers run on this.

Senator O'BRIEN—So it is more than \$8 million?

Mr Mortimer—No, it is \$8 million, but not all of that \$8 million is going to be spent in year 1 or year 2. There is an allocation of funding for each of those years. We are now into 2005-06, which is the third year of the five-year program.

Mr Phillips—I may have to come back to you later in the session on that number.

Mr Mortimer—I think the cost of the PricewaterhouseCoopers consultancy was about \$400,000, but we can confirm that on notice. I will just ask Mr Phillips to check.

Mr Phillips—The original consultancy agreement was valued at \$532,000. However, once the scope of the work was identified and the degree of additional work that they had to do to get the regional plans up to a better level was taken into account, the contract was expanded. The total value of the contract, including fees and out-of-pocket expenses, is \$1.7 million.

Senator O'BRIEN—Over \$1.7 million?

Mr Phillips—No, \$1.7 million.

Senator O'BRIEN—That will leave about \$1.6 million for the IOGs and RAGs for the remaining period, subject to any other expenses that we have not discussed?

Mr Phillips—There are no others that I am aware of.

Senator O'BRIEN—How many growers have taken up the exit grants?

Mr Phillips—Are you after the actual number of growers or the amount of money?

Senator O'BRIEN—You could start with the number and then give me the amount of money if that is convenient.

Mr Phillips—Of the re-establishment grants, 283 applications have been granted.

Senator O'BRIEN—How much?

Mr Phillips—It is 28.5.

Senator O'BRIEN—How many applications were made?

Mr Phillips—It was 583.

Senator O'BRIEN—So around 300 not approved, or rejected.

Mr Phillips—Some 154 have been rejected and the others are still pending.

Senator O'BRIEN—I want to go to the issue of the South Johnstone mill, particularly the issue of protecting the interests of the Australian taxpayer in relation to the money provided to the South Johnstone mill. Answer 18, on food and agriculture, relates to the legal framework for the loan to the mill. That answer states that the provision of the Commonwealth's assistance package was subject to a significant number of conditions which were designed in consultation with the Australian Government Solicitor to limit the Commonwealth's potential

risk exposure and that the indemnity of the Commonwealth provider was not to the mill but to Queensland Canegrowers to the benefit of the National Australia Bank. The key to that arrangement was the deduction of five per cent of payments to suppliers to the mill to repay the funding provided by the Commonwealth. Is it true that when the ownership of the mill changed in 2001, a new agreement with suppliers was required?

Mr Mortimer—I am not aware of that. It might be best if we take that on notice. I have to say that I was not in my current job at the time, and I would want to make sure that I had the details of that before giving any answer.

Senator Ian Macdonald—We will take that on notice this time, but 2002 is getting a bit beyond the second half of the 2005 estimates committees.

Senator O'BRIEN—It is about current liability; that is why I am trying to trace it.

Senator Ian Macdonald—When you are asking questions relating to things that happened three years ago, it makes it very difficult for the department to find the information.

Mr Mortimer—I will add that the issue has now been settled, so an agreement has been reached. As I think we advised you earlier, that has been finalised.

Senator O'BRIEN—Did all suppliers to the South Johnstone mill sign up to the terms of the settlement?

Mr Mortimer—My understanding is that initially they did, but again I would need to check.

Senator O'BRIEN—Can I take you to a letter from the Australian Government Solicitor signed by John Scala, Chief Counsel, Commercial, to Mr Cooper, the legal representative of Canegrowers, on 17 September 2001. It says in part:

The Commonwealth is concerned at the advice now received from Bundaberg's solicitors which suggests the necessary novation and amendment of the Cane Supply and Processing Agreement for South Johnstone may not proceed.

It continues:

At all times the Commonwealth has relied and acted in good faith upon your client's representations that it has had the authority to act on behalf of and bind South Johnstone canegrowers in respect of this matter.

In the event this issue is not now quickly resolved the Commonwealth will look to your clients to recover any loss it may now incur as a result of the reliance it has placed on these representations.

That letter seems to clearly state that the Commonwealth's legal adviser's view was that Canegrowers was responsible for the debt. Is it fair to say that a document about how the funds raised through the five per cent deduction was agreed by all parties except a number of growers who had money deducted from their mill payments without their agreement?

Mr Mortimer—I would prefer to see the correspondence if at all possible. I do not have briefing on that letter and that detail. I cannot remember seeing it. I think it is best if the question is taken on notice rather than having me answering something without proper briefing.

Senator O'BRIEN—I am happy to put questions on notice in the appropriate form so that you can deal with the issue properly and get us an answer as soon as possible.

Mr Mortimer—Thanks.

Senator O'BRIEN—On the question of dairy, can you confirm that the minister is required to table a statement that he is satisfied that Dairy Australia is fully compliant with the terms of its statutory funding agreement with the Commonwealth?

Mr Mortimer—I will ask Sally Standen, the manager responsible, to come to the table.

Mrs Standen—This is probably a question best directed to rural policy and innovation, which is the division that monitors and manages statutory funding agreements between the Commonwealth and these private companies. However, my understanding is that the minister has provided a statement that he is satisfied that Dairy Australia has complied with the terms of the statutory funding agreement.

Senator O'BRIEN—It has not been tabled yet, has it?

Mrs Standen—I cannot answer that question. You probably need to talk to rural policy and innovation about that.

Senator O'BRIEN—They are here today, aren't they?

Mrs Standen—They will be here today, yes.

Ms Hewitt—We can make sure that they come to the table in their turn with that answer for you.

Senator O'BRIEN—Thank you. What is the latest on the progress of the dairy industry deregulation process?

Mrs Standen—What specifically?

Senator O'BRIEN—Have all payments now been made to eligible producers?

Mrs Standen—All payments have not been made. As you know, it is an eight-year program, so payments will continue until July 2008. However, all payment rights have been finalised for both the Dairy Structural Adjustment Program and for the Supplementary Dairy Assistance program. However, there are a few matters relating to probate that need to be finalised, and there is one matter before the Federal Court at the moment as well.

Senator O'BRIEN—One matter the subject of legal contest: is that about quantum or eligibility?

Mrs Standen—It is about eligibility for the supplementary dairy assistance payments.

Senator O'BRIEN—Presumably the probate matters are not to do with complaints about the scheme.

Mrs Standen—No, it is just a matter of probate matters being finalised so that the Dairy Adjustment Authority can be advised of who to pay.

Senator O'BRIEN—How much has been collected so far through the 11c per litre milk tax?

Mrs Standen—I have that information with me, but you will just have to bear with me while I sort through my papers. Just by way of background while I am searching, there has been an increase in consumption of fresh drinking milk in Australia over the last 12 to 18 months, which has meant that the estimates by which Dairy Australia has forecast the DSAF to conclusion has changed somewhat. The expectation now is that in the first half of the 2009-10 financial year we will see an end to the DSAF. So far, levy receipts have been \$227,443,067. Sorry, that does not sound right to me. That was for the financial year 2005.

Senator O'BRIEN—We could pay it off early with that amount.

Mrs Standen—It is just over \$1 billion. I can get you the exact figure once I have done my calculations.

Senator O'BRIEN—Just over \$1 billion.

Mrs Standen—Yes.

Senator O'BRIEN—What is the total—0.6, is it?

Mrs Standen—The total of the package is \$1.94 billion—that is payments—but of course you need to take into account interest payments.

Senator O'BRIEN—Would we be able to have that total figure some time today?

Mrs Standen—Yes, certainly today.

Senator O'BRIEN—Thank you. And you think by about Christmas 2009—

Mrs Standen—That is the estimate at the moment, yes.

Senator O'BRIEN—Do you have any data on the number of producers that have left the industry since deregulation, by state?

Mrs Standen—Yes. The largest number of exits was in the year following deregulation. That was just over 1,000. It dropped off dramatically after the 2000-01 year. However, there was another blip last year when we saw about 1,000 leave the industry. That was due predominantly to climatic conditions. I am finding the number for you now. In 2004-05, it was 355; in 2003-04 it was 1,043; in 2002-03 it was 394; in 2001-02 it was 793; and in the year after deregulation, 2000-01, it was 1,012.

Senator O'BRIEN—That last figure, for 2004-05, was 355?

Mrs Standen—For 2004-05 it was 355.

Mr Mortimer—I think that total is about 3,300.

Mrs Standen—Yes.

Senator O'BRIEN—Do you have a state breakdown?

Mrs Standen—Yes, for every year except 2004-05. We do not have a state breakdown yet for that year. Do you want me to—

Senator O'BRIEN—Yes, please.

Mrs Standen—For New South Wales, in 2000-01 it was 334; in 2001-02 it was 68; in 2002-03 it was 33; and in 2003-04 it was 194. In Victoria, in 2000-01 it was 247; in 2001-02 it was 480; in 2002-03 it was 278; and in 2003-04 it was 559. In Queensland, in 2000-01 it

was 240; in 2001-02 it was 153; in 2002-03 it was 27; and in 2003-04 it was 158. For South Australia, in 2000-01 it was 80; in 2001-02 it was 49; in 2002-03 it was 22; and in 2003-04 it was 58. For Western Australia, in 2000-01 it was 54; in 2001-02 it was 17; in 2002-03 it was 19; and in 2003-04 it was 20. For Tasmania, in 2000-01 it was 96; in 2001-02 it was 26; in 2002-03 it was 15; and in 2003-04 it was 54.

Senator O'BRIEN—So Victoria is almost half of the exits, on a rough calculation.

Mrs Standen—Roughly, yes. They are 63 per cent of the industry though, so you would expect that the largest numbers would be from there.

Senator O'BRIEN—Which state is disproportionately high?

Mrs Standen—That is a good question. I will have to take that on notice.

Senator O'BRIEN—As you had your finger on the Victorian proportion pulse, I thought you might have—

Mrs Standen—That is easy though.

Senator O'BRIEN—I want to go to the Wheat Export Authority next.

CHAIR—Any other questions?

Senator O'BRIEN—I do not know if there are any other questions on food and agriculture.

Senator SIEWERT—Can I move to the Wheat Export Authority?

[11.55 am]

Wheat Export Authority

CHAIR—We are going to the Wheat Export Authority. I might just explain that obviously there is a bit of news around on the Iraq wheat deal with the Wheat Board, the Wheat Export Authority. This actually dates back. You may not be aware, like most punters, that the Wheat Board is not actually AWB Ltd. When it was instituted on 1 July 1999, the corporatisation occurred, and the present CEO, Lindberg, was put in place, I think, in April 2000. Some of these issues relating to what has been in the papers in the last day or two have been referred by the government to a full robust inquiry. It dates back to the time of a gentleman called Trevor Flugge. Obviously there is a flood of inquiries and questions that could be asked, but I am not too sure that this is the appropriate forum.

Senator SIEWERT—I have some questions that specifically relate to the role of the Wheat Export Authority as it relates to the AWB.

CHAIR—Could you start? We obviously have limited time, but give it a shot.

Senator SIEWERT—Could you describe the role of the Wheat Export Authority in monitoring and reporting on AWB Ltd and AWB (International) Ltd and tell us how long it has had this role. I am aware of what is on the web site.

Mr Besley—Our role, which is set out in the Wheat Marketing Act, is twofold. First, we have to monitor the operation of AWB(I) to check on whether or not it is performing in the best interests of the growers. The second role is to approve the export of wheat by non-AWB(I) exporters, who export less than four per cent of the wheat, on average, in any one

year. That process involves us in consultation with AWB(I) before we issue a permit, but we issue a permit in our own right, having made checks ourselves in other ways.

Senator SIEWERT—My understanding of the purpose of the Wheat Export Authority is that it monitors compliance with conditions of export consents, manages operations effectively consistent with corporate governance principles and seeks to inform stakeholders about WEA and its activities. Does that not imply that you would have an overview of what goes on with AWB?

Mr Besley—AWB does not have to get consent from us to export. It has the single desk and it has the right of veto over bulk exports. It does not need a permit to export in containers or bags if it chooses to do so. In fact, it does export quite a lot in containers: roughly about 60 per cent of the container traffic that goes out of Australia is AWB(I) exports. But, yes, we need to monitor their performance. To do that, we check on their contracts. They provide us with data. Indeed, in the course of checking on the work that we have to do, we inspect their contract data and make sure that it complies with the information that they provide to us. We report all this in our performance monitoring review report, which is done annually. In fact, we have just finished the current report, which deals essentially with the 2003-04 pool. We sent that to the minister only yesterday, but that is not a public document.

Senator SIEWERT—My understanding is that you will have been required to do that for a considerable period of time.

Mr Besley—Sorry?

Senator SIEWERT—You will have been overseeing AWB contracts for a considerable period of time—since the mid-nineties.

Mr Besley—We have. For five years we have been doing that, yes.

Senator SIEWERT—Did you have any concerns with the contracts they were signing with Iraq?

Mr Besley—No. As I said, we check, as we are required to do—we do this on a risk-based assessment—the details of contracts. We have done that in respect of contracts for the sale of wheat to Iraq. Nothing untoward emerged from that check, and that check was in fact conducted on the premises of AWB in Melbourne. Furthermore, and this is the primary purpose we were seeking to check that information, it did not line up with the data they provided to us, which they do on a regular basis so we can perform our monitoring role.

Senator SIEWERT—Were you aware that the AWB had entered into commercial arrangements with the Jordanian trucking company?

Mr Besley—No.

Senator SIEWERT—Why didn't that come up in any—

CHAIR—You understand that the beginning of all of this was before the Wheat Export Authority and before AWB Ltd and AWB International were created?

Senator SIEWERT—They were still operating. These contracts were still in place when the authority took over, so I still feel my question is relevant.

CHAIR—Yes, but obviously we do not want to take up a lot of time on this committee on this issue today. Obviously there is going to be a full inquiry and a full opportunity for everyone in Australia to vent their spleen on this issue, but today is not the day.

Senator SIEWERT—I am just establishing some forerunning questions. Why didn't that come up in your review of the contracts?

Mr Besley—There was no indication of it at all on the documents that we saw.

Senator SIEWERT—Are you concerned, therefore, that your review of the audit of the contracts is not effective enough to pick up that sort of activity?

Mr Besley—It would have been absolutely effective enough had the information been there.

Senator SIEWERT—The information that the AWB presented to you was not available.

Mr Besley—No, what I am saying is that the information we looked at was the details of their contracts—they were the contract terms, which is what concerns us—and there was nothing untoward in what we saw. Furthermore, as I said a moment or two ago, it tallied with the data that they had supplied to us and are required to supply to us.

Senator SIEWERT—Do you consider, therefore, that your audit capacity of the AWB should be expanded to include other things outside those specific contracts?

Mr Besley—No.

Senator SIEWERT—Why not?

Mr Besley—'Outside' covers a multitude of things. What are you suggesting, Senator?

Senator SIEWERT—That arrangements that put in place those contracts should be assessed also if your role is to oversee how the AWB performs.

Mr Besley—Our role, essentially, is to make sure that we monitor the benefit the AWB provides to growers. As I understand this, and I am sure it will come out in the inquiry the Prime Minister has announced, there was no cost to the pool and therefore no cost to the growers in respect of this money, which is now alleged to be kickbacks.

Senator SIEWERT—However, growers are now concerned that in fact there may be a cost to them.

Mr Besley—If you read the Volcker report, which I have had the opportunity of doing, it is quite clear that all the money that was paid for the cost of the wheat and the freight came out of the escrow fund.

CHAIR—You are probably not aware of the history of the running war that people like me have had with the poor old Wheat Export Authority. I have called them everything from limp wristed to God knows what. We have got to be careful not to corrupt or interfere in any way with what is going to be a seriously compulsive inquiry into this issue, and we are on limited time. I realise that you have got some points you want to make, and that is quite legitimate, but we just cannot keep going around in circles.

Senator SIEWERT—Yes, but at this stage we do not know the extent of the inquiry. All we have been told is there will be an inquiry.

CHAIR—I am sure that if you are patient, and if you know my track record in getting it right—and there are umpteen examples of that through this process—we will not leave a stone unturned.

Senator MILNE—While I accept that, Chair, I indicate that we have only sought limited time on this committee and we have been fair to everyone else.

CHAIR—Away you go.

Senator MILNE—I want to ask a question in relation to these contracts that my colleague spoke about. I understand that here was an after-sales service component incorporated into the transportation fee, as would have shown up in these contracts, that the transportation fee was fixed and the after-sales service component was a moveable feast. Did you ask any questions about the after-sales service component of these contracts?

Mr Besley—The reason we did not ask and would not have asked any questions was that there was no indication that there was such a thing as after-sales service.

Senator MILNE—When the transport fee costs went up 400 per cent, did you ask any questions about why that might have been the case since you were giving oversight?

Mr Besley—We did not know that. That is not the kind of information we had.

Senator MILNE—Were there written contracts for all of this? My understanding from reading the report is that the AWB did not sign some contracts, which led to wheat being sold to the Iraqis. Didn't it occur to you to ask why the AWB did not negotiate the schedule of fees instead of paying whatever fee was being asked?

Mr Besley—I do not know whether there were any unsigned contracts. We would not know that. What they do commercially is a matter for AWB(I). We never seek to interfere with their commercial negotiations. We seek to understand them and to know the impact they have on growers, but we never ever get into the business of interfering with their commercial negotiations.

Mr Taylor—The Wheat Export Authority's role is focused on the management of the national pool by AWB (International). In its performance monitoring role, the Wheat Export Authority looks at whether the returns to the pool have been maximised and whether the costs have been minimised. In doing that, we get a lot of data from AWB(I). As the chairman indicated, the Wheat Export Authority has crosschecked and randomly crosschecks against contracts the data that WEA receives. That data is all FOB based, so it does not identify any additional costs that may be incurred in the transaction. However, the WEA does focus on whether any of those costs have an impact on the pool. From the material that WEA had before it, and from the assessments it had done, there had been no apparent impact on the pool of any additional services that may have been bundled with sales of wheat.

Senator MILNE—You have a governance role as well as a role in relation to the pool. When American growers asked questions of the Secretary of State, Colin Powell, about the contracts that the Australian Wheat Board had entered into with Iraq, was it brought to the attention of the Wheat Export Authority? What action did you take in response?

Mr Besley—No, it was not brought to our attention.

Senator MILNE—So you did not know about it?

Mr Besley—It was not brought to our attention.

Senator MILNE—Were you aware of it?

Mr Besley—Personally, I was not.

Senator MILNE—Was any action taken by the WEA in relation to complaints by American growers about the types of contracts the Australian Wheat Board had entered into in Iraq?

Mr Besley—Not as far as I am aware. They were commercial contracts.

Senator ADAMS—I will state that I am a grain grower from Western Australia. First up, on a governance issue, how many board members are involved in both the Wheat Export Authority and AWB(I)? Is there any crossover with those people?

Mr Besley—None. WEA is totally separate.

Senator ADAMS—I wanted that on the record. Secondly, does the container trade have any effect on the national pool?

Mr Besley—That is an interesting question. In what way? As I said earlier, 60-odd per cent of the containers that are shipped out go out from AWB(I). They do not have to have a permit, as you know. As far as we can see, what the other exporters send out in containers, which never amounts to more than about four per cent of the total exports, is hardly significant and does not appear to be having any effect. But we do pay attention to the advice we get from AWB(I) on their markets. We do not ever issue a permit if someone seeks to export to an AWB(I) customer. So we watch all those things. We also take our own advice. We have advice from Austrade and others about what the markets are like. We get market briefs from AWB(I). They are the bases upon which we make a decision for non-AWBI exporters who seek a permit, who have a permit or who do not have permit.

Senator ADAMS—As you are aware, WA specialises in the export trade, whereas the eastern states growers tend to concentrate more on the domestic market. Who does the Wheat Export Authority consult when developing policies? Secondly, how are the groups with specific interests, such as the growers in WA, consulted?

Mr Besley—We do our best to consult very widely. In fact, in the last six months we have consulted with WAFF in Western Australia, with PGA in Western Australia, with the South Australian Farmers Federation in Adelaide, with the Victorian Farmers Federation in Melbourne and with the New South Wales Farmers Association in Sydney. So we do our best to talk to all the players. The key players, of course, as far as we are concerned under the act, are AWB and the Grains Council.

Senator ADAMS—I note that you had quite a number of comments on the ACIL Tasman report. Obviously you were not happy and disputed a lot of the content there. Could you just give me a brief summary of what you thought about it?

Mr Besley—I could. It was factually incorrect in parts, and we told them that when we saw a draft. If you bear with me, I will get a letter we wrote to them explaining that. We were privileged to see a draft of it, and we did indicate at the time that there were things in there

that were not correct. Some of those were contained in the final report, and my colleague the chief executive wrote to Leon Bradley on 25 August pointing out the things that were wrong with the report. For example—and I will not go through the whole letter—the report ascribes responsibility for constructing the wheat industry benchmark, the WIB, to us. That is totally incorrect. We have nothing to do with creating it. The report talks about the remuneration model as though we were involved in its development, as between AWB and AWB(I). We were not; that is a commercial negotiation. So Glen wrote to him, pointing out that what he had said in the report in many respects was quite wrong.

Senator ADAMS—Would you be able to table that letter for us?

Mr Besley—I imagine so, if we can ask Mr Bradley if he is happy. From my point of view, I would be happy, but if Mr Bradley has a problem it is his letter, and then we would not. But if he does not, then, yes, we would.

Senator ADAMS—One of the key achievements stated by the Wheat Export Authority is that you efficiently manage significant numbers of requests for export consent variations. How many staff and how much resources are taken up with the container trade assent and the variations on those assents by the Wheat Export Authority? Given the size of the container trade, is this justified?

Mr Besley—We are a very small organisation. At the moment we are at the highest number we have been for some time: 15 people in total. More than half of our budget is spent on monitoring AWB(I); the other half goes to the consent business for people who are non-AWBI exporters. In terms of variations, last year we spent \$992,000 on the export consents process, which includes variations. I do not have a dissection in front of me of how much of that \$992,000 was for variations and how much was for the up-front consent applications, but if you wanted a breakdown I think we could provide that.

Senator ADAMS—I would like that. How much resources do AWB(I) devote to attempting to deny container assent?

Mr Besley—You would have to ask AWB(I) that.

Senator ADAMS—I thought you might know that.

Mr Besley—No, we do not.

Senator ADAMS—The changes to the consent arrangements were to be in place by 1 October. Has this been achieved, and are you delivering a longer term consent system as recommended in the 2004 review and agreed by the Wheat Export Authority? Have any long-term consents been arranged?

Mr Besley—No, we did not quite make 1 October. There were reasons for that. I will not lay too much on this, but there was, as you recall, a change of ministers, and there was a bit of a hiatus to get that through. But the current minister did approve the new export consent arrangements last week, I think. We put out a press statement.

There is more to come. We have said that we will be announcing other things in the next few weeks. Those things that are to come deal with the way the new computer system we have put in will make it easier for people to operate online. But the essence of the question

you ask is whether we have introduced longer term consents. Yes, we have; but we have not gone as far as the review panel recommended.

A condition of the minister's approval of the new consent export arrangements is that we are to examine the impact of that slightly longer term consent and report to him by the end of June next year on the implications of fully giving effect to all the recommendations made by the expert review panel. A condition of the approval of the revised consent was that. The critical issue was, as you may remember, that they were recommending 12 and 24 months as sensible periods and we have gone to six and 12.

Senator ADAMS—Are WA growers disadvantaged through the marketing of wheat through the national pool?

Mr Besley—It depends who you ask.

Senator ADAMS—I am asking you.

Mr Besley—We do not think so, but we go and talk to them to hear their views.

CHAIR—I have a question on a working matter. I have had a complaint from a wheat exporter who tried to source some of his order from AWB Ltd and they referred him to their Geneva desk. One of the things that has troubled me constantly is the issue, as you are all aware, of the interests of the growers versus the interests of the shareholders. The argument up until recent times has been: but the shareholders are the growers. As every year goes past that is less apparent. I wonder in that case whether any benefit that would have accrued from that sale which was deferred to Geneva would benefit the shareholders and not the growers. Do you people have any comment on the use of the Geneva desk?

Mr Besley—We do. In fact, we had a fairly thoroughgoing look at what happens at Geneva and we reported on that in the growers report for 2003-04. We concluded, having had a good look at it, that it has no adverse effect on the pool at all. You know it sells wheat other than wheat of Australian origin?

CHAIR—Yes, I do know that.

Mr Besley—It is of interest to note that AWB has established an office in India and the same rules will apply to it—which are, in fact, that AWB can veto any sale that AWB Geneva proposes to undertake.

CHAIR—Is it CBH that has just bought their share in these flour mills in Indonesia? Should there be? I think that is a pretty good corporate strategy by the people concerned, I have to say. I am a bit surprised that they beat AWB to the punch. Would it not be fair to argue that they ought to be able to bulk export to their own mill?

Mr Besley—That is a point that has been put to us. The bulk export issue, as I am sure you know as a grower yourself, is something over which—

CHAIR—I must declare that I am a worn-out farmer.

Mr Besley—It is an issue over which AWB(I) has complete veto. They have only ever agreed to one bulk sale, and that was by mistake.

CHAIR—Can I say that I think we should put everyone on notice on that issue. It seems to me that that is an issue that ought to be looked at again. If you own a bloody set up

somewhere, you ought to be able to supply your own wheat to it. It does not make a lot of sense. Today is not the day; we are on limited time.

Mr Mortimer—Essentially, that is an issue for government. WEA can have a view but, I should say, to Mr Besley's credit, that under the current legislation it is simply not possible. So it is an issue for government.

CHAIR—Yes. As I say, this is a bit of a new adventure for the government and it ought to be given serious consideration. I will throw to Senator O'Brien. Obviously, a lot of people want to ask a lot of questions, in and out of this room—and all around Australia—on what has been in the papers in the last day or two. There obviously has to be, under our system, a serious presumption of innocence. But experience has taught me that, with all the jiggery pokery that we deal with, usually the secret is one thing; it is keeping the secret and the cost of it that gets people into trouble.

Senator O'BRIEN—I want to ask some questions about the 2004 growers report. In the letter from the board to growers you comment on the performance of AWB(I) and refer specifically to real supply chain costs falling over the past four years. According to your report there are three components to the supply chain as they relate to the national pool. They are bulk storage and handling, rail freight costs and port costs. Can you provide us with more detail on the movement of costs in each of the components of the supply chain?

Mr Besley—I would like to make a general comment first, then I will ask Mr Taylor to give you a detailed answer. We have indicated in a growers report which is about to come out—the growers report for 2004-05—that we intend to do a thoroughgoing analysis on a state-by-state basis of freight costs. This is partly but not entirely due to the fact that in Western Australia there is always a bit of a complaint, 'You guys talk about averages and we know our freight costs are less.' In fact, the growers report that will come out in December will indicate on an indices basis that the changes in freight rates are across the various states. We foreshadowed a thoroughgoing review in a more detailed way as to how we can get more and better particulars. In the meantime, perhaps Glen could answer that question in specific terms.

Mr Taylor—Senator, that information has not been included in the growers reports. There are some commercial issues around providing that information publicly which have prevented the Wheat Export Authority from publishing that level of detail.

Senator O'BRIEN—There are three silos. Are you saying that you cannot tell us what the movement in the silos has been other than to say, somehow combined, there has been this real reduction?

Mr Taylor—The WEA does not get down into that level of detail generally, Senator. It has in the past selected certain silos and certain facilities to do an assessment of the costs, particularly in the context of the least-cost supply chain model. But the Wheat Export Authority has data from AWB(I) which is information that comes from the wheat industry benchmark, which is their internal measurement tool, which does provide a more detailed breakdown.

Senator O'BRIEN—How is that available to policy makers?

Mr Taylor—That information is included in their report that is provided to the minister.

Senator O'BRIEN—To the minister?

Mr Taylor—To the minister. The annual performance monitoring report—the confidential report that is prepared for the minister—includes more detail than what WEA is able to include in the public growers report.

Senator O'BRIEN—I thought we were just told there would be more information on a state-by-state basis in the next report.

Mr Taylor—That is correct, Senator, at the aggregate level based on state-by-state real supply chain costs and trends over a five-year period. That is in the coming growers report—the 2005 growers report—which will be distributed to growers in October this year.

Senator O'BRIEN—So growers will see the aggregate over five years but they will not know how it is trending?

Mr Taylor—They will know how it is trending by state at the higher level, but what is not included is the breakdown of the individual components which you outlined.

Senator O'BRIEN—Who controls the port costs?

Mr Taylor—The port authorities, who are responsible for management of them, are responsible for the overall administration of those ports. They enter into relationships with clients, of which AWB(I) Ltd would be one.

Senator O'BRIEN—The port authority is a public authority, isn't it?

Mr Taylor—There has been a process of privatisation of many—

Senator O'BRIEN—Which port authorities are private?

Mr Taylor—I could not tell you; I will take that on notice.

Senator O'BRIEN—You are telling me what the arrangements are. I am analysing one of the components I asked for details on. Are any of the major stevedores in grain handling?

Mr Taylor—I could not answer that question.

Mr Besley—We can give you an answer on notice as to which are private and which we understand may become privatised. I cannot tell you offhand.

Senator O'BRIEN—How are those that may become private relevant to your past cost analysis?

Mr Besley—You just asked the question.

Senator O'BRIEN—I did, but frankly I cannot completely understand how this information would be commercial-in-confidence and the generality nationwide that somehow it would reveal a commercial confidence.

Mr Taylor—Perhaps I could explain. AWB Ltd is the service provider of supply chain services to AWB International, which enters into a service arrangement with AWB Ltd. AWB Ltd, in turn, has relationships with service providers involved in the supply chain. The information that is included in the contractual relationship that AWB Ltd has with its service providers is data that is included in the industry benchmark, which is used by AWB(I) to

measure its performance. It is the data that is included in that benchmark which WEA has access to. It is that benchmark which the WEA extracts raw data from and then conducts its own assessment to see what the WEA's view is on the outcome of the supply chain. That data is considered to contain information that relates to the commercial arrangement between a customer and its assessment of it.

Senator O'BRIEN—You are monitoring a monopoly. You are given power by the parliament, and you are saying that the most basic information about what you monitor, between two connected entities that are a monopoly, is commercial-in-confidence. This is ridiculous.

Mr Taylor—WEA has access to that data, but the issue is—

Senator O'BRIEN—Yes, I know that it does, and the minister does. I am not asking for particular contractual information; I am asking for general information relating to what was in the last growers' report—the one that has been published, not the one that is about to be published—about particular components of supply chain cost. I fail to see how giving me a combined picture on that would reveal, individually, the contract arrangements between particular port authorities and AWB or AWB(I). I fail to see how it would relate to particular hauliers' costs or charges or bulk storage charges, because they would not be able to be extracted from that material. Why is it commercial-in-confidence? Or is it just that you are unable to answer?

Mr Taylor—The information which WEA has, as this committee is aware, is gathered from AWB(I) under a confidentiality agreement. To publish certain data and information that results from WEA's performance monitoring activities, it must have the agreement of AWB International under that confidentiality agreement.

Senator O'BRIEN—I could understand that when publishing particular information, but calculations made by the Wheat Export Authority based upon information gathered from a variety of sources would hardly be revealing commercial-in-confidence information, I would have thought.

Mr Besley—I will undertake that we look at whether we could properly—and I emphasise the word 'properly'—provide you a broad dissection of percentage of the cost under those three headings, without disclosing what we are required to have permission to disclose under a provision of the act. We will have a look at that.

CHAIR—I remind you that, when staking out a claim of commercial-in-confidence, there is a bit of a rigmarole you have to go through, which I read out the beginning, so you might choose to go through the minister et cetera.

Mr Besley—Yes, we would have to do that. I have just undertaken to examine whether it can properly be done.

Senator O'BRIEN—Can you tell us what the quantum of real decline by year is?

Mr Besley—In the supply chain costs?

Senator O'BRIEN—Yes.

Mr Taylor—On page 10 of the 2004 growers report there is a reference to figure 5, which shows total real supply chain costs. The text refers to the fact that, in the 2002-03 national pool, the cost reduction in real supply chain costs was \$1.89 per tonne

Senator O'BRIEN—Is that a real cost or is that nominal?

Mr Taylor—That is a real cost.

Mr Besley—And that is an average. That is an issue that caused us to look at the importance of trying to do it on a state-by-state basis.

Senator O'BRIEN—Have any of the three silos I mentioned gone against that trend?

Mr Taylor—I would not be able to answer that question. It is something that would need to be taken on notice and looked at in detail.

Senator O'BRIEN—Who measured the movement in costs, as reported in your 2004 growers report?

Mr Taylor—The Wheat Export Authority.

Senator O'BRIEN—Has the Wheat Export Authority formed a view as to how that real decline was achieved?

Mr Taylor—I am not quite sure what you mean by that question.

Senator O'BRIEN—Have you formed a view as to where it was achieved—whether it was in a particular component or whether it was overall? What factors brought about the decline in real costs?

Mr Taylor—There is some text. I again refer you to page 10 of the 2004 growers report. There is some language there that refers to the reduction in costs and where some of that has occurred.

Senator O'BRIEN—What is the increased emphasis by AWB(I) on reducing freight cost? What does that mean? Have they gone about aggressively seeking a reduction in costs? The report says that the savings reflect, amongst other things, an increased emphasis by AWB(I) on reducing freight costs. What precisely does that mean? Have they had an aggressive policy of cost reduction, of reducing payments or multisourcing of contracts?

Mr Taylor—That statement would reflect the focus of the company on reducing supply chain costs. AWB(I) has been focused on the supply chain issue for quite some time now, and the language there is reflecting what we understood to be AWB's focus on reduction in supply chain costs, meaning freight.

Senator O'BRIEN—So you could not report to us what AWB(I) would report to its shareholders?

Mr Taylor—I would need to check that. The Wheat Export Authority is focused on AWB (International), which is a subsidiary of AWB Ltd. AWB Ltd, as the listed company, is the one responsible for reporting to shareholders.

Senator O'BRIEN—So, again, you cannot report to us what AWB (International) would report to its shareholders? Is that how I should understand your answer?

Mr Taylor—AWB (International) does not have any shareholders. It is a subsidiary of AWB Ltd, and it is AWB Ltd that has the shareholders. So we would not know what AWB Ltd was reporting.

Senator O'BRIEN—So the ultimate shareholders of the subsidiary are the shareholders of AWB Ltd. Is that right?

Mr Taylor—If I understand what you are saying, yes.

Senator O'BRIEN—Are these measurements the Wheat Export Authority's measurements and not AWB (International) or AWB Ltd's measurements?

Mr Taylor—That is correct. The Wheat Export Authority extracts all of the supply chain data from the wheat industry benchmark and applies its own tests to that data and then reports on the real costs and the real changes in supply chain.

Senator O'BRIEN—Who has checked these calculations? Was it someone outside the WEA or is it an internal calculation?

Mr Taylor—The assessment is an internal assessment. That is supported by specialised expertise that is contracted to the WEA to help with that activity.

Senator O'BRIEN—So there are consultants who do the work for the Wheat Export Authority rather than people on the WEA staff?

Mr Taylor—It is a combination of both.

Senator O'BRIEN—In that same letter to growers, the authority refers to the potential for further improvement in corporate governance and the risk management framework within AWB (International). Your letter refers specifically to remuneration arrangements, which I take to mean arrangements within AWB (International). Is that right?

Mr Taylor—That is referring to the arrangement that exists between AWB (International) and AWB Ltd for the payment by AWB (International) for services provided by AWB Ltd.

Senator O'BRIEN—What is the issue in relation to remuneration and how will growers benefit if these arrangements are improved?

Mr Taylor—In the 2003 growers report, the WEA made comment about the remuneration arrangements that existed between AWB (International) and AWB Ltd and made some specific comments there. The letter that you are reading from builds on that analysis that had been previously undertaken by the Wheat Export Authority and on views that were formed by the Wheat Export Authority on that remuneration arrangement.

Senator O'BRIEN—Is it reasonable to conclude that the only way growers could gain would be if AWB (International) were paid less or if the bonuses were reduced?

Mr Taylor—I am not sure that is the case. The remuneration arrangement that is in place is an arrangement based on performance benchmarks. Not only does it reward AWB Ltd for increased performance but that increased performance also increases returns to the pool. So I guess there are two sides to it. Increased performance by AWB Ltd increases the value of the pool, but efficient delivery of services and reduction in any costs where possible would have a positive impact on the pool as well. I think it is fair to say that those two principles are reflected in the remuneration model, where there is a base fee that is intended to cover the

costs of providing services to the pool and also an outperformance incentive payment, which is to encourage AWB Ltd to perform against those benchmarks and increase the value of the pool and returns to growers.

Senator O'BRIEN—I was referring to the remuneration arrangements, which some could say reflect upon the comment where you talk about the potential for further improvement in corporate governance and the risk management framework. Do I misunderstand that connection?

Mr Taylor—I think it is fair to say there is a connection between those key issues—corporate governance, risk management framework and the remuneration arrangements.

Senator O'BRIEN—You say that the results tend to indicate that a small adjustment to the remuneration arrangements could provide a better alignment of costs. Does that mean a small adjustment in the formula?

Mr Besley—I should perhaps say at this point that there has been a new remuneration arrangement negotiated between L&I, and we will be commenting on that in the report to growers which is to be issued later this year. It will be an issue against which we will be doing a performance monitoring review for the next pool. But essentially it says that L only earns a profit through its outperformance and not through the base fee. The base fee is intended to cover the actual cost and it can earn 'profit'—if I can use that word—only through the outperformance leg of it.

Senator O'BRIEN—You say that the Wheat Export Authority has over the last two years used various approaches to assess the remuneration arrangements. Can you tell us what those approaches were and what sorts of results they produced?

Mr Taylor—Certainly. That is reflected again in the 2003 and 2004 growers reports. The Wheat Export Authority has looked at the remuneration model. It has looked at the sub-benchmarks that exist within the wheat industry benchmark, which is the first key benchmark that AWB Ltd must outperform against in order to get an outperformance incentive payment. The model also comprises a benchmark called the hurdle rate, and the Wheat Export Authority has looked very carefully at that hurdle rate and made comments in its growers report on that hurdle rate. The Wheat Export Authority has also had a look at the costs of operating the national pool, the costs integral to the remuneration model that is in place where it has a base fee. The WEA has reported publicly on the outcomes of its assessment of the costs of operating the national pool in its growers reports.

