



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## **SENATE**

RURAL AND REGIONAL AFFAIRS AND TRANSPORT  
LEGISLATION COMMITTEE

ESTIMATES

**(Budget Estimates)**

WEDNESDAY, 24 MAY 2006

CANBERRA

BY AUTHORITY OF THE SENATE



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**SENATE**  
**RURAL AND REGIONAL AFFAIRS AND TRANSPORT LEGISLATION**  
**COMMITTEE**  
**Wednesday, 24 May 2006**

**Members:** Senator Heffernan (*Chair*), Senator McEwen (*Deputy Chair*), Senators Ferris, Milne, Nash and Sterle

**Senators in attendance:** Senators Adams, Ferris, Heffernan, Hogg, McEwen, McLucas, Nash, O'Brien and Siewert

**Committee met at 9.00 am**

**AGRICULTURE, FISHERIES AND FORESTRY PORTFOLIO**

**In Attendance**

Senator the Hon. Eric Abetz, Minister for Fisheries, Forestry and Conservation representing the Minister for Agriculture, Fisheries and Forestry

**Departmental Executive**

Ms Joanna Hewitt, Secretary  
Mr Don Banfield, Deputy Secretary  
Mr Peter Yuile, Deputy Secretary  
Mr Daryl Quinlivan, Deputy Secretary

**Management Services Division**

Mr Allan Gaukroger, Acting Chief Operating Officer, Management Services  
Mr Glenn Elphick, Budget Manager, Corporate Finance  
Ms Julie Hicks, General Manager, Human Resources  
Mr Gary Leifheit, Chief Information Officer

**Corporate Policy Division**

Mr Allen Grant, Executive Manager, Corporate Policy Division  
Mr Craig Penney, General Manager, Corporate Policy & Governance  
Ms Nicola Hinder, General Manager, Parliamentary and Media

**Food and Agriculture [including Wheat Export Authority and Grains Research and Development Corporation]**

Mr David Mortimer Executive Manager, Food and Agriculture Division  
Mr Richard Souness General Manager, Food Policy and Safety Branch  
Mr Russell Phillips General Manager, Wheat, Sugar and Crops Branch  
Mr Simon Murnane General Manager, Meal, Wool and Dairy Branch  
Mr Tim Besley Chairman, Wheat Export Authority  
Mr Glen Taylor, Chief Executive Officer, Wheat Export Authority  
Mr Terry Enright, Chair, Grains Research and Development Corporation  
Mr Peter Reading, Chief Executive Officer, Grains Research and Development Corporation  
Mr Michael Ryan, Wine Policy Section

**Biosecurity Australia**

Mr John Cahill, Chief Executive  
Dr Bill Roberts, Principal Scientist, Plant Biosecurity  
Dr Mike Nunn, Principal Scientist, Animal Biosecurity  
Dr Robyn Martin, General Manager, Animal Biosecurity Branch  
Ms Louise van Meurs, General Manager, Plant Biosecurity Branch  
Mr Stephen Prothero, General Manager, Biosecurity Development and Communications Branch

**International Division**

Mr Paul Morris, Executive Manager  
Mr Bruce Bowen, Acting Chief International Agricultural Adviser  
Dr Sarah Kahn, Technical Market Access Specialist  
Dr David Williamson, General Manager, International Technical Branch  
Ms Nicola Gordon-Smith, General Manager, International Trade Branch

**Product Integrity, Animal [including aquatic animal] and Plant Health**

Mr Steve McCutcheon, Executive Manager, Product Integrity, Animal and Plant Health  
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  
Ms Sally Standen, General Manager, Animal and Plant Health Policy  
Mr Bill Magee, General Manager, Product Integrity and Safety  
Dr Joe Smith, Chief Executive Officer, Australian Pesticides and Veterinary Medicines Authority [APVMA]

**Australian Quarantine and Inspection Service**

Mr Greg Read, Executive Manager, Exports & Animal Programs  
Ms Jenni Gordon, Executive Manager, Quarantine and Plant Programs  
Dr Andy Carroll, National Manager, Border  
Ms Cathy Cox, General Manager, Business Strategy Branch  
Dr Narelle Clegg, National Manager, Animal Programs  
Mr Peter Liehne, National Manager, Plant Programs  
Mr Mark Schipp, General Manager, Technical Standards Branch  
Mr Robert Murphy, National Manager, Cargo Management and Shipping  
Mr Tim Carlton, National Manager, Food Exports Branch

**Australian Bureau of Agriculture and Resource Economics**

Dr Brian Fisher, Executive Manager  
Dr Stephen Beare, Chief Economist  
Dr Terry Sheales, Chief Commodity Analyst

**Bureau of Rural Sciences**

Dr Cliff Samson, Executive Director, BRS  
Dr Colin Grant, Deputy Executive Director, BRS  
Dr Kim Ritman, General Manager, Climate, Land and Water Branch  
Dr Stephen Bygrave, General Manager, Fisheries, Forestry and Social Sciences Branch

**Rural Policy and Innovation**

Mr Ian Thompson, Executive Manager, Rural Policy and Innovation

Mr Matt Koval, General Manger, Drought and Exceptional Circumstances  
Ms Melanie O'Flynn, General Manager, Research and Innovation  
Mr Ross Dalton, General Manager, Farm Help and Counselling

**Fisheries and Forestry**

Mr Glenn Hurry, Executive Manager, Fisheries and Forestry  
Mr John Talbot, Section Manager, Fisheries Structural Adjustment  
Mr Tony Bartlett, General Manager, Forest Industries  
Mr Russell James, General Manager, Fisheries & Marine Environment  
Mr Richard McLoughlin, Managing Director, AFMA  
Dr Nick Rayns, Executive Manager Fisheries, AFMA  
Mr Paul Murphy, General Manager Operations, AFMA

**Natural Resource Management**

Mr Tom Aldred, Executive Manager, Natural Resource Management Division.  
Mr Gerry Smith, General Manager, Australian Government Natural Resource Management Team.  
Mr Mike Lee, General Manager, Australian Government Natural Resource Management Team.  
Ms Heather Tomlinson, General Manager, Land Management and Climate Change.  
Mr Simon Smalley, General Manager, NRM Water and Murray-Darling Basin.  
Mr Rod Shaw, General Manager, Landcare and Sustainable Production.

**CHAIR (Senator Heffernan)**—Welcome. I declare open this public hearing of the Senate Rural and Regional Affairs and Transport Legislation Committee. On Tuesday, 9 May 2006 the Senate referred to the committee for examination the particulars of proposed expenditure in respect of the year ending 30 June 2007 for the portfolio areas of agriculture, fisheries and forestry—as I say, everything that grows and flows. The committee is due to report to the Senate on 20 June 2006 and has fixed Thursday, 13 July 2006 as the date for the return of answers to questions taken on notice. Under standing order 26 the committee must take all evidence in public session. The Senate, by resolution in 1999, endorsed the following test of relevance of questions at estimates hearings: any questions going to the operations or financial positions of the departments and agencies which are seeking funds in the estimates are relevant questions for the purposes of estimates hearings.

The Senate has also resolved 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 to a superior officer or to a minister. The resolution prohibits only questions asking for opinions on matters of policy and does not preclude questions asking for explanations of policies or factual questions about how and when policies were adopted. If a witness objects to answering a question, the witness shall state the ground upon which the objection is taken and the committee will determine whether it will insist on an answer, having regard to the ground on which is claimed. Any claim that it would be contrary to the public interest to answer a question must be made by the minister and should be accompanied by a statement setting out the basis of the claim. I remind all witnesses that in giving evidence to the committee they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of

evidence given to a committee and such action may be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence to the committee.

[9.02 am]

**Department of Agriculture, Fisheries and Forestry**

**CHAIR**—I welcome Senator the Hon. Eric Abetz, Minister for Fisheries, Forestry and Conservation, representing the Minister for Agriculture, Fisheries and Forestry, Ms Joanna Hewitt, the secretary to the department and her diligent officers. Good morning all. If anyone would like to make an opening statement they may, and then we will go to meaningful questions.

**Senator Abetz**—Not from me, thanks.

**Ms Hewitt**—Nor me, Senator.

**CHAIR**—What a dull start!

**Senator O'BRIEN**—I am just looking at the witness list and want to request that, in addition to Mr Besley and Mr Taylor from the Wheat Export Authority, the opposition requests the attendance of Ms Amelia Duck, who was the Project Officer, Performance Monitoring and Reporting as at May-June 2004. I understand she is still on the payroll. They are based in Canberra, so I do not think it is an unreasonable request to ask that that person attend as well.

**Senator Abetz**—I can indicate to you that I assume she is related, Ms Hewitt, to the Wheat Board inquiry et cetera?

**Ms Hewitt**—I am just not sure whether that request had been submitted earlier. Is it something that has already been asked for?

**Senator O'BRIEN**—No, it had not been submitted earlier but they are based in Canberra.

**Ms Hewitt**—I think all we could do, and we will do it immediately, is refer the request to the chief executive and the chair and ask them to advise during the course of the morning whether that will be possible.

**CHAIR**—All right.

**Senator O'BRIEN**—Thank you.

**Senator Abetz**—But I would just remind the committee of the government's position in relation to this: the questions you may ask may well be not covered by the statement Senator Minchin has made. I will just flag that at this stage.

**Senator O'BRIEN**—I think we established at the previous hearing that the government is not able to direct the authority.

**CHAIR**—We will come to that when we come to it.

**Senator Abetz**—Can I just confirm that item No. 9, dealing with ABARE, has been moved forward?

**CHAIR**—That is right.

**Senator O'BRIEN**—Forward to where?



**Ms Hewitt**—To follow Food and Agriculture, which is currently, I believe, item No. 5. I would very much appreciate your agreement to that. Brian Fisher has some commitments tomorrow that would be difficult to break.

**Senator O'BRIEN**—I am assuming we will get that far today.

**CHAIR**—If we look as though we can't, can we make provision that we deal with it?

**Senator O'BRIEN**—That is reasonable. We certainly would prefer to have Dr Fisher here than not. Ms Hewitt, at the end of the last hearings you gave us a commitment that the deadline of 6 April for lodgment of written answers would be met, or at least you committed to do your best to meet that deadline. What happened?

**Ms Hewitt**—I certainly did, and we put a major effort into being more timely in our responses. We were mindful that our performance at the last round had been very tardy. We did put a major effort into it and we certainly performed better than we did on the previous occasion. We had a very large share of the answers with the committee by 28 April. I know that was slightly behind the deadline, but we were much closer to it than we had previously been able to be. There were, essentially, a group of questions caught up around the issues related to the Cole inquiry, which were more complex and took more time for us to work through. I regret that they were not able to be with you until yesterday, but we did make a major effort and will continue to adhere to the deadlines as much as we possibly can.

**Senator O'BRIEN**—When did these answers get to the minister's office—28 April or earlier than that?

**Ms Hewitt**—It would have been earlier than that but sometimes, as you will appreciate, there does need to be a bit of time for minister's officers and ministers to have a look at the material but we have a good, smooth working relationship. It is something that I would not be in a position to give you a precise answer on but, as I say, we have brought our performance into much better shape than we did on the previous occasion.

**Senator O'BRIEN**—You are not able to give us a precise timing for when you got the draft answers to the minister's office. Is that what you just said?

**Ms Hewitt**—I would prefer not to delve into that. If you really want to pursue that, that would be a matter I would want to consult the minister about.

**Senator O'BRIEN**—I do want to pursue that because I do not want to attribute blame to the department if that is not where the blame lies. I think the committee is entitled to know if the department has done its job but someone else has fallen down on theirs. It is not fair if I am criticising the department if the department is not at fault. That is why I am asking the question, and in the past we have had that information.

**Ms Hewitt**—That is certainly not an impression I would want to generate. Could I just reflect on that one and see what information we are able to give you subsequently?

**Senator O'BRIEN**—Thank you. Minister, I take it the government is still directing officers of this department not to answer any questions about AWB and the weapons for wheat scandal?

**Senator Abetz**—Well done.

**Senator O'BRIEN**—Is that a yes?

**Senator Abetz**—It is indeed. You are aware of that; it has been stated in the Senate.

**Senator O'BRIEN**—Ms Hewitt, a letter from Minister McGauran, which appears at the front of the PBS on page 3, with respect to the statements he has presented, states:

... by virtue of my responsibility for accountability to the Parliament and, through it, the public.

And then in the User Guide, on page 7, it tells us:

The purpose of the ... Portfolio Budget Statements ... is to inform Senators and Members of Parliament of the proposed allocation of resources to Government outcomes by agencies within the portfolio.'

Given that statement by the minister and given the purpose of this document, as described on page 7, can you explain the item identified on page 29 in table 2.5 under output 3, Industry development? The item is described as 'other decisions yet to be announced,' and the funding allocation for this purpose is \$10 million.

**Ms Hewitt**—I might ask my colleague the chief financial officer, Mr Allan Gaukroger, to comment on that entry.

**Mr Gaukroger**—This measure has been included in the appropriations but it has not yet been announced by the government. The Australian government is considering possible adjustment assistance to the primary industry sector and a decision is yet to be made, so I am not in a position to be able to provide further details on that but I would expect the minister to make an announcement in the near future.

**Senator O'BRIEN**—But this is supposed to be telling us what the appropriation bill that the parliament is approving really means. This is a strategy that is appearing perhaps more frequently where the government is saying, 'Just give us the money. We'll tell you what it's for later.' That is what that line means, doesn't it?

**Mr Gaukroger**—At this point in time there has not been an announcement by the government, so that is a matter for the government to announce.

**Senator O'BRIEN**—You may be in a difficult position here, Mr Gaukroger, and indeed the department may be too, but the purpose of this process is to reveal what the commitments of money in the appropriation bills are really for. We are being asked to give our approval to a bill with an item in it that the government will not explain—'\$10 million'. Frankly, Minister, it is a quite arrogant approach that you want approval for \$10 million but you are not prepared to tell the parliament about it. I do not mean you personally because it is Minister McGauran who is responsible for this PBS and it is not in your portfolio area, I take it. How can the government claim that it is accountable when it is doing things such as this: asking for money but not being prepared to say what it is for?

**Senator Abetz**—All governments undoubtedly make contingency plans from time to time. If you engage in conservative budgeting, I suppose you might have a sum of money set aside in the event of certain circumstances arising, rather than having to go back for it. As to what the procedure would be, somebody might be able to assist me on this. I would assume you would have to go back for supplementary requests so the money is made available in the event of unforeseen circumstances arising where the government might want to provide funding in certain areas. I do not know what is in the mind of the minister in relation to that

particular fund. But I do not think it is an arrogant approach. I think it is an approach that is just good sound management.

**Senator O'BRIEN**—So it is a contingency plan and so it will only occur if certain events occur—is that how we should understand it? So it will only be called upon if certain events occur?

**Senator Abetz**—At this stage, as I understand the figure—

**Senator O'BRIEN**—It does not say what it is.

**Senator Abetz**—It is under 'Agricultural adjustment'. I cannot put my finger on it at the moment. I am told it is under industry development at 'Other decisions yet to be announced'.

**Senator O'BRIEN**—There are a whole lot of line items there, some of them in your portfolio area, and they detail the area of expenditure and the amount. In this case it just simply says, 'Other decisions yet to be announced,' and for next financial year there is \$10 million.

**Ms Hewitt**—As far as we are concerned, we are not in a position to add more than is in the documents.

**Senator O'BRIEN**—I understand that. I understand the department's instruction, which is why I asked the minister to explain what the rationale of the government is and if it is indeed an amount as described which is contingent upon certain things happening or is just parked there so that an announcement can be made later, rather than telling us now while the appropriation goes through.

**Senator Abetz**—Ultimately, all will be revealed in relation to that, but it says, 'Other decisions yet to be announced,' and decisions that have not been announced or determined upon as yet—believe it or not—cannot be announced.

**Senator O'BRIEN**—Yes, I gather that much. You did describe it earlier as a contingency, so I am asking whether it is contingent upon certain things happening.

**Senator Abetz**—Yes, undoubtedly on certain needs arising that are deemed to be worthy of funding.

**Senator O'BRIEN**—So these needs have not arisen at this stage. They might occur in the future. Is that how we should understand this item?