Senator O'BRIEN—Can you explain the capital asset pricing model and how that would be applied and what the gains to growers might be?

Mr Besley—We did have a look at that. It is the kind of model that is used by authorities to deal with people who provide, say, electricity or gas. It did not really work, so we have concluded there is no readily available model you can pick up and use. So we do the kind of thing that Glen has just explained.

Senator O'BRIEN—So you have rejected that.

Mr Besley—We have rejected trying to use that, yes.

Senator O'BRIEN—But you say a small adjustment to the remuneration arrangements would provide a better alignment of costs and the objective of maximising the net benefits to growers without affecting the relationship between AWB(I) and Ltd. That seems to be suggesting a misalignment of costs. Is that a fair comment?

Mr Taylor—I think that statement was more directed at the benchmarks that exist within the remuneration arrangement, being the wheat industry benchmark and the hurdle rate. In the 2004 growers report on page 19, the Wheat Export Authority did an assessment of the costs of operating the national pool back to 1994-95 and up to 2001-02 and found that the figure being used as the basis for the costs of operating a national pool of approximately \$51 million was fair and reasonable, given the history of the costs of operating it. But the WEA's view was that there was probably less scope within the benchmarks for them to be tightened up from the growers' point of view.

CHAIR—Bureaucratic speak. Unfortunately I have not been following this, or I would probably have a lot to say. You are lucky. You will never convince me.

Senator BOSWELL—A chairman should be completely unbiased.

CHAIR—I am completely unbiased, Senator Boswell. We will let your bias show in a minute; we will give you a few questions.

Senator O'BRIEN—Am I correct in saying that the margin charged by AWB Ltd for the services it provides to AWB (International) provides a return to B class shareholders that should or could go to A class shareholders through better pool returns?

Mr Besley—That is an L issue, not an I issue.

Senator O'BRIEN—Yes, I think you are right. It should be the other way around. It is what AWB(I) charges for the services it provides to AWB Ltd.

Mr Besley—No. All the services that I uses are provided by L through a service company.

Senator O'BRIEN—That is how I put it.

Mr Besley—But you were talking about B class shareholders, which is something that we do not become involved with. It is only L that has A and B class shareholders, not I. We deal with I. We are aware of the fact that L provides the services, and we monitor those services in the interests of coming to a view on whether or not I is managing the pool for the benefit of the growers. There is always opportunity, as I am sure everybody would see, for someone to say, 'Well, is L ripping off I for the benefit of the shareholders or is L subsidising the growers against the interests of the shareholders?' It is a delicate balance, and we are in the middle. We try honestly to—and I believe we do—monitor the performance of I through the services of—

CHAIR—I'll back the shareholders.

Mr Besley—Okay.

Senator O'BRIEN—This is what you say about the WEA monitoring of the pool's operations services agreement: over the last two years AWB Ltd's remuneration appears to be aligned with performance—that is, outperformance increased by 93 per cent and the margin earned by AWB Ltd also increased by 27 per cent. Are you saying that that is a fair margin?

Mr Besley—Can I ask where you are picking that up from?

Senator O'BRIEN—Page 18 of the report in the first paragraph. It is a comment on figure 7.

Mr Besley—Simply put, that means the pool gets the difference between the 27 and the 93. One thing to keep in mind—and we will try and make this clearer in the next growers report—is how much of the equity in the pool growers get and how much L gets. Roughly speaking, if I remember the figures, growers get around 84 or 85 per cent of the equity in the pool, L gets about two per cent, and the remaining bit, which is 14 per cent, goes to the costs of getting the wheat from farm to port.

CHAIR—So—and I am sorry to take an interest in this—when cash acquisitions are made on behalf of AWB Ltd at the weighbridge and that wheat is eventually delivered to the pool, how do you assess that that was in the best interests of the growers?

Mr Besley—That it went to a particular pool? Is that what you are asking?

CHAIR—Yes. The grower rocks up to the bridge and gets all those tests done—and we think the wine industry ought to be able to do the same tests for their grapes as are done for wheat—and is offered a price. It is a bit like a bookie's board at the wheat board. I do not know how often you go there, but I go there often. If a local merchant is sure, he will lead the price on the day, but generally AWB Ltd's cash price is the one they all look at over their shoulders to see whether they ought to tweak their price. When they bill that price, they know that they can deliver the outcome to the pool, where all sins are forgiven because it is just going into the pool. How do you assess the cash price offered to the grower on the day, given that AWB Ltd know that, whatever they do, they can dump it into the pool? Was it the right price? Or was it a discounted price that offered the shareholders a profit when they delivered it to the pool, knowing they could deliver it to the pool? How do you make that assessment? You are a magician if you can.

Mr Besley—Mercifully, we do not have to make that decision; the grower does.

CHAIR—Yes, but you are charged with making sure that AWB (International) is operated in the best interests of the growers. That is part of your homework.

Mr Besley—It is. But you are almost saying that we should be advising growers whether to take a cash price.

CHAIR—No. What I am really saying, with great respect, is that that process is bullshit, that there is no answer and that it is an opportunity for people to guarantee themselves a return on a cash acquisition. There is no proper answer, because this is one of the vagaries. I could sit here and argue about it for five days with anyone who walks through the door. Obviously there is going to be a lot of discussion around Australia in kitchens, on headers and in the shade of trees in the next week or two over what has gone on and whether people have been betrayed. I look forward to that discussion.

Senator Ian Macdonald—There was no response, was there?

CHAIR—There was no meaningful response, Minister; I can guarantee that.

Senator BOSWELL—Why don't you give him a go?

Senator Ian Macdonald—Just let him have a chance.

Mr Taylor—When the growers make the choice to deliver to AWB Ltd, or to any other accumulator of grain on the day, they are going for the best price they can get. The national pool has an obligation under the Wheat Marketing Act to accept all wheat that is delivered to it.

CHAIR—That is the difficulty.

Mr Taylor—The Wheat Export Authority has looked at whether the arrangement where AWB (Australia), as the domestic trading arm under the AWB Ltd group, is able to deliver wheat into the national pool—given the pool's obligation to accept all wheat that meets its standards—is detrimental to AWB (International). That was an issue—I think it was titled 'Trading to the national pool'—in one of the previous growers reports in, I think, 2003. The WEA did an assessment to see if there was detriment to the pool as a result of AWB (Australia)'s deliveries.

CHAIR—I recall asking those questions in Perth.

Mr Taylor—Yes, you did.

CHAIR—But it does not answer the question of whether the bookie who sets the price sets an advantage to the shareholders versus the disinterest, or the lesser interest, of the grower. Thank you.

Senator O'BRIEN—On page 13 of the 2004 growers report there is a section dealing with the problems in the Iraq market, including the fact that AWB supplied more than 85 per cent of the wheat import allowance under the oil for food program. Does that mean that the Wheat Export Authority had a good look at AWB(I)'s performance in the Iraq market?

Mr Besley—Not in the market. We have information on various markets, including the Iraqi market, from AWB(I), which is part of the input data we need to do our job. That sort of information is the strategy they have for Iraq, the shape of the market, the likely success they may have and so on. As I said also, in answer to a question from Senator Siewert, we looked at the contracts, as we do from time to time on a sort of risk basis, a sequential basis, so that we are aware that we are getting the sort of information that we need to get. In that course, we did look at some of the contract arrangements that AWB(I) had for shipping wheat to Iraq. They were FOB, as was pointed out by Mr Taylor earlier. There was nothing in those that we saw that was a problem. Furthermore, the data that was in those contracts was precisely the kind of data we would have ourselves extracted from them had we been doing it—and which in fact AWB(I) did, to give to us, as they are required to do to help us do our job.

Senator O'BRIEN—So the Wheat Export Authority was not aware of the arrangements made by AWB(I) for the transportation and delivery of wheat within Iraq.

Mr Besley—No.

Senator O'BRIEN—Do you look at those arrangements in any part of the world?

Mr Besley—No, we do not. There are very few sales that are not FOB. In fact, I cannot remember any.

Mr Taylor—There are some, but not many.

Mr Besley—Not many.

Mr Taylor—If I could add: where there are sales that are not FOB, the Wheat Export Authority brings them back to a FOB basis so that we have a base for conducting our pricing performance assessment, which is reported in the growers report, where we look at AWB(I)'s performance against other competitor grades in the market and where we also do the price discrimination performance. So all the data that WEA gets from AWB(I) contract data is related to that assessment of AWB(I)'s sales performance and price returns to growers.

Senator O'BRIEN—Obviously, you examine supply chain costs here. I am extending that to the international arrangements to see what, if any, examination is made of supply chain costs. You are saying that in fact it is unusual for there to be supply chain costs in the export of wheat, if I understand you correctly, outside of Australia.

Mr Besley—What we are saying is that more than 90 per cent of the sales that are made are made FOB. Where they are not, we bring it back to that basis so that we have a common basis on which we can make comparisons.

Senator O'BRIEN—How do you 'bring it back'? Forgive me; I do not completely understand that.

Mr Besley—CIF includes insurance and freight, so we take that off and convert it to a free-on-board basis. That is not hard.

Senator O'BRIEN—So you get a bulk number of insurance and freight.

CHAIR—You get the details.

Mr Taylor—We do get the details, but I could not explain to you at this point what they look like. The WEA does need to bring that information to a FOB basis so that we have consistency in the data that we are using for our pricing performance. The norm is for the sales to be FOB based. Where there is freight included in that, that is removed from the data that we use in conducting our assessment.

Senator O'BRIEN—So you get that information but you simply mathematically take that from the price.

Mr Besley—Yes.

Senator O'BRIEN—But you do not analyse the components where those costs in the 10 per cent of volume occur.

Mr Besley—No. But if you are implying, which I think maybe you are—

Senator O'BRIEN—I am not implying anything; I am getting information at the moment.

Mr Besley—If you are asking whether we could possibly have known, if any of these Iranian ones were CIF, whether there was anything untoward, the answer is that we could not have.

Senator O'BRIEN—You are answering a question that I have not asked. But I want to know what is available—

Mr Besley—I thought it would be helpful.

Senator O'BRIEN—Thank you for that. I want to know what is available to you, what information you have had, and what scrutiny you have applied to that information. Iraq is an

example. There may be other countries. I think what you are saying is that you just take the raw data and convert it into an FOB figure.

Mr Taylor—That is correct.

Senator O'BRIEN—So there is no analysis of these overseas transactions.

Mr Besley—No, there is not.

Senator O'BRIEN—In the 1999-2000 WEA annual report, the authority announced that it was about to employ a consultant to assist in monitoring the AWB(I)'s performance. One of the tasks allocated to the consultant was to look at:

... incentives that AWB ... offers compared to ... competitors.

Can you tell us what sorts of incentives were examined by the consultant?

Mr Besley—I cannot; I was not around. That is no reason for ducking it, and I guess we could dig it out for you. I do not know; I do not know whether Mr Taylor knows.

Mr Taylor—No. I am aware of the process that you raised, but I cannot, at this point, answer that question specifically.

Senator O'BRIEN—Is there a consultant's report?

Mr Taylor—No, the consultant works with the Wheat Export Authority and the results of that activity are included in the annual PMR assessment for the minister and the annual growers' report.

Senator O'BRIEN—You employ a consultant. How does the consultant work with the WEA to input the information that I presume is an assessment of known incentives? Is that what it is?

Mr Besley—We do use consultants, but less frequently now than previously because there are more skills built up to that particular—

Senator O'BRIEN—Sure, but I am referring to what was advised. You were following the 1999-2000 Wheat Export Authority annual report. You told growers you were about to employ a consultant to assist in monitoring the AWB(I)'s performance and that one of the tasks given to the consultant was to look at incentives that the AWB offers compared to competitors. You must have been aware that there were incentives offered, and you wanted, quite properly, to examine what they were and how they compared to what the competitors were offering. I am sure that was to do with the costs associated with transactions. I want to know what sorts of incentives you looked at.

Mr Besley—We are going to have to take that on notice, I am afraid. I cannot answer it. I guess the thrust of it was to determine the reasonableness of the incentive; what they were and what the reasonableness of them was.

Senator O'BRIEN—Then there was some process for you to have a dialogue with the AWB(I) about those incentives?

Mr Besley—Yes, I should think there would have been.

Mr Taylor—Yes, that is correct. There is ongoing dialogue, and has been from the commencement of the WEA, with the AWB(I) about what the WEA's activities are and what it is intending to assess under its performance monitoring responsibilities.

Senator O'BRIEN—Who would have that dialogue, the consultant or staff?

Mr Taylor—The consultant does not engage with the AWB(I) on behalf of the Wheat Export Authority. The consultant works in an interactive way with the WEA as part of the WEA team. Certainly, if there are any issues that need to be put on the table, then they are put on the table by the Wheat Export Authority. The consultant may or may not be involved in that process, it just depends on the issue being dealt with. The consultant is primarily contracted to the WEA to provide specific technical expertise that is essentially too costly to have in house and which would quickly become dated if that specialised skill set were brought in house.

Senator O'BRIEN—Essentially it is officers and staff of the Wheat Export Authority who would gather the primary information?

Mr Taylor—That is correct, and there is engagement at the board level as well in all of the WEA functions.

Senator O'BRIEN—There is engagement at board level in that regard?

Mr Taylor—Yes.

Mr Besley—We regularly have board meetings and I am happy to say that they are productive, and getting more productive. The relationships are sensible, open and frank. We are all now doing what the panel told us we should do—that is, have a more mature relationship. We can sit down and talk about things, and while we may have differences from time to time—which I am sure we will have, and we have had—we can each do our respective jobs in relation to our charter in a much more efficient way.

Senator O'BRIEN—Thank you for that. I have some questions about wheat exports. What percentage of total exports were accounted for by AWB(I) from 1 July 2004 to 30 June 2005? I am told for the previous year it was 98.76 per cent.

Mr Besley—It was in the high 90s, but we can dig it out.

Mr Taylor—I have some statistics with me, but they do not give me the exact number.

Senator O'BRIEN—Could you get that for me on notice, please.

Mr Besley—Yes, certainly.

Senator O'BRIEN—What percentage of container exports did AWB(I) manage over the same period?

Mr Taylor—AWB(I) exported approximately 63 per cent of total container and bagged exports.

Senator O'BRIEN—Is that for the financial year just passed?

Mr Taylor—That is correct.

Senator O'BRIEN—What was the actual volume of container exports?

Mr Taylor—Could I take that on notice?

Senator O'BRIEN—Certainly. How many bulk export permit applications were received last financial year?

Mr Besley—None.

Mr Taylor—None.

Senator O'BRIEN—I am tempted to say, 'Because none of them would have been approved,' but that is a supposition on my part, I will concede.

Mr Besley—We cannot approve unless we have written permission, and that has only happened once—by error.

Senator O'BRIEN—Exactly. How many applications did WEA receive for the export of containerised or bagged wheat last financial year and what was the tonnage involved in these applications?

Mr Taylor—There were 379 applications from October 2004 to September 2005, which is WEA's financial year. Approximately 800,000 tonnes were approved by WEA, but I can do you specific numbers on notice.

Mr Besley—I should point out that there is always less exported than is approved, because various exporters compete for the same market.

Senator O'BRIEN—Sure. I was going to ask you how many applications were successful and how many actually exported product. Perhaps you can supply that on notice?

Mr Besley—We could do that, yes.

Senator O'BRIEN—What markets were targeted by non-AWB(I) exporters last year? Perhaps you can supply that on notice as well.

Mr Taylor—There is a broad range of markets, but they are our top four. We can provide that on notice.

Senator O'BRIEN—Thank you for that.

ACTING CHAIR (Senator McEwen)—I thank the WEA representatives. Unless Senator Boswell comes back with questions, you will not be further required. We will put you on notice.

Proceedings suspended from 1.13 pm to 2.01 pm

Biosecurity Australia

CHAIR—I welcome witnesses from Biosecurity Australia. As usual, I do not have any prepared questions, but I thought I might start by asking: did the pigeons have tags?

Ms Hewitt—We should bring AQIS to the table if you would like to ask about that.

CHAIR—Okay. Would the prawn matter be best directed to AQIS too?

Ms Hewitt—Yes.

Senator O'BRIEN—Where is the draft uncooked chicken meat import risk assessment up to at the moment? What is going to happen from here on in?

Mr Cahill—That particular IRA is still in the drafting process. The IRA team is continuing to meet and has a meeting again later this month. It is continuing to work on the assessment. I would expect that the draft report will be finalised in the first part of next year.

Senator O'BRIEN—Can I take you to the BSE side letter to the free trade agreement with the United States, signed off by the Minister for Trade, Mark Vaile, on 18 May 2004. The letter noted that the international organisation of epizooties, the OIE, was at that time reviewing BSE standards as they relate to animal and public health. Has that review been completed?

Ms Hewitt—That is probably a question for the department more than for Biosecurity Australia, I think. The answer in brief is: no, the work is continuing.

Senator O'BRIEN—What is Australia's role in that review?

Ms Hewitt—The OIE review?

Senator O'BRIEN—Yes.

Ms Hewitt—I will ask Dr Gardner Murray, the Chief Veterinary Officer, to join us. I had misinterpreted your question; I thought you were talking about the Australian policy review. The OIE has done a considerable amount of work and last May came to some conclusions which were adopted by the organisation about classification of countries in relation to their BSE health status. Dr Murray, who was at the conference and led the delegation for Australia, I am sure is better placed to speak in detail to that.

Dr Murray—OIE, the World Organisation for Animal Health, has been working on standards for BSE for probably 12 years. Every year those standards are varied and amended on the agreement of OIE members based on new science, new information and new knowledge. At last year's meeting there was agreement to change the classification structure for BSE in the light of science to three classifications and to discuss what is known as a surveillance appendix. But, rather than approving a surveillance appendix, it was to be reviewed and looked at again in May next year. What was Australia's role? Australia is a key member of OIE. Australia has had different scientists at times on the various working groups. Australia has worked in with the elaboration of those standards.

Senator O'BRIEN—Can you be a bit more explicit about the department's role?

Dr Murray—OIE was established by treaty. I am the official representative to OIE, and therefore the department has a key role in attending meetings and participating in working groups. The department does not participate in OIE of its own; the department goes to OIE after receiving briefings from states and industry groups as to the position it is going to take.

Senator O'BRIEN—What is the formal consultation model for that instruction?

Dr Murray—There are meetings, for example, with the red meat industry through the Safe Meat partnership, meetings with state officials through the Animal Health Committee, meetings with the relevant industry groups. For example, on avian influenza there are meetings with the poultry and egg industry, and so on.

Senator O'BRIEN—Are meetings held on an issues basis, as needed or regularly?

Dr Murray—It is usually on an issues basis. For example, avian influenza was considered last year; therefore, the various industries were consulted. BSE, of course, is subject to ongoing consultation.

Senator O'BRIEN—A side letter in the US free trade agreement context said:

Australia and the United States also recognize the importance of encouraging Codex and OIE members to apply internationally agreed ... standards and guidelines consistently and appropriately and will work both within and outside these organizations to achieve this objective.

Do the agreed current or proposed international standards and guidelines differ in any way from the current Australian standards and guidelines?

Dr Murray—Yes.

Senator O'BRIEN—In what way?

Dr Murray—The current Australian guidelines, or standards, for food commodities are as defined by FSANZ, and the classification system that FSANZ adopted differs from the new OIE three-category system.

Senator O'BRIEN—Is that a substantial difference?

Dr Murray—I would say that it is, to be fair, a reasonably substantial difference. The key element, from my perspective, is not so much the categorisation as the ability of different countries to perform to meet their obligations—that is, to make sure they meet the categorisation standard.

Senator O'BRIEN—One reading of this side letter is that it binds Australia—and, for that matter, the United States—to bring our standards and guidelines into line with the international model. Is this how the department would understand this part of the side letter?

Dr Murray—I cannot talk about the international policy side of the business, but there is no binding requirement that we have ever seen in that letter, for example.

Senator O'BRIEN—So that is not a binding letter?

Dr Murray—The OIE standard is a minimal standard accepted by over 160 countries. Under the rules of trade, the SPS agreement, countries can apply their own standard if they believe they need a higher level of protection. But in order to do that they must have a scientific basis on which to exceed the international standard. So there is nothing illegitimate about Australia having a different standard from OIE. The OIE standard is a benchmark standard for all countries.

Senator O'BRIEN—I am sure you are aware of recent suggestions from some parts of the beef industry that current Australian guidelines and standards should be reviewed, particularly in relation to the requirement that the whole Australian beef industry would shut down if a single base of BSE were found anywhere in Australia. Has the department done any modelling on the likely impact on the industry and on jobs of such a shutdown?

Dr Murray—The answer is not so much about jobs. Certainly the department hired a consultant to look at the cost implications of having to change different systems; for example, the removal of specified risk material and the cost of that activity. I certainly know that a

couple of industry people—at the big end of town—have done an evaluation of job losses. But in terms of the former, I can make sure that you can look at the outcomes of that report.

Senator O'BRIEN—Minister McGauran is reported on 22 September in the *Land* newspaper as saying that a change to domestic policy makes sense but the consequential changes to the import rules, as required by the World Trade Organisation, were still being considered. Am I to take the minister's statement to mean that the government is actively considering alternative arrangements should a case of BSE be found somewhere in the country?

Dr Murray—I think it is fair to say that the government is considering various positions that might be held on BSE.

Senator O'BRIEN—So they are therefore also considering that option?

Dr Murray—I am sure this reconsideration will look at a number of options, but there is still a fair distance to go.

Senator O'BRIEN—What are the alternatives under consideration?

Dr Murray—Basically how one might respond if Australia had a case of BSE.

Senator O'BRIEN—Such as?

Dr Murray—For example, whether you adopt a Japanese standard whereby you test every animal, you change all your processing requirements and you have an ultrarigorous approach or whether you adopt a different approach where you identify a herd and you remove specified risk material. There are different options. It all depends on the relative risk. But at the end of the day—and you would know this better than I would—it is the department of health and FSANZ who ultimately determine food safety standards. Our department inputs the animal health perspective. Food safety standards are paramount and public health is paramount. This is why FSANZ and Health determine human health policy.

Senator O'BRIEN—What areas of our import rules are likely be impacted on if there were a change in domestic policy?

Dr Murray—I cannot answer that, because there is still a lot of consideration to take place.

CHAIR—I will tell you what I think.

Senator O'BRIEN—I am sure you will, but we should have Dr Gardner Murray on the record first.

Dr Murray—I cannot answer as to which rules might or might not vary or what could happen. It is impossible for me to predict the future.

Senator O'BRIEN—Where is this work being carried out? Is it within the department?

Dr Murray—No, it will be conducted by the usual interdepartmental committee involving Health, organisations like FSANZ and the department. Of course, there will be consultation with industry. The department of trade will also be involved.

Senator O'BRIEN—I want to ask some questions now about our preparedness to deal with an outbreak of bird flu in the country.

Senator TROOD—Senator O’Brien, before you do that, may I ask a question?

Senator O’BRIEN—You certainly can, yes.

Senator TROOD—Ms Hewitt, you answered Senator O’Brien’s question a moment ago about the policy review, which I think you said was continuing. Is that germane to the answers that Dr Murray has just been giving to us?

Ms Hewitt—Yes, I think Dr Murray’s references were both to the OIE standard and to the domestic policy setting.

Senator TROOD—You said that it was continuing. Is it continuing well or not so well? How long will it be before the review is likely to be completed?

Ms Hewitt—I do not think I can give you a precise answer to that. The issues are very complex and the international landscape is changing very quickly, as is the scientific knowledge base. When the FSANZ standard for food safety in relation to BSE was introduced by the organisation—I think it was in 2001—it was indicated at that time that, because the situation was evolving and we were learning more about the disease and its implications as time went on, there would be a review of the standard after two years. That was kicked off in 2003. A lot of work has been done, but I think we still do not feel we are at the stage where we are quite ready to recommend the next steps to government. A great deal of work has gone on, but there is more to do.

Senator TROOD—Knowledge is always expanding, of course. This could go on for a very long time. Is it possible there would be an outcome of this before Christmas, or is that far too optimistic? Are we looking some time into the new year?

Ms Hewitt—I hesitate to give you an answer to that, because I simply do not think I am well placed to do that. There is a lot of work going on. The departments and FSANZ, as Dr Murray indicated, are meeting again. We will be doing that over the next weeks. I suspect it might take a little longer than the calendar year, but I cannot be clear.

CHAIR—I have a few questions. I have made some notes and they are on their way but, in the meantime, what is the story with the transfer of BSE to goats?

Dr Murray—The story of transfer of BSE to goats is, as I understand it, a bit like the story of transfer of BSE to sheep. It is still being studied very carefully, using what are known as mouse models. Certainly in Europe they do test goats and sheep for BSE. This is a testing program for scrapie, which is a similar kind of disease, but to the best of my knowledge there is no definitive evidence of a systemic problem in goats or sheep.

CHAIR—But there is an area of venture and new learning, isn’t there?

Dr Murray—There is certainly work going on in France. There has been work going on at Ames in Iowa and with the particular sheep situation in Scotland.

CHAIR—So it would be fair to say that all those people who would like to have the status that we currently have—but, unfortunately, they do not have it—and who would like to equalise the marketplace would not like to emphasise the fact that there is a lot of unknowns with BSE; for example, the incubation period. There is a whole lot of work that has not been completed, having read some of the paperwork from the countries that do not have our status

and that wish to somehow equalise the marketplace by our ignoring this. With the OIE logic—some would say ‘illogic’—there is an understanding that you can have a trade in blood products from a country that has BSE as long as they come from a BSE-free herd. Is that your understanding?

Dr Murray—There are certain commodities or certain products from bovines that can be traded freely or with minor treatments from countries which have BSE. I do not have the complete list, but the products include calcium diphosphate, skins and hides, semen and things like that. But we can certainly get you the list.

CHAIR—I understand that therapeutic goods from countries that are not BSE free can be traded by ensuring that they come from BSE-free herds. I think that is part of the logic of the OIE, which is this so-called side letter of logic that is attached to the free trade agreement—which I have to say, to correct all the academics that say that it binds us to something, it binds us to bloody nothing. There is a question I want to ask, but I was hoping that someone would demonstrate to me that that is actually the fact—that there is a logic in the OIE that you can trade therapeutic goods from BSE contaminated countries provided they come from a certified BSE-free herd.

Dr Murray—I could say there is a logic to OIE.

CHAIR—But explain to me a BSE-free herd.

Dr Murray—I think we have to start from the premise that I do not think anyone in the world could say any herd anywhere in the world does not have a prion example. Therefore, you approach it by a whole systems approach like the one we have in Australia because you simply cannot test every individual animal.

CHAIR—How do you do a definitive BSE test on an animal?

Dr Murray—That is precisely what I said: you cannot.

CHAIR—They would have to be dead. What I am saying is that it appears the government, and other people wiser than the government, have accepted the proposition, which I would use colourful language to describe, that somehow you can have this trade as long as they come from a BSE-free herd, which is ‘expletive deleted’.

Dr Murray—The system works just like it does in Australia with tuberculosis-free herds and so on. You have systems in place—quarantine systems; biosecurity systems; surveillance systems; rules not to feed, for example, with BSE meat and bone meal. You add them together and you then have an evaluation of risk. In the case of Australia, the European Union says it is highly unlikely we have BSE. But you cannot test for BSE, even when an animal is dead. If you do not mind, I do not want to be—

CHAIR—You can be whatever you like.

Dr Murray—A BSE test will tell you whether an animal is affected a month or so before it becomes clinically affected.

CHAIR—But it will not tell you the incubation bit.

Dr Murray—No, not even the incubation because the incubation lasts for years. An animal could be incubating BSE, but your test would not necessarily pick it up.

CHAIR—Could I just take you to a little more of this OIE standard, which you will be pleased to know was demonstrated in Brazil at the FMD: ‘OIE standard permits imports irrespective of BSE status where certification by a national authority of compliance with OIE standards is in place’. That is about as meaningful as a nationally traded water right. What the hell does that mean?

Dr Murray—If you read the whole BSE chapters and you read the OIE codes, it means that, if a country complies with the risk assessment systems and surveillance—you name it—and it complies correctly, that policy should ensure safety of trade in the products mentioned. What the OIE standard does not say—nor does OIE do this—is that OIE does not evaluate the effectiveness of systems in countries. OIE only establishes, through 167 countries and through scientific advisings including from the World Health Organisation, what a policy position might be. The risk management side of the equation is up to individual countries, not OIE.

CHAIR—So you can interpret the side letter to the free trade agreement—which a few people have made a few bucks out of by printing a book on—to be meaningless.

Senator O’BRIEN—I bet the Yanks don’t.

CHAIR—Well, good luck to them. We are dealing with it here today. There are so many unknowns. As you say, this is some sort of book entry, this OIE standard, which in practice is meaningless. We are talking about an OIE standard that is dealing with countries that have had BSE. Given that you do not even know the incubation of the thing and there are still a lot of unknowns, how could a national authority certify a BSE-free herd?

Dr Murray—Just as we certify when we send our products overseas. We have the most complex risk management systems in place and have had them there for 14 or 15 years. Countries can come and have a look at what we do. So therefore we can certify that we are BSE free.

CHAIR—But the thing we have got in our favour is that we actually have not discovered any BSE. We are talking about countries that have.

Dr Murray—Yes.

CHAIR—So people say to me that we should argue equivalency—and I think there has been thinking in the department along these lines—that what is good for the goose is good for the gander. If they accept our testing, we have to accept their testing. A bit of equivalency that is forgotten in this debate is the fact that we actually do not have the bloody thing. Everyone wants to start from above that line. I think we should start below that line, because until we get BSE—or we discover it, unfortunately—I think we ought to hang on to our market edge.

Dr Murray—There are certain issues where I am not necessarily happy with the concept of equivalency; it depends how you define it. BSE is one. Foot-and-mouth disease is another. The OIE standard is a minimal standard. It is made for countries like Chad and you name it.

CHAIR—It sure is.

Dr Murray—In efforts to help countries trade safely, you are trying to look after the global situation. From our point of view, I personally believe—and we have discussed it—that risk audits, where there are serious potential risks and economic consequences, are particularly important. I think the secretary has said that on a number of occasions.

CHAIR—But I am trying to argue that we should have the courage of our own convictions as a country and appreciate our own assets. This OIE standard also says that a country does not have to demonstrate control; it just has to demonstrate compliance with OIE standards to be able to trade.

Dr Murray—I think if you read a whole chapter you would see the preamble talks about risk assessment and surveillance and so on. These are actually little formula components that come in, but there is a context to that.

CHAIR—These are little amber lights, actually. I once had a cattle yard where the cattle could get out as easily as you could put them in it. It depends on what gear you have got and how good your stockmen are. We went through all that with the TB and brucellosis eradication—whether you would get a complete muster the second time you brought them in and all that sort of thing. What do we know about breast milk transmission?

Dr Murray—I may ask Bob Biddle to come and talk about the actual transmissibility.

Mr Biddle—Your question was about breast milk. I assume that is human breast milk. That is obviously a matter for the health portfolio. I am aware that there are some studies in this area but that the health authorities, the WHO, have not made any specific recommendations about risk factors and management of risk factors associated with breast milk from individuals who might be compromised for CJD or variant CJD. If your question was broader than that, about the safety of bovine milk, cows milk, I think there is a very strong international consensus that that product is safe in terms of BSE transmission.

CHAIR—So what you are saying is that the unknown is human to human. What would follow then when the cow suckles the calf? Is there something different about the process?

Mr Biddle—When I spoke about the scientific consensus, that was based on quite detailed studies over a number of years—transmission studies, bovine to bovine and in various mouse models. I believe there is currently a very strong scientific consensus that cows milk is safe in terms of transmission risks for BSE.

CHAIR—Whether to another animal or to a human.

Mr Biddle—Yes.

CHAIR—So what is different about the human to human process? What do we not know about that?

Mr Biddle—I really think it is a very specialised area of science and that question would probably best be directed to the Department of Health and Ageing experts.

CHAIR—Under the OIE arrangements, what do we know about ‘right to verify’ rather than ‘compulsory to verify’?

Mr Biddle—The OIE does not, in its BSE code chapter, talk specifically about the right of verification, but it is a general SPS right. It is binding on World Trade Organisation members such as Australia and many other countries.

CHAIR—How do you bind someone to that?

Mr Biddle—It is just a stated right; it can be exercised or not exercised.

CHAIR—Just for instance, say that I lose the argument and we have to allow into Australia meat from countries that have had BSE—I would probably be dead after that event, I will have had such a big argument. The OIE standard would permit entry from countries, regardless of BSE status, where accompanied by a national authority of compliance with OIE standards. Is that what we would be faced with were we to adopt what is being proposed?

Ms Hewitt—Perhaps I could add a word here. I think Dr Murray made reference to this while you were briefly out of the room. The OIE standard is not, in its detail, binding on OIE members. Where a country, for example Australia, believes it has good reason to adopt a standard that is different from the internationally accepted regime, we certainly have the entitlement to do that under the WTO rules, provided we can bring forward a clear scientific justification for adopting a different standard.

CHAIR—But obviously, while we have not detected BSE, we would have a rather good moral argument in that regard.

Ms Hewitt—There is that, but the other part of the obligation that comes through the WTO agreement, to which we are a signatory, is that when we do adopt that higher standard we are obliged to apply that same standard without discrimination to trading partners. If we adopted a higher standard for reasons that we could justify, that had strong scientific merit, then we would be obliged to consider exactly the same rules and requirements in the claims of a trading partner, should they feel they were able to match the obligation we—

CHAIR—Is there some inconsistency in the argument that has been put here—and now it is seriously questioned, I have to say; people have been told to go back and have another think about it—between what has been proposed will happen between us and the American market, and what happens between Canada and America? What are the arrangements there?

Ms Hewitt—They are still in the process of being settled, I believe, and I think perhaps either—

CHAIR—But the argument that has been put to us is that, if you decide you can take meat off the shelf in the event of a BSE outbreak, then you are somehow morally obliged, under the WTO, to accept the meat from other countries. America does not do that with Canada.

Ms Hewitt—No, if we specify exactly what it is we require of our own domestic industry—

CHAIR—But three months ago that was what was being jammed down our necks here.

Ms Hewitt—I am sorry; I have not quite understood the question.

CHAIR—Three months ago there was a proposition that, if we wanted to somehow come to a different standard for meat on the shelves in the event of an outbreak of BSE, part and parcel of that was the fact that we would have to have this equivalency thing, in that we would have to be prepared to accept application for imports into Australia from other countries that had or have got BSE. Isn't that right?

Ms Hewitt—Perhaps in part—

CHAIR—Tell me the bit that is wrong.

Ms Hewitt—We would have to be clear ourselves on what basis meat in Australia could be traded domestically.

CHAIR—But that was the proposition that the Cattle Council and other people put in writing.

Ms Hewitt—It is how it has been loosely described.

CHAIR—I read the non-loose form of all this; there was no bloody argument. What was proposed was that, if you were prepared to go and change the rules on trading off the shelf, then part and parcel of it—tied with the same event; not after the outbreak of BSE, but in present time—was that you would have to accept this. You have seen and read my arguments against that.

Ms Hewitt—Yes, but what is clear is that whatever indicated change in the rules we apply to the domestic industry would also have to be applied without discrimination to our trading partners. The question is exactly what rules you would specify. It is just that you cannot discriminate.

CHAIR—Hang on. We were told that you could not separate the two issues—and I am sure that people will be working hard to—and I think we are justified, because we do not have BSE. All these other countries do, and they are busting their butts to get back into Japan and other places, which has given a little market edge to our poor old bloody cow cockies. But at the same time, out the other side of their mouths, over in America on the border with Canada, they say: ‘Not on your nelly! No, we’ll eat the meat off the shelves here, but we’re not going to accept their meat.’ Who is playing with whom?

Ms Hewitt—In both cases, the obligation is to be consistent in your treatment of domestic and foreign potential.

CHAIR—Where is the inconsistency with us separating the shelf argument from the importation argument, given that others are doing it? Aren’t they part of the WTO?

Ms Hewitt—Yes, they are, but what they are working—

CHAIR—So why are the rules different for us, or the logic that has been argued here different to theirs?

Ms Hewitt—I do not think that it is different. What you are seeing is countries gradually bringing their policy into compliance, and sometimes they do it in different sequence.

CHAIR—Hang on: at the present time, what is the arrangement at the Canada-US border?

Ms Hewitt—I will ask my colleagues to respond to that. I am not sure.

Mr Biddle—Broadly speaking, boneless meat from young animals—I think the cut-off point is 30 months—is allowed across the border. Young animals are allowed across the border from Canada, subject to movement or direct to slaughter or into a controlled feedlot situation where they are slaughtered before they attain a certain age. There is some additional detail, but they are the broad issues.

CHAIR—I accept the 30 months. That is actually the four-tooths, rather than 30 months, isn’t it?

Mr Biddle—I am not sure.

CHAIR—We are talking about four-tooths; I do. So there is a different argument from the argument that was proposed here and put by the various people; that is all I want to highlight. We have a long way to go with this. I would urge everyone to think deeply.

Senator O'BRIEN—On bird flu, the last major exercise aimed at testing Australia's preparedness to deal with a major exotic animal disease was Minotaur, held in September 2002, and I want to follow up on some of the discussion we had during budget estimates about recommendations in the report on this exercise. In May, Mr McCutcheon told the committee:

... we have developed this concept of training a highly skilled, what we call a rapid response team which, when we do have a disease event, can be quickly deployed ...

That was discussed as a concept. Where is this proposal up to?

Dr Murray—Perhaps I can make a couple of comments and, if you need more detail, Mr McCutcheon can provide it. No. 1, we have established rapid response teams and, No. 2, trial exercises have been conducted, as I recall, in the Northern Territory, in South Australia and in Tasmania. One of the exercises this year dealt with the subject of avian influenza. So the rapid response team is not a concept any longer; it exists, it is up and running and has been trialled.

Senator O'BRIEN—How many people are on it?

Dr Murray—The numbers vary. The nature of the people you send to a response will vary depending on what kind of disease you are talking about.

Senator O'BRIEN—Are they specially trained?

Dr Murray—Yes, they go through training courses and they run simulation type exercises, as I mentioned, in two states and one territory.

Senator O'BRIEN—What sort of training?