**Senator Abetz**—I would assume that to be the case, but I can get further information on that from the minister.

**Senator O'BRIEN**—Could we do that this morning? Budget estimates is about the appropriation. This is supposed to be informing the public and the parliament about what the government wants to spend the money on. I do not think it is an unreasonable question to at least have clear that, if it is a contingency, it is about an event that has not yet occurred. If it has occurred—

**Senator Abetz**—Clearly it has not occurred because it says 'yet to be announced'.

**Senator O'BRIEN**—It might have occurred and is simply yet to be announced. Last February we went through a process in another portfolio with a similar footnote and

discovered that it was about an event which had occurred, and it was simply a matter that the government had not announced it was going to spend \$28.5 million on Canberra airport. The decision had effectively been taken to spend the money but the parliament had not been told.

**Senator Abetz**—It may be, for example, in that circumstance—and I do not know what the circumstance was in relation to Canberra airport—that there were certain industry or other sensitivities where, if we were to come out and say, ‘\$X has been made available for a Canberra airport upgrade,’ it may have had certain impacts elsewhere on certain negotiations. I am not sure about the Canberra airport circumstance—

**Senator O’BRIEN**—I am not asking you about—

**Senator Abetz**—and I would imagine that similar considerations may apply here.

**Senator O’BRIEN**—If you do not know, I would rather we did not imagine. I would ask that we have confirmation from Minister McGauran this morning that, if this is a contingency, it is about an event that which has not occurred and, if it is about an event which has occurred, I think we are entitled to know the issues that are under consideration.

**Senator Abetz**—The government is not going to be making announcements courtesy of Senate estimates committees.

**Senator O’BRIEN**—It is not a matter of making announcements. That is a matter for the minister as to when he announces it. It is a matter for this process to see what the appropriation bill is really about. That is why I ask the questions.

**Senator Abetz**—‘Other decisions yet to be announced’ and, until it is announced, those considerations of the minister or of whoever can well change and until there is an actual announcement—

**Senator O’BRIEN**—But the decisions always change or the timing of spending changes. For example, on page 28 of the PBS there are 15 items totalling \$146 million that have been carried forward. They were announced last year and they were not done last year, so you are carrying forward expenditure. All of these things occur and one has to say that at least those items are transparently set out.

**Senator Abetz**—Yes, because they do not fall into the category of ‘yet to be announced’; they have already been announced and they are well and truly on everybody’s radar.

**Senator O’BRIEN**—But we are talking about the transparency of the appropriation bills process. This cannot be transparent if you are simply going to park items in there, saying, ‘When the minister announces this, we’ll tell you what the \$10 million’s for.’ I think we are entitled to know if it is about something that has not happened. I think we are entitled to have more detail than ‘other items yet to be announced’.

**Senator Abetz**—Just so I get this right, a Labor government if they were in power, in your view, would be not putting the \$10 million into the estimates. Although they thought they might be spending it in certain areas but they were not sure, they would not even put the \$10 million in the budget papers. You claim that is more transparent than a government which honestly puts it before the people for everybody to read that there are other decisions yet to be announced for which \$10 million has been set aside. I think I know what transparency I

would prefer and I think I know what transparency the Australian people would prefer in that regard.

**Senator O'BRIEN**—I would prefer to know that the parliament is passing a bill for moneys understanding what is going to be spent. You see this is the thin end of the wedge. Where do we go beyond this? This is saying that there is a \$10 million decision yet to be announced. What is the next thing? A \$100 million or a billion dollar decision yet to be announced. While the government has the numbers in the Senate, it assumes it can put anything through. It is not telling the people; it is saying, 'Approve our appropriation, we're being transparent saying we want the money and we'll tell you what it's for later.' That is what this means. That is why we have the additional appropriation process so that, where the government makes a decision and announces it later, it has the opportunity to take that through the parliament in the second round. That is what the transparency is about. That is why we have that second round. What the government is saying here is that we will just front load it because we have got some money at the moment. It may be because it is easier to get it through the Department of Finance at the moment than it might be later. I think if the minister cannot organise himself on a matter that he has apparently already decided and has not had time to announce—

**Senator Abetz**—No, you are saying 'apparently already decided', that is trying to put words into the minister's mouth.

**Senator O'BRIEN**—What I want to know is: is this about a matter that has not yet occurred? Is this a possible appropriation; is this a contingency as you described it, or is this an item of spending that is in contemplation but the minister just has not got around to announcing it? I think we are entitled to know.

**Senator Abetz**—It is as the words say. I think it is fairly plain English—'other decisions yet to be announced'. That is the basis for the money.

**Senator O'BRIEN**—So the decision is made, it is just not announced—is that how we should understand that?

**Senator Abetz**—No, it is as it is there. It says decisions yet to be announced and I think it is plain to me. If it is not plain to you that is unfortunate—

**Senator O'BRIEN**—That is why I am asking questions. That is what we are here for. 'Other decisions', does that mean the decisions have already been taken?

**Senator Abetz**—That does not necessarily mean that. It means those decisions that are yet to be announced. It may well be that Minister McGauran has certain matters in contemplation and those circumstances might change.

**Senator O'BRIEN**—So the appropriation is about putting some money there so that the minister can make some decisions in the future? Is that what we should understand that this process is about?

**Senator Abetz**—For this particular item it is money being made available for decisions yet to be announced as it says. If the minister had something to hide, do you think he would put it into the portfolio budget statement or whatever it is called?

**Senator O'BRIEN**—Clearly he does, he is not prepared to tell us. I do not know what he has in mind and that is why I am concerned about this. It is the thin end of the wedge if this process continues. It justifies ministers saying, 'We've got all these decisions; We're not going to tell you about them, just tick off \$10 million, \$100 million, \$500 million, whatever we want and we'll tell you about them later.' On your rationale, Minister, that is transparency—I do not think so.

**Senator ABETZ**—Everything is a question of degree. This is in a total portfolio budget of how much? Let us get this right in relation to the percentage that it represents.

**Senator O'BRIEN**—As I say it is the thin end of the wedge. It might be \$10 million now but what is it going to be next time?

**Senator Abetz**—Let's get the eggbeater to it and whip it up into a conspiracy.

**Senator O'BRIEN**—If you cannot answer the questions, I am suggesting that we find out. I do not think there is any point in having—

**Senator Abetz**—A good 10 minutes ago I suggested exactly that, but you have persisted with the questions. It is \$10 million out of \$2 billion whatever percentage that is. You are good at the numbers, Senator O'Brien.

**Senator O'BRIEN**—There was another item in another document last February that was \$28½ million but that was not as clear as this, I will give you that.

**Senator Abetz**—That is another item in another document, what are we referring to?

**Senator O'BRIEN**—Another budget document, another appropriation.

**Senator Abetz**—So the Canberra airport one?

**Senator O'BRIEN**—Yes.

**Senator Abetz**—Right.

**Senator O'BRIEN**—That was \$28½ million but it did not set that out at all, so at least this says it is \$10 million—I will give you that. The point that I am making is that if decisions have been made then they should be revealed now. Perhaps they were not decisions at the time that the budget was approved but, if the minister has made the decision now, we are entitled to know. Can you assure us that no decision has been made?

**Senator Abetz**—Senator O'Brien, as you would know from the time when Labor was in government, no decision is actually made and finalised until it is announced.

**Senator O'BRIEN**—You are joking! No decision is made or finalised until it is announced?

**Senator Abetz**—Because there is always the possibility of that decision being altered prior to the announcement.

**CHAIR**—With great respect, I presume that, just as most farmers have a contingency for when it does not rain, or when you get in a car or taxi you have made allowances for a flat tyre, what we are talking about here is that we have contingencies for things. Just like the trip to the Wagga tip with the beef, if it had gone wrong, you would have had a contingency on your hands. I presume that is what you are talking about, without spelling it out.

**Senator O'BRIEN**—I am asking if it is about a matter that has not happened, Chair, and asking to be assured that that is what it is about. I have not got that answer yet.

**Senator Abetz**—It is something that has not announced, you are quite right, because it has not happened. But, in the event that something does happen, we have \$10 million available and we have been quite upfront and explicit about that with the people of Australia by printing that information.

**Senator O'BRIEN**—Let us be absolutely clear: this is not about a decision that has already been taken and it is not about an event that has already occurred; it is about something that might happen in the future. Is that right?

**Senator Abetz**—It is not a decision because, as you can read, it says 'other decisions', plural, 'yet to be announced'. There is not one particular factor that is weighing on the minister's mind in relation to this; it is quite clear that it is at least two or more matters. As Senator Heffernan has indicated, it is quite an appropriate mechanism.

**Senator O'BRIEN**—Ms Hewitt, has a line item such as this appeared in previous portfolio budget statements of this agency?

**Ms Hewitt**—I am not in a position to give you an authoritative answer on that. I will have to take that on notice.

**Senator O'BRIEN**—You do not recall one?

**Ms Hewitt**—I cannot recall one at this moment but I cannot be sure.

**Senator O'BRIEN**—Mr Gaukroger, what is your recollection? I just want to know if anyone recalls a line item such as this appearing in a portfolio budget statement before.

**Senator Abetz**—You told us about one.

**Mr Gaukroger**—No.

**Senator O'BRIEN**—Thank you, Mr Gaukroger, for your answer. Minister, just to be clear, you are not prepared to get a clear-cut answer from Minister McGauran on this matter?

**Senator Abetz**—That is not what I have said. My answers are on the record for anybody to read, and you will undoubtedly seek to interpret them as you like.

**Senator O'BRIEN**—I do not want to be in that position, that is why I want to be clear.

**Senator Abetz**—Come on!

**Senator O'BRIEN**—I want to be clear what your position is. Are you prepared to ask Minister McGauran to make it clear whether this is a matter which has already been decided but is simply awaiting announcement—

**Senator Abetz**—I already said about 15 minutes ago—

**Senator O'BRIEN**—Hang on, let me ask my question before you choose to answer it—or whether this is a line item about a matter which has not yet occurred upon which no decision has yet been taken?

**Senator Abetz**—I indicated some 15 minutes ago—last I mentioned it was 10 minutes ago, now it is 15 minutes ago—that I was happy to take this to Minister McGauran to see if he wants to provide any further explanation.

**Senator O'BRIEN**—Can we get someone to do that this morning given that I would like to ask officers about it if something arises and they are here for a particular time, or can they come back at a later time?

**Senator Abetz**—We will see what we can do but I doubt that there is any further explanation that will be offered on that because they are matters that are yet to be announced and we will not be making announcements in the Senate estimates process.

**Senator O'BRIEN**—That is highly unsatisfactory. Going to page 28 of the PBS, which was referred to before, and to table 2.4, I refer to the movement of administered funds. On page 18 of last year's PBS there was one item, which was the National Action Plan for Salinity and Water Quality, and an amount of just over \$14 million. In this year's PBS there are 15 items and the total funding being shifted forward is \$146 million. Are we talking about the same sort of movement of administered funds; in other words, moneys that have already been approved and have been moved forward to the next financial year because they have not been expended?

**Mr Gaukroger**—In 2005-06 there was \$160.638 million appropriated for the national action plan, under bill No. 2. It is mainly phasing in 2006-07 where that appropriation has gone down to \$128.797 million. Under the rephasings the only amount that has been rephased since 2005-06 is the bill No. 1 component of the national action plan of \$3.056 million, so there has been no movement since 2005-06 for the amount that has been appropriated for 2006-07.

**Senator O'BRIEN**—But what we are seeing in that list now is not just the national action plan but the other 14 items. What I want to know is this. Is it simply a rephasing of moneys that were previously approved which have been unable to be spent and are therefore being shifted to the coming financial year?

**Mr Gaukroger**—Is that the list for \$146 million?

**Senator O'BRIEN**—Yes.

**Mr Gaukroger**—That is correct.

**Senator O'BRIEN**—So does that mean that the delivery of these programs is behind schedule or in some cases significantly behind schedule?

**Mr Gaukroger**—There is a range of factors. There are issues, for example, with delays in finalising milestones for a number of programs. There is one particular one for the fishing structural adjustment package. The tender process has taken longer than expected. There are some delays in moving some of the programs along due to the drought. So there is actually a range and it really has to go on a case-by-case basis. For each of the reasons for those programs we are rephasing requests that were approved by the minister for finance.

**Senator O'BRIEN**—On page 30, footnote 1 relates to an item on page 29, the Murray-Darling Basin Commission boost in capital works. There is no budget estimate amount next to that item. The explanation seems to say there is \$500 million provided for and that some of it



will be expensed in the coming financial year, but no amount appears next to it. Can you explain that for me, please?

**Mr Gaukroger**—Table 2.5 reflects what the movements are in the amounts in the appropriation bills. The full \$500 million for the Murray-Darling Basin Commission was appropriated in the supplementary additional estimates statement. That has been classified as a prepayment. That will be expensed over five years, which is shown under the measures table on page 25 including, as the footnote explains, an extra amount—part of that is \$50 million—in the year past, the last forward estimates year. Prepayment does not get shown as an expense. It is a capital item. By the nature of this table, it actually shows appropriation items and the amounts that have been appropriated in 2005-06 but have not been appropriated in the forward years. It will get shown in the administered financial statements on the basis of those profiles that are listed on page 25, so you have an on-cash movement for the next five years following 2005-06.

**Senator O'BRIEN**—I am told that the department is likely to move out of the Edmond Barton building in the near future. Is that right?

**Ms Hewitt**—Yes, that is right. It will not be so imminent; it will be late next year. We have proceeded with contracts, we have been through the Public Works Committee process and so on and we will be moving to a building in Civic in Marcus Clarke Street around September-October 2007.

**Senator O'BRIEN**—Is that going to be new, permanent accommodation?

**Ms Hewitt**—That is right.

**Senator O'BRIEN**—So it will be one move into the new, permanent accommodation?

**Ms Hewitt**—Yes. We have recently finalised arrangements for the extension of the lease in the Edmond Barton building that will allow that transition.

**Senator O'BRIEN**—Does the funding for that appear anywhere in the budget papers?

**Ms Hewitt**—No. We are managing it through the departmental expenses part of the accounts, but I will ask Mr Gaukroger to comment.

**Mr Gaukroger**—The amount for the new building will be funding from existing cash reserves, and that is in the financial statements of the department.

**Senator O'BRIEN**—Where are they?

**Mr Gaukroger**—On page 90. You will note in part from 2005-06 to 2006-07 'receivables' drops from \$126 million down to \$108 million. That goes towards the funding of the new building.

**Senator O'BRIEN**—The difference goes towards the funding of the new building. Is that right?

**Mr Gaukroger**—There is an amount under 'receivables'. You have the cash, for example, in 2006-07 of '8005'. That is affecting our working cash balances that we keep at any particular point in time. Anything over and above that goes back to the department of finance, which we can draw on as we need it.

**Senator O'BRIEN**—Is that what the word 'receivables' refers to?

**Mr Gaukroger**—The vast majority of the receivable is that; it is not the entire amount. The receivable includes a number of items. It might be straight-out debtors, for example. But included in there is what is called an 'appropriation receivable', which is the amount of cash that the department has to draw on if it needs to.

**Senator O'BRIEN**—The difference between 2005-06 and 2006-07 is \$14¼ roughly. You suggested in your answer that that had something to do with the move to the building. Is that right?

**Mr Gaukroger**—Yes, that is right.

**Senator O'BRIEN**—Is that the amount that is attributable in cost terms to the—

**Mr Gaukroger**—It is not the full amount. There is also an amount which the developer will contribute towards the building as part of the cost.

**Senator O'BRIEN**—Is that the amount the department will need to spend?

**Mr Gaukroger**—There are two amounts. There is an amount which we will fund from existing cash reserves and there is also an amount which the developer will contribute towards the cost of the building.

**Senator O'BRIEN**—What are those two amounts?

**Mr Gaukroger**—The difficulty we have with the amount from the developer is that it is commercial-in-confidence. It is something which I am not able to provide because of the sensitivities in the competitive market with the developer. They specifically requested that we not—

**Senator O'BRIEN**—Is that a sort of rental incentive?

**Mr Gaukroger**—There is a rental incentive but there is also a contribution towards the capital cost.

**Senator O'BRIEN**—Is that fit-out?

**Mr Gaukroger**—It is towards the fit-out; that is correct.

**Ms Hewitt**—We have been through a very detailed business case assessment, and we believe that we will be moving to accommodation which is more functional and more suitable for our needs. Also, it is a good proposition financially over the medium term. We believe we will be better off both in financial and in functionality terms with the move.

**Senator O'BRIEN**—Do we know now how much it will cost the department to occupy the new premises?

**Mr Gaukroger**—The cost to the department at this stage—we are in the design stage at the moment—is \$41 million.

**Ms Hewitt**—If I could add a bit of context, we were facing the requirement for a major refurbishment of the Edmund Barton Building had we opted to remain where we were. So really we were looking at two alternatives, both of which would have involved a significant disruptive effect, if you like, on business because of the need to move staff in and out to manage a refit of the current premises.