Dr Murray—They tend to be, for example, highly trained emergency managers from states. They are epidemiologists and they are vets. They are brought together to discuss how and when they should operate. The whole concept, particularly with smaller states, is to move in quickly in the event of a major emergency, try to set things up and then allow the states or territories to take over the job. But, in one way or another, they are very well trained and experienced people. For example, the emergency managers may not be purely across animal health; they may have experience with forest fires and other forms of emergencies. It is a multiskilled type of group.

CHAIR—Just say there was an outbreak somewhere and we moved in—and I congratulate you and others on the work that has been done on this—does the affected person you have moved in on have any rights to challenge any of this in the courts? One of the great mysteries for this committee was the way the citrus canker outbreak was held and there was a court challenge to the practice of quarantine. Are we clear of any of those?

Dr Murray—I think that, when these teams move in, they work under the relevant state jurisdiction, and they must meet whatever state jurisdiction applies.

Senator O'BRIEN—Isn't there national emergency management legislation?

Dr Murray—If you had a situation, as we were discussing, there would be a whole series of above-committee structures. I would chair one, for example, to look at the national implications and to proffer advice to the CEOs of agriculture. But in terms of a legal basis, the ultimate result one can use is the Quarantine Act, but there are certain agreements as to how that might be used if it is determined, for example, that there are shortcomings in state legislation.

Senator O'BRIEN—Who meets the costs associated with this rapid response team?

Dr Murray—The department funded the initial costs; if I am wrong, I am sure Mr McCutcheon will tell me. The department then subsequently provided some seed funds to Animal Health Australia to manage the further training and development of the RRT, and I think funding will then subsequently be drawn in addition from states and industry.

Senator O'BRIEN—Does that mean there will be a levy?

Dr Murray—No. I think it would be part of the normal contributory system.

Senator O'BRIEN—What is that?

Dr Murray—I will just check up with Steve McCutcheon.

Senator O'BRIEN—What is the normal contributory system?

Dr Murray—For example, with Animal Health Australia, the Commonwealth puts in a third as its contribution. The states put in a third and industry put in a third. So these form a core type activity. Then, if it is agreed that additional work is needed, Animal Health Australia will broker deals with industry and states to obtain that extra money.

Senator O'BRIEN—Does someone from the department lead the team?

Dr Murray—The group called the emergency response management unit is, I suppose, one of the brainpowers behind this and provides advice, but Animal Health Australia now has the responsibility for managing this rapid response team—training them up and moving them through simulation exercises. But, in the event of, say, an avian influenza or an FMD, the rapid response team would come back under Commonwealth control during an emergency.

CHAIR—So have you had some sort of a dry run at this?

Dr Murray—Yes, we have had at least four; I think there might have been five. There has been one in South Australia, one in the Northern Territory, one in Tasmania—perhaps even two in Tasmania—and certainly one with avian influenza in South Australia this year.

Senator O'BRIEN—Are they in situ or are you talking about desktop events?

Dr Murray—They physically go to the states.

CHAIR—Do all the chooks in Tassie only have one head?

Senator O'BRIEN—There are probably some with two, but I have not really checked!

Senator Colbeck—After the operation!

CHAIR—With laser surgery, you cannot tell whether they took them off—the same as mine! You cannot tell where my came off!

Senator O'BRIEN—They are very good at it! Is there a chain of command reporting outside of the rapid response team; if so, to whom?

Dr Murray—If you look at the rapid response team as being a group of people who go with the initial problem, they would report to the management structure in the combat state. But the way emergencies are managed, as you will recall, is through a consultative committee on emergency animal diseases. That committee meets immediately to look at the national and international implications and give advice to the combat state. So, yes, there is a chain of command.

Senator O'BRIEN—There would probably be some idea of the role of the team in relation to a bird flu outbreak. Can you give us a precis of what you think would happen?

Dr Murray—I will start off by saying a rapid response team would not just automatically go to a state. A rapid response team would be activated. If a state required that immediate expert assistance, they would call the team.

Let us take the example of Queensland, which had avian influenza, as I recall, in the mid-nineties. Queensland was in a position to manage the whole thing using its own resources and systems. Sometimes the smaller states require a bit of help. So a rapid response team is not just shovelled into a state to take over; rather, that is done at the request of the state, if it believes it does not have the people with the skills and the resources to set up an immediate response.

Senator O'BRIEN—So it would not be initiated unless there was a request. Is that what you are saying?

Dr Murray—That is correct.

Senator O'BRIEN—The rapid response team would not be activated until there was a request from a state, unless it was more than one state?

Dr Murray—No. The state might be able to mount a rapid response itself; that is what I am saying. If it could not, it may say, 'Look, can you give us a hand?' That is when the rapid response team would move into action. In my experience with animal health diseases like avian influenza—we have had five hyper virulent avian influenza cases, we have had newcastle disease and we have had a range of other diseases—the states report immediately to me. Sometimes within an hour we are on a telephone hook-up discussing the issue. That is when discussion on resources would take place.

Senator O'BRIEN—I know people are anxious to get to the barriers, but if a state made a request would there be a response, or is that a matter which would be considered by the Commonwealth before they said, 'Well, let's get the rapid response team in'?

Dr Murray—I think that if a state made a request you would call up the people on the books and ask them to go right away.

Senator O'BRIEN—That has not been the case in some other areas of Commonwealth-state relations. You may want to take that on notice. I would like a very clear answer that, if there were a request by a state for the rapid response team to come there to deal with an incident, an event or an outbreak, there would be a response rather than consideration.

Dr Murray—I am happy to take it on notice, but that is why it has been established. It is a fairly novel idea to have a group of trained people ready to help in the initial stages. You can imagine a situation where you had a disease all over the country but basically you were trying to get rapid, immediate reporting and sending the troops in to take action. That is the concept. We can give you more detail on the RRT and how it operates—its *modus operandi*.

CHAIR—Could I impose some discipline on the committee for a minute or two? Before we break for a strategic afternoon break, could I ask the secretary one question? Who will win the Melbourne Cup?

Ms Hewitt—I have a terrible track record. I would not inflict an opinion on you.

CHAIR—What about the parliamentary secretary—do you have a view?

Senator Colbeck—Perhaps we might discuss it after the strategic break.

CHAIR—Does anyone want to proffer a view and get it on the record? No? Right, we will break for a while.

Proceedings suspended from 2.51 pm to 3.12 pm

CHAIR—The committee will now resume. I call Senator Milne.

Senator MILNE—The question I want to ask relates in part to bird flu and also in part to the disease in Tasmanian devils. As a preface to the question, my concern is that since the early nineties investment in public interest veterinary work has receded, particularly in the states. To speak of my own case, in Tasmania it has been cut back significantly so that there is very little proactive surveillance of native animal and bird populations to identify emerging diseases. So, at the point at which the disease is recognised and discovered, it is already entrenched in the native population and could have transferred to domestic populations and/or humans. My experience around the world is that there is an increasing problem of transfer of disease from native animal populations to humans, back and forth, or to production.

In relation to the bird flu, whilst I accept what you are saying about a national response team being in place, what confidence could we have that there is sufficient proactive surveillance in the states to be able to identify that the disease has arrived, before it has reached a point where it is already entrenched? Then the national response team is called in; but we have already got a crisis rather than early surveillance. For example, we will have the short-tailed shearwaters coming back. What proactive surveillance is being organised for migratory flocks coming back to Australia this summer and so forth? On the Tasmanian devil it is the same thing. It took a number of years before it was actually identified in native animal populations, by which time it was entrenched.

So my question is: do you consider that we have actually reached the point, in a global context and in the national context, where we need greater investment in proactive surveillance of native animal populations because of this issue of emerging diseases? And, specifically in relation to the bird flu, are you satisfied that the states have got adequate surveillance in place such that we would have early warning to bring in a national response team?

Ms Hewitt—I might ask Gardner Murray to make some comments in response on our behalf. But I did particularly want to say as part of the response that we have been doing a lot

of work with the states. In fact, last week at the ministerial council meetings for both primary industries and natural resource management, Commonwealth and state ministers collectively signed off on what we are calling a National Biosecurity Strategy, which is aimed at bringing more collaborative work between jurisdictions.

Taking a lesson from what we have done on the production animal side, we are progressively doing better on the plant side in terms of emergency management, surveillance and so on and recognising we have some gaps, particularly in native flora and fauna. We have now had agreed by the ministers a six-month work program to develop a plan of action around all those issues. It is difficult for us to say whether more funding is going to be or needs to be available. But, at the very least, to begin with we have agreed to work together to prioritise and to set out plans for handling the priority issues. I think that is an important new piece of work we have under way. I will ask Gardner to speak particularly about the avian influenza and related surveillance questions.

Dr Murray—I agree and I think most of my colleagues would agree that the re-emerging threats that have occurred over the last 15 years are significant. If my memory serves me correctly, something like 75 per cent of new infectious diseases of humans over the last 15 years are zoonotic—that is, they are transmissible from animals to man. The figures are there and the facts are there. Having said that, I would have to say that, with the kind of system we have in Australia, it has delivered in that, for example, we have picked up the lissavirus, the Menangle virus, Hendra virus, *Trichinella pseudospiralis* in Tasmania—and I could name a number more. But it seems to me, my colleagues and the secretary that this now needs to be brought together in a more coherent fashion. Hence the reasons, in one part anyway, for the National Biosecurity Strategy and also a reason for setting up a national surveillance strategy, which will deal not only with production animals, extensive and intensive, but also wildlife. So there is, one might say, a real move to rationalise activities and to take into account the risks that are obviously there. As you know, we have established a wildlife network using the states and funded by the department. Again, that is a modest beginning, but it does have, in my view, a big future.

The issue with avian influenza from our point of view is: what has happened in the past and what do we need to do for the future? We certainly know the kinds of migratory patterns of birds. There have been many thousands of samples taken over the years in Kununurra in the Northern Territory, in Victoria and in Cape York looking at the potential for avian influenza. There is no question that there are avian influenza A types of a very low prevalence in shorebirds. That tells us what I think everyone else knows in the world: that native birds act as a host. The next step is to refine that program and do a bit more and look at their migratory patterns. I think you mentioned Tasmania.

Senator MILNE—Yes.

Dr Murray—We also need to look at the linkages between migrating birds and wild birds within Australia—the ones that are really risky with avian influenza like ducks, geese and swans. That is being designed at the moment. In fact, I may well be able to send out a letter on this during the week.

We do have that little bit of surveillance on the avian influenza front but, to be frank, it is obviously not perfect, given the millions of birds that come in to our shores. Therefore, it has to be supplemented by a series of other surveillance activities. Somebody mentioned to me this morning—I think it was Mr Biddle—that there is a network of several hundred birdwatchers who are ready to report on dead birds and so on. That is another form of surveillance. In recent times deaths in mutton birds have been followed up. We also followed up the fact that in Cape York, as I recall, a number of crows died. There are systems in place but they can obviously be refined.

I turn to the Tasmanian devil issue, which you used as an example of a disease that has been around for maybe 10 years, and how prior warning could have helped under those circumstances. That is an example of a situation where prior warning can perhaps help. Although the department of environment supports or funds the Tasmanian government in looking at the facial tumour issue there, the secretary has always indicated that we have epidemiological expertise and that, if the Tasmanian government and the department of environment wish to avail themselves of that expertise, we can certainly have a look.

Senator MILNE—Have the Tasmanian government asked for that epidemiological help?

Dr Murray—They certainly have not asked me. I cannot say if they have asked the environmental department or other people.

Senator MILNE—Has the money made available to Tasmania for assistance with the facial tumours been tagged in any way to epidemiological work?

Dr Murray—This is managed by Environment; I cannot answer that. I recall that there was a government announcement of \$2 million, and \$1 million has been allocated this year.

Senator O'BRIEN—In the report about Minotaur that I was talking about, there was some criticism of the leadership role played by the Commonwealth during that exercise. In May Mr McCutcheon told the committee that, at the time, the national management group concept was in its really early days and that he hoped that during the next major exercise it would deliver better national leadership. Has there been any further development of the national management group concept? What has been done or what has changed that would give us greater confidence in the ability of this group to deliver better national leadership?

Mr McCutcheon—There have been no deliberate changes or readjustments to the national management group concept. The major advantage the group has had is that it has had to meet on a number of occasions to deal with specific emergencies. In light of that experience a number of the operational aspects of the group have been strengthened. In the context of the forthcoming exercise, Exercise Eleusis, those strengthened arrangements will again be tested. In addition to that, we are branching out into involving other Commonwealth agencies—in this case, Health—to ensure that we have a sort of cross-government, cross-jurisdictional approach to managing the disease at the highest level.

Senator O'BRIEN—You also told the committee in May that Animal Health Australia was undertaking consultation regarding some 19 actions and amendments to the cost-sharing deed and was developing an explanatory memorandum to the deed. Has that process been completed?

Mr McCutcheon—It has not been completed, to my knowledge. My understanding is that they have had meetings with a number of industry organisations and have also had meetings with a number of state jurisdictions, but there is still some work to be done on that.

Senator O'BRIEN—When is that expected to be completed?

Mr McCutcheon—That is a question I would have to put to Animal Health Australia. Certainly, they are operating on the basis that it needs to be finished sooner rather than later.

Senator O'BRIEN—Dr Biddle told us in May that as an adjunct exercise to Minotaur there was an attempt to get an agreement on zoning from a number of other countries, including the US, New Zealand and Canada, and that the lesson learnt was that even in a real emergency it could take many months to get such an agreement. Has there been any progress on this front? Does the department still believe that it will take a very long time to progress a zoning application with our trading partners?

Dr Murray—It was quite clear that the United States would have to go through their own regulatory process; it is known as the Code of Federal Regulations. That could take any time up to a year. In Europe and with other countries, like New Zealand, if we put the correct data and make the correct arguments stand up to scrutiny, we could do it in the context of the OIE standard.

Senator O'BRIEN—What does that mean in time terms?

Dr Murray—Hopefully, you might be looking at six months.

Senator O'BRIEN—Six months or worse?

Dr Murray—Yes.

Senator O'BRIEN—The report identified gaps in legislation in some jurisdictions with regard to enforcing a standstill of livestock and high-risk materials. In May, Dr Biddle told us that work to address this problem 'if not completed is certainly under way'. I presume it is completed now; is that right?

Mr McCutcheon—My understanding is that that action has basically been completed, so those arrangements are now in place.

Senator O'BRIEN—What action has been taken?

Mr McCutcheon—State and territory governments have put in appropriate administrative arrangements to ensure that, in situations where a livestock standstill order is given, they are in a position to be able to implement that order as soon as possible.

Senator O'BRIEN—Can you provide an update on the Australian Veterinary Reserve? Can you tell us how many vets are currently part of the reserve? Perhaps you can tell us, on notice, where they are located and how much has been spent on the reserve.

Mr McCutcheon—For that amount of detail, I will have to take that question on notice.

Senator O'BRIEN—Minotaur recommendation 16 suggested:

As a matter of urgency, a national information management system linked to an upgraded Animal Emergency Information System (ANEMIS) be developed and used ...

Mr McCutcheon, you told us in May that ‘it is under development’. Is it still under development?

Mr McCutcheon—Yes, it is still under development, although things have advanced since we last appeared before this committee.

Senator O’BRIEN—I would hope so.

Mr McCutcheon—Tenders for this have been managed through New South Wales. Tenders for the system have just been issued and trials are planned for late 2006. The system that we are talking about covers disease response data, ongoing surveillance information and resource management coordination.

Senator O’BRIEN—Recommendation 21 of Minotaur related to animal welfare issues. In May you told the committee:

... it is likely that a new manual within AUSVETPLAN will be drafted to cover those issues.

Has that happened?

Mr McCutcheon—Yes, that item has been substantially progressed. A multijurisdictional industry working group has been established to evaluate the animal welfare issues associated with disease outbreaks. A new AUSVETPLAN animal welfare manual is in an advanced stage of drafting and will be circulated to industry for comment in the very near future. It is hoped that the manual will be provided to Animal Health Committee for clearance early in 2006.

Senator O’BRIEN—I understand that Exercise Eleusis, which has a bird flu outbreak as its scenario, will start in about a month; is that right?

Mr McCutcheon—That is correct—29 November.

Senator O’BRIEN—You told us, Mr McCutcheon, that leading up to the exercise there is a range of what you would call sub-simulations or mini simulations to prepare various jurisdictions or groups of individuals to participate in that exercise. Dr Murray, were those the exercises you were telling us about earlier?

Dr Murray—That was one of the exercises, but there have been exercises on, for example, communication and on establishing a disease control headquarters. There has been a major exercise in the department to make sure the department is ready to play its role, and there has been an exercise to form the National Management Group, referred to earlier, to get anything worked out that might be tricky—for example, inviting the Chief Medical Officer along and so on. The culmination of these pre-Eleusis exercises will be a three-day one on 29-30 November and 1 December.

Senator O’BRIEN—Have these mini exercises identified any particular problems in Australia’s preparedness to cope with bird flu, or do we await Eleusis to make a judgment?

Dr Murray—I do not recall anything of a significant nature cropping up, but clearly there has been a lot of refinement. I think Eleusis is going to be a key test in how we can communicate, because Eleusis will have three states affected and there may well be a couple of humans who might appear to be affected as well, so it is going to test communications within the agricultural community and in the health community. Could I go back for a second, rather than us having to do a question on notice about this situation?

Senator O'BRIEN—Sure.

Dr Murray—You talked about the Veterinary Reserve. My information is that 100 vets have been selected. Twenty have been trained, 20 will be trained next week and the balance will be trained by the end of this fiscal year. Complementary to that is an agreement that we have signed with the United Kingdom, New Zealand, Canada, the United States and Ireland to obtain veterinary support resources in the case of an emergency. So that is another kind of effort we are trying to make to assure surge capacity if the worst ever happens.

Senator O'BRIEN—What about geographic coverage—or is that not an issue?

Dr Murray—We can find out for you, but the geographic coverage was a key component of the Veterinary Reserve—geographic coverage and population of animal coverage. We can advise you, if you wish.

Senator O'BRIEN—Thank for that. I take it from your earlier answers that Exercise Eleusis is more than a desktop exercise.

Dr Murray—Yes. It is not a field exercise—there will not be people going out in the field—but it is an exercise that will involve the establishment of control centres and the establishment of state disease control centres as well. It will involve not only Health and us but also emergency management organisations, DFAT and Prime Minister and Cabinet. So it is more than a desktop exercise but it is not a field exercise per se.

Ms Hewitt—Having chaired the National Management Group as part of the precursor exercises a couple of weeks ago, I can certainly testify that it had a very real feel about it. People contributed and undertook their roles with a great seriousness, and it felt very much as though we were doing citrus canker or something else.

Senator O'BRIEN—Was it a case of biological war games?

Ms Hewitt—Yes. I think that counterparts in the other jurisdictions are participating with a really good commitment.

Senator O'BRIEN—Minotaur, I believe, had international observers. Are you going to do the same with Eleusis?

Dr Murray—Yes. On the animal side, there will be three observers. There will be one representing FAO and OIE, a person called Dr Abila, who manages the Southeast Asia Foot and Mouth Disease Campaign. There will be a representative from the United Kingdom—in part, because they are running a major exercise next year and in part because they run the presidency of the EU at this point in time—and somebody from across the Tasman. Also, the health department will be inviting two or three people to come and observe and report.

Senator O'BRIEN—I presume there will be a report on the exercise.

Dr Murray—Yes.

Senator O'BRIEN—Who will be writing that? Will the international observers have a role?

Dr Murray—Everyone who plays in the exercise and who observes will have a debrief at the time of the exercise or at the immediate end. That will be compiled into a written report by

an independent writing group. A separate group has been hired to write the report and validate the methodologies.

Senator O'BRIEN—Is that independent of the various arms of government that are involved?

Dr Murray—Two definitely are. I am not too sure about the health expert from Melbourne.

Senator O'BRIEN—Is it intended that that report will be made public?

Dr Murray—I think the report will go to and be considered by government, and I should imagine the key industry groups and issues identified in the report will have to go public.

Senator O'BRIEN—What is the expected time line before there is something in black and white following the report?

Dr Murray—I would say early in 2006.

Senator O'BRIEN—I understand that AUSVETPLAN plan that an emergency animal disease response agreement will form the backbone of Australia's response of avian influenza. Is that right?

Mr McCutcheon—Certainly it would be the backbone of the agricultural response to such an emergency.

Senator O'BRIEN—I understand that EADRA has recently been updated to allow for changing classification of both high-pathogenic avian influenza and low-pathogenic avian influenza. Can you outline the reclassifications that have occurred and take the committee through the process to make those reclassifications?

Dr Murray—Under the classifications for a disease, industry and government agree to the level of funding depending on the nature of a disease. For example, if the disease is one with significant public health good issues, like hypervirulent avian influenza, that will now be funded 80-20 because it is a significant public good. It was previously at 50-50, as I recall. The issue with low-pathogenic avian influenza in poultry flocks is that the animals do not necessarily become sick but, if you are talking about subtypes H5 and A7, as you have seen in Asia, they can mutate into virulent forms. Therefore, there is an advantage in managing out of a situation where you have low-pathogenic avian influenza.

Senator O'BRIEN—I am still not sure how you go about making the reclassifications.

Dr Murray—Reclassifications are managed by Animal Health Australia, who ask a group of people together, usually members of the Animal Health Committee with industry, to consider the merits or otherwise of reclassifying a disease in terms of the funding mix.

Senator O'BRIEN—The cost implications for the industry and state and federal governments of these reclassifications is obviously important, given what you have just said.

Dr Murray—Yes.

Senator O'BRIEN—How does that work?

Dr Murray—It means that the government will pay more than was the case previously in the case of a hypervirulent avian influenza.

Senator O'BRIEN—To the states and to industry.

Dr Murray—To industry for a compensation and for support in managing the disease.

Senator O'BRIEN—Is this reclassification an ongoing process?

Dr Murray—It is a process that is undertaken if, for example, there is a new disease that suddenly emerges. Groups will sit down and try to determine if those diseases should be part of the cost-sharing agreement. Or it is a process that is put into action if the nature of a disease changes—for example, with avian influenza, where there is a real public health component, as now is evidenced in H5N1 in Asia and as was evidenced in H7 in Europe a couple of years ago.

Senator O'BRIEN—I understand that the department has been involved in providing support for ASEAN countries in dealing with avian influenza outbreaks. Can we have some details of the support provided by this department and its agencies?

Dr Murray—A number of support activities have been conducted over the years. Some of them may be documented on the department's web site. These support activities have, as often as not, been funded by AusAID, but I can give you a bit of the flavour of what they may involve. For example, they have involved bringing people from laboratories in, say, Vietnam and other countries to our high-security laboratory to learn diagnostic testing. They have involved sending people to work in Indonesia on animal health management. They have involved running training courses, one in conjunction with the Singapore government, for countries such as Myanmar, Cambodia, Laos, Vietnam and Malaysia. In fact, two weeks ago a US-Australia training course on avian influenza was run in Bangkok for people in the region. Funds have also been used to bring people in from the Pacific, to Queensland. We gave them some brief training on issues such as collection of samples—what you collect, safety precautions and so on. That is the general nature of the activities. Of course, this has been complemented by people helping international organisations like FAO to write strategies for pandemic management and consultancy activities in countries in the region.

Senator O'BRIEN—So we do send some departmental employees to infected countries or potentially infected countries?

Dr Murray—The answer is yes, but also we try to send others to gain experience in the field. There are people from the states, people from CSIRO. I should also mention a very important component that I totally forgot—the Northern Australia Quarantine Strategy. There has been training of people and networking with countries party to the NAQS arrangement—that is, Papua New Guinea, Indonesia and Timor-Leste. And some people have been brought to Australia to go to conferences and meetings.

Senator O'BRIEN—What contribution is Australia making to the OIE and other international bodies in relation to dealing with avian influenza?

Dr Murray—Our contributions have tended to be intellectual in that we have sent people to help them write their global strategies to develop standards. The funding provided by AusAID, for example, and other funding for capacity building is used to conduct work which is consistent with the FAO-OIE arrangements. But I would have to say that, in terms of future funding to those organisations, the department of health has a major role, and of course

AusAID is a key player. If you want to look at the whole picture, that is where you might go. I seem to recall a figure of \$30 million being mentioned for AusAID funding since 2004—for both health and animal health, but probably primarily for health.

Senator O'BRIEN—Finally, has any estimate been made of the likely economic impact of an outbreak on chicken growers, egg producers and the processing sector and on regional and rural communities of an avian influenza outbreak?

Dr Murray—Dr Fisher may have some idea. Certainly I know people are talking about a figure of \$10 billion in Asia. From talking to people from Mexico, they say consumption of poultry meat in Mexico has dropped by up to 50 per cent. People in Italy have said likewise. So, without the disease, there is still a reaction. I have not seen that in Australia, the US or Canada, but certainly it has had an impact.

Senator MILNE—I have a question on fire blight. In relation to New Zealand apples and pears and the ongoing disagreement with fruit growers in Australia, I want to know where things are up to. My understanding is that the fruit growers responded to the last round of consultations by pointing out ways in which they believe the modelling had been wrong. So Biosecurity Australia then went back and has been reviewing the situation. I understand that the growers are still waiting for advice from Biosecurity Australia in relation to this. The growers are rather concerned that, given they will only have 60 days consultation when the report comes out, this will end up being in the middle of the harvesting season. I just wanted an update on where the whole process in relation to apples and pears actually is. I understand it was meant to be available in the middle of the year and it has not occurred yet.

Ms Hewitt—If you agree, I will ask John Cahill from Biosecurity Australia to handle that one.

Mr Cahill—The import risk analysis of the application to import apples from New Zealand is still under way. There have been draft reports released previously. Late last year the government committed to Biosecurity Australia reviewing and reissuing a number of IRAs, including that particular IRA. From the earlier draft report there had been, I think, 200 stakeholder submissions, as well as an inquiry by this committee into that draft report. Having regard to those submissions and the Senate committee inquiry and the 200 stakeholder submissions, Biosecurity Australia set to work to develop a revised draft report. That process has included further substantial interaction with stakeholders, both in Australia and New Zealand, and it includes representatives of growers in the industry. The current status of that is that Biosecurity Australia is getting close to the issuing of a new draft report and that will be issued for a further comment period of 60 days for stakeholders. I cannot be precise about the date of release of that report. As I said, we are going through the final processes of preparing that now. But I have given assurances to the industry myself that we would not release it at a time when they were harvesting and we would certainly make sure that there was no disadvantage during the comment period from any shortening of the period. So we would make sure that they had a proper and full 60-day comment period to have their say.

Senator MILNE—When you say you are getting 'close to', we are assuming this will occur before the end of the year, or you are not prepared to say?

Mr Cahill—It is very soon. That is probably the best I can say at this point.

Senator MILNE—Thank you.

CHAIR—If you had the choice between an orchard that had fire blight and one that did not, which one would you choose? Does anyone want to answer that? The New Zealand apple grower said he would take the one that had it, which was a pretty dishonest answer, I thought. I think what all of that will come down to is a contest between science and human failure, and I look forward to the contest.

Senator MILNE—I have another question but not in relation to fire blight.

CHAIR—All right, come on.

Senator MILNE—I have hardly had a turn! I wanted to ask about Biosecurity Australia's review of the 2,916 permitted seeds genera. I understand that there was going to be a review and that it was going to be completed by the end of 2006. Could you give me an update as to where that review is up to, its progress or any comments in relation to that review, please.

Mr Cahill—It is actually a two-stage review. Stage 1 was to remove from the permitted seeds list 3,335 species. That was completed, and the relevant quarantine proclamation has been amended. It was done in conjunction with the various stakeholders and other interested parties. The second stage of the review is to look at 2,913 genus level listings on the permitted seeds list. That work is due to be completed, as you said, by the end of 2006. That work is on schedule, and we expect to complete it on time.

Senator MILNE—Thank you.

CHAIR—What work has Biosecurity done on the importation of prawns?

Mr Cahill—We do have an import risk analysis under way on prawns, which is incomplete.

CHAIR—When did that start, given that we are now importing 18,000 tons of prawns a year?

Dr Martin—It has been a long-standing import risk analysis. I would have to take on notice the actual starting date. We put out a draft report at the end of, I think, 2000—

CHAIR—This is for prawns?

Dr Martin—For prawns. We had been importing prawns for a long period of time.

CHAIR—We have.

Dr Martin—The measures have been tightened over a period of time.

CHAIR—Given that they are used as fish bait in our waterways, that is what you are looking at now, is it?

Dr Martin—Imported prawns that come in are for human consumption.

CHAIR—But they are being used—and I think I have talked to everyone that needs to know—as fish bait, and they are discarded into our fish ways. When they finish the job they tip them over the side. They are imported prawns.

Dr Martin—They are imported prawns for human consumption. There are size restrictions on them.

CHAIR—I am sorry, but what I am saying is: are we looking at the health of animals aspect of it all?

Dr Martin—The import risk analysis is looking at prawns for multiple uses and also end uses. The IRA is also looking at, if they come in for human consumption, whether they would be diverted for bait.

CHAIR—The answer to that is yes. I can answer that. You can get on with the job. They actually are. I have been and watched it.

Ms Hewitt—As part of the work that is being done by the team, there is some survey work under way trying to get some really good empirical information on that. That will be part of the process.

CHAIR—They do not readily own up, but I can take you to where they do it, if you like.

Dr Martin—Back in 2001-02 a very large survey was conducted for households and also fishers, to see what kind of bait they used. There was no evidence that they were using imported bait. They liked to use small prawns. That is part of the reason why we have a requirement that prawns be a certain size.

CHAIR—Given that they can produce them for about \$3 a kilo, wouldn't it be prudent to assume that that is a risk, even if you are not satisfied? I was taken to where they do it. I casually walked up to these fellows and they owned up to me. But I did not have a suit and a tie on, I might say—or a helmet. Wouldn't it be prudent to assume that that may be happening and to consider what are the risks associated with that? Are you calculating the risks to our fisheries and waterways?

Dr Martin—Certainly that is what the import risk analysis looks at—the risk of disease introduction and exposure of aquatic animals.

CHAIR—This is what we call the human failure side of science. Poor old humans will use them for what they are not intended for.

Dr Martin—The bait survey that was conducted did not show evidence of imported prawns being used.

CHAIR—I could give you umpteen examples of that in life; I never speed, either. So how far are you into the import risk analysis process, looking at not the human health but the animal and waterways health?

Dr Martin—It is looking at the aquatic animal health. As I said, a draft was put out in 2000, and then following consultation the IRA team recommended that a revised draft be prepared. That is being undertaken now.

CHAIR—Would the question on where we test—the areas we test—be one for AQIS?

Ms Hewitt—If you are talking about imported food risks, yes.

Senator MILNE—I want to ask about citrus access to China and how that related to the pears issue. Or was it purely coincidence, as we read in the papers?

Mr Cahill—A protocol was initialled in Beijing last Friday to allow Australian citrus access to China. Your observation was that there was an extension of policy released by

Biosecurity Australia in relation to ya pears some time prior to that. The two issues are unrelated. We released the pears extension of policy when it was completed and, in response to concerns about the progress of the citrus access, we increased our efforts, together with other areas of the department and the Department of Foreign Affairs and Trade, to secure a workable protocol for access of citrus into China. As I said, that was concluded last Friday.

Senator MILNE—So the Chinese at no stage made the two in any way related? The Chinese negotiators, on behalf of the Chinese government, in no way related the two?

Mr Cahill—I do not know whether or not they related the two. What I am saying to you is that Biosecurity Australia did not relate the two.

CHAIR—I have one final question on prawns. When did you decide to do the import risk analysis on waterways and animal health—how long ago?

Dr Martin—It is a very longstanding import risk analysis on prawns, so I will have to take that on notice.

CHAIR—Whatever we did originally to bring the prawns in, one of the assumptions I would have made would be that there would probably be a lot of blokes who would buy a few kilos of prawns and a slab of beer and go down to the sea to have a drink off the wharf, pitching the tails and discarding the prawns into the sea. Is that a risk?

Dr Martin—My understanding is that Australia has been importing prawns for a long period. Originally there were no restrictions at all. Then, in 2000, for animal health reasons we put restrictions on size and started requiring an import permit and veterinary certification.

CHAIR—Very good. I am unaware of this. But, if people have a feed of prawns, they might chuck the leftovers off the wharf or into the Hawkesbury River or somewhere. Wouldn't it be reasonable to assume that that goes on?

Dr Martin—Import risk analysis is certainly looking at waste.

CHAIR—But they did not think of that before 2000?

Dr Martin—Those were interim measures that got introduced when the draft went out then.

CHAIR—Anyway, it is under control now.

Dr Martin—It is being looked at.

Senator MILNE—I had not realised that 'Product integrity' was all part of this and that then you would be leaving. I just wanted to ask about eucalyptus rust. I understand that it has been detected in Hawaii and that there is a national response plan being developed. I wonder if you could let me know what preventative action is being taken in relation to planning for that and if you have any updates in relation to it, because of the obvious ramifications if it were to get to Australia.

Ms Ransom—Eucalyptus rust is of significant concern to us and we are extremely worried that the disease has been confirmed in Hawaii. As a result, a number of actions have been taking place. An emergency response plan is currently being drafted. I have to talk on behalf of Biosecurity Australia. We have been in contact with the United States to ask for more information on the outbreak. I am not sure whether any response has been received. There are

existing quarantine measures in place for eucalyptus rust. As you may be aware, the disease is well established in Brazil and has been for some time. There are continuing measures in place to prevent incursion through trade, particularly in timber products from Brazil. It is probably best for us to compile the information that you have asked for as a question on notice. Then we can ensure that all of the aspects of our preparedness are covered.

CHAIR—What are the implications of eucalyptus rust?

Senator MILNE—Huge.

Ms Ransom—Eucalyptus rust—

CHAIR—Say, for the Brindabellas.

Ms Ransom—To be honest, I do not think we fully understand what the impact could be, because we do not have it in Australia, but it is a significant disease on some eucalyptus species. It is a disease of the Myrtaceae. Of course, a lot of members of the Myrtaceae are native plants in Australia. Any information we have on host status is very much determined by what hosts it is occurring on in Brazil. Obviously the whole spectrum of Australian Myrtaceae is not represented in Brazil. Nonetheless, the fungus is a significant disease. It is able to adapt to environments.

CHAIR—The long and the short of the question is: can it bowl out all the old river red gums? Can it bowl out all the plantations?

Ms Ransom—As I said, we do not know.

CHAIR—What has it done in Brazil?

Ms Ransom—It is a disease of plantations in Brazil.

CHAIR—What about natives?

Ms Ransom—Brazil has a different native flora to Australia. It is also known as guava rust, so it does occur on guava.

Senator MILNE—Is any training going on with state forestry departments around the country and state parks and wildlife departments so that they may be alert to it?

Ms Ransom—There is information that has been made available to them. We are liaising with the Department of the Environment and Heritage as well to get them engaged with the stakeholders, which also covers native forest reserves and so forth, to be able to pick up this disease early. There are no indications that it is any closer than Hawaii. Certainly there are no indications from the Northern Australia Quarantine Strategy surveillance that it is anywhere in the area that they cover.

CHAIR—Have you seen it? One of the problems with citrus canker was that no-one knew what they were looking for. Do you know what it is?

Ms Ransom—Yes.

CHAIR—Who else has sighted it, wherever it is? With citrus canker, they did not know what they were looking for.

Ms Ransom—I understand that there are no other rusts that affect eucalypts, so, if we were to see a rust disease on eucalypt, we would immediately assume that it was—

CHAIR—Would Forests NSW be acquainted with what it looks like?

Ms Ransom—I believe that they would appreciate what it was when they saw it. A rust disease is very obvious and something that is familiar to many people.

CHAIR—That is what might have been said about citrus canker. What is the situation in New Zealand?

Ms Ransom—New Zealand does not have eucalyptus rust.

CHAIR—Is Hawaii the closest to New Zealand?

Ms Ransom—Yes, that is right. This is the first time that eucalyptus rust has been found within the Pacific area.

CHAIR—Does it have a host plant?

Ms Ransom—We do not know the full extent of its hosts because we are very much dependent on information from those countries as to what has been infected there. As I said, the full spectrum of potential hosts that we have in Australia are not represented in those countries.

CHAIR—As a result of that, is there a restriction on other plants coming in from those countries?

Ms Ransom—Yes.

CHAIR—Please provide us with details of what they are.

Ms Ransom—I will have to ask AQIS for those.

CHAIR—But there are some plants that we allow in—I have no idea what they are—from those countries, so, ‘Thanks very much for the cancer.’

Ms Ransom—There are restrictions in place in relation to planting material of known hosts from countries that are known to have eucalyptus rust. There are also restrictions in place on products that are likely to be infected.

CHAIR—Does it travel on cases and packaging?

Ms Ransom—It certainly has been detected at the border in Australia on containers. Rust diseases are transmissible or can be carried on clothing. But I think you would appreciate that we have been exposed to many diseases through people moving around internationally.

CHAIR—The argument being: stop all travellers.

Ms Ransom—Yes, exactly.

CHAIR—In the event that we get it, given the experience of wherever it is in the rest of the world, what will happen to the Australian eucalypt bush?

Ms Ransom—We really have no idea. We have had real success in containing the grapevine leaf rust in Darwin. Rust diseases spread very quickly and easily on wind currents. I am not sure that we would be able to contain it or eradicate it.

CHAIR—Just say there is that sort of scenario, does it wipe the bush out or just make it ill thrift?

Ms Ransom—I would expect there to be an inherent range of susceptibility to the disease.

CHAIR—After a while it would develop some resistance.

Ms Ransom—Some species may be very susceptible and others may not be. Given that Australia is really the place of origin for many of the species within the Myrtaceae family, I would expect that we would have a whole range of susceptibility. Some things would be very badly affected and some would not be. Generally, I would expect rusts to create more of a situation of gradual decline rather than immediate death of the plant.

CHAIR—God help us; you have just spoilt my bloody winnings. Thank you very much. Are there any other questions on ‘International’? We will move to AQIS.

Senator Colbeck—Mr Chair, are we skipping ‘International’ and ‘Product integrity’?

CHAIR—We have covered them.

Mr Banfield—While our AQIS colleagues are getting ready, if I could come back to a question that you asked, Senator O’Brien, before lunch in relation to the dairy structural adjustment fund. You asked about the levy receipts. I am advised that the total of the levy receipts up until 30 June 2005 was \$1,055 million. The figure as at 31 October 2005 was \$1,139 million. So it was \$1.055 billion to 30 June and \$1.139 billion to 31 October.

Senator O’BRIEN—I am doing some very rough maths. You have collected \$84 million in four months.

Mr Banfield—Yes.

Senator O’BRIEN—Is there some special reason for that?

Mr Banfield—You are at the fringes of my knowledge. If you want further details on that, I will come back. But, as I recall, Mrs Standen indicated that the total figure was about \$1 billion this morning.

Senator O’BRIEN—Yes, the total collected over all of the time. But what you are saying is that it rose from \$1.055 billion to \$1.139 billion between 30 June and 31 October.

Mr Banfield—Yes. So there was \$84 million collected between July and October 2005.

Senator O’BRIEN—So, a quarter of a billion dollars a year at that rate, unless there was something abnormal about that period.

Mr Banfield—I will come back to you if you want further details on whether there are any abnormal factors in that number.

Senator O’BRIEN—If you would, please.

[4.12 pm]

Australian Quarantine and Inspection Service

Senator O’BRIEN—Can I ask some questions about the protocol for the importation of pigeons from Canada—start you off well, Mr Yuile. This is a protocol established in October 2003. Was it reviewed, given the international concern about avian influenza?

Mr Yuile—I think the question of the protocols for all our imported products—for ourselves and our colleagues from Biosecurity Australia—are kept under review. If you are asking me whether this has been explicitly reviewed since 2002, I think the answer is no.

Senator O'BRIEN—Is there any reason why not? A few things have happened that might elevate concerns about the importation of bird species.

Ms Hewitt—I have a very broad comment. I think you would judge the Australian protocol to be at the extremely conservative end of the international spectrum. It is quite restrictive in terms of what is allowed to trade. In relation to the live birds, they were accepted only from four countries—with a pretty rigorous testing regime, which we have subsequently notched up one little bit further. But it was already a very conservative protocol.

Senator O'BRIEN—How did we notch it up?

Ms Hewitt—I think we might need Biosecurity Australia to answer that.

Mr Yuile—Senator, sorry, I have misled you. I should invite Dr Martin from Biosecurity Australia. Since 2002 apparently there has been some review.

Dr Martin—Sorry, what was the original question?

Senator O'BRIEN—It was about the importation of pigeons from Canada.

Dr Martin—The protocol was finalised in October 2003. Certainly, highly pathogenic avian influenza was around long before October 2003, and that protocol has requirements for avian influenza. The birds are tested for virus prior to export. They undergo 55 days pre-export quarantine and are tested for certain diseases. Then they come into a biosecure facility here and are tested again here, and then sentinels are also put in place with them.

CHAIR—What sort of tags do they have?

Dr Martin—AQIS can answer that.

Mr Yuile—I understand that they have bands.

Senator Colbeck—If they were racing pigeons, they would all have rings on.

CHAIR—That is not what I am on about. Did or did not each bird have a tag?

Dr Clegg—They are all banded, because you need to be able to—

CHAIR—We certainly do.

Dr Clegg—match the test to the bird.

Senator O'BRIEN—I want to go to the section of the protocol headed 'Testing and treatment'. If I am reading that section correctly, if a government vet certifies that the country of export is free of—

CHAIR—Can I ask a question while you are getting to that question? Under the testing protocol, do you test each bird?

Dr Clegg—You do test each bird for antibodies on arrival. For virus isolation, the birds are tested in what is called pooled samples. So samples from five birds are joined together, and the test is conducted on the five. You need to be able to identify which five birds go with which test.

CHAIR—You have been worded up, I can see. Are they tested before they leave over there, though?

Dr Clegg—Yes.

CHAIR—What is the test over there; is it individual testing?

Dr Clegg—They are tested for newcastle disease antibodies individually. Samples are collected from all birds and then pooled to test for haemoglobin viruses.

CHAIR—So, if a virus turns up, you wipe the whole lot.

Dr Clegg—If a virus turns up, you would wipe the whole lot; that is right.

Senator O'BRIEN—The section I am reading, if I am correct, says that if a government vet certifies that the country of export is free from avian influenza, newcastle disease and paramyxovirus then testing is not required. Is that right?

Dr Clegg—That is right. That is testing for newcastle disease antibodies and also for avian influenza.

Senator O'BRIEN—Antibodies or the disease?

Dr Clegg—No, avian influenza virus.

Senator O'BRIEN—Why the difference between the antibodies in one case and the virus in the other?

Dr Clegg—In the other?

Senator O'BRIEN—Yes, why the difference?

Dr Clegg—We are looking also for animals that may have been vaccinated. You might have a vaccinated population of birds, and we do not want birds coming in that have been vaccinated.

Senator O'BRIEN—In the case of newcastle disease?

Dr Clegg—That is right, and avian influenza. It is just a requirement, because we do not want birds to be released into our populations that have positive antibodies to those two diseases. If we are doing a serological survey, you might end up with an answer that is confusing.

Senator O'BRIEN—I thought you said that you would normally test for avian influenza virus and newcastle disease antibodies; is that not what you said?

Dr Clegg—You would test depending on the status of the country that you are importing from. You would test for viruses for both avian influenza and newcastle disease, and for antibody. Conditions prior to now were that you tested for newcastle disease antibodies.

CHAIR—Can I ask a question? If you have inoculated the bird and do not let on, what happens in the test?

Dr Clegg—It is a vaccination and the purpose of a vaccination is to develop antibodies.

CHAIR—So it would turn up in the end.

Dr Clegg—So if you have done that you will have that revealed, yes.

CHAIR—So if you get a bird that has antibodies in the test, what do we do with it?

Dr Clegg—If you can tell through the test that it has antibodies, then the birds are not released.

CHAIR—Say someone inoculates a bird in Canada or Wombatland somewhere and imports it into Australia—it would be rejected if it has been inoculated or vaccinated.

Dr Clegg—For avian influenza, that is correct; yes. For newcastle disease, it would depend on the titre.

CHAIR—Where do you get avian whatever-it-is vaccine from? Can you get it from places like Mexico?

Dr Murray—Do you want me to talk about vaccines? Vaccines are used in Mexico and they are used in Asia. Vaccines are also used in turkey flocks in the United States. So vaccines for avian influenza are manufactured by quite reputable firms. In Canada—if we are talking about the pigeons—vaccination is not permitted for avian influenza under Canadian law. The pre-testing, as Narelle said, involves looking for viruses, which is more definitive than looking for serology.

In Australia three processes are followed. One is a group test for avian influenza, which will now apply to other countries. Then there is isolation of virus, which is definitive because, if you can get a virus, you can see whether it is H5N1. The third component is running sentinel birds in the quarantine facility. Because you are dealing with a virulent virus, the sentinel birds will fall over or become sick. So, if there is a vaccination program, there is a very high chance that you will see antibodies in your blood results.

CHAIR—If, for instance, someone were importing the avian flu vaccine from Mexico and having it relabelled illegally ‘newcastle disease’ and using it on their chicken farm, you could find that out with an antibody test?

Dr Murray—Yes.

CHAIR—Do we have that sort of testing going on? Not in Australia.

Dr Murray—Do you mean at the point of source?

CHAIR—For instance, in Indonesia or the Philippines.

Dr Murray—The answer is: in wild birds, certainly, yes, through the NAQS program. With protocols for, in this case, pigeons, the answer is yes. That has been for virus isolation but will now be for avian influenza in general.

Mr Yuile—We only import pigeons from four countries.

CHAIR—I have hijacked Senator O’Brien’s questions for a minute. I noticed that at that meeting in Brisbane yesterday our foreign minister issued a shot over the bows, as it were—in a nice, friendly way—about countries that may be not quite owning up or may be cheating. Indonesia, for instance, eats some ridiculous number of chickens. I do not know if it is 28 million a week or a day, but they eat a lot of chickens. If there were people out there who were trying to hide the fact that they may have the flu by giving them vaccine without us knowing, would part of our strategy deal with that? Are we going to have a strategy where we ask countries to test their chickens in case the owners are not owning up, as it were?

Dr Murray—The strategy involves a number of things, but that is a particular component. For example, you could use a vaccine that is of no use because you have a different subtype, so smuggling or whatever you want really does not help you. So, if you use vaccination as a tool to help you control the disease, you have to be spot on. You have to know your vaccine strain and it has to be made in accordance with standards. In order to determine if that is the case, you have to have agreed surveillance programs and you have to have your diagnostics that your laboratories can utilise.

CHAIR—Given what we have just been told in the last 10 minutes, have we banned all bird life from countries that actually have a vaccination program?

Ms Hewitt—Yes. As Peter Yuile has just indicated, we only accept live birds from four countries, where we have high confidence in their regimes for testing and which have not been subject to this highly pathogenic strain of avian influenza.

CHAIR—They are the ones who have ‘assisted passage’ into Australia, not the ones that fly in.

Ms Hewitt—Even for those, we now require testing not just for the virus but also for antibodies.

CHAIR—So, as a strategy, we will not accept birds from countries that have a vaccine?

Ms Hewitt—Absolutely not, no.

Senator O’BRIEN—Do we test birds from countries where a vet certifies that they are free from AI?

Dr Martin—They have to be free from all the diseases. Virus isolation is looking for haemagglutinating agents. It is a non-specific test, so you have to be free of all of those. Generally, they are testing for those, and then they would have to type to see what virus it is. But we have recently amended the protocol to take that requirement out so that there is no option for a country—they still have to certify their country free from highly pathogenic avian influenza, but they will have to test by virus and also serology prior to export.

Senator O’BRIEN—Which section of AQIS deals with the quarantine arrangements for live bird imports?

Mr Yuile—Certainly the live animal exports and imports section.

Senator O’BRIEN—Was there some reorganisation under way or just completed in this area of AQIS?

Mr Yuile—You will know that I have been there 12 weeks. There has certainly been none in my time. Mr Read might want to comment. The short answer is that there has been no reorganisation of the structures, if that is what you are asking. There have been some people, some staff members, who have moved around in different jobs, as you would expect after a time, as part of normal development.

Senator O’BRIEN—This area has been completely functional in recent times.

Mr Yuile—Completely functional?

CHAIR—That is a trick question.

Mr Read—Probably just over 12 months ago there would have been a change within that branch. There was in fact one branch that was covering grains exports, horticultural exports, what we call the operational science program, biologicals and the live animal export program and the animal quarantine program. Probably around December-January this year, we split that responsibility between two branches. The branch that is responsible for animal programs essentially covers animals. So you have the live animal export program, the animal quarantine stations and the biologicals unit as one. Basically you have the plant business in the other branch. The resourcing base of those programs did not change; it was just the reporting responsibilities.

Senator O'BRIEN—Have you had any complaints about people having difficulty contacting the appropriate officers in these areas?

Mr Yuile—Again, Mr Read can comment over a longer period; certainly not in my time.

Mr Read—From time to time there are concerns about technical questions to officers who have detailed understanding of those questions. In the main, I think we have a fairly good performance, and we have client survey data indicating that. But you always get one or two examples of where an email was sent or a phone call was made and the follow-up circumstances could probably have been a little quicker. But in the main that is not true.

Senator O'BRIEN—So there has been no period where there was some problem in people understanding who to contact or where to contact them?

Mr Read—No.

Senator O'BRIEN—I want to ask about quarantine arrangements at international airports. Is there an AQIS office at every airport that has international operations?

Ms Gordon—There are eight international airports that are fully staffed by AQIS officers.

Senator O'BRIEN—Which ones are not?

Ms Gordon—Most of the small regional airports would not have AQIS officers based at them full time. From time to time we get requests from airlines to bring flights into those airports, and on a small number of occasions we would negotiate specific arrangements to undertake quarantine clearance activities.

Senator O'BRIEN—That is international flights we are talking about?

Ms Gordon—Yes.

Senator O'BRIEN—Have there been any changes to these arrangements in response to the avian influenza issue?

Ms Gordon—Changes to the arrangements of which airports we provide services at?

Senator O'BRIEN—Yes.

Ms Gordon—No, there have not been changes to the airports. But we have of course increased our intervention activities on passengers, crew and baggage from countries that the Department of Health and Ageing has advised us are countries where there is avian influenza.

Senator O'BRIEN—I understand that under the Quarantine Act it is a requirement that airlines notify AQIS of any ill passengers on board prior to the aircraft landing in Australia.

Ms Gordon—That is a requirement.

Senator O'BRIEN—The AQIS officer would then interview the ill person on arrival and make an assessment of the passenger's condition and the health and quarantine risk that person might present.

Ms Gordon—The AQIS officer would interview the person on arrival and would refer them to a health department officer for an assessment of the medical condition. Our officers are not trained medical people; they are trained in the assessment of agricultural products. But we undertake activities at international airports on behalf of the Director of Human Quarantine under the Quarantine Act.

Senator O'BRIEN—If there is a concern, would the AQIS officer contact the Chief Quarantine Officer, who is a qualified doctor?

Ms Gordon—The Director of Human Quarantine is the Chief Medical Officer in the Department of Health and Ageing. If an AQIS officer at an airport has a particular concern, there are designated people at the airport whom they would refer the officer to. We have health rooms at each of the airports where we can take people who we believe to be suffering from some medical condition for an assessment and further management.

Senator O'BRIEN—I am looking at something from the AFFA web site. It has chief quarantine medical officers but then it says 'state and territory Chief Quarantine Officers (Human Quarantine): contact details' on the same page.

Mr Yuile—I suppose the important thing to say is that there are officers who we would refer to for expert advice if such a passenger were identified, and there are facilities at the airports, as Ms Gordon has said, to be able to take those people to and be confident that they are in good circumstances for examination.

Senator O'BRIEN—So there is not a chief quarantine officer at each of the eight international airports.

Ms Gordon—I am not sure that I fully understand your question. We obviously have a senior-level officer in charge, an AQIS employee, at each international airport. If there are any particular difficulties identified by any AQIS officer at that airport in respect of either clearance of agricultural products, or indeed of human quarantine concern, they would refer to that senior officer in the first instance. From time to time they might then refer the concern or inquiry to their regional management, or indeed to an appropriate area in our Canberra office, and if we felt the need we would certainly consult the Department of Health and Ageing about what other activities might need to be undertaken.

Senator O'BRIEN—So if a passenger came in and the airline reported that they appeared to be ill, the first port of call is with AQIS officers, but they would call in a medical officer.

Ms Gordon—Yes.

Senator O'BRIEN—In every case.

Ms Gordon—Yes. If their assessment was that this person needed to be referred to a medical officer, they would certainly refer it to the medical officer.

Senator O'BRIEN—It would be the medically qualified person who would make an assessment of the public health risk.

Ms Gordon—Yes. Our officers are not trained to make those assessments.

CHAIR—If I were sitting next to a person who was coughing and spluttering, what would happen to me—if I felt fine?

Mr Yuile—It is self-declared.

CHAIR—What if I had a child or for some reason I was sharing my tissue with someone else? How does it travel? If you have a kid with you who sneezes or whatever, how does it travel?

Mr Yuile—Are we talking about avian influenza?

CHAIR—The human form.

Mr Yuile—I would like to get an expert back on that.

Ms Gordon—I suspect that you would have to ask that question of the Department of Health and Ageing. We are not experts in human diseases.

CHAIR—But it is a reasonable proposition. If I am travelling and he has it and I am sitting next to him all the way, there would be a fair chance that something might happen.

Ms Gordon—I appreciate the issue that you are raising and the concern that you might have, but AQIS protocols for managing issues of human quarantine are effectively under the direction of the Department of Health and Ageing, which is responsible for both developing policies and advising us of what we are required to do if in fact there is somebody who is presenting with symptoms of any sort—any illness.

Ms Hewitt—Perhaps the example that is clearest is the work that was done around the time of the SARS outbreak. I think there was a lot of very active consultation between AQIS and the Department of Health and Ageing about what sorts of intervention and advice were given to people when they were coming off flights. If we are talking about avian influenza, given that we are not at a stage where there has been human transmission, at this point unfortunately—

CHAIR—Can I ask a pretty dumb question. If you have avian influenza, what actually kills you?

Mr Yuile—Are you talking about the animal?

CHAIR—No, the human. What actually kills you?

Ms Hewitt—Dr Murray is the closest we have to a medical doctor.

CHAIR—What do you die of? Dehydration? Non-treatment? Do you die because it shrinks your brain? What actually kills you?

Dr Murray—It depends on how acute it is. You would have to talk to the doctors, of course, but you may well die of systems organ failure.

CHAIR—I always reckon vets are as good as doctors.

Dr Murray—I think they are better.

Ms Hewitt—Can we quote you on that, Senator?

Dr Murray—It may be systems organ failure or serious lung damage. There can be hyperacute pneumonia, often complicated by secondary bacterial infection. That is the way it moves.

Ms Hewitt—While Dr Murray is at the table, can I ask something, Chair. When we finished the discussion about vaccination and avian influenza, I was a bit concerned that we might inadvertently have left the impression that vaccination was never a good strategy. Obviously, in our own circumstances in Australia, it is quite different, but with Indonesia is it worth just a very brief word on that point? I think there is a place for vaccination in the strategy of a country like Indonesia.

CHAIR—For the chickens or for the people?

Ms Hewitt—Hopefully just for the chickens at this point.

Dr Murray—I think we talked about the downsides of vaccination. There are vaccination downsides. But there are serious upsides, and one is where there is a country like Indonesia with, as I understand it, a population of over a billion chickens. In that case, vaccination—as an adjunct to animal health controls, communication with village farmers and making sure that wet markets are clean—is a very important tool. But, as perhaps you indicated, Senator, your vaccines have to be potent. They have to meet the subtypes you are dealing with and they have to be administered correctly. If these tests do not happen, your vaccination can give you a false sense of hope. In countries like those of South-East Asia, I would always recommend a combination of vaccination, slaughter and movement controls—they are particularly important.

Senator O'BRIEN—I am following a line of inquiry, but the chair has gone off on a completely different tangent. If I can complete that—

CHAIR—Go on.

Senator O'BRIEN—My questions are about a matter that I am not sure that AQIS is aware of. They are about a passenger who arrived at Kingsford Smith airport on 5 July on a Singapore Airlines flight. He travelled from Jakarta to Singapore and then on to Sydney. An hour out of Sydney, the passenger advised the crew that he was ill and requested medical assistance. About 20 minutes out, the passenger was advised that there were no medical facilities at the airport and that he would be taken directly to a hospital. By the time of arrival, the passenger was unable to walk. He was taken from the aircraft in a wheelchair, apparently by Qantas ground staff. He was seen by an AQIS officer and then taken out to the taxi rank, again by Qantas ground staff. He was helped into a taxi by the taxi driver, who took him to St George hospital, where he remained in isolation for five days. How was an assessment made of this passenger's condition in such circumstances when there was apparently no medical officer present and there was no summoning of a medical officer, yet the passenger was removed through quarantine and taken to the taxi rank to find his own way to the hospital?

Ms Gordon—I would have to check the circumstances of the case that you have raised, and I would be happy to do so. Basically, in circumstances where an airline refers a passenger to us, if they are capable we obviously take them to the health room. We have a 24-hour

access number for medical assistance at the airport, but in that case it sounds as though an assessment was made that that passenger needed to go to hospital directly. Other than that, I do not know the case. It has not been brought to my attention. I am certainly happy to follow it up for you and see what information we are able to provide.

Senator O'BRIEN—I would appreciate it if you could do that. That would seem to fly in the face of all that we are being told about the management of apparently a very ill passenger, if the information I have been given is correct, and the passenger was in isolation. I have a copy of correspondence and I thought that this had been passed on to the department.

Mr Yuile—It is the first time that it has been drawn to my attention since I have been in this position. I am very happy to follow it through.

Senator O'BRIEN—Can you confirm advice apparently provided to this passenger by the minister that the AQIS officer—perhaps you will take this on notice—uses a department of health questionnaire.

Ms Gordon—Yes. As I mentioned to you earlier, our protocols for managing human quarantine issues at the airport are those that are advised to us by the Department of Health and Ageing.

Senator O'BRIEN—You told me earlier that a medical officer would be summoned. Apparently it did not occur in this case. But you believed that would happen in every case. Can you think of any reason why, with a late night arrival or early morning arrival, a medical officer would not be available.

Ms Gordon—No. I would just be speculating. It is better that I get the details of the case, follow it up and provide you with a fuller answer. In that context, we can provide you with a copy of the protocols and the questionnaire that is advised to us by the department of health. That might help to explain why the decision was taken to take that particular passenger directly to hospital.

Senator O'BRIEN—I will put some other questions on notice. I refer you to an article that appeared in the *Australian* newspaper on 24 October. That article referred to a presentation by AQIS in Jakarta in August that related to the carriage of animals and birds on Indonesian fishing boats operating in Australian waters. Can you tell me who initiated the briefing and who was involved in it?

Ms Gordon—AQIS was part of a general delegation that was at a meeting in Jakarta. We were looking particularly at the issues of concern to us from a quarantine perspective associated with foreign fishing vessels.

Senator O'BRIEN—Was it initiated by the Australian government, by the Indonesian government, by AQIS or by someone else?

Mr Yuile—As Ms Gordon has said, certainly we were part of a larger delegation. If I can find someone—

Ms Hewitt—I am just seeking to have Daryl Quinlivan, deputy secretary in the department, join us. I think he was involved in the delegation.

Mr Yuile—It was covering a number of issues. The quarantine aspects of foreign fishing were one element of it; that is my understanding.

Mr Quinlivan—I am sorry; I was out of the room and did not hear you.

Senator O'BRIEN—I am asking about an article that appeared in Australian newspapers on 24 October referring to a presentation by AQIS in Jakarta in August that related to the carriage of animals and birds on Indonesian fishing boats operating in Australian waters. I want to know who initiated the briefing and who was involved.

Mr Quinlivan—This was part of annual bilateral discussions between Australia and Indonesia on fisheries and marine matters generally. The bilateral discussions this year were in Jakarta and, from the Australian side at least, there was a strong focus on illegal fishing and biosecurity issues. The delegation had representatives from a wide range of Australian government departments and agencies and there were specific presentations on quarantine issues, illegal fishing, resource management, the management of Australia's marine protected areas in Northern Australia and several other matters. But, as I say, from the Australian side, the main themes were probably biosecurity and illegal fishing.

Senator O'BRIEN—Is it true that there was discussion about carriage of animals and birds on the fishing boats?

Mr Quinlivan—I cannot recall. I am not sure I was even present at the session that was conducted by AQIS, but I would be astonished if there was not a discussion by AQIS about the biosecurity risks posed by illegal fishing, both by the vessels themselves and by the goods and so on that the fishermen carry on those boats.

Senator O'BRIEN—What, if anything, flowed from that briefing on biosecurity?

Mr Quinlivan—I do not have a copy of the communique here, so I cannot tell you. We can deal with that a bit later in the fisheries session if you like. We made our concerns clear to the Indonesian people. I think there were some undertakings by the Indonesian government for greater bilateral cooperation in the areas of quarantine, fisheries management and so on.

Senator O'BRIEN—This was not an AQIS meeting but AQIS were involved.

Mr Quinlivan—That is right. As I say, it was a government-to-government bilateral discussion, and quarantine was just one issue on the agenda.

Senator O'BRIEN—I will come to that in the fisheries section. I presume they would be the more responsible area in which to deal with it.

Mr Quinlivan—Yes.

Senator O'BRIEN—I understand that there have been some recent changes to the work practices of dog handlers employed by AQIS. I have been told that officers who are dog handlers will now be rotated onto other duties away from the dogs and that, as a result, dogs will be teamed with a series of different handlers. Is that broadly speaking a fair summary of the new policy?

Ms Gordon—It is a general policy in AQIS that we have a rotation for all of our staff after a period of time. It is in the interests of the development of officers to ensure that we have a number of officers trained to work in a number of areas and give our officers career

development opportunities rather than just having them locked into one particular area. The people working in the detector dog units are subject to the rotation policies that are generally developed for all officers within AQIS.

Senator O'BRIEN—Does the relationship between the staff member and the detector dog not matter?

Ms Gordon—It certainly does matter. It is very much part of the effectiveness of the work that they do. But, in developing rotation policies, we do not do this precipitately; we usually work with people, identify those who might be interested in a rotation and discuss the issue with those who perhaps only want to work in one particular area. We do training in advance where it is possible to do so to ensure we have some overlap in the delivery of the services. We are interested in ensuring the effectiveness of our service, so we would want to ensure that officers are capable of doing the job. Before we put them into an area, we support them with training. We would want to leave them in particular areas for a sufficient length of time so that we get full value out of their capacity to do that job. Certainly with the detector dogs, the relationship with the dog is important and you would want that to continue for a period of time. Having said that, it is obviously in the interests of the organisation and in the interests of the officers that they get a capacity to work in a wide range of jobs that we have available.

CHAIR—Do you find that many dogs will only work with the one handler? I have a few.

Ms Gordon—I cannot answer that question. I could follow it up for you. Obviously there are some dogs that—

CHAIR—It is a reality.

Ms Gordon—become accustomed to working with a particular person. But all of our dogs do work with more than one person, because the dogs themselves are only able to work for part of a human working day. The dogs tire and are not as effective, so we have a number of backup dogs and they do work with different people.

Mr Yuile—Certainly the conversations I have had since I have been in the job suggest that, as Ms Gordon has said, handlers can work with different dogs and there is a transitioning that takes place when you are training new handlers and new teams—dog and handler. Obviously there are some unique relationships, and we obviously respect those in making sure, as Ms Gordon has said, that we have the most effective teams, both for active and for passive dogs.

Senator O'BRIEN—Do I understand correctly that if a dog handler does not want to move out of that area, they would not have to?

Ms Gordon—No. We do have a rotation policy and we do believe it is in the interests of both the organisation and the individuals that they are trained to work in a number of areas. Our detector dog program is only one of the programs whereby we deliver quarantine services. Obviously, if an officer really does not want to move, we do not force people to move precipitately, but we would want to work with them over a period of time so that they do develop a wider range of skills so that we have flexibility in the allocation of people across the services that are required. We run our detector dogs primarily at airports but also at mail centres and sometimes in cargo. There is a range of ways in which people can undertake their activities. Some people do like a particular job and do not want to move, but it is our policy

that we encourage people to participate in the rotation policy for their developmental purposes.

Senator O'BRIEN—Encouraging is one thing and requirement is another. That is the essence of my question.

Ms Gordon—I understand that.

Senator O'BRIEN—When push comes to shove, if someone says, 'I don't want to move,' will they be required to move?

Ms Gordon—It depends on the requirements of the organisation. With some people, if they do not want to move, we have to look at the effectiveness of the delivery of our services and whether that is in the best interests of the organisation. So far we have not compulsorily moved anybody, but we certainly do enter into discussions with our officers about where we believe they can best deliver services for AQIS to achieve the outcomes that we are required to achieve.

Senator O'BRIEN—How long has this policy been in place?

Ms Gordon—Our rotation policy?

Senator O'BRIEN—Yes.

Ms Gordon—I would have to check on that for you, but we have developed it over the last couple of years as a general policy. It certainly has been developed since we ramped up the numbers of people that we have post IQI. Because we had a large number of people come in, we have undertaken quite a lot of training, and a number of people now have been doing the job for some time and have been looking for moves. In this way we can actually implement a service-wide policy and back it up with training and support activities.

Senator O'BRIEN—Can you get me some information on how long it takes to train a detector dog and for a working dog and a handler to become proficient?

Ms Gordon—Certainly.

Senator MILNE—I want to address the question of emerging disease pathways and emerging disease changes and circumstances because of wind, weather and greenhouse patterns. There are two issues in particular. I am concerned about the proposal to build an airstrip, and the ramifications of that for Antarctica, and I am concerned about the discussion around Hobart becoming a hub for a number of countries to access Antarctic bases and about the removal of waste and all the issues pertaining to Hobart becoming a major staging post, if you like, for the Antarctic. I am interested in AQIS's planning, whether that is being integrated with other divisions in relation to Antarctica, whether that remains a state issue and how that whole issue of Antarctica as an emerging pathway is being dealt with. Secondly, how is AQIS integrating information about greenhouse impacts into its work in terms of its prediction modelling about changes in temperature and disease habitat ranges and also changing weather patterns, wind patterns and the strength of wind patterns that are also potentially bringing in diseases that were otherwise not known in Australia and making us vulnerable in certain areas? I wonder how you are incorporating those things into your modelling.

Ms Gordon—I think the question that you are asking goes to the issue of the assessments undertaken for determining the conditions under which agricultural goods and products can come into Australia. AQIS implements arrangements to address quarantine concerns on the advice of Biosecurity Australia. I do not know that either we or Biosecurity Australia could give you a specific answer in terms of the sorts of modelling that might integrate issues such as climate change across the wide range of animal and plant goods and products that come into Australia, because it would obviously vary depending on the particular product. It is probably one of those answers that we need to give more consideration to, although perhaps my colleague Mr Cahill might have something more specific to say.

Ms Hewitt—Could I just make a brief comment. There may be several ways in which your question can partly be answered. But on the primary question of our involvement as a portfolio in planning that may be under way or consideration that may be being given to this use of Tasmania as a base for Antarctica, I think the primary evaluation would be done through the Department of Environment and Heritage through the environmental impact legislation. If there was an environmental issue that would also encompass, to some extent, biosecurity questions, that would be through the obligations of the EPBC Act. I think that we would not be in the first line of evaluation there, although we may be called upon to provide input.

On the climate change question, there is a lot of work going on but at a rather broad level at this stage. There is some very useful information. I am sure you would be aware of the Allen study that was issued by the minister for the environment a few months ago—on the impact of climate change and adaptation issues in Australia. We have a lot of work going on by us and with the Department of Environment and Heritage, through our Bureau of Rural Sciences in particular. ABARE, our Bureau of Agricultural and Resource Economics, has been doing some of this work as well. We have been engaged in discussions with state counterparts. Again, it was one of the issues on the agenda for ministers at the NRM meeting in Launceston last week. A fair bit of preliminary thinking and work is under way in relation to what the impacts might be and how they might present both problems and, in some cases, opportunities as weather patterns change in Australia.

But my understanding of the situation is that we are still at a pretty preliminary stage. We are not at the point where we can be particularly specific about precise adaptation plans, but we do appreciate that it is a very important issue, an emerging issue. One of the things we are particularly focused on is how we can best help our farm stakeholders in giving them useable, accessible and comprehensible information as the science clarifies a little bit. I do not know if that is helpful as a start, but perhaps we could come back to you with some further written information.

Mr Yuile—I am sure that Mr Cahill will want to comment as well. Just following on from the secretary, let me say that I think all of those elements that you outlined are part of the environment and the risks that we are engaged in managing. It is pretty hard to give you a general response to that. I think the specificity is where you can start to bring it in. A specific issue, at least, gives you an opportunity to bring your risk management tools to bear.

In the case of Antarctica, as the secretary has said, clearly the responsibility for the Antarctic Division and that activity lies with the Department of the Environment and

Heritage. I would expect that, as part of the EPBC type assessments, they would engage our department and indeed other departments in a kind of holistic and whole-of-government approach. That would involve Biosecurity Australia and our Product Integrity Division as well as us. That is the way in which we will be engaged in issues of that kind, to try and do that kind of risk management, assessing what the possibilities would be and the various mitigations that might be available to you. But I think it is in getting down to the specific, rather than a generality, that you can start answer the question. I do not know whether John wants to add anything.

Mr Cahill—My starting point was going to be similar to that of the secretary, which was really looking at the obligations we have to manage the risks that are presented to us. The starting point for that is the Quarantine Act, and that is about managing quarantine risks: pests and diseases that are exotic to Australia. As you know, Biosecurity Australia is responsible for undertaking the risk assessments prior to determinations being made by the Director of Quarantine about what can be permitted entry to Australia. So the risk assessment work that we would undertake would take account of all relevant considerations that bear on that scientific assessment of pest and disease risk. So the sorts of issues that you raise, to the extent that they bear on those matters, are matters that would be taken into account as part of the risk assessment process.

I can also add that, specifically in relation to movements between Antarctica and Hobart, especially in relation to waste material, Biosecurity Australia was involved in some assessment that was undertaken a couple of years ago. I am aware that, to the extent that waste material has moved from Antarctica to Hobart, it has been managed under quarantine supervision and dealt with in accordance with approved quarantine treatments.

Senator MILNE—Just to return to this issue about changing weather patterns, it particularly came to our attention in Tasmania with the arrival of the lettuce aphid in Devonport and the assessment, correct or otherwise, that it came on the winds from New Zealand and not from the cruise ship that was in the harbour. So there was some debate about where it actually came from, but, assuming that it is true that it came on winds from New Zealand, that is the kind of risk factor I am talking about modelling for: assuming that things may have changed and diseases that otherwise did not present may well present. To that end, are you satisfied that there is sufficient flexibility in the act, given that, the way the schedules are written, unless something is precluded by the schedule it is permitted to come in and you cannot quarantine for it? Given the rapid changes that I am talking about and the changed habitat ranges and so on, wouldn't it be of assistance to change the schedules to include those things that are already known diseases but also to give some flexibility to AQIS to be able to quarantine on the basis of an assumption that something is exotic, even if it is not already proscribed?

Mr Cahill—I cannot speak for AQIS, but, in terms of the risk assessment process that Biosecurity Australia is responsible for, there is in my view sufficient flexibility in the act to take all relevant considerations into account. Indeed, the act in the proclamation talks about that. So, as I say, to the extent that it bears on the scientific assessment of the pest and disease risk that might be exotic to Australia—we are not talking about established pests or diseases,

of course, but those that are exotic to Australia from a quarantine perspective—the act does provide sufficient capacity to take that into account in the risk assessment process.

Senator MILNE—Is that the same from AQIS’s perspective?

Ms Gordon—Yes, AQIS works under the Quarantine Act and applies decisions consistent with the act.

Senator Colbeck—I might just note that the lettuce aphid also turned up at Houston Farms at Hobart, and I am not too sure that the cruise ship was in Hobart at the same time, so there were a range of circumstances in relation to that.

Senator MILNE—Yes, that is why I am saying that it is an open question.

Mr Yuile—You cannot quarantine the wind.

Senator ADAMS—This is going back to humans coming off aircraft with, probably, something like I have today. Do you have any body heat detectors at airports or anything like that? I am worried about this flu if it has symptoms of—

CHAIR—You have reason to be, by the sound of it.

Senator ADAMS—I know. I was really pleased I was not sitting next to you; I might have been thrown out! I have hay fever, so that is all right. I wonder whether there is any thought about that. Someone could be coming off an aircraft and the last thing they are going to do is stop and say to someone, ‘I’m sick.’ They are going to want to get out and go wherever they are going.

Ms Gordon—We do not have body heat detectors at airports at the moment. The allocation or the distribution of those would be a decision to be made by the Department of Health and Ageing under the planning that they would do for the most effective means of identifying people that might need intervention.

Senator TROOD—Mr Yuile, I think this is a question for you, but I would be grateful if you would direct it as appropriate. I understand that you are going through the process of creating a strategic plan for the service at the moment.

Mr Yuile—No, I do not think so. There is already a business plan agreed for AQIS for the current financial year. That was agreed, and of course we have the portfolio budget statements as an expression of the government’s intentions with respect to the portfolio and AQIS. Certainly within AQIS we have recently had a senior managers’ conference. We are looking at a number of continuing issues around how we do our business and the business we are in, but we are not formally developing a strategic plan that is any different from what is already in place.

Senator TROOD—Are you therefore rethinking some of the protocols or arrangements or some of the things that you are currently doing that will materially affect the way in which the service operates?

Mr Yuile—I have certainly been looking and learning a lot in the last 12 weeks. As I have said to my colleagues, it would be highly presumptuous of me to come in and say how we should or should not be doing things. I have been singularly impressed with the way in which AQIS goes about its business, given the complexity of issues that are handled in any one day.

I am certainly concerned and desirous to build on the good things that have been put in place. To that end, we are continuing to look at our governance arrangements and at our human resources and training arrangements. But I have no plans to strategically change things, if by that you mean changing the interventions or the effectiveness targets or those things which are clearly part of the government's policy settings. My interest has been about how we continue to evolve and refine the things that we are required to do by government.

Senator TROOD—I want to ask a few questions about the role you have in certifying export suitable facilities or establishments. As I understand it, in the area of meat, for example, there are abattoirs that are export certified. But there are also establishments which are essentially focused on the domestic market and not necessarily involved in export activity but which can be involved in export activity if they meet certain criteria. Is that correct?

Mr Yuile—I will invite Mr Read, who is in charge of that program and knows a great deal more about it than I do, to answer you.

Mr Read—I presume that you are talking about meat establishments. We classify two tiers of meat establishments. There is essentially a domestic registered establishment or works, which will be registered by the state meat authorities around Australia. There is also a range of those same works that, when they meet a set of criteria, are then recommended by the state to AQIS for registration as a tier 1 export establishment. We have developed and are developing MOUs with those states about how AQIS oversees performance of the states with regard to those establishments. That enables AQIS to provide export certification for products from those plants. There are also, as you would be familiar with, the tier 2 plants. These are our AQIS registered establishments, which are under AQIS direct supervision.

Senator TROOD—How many would be in tier 1? Do you have a number? Are there many establishments in that group?

Mr Read—Five or six.

Senator TROOD—Across the country?

Mr Read—Across the country.

Senator TROOD—That suggests that either there are relatively few establishments that seek that kind of certification or that it is extraordinarily difficult to get. Is it one or both of those?

Mr Read—No. It is more about the export market opportunities. The central role for AQIS direct oversight is in response to the demands of the importing country. Those importing countries require government veterinary oversight of a range of plants to enable access to those markets. The tier 1 establishments effectively do not have full-time government presence on those establishments. They are controlled through a very detailed audit regime and oversight. So there is really a limited range of markets that they have the opportunity to go to at this stage.

Senator TROOD—Which markets would they be?

Mr Read—Principally the Middle East type markets. Indonesia is another one, along with a number of the Pacific islands and so forth.

Senator TROOD—Do the high-value markets in Asia—Korea and Japan, for example—fit into that category or not?

Mr Read—No. Those markets operate at the tier 2 level, which is the direct AQIS oversight of the establishments.

Senator TROOD—And the United States?

Mr Read—It is the same.

Senator TROOD—So that requires constant AQIS monitoring of their activities, does it?

Mr Read—Correct.