**Senator O'BRIEN**—How is that \$41 million broken down? Can you give us a breakdown of the components of that?

**Mr Gaukroger**—I will have to take that on notice. I do not have a breakdown of that readily available.

**Senator O'BRIEN**—Does that include provision for removal costs?

**Mr Gaukroger**—I believe so, but it would probably be best if I get you that information.

**Senator O'BRIEN**—If you could, that would be good. Does that mean there will be borrowings?

**Mr Gaukroger**—No. We are funding it from existing cash reserves.

**Senator O'BRIEN**—I cannot see that in these papers.

**Mr Gaukroger**—That is where you see the drop in the receivables. For any of the expense components, it will be funded from the departmental appropriation in 2006-07 and 2007-08.

**Ms Hewitt**—This is something we have been anticipating for a couple of years because of the timing of our current lease expiry. So it is something we have been consciously trying to be prudent about in keeping aside sufficient reserves to make the process smooth. We would like to avoid getting into borrowing if we possibly can.

**Senator O'BRIEN**—I see that land and buildings grows by almost \$31 million in the coming financial year. I take it that that is something to do with this building.

**Mr Gaukroger**—That is correct. That is a net amount. You have the purchase cost and then you have depreciation amounts which go within that figure. The actual amount is on page 93. We have an amount there at the moment of \$36 million. Since the PBS was published, with the staffing requirements we have with the new building, we have had to take out some additional space. That is what has contributed to that extra \$5 million.

**Senator O'BRIEN**—Where is that?

**Mr Gaukroger**—That is on page 93, where you have 'Additions: by purchase' under 'Buildings'—\$36.121 million.

**Senator O'BRIEN**—And depreciation makes up the balance of that \$41 million you were talking about.

**Mr Gaukroger**—No. That is additional space requirements since we determined that figure.

**Senator O'BRIEN**—What was the non-financial assets purchase required in 2005-06 of \$13.445 million, at the bottom of page 92?

**Mr Gaukroger**—That was predominantly building type items, predominantly AQIS. We have a whole range of buildings right around Australia—and also a component would be internally developed software. The majority of that is attributable to capital purchases within AQIS.

**Senator O'BRIEN**—Is that funded out of departmental reserves, or is that funded via the AQIS charging system?

**Mr Gaukroger**—It is funded within the AQIS existing cash reserves.

**Senator O'BRIEN**—Does that mean those reserves were generated by the charges that AQIS levies?

**Mr Gaukroger**—Ultimately the charges will be recovered through the depreciation component of those capital purchases.

**Senator O'BRIEN**—Who is running the tender processes to attract new suppliers of Q fever vaccine?

**Ms Hewitt**—Could we take that one up under the Product integrity, Animal and plant health section of the hearings. I would prefer to refer that one to Steve McCutcheon, the head of the division.

**Senator O'BRIEN**—Yes.

**Ms Hewitt**—It may be the case that that is a process being run by the health portfolio, but I would need that confirmed.

**Senator O'BRIEN**—I want to now ask some questions on the corporate policy area. There may be questions from others in this area. I want to ask some questions about the issues raised in the context of a claim by Marnic that may well be settled shortly and may therefore have implications for this year's budget. I want to ask some questions about the recommendations that flowed from an inquiry by the Commonwealth Ombudsman into the department's handling of the Hewett compensation claim process. I am asking the questions because the department's response to those reports by the Ombudsman is relevant to the manner in which the department seems to be dealing with the Marnic claim.

In relation to the Hewett investigation, the Ombudsman found that the report by the department's Business Ethics Security and Investigations Unit was seriously flawed. He found that investigators failed to obtain pertinent information. He found that this failure was due primarily to investigators not identifying specific issues and actions prior to commencing their inquiry. He said the BESIU report either omitted or ignored pertinent information. He said that investigators lacked resources and also lacked experience in undertaking investigations. How did the department respond to these comments by the Ombudsman?

**Mr Grant**—Can I say at the outset that the circumstances around the BESIU investigation into the Hewett claim are quite different to the investigations that are currently being undertaken in respect of the compensation for detriment caused by defective administration, or CDDA, claim raised by Marnic.

In the Hewett case, as you are aware from previous questionings in Senate estimates going back some time, there was a continuing discussion and engagement between the department and the Hewetts. It got to the point where the BESIU was asked to investigate a complaint made by the Hewetts. They did that and subsequently the Hewetts took that matter to the Ombudsman. That was all prior to the establishment of the CDDA claim, so in a sense the investigation by BESIU of Hewett was not within the guidelines under the CDDA claims and processes that we were adopting through Marnic.

But, having put that into context, let me address the substance of your question. My understanding is that the department accepted the recommendations of the Ombudsman in

respect of the BESIU investigation into Hewett. The report was withdrawn in accordance with the suggestions made by the Ombudsman. We subsequently put processes in train to make sure that BESIU staff were adequately trained, that BESIU were adequately resourced and that adequate resources in general were provided to investigations of that nature. However, with the implementation of those CDDA guidelines in 2001, the process that the department operates under is such that we no longer use BESIU to investigate those claims under the CDDA.

**Senator O'BRIEN**—So what is the process which has replaced that?

**Mr Grant**—The process that has replaced that is that the minister can appoint an officer—generally from within the department, but that is not necessarily the case—who is independent of the issue that is the basis of the claim or complaint and who is generally senior enough to be in a position to make an objective decision and for whom there is no conflict of interest associated with the claim. The minister appoints that officer to undertake a review of the claim and to make a judgment on whether there was defective administration; if so, whether the applicant was in some way financially damaged by that defective administration; and, if so, the quantum by which that applicant needs to be compensated.

**Senator O'BRIEN**—Is the officer appointed by the minister under the act or is it just an administrative appointment?

**Mr Grant**—It is an administrative appointment, but it is separate from the normal delegative role that the minister might have. He needs to make a separate decision to appoint a specific officer for the purpose of the investigation.

**Senator O'BRIEN**—So what if any special powers would that officer have to obtain information, to question other public servants and to require the production of materials?

**Mr Grant**—He would have no special powers under the law, if you like, but certainly he has the authority of the minister to engage in an investigation and seek information as he needs it to come to a judgment as to the outcome of the investigation.

**Senator O'BRIEN**—So the officer has the authority of the minister. If he is investigating a body such as AQIS, what does that mean? AQIS has some statutory independence, doesn't it?

**Mr Grant**—The officer has the authority of the minister to seek from AQIS the information necessary for him to come to a judgment on the facts of the issue at hand.

**Senator O'BRIEN**—Should I understand you to be saying that there could be no barriers to that officer obtaining the information that they required from public servants and from the files held within the department or its agencies?

**Mr Grant**—I think that is a reasonable summary.

**Senator O'BRIEN**—What about the resources available? You talk about 'an officer'. If they need additional resources, are they able to acquire those resources or request them and have them supplied?

**Mr Grant**—Yes.

**Senator O'BRIEN**—How does that work?

**Mr Grant**—The corporate policy division oversees the implementation of the claims and the process. We have officers who are familiar with the scheme, so we can provide assistance and advice to the reviewing officer to carry out that investigation.

The officer also has available to him the department of finance guidelines and any experience within the department of finance, from those officers who manage the scheme in that department. The officer has access to any legal advice that he might need. In a lot of these cases legal advice is needed. The officer may need advice from accounting or business experts to assess the quantum of a claim. The provision of assistance or guidance from experts on accounting practices can be sought by the officer. So there is a range of assistance available to help the officer.

**Senator O'BRIEN**—I take it an officer has been appointed to investigate the claims for the Marnic inquiry.

**Mr Grant**—Correct.

**Senator O'BRIEN**—Where does that officer come from?

**Mr Grant**—Let me get the date for you. The officer was appointed on 7 November 2005. At that time the officer was working in the natural resources management area of the department. He has subsequently moved to the rural policy area of the department. Both those areas are completely separated from any involvement with AQIS and any relationship with the applicant.

**Senator O'BRIEN**—Does the department play any role in making sure all relevant issues and actions relevant to the Marnic claim have been identified, or is that simply for the investigating officer to do?

**Mr Grant**—When the initial request from Marnic was received by the department, through the department of finance, a judgment had to be made as to whether that claim met the guidelines under the CDDA scheme. So the department—in particular its corporate policy division, as it is now—undertook, with assistance, the assessment of whether that claim met the guidelines. Once it was determined that the claim did meet the guidelines and an independent officer had been appointed, then in a sense the direction and scope of the investigation was the responsibility of the officer investigating.

**Senator O'BRIEN**—Is it only that officer who will liaise with the principals of Marnic to ensure that all issues and actions have been identified?

**Mr Grant**—In general, the officer works closely with our division, in order to provide the assistance needed, the advice about the guidelines and how they work. So there is quite a deal of consultation between the officer and the corporate policy division but, in the end, the responsibility lies with the officer.

**Senator O'BRIEN**—At the last hearing, Mr Grant, I think you advised us that the department was working with Marnic through their lawyers.

**Mr Grant**—Yes.

**Senator O'BRIEN**—Is that still the case, or is it more accurate to say that the investigating officer is working with Marnic through their lawyers?

**Mr Grant**—The communication that the department has had with Marnic has been through each of our respective sets of lawyers. The initial approach from Marnic came through their lawyers and, in an early exchange of letters, we subsequently confirmed that further correspondence between the parties would occur through their respective legal representatives.

**Senator O'BRIEN**—Has an agreed set of facts been arrived at?

**Mr Grant**—No, not an agreed set of facts across the whole of the issue of concern.

**Senator O'BRIEN**—Does that mean there is a partial agreement or an agreed partial set of facts?

**Mr Grant**—The investigating officer is undertaking his assessment in two parts. The first part was to assess whether there was a detriment caused by defective administration to Marnic. He investigated the incidents and the facts to the extent that he was convinced that there was detriment caused by defective administration and therefore Marnic did have a claim. That was the basis of his stage one report, which has been provided to Marnic. There will be more facts that need to be agreed and discovered as part of his stage two assessment which will be an assessment of the compensation that may be payable to Marnic under the provisions of the guidelines.

**Senator O'BRIEN**—So the investigator has established that there is the basis of a claim?

**Mr Grant**—Correct.

**Senator O'BRIEN**—Does that mean he has established there is fault by the agency or does it just mean that he has found that there has been damage to the claimant?

**Mr Grant**—No, he has established that as a result of defective administration undertaken by AQIS in this regard there was, potentially, damage done to the client.

**Senator O'BRIEN**—Okay. So it is now at the stage of assessing the nature of the damage and what it has cost the applicant?

**Mr Grant**—Correct.

**Senator O'BRIEN**—What are they claiming in the way of compensation?

**Mr Grant**—It is not clear to us what they are claiming. We have had a number of letters from Marnic. The very first letter noted a very large amount of money that was the claim but I think we really should let the investigating officer carry out part two of his investigation rather than have a discussion about that here.

**Senator O'BRIEN**—I am not even going to suggest we assess it; I just wanted to know what was the volume of the claim.

**Mr Grant**—Well, I think in the order of \$30 million to \$40 million was the initial claim made by the applicant.

**Senator O'BRIEN**—The Hewett matter—we were told by Mr Pahl in 2001—involved departmental legal advisors undertaking an assessment of whether or not there was the basis for a defective administration claim by the Hewetts. I take it this is a different process; it is not being assessed by legal advisors, it is being assessed by the officer appointed.

**Mr Grant**—No, let me go back. In the guidelines that the Department of Finance issues there are four parts to the assessment of a claim. The first part is an assessment as to whether the scheme can apply because there are particular guidelines as to what claims are applicable under the scheme. Now that assessment was made by the department with the assistance of our legal advisors. Essentially, the assessment needs to be made about what the likelihood of a successful claim being made in the courts is. If on the judgment of an assessment by lawyers that it is unlikely that a case could be made against the Commonwealth in a court of law then this scheme can apply, so the claim can be acceptable under this scheme. That assessment was made by lawyers in respect of Marnic and a similar assessment was made by lawyers in respect of the Hewett claim, as I recall. Subsequent to that, independent investigators were appointed in each case to assess the particular circumstances of the claim itself.

**Senator O'BRIEN**—That is where the officer appointed by the minister has made the assessment?

**Mr Grant**—Yes, that is correct.

**Senator O'BRIEN**—The lawyers were not involved in that assessment?

**Mr Grant**—The lawyers certainly helped the officer to come to that judgment. There were a lot of legal issues that needed to be considered, so he sought advice from our lawyers and that advice was provided.

**Senator O'BRIEN**—They were tools for the independent assessor, in effect?

**Mr Grant**—Correct.

**Senator O'BRIEN**—Is that the same process that would have occurred for the Hewetts?

**Mr Grant**—In general terms, yes.

**Senator O'BRIEN**—Did the minister give the investigating officer specific terms of reference in the form of a written term of reference?

**Mr Grant**—The minister gave the investigating officer a written direction to undertake the investigation, but there were no specific terms of reference as to what he should or should not look at, no. In a sense, the terms of reference for these investigations are set out in the department of finance administrative circular.

**Senator O'BRIEN**—I asked that because, during hearings in February 2001, Mr Pahl told the committee that, in response to the Ombudsman's report, the department would ensure:

... that terms of reference for future investigations of a similar nature are very detailed to ensure that we do not repeat the situation that occurred here.

You are saying that there is a simple instruction, not a detailed term of reference?

**Mr Grant**—I was not here at the time, but my understanding of the case is that Mr Pahl's reference was to the BESIU inquiry, not to the CDDA claim, and that the discussion at that time was in advance of the CDDA assessment and before the provision of the CDDA guidelines—which do, in fact, provide quite strong terms of reference for these investigations.

**Senator O'BRIEN**—It is probably accurate that it was the terms of reference for the BESIU inquiry. When it comes to determining the quantum of damages to be paid to Marnic, what is the role of the independent assessor?



**Mr Grant**—Do you mean the investigating officer?

**Senator O'BRIEN**—Yes.

**Mr Grant**—The investigating officer's responsibility is to determine the quantum that is applicable under the guidelines and is payable to the applicant.

**Senator O'BRIEN**—Is that a recommendation to the minister, in effect?

**Mr Grant**—In this case the minister has given the officer the authority to approve a payment of less than \$1 million or to recommend a payment of more than \$1 million for the minister's approval.

**Senator O'BRIEN**—In the Hewett case the independent investigating officer was Mr Kennedy, a former senior officer from the Department of Finance and Administration. Mr Kennedy prepared a draft report which contained the facts of the matter as he understood them. That draft report was then sent to the Hewett brothers via their legal representatives. It contained references to material that the Hewetts did not have and that material was subsequently provided to them so that the then claimants, as well as the department, had all the relevant documents and there was an agreed set of facts. From what you are saying that is not the procedure that has been followed here?

**Mr Grant**—My understanding is that Mr Kennedy undertook the report in one stage. We have chosen to undertake the report in two stages because of the complexity of the matter, so the assessments are being made somewhat differently so there is a difference in the approach being made.

**Senator O'BRIEN**—There has been an assessment that a scheme can apply and there has now been an assessment that there was deficient administration, so that is two stages—and there is a third stage?

**Mr Grant**—Yes.

**Senator O'BRIEN**—Are there any other stages?

**Mr Grant**—The final stage is that once a quantum is determined there is an agreement between the applicant and the government about the amount that will be paid.

**Senator O'BRIEN**—So there is as yet not an agreement on all of the facts and it is not proposed to seek one? That is the impression I am getting from what you are saying.

**Mr Grant**—As I said, there is an agreement on enough of the facts for the investigator to have determined that defective administration was present. The investigator will need to determine the necessary facts and agree on those with the applicant in order to come to a judgment about the amount of compensation that might be due. So part of the next stage of the process, I understand, will involve a further discovery of facts and agreement on facts in terms of the losses that may have been attributed to the applicant.

**Senator O'BRIEN**—The September 1999 report by the Commonwealth Ombudsman *To compensate or not to compensate?* looked in detail at the issues of agencies dealing with compensation claims. The report states on page 47:

Unless there is a reasonable, objective approach to determining the facts in each case it is impossible to have any meaningful discourse with an agency about compensation.

It seems that, although there has been an approaching of that point, it has not been embraced by the department in this case.

**Mr Grant**—I do not accept that. I think the process is still running. There has not been a final judgment made on the investigator's report. There is still a lot of work that he needs to do. I am sure there will be an appropriate agreement on the facts that are relevant to his assessment of compensation that is due.