Senator TROOD—Is it the case that AQIS audits these plants to begin with and then has a regimen of subsequent audits at a particular time, or does a plant get certified for a period of time and then have to seek recertification?

Mr Read—Are we talking about the tier 2 plants?

Senator TROOD—Yes.

Mr Read—The tier 2 plants have a range of oversight. We have pyramids in AQIS everywhere; this is another one of our typical hierarchy pyramids. On those plants we have our plant team. That will consist of meat inspectors and the plant veterinary officer. Their roles and responsibilities deal with the day-to-day operations, including anti- and post-mortem inspections, plus a range of audit responsibilities. There is also a monthly audit of those establishments by what we call our area technical managers. That, again, is a highly detailed audit regime to ensure compliance with the approved programs under which those plants are registered initially. That is then oversighted again by a further review by what we call our verification unit—that is almost like our internal audit review—to ensure national consistency. So we have those three levels. We also of course have, as you would appreciate, a raft of foreign auditors—

CHAIR—Yes, the US auditors.

Mr Read—from export markets coming into this country and looking at those establishments.

CHAIR—So the US audit is actually an audit of our audit.

Mr Read—That is correct.

CHAIR—How many failed in the last one—one?

Mr Read—We had one de-listing. That was really as a consequence of a problem that it had previously. It was identified as having a marginal rating previously. It got a second marginal rating and, under the US FSIS audit rules, that plant was immediately de-listed. There was one other notice of intention to de-list. That was out of 18 establishments with a broadened audit mandate to the previous US audit, which I think might have had a de-listing and maybe two notices of intention. So, in terms of audit outcomes, it was an improved performance from our side.

Senator TROOD—So the United States refused to accept a plant but you would have regarded that plant as meeting their requirements. Is that right?

Mr Read—The United States accepts plants based on recommendations from the Australian Quarantine and Inspection Service. In the case of that audit the notice of intention to de-list would have required AQIS to, within 30 days, report back to FSIS as to whether that plant had reformed in the areas of the deficiencies. We did that, and it was subsequently ticked off. With regard to the plant that was de-listed, a month ago the FSIS agreed to relist that establishment, based on AQIS information.

Senator TROOD—How long do you expect it would normally take if a plant or a company suddenly decided, ‘I want to get into the Japanese market’? Allowing the difficulties of quotas and things to be set aside, in relation to the AQIS responsibilities how long might it reasonably be expected to take for a plant to satisfy the requirements?

Mr Read—I feel like I got a second question after the answer. Fundamentally, if they have the right structural framework at the plant to meet the structural constraints of those markets, if they have the appropriate programs developed on plant and if they have the appropriate systems in place, and if we have gone in and audited those and they meet the requirements of those markets, we will then have the government inspectors required for that establishment—if it is for the Japanese or US market or Korea—and an AQIS presence in the form of a veterinary officer. Once those requirements are met, we are very quick to have a team on that plant in most circumstances.

Senator TROOD—Is ‘very quick’ days, weeks or months?

Mr Read—It is not a quick process to get a plant to that standard—it is not overnight. From a greenfields site, it would take many months before you had the infrastructure in place, the appropriate trained personnel and the programs and systems et cetera before we could actually cite that, in fact, the plant plus the systems met those entry requirements. But, for argument’s sake, if we walked into a place tomorrow and it did meet those requirements, then I expect it would only be a matter of days or weeks before we had an AQIS team in there recommending listing of that plant.

CHAIR—Can I assist? If you have a domestic plant it is bloody difficult to get it up to export standard, because of the design of the plant. Where there has to be stainless steel and curved drainage and stuff, it is damned difficult. It is nice if you have a greenfields site, but to get a domestic works up to that standard is quite an ask.

Senator TROOD—Thank you for that clarification; I am grateful. Having come from the suburbs, I was not aware of that.

CHAIR—I do not know whether you have a greenfields site or whether someone is complaining about their domestic works. Refer them to me.

Senator TROOD—I assume that, if the process of certification is achieved, it does not necessarily guarantee access to the market; it just means that you have a facility which complies with the expectations of the destination. Is that right?

Mr Read—It means that, once that establishment meets the requirements of the markets, AQIS would recommend to those markets that that establishment be listed in those markets. Once that occurs, then it really is the commercial arrangements that affect the flow of product to those markets.

Ms Hewitt—In the case of Japan—if I can just clarify for you—there are no quota arrangements in place. There is a tariff and there is also the question of a possible triggering of a higher tariff in certain circumstances. So it is a matter of finding buyers and being able to supply them, given those commercial realities. With the EU and the US there are quota arrangements in place, but an increasing share of the access to that quota is on a first come, first served basis. The quota is not all being allocated at the beginning of the year to exporters with historic performance. So, partly as a result of changes to our quota of access to the US through the FTA and partly because of some changes in quota administration, the minister has agreed in recent months to a lot more freeing up of the opportunity to enter those markets if you meet the certification requirements.

Senator TROOD—So it is opening the market to a wider range of participants; is that right?

Ms Hewitt—Yes, that is right. There is more opportunity for new entrants to the markets to compete against traditional exporters through changes the minister has recently made.

Senator TROOD—Is that the intended policy, or is that a policy that is now in place?

Ms Hewitt—It is now in place. I have not got quite the right colleagues here to get into too much more detail, but these were changes introduced particularly for the US market and to some extent for the European market in very recent times.

Senator TROOD—So theoretically, a plant should be able to take advantage of those opportunities—

Ms Hewitt—If they meet the requirements—

Senator TROOD—if they meet these complex and extraordinarily demanding criteria that Mr Read has outlined. Mr Read, I presume there is a statement or a protocol or the 15 or 50 criteria—however many there are—that are to be met, so that anybody entering into this venture, as unwise and as demanding as it would seem to be, would know precisely what it is that they are required to do before they could reasonably expect certification and your approval; is that right?

Mr Read—There would be very detailed guidelines in the form of meat notices that have been issued by AQIS that pick up the requirements of those export markets to ensure, in an ongoing and sustainable way, that our new entrants understand the requirements of the markets that we are dealing with, not just the US.

Senator TROOD—Are they consolidated in a particular statement in relation to Japan, Korea, the United States, the EU et cetera?

Mr Read—We maintain the information database that contains that information. Certainly all our plants have access to that database. New entrants seeking to access markets, as you have suggested in your plant that is coming forward, and making contact with AQIS will be able to be provided with that information. We also have our area technical managers that liaise quite regularly with participants seeking information with regard to a potential plant or new export arrangement.

Senator TROOD—I am from Queensland. Are there any of the tier 2 plants in Queensland?

Mr Read—There are many tier 2 plants in Queensland: Dinmore, Teys Bros—there are a range.

CHAIR—In AQIS terms, is there any variation between what New Zealand lets in and what we let in?

Mr Yuile—In relation to what?

CHAIR—AQIS. Someone told me there was a soft entry point through New Zealand for certain things. Is that possible? You might take that on notice. I have a couple of examples. Who knows about Dr Grave?

Mr Yuile—This is the angora rabbits?

CHAIR—It is indeed.

Mr Yuile—I know a little bit about it. I am sure others know a lot more.

CHAIR—This man is very distressed. I have got no idea where to start and where to finish with it. It seems to me that he is convinced that he has been seriously done over by the system. I have got a 15-page letter here, and some of it would not be suitable for publication. Is someone able to give me an outline of what the problems are? He feels that he has been unfairly treated. One of the questions he raises is: do we want to have a rabbit industry here? There is the calicivirus or whatever it is that we use to get rid of the rabbits. Do we have a policy to have domestic rabbits and not wild rabbits? Can the both live together? Dr Clegg, you do get a mention.

Dr Clegg—I am sure I do.

Mr Yuile—I should say, before Dr Clegg starts, that there have been a number of answers to questions on notice. I guess you would have seen them.

CHAIR—Yes. You feel you have to do something. There is a long file of correspondence with every man and his dog here, but something must be not quite right. And that could be for a number of reasons.

Mr Yuile—It could be in a number of places, but I will let Dr Clegg answer that.

CHAIR—A lot of people think I am mad too.

Mr Yuile—I could not possibly comment!

Dr Clegg—There was a series of events that happened to Dr Grave whilst he was trying to import his first consignment of rabbits from France. He was involved in the development of the original policy. Unfortunately, before he had an import permit and had been able to utilise the policy, there was an outbreak of a new disease in France—

CHAIR—ERE.

Dr Clegg—That is right. That meant that the import conditions for France had to be looked at. Biosecurity did a review of the conditions. There was very little information available. In fact, there still remains very little information available on this particular disease. So, in line with Australia's conservative quarantine policy, the conditions on imports of rabbits from France have been quite tight. It is a very difficult protocol to meet. It is a very extended period of quarantine on arrival in Australia.

To his credit, Dr Grave imported a consignment of rabbits under that protocol, but, as you can imagine, it was extremely lengthy and extremely costly to him. There was endless correspondence with us about the conditions, the fairness and the justice of them, which would be the case with anyone wishing to import under those conditions, especially when compared with the conditions he had seen and been part of developing for the world when we did not have epizootic enterocolitis.

It is very difficult to explain to someone who is passionate about setting up an industry in Australia, which he is—he is very passionate about setting up an angora rabbits industry, with all the proceeds that would come from the fur of the rabbits, opening wool mills and all sorts of things; he has big plans for it—that, because we do not know enough about this new disease, we are not prepared to reduce the quarantine conditions without evidence. I think that, in a nutshell, is the issue.

CHAIR—Compounding the problem is the fact that at the same time that all that was going on someone brought some rabbits in from America.

Dr Clegg—That was because there were no outbreaks of that disease, and the conditions were originally generic. France was the country that had the problem with ERE; America had not reported a case and has not reported a case. There was a consignment of seven or eight rabbits—I cannot remember exactly now—that came in. After that consignment came in, the whole of the rabbit policy was suspended. Everything was suspended after that, because there were issues about how we knew whether rabbits were moving from one country to another, whether America had import conditions to prevent rabbits from Europe coming into America and all those sorts of things.

CHAIR—You will be pleased to know that, according to the letter I am sending back to this man, you and I and Chris Parker are meeting him next Monday.

Dr Clegg—Indeed we are.

Mr Yuile—For the record, my understanding is that this, as you say, has been a long-running and obviously emotional issue for that person—

CHAIR—It has. He is a very passionate man. He has been to my office.

Mr Yuile—and you and I have both had correspondence from other similarly passionate people about issues that have been affected by policy and operational decisions. There have been, as I understand it, two reviews: one by a former executive director of AQIS and one by a completely independent reviewer, who is retired but was formerly the Merit Protection Commissioner for the Austrian Public Service. For the record, it is important to note that AQIS has taken those issues seriously and put serious time and energy into reviewing, in as objective a fashion as possible, the claims made, and has found that AQIS's decisions were upheld. Notwithstanding the passion and the emotion, it is important that it is recognised that AQIS has acted in an exemplary fashion.

CHAIR—Would it be fair to say, though, that Australia does have a policy to support a domesticated rabbit industry?

Mr Yuile—I think consistent with the conditions that Dr Clegg has outlined. Just as you feel passionately about other animal industries and imports—

CHAIR—Do you think so?

Mr Yuile—Yes. I had noticed.

CHAIR—Are we still importing casings?

Dr Clegg—Yes, we are. We can import casings from Chile and from New Zealand. Are you talking about bovine casings?

CHAIR—I am indeed. One of those great mysteries in life is why we would need to, mind you, given that we are a major exporter of casings. Chile is free of all the things that we fear, is it?

Dr Clegg—Yes, it is. It is listed by FSANZ as a category A country for BSE and it is free from the other diseases of concern—foot-and-mouth disease, rinderpest and peste des petits ruminants, which are the main issues for certification under the casings policy.

CHAIR—Just by way of routine, presently are there any countries we are importing fresh meat from? Vanuatu?

Dr Clegg—Yes, we are importing fresh meat from Vanuatu and we can also import fresh meat from New Zealand.

CHAIR—Going back to my earlier question, is it possible logistically to have meat imported into New Zealand from another country that we do not accept it from and then for that meat to turn up in Australia without cheating the system?

Dr Clegg—You would have to be cheating the system. To bring in consignments of meat from New Zealand you need official veterinary certification from New Zealand MAFF that it is of New Zealand origin. You need to be able to demonstrate that.

CHAIR—The reason I ask that—and I may have raised this before—is that we used to have a problem with fortified soft drinks, one of those Poweraid type things, which you could not manufacture here but you could bring them in from New Zealand. They were bringing them in from somewhere else. But you cannot do that with meat—the meat has to be grown in New Zealand?

Dr Clegg—Yes.

CHAIR—Not like those Raptus prawns that have on the packet ‘Manufactured in Australia’ and they are actually from Indonesia?

Mr Yuile—Now you are going to the question of labelling, I think.

CHAIR—So there are no tricky bits in the labelling?

Dr Clegg—You have to have the official government veterinary certification. So if you were able to forge that—

CHAIR—But it is not possible to put foreign meat in a package that says ‘Made in New Zealand’? We are putting prawns into packaging that clearly has the dancing kangaroo and the map of Australia and ‘Manufactured in Australia’ on the box, but they are actually Indonesian prawns. Is that not possible?

Ms Hewitt—That situation, as you know, is under some fairly active review—

CHAIR—It is indeed.

Ms Hewitt—including from some decisions taken last Friday at the food reg ministerial council.

CHAIR—Good. I will be very pleased to follow that.

Ms Hewitt—In this case I think we would have a high degree of confidence in the certification of the New Zealand government.

CHAIR—Thank you very much indeed.

Mr Yuile—Just to return to a question that Senator O'Brien asked, and I am sorry he is not here: Senator O'Brien asked about correspondence, of which I was not aware. We have been able to track the correspondence relating to a passenger coming into Sydney airport. I will ask Ms Gordon to clarify that issue. We will still have to deliver, as we undertook on notice, the questionnaire used by our AQIS officers.

Ms Gordon—As I indicated in the answer, when a passenger is ill on an aircraft and it is notified to the AQIS officer, we interview that person in accordance with the Department of Health and Ageing approved questionnaire, which is designed to determine whether a person is suffering from a quarantinable disease. It is not any disease; it has to be one of the eight prescribed quarantinable diseases. In all cases where the symptoms indicate that they might have one of those quarantinable diseases, we would contact the chief quarantine officer in the particular state. In this case it would have been, as I understand it, in New South Wales. We do have those people on call 24 hours a day, seven days a week. There are currently eight human diseases that are subject to quarantine controls in Australia: plague, rabies, cholera, yellow fever, viral haemorrhagic fever, smallpox, SARS and highly pathogenic avian influenza in humans. It is my advice that that questionnaire was administered, the assessment was made that the passenger was not suffering from one of these diseases and in accordance with usual procedures they were referred to the nearest medical assistance at the hospital closest to where they were.

CHAIR—That is not a dog handler who is doing another shift as a certifier, is it?

Mr Yuile—No.

Ms Gordon—No, it is not a dog handler; it would be one of our quarantine officers at the airport following the procedures that are advised to us. As Mr Yuile said, we have to come back to you with the actual questionnaire that the Department of Health and Ageing provides us to administer to passengers to make an assessment about what actions need to be taken.

CHAIR—Who supervises the plane scraps?

Ms Gordon—Who supervises the food scraps from the plane? Quarantine officers do.

CHAIR—Where do they finish up?

Ms Gordon—They finish up in quarantine waste disposal facilities. Usually deep burial or a range of other treatments are applied to them.

CHAIR—There you go. Thank you very much. The O'Briens at Walgett had a kangaroo processing plant. I have some issues with that. They have raised some questions about the

qualifications of the quarantine inspecting people and whether they are suitably qualified et cetera.

Mr Yuile—Do you want us to answer that now, because I think we could?

CHAIR—I think I have written to someone about that. Have I?

Mr Yuile—You have not written to me. You might have written to the minister.

CHAIR—I might have written to the minister.

Ms Hewitt—I have not seen any correspondence.

CHAIR—I am sorry to do this to the committee, but it tidies it up.

Mr Yuile—Certainly my advice is that the veterinarians are eligible for registration under the veterinary registration authority in New South Wales. I do not think there is an issue there. Mr Read might want to comment further. You may know that the issue was subject to investigation by the department independent of AQIS, and it is now currently with the Commonwealth Ombudsman.

CHAIR—These people are very unhappy.

Mr Yuile—I understand that. That is the answer—they are certainly eligible for registration.

CHAIR—I suspect I have written to the minister or someone about it. I thought that I would let you know we are coming.

Mr Yuile—I have not seen the correspondence, but I know, like Dr Grave, there is a large correspondence around it. I understand the sensitivities of the plant in that particular area and the intentions of the owners in developing a game meat establishment and also, of course, addressing Indigenous employment issues. But it has been the subject of a lot of investigation and, as I say, the veterinarians concerned were certainly eligible for registration in New South Wales.

CHAIR—Thank you very much for that.

Mr Pahl—Senator, you wrote to the minister on 23 June and the minister replied on 16 August.

CHAIR—Maybe it is in my mind because the reply was a bit wobbly. I will come back to it, anyhow. Thank you very much, ladies and gentlemen.

[5.39 pm]

Australian Bureau of Agriculture and Resource Economics

Senator SIEWERT—I will start with the statement that ABARE's mission is to provide high-quality economics policy analysis and forecasts in order to enhance the competitiveness of Australia's agricultural and resource industries and the quality of the Australian environment. Are you aware that there is some criticism that ABARE concentrates more on the economic side of things to do with agriculture rather than on enhancing the quality of Australia's environment? I want to refer to two specific reports. One is the GMO or the transgenic crop report that was released not long ago, and there are a number of issues that I

want to concentrate on. One is consumer resistance. On what basis does the modelling assume that there is no customer resistance to GM crops?

Dr Fisher—Thank you for the question. Your statement about our mission is correct. The principal set of questions that we deal with is about the competitiveness of Australia's commodity sector. In the case of the study on GM crops, the analysis is based on a look at a range of broadacre crops and marketing of those crops in international markets. The best example of that is Japan. The vast share of canola, for example, going into the Japanese market comes from Canada. Most of that is GM canola. Our canola competes directly with that product. There is no difference in the price received for those two products, yet there is a substantial difference in the cost of production for those two products. The Canadian farmers experience a lower cost of production than Australian farmers for non-GM canola. Therefore, on that basis, we have assessed that it is to Australia's advantage to look at the prospects of adopting that technology.

Senator SIEWERT—My understanding is that there is information available, that there is customer resistance from overseas and in Japan, so why didn't you look at both of those?

Dr Fisher—Basically, as I said before, we observed the prices that the two products are sold for—non-GM canola and GM canola. We observed no difference in those two prices. It is, of course, true to say that in each of these markets there are customers and consumers who prefer one type of product to another. For example, you see in domestic markets and all sorts of markets around the world that there are customers who prefer to purchase organic products. Each of those customers is free to make a decision about whether they purchase a particular product. That is what the free market is about. Consumers and producers respond to that. In the case of canola, however, at those broad international markets for this bulk product, we do not see evidence of a premium.

Senator SIEWERT—So you do not think it is worth looking at niche markets that are in Europe and Japan and that probably will develop in Asia?

Dr Fisher—I think there are some very important questions about where markets might develop. It is, of course, up to marketers to worry about those things. My guess would be that if we come back and look at this issue in 20 years, we may see a situation where GM product is broadly accepted in the Pacific Basin. There may be more or less resistance to that product in Europe and the Atlantic Basin. I think the Chinese have a very active scientific program on development of GM products. They are going to be extremely important in Asia-Pacific markets. I think it is a proposition that we should test that, unless Australian farmers have access to new technology, they will be falling behind. Their costs will be rising faster than the costs of our competitors in the Asia-Pacific and we will become less competitive and, as a consequence of that, we will suffer a reduction in exports and therefore a reduction in farm incomes. As we know, Australian farmers—the same as farmers around the world—struggle continuously against declining terms of trade, and it is important that we find and give farmers every opportunity to exploit every possible chance of increasing their productivity.

Senator SIEWERT—But that is without looking at the potential costs of going to GM, which leads me to my next question: the potential benefits. How do you respond to the

criticism that the study was overly optimistic about the modelling of potential benefits for GM but at the same time ignored the costs?

Dr Fisher—What we have done is to take the best information we could find publicly on the extent of any productivity improvements we might get and the prospects for that product. When we have looked at all of those things, we have come up with an assessment. One of the important aspects of ABARE is that we publish this work. All of our work is publicly available. It is up on our web site, it is provided free, we respond to criticisms on the work and we update it from time to time. This is one of a series of research studies we have done on GM and related issues over the years. As new information becomes available, we will incorporate that. Our business is about trying to stimulate debate rather than giving the final answer.

Senator SIEWERT—In respect of updating as new information becomes available, are you aware that there was a peer review of the previous ABARE report on the economic benefits of GM crops? Was this taken into account in your assumptions?

Dr Fisher—Yes, we take account not only of any comments on our work but of all the literature that we can find that is relevant to the analysis.

Senator SIEWERT—I want to move on to the potential benefits and the costs of regulation and segregation of GM and non-GM crops. Were these taken into account in your modelling?

Dr Fisher—In the past we have done work on the costs and the consequences of segregation. In this case, we are looking at introducing a technology and comparing what would happen if you marketed that product in international markets with a situation where you did not. If it is the case that some community wishes to remain GM free, some decision will have to be made about how that is to be done. There are specific production issues that would need to be dealt with on an elevator by elevator basis. If people were interested in doing a very detailed analysis, we could do that; however, at this stage we are looking at the broad macroeconomic effects of introducing a new technology.

Senator SIEWERT—So you are assuming that costs then go back on the farmers that do not convert to GM crops?

Dr Fisher—We are saying that a range of costs are being imposed on Australian farmers. The notion is that those farmers who do not adopt this technology are imposing a set of costs on themselves in the sense that the productivity improvements that they have are constrained.

Senator SIEWERT—The point is that you are then imposing costs on people who do not want to convert to GM. You are assuming that everybody should automatically convert to GM without looking at the costs that that imposes.

Dr Fisher—No, we do not impose costs on anybody. What we are doing is analysing the circumstance where there is a technology that improves cost-effectiveness.

Senator SIEWERT—It does not necessarily improve the cost-effectiveness of those who do not adopt it. You are imposing a cost on those who do not adopt it by saying that they are the ones who should be doing the segregation and by not looking at the costs of segregation for those who adopt it.

Dr Fisher—What we have done here is to look at a circumstance where you have a major reduction in the cost of production. We assume that farmers will see that advantage and that, with a certain lag, farmers will adopt the new technology. This adoption will not be instantaneous and, yes, it is true that there will be circumstances where you will have non-GM and GM canola. If it is worth while segmenting that product—in other words, if there is a premium in the market that makes it worth while to segment that product—the market will dictate that that occurs. We are saying that there is no premium. Therefore it is not worthwhile segmenting, and therefore there is no cost.

Senator SIEWERT—I understand where you are coming from. Did you take into account the cost of the development of environmental weeds through GM crops?

Dr Fisher—We have read the literature and we have noted that there are concerns about the possibility that in the case of brassicas, for example, there may be some issues with respect to the spread of pollen et cetera. But we have not explicitly modelled that.

Senator SIEWERT—Are you aware of any work around the world that has modelled that?

Dr Fisher—We have read a range of literature but, to my knowledge, there are no definitive studies on the consequences of the spread or the potential spread of those GM induced changes.

Senator SIEWERT—Do you acknowledge that there is a potential cost of controlling environmental weeds as a result of GM crops?

Dr Fisher—I think that is an issue worth looking at. That is not something that I am qualified to talk about, because I am not a scientist. We do, however, have the capability, if there is good scientific information on which to do that sort of cost-benefit analysis, to do the cost-benefit analysis. But we cannot do the science. That is for our agencies to provide.

Senator SIEWERT—But, if the science is done, that will be an additional cost of production?

Dr Fisher—Assuming that there are issues there.

Senator SIEWERT—Going back to regulation, given the discussion we have just had about segregation, who do you think should bear the cost of the regulation of the GM industry? Or do you not see it as a cost because you do not see segregation as an issue if everybody adopts GM?

Dr Fisher—There are regulatory arrangements in place. The cost of those regulations will of course depend on exactly how they are funded, and there is no general answer to that. However, I think it is worth noting that those costs, despite who might directly write the cheque for the costs—and it could be a taxpayer, for example—are imposed indirectly on other individuals. So the costs cascade through the market and fall on consumers and producers, depending on the elasticity of demand in the market.

Senator SIEWERT—In the interests of time I will move on, if I can, to the native veg report.

Senator MILNE—Perhaps I could ask one more question on GMOs in relation to the use of genetically modified trees. For example, I understand that the florist industry is currently looking at GM trees. Have you done any economic modelling of the ecological costs to native vegetation of the use of GM trees in the forest industry?

Dr Fisher—No, we have not looked at GM tree crops.

Senator SIEWERT—I do have one GMO question before I move on to the native vegetation stuff. In your modelling, were the productivity gains that you used productivity gains in the Australian context or from experience from overseas?

Dr Fisher—They were the best information we could obtain from experimental data from Australia and practical farm level data from overseas, because we do not have detailed information in the case of Australia in field situations.

Senator SIEWERT—I understand you used five per cent for canola and 10 per cent for barley. Is that correct?

Dr Fisher—I do not have those numbers in my mind, but they are set out explicitly in the publication.

Senator SIEWERT—I am interested in knowing whether they were figures from overseas or figures that have been borne out from the fairly limited trials that have occurred in Australia?

Dr Fisher—I am sorry, can you repeat that?

Senator SIEWERT—If the five per cent and 10 per cent is in fact correct, I would like to know how those figures were arrived at in the Australian context. Were they from experience from overseas borne out by the trials in Australia or was it an average across the two of them?

Dr Fisher—We have had to make some assumptions about those productivity improvements and we have done some sensitivity analysis around those as well. The reason we have done that sensitivity analysis is that we do not have broad field experience in Australia; therefore, we have had to make some direct assumptions. We have laid those out. If people do not agree with those, we can redo the analysis, redo the sensitivity. All of that is part of the ongoing debate.

Ms Hewitt—Senator, just before moving on, I noted the comments that you made at the beginning of your questions about ABARE concentrating more on the economic than on the environment. I think Dr Fisher has given you an answer that says that the competitiveness of Australian agricultural and resource industries is a central part of the mission. But I did not want the moment to pass without ABARE being able to just briefly give you an indication of some of the other work, a lot of which is really quite creative and at the leading edge in other environmental areas. There is a lot going on in ABARE, including some of the work around water, water trading and water options and some of the climate work. Maybe you can give just two sentences, Brian, on other things you are doing in ABARE that might be of interest to the senator.

Dr Fisher—In addition to the sorts of work we have been discussing, we have ongoing work on the consequences of environmental flows associated with the Murray-Darling Basin and the best ways of maintaining the environment—the most cost-effective ways. In the case

of climate, we have a big project at the moment where we are linking our economic model of climate policy to physical models of the climate so we can do full cost-benefit analysis of potential future policies with respect to mitigating climate change not only here in Australia but around the world. In the case of the climate work, this is leading work in a world sense in terms of the models that are available. Typically in the past we have only been able to do cost-effectiveness analysis in terms of the mitigation policies. We hope in the next two or three years to be able to do full cost-benefit analysis. So we are looking at the damages side of the climate problem as well as the cost of mitigation side—balancing that up. I think they are very important pieces of work. If you have a detailed look at ABARE's research program and how it has transmogrified over the last 10 years, you will see that we have moved from concentration on a whole lot of production agriculture issues to a very broad spectrum of natural resource management considerations.

Senator SIEWERT—My concern comes in, for example, with the GMO study and the one I am about to move on to, the native vegetation study. In that area there is a concentration on the economic outcomes rather than taking the environment into account at the same time—for example, the cost of environmental weeds and taking that into account when you look at the cost of GMOs. I will come to the native veg report, but just to kick off the conversation, it seems to me that there is a lot of work that was not included, like the value of biodiversity, like ecosystem services when you are talking about the impact of regulations. There is a lot of stuff that is not included in that analysis about the value that remnant bushland provides. That is where my concern comes from in that report. I have some questions around that. Would you rather address that now, or shall I go to the individual questions?

Dr Fisher—I think it is easier for me to respond to specific questions.

CHAIR—Can I interrupt your flow. I do not even know what you are talking about. I am told that, despite the 15-year low world wheat prices, world wheat stocks are also at a low. Is that right?

Dr Fisher—I do not think we should panic about running out of wheat soon. Whilst there are some reductions in stocks and we expect to see some moderate increase in wheat prices for the next season's crop—we expect to see a lift of the order of \$US10 a tonne in world wheat prices next year—those prices are still not high by historic standards.

CHAIR—What does ABARE put that down to? Is this speculation in the market? What is driving the low prices?

Dr Fisher—I think we have a combination of things going on there. We have continuing improvements in productivity. We have continuing subsidisation of production in Europe and the United States. As you know, in the Doha Round we are currently concerned to try and wind back those domestic support arrangements. All of those things contribute to a trajectory of grains prices which are lower than they otherwise would be.

CHAIR—Australia's record fuel and fertiliser prices and the international corruption of the pricing in the market are really bringing themselves to bear against Australia's wheat growers now with a 15-year low in wheat prices.

Dr Fisher—We are going to see some pressure on farmers with respect to costs as fuel prices and fertiliser prices wind through into next season. In addition to that, the continuing value of the Australian dollar against the US dollar will not assist.

CHAIR—Thanks very much.

Senator SIEWERT—How do you cost or factor into your economic modelling the value of the environment in terms of ecosystem services, mitigating effects on salinity, soil erosion, the potential value of biodiversity for future industries—there are more and more people looking at how they can get into industries based on remveg or biodiversity—and also the values that landholders put on remnant vegetation? It seems to me that in your report on native vegetation, and in the one you wrote recently on regulation, those things were not taken into consideration.

Dr Fisher—What we are doing here is gathering information and enhancing our databases so that, at some point in the future, we are able to do the sort of comprehensive analysis that you would like to see, and I would like to see, in fact. We faced a situation, when the Productivity Commission did its inquiry into native vegetation and biodiversity, of a serious lack of concrete information. During that inquiry we took submissions and visited many people, and the availability of data, frankly, was shockingly sad.

What ABARE has done most recently, with the assistance of my colleagues in the department, is to start to collect detailed information—and in the case of New South Wales we have now collected detailed information on 366 farms. For close to 60 years now, we have been collecting detailed information about production and costs et cetera on broadacre farms in Australia. With the extra funds we have got this financial year, we have now been able to go out and collect the cadastral boundaries of those farms, relate the collective vegetation types on those farms paddock by paddock and relate that information directly to satellite information that we have obtained from the Australian Greenhouse Office. So now we have an integrated set of data that allows us to relate production issues on the farm to some of these environmental and cover issues. This is the first time we have ever had this sort of information. So we are getting closer and closer to that desirable point that you would like to see, where we will be able to do sensible cost-benefit analysis and trade off some of the production issues with some of the environmental issues. This is a first step.

In the interim, however, we are concerned that there has been a push, I think, in the case of some state governments to impose regulations on the use and clearing of native vegetation, which in some cases I think is frankly irrational. I also should preface these comments by saying that, in the case of New South Wales, this is an ongoing issue; there has been continuous updating of the draft regulations. So this debate is very important, in my view. I do not know what the regulations will finally be, but we have been concerned about having and generating a public debate so that we get a better set of regulations.

Let me give you an example of something that I think personally is quite irrational. Previously there was concern that the regulations would preclude the removal of a single tree in the middle of some farmer's paddock. It did not matter how many trees you planted elsewhere to offset that removal; that was going to be verboten. If that farmer wished to put in centre-point irrigation, for example—which is more efficient, in an environmental sense, than

traditional irrigation—he or she was precluded from doing that because this tree was sitting in the road.

Also, we have tram track type technology where tractors move down the same path continuously. This reduces soil compaction. This has many advantages in an environmental sense. But if you have trees in the road you cannot use the GPS technology to put that technology in place. Therefore, you have a negative impact on the environment and you have a negative impact on production. We are concerned with trying to bring these issues out and to have a debate about them so that we can have better regulations.

It may be worth sacrificing one tree in the interests of the broader environment. I am prepared to put that proposition forward. Some other people believe that every tree is sacred and therefore we should not sacrifice a single tree. Because I am an economist, I come from the point of view that says, ‘Let’s do the benefit-cost analysis and see whether planting 100 trees over here and putting in centre-point pivot irrigation so that you get more efficient use of water, for example, is a net benefit to the environment.’ That is the debate that we want to have.

Senator SIEWERT—That is not the debate that has been generated by the report you have produced; because the flip side of it, the costs of biodiversity, the impact on biodiversity, the returns from biodiversity, the ecosystem services from remnant vegetation—none of that is considered.

Senator MILNE—Or the hydrological system.

Senator SIEWERT—Yes, or the hydrological system. How does that promote debate if that is not being considered in your report?

Dr Fisher—Our business is about collecting the information and starting a discussion.

CHAIR—He is trying to tell you that you are barking up the wrong tree.

Senator SIEWERT—Are you saying it is about promoting debate rather than providing that statistic?

Dr Fisher—It is about providing new information. By the end of this financial year, we will have published substantial new information about tree cover on a whole range of farms across Australian broadacre agriculture. That information has not been available before. The whole debate on tree-clearing, for example in Queensland, was conducted in the absence of good information.

Ms Hewitt—If I can just add a little, I have been very impressed with what I have seen of this project team. It comprises not just your traditional ABARE economists, much as I hold them in high regard, but a biological scientist. So you really are beginning to see here some quite innovative work that brings together environmental and economic perspectives. I am a bit surprised by the way you have characterised the work. I have been presented with a much more elaborated introduction to what is in train and what we will see coming forward.

Senator SIEWERT—That may be what you know. What is coming out publicly is that clearing regulations are bad, but we are not getting the other side of the debate about the ecosystems services and the absolutely essential role they have in protecting the land. In some

instances in Western Australia, the remnant vegetation is the only bit of biodiversity left in a very devastated landscape. None of that is there.

Ms Hewitt—I think the bottom line here is that blanket land-clearing regulation may not be the best form of regulation either for the environment or for production agriculture and that there are better ways to do it. This is the opening up of information on how to get better consideration of both sets of objectives.

Senator SIEWERT—That is not the way the policy debate is being generated at the moment. People are taking away that report and saying, ‘Look at the cost of land clearing,’ without looking at the other side of things.

Ms Hewitt—I think there might be a case for the bureau to offer a briefing.

CHAIR—Can I just say that I am about to impose some discipline on this process, because we are starting to run around the tree a bit.

Senator SIEWERT—To coin a phrase! You referred to some work that is coming out later in the year. When will that be available? Does that pick up the things that I have articulating?

Dr Fisher—Later this financial year we will produce a comprehensive discussion on the data set that we have collected and its uses. Various people will then wish to use that in particular ways, I guess. I think my secretary has talked about the possibility of our giving you a more detailed briefing. We would be happy to do that.

Senator SIEWERT—Thank you, that would be appreciated.

Senator MILNE—I have some questions on oil.

CHAIR—We are hoping to get through rural sciences before dinner, so could we just move it along a bit?

Senator MILNE—I want to ask some questions in relation to the reports that you have brought out recently on oil prices and the impact on the Australian economy. In the report, you state:

Currently 22 per cent of liquid fuel consumption is imported and this will increase to around 51 per cent by 2030.

So we agree that there will be an increase in the imports of liquid fuels. I am interested in your projection that oil prices will go up to \$47 a barrel in 2005-06 but will then go back to previous prices. That was stated yesterday by AusLink. They said they were working on the assumption that oil would be around \$40 a barrel into the future. What are the assumptions that underpin your work on oil? Does ABARE think that global demand for oil has now exceeded supply? Secondly, do you or don't you think oil prices have peaked? What does it mean for the economy if your assumptions about oil prices falling are wrong?

Dr Fisher—First of all, the base case in our modelling—and I take it that you are referring to the most recent work we did for APEC—has a situation where we observe a slow reduction in real oil prices from the current approximately \$US57. I think the outcome for 2005 for West Texas Intermediate is going to be around \$US57 a barrel. We would expect to see about the same price—and I should preface this by saying that my official forecasts on oil prices for

next year will be updated on 12 December. So I am foreshadowing potentially what I might be thinking about here. We would be expecting to see much the same price next calendar year.

For the purposes of this modelling we have assumed that we will see a slow reduction out to 2015 back to \$32 real a barrel for West Texas Intermediate. That is a technical assumption. So that is what we refer to as the reference case. Then we have said: what happens if we see a 30 per cent or 60 per cent trajectory above that and, in the case of one of these trajectories, that it is sustained out to 2010? So we are effectively providing an economic shock to the world economy. Those are technical assumptions that we agreed with our client—the APEC secretariat. And we have provided that report for discussion in APEC. Whether I am a peaker or not, to use the colloquial term among oil analysts, I guess the answer is that, at some point in the future—nobody frankly knows when—liquid petroleum will become scarcer. It will be harder to find. It is a finite resource. Therefore, at some point, it is true that we must see some reduction in its availability. However, that does not necessarily mean that we are going to see a massive spike in oil prices, because there are substitute products.

An old economist from Arkansas once told me that, if the prices are high enough, even the roosters will lay. You might find that a curious comment, but it basically means that there are a whole bunch of substitutes out there and, if the prices are high enough, we will see gas to liquids, coal to liquids and more biofuels. So those substitution possibilities will make sure that we do not see massive spikes. We might see spikes in liquid fuel prices, but substitutes will ensure that those things do not spike up there forever.

Senator MILNE—I do not disagree with anything you have said. But say I come from an assumption that oil prices are going to remain high as opposed to an assumption that they are going to steadily fall and go back to where they have been—two different assumptions. If I were to take a strategic view of the Australian economy on the assumption that prices stay high, then investment in gas to liquids, in hybrid vehicles, in energy efficiency and so on would be a major investment in resilience in the Australian economy. I guess what I took from the ABARE report is that it gives some comfort to the idea that oil prices for Texas crude are going to go down in the next 20 years. I am saying: what if you are wrong? I agree that, if you are wrong and prices go up, it will force people to take these other options. But wouldn't it be better to be strategic about it and take those options now and so prepare the economy in a way that would be good for greenhouse and good for Australia as well, in the sense that we recognise that imports of liquid fuels are going to go up from 22 per cent to 51 per cent by virtue of our own resource base anyway in the next 30 years? Assuming that we have to import more, shouldn't we build resilience by having a more radical view, I suppose, of what oil prices might do? I would argue that it is a more realistic view.

Dr Fisher—I think the answer to that is that I am an analyst and I do not determine policy. If, say, my client, the department of industry, comes to me and says that they want to do that sort of work—let us assume that the reference case is that oil prices stay high—then we could do that modelling analysis and look at, for example, the consequences for penetration of hybrid vehicles, hydrogen, other energy technologies.

Senator MILNE—Yes, gas to liquids and so on.

Dr Fisher—In fact, we have published work like that in the context of our work on climate policy. So we have a whole bunch of work going on in our climate work about technology futures. We are running a major conference next year to explore that, where we are bringing together a whole bunch of technology futurists who think about possible technologies and the costs of those technologies so we can analyse them. Again, I would be more than happy to take you through some of that work and show you exactly what we are doing.

Senator MILNE—I have finished on that subject.

CHAIR—Thank you very much, Dr Fisher.

Dr Fisher—Thank you, Mr Chairman.

CHAIR—As always, impeccable.

[6.22 pm]

Bureau of Rural Sciences

Senator SIEWERT—I am happy to put some questions on notice, but I want to ask just a couple. I have been looking at your report, *Policy approaches to farm exit*, which particularly looked at a lot of the social issues around adjustment, which I must say I have been banging on about for quite a long time, so I was very interested to read it. There was a CSIRO report that came out not long ago that copped quite a lot of criticism. It seemed to me that there were similar themes running through both of them. Would that be a fair assessment or not?

Dr Samson—I have not actually read that CSIRO report in detail. My knowledge of it is really limited to what I have read in the media. In terms of the policy responsibility for a whole range of structural adjustment issues in the department, it is really the Rural Policy and Innovation Division that are coming on after us that have responsibility for that policy. That is probably the best place to ask the question.

Senator SIEWERT—You may say that about a couple of my others, but I will try.

Dr Samson—We will try and help if we can.

Senator SIEWERT—What recommendations would BRS put forward as alternative policies initiatives to deal with this issue? The report makes a series of findings about the need to look at other things besides economic incentives.

Dr Samson—Perhaps to help you with that question and perhaps some others that you have, which we are happy to either take on notice or perhaps Rural Policy and Innovation can answer, it may help if we just explain the role of the Bureau of Rural Sciences within the department. Very much the work that the bureau undertakes is for all the policy areas in the department. So it is very much a client pull rather than a science/technological push in what we do.

What really characterises the work we do is that we provide input to the policy areas in the department. So the bureau itself on issues like that does not necessarily develop or promulgate a policy position. We access the relevant science. We make the relevant science, hopefully, digestible and useful to our colleagues in the policy areas. We provide product to them. They use that as one of the inputs into their policy development process. So the honest answer to

the specific question you asked is: we have not nor would we put an alternative position in quite the way you articulated.

Senator SIEWERT—Is one of your clients ABARE?

Dr Samson—ABARE we see primarily as a colleague. Their mandate to work with and on behalf of the policy divisions is similar to that of the Bureau of Rural Sciences. We often work with ABARE on behalf of our clients in the department.

Senator SIEWERT—In that case, some of the questions I want to ask around the implications of some of the social aspects that you brought up in your report I probably need to ask elsewhere.

Dr Samson—We will be available later, if there is an overlap back into the bureau's territory.

Senator SIEWERT—Thank you.

Senator MILNE—With your work in relation to climate change, I noted that most of it seems to be looking at climate change from the point of view of incremental change rather than a threshold and step approach. Is that a fair comment, or are you looking at it from both perspectives?

Dr Samson—Perhaps Dr Grant might answer that question.

Dr Grant—In terms of climate change, we are looking at—and we are not the premier climate change group in Australia—the implications for agriculture in terms of variability of climate. Farmers tell us that the interesting issue for them, and what they most need to understand, is what the variability is within season. If we can project it out a few years, that helps; but 20 and 30 years is not generally within their scope of consideration.

Having said that, I should also say that essentially the sort of stuff we do is to try and develop tools to allow them to make decisions on risk associated with variable climate as it happens. For example, we are developing a tool called the national agricultural monitoring system, which assists to pull together information on the what-ifs—what if rainfall dips; what if the soil moisture drops; what does that mean?—and project it out about 13 or so weeks. We can do that in a reasonably good fashion, and that is a tool that they can use. But, in terms of climate modelling, we are not the organisation responsible for climate modelling.

Senator MILNE—In terms of that climate modelling, are you assuming incremental change in terms of variability within seasons, or are you also looking at scenarios that are not just about an incremental change of a few weeks earlier or a few weeks later, a percentage change in evaporation levels or rainfall or this or that? What if there are fairly sudden significant shifts? That is just as a policy assumption.

The second thing in relation to that is disease modelling, as I was asking before with AQIS and Biosecurity. One of the concerns I have is that farmers are not taking into account what increased levels of humidity might do in terms of fungal diseases that they might not have had before, or that they had earlier and not later. There would be changes to their cropping in all manner of regimes because of disease ramifications that may not have been there previously. Is that part of your modelling as well?

Dr Samson—Perhaps I could come in there. We do not have a single fundamental model that we apply to this issue of climate change in quite the way that you articulated it. In the work Dr Grant referenced that we have done recently for Meat and Livestock Australia, perhaps the most common models we have used in some of those exercises have been designed for short-term predictive tools for farmers to use in a very real-world situation. The underlying model in a lot of that is that we actually look at historical data. The one that Dr Grant referenced looks at rainfall in a particular area that you may have farmed in over the last 100 years, then it takes the actual rainfall in that area over the last little while and seeks to say that when you map the actual against that cumulative 100-year record you reduce the probability of what is going to happen quite considerably. You say that the pattern that you have just gone through in the last few weeks or months has happened five times in the last 100 years and each time that happened this was the result. So it comes back to the point I said earlier—we very much work on a client-demand pull. In terms of the climate change, the climate variability issue, as Dr Grant said, what producers are saying to us at the moment is that they want these tools that they can apply now to the day-to-day management decisions of their enterprise. So there is not a single model that we apply. We will apply whatever we think is the appropriate methodology or paradigm for the task that we have been given.

Dr Grant—If I could raise one other thing, I think the issue you are raising—this issue of whether there is a continuum of change or a stepwise nature of change—is part of what is considered in some of the world models, of which the Bureau of Meteorology and CSIRO have a couple. They are talking more and more about amalgamating those models. Those are the organisations that are doing that sort of global modelling work. It is not us.

CHAIR—You will be pleased to know that you will be able to make a submission to the Rural and Regional Affairs and Transport References Committee inquiry into all of these matters, which we have advertised. We would love you to submit any information that you feel you could.

Dr Samson—We look forward to the opportunity to do so.

CHAIR—God bless you. In the meantime, I think we should go and have dinner.

Mr Banfield—Is that all for BRS?

CHAIR—It is.

Proceedings suspended from 6.32 pm to 7.32 pm

ACTING CHAIR (Senator Troeth)—We will now deal with rural policy and innovation.

Senator McEWEN—I have a few questions about drought assistance. These questions follow on from the report of the Australian National Audit Office into drought assistance that was tabled in June this year. Page 15 of the report lists the key findings in relation to contingency planning and responding to drought, and at item 10 on page 15 it says:

The Department of Agriculture, Fisheries and Forestry (DAFF) did not have a specific preparedness or contingency plan for drought, notwithstanding previous recommendations made by a Taskforce of Australian and State and Territory Government officials to this effect. DAFF advised that its preparedness was instead focussed through existing arrangements, primarily through arrangements for EC.

Is it still the case that there is no contingency plan? What has the department done in relation to the recommendation?

Mr Koval—The ANAO audit report referred back to a Drought Task Force report that was tabled back in 1996, which was published in 1997. In that report it talked about the development of a contingency plan. The work that resulted from that was the establishment of the EC guidelines that are currently in place, and that was the contingency for when so-called normal circumstances become an exceptional drought event, which is a one in 20 or 25 year drought event.

That was the contingency plan for drought from the Australian government. We have followed that plan since those guidelines came into place in 1999, that is what was in place during the recent drought event and we still follow those guidelines. They are guidelines agreed to by all Commonwealth and state ministers.

Senator McEWEN—The contingency plan is the EC contingencies.

Mr Koval—Correct.

Senator McEWEN—There has been nothing further since 1999?

Mr Koval—There has been reform to those guidelines since that time. There were changes made in 2002. For example, when a prima facie case is established, interim income support is provided to customers for six months whilst their applications are being assessed. There have been reforms over the years to those guidelines, but those guidelines are the operating procedures.

Senator McEWEN—The report also says at item 11:

Planning by DAFF did identify some risks to delivery of EC, including poor understanding of EC and difficulties in targeting assistance. However, there were no specific treatment strategies identified, corresponding to these risks. Nor did risk plans identify the possibility that substantial additional measures might be needed if the drought worsened.

Has the department responded to these concerns? Do treatment strategies now better match up with risks identified?

Mr Thompson—Yes. We have a broad range of measures now in place to address the new risks. Before, we did have the EC assistance and things like farm management deposits to allow farmers to plan. Under the new guidelines that were referred to by Mr Koval, we have established a Drought Task Force which enables us to respond more quickly and we have put in place procedures which enable a fast response to submissions from the community. The issues of administration to which the ANAO referred at the time of their report have been substantially addressed by changed operating arrangements within the department and the more streamlined arrangements applying to drought exceptional circumstances.

Senator McEWEN—You are saying that these matters have been addressed, but why are they still findings of the Auditor in this report, which was tabled only in June this year?

Mr Koval—The audit commenced in 2003-04 and fieldwork was undertaken in 2004. It was a big, long audit. Whilst the report was only tabled on 2 June 2005, the actual work was carried out over some 12 to 18 months.

Mr Banfield—You are focusing on suggestions in the audit report for improvements in delivery, and I understand why you are doing that, but it is worth making the point that overall the ANAO found that the management of the drought support arrangements by the department and others was effective in circumstances where we had an unprecedented number of applications for exceptional circumstances support. We have had something like 80 to 90 applications to deal with in a very short period of time. Whilst I understand and accept the point you make, it needs to be put in context. In general, the ANAO was reassured and comfortable that the delivery of the government's package was efficient and effective. It made some recommendations for the future, and we have accepted those recommendations and are proceeding to implement them. I think it is useful to provide that context.

Senator McEWEN—Although, on first reading, it does not portray a very flattering picture of the department.

Mr Banfield—I am sure my colleagues can point you to exactly where it is, but there is a reference in the document that overall the ANAO thought that the drought arrangements had been well delivered, or words to that effect.

Senator McEWEN—I asked if the treatment strategies better match up with the risks identified. Are the treatment strategies committed to paper somewhere? Is there a report?

Mr Koval—If you are asking if we have a risk management plan that sits on a shelf, as yet we do not. We are in the process, with some of the work through the ministerial council, the national agricultural monitoring system and things like that, of looking at ways to improve some of the delivery arrangements and the processing and assessment side of things, to address some of the issues identified in the report. That will form the basis of the new documentation that will be made available once all that work is completed.

Mr Thompson—There were some particular risks identified, including the timeliness of completing assessments of applications. Through the work of the Drought Task Force, there has been a commitment to do those assessments in a timely fashion, and that has been documented. We have changed the arrangements so that, for regions that are already declared to be in exceptional circumstances, where consideration has been given to continuing exceptional circumstances, we do not await a submission from the states. We take advice from the National Rural Advisory Council, who go out and look at the area, look at the evidence and then make a decision. That speeds things up.

We are in the process of working with the states and the department to develop a national agricultural monitoring system, which will put in one place consistent information on climate, stock levels, farm incomes and those sorts of things, which will enable a more consistent approach to drought assessment. Each of those steps has been documented, and I think they address some of the particular risks that were flagged by the ANAO.

Mr Koval—One of the risks was in relation to EC certificates. We have had legislative change to transfer the responsibility for issuing those EC certificates from the state rural adjustment authorities to Centrelink, at the same point of call. So some of the problems that the ANAO identified have now been taken care of. Centrelink are now responsible for that, and we have the one organisation identifying people for income support payments.

Senator McEWEN—Has that dealt with the fact pointed out by the Audit Office that the majority of applications have exceeded DAFF's internal eight-week processing target?

Mr Koval—We had an internal target of eight weeks. Some 66 per cent of all applications received up until the time the audit report was tabled had been assessed in eight weeks or less. Prior to the task force, it was taking on average somewhere between 22 and 24 weeks. Even though a minority of applications exceeded our own internal target, we were still hitting our targets in the majority of cases.

Senator McEWEN—Mr Koval, when could we expect to see the risk management strategy or the documentation that you are working on?

Mr Koval—The new arrangements are being worked through ministerial council and it looks like a conclusion date of April 2006 for ministers to agree to that, so it will be shortly thereafter, I would expect.

Senator McEWEN—One of the other points raised by the Auditor is that there was no designated lead agency for the Drought Task Force. There is no whole-of-government implementation plan. Has that been dealt with?

Mr Thompson—The process that we have developed is that those agencies with a core responsibility in the area of a program being administered take the lead in that area. When it comes to drought declarations and overall provision of assistance on which areas are in drought and which ones are not, and what the packages might be, the Department of Agriculture, Fisheries and Forestry take the lead. Where we are looking at providing the income support through Centrelink, that agency takes the lead. When it comes to communicating drought programs and the availability of drought programs, the Department of Human Services takes the lead.

The coordination arrangements between parties are made through regular contact between officers in all the departments involved, so we have not named one drought supremo across the board. We have coordination between those areas of the departments that are responsible for particular elements of drought management and drought assistance.

Senator McEWEN—But the Audit Office indicated that not having a lead agency overall was a deficiency in the delivery of the programs.

Mr Thompson—In a sense that issue has been addressed by the broad coordination of drought by the Department of Agriculture, Fisheries and Forestry. Then we coordinate other agencies taking the lead on the elements that they have particular responsibility for.

Senator McEWEN—You do consider DAFF as the lead agency?

Mr Thompson—It is a sort of lead coordination agency, not the lead agency in that it is responsible for implementation of all elements of drought. We do not direct other departments in their activities but we do take a lead role in ensuring that coordination takes place.

Senator McEWEN—Which department wears it if something goes wrong?

Mr Thompson—If it was a failure of coordination I think it would end up on my desk. If it was a failure of an individual element of the program in some shape or form I think we would have to look at that on a case by case basis to work out how it happened. With welfare

programs being administered through a separate agency under a contractual agreement, they have their own internal management arrangements for how people in Centrelink offices in rural Australia deliver programs. I am reasonably confident that our coordination arrangements have been working quite well over the last little while.

Senator McEWEN—We can just hope that we do not have to test them too soon. I would like to ask a few questions about funding. Can someone provide the committee with an update on the actual expenditure on drought against the amounts budgeted in the 2004-05 PBS?

Mr Koval—Certainly, Senator. In terms of item by item, starting with the interest rate relief, we have expended \$2.277 million.

Senator McEWEN—Just before you go on, have you got the information on a state by state basis as well?

Mr Koval—No. I could provide it on notice if that is of interest.

Senator McEWEN—Continue.

Mr Koval—In terms of interest rate relief the expenditure for 2004-05 was \$2.277 million. In terms of the interim income support it was \$1.865 million. In terms of interest rate subsidies it was \$105.14 million. In terms of exceptional circumstances relief payment it was \$117.065 million.

Senator McEWEN—How does that compare to what was budgeted?

Mr Koval—In the PBS the budget estimates were: for interest rate relief, \$3.158 million; for interim income support, \$4.209 million; for ECIRS, \$131.985 million; for ECRP, \$124.403 million.

Senator McEWEN—What caused the big discrepancy in the second one, interest support?

Mr Koval—Producers have up to 12 months to apply for interest rate subsidy. They can choose when they apply. We try to pro rata it on an even basis across financial years. Sometimes producers tend to apply later in the year, so we try to estimate it. For the \$26-odd million, which is the discrepancy you are referring to, it would appear that a lower number of producers came in during that time frame than we anticipated.

Senator McEWEN—Did you expect that to be fully expended?

Mr Koval—For that financial year? We base the estimates on the best information we have available at the time. It is a demand-driven program, so we do try to estimate across a large number of areas—some 67 areas have been declared in Australia—the number of growers who will come forward, the time they will come forward and for how much. It is quite complicated. We try to get the estimates as accurate as we can but, being demand driven, it is an estimate process.

Senator McEWEN—I asked a question about getting the information on a state by state basis. Would you be able to provide that?

Mr Koval—I can on notice.

Senator McEWEN—Thank you. Can you also give us an update on what the government is doing in relation to drought affected areas that have been in receipt of assistance for

three years? I understand the minister was seeking to change that condition of a three-year limit. Has that been changed?

Mr Koval—On 12 October the minister made an announcement that National Rural Advisory Council will reconsider those areas that are into their third year and about to enter a fourth year. The National Rural Advisory Council is in the process of doing that and will provide advice to the government in due course.

Senator McEWEN—Do you know how many areas will be affected?

Mr Koval—There will be an assessment of 25 areas between now and the end of December.

Senator McEWEN—Will there be an annual review? Is it going to continue?

Mr Thompson—The original process for EC declaration was to declare an area experiencing exceptional circumstances of drought. There was two years worth of assistance. The government agreed that, given the nature of the current drought, that would increase to three years. As Mr Koval said, the minister recently announced that it would be considered for a fourth year. That is the process going through at the present time. There is not a process of annual assessment; there is a process of assessment before the end of the declaration period as to whether they are still experiencing exceptional drought and need continuing assistance. In most cases it would be annually or less.

Senator McEWEN—Each of those 25 areas will be reviewed?

Mr Thompson—Each of those areas will be reviewed.

Senator McEWEN—Are there areas that are still suffering ongoing drought or is it reasonable to say that most of the country is moving into a recovery phase now?

Mr Thompson—Drought is a very complicated phenomenon. It is reasonable to say that in some areas of Australia, particularly in southern Australia, that have benefited from rain since June, conditions are improving. Those areas planted crops late and in many cases they have not been harvested. Pasture was in many cases affected by the preceding three years of drought, so that is taking a while to recover. In many areas in southern Australia—around Canberra and Victoria—things look to be improving, but the assessments are continuing as to whether the current improvements constitute the end of drought or not.

In Northern Australia in many cases decisions will have to rely on what has been the effect of the summer rain because their normal season is to expect cyclonic rain over the summer period to grow summer crops and summer pastures. Without rain over summer, the modest amounts of rain they received in Northern Australia over winter may not have had a great effect. It is fair to say conditions are improving. If you read the rural press, the opinion of most farmers is that it is a better situation but there are not many people saying it is clear that drought has finished.

Senator McEWEN—Thank you. I now want to ask a few questions about Australian Wool Innovation.

Mr Banfield—It depends what the question is, Senator. If it is a governance type question we might be able to answer it here; otherwise, Food and Agriculture.

Senator McEWEN—Compliance with the statutory funding agreement?

Mr Banfield—We might be able to handle that.

Senator McEWEN—Good. I refer you to the recommendations that flowed from an inquiry into the administration of AWI by this committee. Can you remind me which of the following recommendations have been adopted by AWI and the government. Is it now a condition of the SFA that all of the company's expenditure is controlled by the agreement?

Mr Murnane—The government did not agree to that recommendation in toto. I am reading from the government's response to that recommendation:

The Government accepts that the SFA should cover all expenditure from the Funds (those being statutory levies and Commonwealth matching payments) and that this should be extended to monies derived from the Funds.

It then goes on to say:

However, the Government does not consider that the SFA should cover expenditure from funds that the Company obtains from other industry sources.

Senator McEWEN—So it is a partial implementation of the recommendation by the government?

Mr Murnane—Correct.

Senator McEWEN—And the bit that is excluded is funds that AWI receives from non-government sources?

Mr Murnane—Correct.

Senator McEWEN—Do you know what portion of its income that is?

Mr Murnane—No, I could not tell you that off the top of my head.

Senator McEWEN—Any idea? A stab in the dark?

Mr Murnane—No, I would prefer not to speculate.

Senator McEWEN—Would you be able to let us know?

Mr Murnane—I can find that out for you, certainly.

Senator McEWEN—Thank you. Can you detail for us how the department oversees compliance by AWI with the terms of the SFA?

Mr Murnane—Following the committee report, the department revised the SFA. The compliance arrangement is that through the annual reporting process of AWI we examine the reporting to make sure that it has, in fact, complied with all the provisions of the statutory funding agreement.

Senator McEWEN—What exactly is the process? You said you believe they comply.

Mr Murnane—It is through the reporting process.

Senator McEWEN—Through a reporting process? And that is completely within DAFF?

Mr Murnane—As I understand the question, yes, that is correct.

Mr Banfield—I think it is fair to say that the reporting process and the financial reports that AWI provide are required to be audited by AWI auditors, so there is a pretty rigorous process within the company itself in terms of compliance. We, at a government level, then make our own judgment, so it is quite a robust process. The other point that I will add, while I have the floor—and I think we have had the discussion in this committee before—is that the government is also in the process of reviewing and amending and updating all of these statutory funding agreements to bring them in line with contemporary best practice.

Senator McEWEN—Are those requirements you talk about—the audit, the report and the review—looking at all of the company's income or only that portion that comes from the government? You talked about there being private and public funding.

Mr Banfield—We would have to take the detail of the question on notice, as Mr Murnane said. I was just making the general point that there are processes and requirements on the company itself as to the appropriateness of the expenditure before it gets to the government to have a look at. We in turn have a look at that and satisfy ourselves.

Senator McEWEN—Have there been any issues relating to the operation of AWI that have been brought to the attention of the department?

Mr Thompson—As you are probably aware, there were issues some time ago. There have been no issues of any moment brought before the department in the recent past, since the new arrangements have been put in place.

Senator McEWEN—In what period of time is that?

Mr Murnane—I think the time that Mr Thompson is referring to is since the committee's report was tabled and the government's response was provided.

Senator McEWEN—Since the committee's report, you have not had any issues relating to the operation of AWI brought to your attention?

Mr Murnane—No.

Mr Thompson—No.

Senator McEWEN—Has the department got any concerns about the operation of AWI following from its monitoring of the expenditure of public funds by AWI?

Mr Murnane—No, we have had no reason to raise questions on it.

Senator McEWEN—Was there a review of the effectiveness of the remedies for breaches of the SFA provided for through the Wool Services Privatisation Act?

Mr Murnane—The new SFA that is now in place does pick up on the recommendations of the Senate committee, so the new funding agreement does include remedies exercisable by the Commonwealth if necessary.

Senator McEWEN—So that recommendation of the committee has been picked up?

Mr Murnane—Correct.

Mr Thompson—Senator, there is one point that you might be alluding to and it has not been an issue that was referred to us for examination; but there has been some speculation in some parts of rural Australia, I think, about Wool Innovation's legal case on animal welfare

and whether that was an appropriate expenditure. I do not know whether that is what you are referring to. We are aware of their activity in that area.

Senator McEWEN—I was going to ask a question about agripolitical activity, so I presume that would encompass that. Perhaps I will ask that question and you can see. Does the SFA include a definition of agripolitical activity to include internal and external political activity?

Mr Murnane—Yes, the government accepted that recommendation and it is reflected in the funding agreement.

Senator McEWEN—Would that go to issues such as animal welfare?

Mr Murnane—As I said earlier, the statutory funding agreement covers those portions of AWI's funding that is derived from the government and related sources, but it does not include funding derived for AWI from other sources.

Senator McEWEN—Have you provided a copy of the SFA to the committee previously? Sorry, I have not been on the committee before.

Mr Banfield—I cannot recall. I think we did. We had a discussion an estimates or two ago about the model that we were discussing in terms of amendments and updates of those, but I am not sure. Maybe we can take that on notice and we will come back to you on that.

Mr Thompson—But as Mr Banfield said, any SFA we have at the moment is being reviewed in terms of bringing it further into line with best practice, so whatever SFA we have would be the one that exists at the present time, not necessarily the one that might exist in some little time as we continue to improve them. We are doing that process during this financial year.

Senator McEWEN—Is that scheduled to be done by April as well?

Mr Thompson—We have a number of statutory funding agreements with other bodies, including Wool Innovation. I am not quite sure where the Wool Innovation one is but I know a number of the others are scheduled for completion by the end of this financial year.

Senator McEWEN—Did you have anything else to add about the animal welfare issue?

Mr Thompson—No, other than AWI have been engaged in a legal case against a group of people criticising some of the animal welfare practices in the Australian wool industry. We are aware of that campaign and the AWI's involvement in the legal case.

Senator O'BRIEN—Are you satisfied that it is not agripolitical activity as referred to in the statutory funding agreement?

Mr Thompson—I believe that that issue has been looked at but I am not familiar with the advice that we have received or the conclusion we came to.

Senator O'BRIEN—Has the department taken legal advice?

Mr Thompson—Again, at the present time I am not in a position to say whether it has or it has not. I have not seen any legal advice on that issue. The department may have taken legal advice and come to some conclusions.

Senator O'BRIEN—What advice has the department taken? You have just referred to advice. You said, 'We've taken advice.' What do you mean?

Mr Thompson—I am not sure that I said we have taken advice. I said that the department has considered that issue and it may have taken advice from a range of sources on that. That is all, Senator. I am not sure what advice we did receive, if any. If you want us to, we can certainly take that on notice.

Senator O'BRIEN—Yes, please.

Senator McEWEN—I have a question about an SFA again, but in the dairy industry. Can you confirm that the minister is required to table a statement that he is satisfied that Dairy Australia is fully compliant with the terms of its SFA with the Commonwealth?

Mr Murnane—Yes.

Senator McEWEN—The act requires that that statement be tabled soon after the AGM.

Mr Murnane—Correct.

Senator McEWEN—Has that happened?

Mr Murnane—The statement in respect to the 2003-04 financial year was tabled by the minister on 11 October this year.

Senator McEWEN—And the 2004-05?

Mr Murnane—That is still being worked through, but we expect that it will be sometime in the next couple of months. I am sorry I cannot give you a more definitive date for that.

Senator McEWEN—Has the AGM been held?

Mr Murnane—I am not sure, to tell you the truth. But we are having discussions with Dairy Australia on the issues that need to be reflected in that statement.

Senator McEWEN—When would the AGM normally be held?

Mr Murnane—I am sorry, I cannot tell you, but I can find out for you.

Senator McEWEN—You do not know which month of the year the AGM is usually held? Surely it is the same every year.

Ms Hewitt—Mr Murnane has only recently been appointed to the position, Senator.

Senator McEWEN—Sorry.

Senator COLBECK—They had a board meeting the week before last which I attended. They are coming up to their elections so I am not sure what sequence that has in the board process. I am not sure when their AGM is but their elections, I think, are opening within the next week or so for the ballot for the board.

Senator McEWEN—Wouldn't that be for the 2005-06 financial year? What has happened to the 2004-05 AGM and statement? We have heard about 2004-04.

Mr Murnane—I would expect, like you, that their annual meeting to receive the reports for the 2004-05 financial year would be held about now. But I am sorry, I just cannot give you the exact date right now.

Senator McEWEN—I understand that. Could somebody perhaps get back to us.

Mr Thompson—We can take that on notice.

Senator McEWEN—Thank you. That is all.

Senator O'BRIEN—I want to ask questions about the fishing area.

Senator COLBECK—Have we finished with rural policy and innovation?

ACTING CHAIR—We have finished with rural policy and innovation, gentlemen. Thank you very much.

Senator COLBECK—We will have to wait for Minister Macdonald, unless you want to proceed.

Senator O'BRIEN—We can wait until he gets here and we will start.

Senator COLBECK—I am happy to wait, but officially I cannot sit here on his behalf.

Mr Banfield—Senator, can I have take-2 on an answer I gave about the dairy receipts, while we are waiting for Senator Macdonald to arrive. You will recall I gave you the numbers of \$1,055 million and \$1,139 million. You had asked me about the \$84 million between July and October. That is, indeed, correct. You made reference to \$250 million or so for the year. Again, that is correct. As I understand it from Mrs Standen, receipts are flowing in at around \$20 million a month, so the figures that I have given you are consistent with that. It is about \$240 million or \$250 million a year.

You might recall that Mrs Standen also indicated that she thought that we were talking in round figures of about \$2 billion to recoup the dairy adjustment package. That money would be received in about 2009. It is in the ballpark. We have about four years to run; we are raising about \$250 million a year, so we are going to raise about \$1 billion in the next four years or so. That is the response, Senator, to the questions that you asked previously. I think Ms Standen some estimates ago indicated that the figure was running at about \$18 million a month. Do not quote me on the precise number but, as she indicated this morning, milk consumption is up, the receipts are up, so they are a tad over \$20 million a month.

Senator O'BRIEN—Thank you. Earlier today I was asking some questions of AQIS and Mr Quinlivan jumped in to assist about a meeting in Jakarta—which did involve AQIS and other Australian government entities and the Indonesian government—about Indonesian fishing boats. I did raise the issue of the carriage of animals and birds. Mr Quinlivan, you do not recall that being part of the meeting while you were there but you thought it most certainly would have been raised.

Mr Quinlivan—Yes. I have a complete set of the papers, which we would be happy to provide to you. There was a presentation on quarantine. The group split several ways so that we could cover the full range of subject matters, so not everybody was involved in all of the discussions.

Senator O'BRIEN—Is that an annual event?

Mr Quinlivan—Generally annual; sometimes more often because there is also a ministerial working group on marine affairs. Sometimes we have officials' meetings in the

lead-up to those ministerial discussions. It can occasionally be more than annual but at least annually.

Senator O'BRIEN—At the meeting, what animals were confirmed as being found on Indonesian fishing boats that were found in Australian waters?

Mr Quinlivan—My understanding is that this year there have been several birds and a couple of cats and dogs. That is typical.

Senator O'BRIEN—Has anything flowed from the briefing? Has there been any change in behaviour by the Indonesian government following the meeting?

Mr Quinlivan—There were several streams of activity which were started by the discussions at the meeting. There was an agreement to do some work on shared stocks. I am not sure that there has been very much activity yet, but there have certainly been some preparations for that work.

There was an agreement for our compliance people to cooperate and to share their experiences to try and improve the quality of the compliance effort on the Indonesian side, and there are a range of specific things agreed to be done government to government which flow from the meeting the Prime Minister had with the Indonesian President earlier in the year. They mainly focus on education and information type activities in the relevant provinces of Indonesia.

Senator O'BRIEN—When did the government first become aware that these Indonesian fishing boats had live animals on board and that some vessels were actually landing in Australia?

Senator Ian Macdonald—About 1980 I think.

Mr Quinlivan—Probably earlier I would imagine.

Senator Ian Macdonald—The report highlighted reports of monkeys on board, but the only records we can find show that in 1980 there was one on a Taiwanese fishing boat that came into Darwin and one in the early 1990s. One in 1998 I think, that did not actually come into Australian waters, was on a Taiwanese vessel but, again, in PNG waters of the Torres Strait. So it has obviously been around. I suspect that for 10,000 years the Indonesians have been coming over to fish on Australia and they have probably had animals on board.

Mr Quinlivan—And they have been making landfall here long before European settlement, so it is an historical practice.

Senator O'BRIEN—I suspect they may have been bringing dogs. On 5 October the minister said:

Where there have been incursions, the Australian Quarantine Inspection Service immediately puts into place their plans to ensure the security of any areas that have been landed upon by foreign nationals.

How often has that occurred?

Mr Quinlivan—Perhaps Rohan Wilson from AFMA can describe the process for you, Senator.

Mr Wilson—In terms of the quarantine aspects, when birds are discovered on board foreign fishing vessels there are quarantine protocols put in place to remove the birds and euthanase them. That applies to all animals or birds found on board the boats. I believe that there has been one case of Indonesian fishermen making landfall this year, on Mornington Island. I am not familiar with the actual details of what AQIS have put in place for the quarantine arrangements surrounding those incidences, but I know that they do physically go to the site.

Senator O'BRIEN—Perhaps you can find that information for us on notice.

Mr Wilson—Sure.

Senator O'BRIEN—What are the budget and staffing numbers for the programs that relate to illegal fishing in Northern Australia from this department?

Mr McLoughlin—I need to answer the question in the context of us being in a transition period, moving from state based contracted officers, where the Australian Fisheries Management Authority has been contracting out to state fisheries agencies the role of undertaking foreign compliance work for us, controlled by a smallish group of about six to eight people based in Canberra. Given the workloads and the increase in sightings that we have had over the last couple of years, we are in the process of opening a new Darwin based office and staffing that with 21 Fisheries officers plus a couple of senior staff, with the goal at this stage to have that office open and manned by Christmas, and that is on track. We are in a transition process of moving from state based contracted officers to Commonwealth employed officers based out of a new Darwin office. The number of people that were contracted was based on the work needs at the time, but it was approximately 15 people. It was on an as needs basis.

Senator O'BRIEN—It was 15 and it is going to increase to 21 or by 21?

Mr McLoughlin—Sorry, I missed that.

Senator O'BRIEN—The staff numbers in Northern Australia, apart from the six in Canberra—

Mr McLoughlin—Will be increased by an additional 21 officers in Darwin, with a number of management and administrative staff and assistants, so approximately 25 people.

Senator O'BRIEN—What was it at the start of this year?

Mr McLoughlin—As I indicated, approximately six officers in Canberra involved in managing the contracts of the state based officers on an as needs basis, typically 10 officers based in Perth, employed by the Western Australian Department of Fisheries, plus additional officers as needed, from South Australia in particular.

Senator O'BRIEN—Officers who are normally based in South Australia?

Mr McLoughlin—That is correct, yes. South Australian Fisheries officers whom we contract.

Senator O'BRIEN—And the 25 contract officers you are talking about—21 plus four—are new engagements?

Mr McLoughlin—They will be new staff with the new funding provided from 1 July this year for AFMA.

Senator O'BRIEN—How much additional funding is required?

Mr McLoughlin—We have been funded for those additional people and the new accommodation, so no new funding is required, but that was in the budget announcements earlier this year.

Senator O'BRIEN—How much was that?

Mr Wilson—The budget announcements for this year for the entire northern compliance program equate to about \$13.3 million for AFMA plus additional money announced last month.

Senator O'BRIEN—How much of that is the increase?

Mr McLoughlin—That was new money.

Senator O'BRIEN—All of that is new money?

Mr McLoughlin—That is correct.

Senator O'BRIEN—How much was the budget for that work before the budget announcement?

Mr Wilson—AFMA was funded to around \$1.6 million for northern compliance prior to the increase in budget.

Senator O'BRIEN—If I said \$1.6 million was around the sort of funding in today's dollar terms in recent times up until the last budget, I would be accurate, would I?

Mr McLoughlin—That is correct.

Senator O'BRIEN—And the correct figure is now \$13.3 million plus some additional money.

Mr McLoughlin—The funding that was available was \$1.6 million. There was an additional \$1.9 million of expenditure based on the need to undertake the work because of the vessels that we were observing and the work that needed to be done, so that \$1.9 million was covered from reserves. If we add the \$1.6 million to the \$1.9 million—

Mr Wilson—And the \$1.7 million for the monitoring and surveillance activities would be included in that.

Mr McLoughlin—Indeed, so it was around \$3½ million. But because there was a deficit budget run, we got approval to expend those additional funds on a needs basis.

Senator O'BRIEN—You are talking about last year?

Mr McLoughlin—That is correct.

Senator O'BRIEN—Last year it was \$3.5 million—\$1.6 million off budget, \$1.9 million from reserves?

Mr Wilson—Last year we were funded with that \$1.6 million and \$1.7 million, and then during the year that budget was topped up through the additional estimates.

Senator O'BRIEN—By how much?

Mr Wilson—To a total of \$2.3 million, and that was to account for the shortfall that Mr McLoughlin mentioned and additional money to cover the rapid repatriation initiative.

Senator O'BRIEN—The actual budget for the previous financial year was \$2.3 million?

Mr Wilson—The actual budget was around \$8.5 million in total for northern foreign compliance.

Senator O'BRIEN—I am totally confused now. You have been talking about \$1.6 million, \$1.7 million, \$1.9 million, \$2.3 million. Now it is—

Mr Wilson—Approximately \$8.5 million.

Mr McLoughlin—Excuse us while we just do some arithmetic.

Mr Quinlivan—Senator, while they are doing that can we just return to your question about quarantine? Jenni Gordon is at the table and this is her area, so she can give you a better answer to that question than we managed earlier.

Senator Ian Macdonald—We said we would take it on notice but we will give it to you straightaway.'

Ms Gordon—When we are advised by Coastwatch or one of the other agencies that they have identified and apprehended foreign fishing vessels, we use the information to get out there and do a pest or disease survey to check out the surrounding circumstances, to ensure that there is no quarantine risk as a result of the landing. We incorporate into our planned surveys the information that we get about where the foreign fishing vessels are being identified, where they might be landing or where there might be additional quarantine risks. Our NAQS people do planned surveys at regular intervals right across Northern Australia, from Cairns around through Broome.

Senator O'BRIEN—I think there was a photo in the *Australian* of a fishing vessel at low tide, and a story about how it was picked up at high tide. You would have gone and looked at all of the areas—

Ms Gordon—I cannot guarantee it in that particular case but we do identify that there have been landings and we try to get officers out there as quickly as possible after the event, just to survey the area around there to see whether there is any additional risk.

Senator O'BRIEN—In some cases you might not get there.

Ms Gordon—We do try to get out to all of them as soon as possible. It may be, depending on where the landing has taken place, that it would not happen immediately that we identified the landing. Some of them are in remote parts of the country and we have to use vessels from either the Navy or Customs to get some of these places. We seek to incorporate all the information in our surveys and to ensure that we have a capacity to follow up on any reported landings.

Senator O'BRIEN—Thank you.

Mr McLoughlin—I can answer that question now. We have worked out that the original figure of \$1.6 million was the ongoing funding for the northern compliance; that was correct. During the year there were two additional top-ups.

Senator O'BRIEN—This is during the year 2003-04?

Mr McLoughlin—2004-05. There were two additional top-ups. One was \$2.83 million as a top-up for interim arrangements, for example to open the Gove vessel receival facility and run that. Rapid repatriation implementation plus the shortfall top-up was an additional \$2.3 million, adding up to \$6.81 million.