**Senator O'BRIEN**—So there will be a process of seeking an agreement on the facts relevant to the amount of compensation?

**Mr Grant**—I understand that the officer, through our legal advisers, has written to the applicants seeking the provision of documents which will set out the basis of the claim. They will essentially be the facts that will need to be agreed upon before an assessment of compensation can be made.

**Senator O'BRIEN**—So that is the next step in the process which has already been initiated. The claimants will now need to provide what they claim to be the facts relevant to the determining of the amount of compensation and there will be a process to see whether there is agreement on those facts. Is that so?

**Mr Grant**—Correct.

**Senator O'BRIEN**—Is it true that the claimant disputed a number of facts contained in the stage 1 report that there was defective administration?

**Mr Grant**—We certainly received a letter from the claimant that said that they would have preferred to have seen more in the stage 1 report.

**Senator O'BRIEN**—I understand there are two figures being used as to the quantum of the claim by Marnic. The figure used by the department is considerably higher than the figure Marnic says it is claiming. What do you know about that?

**Mr Grant**—Not very much. I think that is a matter that the investigator will need to take into account. That is part of the assessment of the facts in his stage 2 report.

**Senator O'BRIEN**—I understand that Marnic has advised the department that, prior to the issuing of the fifth permit in 2003—which was 300615340—Marnic and a freight company called SOS freight consultants had discussions with AQIS about potential diseases in bait worms. Is it true that those discussions took place?

**Mr Grant**—Can we ask someone from AQIS to come to the table?

**Senator O'BRIEN**—Yes, Mr Yuile is here.

**Mr Yuile**—I missed your question; I was not at the table.

**Senator O'BRIEN**—My question was: 'I understand that Marnic has advised the department that, prior to the issuing of the fifth permit in 2003—which was permit number 300615340—that Marnic and a freight company called SOS freight consultants had discussions with AQIS about potential diseases in bait worms.' Is it true that those discussions took place?

**Mr Yuile**—Potential diseases in bait worms?

**Senator O'BRIEN**—Yes.

**Mr Yuile**—I will check. That is one of the disputed facts. We have no evidence of that taking place.

**Senator O'BRIEN**—That does not appear in the stated facts in the investigating officer's report. Is that a matter that remains relevant to the amount of compensation?

**Mr Grant**—Potentially. I would not like to second-guess what the investigator will do. It was not more relevant to the finding that there was defective administration that had taken place. You cannot have double-defective administration, if you like, but that will be an issue that will need to be discovered between the applicant and the investigator.

**Senator O'BRIEN**—It may be that the question of defective administration might arise at one point or another, and I am not sure whether that is relevant to the point at which damages should be accrued from. It is alleged that there was a discussion about white spot disease, yellow head virus and taura syndrome at that time. I understand that the risk of white spot disease was proffered by Biosecurity Australia to Marnic in November 2004 as part of its justification for requiring worms to be subject to gamma radiation. Obviously, that would have an impact on the expectations of Marnic, if indeed it had had those discussions in 2003. What records does AQIS keep of discussions with applicants in relation to particular permits? Are all the records available?

**Mr Yuile**—Senator, I might invite Dr Narelle Clegg, who is in charge of the relevant program, to answer that. As a general rule I would expect that, where there are discussions on specific issues relevant to a permit—whether or not it is germane to approval—then I would expect there would be some record kept.

**Dr Clegg**—In this case there were no records of conversations before the application was actually lodged. Marnic were corresponding with AQIS between November 2002 and March 2003, when they lodged their import permit application. AQIS held no paper records of those conversations. We have retrieved the odd email from our system that went backwards and forwards. Marnic themselves provided us at the time that we were saying to them, 'Your permit will be revoked and we're going to give you a new permit with gamma radiation.' They then supplied all the copies of correspondence that they had with our officers in that period, so we have those records on file, courtesy of Marnic. That instituted a change in our own procedures: applicants are no longer able to ring up our officers to seek information without being informed that they need to lodge an application at that time so that we keep all of the records of the conversations on a file.

**Senator O'BRIEN**—In this case it would be difficult to dispute the facts they claim if, as I am told, they have another party confirming such discussions? Apparently SOS freight consultants, according to Marnic, were involved in those discussions.

**Ms Hewitt**—Senator, could I just suggest at this point that we are straying quite deeply into matters that are the subject of a rather serious review that is being undertaken. I am concerned that it is not appropriate for officers to be asked to express opinions or comment on the matter. The process should be allowed to be undertaken under the terms of the scheme. We certainly give you an assurance that the process is being taken very seriously by the department. We have got to a second stage in the process. I think we do need to give the

investigating officer and the other party some time and space to sort through these issues before further comment is made.

**Senator O'BRIEN**—Firstly, the transcript of the proceedings here is not available to anyone in a court of law—that is a matter of fact—and this matter goes to the administration of the department and its agencies. It may be that what we are discovering is that the procedures of AQIS have laid the Commonwealth open to claims that it will have great difficulty defending. That is the point of the exercise here, isn't it?

**Senator Abetz**—I think wide latitude has been given in relation to this matter, but I think we are now getting very close to the line, if not stepping over it. I think it has been common practice in these committees that, if there is a particular investigation being undertaken, you can dwell around the topic but not get right into the heart of the matter. With respect, I think you are now getting into that or very close to it. I think it is worth while to allow these investigations to come to finality before then asking further questions. You have been given a lot of latitude in relation to this matter, but I would suggest caution.

**Senator O'BRIEN**—I understand what you are saying. I am not trying to do other than reveal the nature of administration here. I did say in an earlier question that there was a permit in 2003. The answer that Ms Clegg gave me was that there were no records prior to the permit in 2004, as I understood the answer. Is that right?

**Ms Clegg**—We have records of the application from the time that the applicant lodged it in March 2003. Between November 2002 and March 2003, there are records that we do not have.

**Senator O'BRIEN**—Okay. How many permit applications have you from Marnic in relation to this importation of marine worms?

**Ms Clegg**—I would have to check that.

**Senator O'BRIEN**—I am told that in 2003 the fifth permit was the one I referred to, so there were four before that.

**Mr Yuile**—That related to some slight changes with respect to certifying authorities in host countries. I think it is around refinements to the original permit in my language.

**Senator O'BRIEN**—The refinements all have different permit numbers?

**Ms Clegg**—The refinements do all have different permit numbers. There were a couple of them that contained clerical errors that were made in the production of the permit, so when we got the permit out and looked at it there was an error on it, so we reprinted the permit, removing the error and it has a new number. That is why you are up to the fifth permit.

**Senator O'BRIEN**—Would they all have the one file?

**Ms Clegg**—They are all filed on the one file.

**Senator O'BRIEN**—So they are not filed by permit number, they are filed by applicant name or something, are they?

**Ms Clegg**—They are filed under commodities or applicant name depending on the type of importer we are dealing with. If we are dealing with a very large importer, we group them together with the particular commodity that they are bringing in.

**Senator O'BRIEN**—And that system remains?

**Ms Clegg**—Yes, for the bait worms.

**Senator O'BRIEN**—Is that an agreed fact that there was one permit and a series of refinements of it, Mr Grant?

**Mr Grant**—I cannot answer that, it is matter for the investigating officer in his report.

**Mr Yuile**—There were separate permits, that is clear.

**Senator O'BRIEN**—Yes.

**Mr Yuile**—My explanation is that those permits reflected some variations to the findings.

**Senator O'BRIEN**—There were all about importing marine worms, pretty clearly.

**Mr Yuile**—Yes. That is all I am saying. They were not as I understood it new applications but variations to the permit because there was a change in a certifying authority.

**Senator O'BRIEN**—Is it also true that those permits were actioned, that there were imports?

**Ms Clegg**—Yes.

**Senator O'BRIEN**—So in each individual case, there could have been and in some cases were imports on those permits?

**Mr Yuile**—Yes, we are only talking a small amount.

**Senator O'BRIEN**—Trial shipments?

**Mr Yuile**—Yes.

**Senator O'BRIEN**—I understand that Mr Dalton is the officer investigating.

**Mr Grant**—Mr Dalton is the officer investigating.

**Senator O'BRIEN**—Does he report to the minister with what we described as the second stage, the investigating officer finding that there was a claim?

**Mr Grant**—Yes, the minister has commissioned Mr Dalton to undertake the review and the assessment, so Mr Dalton will report to the minister.

**Senator O'BRIEN**—But has he provided a report to the minister that there is a claim under the defective administration provisions?

**Mr Grant**—Yes, he provided the final stage one report that was provided to the applicant. That went to the minister as well.

**Senator O'BRIEN**—So what the applicant has, the minister has at this stage?

**Mr Grant**—That is correct.

**Senator O'BRIEN**—Does the department get a copy of that?

**Mr Grant**—Yes, we do.

**Senator O'BRIEN**—Okay. So do you know whether that sets out agreed facts or not?

**Mr Grant**—Let me go back. The purpose of the investigation was not per se just to agree a set of facts. The purpose of the investigation was to determine whether defective

administration occurred. On the basis of the documents provided by the applicant and Mr Dalton's investigations with AQIS and others, he has determined that there was defective administration. Enough of the facts have been determined to make that judgment.

**ACTING CHAIR (Senator Ferris)**—Senator O'Brien, we are scheduled to stop a break. Are you happy to stop now?

**Senator Abetz**—Before we do, can I indicate that the person we were seeking, Amelia Duck, no longer works in that area and I understand is now engaged in other parts of the Public Service. Therefore the request or direction would apply to her and she will not be available for questioning. In short, she has moved from the WEA to, I think, ABARE and she has moved on from that position and is therefore covered by the direction to other public servants.

**Proceedings suspended from 10.31 am to 10.45 am**

**Senator O'BRIEN**—Has there been communication from the claimant Marnic in relation to the findings of fact by Mr Dalton in the first stage of Mr Dalton's consideration of this matter?

**Mr Grant**—Yes, I believe so.

**Senator O'BRIEN**—Is it fair to say that there is a dispute about the factual basis on which the assessment of the claims is to be made by Mr Dalton?

**Mr Grant**—I think the claimant would have preferred to have seen the report expanded to a much more detailed level and to have included additional items they would have liked to have seen included.

**Senator O'BRIEN**—So that is 'yes'.

**Mr Grant**—Well, no, I am not sure—

**Senator O'BRIEN**—So it is 'no': they do not disagree with the factual findings—

**Mr Grant**—I have seen no indication that the client disagreed with the finding that there was defective administration. I think they said—

**Senator O'BRIEN**—'The findings of fact,' I said, not the finding that there was defective administration.

**Mr Grant**—My understanding is that they agree with the findings of fact that have gone into determining that there was defective administration, and they would have preferred to have seen other findings included in the report.

**Senator O'BRIEN**—Do they claim that there are aspects of the report which are inaccurate?

**Mr Grant**—I believe so, yes.

**Senator O'BRIEN**—Does that mean that there is a dispute about the factual basis on which the assessment of the level of compensation would be made?

**Mr Grant**—Not that I would understand from that. The assessment of compensation has not taken place yet in terms of the stage 1 report. That is a matter that still needs to be

assessed in stage 2. I do not think any disagreement about the stage 1 report should impact assessment under stage 2.

**Senator O'BRIEN**—Is there an obligation on the officer assessing the claim under the CDDA scheme to make findings of fact as to each allegation of defective administration?

**Mr Grant**—Not that I am aware of.

**Senator O'BRIEN**—I thought that compensation could only be paid in relation to losses which are a direct consequence of each act of defective administration.

**Mr Grant**—Yes, that is true. So there has to be an assessment of the facts that pertain to the level of compensation that is paid, but, if I understood your question correctly, there does not have to be an agreement on all the facts surrounding all the issues—

**Senator O'BRIEN**—No, I said 'finding'. The officer must make a finding of fact as to each allegation of defective administration.

**Mr Grant**—I am not quite sure I understand your question.

**Senator O'BRIEN**—The question was: is it true that there is an obligation on the officer assessing a claim under the CDDA scheme to make findings of fact as to each allegation of defective administration?

**Mr Grant**—Yes, I would accept that. I think that is fair to say.

**Ms Hewitt**—Without wanting to prolong unnecessarily the discussion, I think there may be questions that relate to whether the allegations fall properly within the scheme. I would just add that rider. I am not familiar with any of the detail of this, but I do think the reviewing officer must be bound and guided by the terms of reference under which the scheme operates—those issued by the Department of Finance and Administration. Those two sets of factors need to be borne in mind. I continue to be a little bit concerned that we are drifting into the detail of the matter under review.

**Senator O'BRIEN**—I do not think so. I think if we were asking what particular matters of fact were and were not agreed we might be getting there. This is about the process. Does the department have a role in seeking to have the investigating officer determine particular matters, or is it simply for the investigating officer to determine how he conducts himself?

**Mr Grant**—The guidelines under the Finance circular relating to the CDDA scheme in a sense set the terms of reference for the investigating officer, so he needs to work within those guidelines, so the department does not have any extra role in directing or ensuring that the investigating officer steers a certain course.

**Senator O'BRIEN**—That does not mean it cannot propose a certain course of action, does it?

**Mr Grant**—No, the department has not proposed a certain course of action. We, of course, work with the investigating officer to assist in progressing the claim, but the investigating officer has the responsibility for progressing the claim.

**Senator O'BRIEN**—Just so that I can understand the process—I have got a copy of the department of finance circular, which says a number of things—do the factors that are taken

into consideration when assessing a level of compensation for detriment mean that the loss includes opportunity costs?

**Mr Grant**—Yes, in section 22 of the Finance circular, the first dot point talks about assessing the amount of quantifiable financial loss, including opportunity costs.

**Senator O'BRIEN**—Clearly then, I see it also says that non-financial damage is compensable—

**Mr Grant**—Yes, if applicable and demonstrated—

**Senator O'BRIEN**—including stress, pain and suffering, inconvenience or other qualitative elements of that nature. I understand it says that it refers to legal principle and practice in relation to non-financial losses. Does that mean that there is some necessity for the investigating officer to have legal qualification, or does that simply allow the assessing, investigating officer to rely upon legal advice to resolve certain matters?

**Mr Grant**—My reading of the guidelines suggests that the officer can rely on legal advice in order to take into account that part of the guidelines.

**Senator O'BRIEN**—In relation to the impact of defective administration on, for example, stress suffered, does the department seek medical advice in assessing its approach to any claim?

**Mr Grant**—I am not aware that has come up in a claim to date, but if it were to come up then I would guess the department would seek medical evidence of the stress incurred and then other evidence that might link it to the defective administration. I said, 'the department'; it is the investigating officer who would undertake those actions, not the department.

**Senator O'BRIEN**—Does the department have a role in this process? I presume the investigating officer would talk to the department about its view of the facts, or would they simply talk to AQIS and not the department?

**Mr Grant**—Where we can assist the investigating officer with understanding the guidelines or the provision of any technical advice that we might be skilled in, then we will certainly try to assist the officer. The officer would talk to AQIS in determining the facts and might seek legal advice, might seek accounting advice, might seek medical advice. So the investigating officer really needs to seek the advice he needs to come to a judgment about the matter at hand.

**Senator O'BRIEN**—Is there a claim for non-financial damage in the Marnic case?

**Mr Grant**—I am not aware of that. We have asked the applicants to provide further information to substantiate their claims. That is yet to be provided, so I am not able to comment on that.

**Senator O'BRIEN**—I take it the investigator would simply rely on the department of finance guidelines in determining how he would assess the financial loss incurred by the claimant, if any.

**Mr Grant**—The Finance guidelines are the basis of the scheme, so they would be the main point on which the investigator would rely, yes.

**Senator O'BRIEN**—If it is the main point, what else would he have regard to?



**Mr Grant**—He needs to make his own judgment against these guidelines. There might be other advice of a legal, medical or accounting nature that he would need to take into account. The guidelines are a little broad, as you would appreciate, so he needs to make a judgment as to the individual circumstances of the case and assess it against the guidelines.

**Senator O'BRIEN**—And in this case, the minister will only be the final decision maker if the investigating officer determines that compensation in excess of \$1 million should be paid. Is that how I should understand your answer?

**Mr Grant**—Yes. The minister will need to approve a payment if the investigating officer recommends that a payment of more than \$1 million be made.

**Senator O'BRIEN**—And if it is below \$1 million, assuming it is acceptable, the matter is determined at that point?

**Mr Grant**—The matter is determined by the investigating officer and, of course, he consults the minister in the course of his responsibility to the minister as his appointed officer in this matter.

**Senator O'BRIEN**—I am just trying to understand the nature of the authority. Does he still need to consult the minister if he says the claimant should get \$999,000?