Senator O'BRIEN—Sorry, what was that last \$2.3 million for?

Mr McLoughlin—To implement rapid repatriation of Indonesian crews, and the \$1.9 million or thereabouts top-up to fill the operational shortfall that we incurred as a result of the additional work. That added up to \$6.81 million.

Senator O'BRIEN—That was to pay for six Canberra staff and 10 in Perth plus South Australian state employees from time to time.

Mr McLoughlin—That is correct, plus our contracted company based out of Darwin that did the receival of vessels—for example, fed the crews, kept the boats afloat. Barefoot Marine is the name of that company. That paid for them as well. There was a substantial cost involved in looking after the people appropriately.

Senator O'BRIEN—Did that come out of the \$2.3 million?

Mr McLoughlin—Yes, including the costs of burning boats and flying crews across to Darwin for DIMIA reception and the like.

Senator O'BRIEN—What does the \$13.3 million cover?

Mr Wilson—The \$13.3 million is the funding provided to AFMA for 2005-06. That was to continue the operation at Gove as a full-time point and the other three arrival points, and similar activities to what Mr McLoughlin mentioned.

Senator O'BRIEN—That is all operational money.

Mr Wilson—That is right.

Mr Quinlivan—In addition to that there have been significant increases in funding for DIMIA and for Customs for related and consequential activities. This is only part of the budget for northern compliance.

Senator Ian Macdonald—It is a very small part. There are 28 new Customs officers and four new Customs patrol boats. The Navy is now going into its new Armidale class patrol boats, which are increasing the capacity up in the north.

Senator O'BRIEN—How many Navy patrol boats are up there?

Senator Ian Macdonald—Australia has 14 that are currently being replaced with the new Armidale class. The first two are there. I am never suggesting that every one of them is on the north every single day of the year but a fair percentage of those and the eight Customs A-class patrol boats, plus the 18—I think it is—Coastwatch aircraft that patrol that area constantly, are all up there in the fight.

Senator O'BRIEN—Is it possible to separate out the northern task from the southern task?

Senator Ian Macdonald—For Customs?

Senator O'BRIEN—No, for this department.

Mr McLoughlin—The total budget for AFMA for Southern Ocean work is \$2.38 million.

Senator O'BRIEN—The Southern Ocean is \$2.38 million?

Mr McLoughlin—That is correct.

Mr Wilson—For AFMA in 2005-06.

Mr McLoughlin—That is quite separate from the money for the *Oceanic Viking* and Customs.

Senator O'BRIEN—Do you make any contribution to the cost of running the *Oceanic Viking*?

Senator Ian Macdonald—The money needs to be fought for. It is \$90 million-odd over the next four years for the *Oceanic Viking* patrol. A lot of money goes into that.

Senator O'BRIEN—Is that in the Customs portfolio?

Senator Ian Macdonald—Yes, that is in the Customs portfolio. We are the client of Customs. Customs do our dirty work—not our dirty work, our clean work. They do the enforcement work for Fisheries, plus quarantine and border security et cetera.

Senator O'BRIEN—I did not know there was much Customs work in the Southern Ocean.

Senator Ian Macdonald—The *Oceanic Viking* is financed through Justice and Customs. The officers on board are Customs marine unit officers plus Fisheries officers that are needed. We pay for Fisheries officers but Customs pay the cost of running the vessel and manning it, and the boarding parties when we need them to go on board.

Senator O'BRIEN—Can you give me an update on the number of Indonesian boats fishing illegally in Australian waters that have been apprehended this year?

Mr Wilson—The number of Indonesian boats apprehended in 2005 up to 28 October is 201.

Senator O'BRIEN—On average how long does each illegal boat spend fishing in Australian waters per trip? Do we know that?

Mr McLoughlin—It is impossible to know that, for a range of reasons. One is because it depends on when Coastwatch first spots a vessel and can direct a response platform to it. It also depends on whether the vessel has been spotted a couple of times. It is quite likely that a number of Coastwatch flights will see the same vessel as it is moving through an area. Whether it has been fishing or just transiting an area is a bit difficult to tell in a single pass from a Coastwatch flight. We talk to the crews about how long they have been fishing. We collect some of that intel, but it is highly variable, depending quite often on the size of the boat.

Senator O'BRIEN—How many boats have been the subject of an administrative seizure issue?

Mr Wilson—We do not seize the boats under the administrative seizure process. We seize the catching gear instead of the boats. For 2005 there have been 249 instances of legislative forfeitures of catching gear.

Senator O'BRIEN—What were the equivalent numbers last year for apprehensions and catching gear seizures?

Mr Wilson—For 2004, up until October, 130 boats had been apprehended and there had been 69 legislative forfeitures of catching gear.

Senator O'BRIEN—What about the degree of recidivism amongst the apprehended fishers? What proportion are you catching on multiple occasions?

Mr Wilson—I do not have the data on that with me. I can take that on notice.

Senator O'BRIEN—Can I go to the AFMA briefing paper released under freedom of information to Michael McKinnon from the *Australian* newspaper. According to the *Australian*, that paper showed that sightings of illegal fishers averaged 22 a day, with 8,108 sighted over the last financial year. In saying that, there are multiple sightings in that number.

Mr McLoughlin—That is correct. That is Coastwatch data, not AFMA data, but the FOI request came to us. That reflects the information that we get from Coastwatch. We receive that and we have discussions with Coastwatch, Customs and Defence about the appropriate response at the time.

Mr Quinlivan—We need to further explain that number. It includes not just multiple sightings but vessels which are fishing legally in Australian waters, in the MOU box, and also vessels which are legally undertaking innocent passage through Australian waters. There are a variety of vessels picked up in that number, and you cannot assume even that a majority of those sightings are of vessels fishing illegally.

Senator Ian Macdonald—Or individual vessels. They may be the same vessels seen four, five, six or seven times over.

Senator O'BRIEN—Do you have any idea of the number, if it is not 8,108 vessels fishing illegally in northern Australian waters this year?

Mr Quinlivan—I cannot give you a precise number, other than that it is dramatically lower than 8,000.

Senator Ian Macdonald—The question has been asked many times. I will be corrected if I am wrong—again this is more a question for Coastwatch—but when I have inquired, Coastwatch have no idea because, from aerial surveillance, one boat looks the same as the others. They sometimes go close for photographs, but they go to and from on their patrols and, as I say, from high up one looks the same as the other. I am told that it is not possible to get an accurate count.

Senator O'BRIEN—Even so, the paper referred to suspect vessels not being reported if there were multiple boats and targets that had been prioritised. In the 8,108, Coastwatch has apparently not counted every boat that they have seen, anyway.

Senator Ian Macdonald—I am not sure what article you are quoting. Of course, the *Australian*—marvellous newspaper that it is—is not always accurate. Again, this is more for

Customs, but I keep a very close eye on this and I am very familiar with what they might tell you. They report them and send patrol boats to intercept them, but where the patrol boats are engaged in a less important arrest and then a better target is seen, Customs or the naval patrol boat will leave and go to the more promising target, depending on the circumstances in each case.

Senator O'BRIEN—What about the impact of illegal fishing on fish stocks and protected species? Has the Commonwealth made any assessment of the total annual tropical shark catch by illegal foreign fishers?

Mr McLoughlin—For what are relatively clear reasons, it is extremely difficult to understand what the total illegal catch is of the Indonesian vessels that make it back to Indonesia. However, there are a number of research projects under way. There has been work done in Indonesia by Australian researchers interviewing Indonesian fisherman. The fishery directors of Queensland, Western Australia, the Northern Territory and the Commonwealth have discussed priority funding for research projects and estimates of what the level of take is. For example, for shark the estimates range between 5,000 tonnes and 25,000 tonnes. The work is under way at present to try and refine that figure a bit.

Senator O'BRIEN—How much Australian tropical shark is taken legally in northern Australian waters?

Mr McLoughlin—It is much smaller than those estimates, because we have the catch and effort records from the states that manage the shark fisheries across the north.

Senator O'BRIEN—Do you know roughly how many tonnes?

Mr McLoughlin—No, but we could certainly pull that information out for you.

Senator Ian Macdonald—It is not a fishery that AFMA are in charge of. The Western Australian government looks after the Western Australian shark fishery and I think the Northern Territorians do the—

Mr McLoughlin—And Queensland.

Senator Ian Macdonald—So they are state managed fisheries. They may have some material, but I doubt it. If they have, they have never given it to me.

Senator O'BRIEN—Does AFMA have access to that material?

Mr McLoughlin—I am sure we have access to it. It would be a simple matter of asking the state and territory agencies to provide it for us.

Senator O'BRIEN—The funding package recently announced appears to involve 34 new Customs positions and four tactical response vessels. We have already dealt with the vessels. In the joint measure statement, Senator Macdonald announced that there would be six new positions in Broome. Are they Customs positions?

Senator Ian Macdonald—Just for completeness, there are six in Broome, 10 in Darwin, six in Gove and six on Thursday Island, with a new tactical response vessel in each of those ports.

Senator O'BRIEN—How many AFMA or contract AFMA or departmental officers will be in those areas?

Senator Ian Macdonald—As I think Mr McLoughlin has just mentioned, there are 22 officers who will be based in Darwin but will be mobile. If they are needed in Broome, they will be in Broome within a couple of hours. Whenever a patrol boat goes out from one of those places, which is done with planning of course, there will be Fisheries officers on board.

Senator O'BRIEN—You are going to fly those officers from Darwin to Broome, Gove or Thursday Island?

Senator Ian Macdonald—Yes. Currently they are flown from Perth to Broome, in most cases, or from Brisbane to Thursday Island or wherever.

Senator O'BRIEN—Why aren't you basing them in Broome and Gove, as well as Darwin?

Senator Ian Macdonald—Mr McLoughlin should answer that, because it is his baby, but the obvious answer is that it is better coordination if you have them all in one headquarters unit and disperse them from a centralised position. Is that right?

Mr McLoughlin—That is correct. I also neglected to say that we plan to put three additional officers across on Thursday Island in the first half of next year. They will be based on Thursday Island to assist in that part of Northern Australia. The issue is that we have seen Indonesian fishing vessels operating from as far afield as the top end of the Great Barrier Reef, right around to North West Cape in Western Australia. Given that the charter flights operate out of Darwin to bring Indonesian fishers back for detention arrangements, we will be utilising those services to move Fisheries officers around on an as-needs basis to where the work is.

We do see certain patterns in Indonesian fishing, whether it is off the Wessels earlier in the year—sort of April, May—or increasingly in the north-west at this time of year ahead of the monsoons. We do need the flexibility of moving officers around as the work requires. Certainly our experience over the last five years has been that to base officers out of Gove, for example, would mean that some of them would be underemployed from time to time so it is better to send them where the work is.

Senator O'BRIEN—What is your annual budget for airfares?

Mr McLoughlin—I do not have the details of airfares with me, but they are built into that budget of \$13.364 million.

Senator O'BRIEN—Can you get us the details of what your budget on airfares is, in relation to north Australian fishing circulation.

Mr McLoughlin—Certainly we will do that. Mostly the costs of the air transport would be met by Customs, in terms of moving people around and moving Fisheries officers around to escort them, so it is a costing between Customs and ourselves.

Senator O'BRIEN—If your officers are flying to Broome, Customs will pay? Is that what you are saying?

Mr McLoughlin—Quite often we will be just taking advantage of the fact that Customs is running flights down to Broome, yes. But when we need to take commercial flights, obviously we have to pay for them. I will pull that data out for you.

Senator O'BRIEN—I understand the department no longer uses the detention facility at Willie Creek, north of Broome. When was it decided not to use it any longer?

Mr Wilson—Senator, AFMA made a decision in September for a recent operation based in Broome to use facilities other than Willie Creek which had been used in the past. The rationale for that decision was to ensure that AFMA could satisfy its duty of care to the fishermen by keeping them in close proximity to medical facilities.

Senator O'BRIEN—Where is the new facility?

Mr Wilson—It is not so much a facility. This was a temporary arrangement with the agreement of the Broome Turf Club to use their facility on that occasion.

Mr McLoughlin—Senator, that is an interim arrangement until we have available the DIMIA detention facilities in Darwin; as a result of, in fact, the Operation Clearwater II which was run out of Broome recently, where we knew that we were going to be facing a short-term need for additional accommodation in order to provide adequate duty of care for people who have just arrived.

Mr Wilson—I might add that those people held at those centres were there for a short time only until they could be transferred to an immigration detention centre for a longer term period.

Senator O'BRIEN—So the funding for the Darwin detention facility is not included in the additional moneys?

Mr McLoughlin—No, that is in the DIMIA budget.

Senator O'BRIEN—The increase in funding for this department has gone from \$6.8 million to \$13.3 million; about \$5½ million a year increase.

Mr McLoughlin—That is correct.

Mr Quinlivan—Senator, it might be a good idea if we gave you an itemised account because there are some other minor numbers which are not included in those. They do not make a huge difference but we might give you a detailed accounting of the increase in the funding for the portfolio.

Senator O'BRIEN—I am asking in this particular area, not necessarily for the whole portfolio.

Mr Quinlivan—I am talking about for northern detention and related activities.

Senator O'BRIEN—This may be appropriate for some other area, but do you have any idea how many Customs officers are working in northern Australian waters?

Mr Quinlivan—I think that is a question for Customs.

Senator Ian Macdonald—Let me help you. The 28 new ones will be based as I just advised you. In addition to that, on the Customs patrol boats there is always a crew of 10, so there is a fair lump of them. That is doing the Customs marine work. This is not, of course, talking about their across the board inspections for drugs or contraband or whatever they do. That is purely on the marine enforcement.

Senator O'BRIEN—It is sounding more and more like a coastguard to me.

Senator Ian Macdonald—There is a big difference with the coastguard, Senator. This has the resources coordinated right across government so that you get the best value out of each particular—

Senator O'BRIEN—I will send you a copy of the policy.

Senator Ian Macdonald—Which policy was that?

Senator O'BRIEN—We keep improving ours; you keep pinching them.

Senator Ian Macdonald—Is this the one where you were going to shoot out the motors from the helicopter hovering over these Indonesian fishing boats? I am just waiting to see that happen.

Senator O'BRIEN—It will not take too long to see it. Is funding for construction on Horn Island and the disposal of boats included in the \$13.3 million?

Mr Wilson—There was funding for the construction of Horn Island in the \$13.3 million and then recently additional funding has been provided for the additional construction costs of the Horn Island facility, to take account of AFMA meeting revised detention standards. The additional funding was \$1.131 million.

Senator O'BRIEN—That is on top of the \$13.3 million?

Mr McLoughlin—That is on top of the \$13.3 million.

Senator O'BRIEN—In relation to the detention and welfare of fishermen, is AFMA doing the detention or is DIMIA now responsible?

Mr McLoughlin—Again we are solidly into transition arrangements. We are in the process of moving from AFMA being responsible for the first seven days post-apprehension in what is called Fisheries detention while we investigate the offences against the Fisheries Management Act. Given the increased role for Customs, Customs will take over that short-term detention role before transferring them through to DIMIA after seven days, or prior to that if they have been charged with a fisheries offence. So the role of AFMA in this will be purely in the investigation of fisheries offences and charging. Essentially, we will not be undertaking any detention role.

Senator O'BRIEN—The minister's media statement of 2 September, referring to a meeting of Australian and Indonesian officials in Jakarta from 24 to 26 August, said that it was to discuss a better working relationship on marine and fisheries issues. Is that the meeting we were talking about earlier?

Mr Quinlivan—If those August dates coincide, I think it is, yes. This meeting was 24 to 26 August. That sounded like the one you were referring to.

Senator O'BRIEN—Yes, those are the dates.

Mr Quinlivan—Yes, it is the same meeting.

Senator O'BRIEN—Are we able to get a list of the Australian representatives who attended?

Mr Quinlivan—I offered earlier to provide you with a complete set of papers, so I am happy to do that.

Senator O'BRIEN—That will have the list?

Mr Quinlivan—Yes.

Senator O'BRIEN—In relation to the agreed bilateral fishing surveillance forum, has that been established and, if so, when is the first meeting proposed?

Mr Quinlivan—I will have to take that on notice. There are a variety of activities that have started but I cannot delineate them with the precise dates and stage of progress for you now.

Senator O'BRIEN—Is this bilateral the subject of an exchange of letters or a signed document?

Mr Quinlivan—There were minutes of the meeting which, from Indonesia's point of view, is a communique from the meeting. This talks about all the activities that are envisaged to follow the bilateral meeting. We do not have a progress report available for you here, but we are happy to provide that.

Senator O'BRIEN—I am sure that the minister is aware that the marine affairs and fisheries working group was set up under the Australia-Indonesia Ministerial Forum in June 2001 and the first meeting of the working group was in April 2002. How many meetings have there been of that working group since April 2002 and how many meetings as minister have you attended, Minister?

Senator Ian Macdonald—I have not attended any. But Mr Quinlivan, I think, would know the answer to the rest of the question.

Mr Quinlivan—Yes. We have had meetings regularly under that forum since then. I do not have details of the precise number, but again I would be happy to provide you with the dates of meetings.

Senator O'BRIEN—If you would. Why is it called the ministerial forum if the minister does not attend?

Mr Quinlivan—Because it is part of a much bigger set of bilateral processes that were agreed at that time. There have been regular meetings involving ministers since then. Last year there was a meeting here in Parliament House where a variety of senior Indonesian ministers visited—the Treasurer and foreign minister. In fact, you did speak to that ministerial forum about illegal fishing. There have also been meetings involving a similar collection of ministers, senior ministers on both sides, in Jakarta. I do not have all the details but there have been regular meetings and there are half a dozen different working groups on specific areas. Marine affairs is one of them and that has been probably one of the more active groups.

Senator O'BRIEN—Did Mr Truss go instead when the meetings are overseas?

Mr Quinlivan—No. I will have to come back to you with details. I am not sure who has attended exactly what meetings.

Senator Ian Macdonald—Usually it is the foreign minister, the environment minister, the trade minister. Mr Truss has been to a couple of them. Mr Quinlivan is right: I was involved in the one here in Australia earlier this year. It is who is available and who is around at the time. Whilst ministers of course do most of the work, sometimes the officials do play an important role.

Senator O'BRIEN—Lest there be a misunderstanding, my question was, how many of the marine affairs and fisheries working groups set up under that ministerial forum—

Mr Quinlivan—I understood the question.

Senator O'BRIEN—rather than the forum itself.

Mr Quinlivan—I understand that. We will give you dates and papers, communiqués—if they are public—from each of those meetings since then. I am happy to do that.

Senator O'BRIEN—In relation to the proposed awareness campaign in eastern Indonesia about illegal fishing, can you tell us where that is at? Who is organising it? Who is going to pay for it?

Mr Quinlivan—It is being done by the foreign affairs and trade department. I think the activities are mostly being organised out of the embassy in Jakarta. I am not sure what progress they have made but, again, I would be happy to check that.

Senator Ian Macdonald—I can say that we are going to be looking at some additional work in that field following Operation Clearwater II. It was reported to me that some of the Indonesians who were arrested said they thought that Australia had changed their mind and no longer had a policy of arresting people so they thought it was okay to come into our waters. I do not know where that came from. Probably they have been listening to too many Labor Party broadcasts.

Senator O'BRIEN—That was your catch and release policy.

Senator Ian Macdonald—Apparently that was a serious comment by some of them, so we are going to have to make sure that the real situation is known.

Senator O'BRIEN—Did you have some questions about Northern Australia?

ACTING CHAIR—If you have finished, Senator O'Brien, I intend to call Senator Adams next.

Senator O'BRIEN—I have not finished. I have a number of other areas to deal with. I was inquiring whether there were north Australian fishing matters.

ACTING CHAIR—You have, don't you?

Senator ADAMS—Yes, I have.

ACTING CHAIR—We will have a break now and Senator Adams will start off after the break with fishing in Northern Australia.

Proceedings suspended from 8.59 pm to 9.13 pm

Senator ADAMS—I would like speak tonight about the time line viability of the Northern Prawn Fishery. The current issue, of course, is the continued high value of the Australian dollar. The traditional marketplace is, like Japan, decreasing its imports, with high tariffs imposed in the current marketplace on products ranging from between 12.5 and 35 per cent. The import of prawns is growing rapidly and, in contrast, no duty is payable on imported prawns, which is causing a problem. The vast majority of these products are being sold on the market at below the average cost of locally caught products. Also the spiralling cost of diesel fuel is causing a problem.

Many of the issues stated are being felt by a variety of industries. However, unlike many in the Northern Prawn Fishery, they cannot shift their businesses offshore to restructure, so they really are not competing on a level playing field, as their competitors are enjoying subsidies of varying kinds. The fact is that the number of vessels operating in the Northern Prawn Fishery needs to be reduced by at least 50 per cent. At present, there is nowhere for the industry to go. There is no market at present for those operators, who will possibly be forced to sell out, and those who remain are restricted in how they can reorganise their operations to become economically efficient.

My question is to the minister. What is the minister doing to address the economic downturn in the Northern Prawn Fishery, which is having a negative impact not only on the operators in the fishery but on the export revenue generated from this important fishery?

CHAIR—Just to tidy something up there, Senator, you said that we are selling them at less than our cost.

Senator Ian Macdonald—No, the imported prawns.

Senator ADAMS—Imported prawns, yes.

CHAIR—I do not think that is true. We might be importing them at less than our cost, but I observe that some prawns that are coming in for \$8 a kilo are being retailed for \$58 a kilo. There is a mark-up in them.

Senator Ian Macdonald—Fifty-eight dollars?

CHAIR—Yes. That package I gave you, \$58 a kilo.

Senator Ian Macdonald—I will just clear that up: it was only the box he gave me—there was nothing in it—and I gave it back to him yesterday.

CHAIR—It is true. They are producing them for something like \$3 and landing them here for \$8.

Senator ADAMS—Yes, but when you go to main supermarkets and that, they are being sold very cheaply.

CHAIR—Yes, that is right. Our production costs are about \$12 a kilo, and we brought in 18,000 tonnes last year.

Senator ADAMS—Unfortunately, I know about your box.

Senator Ian Macdonald—Senator, I am reminded that those prawns were heavily processed on top of it. It was not just a box of prawns.

CHAIR—We're not answering your questions!

Senator Ian Macdonald—I know you're not!

Senator ADAMS—He's not going to get away with it!

Senator Ian Macdonald—The Australian government is conscious of these sorts of problems in every industry. Whilst I note your comment that they could not move offshore, neither can our wheat farmers or our sugar farmers. Any primary production in Australia is in that bind. It is, as you noted in your question, common to many industries in Australia. The government, in a range of ways, tries to help our industry. The general economic parameters

for Australia give it a bit of an advantage over some other countries, where there are high interest rates and higher inflation. In relation to our fuel taxing policy, petrol is still far too high but nowhere near taxed as much as many other countries.

We have not given specific assistance to that particular industry, as we have not given particular assistance to any industry across Australia. That is a major whole-of-government approach to these issues. On the specifics, though—and I can get the officers to talk a bit more about this—in the Northern Prawn Fishery some actions were taken just recently that I know you are aware of to try and make the fishery more economically viable. It was an action that did not receive a great deal of praise and credit, even from those who did benefit, but it received a lot of criticism from those who thought they would be worse off. That is the sort of action that, quite courageously, AFMA took to try and honour their charter requirement to have an economically efficient fishery.

There have been things happening. Mr McLoughlin might be able to explain that a bit more, plus anything else that might be relevant to the question.

Mr McLoughlin—Yes, you are quite right. All of those issues that you mentioned in terms of the stresses that this industry faces are quite real and ongoing. In relation to the 25 per cent reduction that we took in the amount of gear that the fleet could use at the end of last year, while the majority of the industry was pushing very hard for a significant reduction in the fleet capacity, to try and build in some efficiency—and what they were looking for was a smaller number of boats catching the same amount of prawns or, hopefully, a few more prawns—there were a number of small owner-operators who protested very strongly about the fact that it unduly impacted on them.

The modelling undertaken by ABARE indicated that, if it were to be truly effective and done at once, it should be in the order of a 40 per cent reduction. But the decision at the end of the day was 25 per cent and ‘Let’s see what happens to the fleet’, given the other stresses from oil prices and import competition. In addition, because of some very careful management over the last couple of years, we were able to extend the tiger prawn season into August so that the boats had a longer season to fish, during which they would, hopefully, have higher catch rates.

All of those things added up to, hopefully, what was going to lead to improved profitability for the fleet but, frustratingly, the hopes of that strategy have only partially been met. I think the industry is back now debating internally whether they go for the extra 15 to 20 per cent cut that the economic modelling would suggest they need or whether they need quite radical change: for example, moving from restrictions on the fleet just based on the amount of gear they can use—I think everyone in fisheries management understands that that is a relatively inefficient way to manage fisheries—through to quota management, where those people who hold a quota for prawns can elect to use however many vessels they like and they can catch their quota all in a short period or they can have a single vessel fishing over a longer period, but provide a greater economic choice for the fishermen in the fleet.

I would qualify that by saying that there is a substantial proportion of the northern prawn fleet that is just not interested in quota management whatsoever, believing that the current

measures will work if they are given time to work. That is where the debate sits at the present time.

CHAIR—Where does that leave the prawn farmers as opposed to the prawn fishermen?

Mr McLoughlin—The prawn farmers in Australia are facing exactly the same issues as their wild catch colleagues, in that the cost of production here in Australia is relatively high. We know that we are, in a world sense, a relatively high cost producer of aquaculture seafood products, so we need to compete on quality and presentation.

Senator ADAMS—So there is no assistance that can be given? Where are they all going to end up?

CHAIR—I might add to that. Obviously, I have done a little bit of homework on this. The prawns that are grown here in a farming sense, which have to compete with the prawn fishermen, generally are in a sterile zone with no antibiotics. We do not seem to get the benefit of that. Given that there are two areas in particular in China which send a lot of prawns into Japan, a third of which are rejected, the department has not been able to tell me, because of the way prawns are tested for antibiotics, whether there are zones that never get tested.

There are a couple of zones up there, in China in particular, where they feed antibiotics to keep them alive in the pond until they have grown. Surely that is an area where the average punter ought to know what it is that he is eating. I can assure you that the restaurant that had those prawns in that packet and now have Crystal Bay prawns think they have a better product.

Senator Ian Macdonald—Yes, Crystal Bay prawns are marvellous.

Ms Hewitt—A lot of attention has been given to that whole food testing issue in recent weeks.

CHAIR—We had a discussion on it.

Ms Hewitt—We are in active consultation with FSANZ and Health. We are pursuing it. The other thing I would mention is that there were some decisions taken late last week on country of origin labelling, which I think will have been welcomed by the seafood industry, including the prawn sector. That will make it much clearer for the consumer, not only about whether the product is imported or local but from which country of origin. That could be a help in the current environment.

CHAIR—The consumer is always right but the difficulty is these blokes are writing them up. There is a big margin in these imported fellows. They are not that much dearer in the shops than local products. It is just that the margin is different.

Senator ADAMS—Absolutely!

CHAIR—Yes, I understand that.

Senator Ian Macdonald—You can buy them for about \$12 or \$13 and Crystal Bay are about double that. They are well worth double, I might add. We do not have AQIS with us, so could someone correct me if I am wrong. I thought we did test for antibiotics.

Ms Hewitt—We have.

CHAIR—There is a bit of a hole in the argument there.

Senator Ian Macdonald—Is there?

CHAIR—Yes.

Senator Ian Macdonald—Well, a hole in the system.

CHAIR—The department is conscious of it. We had a nice meeting about it.

Ms Hewitt—Could we just spend a couple of minutes on the antibiotic testing? I know there has been some thought given to it because I was briefed on it the other day.

Mr Yuile—Is this about food safety or quarantine?

CHAIR—We had a meeting, didn't we, on the pattern of testing?

Mr Yuile—Yes, we did. The question you were particularly interested in was the uncooked and unpeeled prawns that are subject to—

CHAIR—The point was that we have random testing, which I do not need to know the detail of, on shipments. Right?

Mr Yuile—Yes.

CHAIR—But what we cannot guarantee, or did not appear to be able to at that stage, was that every region is tested. There could be holes in it, because it was pointed out to me by the industry that the testing outcome for prawns from a couple of areas specifically, which we will not go into, in Asia that go into Japan have a seriously different outcome to what comes here.

Mr Yuile—The advice that I have had is that in cases of prawns coming from a new producer they are identifiable through the codes which are included on our import clearance documentation. They can therefore be targeted for testing and they are targeted for testing against the food safety standards. Then depending on whether those consignments prove clear or not, after they pass a number of consecutive passes through our testing regime they then can move on to the broader five per cent, which is that five per cent random that you talked about. I was certainly advised that for new producers who are recognised through the import certification documentation, they can be picked up for targeting.

CHAIR—I do not want to hijack the questions but is there a pattern of antibiotic detection?

Mr Yuile—My advice is that they have been quite clear of antibiotics but they are tested for antibiotics.

Senator ADAMS—What is the process you use now for monitoring the Northern Prawn Fishery, as far as how it is going on and the problems associated with it? Do you do another review?

Mr McLoughlin—We are running a particular process called an alternative management strategy series of workshops with the industry to say that we have clearly restored the fishery to sustainability and we have five-year accreditation under the EPBC Act. In terms of sustainability of prawn fishing we have got to that point, which was the point where we enabled them to fish for longer this year.

The industry is sending us a very clear message—or at least the majority of the industry is—that there is no point fishing for prawns sustainably if you cannot make any money out of it. The debate now is really about fishing for money and not prawns. Our alternative management strategy workshops are about sitting down with the industry and saying, fundamentally, what do we have to do to put this fishery onto a profitable footing? If that means quotas, then what does that look like in terms of the future of this fishery, how would we transfer them to a quota system if it were a realistic option? If not, then what are the things that we could or should be doing to take this fishery to the next level? It has been subject to a series of effort reduction measures going back 30 years at regular intervals.

The fishery has come down from something like 300 vessels to 100 or so. The point is that those boats, in the current economic circumstances with the fuel prices and import competition, are struggling to make a profit. Really we need to move to another level in the management of the fishery. In summary, the really important measures here from a fishery management perspective have been to get sustainability under control, and that has now occurred, and then to work with industry to say, ‘What is the economic outcome you’re looking for for the fishery?’ and we adjust the management to try and deliver that. It will not be an overnight measurement; it will be over the next couple of years.

Senator ADAMS—Thank you.

Senator Ian Macdonald—Senator, can I say one other thing? The fisheries, to a large degree, are self-managed. A lot of these initiatives that Mr McLoughlin is talking about come up to AFMA as recommendations of the management advisory committees. Sometimes it is easier for AFMA to make a decision than the fisheries industry itself. There happen to be different factions of various fishing industries so it is difficult.

You were asking what can the government do. It is always very difficult. It is the same with every rural primary industry. It is no secret that the South East Fishery has spent some time to get together and bring to me a proposal for how their fishery could be saved. They put a big price tag to it and there is no way in the world that anything I say might indicate that we are going to be able to help them. Some of the fisheries and fishing associations are approaching the government with ideas but I am not sure that I have ever had any approach from the Northern Prawn Fishery.

Senator ADAMS—Just on the management advisory committees, what is the membership? Is industry involved or how are you appointed to those committees?

Mr McLoughlin—Our management advisory committees are statutory groups under the Fisheries Management Act. In every case that I can think of, the majority of the membership of those committees is industry persons. They are selected from nominations put forward to us. They are not industry representatives; they are appointed for their expertise in the fishery. We accept nominations and the AFMA board signs off on those appointments to the max.

Senator ADAMS—Thank you.

Senator WEBBER—Given the hour of the night, I want to briefly return to some of the issues that Senator O’Brien was raising but probably from a bit more of a local perspective because I am from WA like Senator Adams. Can we first return to the issue of Willie Creek and the decision to no longer use that. Can you take me through that again?

Mr McLoughlin—Willie Creek has been for a long period an interim location to which we can bring boats and people because the port of Broome is an unsuitable location to take the boats, because of the health concerns of local people and the need to get the boats up on shore and burn them if necessary. It is where we can run transition arrangements to get the crews on shore, get them medically checked and, as we call it, fit to fly—to put them on a plane to go to a detention centre.

There is no question that the facilities have been substandard for a long time. We have been very conscious of that and the issues around needing to provide an appropriate duty of care for these people. It has been a lesser used centre than, for example, our reception centres at Gove and Darwin, in particular, but it has certainly been put to use in recent months with this operation in the north-west.

Senator WEBBER—It has been a little lesser used because there has been less apprehension that way rather than further around. There has been lots of activity but not as much apprehension as there perhaps should be.

Mr McLoughlin—Notwithstanding the numbers, most of the vessels that we sight and have been apprehending have been in an area from north-west of Darwin through to Cape York. The specific operation up in the north-west of Australia has highlighted the fact that there are new types of vessels—small, fast ones—which have been a relatively new feature of the illegal fishing situation that we have had in the north. There are large numbers of these small boats that go around at 20 knots, and they appear on the North West Shelf because it is close to their home port. That has been the pattern that we have seen.

We have had to utilise Willie Creek increasingly over the last 18 months or so and, for this most recent operation, clearly if there were going to be a lot of boats apprehended and people brought in, we needed better facilities than were existing at Willie Creek. That is why other arrangements were made.

Senator WEBBER—Where are you taking them now?

Mr McLoughlin—The temporary facility at the turf club was arranged in conjunction with Western Australian Fisheries officers, some of whom were contracted to us. As soon as they could be medically assessed, they were put on planes and taken mostly to the Perth detention centre.

Senator WEBBER—Yes, to Leeuwin Barracks in Fremantle.

Mr McLoughlin—And Leeuwin Barracks.

Senator WEBBER—Obviously, to get to Fremantle you have to fly. What do you do with the people that are not fit to fly? What do you do if they are ill, carrying infectious diseases or something like that?

Mr McLoughlin—We take advice quite often from DIMIA.

Senator WEBBER—You cannot leave them out at the turf club, surely.

Mr McLoughlin—No.

Senator WEBBER—It is very nice out there but—

Senator Ian Macdonald—It is very nice out there actually.

Senator WEBBER—It is.

Mr McLoughlin—In terms of people who are assessed as being medically not fit to fly, arrangements are made to put them in whatever are convenient medical facilities—whether that is in Broome or transfer to Darwin. We sometimes see people with, for example, tuberculosis so we have to take particular care. We cannot put them on planes, so they need initial treatment and then transfer to an appropriate medical facility. Typically, we have been using Darwin Hospital for that.

Senator WEBBER—If they are not fit to fly because they carrying something like TB but they are not actually ill, do you still put them in hospital? Where do you send them?

Mr McLoughlin—In conjunction with DIMIA, we would make a decision on these things. If they have TB, they are ill, and that is the classification we would use.

Mr Wilson—It is the responsibility of DIMIA for the removal of these people, but they are flown direct from Broome back to Indonesia once the travel papers and travel documents arrive.

Senator WEBBER—Which ones are taken back to Indonesia: the ones that are ill?

Mr Wilson—Sorry. As soon as they have recovered, if they are not flown to Perth they can be flown straight from Broome back to Indonesia.

Senator WEBBER—To Indonesia.

Mr Wilson—That is right.

Mr McLoughlin—Under the rapid repatriation policy; if they are not being charged with an offence.

Senator WEBBER—Right. Do we do that with all of them or just the ones we are keeping captive in Broome for a while?

Mr McLoughlin—Typically, we would look to be charging the master and/or the fishing master of the vessels.

Senator WEBBER—Yes, good idea.

Mr McLoughlin—We would decide not to charge the crew members and they would move straight into DIMIA detention.

Senator WEBBER—Rapid repatriation.

Mr McLoughlin—Yes.

Senator WEBBER—Excellent. When Senator O'Brien was talking before about the illegal catch of tropical shark, you gave us a range of between 5,000—I have lost the top figure.

Mr McLoughlin—Yes. Can I qualify that? A consultant was hired to look at the available data and to give us an estimate of the lower end or the upper end. The range, from this particular consultant, was between 5,000 and 25,000 tonnes. Certainly those of us involved on a day to day basis with fisheries management in the north have real issues with 25,000 tonnes. We do not think it would be anything near that, based on the facts in front of us, but certainly

the lower end of that range is probably more likely. But we do not know. That is why we have commissioned a range of research projects to try and refine that.

Senator WEBBER—When will we have that refined?

Mr McLoughlin—I would hope that we would have some results towards the end of 2006. The CSIRO is involved in that, but there are issues about multiple species. It is not just the total number of sharks; it is the fact that there might be 20 to 30 species of sharks involved. That is what we have to pin down much better.

Senator Ian Macdonald—The West Australian minister mentioned 25,000 tonnes of shark. I said to the media at the time, and repeat here today, that that figure is pure fantasy. Whoever the consultant was that suggested it, I hope we did not pay them. Did we do the consultancy?

Mr McLoughlin—No.

Senator WEBBER—It is probably a good idea to check that first.

Mr McLoughlin—It was undertaken through the Northern Territory.

Senator Ian Macdonald—Done by the Northern Territory government. Perhaps that could explain something.

Senator WEBBER—Yes, especially if it was the CLP government. Absolutely. The figures that I have say that the legal catch in the Australian fishing zone up there is 2,000 tonnes. We have a significant problem if we are saying that 5,000 is about right but we are going to have a look and it could be more or it could be a little bit less.

Senator Ian Macdonald—No.

Senator WEBBER—And the legal catch is only 2,000. We have a significant problem, haven't we?

Senator Ian Macdonald—There is a significant problem, there is no doubt about that, but do not put words into Mr McLoughlin's mouth. I heard him say 5,000 would be towards the lower range. But do not take that as any confirmation that even 5,000 is correct. Even if it is double—

Senator WEBBER—Minister, I accept that you are re-examining the 5,000 and it could be up or down. I have not gone anywhere near the 25,000. But I am advised that the legal catch is about 2,000.

Senator Ian Macdonald—If the illegal catch is another 2,000, that is a matter of great concern. I agree with you.

Senator WEBBER—Yes, that is an enormous concern to the viability of the industry in Western Australia.

Senator Ian Macdonald—Absolutely.

Senator WEBBER—If the illegal catch is double the legal catch, it is a significant problem.

Senator Ian Macdonald—We all agree with you entirely on that.