**Mr Grant**—He would consult the minister on that, but the authority provided by the minister allows the officer to make a decision on a payment of \$990,000, for example.

**Senator O'BRIEN**—Dr Clegg, you said today that your records in relation to this matter run from March 2003.

**Dr Clegg**—Yes.

**Senator O'BRIEN**—At the last hearings I asked a series of questions about shipments of these worms that were in fact approved by AQIS prior to the issue of a permit in February and March 2003, and I think you said AQIS had issued a permit and that permit did not distinguish between trial shipments and commercial shipments. In short, it seems to me that the shipments I have referred to did not come in on a permit at all and did not require a permit. Is that a fair understanding?

**Dr Clegg**—Yes, that is fair, Senator O'Brien. The records that we have are about the application that Marnic Worldwide made to import worms for bait. They did import five consignments prior to that—you gave the dates of all of those imports—as trial shipments. They were not for use as bait. Because they were not for use as bait, they could come in under the condition in the proclamation that preserved specimens in alcohol could be imported for display. We had an undertaking from the importer that that is what he would be using them for.

**Senator O'BRIEN**—So it is AQIS's position that they came in specifically not to be used as bait or as a sample shipment of bait?

**Dr Clegg**—Yes. I would imagine that he would use them to show people what he was going to be selling. We get lots of people applying for samples.

**Senator O'BRIEN**—But in February—I take this from my question put to you—I said:

I am advised that this product previously imported has been distributed to 14 wholesalers in the retail sector from Townsville to Perth, so there is a very wide distribution of the samples of this product. I have a number of dockets from AQIS regarding aspects of these shipments from around the middle of 2003. I take it from your answer that, once Marnic brought the material in, it was free to distribute the worms for general use as bait.

And you answered, ‘Yes, that is correct.’

**Dr Clegg**—Once Marnic had an import permit for bait, and they had that in April 2003, they were free to take their import and use them as bait. At the time that I was answering your question, I really had not thought about when they had the permit. You were specifically asking about February, is that correct? At that time, they did not have a permit, so they could not use it for bait at that time.

**Senator O’BRIEN**—So that was the answer in relation to the permit issued on 7 April?

**Dr Clegg**—The permit issued on 7 April, they could take their samples anywhere they liked and use them as bait.

**Senator O’BRIEN**—On page 190 of the same *Hansard*, I again went to the issue of pre-permit shipments of these worms, and you were going to clarify the issue of these shipments on notice. The answer in 1631 says that a permit is only needed if the worms were to be used as bait.

**Dr Clegg**—Yes, that is right.

**Senator O’BRIEN**—I guess that has been further clarified by your answer today.

**Mr Yuile**—It is about the display issue, which happened prior to the April import permit being issued.

**Dr Clegg**—Yes.

**Senator O’BRIEN**—Mr Grant, if Marnic does not accept the assessment of the investigating officer, what is the process then?

**Mr Grant**—Marnic has an appeal process that he can take through the Ombudsman. He can ask the Ombudsman to investigate the issue and make recommendations. In the event, he can decide to take litigation through the courts.

**Senator O’BRIEN**—They are the only corporate policy questions I have. We can move on to food and agriculture if no-one else has questions in this area.

[11.04 am]

**ACTING CHAIR**—I do not believe so, Senator O’Brien. We will now move on to section 3, Food and Agriculture.

**Ms Hewitt**—Mr Mortimer will not be with us today as he is unavoidably absent, but we have other colleagues from the division representing him.

**ACTING CHAIR**—Senator O’Brien, do you have questions specifically for Ms Hewitt that we can start with?

**Senator O’BRIEN**—I was going to start on the Australian HomeGrown campaign.

**Ms Hewitt**—In that case, I think we will wait for the colleagues to join us. It is quite a detailed matter.

**Senator O'BRIEN**—Ms Hewitt, I was just telling the chair that we were going to try and ask the department questions, then the Wheat Export Authority and then the GRDC. It may not quite work out like that, but that is what we will try. The Australian HomeGrown campaign is the first issue I want to raise. In last year's PBS, on page 19 at table 2.5, there was a forecast expenditure for this program of \$2 million for the current financial year. The revised forecast in this year's PBS, on page 19 at table 2.5, is just \$540,000. Can you advise me how this project is progressing and why there is such a significant shortfall in expenditure for this year?

**Mr Murnane**—A key part of the commitment on HomeGrown was that the government expenditure needed to be matched by industry. As the program has evolved over the past 12 months, the industry support has not been forthcoming in the way that had been expected at the time of last year's budget. That has resulted in a slower than expected expenditure and hence the reprofiling of funding into next year.

**Senator O'BRIEN**—Can we expect industry support to be forthcoming next year, if it has not been this year?

**Mr Murnane**—We have made it clear to industry that any further government expenditure will require matching expenditure by industry.

**Senator O'BRIEN**—And what is industry's response?

**Mr Murnane**—We are currently waiting on a detailed business plan from industry that would specify how they expect the HomeGrown campaign can become a self-funding industry driven initiative in the medium term.

**Senator O'BRIEN**—What was the basis of the \$2 million originally? Was there some undertaking from industry that they would match it?

**Mr Murnane**—There was an election commitment from the previous election. Part of that commitment was that it would be a joint government-industry initiative and that government funding would be matched by industry.

**Senator O'BRIEN**—They were the government's words. What did industry say?

**Mr Murnane**—The industry was happy to accept it on those terms.

**Senator O'BRIEN**—Do they give a similar assurance now about next year?

**Mr Murnane**—The status at the moment is that we have made it clear to industry that further funding will require that matching commitment from industry. As I say, we have made it clear that we need a detailed business plan as to how the initiative can become self-funding industry driven.

**Mr Banfield**—A couple of points might help for clarification. As Mr Murnane said, yes, there have been some difficulties with the Australian HomeGrown expenditure under that program element. Australian HomeGrown in that form is based on a specific business model. The government agreed to match dollar for dollar in the establishment of HomeGrown, but my understanding is—and Mr Murnane will correct me if I am wrong—that that was based on

essentially a licensing, if you like, of Australian HomeGrown. So there was a particular business model around the approach which was taken in Australian HomeGrown. As Mr Murnane said, that has not received unanimous support from industry, but the government is—and you may be aware of statements that the minister has made on that—looking at the principles, if you like, of an Australian HomeGrown type label in whatever business model, and we are continuing to look at that possibility.

**Senator O'BRIEN**—So is the sticking point the business model? I am not sure exactly what you mean by 'the business model'.

**Mr Banfield**—It is based on essentially, as I understand it, the licensing of a logo. Companies would pay a licence fee, effectively, to use the logo.

**Senator O'BRIEN**—Is that where the matching contribution comes or is that on top of the matching contribution?

**Mr Murnane**—That would have been one of the sources of matching contributions. In short, I guess, the uptake of licensing arrangements was not as quick as the industry sponsors would have hoped.

**Mr Banfield**—But the point I am making is that whilst it has been under expenditure in the Australian HomeGrown in that particular form—and there are some difficulties there—the government is looking at, and working with industry to see, whether an Australian HomeGrown label, in whatever form, might be further pursued. So the idea is still very much alive.

**Senator O'BRIEN**—On page 27 of this year's PBS, in table 2.3, there is no funding identified for this coming financial year from the wheat export levy. I take it that is because the levy ends on 30 June and there is no current legislative provision to extend it. Can it be extended by regulation, or is there need for legislative amendment?

**Mr Phillips**—It can be done by regulation; it is a disallowable instrument. The necessary regulation was tabled in parliament on 11 May to remove that sunset clause.

**Senator O'BRIEN**—The current levy is struck on exported wheat at a rate of 22c per tonne, and there was an agreement I think last year to cut that rate to 19c. How was that agreement struck? What was the basis of that agreement?

**Mr Phillips**—Under the arrangements, the Grains Council of Australia is the nominated body for making the recommendation to the minister on this. It consulted with the Wheat Export Authority as to what they would recommend to the minister. The Wheat Export Authority and the GCA consulted each other, came to a view as to what the rate could be and they made a recommendation to the minister.

**Senator O'BRIEN**—They negotiated and recommended an amount to the minister and the minister ratified it.

**Mr Phillips**—Sorry?

**Senator O'BRIEN**—That is the Grains Council of Australia and the Wheat Export Authority negotiated the rate, the 19c, and they recommended that to the minister.

**Mr Phillips**—They consulted each other and the GCA made a recommendation to the minister.

**Senator O'BRIEN**—And the minister approved their recommendation?

**Mr Phillips**—The minister wrote to them in November at that time saying he agreed with that recommendation at that point, yes.

**Senator O'BRIEN**—As I understand it from media reports at the time, the Wheat Export Authority said it could operate comfortably on a levy struck at 19c. Was the department a party to those discussions between the GCA and the Wheat Export Authority?

**Mr Phillips**—No, what the department did do was make sure that the GCA consulted with the WEA in reaching a view in making that recommendation to the minister, because the GCA under the way the law is structured is obliged to consult with WEA in reaching that recommendation.

**Senator O'BRIEN**—Is it true the minister has now decided that the rate should remain at 22c?

**Mr Phillips**—Yes.

**Senator O'BRIEN**—Apparently, he says it is because of consequences for the Wheat Export Authority flowing from the Cole inquiry. So he simply needs to promulgate a regulation to increase it to 22c, does he?

**Mr Phillips**—No, it is at 22c now. He would have had to have done something to lower that. It had not been lowered, so it remains where is.

**Senator O'BRIEN**—Despite the Wheat Export Authority saying that they were very happy to live on 19c.

**Mr Phillips**—You will have to ask the Wheat Export Authority about that. My understanding is they would be dipping into their reserves to be able to live with a rate of 19c.

**CHAIR**—When you do that, do you do that against the set of forward estimates for the budget?

**Mr Phillips**—When I do what?

**CHAIR**—If you are going to strike a rate. You are the General Manager of the Wheat, Sugar and Crops branch. I am just wondering what you actually do, but I can come to that later—we will have a bit of interesting times—but, obviously, you have to have a levy to fund these things. Do they strike it against some touch and feel criteria or is it just a best guess?

**Mr Phillips**—It is an assessment of what the operating costs of the Wheat Export Authority are going to be, what the likely crop size and exports are going to be, what the levy would have to be set at to cover the expenses of the Wheat Export Authority. I suggest it is a question you direct to the Wheat Export Authority.

**CHAIR**—Yes, it would anticipate in some way the workings of the Wheat Export Authority, though.

**Mr Phillips**—There are obviously some estimates that have to be made about what are going to be the expenses for the forthcoming year for the Wheat Export Authority, what the

likely exports of wheat are going to be for the next year and hence what rate the levy has to be set at to be able to cover those costs.

**CHAIR**—But if you did not go to that level, you see, you may put in danger the bonus system.

**Mr Phillips**—I cannot comment on that.

**CHAIR**—It is interesting that some people in these roles are paid more than the PM. Do not comment on that; I will come to that later too.

**Senator O'BRIEN**—How much money has the sugar tax now raised, and can you give us an indication of how much longer this tax will remain?

**Mr Souness**—The sugar levy to date has raised \$58.7 million, and the levy is anticipated to remain in place until December 2007.

**Senator O'BRIEN**—What is the target to be raised?

**Mr Souness**—Approximately \$94 million, but I do not have the figure exactly in my head.

**Senator O'BRIEN**—Am I correct in saying that the \$44 million package announced by the government in 2004 was designed to deliver two outcomes: first, short-term support to growers and, second, long-term restructuring of the industry to ensure it could sustain future declines in world price for sugar and/or adverse seasons?

**Mr Souness**—Restructure and reform, that is correct.

**Senator O'BRIEN**—How important was it for the industry to take the opportunity offered by this significant package to restructure?

**Mr Souness**—The government thought it was important, obviously, that the industry take up this opportunity to improve its competitiveness into the future.

**Senator O'BRIEN**—Can I get some detail about progress to date—perhaps we will come to that. First, can you tell me exactly how the government is monitoring the progress of the restructuring package?

**Mr Souness**—The regional advisory groups have lodged their plans, as you are aware. The industry oversight group is then monitoring the implementation of those plans. They recently met with the regional advisory groups and are preparing advice to the minister which we expect to be lodged in June this year, in terms of progress that is.

**Senator O'BRIEN**—There were to be biannual reports from each regional group. What was the start date for each of these regional plans?

**Mr Souness**—There are to be biannual reports. The first report was prepared in December last year, and the industry oversight group is in the final stages of assessing those and will provide advice to the minister in June. So it has started that process.

**Senator O'BRIEN**—So it takes six months to get from the original report to the advice to the minister?

**Mr Souness**—I think the first one was a little more complex given the industry oversight group had settled its vision statement and the first round of the regional and community projects were also kicking off, so they need to be part of the mix.

**Senator O'BRIEN**—For each region there has been one report lodged to date?

**Mr Souness**—I understand so, with the industry oversight group.

**Senator O'BRIEN**—Were they all lodged in December?

**Mr Souness**—I understand so. I could not give an exact answer on that, but I understand they have been.

**Senator O'BRIEN**—Could you take that on notice and give us the details of when the plans were lodged for each region?

**Mr Souness**—Certainly.

**Senator O'BRIEN**—Do they go to the industry oversight group?

**Mr Souness**—That is right.

**Senator O'BRIEN**—They are then discussed with the regional advisory groups again?

**Mr Souness**—The industry oversight group met physically with each of the regional advisory groups as part of their assessment process in the preparation of their report to the minister.

**Senator O'BRIEN**—What happens if the contents of these reports are not satisfactory to the industry oversight group? Do they go back and consult, or would they just report that to the minister?

**Mr Souness**—The plans are intended to be a living document. They will be enhanced based on the experiences we are having with the program. Feedback will be provided through the industry oversight groups to the regional advisory groups.

**Senator O'BRIEN**—So while there is a report to the minister, the document is changing?

**Mr Souness**—There is feedback there, I think, that enables the plans to be updated based on experience and advice from the industry oversight group.

**Senator O'BRIEN**—Are there formal reviews scheduled of the effectiveness of the package?

**Mr Souness**—Not that I am aware of. The industry oversight group has that role in terms of advising the minister on progress of the reforms.

**Senator O'BRIEN**—So you are spending just short of half a billion dollars and there is no plan to undertake a formal review of how the money has been spent and the outcomes that have flowed from the expenditure?

**Mr Souness**—I think it was intended that the industry oversight group would provide that role and report to the minister.

**Senator O'BRIEN**—Is that the only review? The review by the industry oversight group is the review?

**Mr Souness**—It is more a constant assessment process than a single review.

**Mr Banfield**—I do not think your comment that a \$440 million package would not be reviewed is correct. It is normal process of government that packages are reviewed. My expectation is—I do not have the details with me—that the program would be reviewed.

**Senator O'BRIEN**—I am happy for you to take it on notice but I got a different impression from the answer earlier.

**Mr Banfield**—It is normal process when funds are appropriated for particular programs that programs are reviewed, as you know, on a regular basis. I certainly would expect that that would be the case with this one, but I do not have the details to hand.

**CHAIR**—But if you strike gold at some stage, which the sugar industry may be about to strike, would there be any need for it?

**Senator FERRIS**—They have struck it.

**CHAIR**—They have struck it, yes. The original assistance was for a beleaguered industry in a bad way where a lot of them were trying to make an income from what their grandfathers did. Obviously to be a wheat grower or wool grower you have to move with the times. That mood in the sugar industry has moved on a bit now.

**Senator O'BRIEN**—How cyclical is that?

**CHAIR**—I am sorry to put a spoke in the wheel.

**Mr Banfield**—No, I would not want to stray into policy matters either.

**CHAIR**—I am sure you would not.

**Mr Banfield**—I will make a couple of comments and my colleagues might have something else to say. Essentially with some of these programs, as you know, there is rigorous criteria for the eligibility for particular support. The other comment I make is that the programs themselves are designed to encourage longer term restructuring within the industry, as Senator O'Brien has mentioned. So whilst it is true that the price of sugar has improved somewhat—thankfully—those issues still need to be addressed. Markets are fickle things.

**CHAIR**—Is there an assessment of the restructure? Have half the little blokes gone?

**Senator FERRIS**—It is being reviewed.

**Mr Banfield**—I do not have the details of the review issue. I have undertaken, through Senator O'Brien, to take that on notice. We will come back with details about the review processes we have in mind.

**Senator O'BRIEN**—At the last hearing Mr Mortimer told us that the industry oversight group was finalising its strategic plan and that plan was then to go to the minister. Did that actually happen?