Senator WEBBER—Is it possible for the department to give an estimate of the average catch per year of illegal foreign fishing vessels in the Australian fishing zones—those that you tell me you capture their catch and gear and all the rest of it? You must know how much catch there is.

Senator Ian Macdonald—How much catch is on board?

Senator WEBBER—Yes.

Mr McLoughlin—On advice, we are seeing this year typically somewhere between 40 and 50 kilos. But it is a huge range, ranging from zero for very many boats to maybe a couple of hundred kilos for larger gillnet boats that have more fishing capacity. Given the huge range in the size of the vessels, probably that average is not making a great deal of sense. It just depends.

Senator WEBBER—One of the great untapped resources in Western Australia in coming to terms with this problem that certainly the media is picking up on, if no-one else, is the use of Indigenous intelligence and Indigenous communities, particularly when you look at the recent issues at One Arm Point. In addition to new offices and new boats, does the department have any plans to work with the local Indigenous communities to gain intelligence and apprehend these people?

Senator Ian Macdonald—We already do.

Senator WEBBER—In a formal way though, Minister?

Senator Ian Macdonald—Senator, we ask every Australian to report anything that looks suspicious and we do get a lot of help from Indigenous communities, particularly around Arnhem Land and in the Gulf of Carpentaria and from fishermen and cruise operators in those areas. We certainly encourage them to continue doing that. The question of formally entering into some arrangement with Indigenous rangers was raised with me by Mr Vatskalis when I was in Darwin last week or the week before and has subsequently been raised with me on the radio by some of the radio commentators from Darwin and Far North Queensland. I have said I would have a look at that. I have asked Mr Vatskalis not to take this as a come-on, but, if he has any ideas, to put to me what he has in mind. There may be ways we can more formally use the services of the Indigenous rangers. What we would have to ascertain is that it is value for money, it will add to the fight against illegal fishing. Our main effort always should be on stopping them coming into Australian waters, so what money we have we must put into the strongest possible deterrent. Once they get to the land, as obviously one or two of them do, that is a different situation. But I have an open mind on it.

Senator WEBBER—If they are out off One Arm Point it is going to be much easier for the local Indigenous rangers to have some kind of formal role than us wait for people to suddenly appear from Darwin or wherever. You are more likely to capture them if you are on the ground, I would have thought, so I am pleased to hear you have an open mind.

Senator Ian Macdonald—I have said on the radio and I have said to Mr Vatskalis that the last thing we want is people who are not properly trained getting into situations where they could get hurt. Customs and naval officers spend years training. The safety of the Australians

involved always has to be paramount; but as I say, I do have an open mind and there may well be some merit in it.

Senator WEBBER—I will put the rest of it on notice so that Senator O'Brien can continue.

Senator O'BRIEN—I want to ask some questions which are in the Forestry part of this division. It has been a little over five years since applications closed for the Eden Regional Adjustment Package. The web site in February 2000 identified number of jobs by year 5 as an important target measure. Five years are up and I want to raise a few of those projects. Firstly, has there been a formal evaluation of the Eden Regional Adjustment Package?

Mr Quinlivan—Not to my knowledge.

Senator O'BRIEN—Some of the grants do not seem to have gone very well. Matilda's Bakery received a grant of \$967,000 and was supposed to create 46 new jobs within five years, but on 30 June this year the *Eden Magnet* reported that the Matilda Bakery had closed its doors in the previous days, throwing out the eight to 10 remaining staff. Do you know how many people it employed at its peak? Do you know how many people the Matilda Bakery—that got a grant of \$967,000—employed at its peak?

Mr Grant—The program has expired, as you indicated. There is intended to be a formal evaluation this financial year. We would have to get you the exact figures on the highest level of employment of that project during its time. There was a significant number of new jobs involved.

Senator O'BRIEN—The *Eden Magnet* painted this picture of the grant recipient. It was in administration in June last year to forestall a Supreme Court bid by the Australian Taxation Office to have the company wound up. It subsequently traded under a deed of company arrangement in a bid to pay off creditors. It closed in June this year after 3½ years of operation and for the entire period of operation the owners say they made huge losses and had generated not a cent of profit. According to the *Eden Magnet*, the company owner says the bakery had a poor location and a failed five-year business strategy. Was this project a wise investment of \$1 million of taxpayers money?

Senator Ian Macdonald—You are asking the officer for an opinion, which is not possible under the rules.

Senator O'BRIEN—I will ask you, Minister.

Senator Ian Macdonald—I do not know whether my opinion is worthwhile. I do not comment. Senator O'Brien, whilst I trust you implicitly, and of course the *Eden Magnet*, I would not comment without checking on the facts which you relate. If it has gone into liquidation, that is sad.

Senator O'BRIEN—It certainly has.

Senator Ian Macdonald—That is very sad. The problems created in that locality by the shutting of a lot of productive forests were quite significant. The government has taken every step possible to try to ameliorate the impacts on that small regional community. I am sure that if money was given to that facility—and I suspect I had something to do with it in a different role as the minister for regional services at the time—it would have been looked into

thoroughly by officials. We would have thought the business plan was appropriate and would have given the money on the basis of that. If it has subsequently failed, that is sad; but I cannot comment on why or how because I am not aware of the facts. As I say, the officers will look into that and try and get you an answer on notice.

Senator O'BRIEN—Are you aware that in July last year the Australian Taxation Office applied to wind up the company due to unpaid GST and group tax? I can tell you that minutes of a creditors' meeting held on 2 July last year suggest the ATO was owed \$165,000. So in addition to the \$967,000 grant, the business is into the tax office for \$165,000, or was in the middle of last year. Were you aware of that?

Senator Ian Macdonald—I certainly was not.

Mr Grant—I think we need to clarify here: are we talking about the business operation solely in Eden? This bakery did operate premises in Queanbeyan and also in Nimmitabel, so I am not sure whether we are talking about the operation relating to the ERAP grant or the entire business here.

Senator O'BRIEN—Let me be absolutely clear. The article in the newspaper is about the closure of the Eden premises. It gets even more interesting:

Were the minister and the department aware that, despite the payment of \$1 million to construct Matilda Bakery in Eden, the company that wound up did not own its premises when the ATO moved to wind it up?

So the premises were built, there was a Commonwealth grant of \$967,000; but when proceeding to recover moneys, the ATO found that the company did not own the premises. Was the department aware of that?

Mr Grant—No.

Senator O'BRIEN—Does the department know who owns the building?

Senator Ian Macdonald—I do not think the department has any detail of this at all at the moment. Had you indicated you wanted to look at that, perhaps we could have brought some. We will take it on notice and get some.

Mr Grant—These events, as I understand, are subsequent to the completion of this project and the payment of all funds under ERAP, so we are not across the more recent events concerning this business.

Senator O'BRIEN—More recent being going back to the middle of last year in terms of its financial viability, where the ATO wanted it wound up. They were defeated at the creditors' meeting. If I can get a copy of the minutes of the creditors' meeting, surely the department can.

Senator Ian Macdonald—What is the edition of the *Eden Magnet*? What date? We will get our own copy. Is there any other allegation that we should look into while we are at it? I do not think anyone here has any knowledge of that. I certainly do not.

Senator O'BRIEN—30 June this year, the story in the *Eden Magnet* entitled, 'Matilda's Bakery closes down suddenly.' It says:

A Closed sign has been placed on the purpose built multimillion-dollar Eden bakery shop's front door for the past few days, and chairs and tables are stacked up inside the shop.

Senator Ian Macdonald—We will see what we can find out about it but, as Mr Grant says, it may well have been long after we had involvement with it. Let's find out!

Senator O'BRIEN—If they had the money, they probably did not need to be involved with the department. You are talking about an assessment five years after the commencement of the program. This is virtually a \$1 million grant in today's terms. Does it surprise the department to hear the owner say the bakery was afflicted by a poor location?

Senator Ian Macdonald—Again, you are asking for an opinion on whether the officer was surprised.

Senator O'BRIEN—No, I am asking whether there is surprise that the owner would say that, having received almost \$1 million to build it.

Senator Ian Macdonald—You are asking the officer for an emotional reaction to something you have just told him, which I do not think is appropriate here. You have made the point, and thank you for doing so. We will look into it and try and get back to you with some details of what happened, how it happened and what part the department played, if any.

Senator O'BRIEN—I take it there has been no thought of recovering any of the funds sunk into this failed business.

Senator Ian Macdonald—I do not think anyone here has the information. We will see what we can find out on notice and reveal what we can.

Senator O'BRIEN—The local member Mr Nairn had something interesting to say, which I am sure you will be interested in, Minister.

Senator Ian Macdonald—I am always interested.

Senator O'BRIEN—He said:

The bakery was a financial risk and could not have obtained a bank loan when the Commonwealth granted it \$1 million.

If that is the case, can you on notice tell us why the department would grant almost \$1 million to a business to build premises at a location which was poor when it was obviously, according to Mr Nairn, a poor financial risk.

Senator Ian Macdonald—We will see what we can find out and reveal what we can.

Senator O'BRIEN—In the same program, Pelagic Fish Processors received \$405,000. That was going to create 13 jobs within five years. Do you know how that is going?

Mr Grant—No, I could not tell you how that is going at this point in time.

Senator O'BRIEN—You know something about it, don't you, Minister?

Mr Quinlivan—We will have to take questions on this program on notice. I think the program finished two years ago. The decisions to allocate grants under the program, particularly in the case of Matilda, would have been made early in the program, which might have been five or six years ago. We just do not have any—

Senator O'BRIEN—It could not be five or six if the program started in 2000.

Mr Quinlivan—It must have been about 2000 or something like that. We do not have a contemporary understanding of the grant recipients and the circumstances surrounding the contracts, but we are happy to chase up any particular ones that you are interested in.

Senator Ian Macdonald—I have been this minister for four years, and it was when I was in the previous portfolio, so it would be at least five years ago. Unfortunately, Senator O'Brien, no-one at the table has any independent recollection, perhaps apart from me. I can remember the program vaguely, but I cannot remember the detail that you are getting into.

Senator O'BRIEN—According to a report in the *Eden Magnet* on 13 October 2005, Mr Warren from Pelagic Fish Processors joined local industry representatives at a meeting with Minister Macdonald to discuss issues affecting the viability of the industry. It states:

Director of local fishing company Presmint, Locky Marshall, said this week that problems with stock monitoring were at the heart of concerns over industry management.

He says:

What's in the models is not what's in the water.

Mr Quinlivan—They are issues about the current state of the South East Fishery, not to do with particular projects under this program.

Senator O'BRIEN—Sure.

Senator Ian Macdonald—That is absolutely right, and that is a completely separate issue of the grants program. As I mentioned to Senator Adams before, that fishery is in a lot of trouble. They have made a lot of representations to me and to Mr Nairn.

Senator O'BRIEN—This is what the *Eden Magnet* says Mr Warren put to you, Minister:

We caught 600 tons last year, but if we go to quota and our number drops, it will stop us developing. Is there any way to have the allocation to the factory instead of the boats, like in Tasmania?

According to the paper, your response was:

If the quota is attached to a factory you can't sell it.

Senator Ian Macdonald—That would be right.

Mr Quinlivan—The issues you are raising now are to do with the allocation of rights under a small pelagic fishery, which is a matter that AFMA is currently looking at. Richard McLoughlin appears to have gone, but it is a complicated issue because it involves both Commonwealth fisheries and a variety of state fisheries. No decision has been made, but I know there is a process under way. I am certain that AFMA could provide you with an account of where that process is up to and the timing of any allocation decisions.

Senator O'BRIEN—That may well be the case. It is contemporaneous for the minister. Mr Warren is reputed to have replied:

I don't care, I want to secure jobs in Eden.

I want to find out if there is some way that the jobs can be secured.

Senator Ian Macdonald—That is, of course, the \$1 million question. The South East Fishery is in real trouble. That is one of the reasons I went down to talk to those fishermen,

both there and in Bermagui, to get a better understanding, to talk to them, to try and see if there was anything I could do to help them.

Senator O'BRIEN—Do you want to give us a considered answer on notice in relation to that matter? Do you want to talk to the Australian Fisheries Management Authority about solutions for pelagic—

Mr Quinlivan—We can give you information on the allocation decision and the process that is currently under way by AFMA, involving the New South Wales, Victorian, Tasmanian and South Australian governments.

Senator Ian Macdonald—Unfortunately my fisheries adviser, who was with me and understands these things better than I do, is not here, but there was a whole range of issues talked about. One that I think is adverted to there was the rumour of a quota cut on a couple of the species, and I think that is the reference to the quota, and there were some other suggestions. It was a wide-ranging discussion, and we have taken some notes and gone away to see if we could help. If you are particularly interested in that meeting, I could try and get you a bit of an account of it, but it was one of those sorts of meetings where you meet lots of fishermen and try to take on board some of their concerns and see if any of them have solutions. Most of them do not have solutions. It is a difficult situation that they find themselves in.

Senator O'BRIEN—I would like to know if Mr Warren's account is accurate.

Senator Ian Macdonald—About?

Senator O'BRIEN—As is reported in the newspaper.

Senator Ian Macdonald—It sounds pretty accurate, but I will get back to you on that when I have the benefit of my adviser, who was making copious notes as we spoke.

Senator O'BRIEN—Thank you for that. Another of the ERAP projects was the Seahorse Inn at Boydtown, which received \$425,000 to create 43 jobs within five years. I am advised that although the inn did close for refurbishment, it has never reopened. I wonder if you could tell us what the department knows of the Seahorse Inn project at Boydtown and if indeed it is true that this project has received \$435,000 or part thereof, and whether in fact any refurbishment has taken place to date, and whether in fact any jobs at all have been created with that money.

Senator Ian Macdonald—While I was down at Eden that day I did speak to the guy—I think it was him. There was someone talking to me and saying that they were nearly finished the things and were looking forward to a grand opening soon. We will get back to you with the full details of that. That has been a recollection from another meeting that I had.

Senator O'BRIEN—How long have they been closed, do you know?

Senator Ian Macdonald—No, I do not. I have a recollection that, amongst the dozens of people I met that day, some guy came up to me and said, 'Thanks very much. We're almost there. Thanks for your patience. It will be a wacko time when we open it.' We will get a more accurate account of that than I have just given you, Senator, but the preliminary answer is I think it is still going and looking forward to a great future.

Senator O'BRIEN—The Eden Performance Centre received \$190,000 for the construction and commissioning of the charter vessel the *Spirit of Eden*. According to the web site of Spirit of Eden Charters, the vessel *Spirit of Eden* is moored at Bermagui or Ulladulla. It is a fair way away from Eden—2½ to five hours. How does that benefit the people of Eden?

Senator Ian Macdonald—Again we would have to find out what happened. I again have a very vague recollection of someone telling me, when I was down there, that it changed hands a couple of times subsequently to that; that the reason it changed hands—what happened to it was the money was put into another business there. I do not know but we will follow that through and try and give you some information on that as well.

Senator O'BRIEN—If someone got the grant, built the boat and then sold the boat, can they keep the money?

Senator Ian Macdonald—I do not know. It depends on the circumstances. I just have a recollection of someone mentioning to me that the boat had changed hands and moved up to Bermagui.

Senator O'BRIEN—I suppose you would know, Minister, if these sorts of grants had conditions which restricted the resale of assets purchased with a Commonwealth grant.

Senator Ian Macdonald—I cannot recollect back five years but we will find out and tell you. All I remember is when Impulse Airlines got \$1½ million from it I made sure it had a mortgage on it so that if they ever did happen to sell, to Qantas or anyone else, the building would remain. It was one of my crowning achievements in the grants area.

Senator O'BRIEN—You saved that half a million but it seems to be a couple of million gone west here. A company called Goldbat Pty Ltd received \$425,000 to refit a fishing vessel to operate whale-watching tours out of Eden, supposedly to create eight jobs. I do not have any detail other than the *Eden Magnet* article of 30 June which says two start-up businesses—the bakery which received \$967,000 and Goldbat Pty Ltd, which received \$425,000 to refit a fishing vessel for whale-watching charters—have failed to achieve the program's goals. Can you find out what has happened with the Goldbat project? Are the whale-watching tours still operating out of Eden?

Senator Ian Macdonald—Senator, to save your reliance on the *Eden Magnet* perhaps we might get—

Senator O'BRIEN—What else have I got? You can't tell me at the moment!

Senator Ian Macdonald—If you would indicate beforehand that these were the questions you wanted to ask, we would make sure that five-year-old records were dug up from the cellar and brought along to tell you these things.

Senator O'BRIEN—I do not want five-year-old records. I want contemporaneous ones because some of these things have gone belly up in the last 12 to 18 months.

Senator Ian Macdonald—What we will do to save you relying on the *Eden Magnet* any further is try and give the committee a list of the projects and what happened to them; where they are and what is happening. We would be happy to do that.

Senator O'BRIEN—Can the committee have a further hearing with officers in relation to these matters?

Senator Ian Macdonald—Yes, when we have the next estimates.

Senator O'BRIEN—I am asking if we can do something before that.

Senator Ian Macdonald—Let us give you the information and see if you need anything more after that. Maybe the information will be so fulsome that you will not need to make any other inquiries.

Senator O'BRIEN—All right. I have some other questions for this area which I will put on notice.

CHAIR—Have you finished now?

Senator O'BRIEN—Yes. There are a couple of other little areas that I will put on notice.

CHAIR—Who does forestry? Who is the forestry person?

Mr Quinlivan—You have the forestry people at the table.

Senator Ian Macdonald—It depends on what the nature of your forestry question is, Senator. You could be heading towards water and the NRM group.

CHAIR—What does forestry tell itself about putting 12 litres per hectare of simazine on something? What is the long-term effect of that?

Mr Grant—I could not comment on it.

CHAIR—Could you just give me a bit of an idea, Minister? If you use simazine in a dryland farming practice—

Senator Ian Macdonald—What is it? Is it a herbicide?

CHAIR—It is a chemical that gets rid of grass. You can only use it in certain applications. You put it on about one litre and it will take out all the grass that will grow in that paddock for a year. Lupins is the crop you use it with generally, or you now have triazine tolerant canola, which is very good. You use it at about 1.2 litres per hectare but in first rotation forestry—and you wonder why there is a problem or two—they are using at 12 litres per hectare.

Senator Ian Macdonald—Who says this?

CHAIR—The operators.

Senator Ian Macdonald—Do they?

CHAIR—I have had a yarn to them. That is a bloody high rate.

Senator Ian Macdonald—Why do they do that?

CHAIR—So they can get two or three years. For the little plantations you just wipe the paddock out. The difficulty with this stuff is that it is a large chemical particle. When the paddock is pulverised from the clear-felling and the bloody bulldozing and all the mucking around that goes on, and then you put your rows in, you have pulverised the topsoil, like we used to do in bad farming practice days—and these days you have minimum till—and then when you get a storm the first particles that move are the biggest, and they are the chemicals. I am going to go and ask this in Environment. Given that we have permanent contamination

of some aquifers from triazine chemicals in the United States in the Corn Belt and we have it in West Germany—

Senator Ian Macdonald—The Commonwealth does not have much control over the management of—

CHAIR—I realise that. Would it be fair to say, Minister, that there are some environmental exemptions under the RFA?

Senator Ian Macdonald—I doubt that.

Mr Grant—That sort of site preparation where you are pulverising the topsoil does not sound like best practice. You really want minimum disturbance.

CHAIR—I do not want to get into this debate at this hour of the night, and he might job me if I keep it up. I have argued about farming practices in forestry before. The minister knows I am a very keen fan of forestry. It is just that the farming practices need to be tighter. With the nature of the clear-felling and what follows—the burning—poor old mother Earth gets a bit of a pasting out of all that. Then when you go on with the simazine or one of the triazine families, you really do test out everything.

Senator Ian Macdonald—You might give me some details of this site, Senator. They are clear-felling what, a native forest, and then planting a plantation?

CHAIR—A plantation, yes.

Senator Ian Macdonald—In which state? In all states?

CHAIR—It will come to that, yes. I can confirm it in one state.

Senator Ian Macdonald—As Mr Grant says, it does not sound like the normal sorts of practices of foresters.

CHAIR—I do not know about that. As you know, they use triazine. For instance, Forestry Tasmania will tell you they do not use triazine any more but they actually do on their land. It is just that they do not use it. The first rotation is usually privatised. You would agree with that, wouldn't you? You would not agree with that?

Mr Grant—No.

CHAIR—You do not think they use triazine?

Mr Grant—No, I cannot comment.

CHAIR—I was busting for an argument.

Senator Ian Macdonald—Well, I will semi give you an argument, if you give us some detail. I probably accept what you say more than I would even accept what Senator O'Brien says—

CHAIR—That is a big concession, Minister.

Senator Ian Macdonald—but it is easy to make broad statements. Give us some facts and we will check them out and see if they really are right.

Senator O'BRIEN—What was that you were saying yesterday about getting rid of tree stumps? Something to do with ammonium nitrate?

Senator Ian Macdonald—And here comes Senator Milne to support you.

CHAIR—No, she has put her questions on notice, you will be pleased to know. That is it. Thanks very much, everybody.

[10.15 pm]

ACTING CHAIR—We turn now to natural resource management.

Senator SIEWERT—I will probably jump backwards and forwards a bit. I understand there has been a review of some regional investment plans; of 15 of them. Is that true?

Mr Smith—Both the NAP and the trust are being reviewed at the moment and there are various aspects of the programs that are being reviewed. One of those is a review of governance arrangements. We have about 10 national evaluations occurring throughout Australia at the moment.

Senator SIEWERT—When you say 10, do you mean of specific regions?

Mr Smith—No, we have 10 evaluations occurring looking at various aspects like, for instance, salinity, the Envirofund, sustainable agriculture; so various aspects of the programming. Through consultants we are going out and looking at those issues in various regions throughout Australia. For instance, on governance we would look at probably about 10 regional bodies' governance arrangements, about two in each jurisdiction.

Senator SIEWERT—I will come back to the investment plans in a minute. What is the time line for those reviews?

Mr Smith—The reviews are at various stages of progress. All of them have started. The intention is that nine out of the 10 will be completed and the reports available by December.

Senator SIEWERT—Are they going to be publicly available?

Mr Smith—Yes, they will be.

Senator SIEWERT—The reviews that are being carried out, are they being carried out on regions that already have accredited plans? I will go back a step. Do all our regions in Australia now have accredited plans?

Mr Smith—No. The vast majority of regions have accredited plans. We have 56 regions throughout Australia covering the whole continent. Of those, we have plans accredited in 52 of the 56 regions.

Senator SIEWERT—Do we know why the other four are not accredited?

Mr Smith—The plans for two of the other regions are already with ministers and the remaining two are Cape York and Torres Strait. The expectation is that we would hope to see some advancement of plans to ministers in the first quarter of next year.

Senator SIEWERT—Going back to the investment plans, are they being included in this, in the 10 reviews?

Mr Smith—I am just trying to think of the list. Yes is the answer. Just to give you some examples of how—I might just quickly run through the types of evaluations.

Senator SIEWERT—That would be good, if you could.

Mr Smith—Biodiversity outcomes: we are looking at the investment outcomes in terms of biodiversity, so looking at those plans; weeds, the same again; I talked about governance arrangements before; salinity outcomes, so again that is one of looking at the plans and looking at the investments, not so much the plans but more particularly the investments that have been made in those plans and then looking at the extent to which we have received value for money; sustainable agriculture, coastal, estuarine and marine.

The others are more about other aspects of the program. For instance, we have a facilitator network throughout the nation, so we will be evaluating that. We are also evaluating the effectiveness of bilateral agreements; that is only in relation to the NHT, to the trust. We are evaluating the effectiveness of the Envirofund and the national investment stream as distinct from the regional investment stream of the trust. Going back to your question, perhaps those evaluations that relate specifically to that would be biodiversity, weeds, salinity, sustainable ag, coastal and marine; that is about it.

Senator SIEWERT—On what criteria are you assessing them?

Mr Smith—I do not think I have the detail but we can certainly provide that. Each evaluation has its own terms of reference and each one is turned specifically to the needs of that evaluation.

Senator SIEWERT—Are you doing a review of the market based investments program?

Ms Tomlinson—It is the National Market-based Instruments Pilots Program. It was recently reviewed and evaluated. That went up to the NRM Ministerial Council, and there was agreement to continue the program for another round.

Senator SIEWERT—Is that review publicly available?

Ms Tomlinson—Yes, I can provide that.

Senator SIEWERT—Is it somewhere I can find it or does it need to be provided?

Ms Tomlinson—I think it is on our web site, but I will provide a copy as well.

Senator SIEWERT—I would like to move on to marine issues. Is that something that you cover?

Mr Smith—If they are marine questions, they may be more related to the trust, but I am not sure. Perhaps you should ask your question first. If it is related to the trust, what I was going to say is that it is probably more appropriately directed to the environment, communications and—

Senator SIEWERT—Yes, which is where I have just come from.

Mr Smith—The other committee.

Senator SIEWERT—We have not got to this yet. Marine has been included as part of the gamut of the planning process, so regional bodies are now required to do marine based planning as well. How effective do you think that has been in terms of addressing marine related issues?

Mr Lee—Firstly, one of the national evaluations that Mr Smith has mentioned is going to address that very issue of how effective the marine and coastal elements of the regional

planning process and the regional delivery process have been. In our experience, the marine and coastal elements of regional delivery is an issue for more attention, because this really comes from a terrestrial tradition of catchment management bodies.

Senator SIEWERT—I am not surprised to hear you say that. Are you already considering how you could be addressing those issues? My experience in Western Australia anecdotally is that the plans are not comprehensive and they need a significant amount of work in terms of marine expertise. Are you already considering how you will address that?

Mr Lee—We would certainly look at the balance between marine, coastal and estuarine investments, and other investments, in each annual review of the investment strategies as we move forward in the three-year rolling program, but I think the major lesson is going to come out of this evaluation. We can try and pick up on the lessons of that in this current manifestation of the program and also in building the program directions for the future. That will be a major input to those considerations.

Senator SIEWERT—I am going to jump back to NHT versus NAP. There are a number of regions that are not NAP funded, one of which is in WA. A number of those regions are constantly complaining that they are not getting as much funding as the other regions; that they are unfairly missing out. How is that being addressed? Looking into the future, is that inequity in funding going to continue?

Mr Smith—When the NAP was first announced by the Prime Minister in November 2000, that was an agreement that was reached at COAG with all premiers, so the regions that were agreed were developed in consultation with the states.

Senator SIEWERT—Can I interrupt? I know in Western Australia there was a great deal of concern that the Swan—I am not just trying to hone in on that, but I am using that as an example—was not included and the Ord was. Our NRM agencies did not support that and neither did the community.

Senator Ian Macdonald—'Our' being?

Senator SIEWERT—WA's NRM agencies did not support the Swan being excluded and the Ord being included and neither did the community organisations.

Mr Smith—That was an agreement between the Prime Minister and the premiers. Now that we are looking towards the end of the program—the NAP and the NHT will finish in 2007-08—through these evaluations that we were just talking about, we are starting to look at the whole set of arrangements. There is scope for looking at redeveloping and redesigning programs. At the end of the day the NAP, as with every other program, had limited funds, and the Commonwealth and state governments chose to focus their investments where dryland salinity and water quality were the major problem areas. In the end, they selected 21 regions around Australia.

There has always been one or two or three regions, sometimes in each jurisdiction, where they have been saying, 'Look, we've got a salinity issue and we would have liked to have been considered.' Government has had to balance it up, focusing their investments in the areas where they think they can get the most value for the dollar.

Senator SIEWERT—You were talking about moving on into the future and what is going to happen into the future. Are the mistakes from NHT2 in terms of continuity going to be picked up, particularly in terms of the facilitator network, where most regions lost their support staff, lost their facilitators. A lot of people did not know whether they had a job literally in a month's time. Are those issues going to be addressed in the review and in the planning forward? I hesitate to call it NHT3, but whatever comes next.

Mr Smith—That is one of the reasons we are starting the evaluations now and doing the analytical process now in 2005-06. As I said, the programs do not finish till 2007-08. There is an extensive amount of consultation going on at the state level and at the Commonwealth level. We all believe we could improve on the way transition occurred between, for instance, NHT1 and NHT2. We have learnt from some of those lessons and we are trying to apply those in our thinking and our analysis now to ensure as smooth a transition as possible to a potential new NRM program.

Senator Ian Macdonald—In addition to that, a lot of uncertainty occurred when the states were being very recalcitrant in coming forward with money and ideas. The Commonwealth ended up funding a lot of the facilitators and coordinators out of its own funds because the states were playing funny business. I am not sure whether Western Australia was one of those. They were, weren't they?

Senator SIEWERT—Yes, we were, to a certain extent. That is only true to a certain extent.

Senator Ian Macdonald—You are not attributing blame to anyone, and I accept that, but you were talking about the regions before and you were saying that the Western Australian state government NRM agencies did not agree with that. They should have told their premier, because he agreed with the Prime Minister on these things, and those things were all done in partnership. It is a bit disingenuous of the Western Australian state government agencies—

Senator SIEWERT—I was going to come back to that because, if I recall, Western Australia did not sign onto NAP for a considerable period of time. My recollection is that it was basically a *fait accompli*. My understanding is, 'The Swan is out, the Ord is in.' That is my recollection.

Senator Ian Macdonald—I might get some help here but, now that you mention it, wasn't Western Australia one of those that was not going to put in any money and had to be dragged kicking and screaming?

Senator SIEWERT—Going back into history, my understanding was that there was a dispute over how much money we would put up front and what was counted and what was not.

Senator Ian Macdonald—Indeed.

Senator SIEWERT—I am not saying it was right.

Senator Ian Macdonald—Indeed. There is supposed to be equal cash matchings between the states and Commonwealth. With the NHT we allowed the states to put in kind—foolishly, I might say—and all that means is that the normal officers they had been employing for the last 50 years were suddenly put onto the Commonwealth in-kind contribution. I do not want

to particularly rubbish Western Australia—all the states are as bad as each other; there must have been one or two good ones but I cannot think which ones they were. There was a lot of uncertainty with the coordinators. Didn't we end up funding the coordinators in various states for periods of time because we could not get the states to come on board?

Mr Smith—One of the tough decisions that had to be made by government in the transition was to fund outcomes. That meant, in terms of the facilitators, we were no longer not necessarily funding a network of facilitators but only where those facilitators were delivering outcomes. The investment in facilitators needed to be linked into the plans and the investment strategies. In the early phase, of course, we did not have plans and investment strategies. The sort of issue we are talking about now, if you are looking to the future, we now have the infrastructure set up.

As I said, we have virtually the whole nation covered by accredited plans and we have investment strategies flowing in 52 of the 56 regions. The concept of funding facilitators becomes a lot easier to handle, on the basis that we now have the infrastructure in place. That is not to say some of the issues that occurred still will not happen, but we now have in place an infrastructure and we had to build that from scratch.

Senator SIEWERT—In the assessment process and when you look at moving onto whatever is the future of NHT3—whatever it is going to be—will there be some level of critical analysis of how investments are made, particularly at the national level? In WA we have been through quite extensive extensively developing a process about what issues you take into consideration when you make your investments at a state and regional level. It is not quite being applied yet. It seems to me we need a more rigorous process of deciding how investments are made, based on risk analysis, based on what is going to work, and based on our knowledge of the assets that we are trying to protect. Is any process done nationally around that?

Mr Smith—There would be a couple. As I mentioned, there is certainly an evaluation on governance arrangements. That is very much looking at the risk management issues. There is also a Commonwealth-state working group set up under the NRM Ministerial Council. That working group is to come back to the ministerial council with suggestions for strengthening the whole scheme of arrangements under both programs and to come forward with an improved design. The Australian government has recently announced a ministerial reference group of three people. That reference group has just started its consultations and they will be reporting to the Australian government on their findings. All of those groups will be exploring those options in various ways, depending on their terms of reference.

Senator SIEWERT—One final area is rangelands. Can you tell me how much money has been allocated across Australia to rangelands?

Mr Lee—We will have to take that on notice, because the rangelands is a subcomponent of a number of regions, and we could give you regional expenditures. There is a rangelands region, of course, in Western Australia but some of the other regions have a mix of rangelands and agricultural areas. We can take that on notice and provide you with some estimate of the rangelands expenditure.

Senator SIEWERT—Following that up, in the past with NRM there have been some difficulties trying to make the model fit the rangelands per se. It is such a large area and traditional, more landcare type activities did not suit the rangelands. Involvement of Indigenous people across the rangelands is complicated. When you are doing the reviews—rangelands does not specifically come in there—is that being looked at specifically in terms of the effectiveness for NHT? I do not think there is any doubt that in the past various landcare, NHT has not worked for the rangelands. Have you found the same problem with NHT2 and is there any move to review it to see if it is being effective in the rangelands?

Mr Lee—We are fairly optimistic about the way that rangelands have fared in this model. We have some really good stories coming out of the northern gulf and the southern gulf in Queensland; very effective regional bodies. It is early days yet for the rangelands in Western Australia and, while it is not expressly one of the 10 areas for consideration in these evaluations, it will certainly be part of the overall evaluation and thinking of the future feeding back from the ministerial council processes and also from the ministerial reference group who will be talking to some of the rangelands areas. Particularly the northern gulf region in Queensland has done some excellent work with the rangelands community and has a lot to be proud of.

Senator SIEWERT—Thank you.

Mr Smith—While my colleague has been answering that question, I have had a chance to look at some of our figures. I do have a total NAP-NHT2 figure of total approved investments in the rangelands region since the beginning of NHT2 and the NAP to October this year of \$8.8 million. That is the rangelands in Western Australia.

Senator SIEWERT—I am particularly interested in WA. But I would be interested to know the level of investment in rangelands across the board.

Mr Smith—We will come back with that.

Senator SIEWERT—How is climate change being incorporated into regional planning? Is it being incorporated into the NRM regional plans and, if not, is there a move to do that in the future?

Senator Ian Macdonald—Is climate change being incorporated or duration of climate change?

Senator SIEWERT—There is both. For example, when you are planting trees and doing salinity mitigation et cetera, it is highly likely that in the future they may be placed in the wrong part of the landscape because of climate change. When you are doing the regional planning and trying to plan for the future for climate change, you need to be able to plan for that as well, in your regional plans. Is that being incorporated?

Mr Lee—It is certainly to the forefront in issues in Western Australia. We have seen that people are doing their investment strategy development on the basis of the perceived shift in average rainfall. In terms of explicitly addressing climate change scenarios and bringing that into investment strategies, we have not seen very much of that at this stage, but that surely will be a feature of going forward.

Senator SIEWERT—It seems to me that it is an issue we need to include in regional plans.

CHAIR—For the record, in terms of the 100-year climate change for Western Australia, is 45 per cent the right figure for the reduced run-off or mean rainfall?

Mr Lee—I do not have the details, but there has been a perceived shift over the last decade or so of the mean rainfall in Western Australia.

CHAIR—Yes. I am talking about the 100-year thing.

Mr Lee—I do not have the analysis and I do not have the figures.

CHAIR—It is 45 per cent for the southern end; obviously up the Top End it is gaining.

Senator SIEWERT—Going back to the Envirofund, which I know you said was one of the areas under review, under the review are you going to be looking at the number of marine and coastal projects that have come up, and the quality, compared to what was funded under Coastcare?

Mr Smith—I do not have the percentage of the sample, but we are looking at a sample of projects. One of the aims was to make sure that was a representative sample. We are conscious of the comments by some stakeholders—particularly from marine and coastal—that they are unrepresented. We have been looking at ways of addressing that in future programs. To answer your question, I cannot give you a specific figure but we certainly have made sure that marine and coastal projects and people and proponents are included in the evaluation process.

Senator SIEWERT—It is a slightly different issue for me and you have touched on it. Certainly my experience when I was involved in assessing some of the Envirofund and Coastcare projects was that there had been a decrease in the quality and number of projects dealing with coastal and marine, compared to what we were getting in Coastcare. I do not know if that trend is maintained, whether it was just Western Australia or whether I was biased because I like to see marine and coastal projects.

Mr Smith—I do not know whether that trend is going down. I was at a meeting in Victoria where the evidence was the other way, that it was increasing. It could perhaps be a state by state issue. I would have to come back and really have a look at the detail of the investment in the Envirofund in marine and coastal projects.

Senator SIEWERT—It could be a state thing because WA also had a fairly strong Coastwest project at the same time, so we may have been putting more of an emphasis on coasts earlier on. It was not just myself who picked it up. As you correctly said, a number of coastal and marine people were also saying they felt that the number of projects and the coastal communities' access to funding had been reduced when Envirofund came in.

Mr Smith—There are a number of actions we are taking to address that. One is certainly to try and raise the profile of the Envirofund in those areas, using our network facilitators across the nation to put an emphasis on those communities, market the advantages of the Envirofund in those areas and help them develop a quality application.

Senator SIEWERT—You will be pleased to know I am finished.

CHAIR—Is there anyone left at this hour of the night who knows anything about water in the Murray-Darling Basin?

Senator Ian Macdonald—You have got the right team here.

CHAIR—I know the answer to this but I want to—

Senator Ian Macdonald—So it is a test!

CHAIR—No. What is the mean annual run-off for the Murray-Darling Basin? Is it 23,000 megs?

Mr Dalton—Twenty-three to 22.

CHAIR—What is what you would call a peak flow of the Murray-Darling run-off?

Mr Dalton—I would have to get some advice from the Murray-Darling Basin Commission on that. There is data over a 100-year period that I am aware of that shows peak flows.

CHAIR—Would it be too much to ask for you to give me all the known statistics on run-off and diversion? There was this wonderful little set-up to the north of New South Wales a couple of days ago called ‘Breaking the myths’. I am inclined to want to break the myths about ‘Breaking the myths’. There was a claim that one place up there uses less than two per cent of one per cent of the Murray-Darling but it was covered in language. It did not say whether it was diversions, peak flow; just peak year. I think they got their figures seriously, as they say, arse about face. If the mean average flow is somewhere around 23,000 megs and we divert about half of that, we waste and evaporate a quarter and we deliver about a quarter, what would a peak year be? Would that be half as much again?

Mr Dalton—I cannot say. It is highly variable.

CHAIR—This is a smoke and mirrors argument here. I would be grateful if you could supply the committee with some information on annual flows, peak flows, peak diversions—whatever you think would be useful. We are very grateful for your time, patience and wonderful resilience. Thank you very much and we will see you around the traps.

Committee adjourned at 10.49 pm