**Mr Souness**—The true title is the *Sugar industry oversight group strategic vision*. That was launched by the minister recently. I think that at least a summary document is available on the department's website.

**Senator O'BRIEN**—There have been two rounds of regional community project grants. What is the total value of these grants, and how many rounds will there be?

**Mr Souness**—The minister has announced the second round. We are still settling the financial agreements with the successful applicants. The current commitment for rounds 1 and 2 is \$41 million, but in expenditure to date we are looking at \$1.17 million.

**Senator O'BRIEN**—The combined total for rounds 1 and 2 is \$41 million?



**Mr Souness**—Yes, \$41 million. Sorry—\$4.7 million was the total amount committed for round 1 and \$36 million for round 2. To answer your third question, the minister is expecting to announce round 3 in the near future. There is currently approximately \$34 million still remaining in that program. Based on round 2, which was a total of \$36 million, it is possible that round 3 could be the last round, depending on the number of applications and the size of those.

**Senator O'BRIEN**—At the last hearing Mr Mortimer told us that \$227 million of the original allocation of \$444 million had been spent. Can we get an update on that number, please?

**Mr Souness**—As of 18 May, the figure stands at \$234.502 million.

**Senator O'BRIEN**—Looking at the amounts of money yet to be spent, most of it is for community project grants, is it?

**Mr Souness**—Currently, including the round 2 commitments, there is about \$34 million left in the regional community projects. There is approximately \$52.2 million left in the re-establishment grants and about \$25.6 million left in the restructuring grants.

**Senator O'BRIEN**—What was the original re-establishment grant allocation?

**Mr Souness**—The original allocation for re-establishment grants was \$96 million, less an amount for administration.

**Senator O'BRIEN**—So we have \$44 million spent, have we?

**Mr Souness**—\$42.978 million.

**Senator O'BRIEN**—Plus admin?

**Mr Souness**—Yes.

**Senator O'BRIEN**—Admin is about \$2.1 million, is it?

**Mr Souness**—The amount available for those grants is \$95.239 million.

**Senator O'BRIEN**—How much in total is available to administer them?

**Mr Souness**—For the whole program?

**Senator O'BRIEN**—Yes.

**Mr Souness**—\$424.99 million.

**Senator O'BRIEN**—Call it \$425 million. What parts of the original package, if any, are yet to be implemented?

**Mr Souness**—All the elements of the package either have been fully implemented or continue to be implemented. There is none to commence. So all elements have either completed their implementation or continue to be implemented, such as the RCPs grant program.

**Senator O'BRIEN**—At the last hearing I referred to the comment by the industry oversight group that these regional plans had to have specific, realistic and measurable targets; that they had to detail how structural adjustments would occur, when changes would be completed and what those changes would achieve; that they had to quantify and provide

evidence of added benefits to the region of changes to the plan; and that they had to contain contingency plans where identified strategies were not implemented, to provide regions with flexibility to find alternative paths to achieve the region's goals. Was this test applied to all the regional plans?

**Mr Souness**—Yes, in their assessment of those plans. That is the work the industry oversight group is undertaking now, to report to the minister in June.

**Senator O'BRIEN**—Does the department make its own assessment of the plans in that regard?

**Mr Souness**—No. That is the role of the industry oversight group.

**Senator O'BRIEN**—Has the industry oversight group advised that all plans complied with those tests?

**Mr Souness**—No. They are preparing that advice for the minister. As I said, it is expected to be provided to the minister in June.

**Senator O'BRIEN**—Does their advice come to the department as well—or through the department?

**Mr Souness**—Through the minister's office, I would guess.

**Senator O'BRIEN**—I ask that because the public versions of these plans in most cases do not provide evidence that the above tests have been met. Can the department reassure the committee that the detailed plans—the ones that have not been released—do meet all of these tests?

**Mr Souness**—We have not made that assessment. The industry oversight group has access to those detailed plans and will make that assessment.

**Senator O'BRIEN**—Does that mean the department does not have access?

**Mr Souness**—I think the department does have access, but it is the role of the industry oversight group to make that assessment.

**Senator O'BRIEN**—Mr Mortimer said at the last hearings that regional groups drafted their own plans as they saw fit. Can you confirm that that allows regional groups to ignore the tests laid out by the industry oversight group, to avoid these plans providing for a patching and repairing approach, rather than undertake a genuine structural reform?

**Mr Souness**—No, I cannot confirm that. The industry oversight group has the role of ensuring that the plans are implemented effectively and of providing the feedback loop to the regional advisory groups as more experience is gained from the implementation of the regional and community projects, for example. As reform carries on, the industry oversight group has that industry-wide view. It will assess the plans and provide feedback, as well as advice, to the minister.

**Senator O'BRIEN**—Can we be confident that, if the minister, having received the report from the industry oversight groups, approves of the plans, they will produce genuine restructuring in the industry?

**Mr Souness**—That is the government's expectation.

**Senator O'BRIEN**—Given that we are not seeing the plans, is it intended they will be released after the minister has received a report?

**Mr Souness**—I am not aware whether they would be released. I think as stated in the last estimates hearings, the plans contain some commercial-in-confidence information. It depends on whether that information is still of a commercially sensitive nature.

**Senator O'BRIEN**—Will the minister inquire beyond the reports he receives if he is not completely satisfied that the plans will achieve the genuine restructuring of the industry that the government feels is necessary?

**Senator Abetz**—Can you repeat that question?

**Senator O'BRIEN**—Will the minister inquire beyond the reports? Will the minister determine and advise the public if the plans do not achieve the restructuring that the government requires?

**Mr Souness**—We could take that on notice.

**Senator O'BRIEN**—Can you confirm for me that the funding for the regional and community projects is contingent on them being consistent with the regional plans?

**Mr Souness**—Yes. The intention is that the project applications are consistent with the plan, and that is the role of the regional advisory group. The applications first go to the regional advisory groups, where they are assessed against the plans. Then the advice of the regional advisory groups goes to the industry oversight group.

**Senator O'BRIEN**—They make the final assessment, do they?

**Mr Souness**—The industry oversight group then assesses them against the vision and the broader industry issues and provides advice to the minister.

**Senator O'BRIEN**—Who makes the final decision?

**Mr Souness**—The minister does.

**Senator O'BRIEN**—Does the department have any role in assessing applications for community projects to ensure they are consistent with regional plans?

**Mr Souness**—No. The industry oversight group has that role.

**Senator O'BRIEN**—Does that mean all the bits of this package are interrelated?

**Mr Souness**—In terms of the overall expectation of the restructure and reform of the industry, yes, they are interrelated.

**Senator O'BRIEN**—In relation to the South Johnstone mill, at the last hearing I asked Mr Mortimer about the settlement arrangements relating to the package provided by Mr Truss to keep the mill operating. The issue was whether the settlement reached was valid, because a number of growers did not sign up to the terms of the agreement. I am not sure if we received an answer to that question. I wonder if you can point me to it if we have.

**Mr Souness**—The settlement is binding on all parties. I understand some growers were not signatories to those, but they are bound by the settlement.

**Senator O'BRIEN**—Did we actually receive an answer to that effect?

**Mr Souness**—I would have to check on that. I thought it was provided but I cannot be sure.

**Senator O'BRIEN**—I am not going to say it was not, but I do not recall seeing it. There have been many that have come in, and some have come in quite late.

**Ms Hewitt**—I am almost certain that you have received all the answers, but the terms of it I could not recall. We could come back to that in a couple of minutes, in order not to hold up proceedings. We will chase it.

**Mr Souness**—I have just been informed that the response to that question was provided to the committee last night.

**Senator O'BRIEN**—Perhaps you could read the answer to me. That might help me more

**CHAIR**—Was that at five to 12?

**Mr Souness**—I am not aware of the time. Would you like me to read the answer?

**Senator O'BRIEN**—Yes, please.

**Mr Souness**—It is in the form of two paragraphs—it is fairly short. It says: 'Yes, the department did obtain legal advice concerning the enforceability of the terms of settlement regarding the growers who did or did not sign up to those terms of settlement. Legal advice was provided by the Australian Government Solicitor and counsel representing the Commonwealth. The terms of settlement reached between all parties involved in the Supreme Court proceedings in Queensland are confidential. Since the advice was obtained as part of the process leading to the terms of settlement, the advice should not now be disclosed.'

**Senator O'BRIEN**—Thanks for bringing me up to date on that answer. I am sorry I did not read it last night.

**Senator McLUCAS**—I have asked on a number of occasions in this committee for a copy of the regional plan for Far North Queensland and a plan for the industry oversight group, and the department has indicated that that is not possible. Can you tell us why?

**Mr Souness**—Included in the regional plans is some commercially sensitive or commercial-in-confidence information which the regional advisory groups certainly did not want to be made public. That is why only summary copies without that commercially sensitive information have been provided.

**Senator McLUCAS**—Have been provided?

**Mr Souness**—Yes.

**Senator McLUCAS**—Is the industry oversight group's strategic plan available?

**Mr Souness**—The correct term for that is the industry strategic vision. That was launched by the minister recently. There is at least the summary document of that available on our website.

**Senator McLUCAS**—Is it true that three of four major projects that were rejected by the far northern group were approved by the industry oversight group?

**Mr Souness**—The regional advisory group go through and assess the applications that come from the area against their plans. Then that advice goes to the industry oversight group,

who then look at all those applications and make their own judgment based on the broader industry direction and priorities.

**Senator McLUCAS**—So is it true that three of four major projects that were rejected by the FNQ RAG were approved by the IOG?

**Mr Souness**—I am not aware of those that were rejected. The minister announced the 21 successful ones but I am not aware of any that may have been rejected in the IOG process.

**Senator McLUCAS**—Who can I ask that question of?

**Mr Souness**—We can take that on notice, see if we have that advice and see if we can answer the question.

**Senator McLUCAS**—Are you aware that the regional advisory group of Far North Queensland believes it was publicly humiliated—that is the term they used—because a number of projects they had recommended against had been approved by the minister?

**Mr Souness**—I am aware that the Far North Queensland group expressed its concerns. The Far North Queensland regional advisory group has since met with the industry oversight group and they discussed those issues, I understand. The chairman of the Far North Queensland regional advisory group put out a press statement recently saying that their concerns have now been addressed, that they look forward to working with the industry oversight group and that those issues have been resolved.

**Senator McLUCAS**—Do you know how those concerns were resolved?

**Mr Souness**—No, I do not. That was part of the discussions between the industry oversight group and the Far North Queensland group.

**Senator McLUCAS**—How do you imagine that growers, millers, harvesters and the community more generally can understand what has occurred, given the veil of secrecy over this very large amount of money?

**Mr Souness**—I am not sure that there is a veil of secrecy there. I think we have the structure in place at both a local and industry level. We have the regional advisory groups that are there to work with their local industries and communities—I think there is a robust and thorough dialogue that goes on at that regional level—and then the regional groups working with the IOG on the industry-wide priorities.

**Senator McLUCAS**—That is all very well if you happen to be a member of the RAG. How do I, as a North Queensland, get an understanding? How does a mill worker who works at the Mossman mill know that this money is being appropriately allocated?

**Mr Souness**—The regional advisory groups are representative. There is no secret about who is on those groups. It is quite possible for consultation to occur at a local level with the membership of the regional advisory groups.

**Senator McLUCAS**—I think that is occurring in Far North Queensland, but when three out of four projects are recommended ‘not for funding’ and are then funded, our community is somewhat concerned about why that has occurred. I am sorry but just to be able to say all these issues have been resolved does not give us much confidence that that has occurred.

**Mr Souness**—It would seem that the regional advisory group in Far North Queensland was satisfied, coming out of the discussions with the industry oversight group, and issued a media release accordingly.

**Senator McLUCAS**—Do you know how that resolution occurred?

**Mr Souness**—I cannot answer that, because it was from discussions with the industry oversight group. They met and had a forthright discussion, but I am not aware of how that was resolved.

**Senator McLUCAS**—Neither am I, and that is the point.

**Mr Souness**—They did state that both the industry oversight group and the Far North Queensland regional advisory group were satisfied with the outcomes of those discussions.

**Senator McLUCAS**—Did the department have any role in organising the meeting between the IOG and the RAG?

**Mr Souness**—No. The IOG organised that meeting.

**Senator McLUCAS**—What due diligence is undertaken to ensure that moneys that are going to be allocated will actually deliver an outcome?

**Mr Souness**—Are you talking particularly of the regional community projects?

**Senator McLUCAS**—Yes.

**Mr Souness**—The department take a risk management approach to this issue. We rely to some extent on the regional advisory groups. They are on the ground at that local level. But, as necessary, we will also retain the right to assess performance against the financial agreement that the department negotiates with the grant recipient, and we retain the right to send in either a departmental officer or someone with financial skills to do an audit at any stage, depending on the size and nature of the project.

**Senator McLUCAS**—If the allocation of money was \$12 million, would that have occurred?

**Mr Souness**—We are still negotiating the round 2s at this stage. But it is possible that the size of the grant would also be taken into consideration in our risk management approach so that we may well indicate to the grant recipient that we may seek to have an audit at some stage through the life of the project to ensure that the time lines, the financial accountability et cetera are being met.

**Senator McLUCAS**—Are the announcements that have been made to date subject to further due diligence?

**Mr Souness**—Yes, and the settling of financial agreements.

**Senator McLUCAS**—What level of due diligence would you do for an allocation of \$12 million?

**Mr Souness**—Again, that will depend on the size and nature. We are negotiating those at the moment.

**Senator McLUCAS**—I do not know what you mean by ‘size and nature’.

**Mr Souness**—It could range from sending in someone with financial skills to do an audit to a departmental officer experienced with this part of the industry—if it is something to do with transport or logistics—going in and assessing how the project is performing against the agreed time lines, the tasks that were to be performed et cetera.

**Senator McLUCAS**—I am sure you are aware that \$12 million was allocated to the Atherton Tableland for Bundaberg Sugar's Arriga sugar mill, for an ethanol plant?

**Mr Souness**—Yes.

**Senator McLUCAS**—Are you also aware of an article in the *Cairns Post* that came out some days later that said that the plant may not go ahead?

**Mr Souness**—Yes, I am aware of that. There are still negotiations with that company in terms of the financial agreement.

**Senator McLUCAS**—I am unsure, then, why the decision to allocate was made before the due diligence was undertaken. What happens if you find that the company is not capable of delivering that ethanol plant?

**Mr Souness**—The minister's announcements are always made subject to the finalisation of a financial agreement. That includes the due diligence work that you are talking about. The minister made the announcement; that is subject to the finalisation of an agreement between the department and the applicant.

**Senator McLUCAS**—How long will that take?

**Mr Souness**—We have 21 to develop. I am hoping that through next month we will have settled the bulk of those.

**Senator McLUCAS**—I am not talking particularly about the Arriga mill, but, if you find that the project is not capable of being delivered, what happens to the money?

**Mr Souness**—If the project did not proceed, the money would go back into that pool of funds and become available in round 3.

**Senator McLUCAS**—Would that \$12 million be allocated to FNQ?

**Mr Souness**—It is a competitive process. Any grant application would have to come through the RAG—IOG—process and recommendations to the minister.

**Senator O'BRIEN**—I want to go to country-of-origin labelling requirements for packaged products. On 1 May, Minister McGauran issued a press release saying that the government had decided not to further extend country-of-origin labelling requirements for packaged food. The reason the minister gave for the decision was that 'any further extension of country-of-origin labelling requirements would be counterproductive for food processors and the horticulture industry'. What work was undertaken by the department to justify the statement that further extending the country-of-origin labelling requirements for packaged products would be counterproductive for the horticulture industry?

**Mr Souness**—The department did not undertake any work. The advice leading to that decision came from Food Standards Australia New Zealand, under the department of health, which is the standard-setting body in Australia. It undertook a full cost-benefit analysis of the proposed extension of country-of-origin labelling. It presented its conclusions from that work

to the Australian governments and the New Zealand government under the Food Regulation Ministerial Council.

**Senator O'BRIEN**—The horticulture industry has been asking for such an extension. How can it not be in their interests?

**Mr Souness**—The cost-benefit analysis that Food Standards Australia New Zealand undertook was partly done through a contract with the Centre for International Economics, which did a full cost-benefit analysis that was part of the considerations. The estimate, from memory, was that the cost to Australia of extending country-of-origin labelling would be about \$120 million per annum ongoing. The research done by Food Standards Australia New Zealand found that the benefits would flow to the 10 per cent of Australians who, they say, utilise country-of-origin labelling in their purchase of food.

**Senator O'BRIEN**—Does that mean people would pay more for their vegetables and the benefits would go to the growers of the vegetables?

**Mr Souness**—The report concluded that there would be costs as a result of extending country-of-origin labelling, as the agency was asked to investigate. That cost would impact on the competitiveness of the horticulture industry against international products that are imported into Australia, and the industry would be less competitive as a result. Imported food already has a country-of-origin labelling requirement and the standard at the moment does not require it on Australian products, so this would be a new imposition on Australian products and hence there would be an added cost as a result.

**Ms Hewitt**—Senator O'Brien, I would like to elaborate and go back to the question you asked a short while ago about whether the department had done any work itself on this subject. I should just say that when the CIE report which was commissioned through FSANZ was received, I asked ABARE, the Australian Bureau of Agricultural and Resource Economics, to take a look at the study. We were aware of some strong views in the horticulture sector about the possible merits of this proposal and we wanted to be satisfied that the methodology was sound and that that rather large estimate of costs was therefore legitimately arrived at. The ABARE view was that the work was sound. They did not identify any flaw or have any criticism of the CIE report, so we were mindful of that additional scrutiny of the issue. Mr Souness can go on to elaborate, but the issue was debated recently at the Food Regulation Ministerial Council of federal, state and territory governments and it was agreed not to proceed with that proposal as it had previously been framed. That decision was arrived at through that process.

**Senator O'BRIEN**—Is the CIE report publicly available?

**Mr Souness**—It is available on the FSANZ website.

**Senator O'BRIEN**—Has there been any feedback from the horticulture sector about the decision?

**Mr Souness**—There has been. In developing the report, FSANZ consulted with the primary production sector, including the Fair Dinkum Food campaign and AUSVEG. When the report was released, Richard Bovill from the Fair Dinkum Food campaign came out publicly and reluctantly accepted the findings. He said that the findings did indicate that it



would have a negative impact on the competitiveness of the industry. AUSVEG were reported as less accepting of the report. So there were some differences of opinion there.

**Mr Banfield**—We are back to where I recall an intervention that I made earlier in the context of the Australian HomeGrown campaign. I said that the minister had made some public statements recently about his desire—notwithstanding the fact that the extension of country of origin labelling has now been ruled out—to examine other options, including a range of possibilities to see whether alternative arrangements might not be feasible to achieve much the same effect. So the issue is certainly not dead, but the conclusion that was reached was that the extension by way of country of origin labelling was for a host of reasons not the way to go. We are now looking at whether there are any sensible alternatives to achieve the intent of what was proposed.

**Senator O'BRIEN**—In the same press release, the minister announced the establishment of a working group, chaired by him, to 'develop a voluntary Australian Grown labelling scheme, as well as examine provisions in the Trade Practices Act, to better reflect the content of packaged food products'. Has that working group been established?

**Mr Banfield**—It is in the process of being established.

**Mr Souness**—That is correct. The minister is considering the membership, the scope and terms of reference of that working group.

**CHAIR**—If I decided to import some prawns and had about 12 boxes landed—

**Senator FERRIS**—Not the raw prawns!

**CHAIR**—Yes, we are going to go the raw prawn. Can I, as does happen, import prawns, value add them by 50 per cent and put them in a box with a picture of the dancing kangaroo in the middle of a nice map of Australia and the words 'product of Australia' printed on it?

**Mr Souness**—You can do some of that.

**CHAIR**—Don't you think that is stupid?

**Mr Souness**—Under the Trade Practices Act, you can make the claim that it is—

**CHAIR**—But don't you think that is stupid?

**Mr Souness**—You can still make that claim that it is 'made in Australia'. It would be imported and local if the majority of the ingredients were imported, but you cannot use the kangaroo sign on it now. That is stated as being misleading.

**CHAIR**—So that mob in South Australia cannot use the box that I have in my office anymore?

**Mr Souness**—No. June this year is when the new standard covering seafood will apply.

**CHAIR**—This is for apples.

**Mr Souness**—You will not be able to use a map of Australia or a kangaroo that indicates Australianness on it. You will just have to state 'made in Australia'.

**CHAIR**—How can it be made in Australia if it is wholly cultured and grown in wombat land overseas somewhere? Why don't we do something about it?

**Mr Souness**—Part of what the minister's working group is proposing to look at is the provisions in the Trade Practices Act and those rules under the 'made in' provisions in the TPA.

**Ms Hewitt**—In particular, there is a lot of interest in looking again at whether it is appropriate for food products to include the cost of packaging as part of the cost for definitional purposes—

**CHAIR**—But this is lying to the public, isn't it? There is no science required. If it is grown in bloody Indonesia or China or somewhere and we have put it in a packet here, why do we say it is made in Australia? It is not. It is a lie.

**Ms Hewitt**—I do not think I would make a comment on that—

**CHAIR**—I would love you to.

**Ms Hewitt**—but I would say that the issue is under very active consideration and further work is being carried out.

**CHAIR**—I will not say what I think it is.

**Senator FERRIS**—It is misleading advertising.

**Senator O'BRIEN**—So we do not know who will be on the working group yet?

**Mr Souness**—The minister is considering the membership at this stage.

**Senator O'BRIEN**—From what areas is the membership being sought?

**Mr Souness**—The minister has stated that he would like members both from government and from industry.

**Senator O'BRIEN**—Is the department providing staff for the working party?

**Mr Souness**—We are intending to provide, with the minister's agreement, the secretariat for that working group.

**Senator O'BRIEN**—How long will it take before it actually meets?

**Mr Souness**—The minister has said he would like the first meeting to occur as soon as possible.

**Senator O'BRIEN**—It is not possible until he appoints people to it. It is entirely within his control, I suppose. He has not expressed an intention to have it up and going by a certain time, I take it.

**Mr Souness**—The minister has made it quite clear to the department that he wants it to occur as soon as possible. We are certainly doing all we can to ensure possible members of that group are available in the near future.

**Senator O'BRIEN**—Is it envisaged that a working party will be preparing a report and recommendations, or is it just something the minister will sit on and gather information from?

**Mr Souness**—No. I am sure the minister will be wanting to consult with his ministerial colleagues on the outcomes of this work—the recommendations to gain agreement on a way forward.

**Senator O'BRIEN**—How long is this working group expected to last? Does it have a life?

**Mr Souness**—It has not been settled at this stage, but the minister, again, wants to ensure that there is rapid progress on this work.

**Senator O'BRIEN**—There is no reference to this in the PBS, I take it.

**Mr Souness**—No.

**Senator O'BRIEN**—Does it need special funding?

**Mr Souness**—No, it is just part of our work. The only input from the department would be in any secretariat support. That is something we would do as a matter of course.

**Senator O'BRIEN**—Does the minister's commitment to examine provisions in the Trade Practices Act mean the government is still considering using Trade Practices to mandate some form of country of origin labelling for packaged products, despite the government rejecting any further extension of country of origin labelling requirements?

**Mr Souness**—The intention is to examine particularly the rules around 'made in' within the Trade Practices Act. Those rules cover all manufactured food in Australia. Secretary Hewitt has stated there is particularly an interest in exploring the contribution of the cost of packaging to that 50 per cent rule. So, in food, the focus could be on the contents of the package, not on the totality of the food and package.

**Senator O'BRIEN**—Has any estimate been made as to the likely uptake rate of the proposed voluntary Australian grown label?

**Mr Souness**—Not at this stage.

**Senator O'BRIEN**—How does the proposed Australian grown program relate to the existing HomeGrown program?

**Mr Souness**—We have heard previously about HomeGrown. As Deputy Secretary Banfield stated earlier, the minister is interested in exploring where an Australian grown label or brand could take us into the future. There are some synergies between the two areas. I think the minister is considering how best to deal with the two strands of that issue.

**Senator O'BRIEN**—Where is the development of the horticulture code of practice up to?

**Mr Phillips**—The horticulture code of conduct is still under consideration by the government.

**Senator O'BRIEN**—I note from media reports that the minister has decided not to make supermarkets subject to the code.

**Mr Phillips**—Elements of the code are still under consideration by government, including the coverage. No decision has been taken.

**Senator O'BRIEN**—The minister is quoted as saying that the code was never meant to include retailers like Coles and Woolworths. Was he misquoted?

**Mr Phillips**—There is debate over the coverage of the code. Industry is divided on the coverage. It is one of the issues the government is still considering.

**Senator O'BRIEN**—The minister says, 'Retailers were never part of the election commitment which was written down.' Is that right?

**Mr Phillips**—In the election document ‘Investing in our farming future’ the reference is to wholesalers. In the case of negotiations with industry for a voluntary code not working, the election commitment said:

If these negotiations do not result in an outcome which satisfies the requirement for greater transparency in fresh fruit and vegetable markets, a re-elected Coalition Government, as a last resort, will put in place a new mandatory Code of Conduct specifically tailored for the grower/markets sector of the horticulture supply chain.

**Senator O’BRIEN**—For the ‘grower market sector’. Does that mean wholesalers?

**Mr Phillips**—That is the way it has been interpreted by some people.

**Senator O’BRIEN**—Apparently it has been interpreted in that way by the minister; is that right? The minister is interpreting it in that way?

**Mr Phillips**—The government is yet to make a decision as to what the coverage of the code will be. In the lead-in to that particular paragraph it talks about disputes that arose, and the context is that it is about ‘operating in the fresh fruit and vegetable markets’. So there is context around that particular sentence I read out to you earlier. I can provide you with a copy if you wish.

**Senator O’BRIEN**—What proportion of the fresh fruit and vegetable market do the major supermarket chains have? Do we know?

**Mr Phillips**—I do not have that figure.

**Senator O’BRIEN**—It would be a pretty big proportion, wouldn’t it?

**Mr Phillips**—I do not have the figure on that.

**Senator O’BRIEN**—According to the Central Markets Association spokesman, Andrew Young, the current plan, the one we have been talking about, ‘gives supermarkets an unfair advantage over market wholesalers’. Will the introduction of this code require legislation, or can it be done by regulation?

**Mr Phillips**—It would be brought in as a mandatory code under the Trade Practices Act, and it would be through regulations.

**Senator O’BRIEN**—When do we expect the process to be completed and a mandatory code in place?

**Mr Phillips**—It is currently the subject of government consideration. I cannot give you a date.

**Senator O’BRIEN**—Has any drafting instruction been given?

**Mr Phillips**—No.

**Senator O’BRIEN**—In last year’s PBS, at table 2.7 on page 22, the estimated funding for research through the Australian Meat and Livestock Corporation Act for 2005-06 was \$58 million. That estimate is split in this year’s PBS with an item for Australian Meat and Livestock Corporation Act 1997 research of \$20.9 million, which is in this year’s PBS at page 32. But there is a new item in this year’s PBS—that is, the Australian Meat and Livestock

Corporation Act 1997 Commonwealth contribution to research of \$40.5 million. Can you explain why the funding for research has been split but not the funding for marketing?

**Mr Murnane**—That is simply a change in the way that the information is being presented so that the material in the PBS better aligns with the way that material is reported in the annual report. In last year's annual report appropriations under the Australian Meat and Livestock Corporation Act that you referred to were reported against those five lines, and it is now a matter of the PBS catching up with that reporting protocol.

**Senator O'BRIEN**—Can you explain why the protocol differs between the research and the marketing?

**Mr Murnane**—I am not sure I understand your question. You are referring to the figure of \$40.5 million?

**Senator O'BRIEN**—Yes.

**Mr Murnane**—That figure is the Commonwealth government's matching contribution for the R&D levy, and there is no such matching contribution for a marketing levy.

**Senator O'BRIEN**—I note that the wool levy and export charge is expected to bring in significantly more in 2006-07 than it did in 2005-06. In 2005-06 it raised \$36.7 million. It is expected to raise \$43.2 million in 2006-07. Is that related to recovery from the impact of the drought?

**Mr Murnane**—Can you show me where you are in the PBS?

**Senator O'BRIEN**—Page 27, table 2.3.

**Mr Murnane**—Yes, I would expect that that is due to increased production post drought.

**Senator O'BRIEN**—You are not sure?

**Mr Murnane**—I can confirm that for you, if you like.

**Senator O'BRIEN**—If you would, please. The appropriation shown for the Wool Services Privatisation Act will increase from \$49 million in 2005-06 to \$52 million in 2006-07. Am I right in thinking that the Wool Services Privatisation Act appropriation is the funding that goes to Australian Wool Innovation?

**Mr Murnane**—Correct.

**Senator O'BRIEN**—And is the levy contributed plus the taxpayer contribution to AWI?

**Mr Murnane**—Are you now on table 2.7?

**Senator O'BRIEN**—Yes.

**Mr Murnane**—Yes, that is my understanding.

**Senator O'BRIEN**—Did you say it is in table 2.7?

**Mr Murnane**—I was asking if that was the part of the PBS that you were referring to with your question.

**Senator O'BRIEN**—Yes, table 2.7, page 32. The total contribution to AWI increased by only \$3 million while the levy component increased by \$6.5 million. Does that mean the taxpayer contribution has actually fallen?

**Mr Murnane**—It may be easiest if I provide a detailed breakdown of those numbers to you on notice.

**Senator O'BRIEN**—If you would, please. I am assuming that it relates in some way to the formula for determining the taxpayer contribution, and perhaps you can explain how that works.

**Mr Murnane**—Certainly.

**Senator O'BRIEN**—I understand there is a proposal to merge AWI and the Woolmark Company.

**Mr Murnane**—That has been a matter of discussion within the industry for some time.

**Senator O'BRIEN**—Has the department made any assessment as to the desirability of this proposal?

**Mr Murnane**—Our view is that it is principally a matter for the industry parties to determine. They are both industry owned companies. Our view would be that it is, in the first instance, a matter for the two companies to work out what they want to do.

**CHAIR**—How many people work for AWS?

**Mr Murnane**—I could not tell you off the top of my head. I can find out for you.

**CHAIR**—What is their biggest liability?

**Mr Murnane**—I am assuming it would be the UK pension fund.

**CHAIR**—Ninety-five per cent of the people we are liable to in that have never worked for AWS. It is a pretty good set-up. I do not know who the deadhead was who set that up. You do not have to respond; it was just a joke. I bet they go home bored every night.

**Senator O'BRIEN**—The Chair raises the issue of the pension liability, and it is something that I want to discuss. I cannot recall this ever being raised as an issue at the time Australian Wool Research and Promotion Organisation was privatised and I have not been able to find any reference to this pension liability in material presented to this committee or the parliament at the time, and yet it must have existed then. Does anyone know why it was not raised at the time?

**Mr Murnane**—My understanding is that as part of the research in due diligence that was done at the time of privatisation, there was no liability associated with the pension fund. It was essentially in balance at that time.

**Senator O'BRIEN**—How does this liability arise now? It has not been funded since then.

**Mr Murnane**—The pension liability was revalued in 2003. It was at the time when a liability of \$A28 million was identified.

**Senator O'BRIEN**—In 2003?

**Mr Murnane**—Correct.

**Senator O'BRIEN**—So we do not know what the liability is now.

**Mr Murnane**—It is currently being revalued again. Under British law, it needs to be revalued every three years.

**Ms Hewitt**—I think there has been some change to the British legal arrangements governing pension liabilities. It is something that is beyond our influence, obviously.

**Senator O'BRIEN**—I understand there has been a request to government from the representatives of the wool industry for taxpayers to underwrite or take over this liability in order to facilitate an amalgamation between AWI and Woolmark. Has the government made a decision to underwrite this liability? Is it under consideration?

**Mr Murnane**—There was a formal request to government about this time last year. It was then considered, and the government's response was that it was not prepared to underwrite the debts of the company in that way. There has been further discussion of that within the industry. Recently a couple of the industry organisations put out statements to the effect that they think it is something the government could do to ease any transition to new industry arrangements, but no formal consideration has been given yet.

**CHAIR**—Would it be fair to say though that when they first took this on, the people who examined the books did not discover this?

**Mr Murnane**—As I said earlier, my understanding is the due diligence that was done at the time showed the pension fund to be in balance.

**CHAIR**—Obviously that was not the case. We are talking about 95 per cent of the liability belonging to people who have never worked for the organisation. It means it was on the books then—unless they expected they were all going to get shot at dawn or something and that they would not die. They must have been brain dead. You cannot not have it there one minute and have it there the next. These people have been on the payroll; it must have been there.

**Mr Murnane**—As I understand it, the principle—

**CHAIR**—Unless, as the secretary points out, there is some lurk built into it by the UK government that suddenly brings it to light. I do not know what you meant by that.

**Ms Hewitt**—Matters related to British law and the regulations and requirements around financial management may have changed the way in which these liabilities were expressed.

**CHAIR**—Which is code for the books were untidy. At best, the books were untidy, and the blokes who examined the books were brain dead.

**Mr Murnane**—I think it is also a way of saying that some of the reporting requirements under British law may have changed since 2000.

**CHAIR**—That might be a bit harsh, mind you.

**Senator O'BRIEN**—Are you sure? You are not overstating the case there are you, Mr Chairman?

**CHAIR**—I want to get to this bottle of water, so hurry up.

**Senator O'BRIEN**—Bottle of water?

**CHAIR**—I will get to it now. I will interrupt you for a bit of light entertainment. We were talking about labelling—you are brain dead if you go along with this—and this bottle of water says, 'Aqua, natural spring water proudly Australian owned.' It has got a map of Australia on it and, God help us, you think you are drinking Australian water. We are trying to sell the

Snowy overseas—and what we are doing there I will tell you about in a sec—but you turn the bottle up on its side and it says, ‘Wholly bottled in China’. It is Chinese water. We are importing Chinese water, and we want to sell the Snowy overseas.

Isn’t it ridiculous that that would say, ‘Proudly Australian owned,’ and have a map of Australia on it so that the person who picked it up would think, ‘I’m having a drink out of the Snowy River, the Murrumbidgee River or a spring at the back of big springs,’ when they are drinking fully imported Chinese water? You would not have to be too smart to figure there is something wrong with the labelling on this.

**Mr Souness**—As in the case of your box of prawns, with the country of origin labelling standard that was agreed by the Food Regulation Ministerial Council in October last year, those sorts of representations of the kangaroo, the Australian flag et cetera on imported products such as that will no longer be permitted. It will have to be much clearer—

**CHAIR**—But that will be permitted, because it says that is Australian owned.

**Mr Souness**—That sort of labelling, as well, on a product that is fully imported will not be acceptable—in the sense that this is an Australian product and there is a kangaroo and that sort of symbol.

**CHAIR**—But if you recall how prominent they made on cigarettes ‘This is bad for your health’—it is pretty big and obvious—shouldn’t that say ‘Chinese water’ more prominently than anything else on the label?

**Mr Souness**—Yes. The new standard requires a prominent label. It does not specify a print size, but it sets the test that it must be clear and legible. Before, there was not that sort of requirement. It also now removes those symbols like a kangaroo, a flag, an Australian map et cetera.

**CHAIR**—Let me tell you about this bottle of water. I rang up the bloke that imports this water. He had an Australian company and went broke because the water got contaminated in some way. I rang him up and said: ‘What’s Australian about this? Is it the cap? The bottle?’ He said: ‘No, Senator, it’s fully bottled in China. It’s actually a loss leader for me to get my label on the shelf.’ I said, ‘How much do you bring it in for?’ He brings it in for 28c a bottle. It would be fair enough for the punters of Australia, if they have got six kids and they are on \$400 a week, to buy the cheapest tucker they can in the supermarkets—I would get it out of the tap. What do you reckon that retails for? You talk about consolidated retailing power. That retails from \$1.80 to \$2.50, and it is imported for 28c. It is a bloody disgrace.

**Senator Abetz**—I am not sure that the department can comment on that. It is not necessarily relevant to the issues.

**CHAIR**—I am just adding a bit of interest, because I am getting bogged down in figures over on my right, which are very important figures.

**Ms Hewitt**—We would like, however, to leave you with the thought that we have seen some quite significant changes to the labelling achieved over the last few months. There were very significant changes in October last year. They will come fully into effect in the next little while.

**CHAIR**—I look forward to more.



**Ms Hewitt**—You may have been out of the room when we talked about work which is to commence shortly, which we expect will take another very careful look at the definitions around ‘made in Australia’, which I think have also been a concern of yours in the past—that is, the question of whether the cost of the packing should be an allowable part of the content.

**CHAIR**—I am pleased to hear that.

**Ms Hewitt**—Work continues.

**CHAIR**—I am sorry to do the colour and movement, but I am sure anyone who was watching down at the department would have at least woken up.

**Senator O’BRIEN**—That is a reflection. If they were watching, by definition, they must have been awake.

**CHAIR**—Senator O’Brien, it is very important work that you are doing.

**Senator O’BRIEN**—The statutory funding agreement for AWI is due for renegotiation in 2007. Does that process start now?

**Mr Murnane**—Yes. It will also incorporate the results of the wool poll later this year, so it will be agreed over the next 12 months.

**Senator O’BRIEN**—I understand that industry representatives have proposed modifying AWI statutory funding agreements to allow a possibly merged organisation to more flexibly use levy funds. Is the department aware of that proposal?

**Mr Murnane**—Yes, we are.

**Senator O’BRIEN**—Given the history of AWI, I would have thought any government would be extremely wary of any proposed loosening of the reins on that organisation.

**Mr Murnane**—Any change such as the one you have just referred to would certainly need to be endorsed by a vote through the wool poll. So we are working through at the moment how the wool poll will be framed and what questions will be included.

**Senator O’BRIEN**—It is also a question of taxpayer funds, isn’t it?

**Mr Murnane**—Certainly.

**Senator O’BRIEN**—So it is more than just the vote for levy payers and taxpayers?

**Mr Murnane**—Yes, and that is why we are involved in the discussions.

**Senator O’BRIEN**—I take it that the government has not responded to this proposal in any way?

**Mr Murnane**—Not formally, no.

**Senator O’BRIEN**—Has it informally responded?

**Mr Murnane**—As I say, we have had discussions with them about the fact that, if it is to happen, it obviously needs to be included in the wool poll, and then, if there is interest in including it in the wool poll, what the mechanics would need to be. We have had those sorts of discussions.

**Senator O'BRIEN**—Thank you for that. I note that at the recent Primary Industries Ministerial Council meeting Mr McGauran repeated his commitment to hold a summit meeting to address the current wine grape glut. When and where will this summit be held?

**Ms Hewitt**—That is to take place in Melbourne on 9 June.

**Senator O'BRIEN**—What is its aim?

**Ms Hewitt**—The initiative really comes from the industry. The minister was asked by a group from the industry to facilitate bringing parties together to share thoughts about the dimensions of the current difficulties and possible implications and to debate and think a little bit about action that might be undertaken by the industry as much as by the government. So it is really a facilitative role that the government would be playing in offering the venue and organising some support for the industry in its various forms, particularly the Winemakers Federation of Australia and the grape growers association, to help them come together and to facilitate with a little bit of background information that we have gained from ABARE.

**CHAIR**—Does the department have a paper for that?

**Ms Hewitt**—I think ABARE will be producing a background paper.

**CHAIR**—It is not very complicated. They hit for \$20,000 or \$25,000 target in 2005—and one might consider how much the tax incentives may have driven that. That is another thing where you do not have to be a rocket scientist to work out what has gone wrong.

**Senator O'BRIEN**—But all the markets are operating in the same way—well, the Tasmanian market is not operating that way at all. But I suppose one has to wonder what the future holds.

**CHAIR**—You will be pleased to know, Senator O'Brien, that you can convert wine into ethanol.

**Senator O'BRIEN**—There are probably much more efficient resources for ethanol production than wine.

**CHAIR**—There has been an offer by the wine industry.

**Senator O'BRIEN**—CSIRO says woodchips, for example.

**CHAIR**—There has been an offer to the ethanol industry for some millions of litres of wine.

**Senator O'BRIEN**—We might have some more plantations.

**CHAIR**—Yes, good.

**Senator O'BRIEN**—Do we know who will be invited to attend the summit?

**Mr Ryan**—It is very much for the industry to organise and they have developed a list which covers the key winemaker representatives—the industry as well as the association that represents winemakers, grape growers, the peak body and representatives from a range of regions around Australia—as well as bankers and some broader representatives to give some other perspectives.

**CHAIR**—Have the grape growers got their act into gear? Obviously, they didn't have, or there would be consolidated retailing and consolidated winemaking. Who were the bunnies? They were the grape growers. Are they more organised than they were?

**Mr Ryan**—They are. The department, through the Industry Partnerships Program, supported the development of a business plan for Wine Grape Growers Australia. That business plan is beginning to be implemented. They have appointed an executive officer and they are currently recruiting a president.

**Senator O'BRIEN**—Will the minister chair this summit?

**Mr Ryan**—The minister will open the summit and the secretary will chair the summit.

**CHAIR**—I will come and give you a hand if you want.

**Senator O'BRIEN**—Who will prepare the agenda?

**Mr Ryan**—The industry are preparing the agenda—wine grape growers and wine makers. They will consult with us, but it is their summit and they will set the agenda.

**Senator O'BRIEN**—Do you know if it will be considering a vine pull program?

**Mr Ryan**—At this stage, there has been no substantive discussion on options that might be proposed. There has been media speculation from some wine grape growers about a vine pull, but there has been no specific proposal put to us on what will be discussed at the summit.

**CHAIR**—I wouldn't like their chances. I think the pressure on the water down there is going to cause the phenomenon of turning some wine into brine, so nature might take care of some of the grapevines. You will not have to pull them. I think they are going to die if they keep going the way they are going. You would be aware, Senator O'Brien, that the growth in the industry in some areas has put huge pressure on the water, especially groundwater. They have contaminated the clean water with saline water and they are now topping it up with 500 parts per billion of Murray water to try and keep the grapevines afloat. I think they are going to lose.

**Senator O'BRIEN**—The Senate Rural and Regional Affairs and Transport References Committee prepared a report on the wine industry. It was tabled in October last year. When can we expect a government response to the report by that committee on the operation of the wine industry?

**Mr Ryan**—The government is currently considering the response.

**Senator O'BRIEN**—Has it a draft from the department before it?

**Mr Ryan**—It is currently considering the response, so I could not give a time frame for when it will be presented.

**Senator O'BRIEN**—I have a number of questions about the proposal to institute a research and development levy for Australia's turf production. I understand that Turf Producers Australia Ltd went through the standard process involving both the department and Horticulture Australia in order to establish an R&D levy for the industry. This process culminated in a ballot of turf producers held in late November and early December which resulted in a 69 per cent yes vote for the levy. The department then commissioned Mr David Connolly AM—a name well known in this place—of Rice Walker Actuaries to examine the

process of the ballot to determine if the requirements of the levy legislation and regulations had been fulfilled. Is it the normal process for the department to commission an independent review of the process before a levy is instituted?

**Mr Phillips**—No, but with this particular levy the poll created a lot of disagreement about its accuracy and the way in which it was conducted.

**Senator O'BRIEN**—When you say 'a lot of disagreement', what do you mean?

**Mr Phillips**—There were groups who were vocal in their opposition to the way in which the poll was conducted, principally on the grounds that it was claimed to be confidential and there was the possibility that it may not have been confidential.

**Senator O'BRIEN**—How much did the department pay Rice Walker Actuaries or Mr Connolly for this report?

**Mr Phillips**—The cost of the consultancy was \$6,000.

**Senator O'BRIEN**—Mr Connolly reported in January 2006 and found that all relevant requirements had been satisfactorily fulfilled. He was specifically asked by the department to assess whether the consultation process used by Turf Producers Australia was consistent with the department's levy principles and guidelines and he found that it was. He was asked to assess whether the voting process was consistent with the principles and guidelines and he found it was. He was asked whether the voting process was conducted in an appropriate manner and he found that it was. Why then was a decision taken to order a second ballot of turf producers?

**Mr Phillips**—At that point there were still concerns being expressed by some people in the industry that the confidentiality of the vote was compromised, and those complaints were ongoing. The government decided in the interests of putting the matter to rest once and for all that a second vote would be conducted and that it would be conducted by the Australian Electoral Commission.

**Senator O'BRIEN**—Will the outcome of that ballot be the end of the matter?

**Mr Phillips**—The outcome of the ballot will be made known—

**Senator O'BRIEN**—If the vote is in favour of the levy, does that mean that there is going to be a levy?

**Mr Phillips**—It is a matter for the government to decide whether it wishes to impose the levy at that point. This process will inform the parliamentary secretary as to the views of the industry. At the end of the day, it is always up to the government as to whether it wishes to have that levy put in place.

**Senator O'BRIEN**—We will have wasted the money to Rice Walker. We need not have had a ballot at all if the government ultimately is not going to heed the views of the majority of the turf growers?

**Mr Phillips**—The government may very well do that. I cannot give you guarantee that a 'yes' vote is the end of the matter, because the final decision rests with the parliamentary secretary.

**Senator O'BRIEN**—What other hoops would turf producers of Australia have to go through after the ballot before a levy could be introduced?

**Mr Phillips**—They have already submitted their proposal to the government for consideration. The outcome of the ballot will be known. The parliamentary secretary will take that into consideration in deciding whether to put the levy in place, in which case the appropriate regulations will be processed.

**Senator O'BRIEN**—Again, who is the parliamentary secretary?

**Mr Phillips**—Ms Sussan Ley.

**Senator SIEWERT**—I do not know whether your branch is the appropriate branch to ask these questions. Please tell me if it is not and direct me to who I should ask. I am specifically asking about crops as they relate to biodiesel. I think it is relevant to your section because it deals with the approach that is being taken to crops that are used in the production of biodiesel. I understand that there are some figures around that show that biodiesel production will be much larger than is currently anticipated—up to one million litres—and that the predictions are that, in three years time, instead of exporting tallow and oils, we will in fact have to import oils to produce biodiesel. Is the department aware of any of these figures or have you done any predictions of your own?

**Ms Hewitt**—I might suggest that we defer that question or that subject to the ABARE appearance. If we are talking about some of the economic analytical information around the subject, probably it would be best to raise those issues with Dr Fisher.

**Senator SIEWERT**—I have a long list of questions for ABARE, so I am happy to put more on the list. However, they do predictions. You are saying to me that you have not seen those. I suppose I am looking at what action the government may be taking to engage with this industry and the fact that we will, potentially, be importing oil. The scenario is that we will be importing palm oil, for example, into the future and that we will not be able to produce enough oils from our crops. There is also the issue relating to feedlots, for example. The current Senate Rural and Regional Affairs and Transport References Committee inquiry into Australia's future oil supply heard evidence from the feedlot mobs who are saying they have a problem with the current outcome approach to ethanol, for example—I realise I have now stretched into biofuels. They have some concerns about the impact it will have on their industry. This issue comes under agriculture, as far as I am concerned. I am keen to know what approach the government or the agencies are taking on it. Are they looking at alternative crops—for example, lignocellulose—and how that relates to natural resource management? Is any of that planning being undertaken?

**Ms Hewitt**—It is perhaps a combination of ABARE work and advice from our Natural Resource Management Division, which is scheduled for later in the afternoon or even tomorrow.

**Senator SIEWERT**—I think it will be tomorrow.

**Ms Hewitt**—But I would suggest, if you agree, that we take that up with ABARE. To the extent that there are policy matters beyond projections and expectations about the

developments in the market, we could then pick them up subsequently under the NRM heading.

**Senator SIEWERT**—I am happy, as long as we deal with it at some stage over the next two days.

**Ms Hewitt**—Absolutely.

[12.46 pm]

#### **Wheat Export Authority**

**Senator O'BRIEN**—Mr Besley, can you confirm that the Wheat Export Authority board sets salaries for staff?

**Mr Besley**—It does. The board of the Wheat Export Authority is responsible for that at the moment. Normally the CEO would be doing the salaries for people who work for him but, the way the act is currently structured, the board carries that for the whole organisation.

**Senator O'BRIEN**—So the board sets salaries for all staff?

**Mr Besley**—At the moment it does, yes.

**Senator O'BRIEN**—What is the process you follow in determining the salary of the chief executive?

**Mr Besley**—I think you need to start from where Glen—Mr Taylor—was appointed. That was in early 2001. He was employed under an AWA. At the time that position was benchmarked against government positions. Given the role that was expected of and is required of Mr Taylor, at the time, as I read back into history, his total gross pay was around \$150,000. Subsequently, there was an adjustment made to that. I am sorry: \$150,000 was the cash component of his total remuneration. No, I am reminded it was the total component.

**Senator O'BRIEN**—A package, was it?

**Mr Besley**—Yes. It included such things as a performance bonus if it was earned, superannuation, motor vehicle and other allowances, and fringe benefits tax. His salary was subsequently adjusted in August 2004. In fact, it should have been adjusted under the terms of his AWA in February the year before. There was a delay which occurred, I guess because the then chairman was busy with many other things. So when, in fact, that adjustment was made, which took his remuneration up to its current level, it did not appear in the 2003-04 annual report because it occurred after that report was prepared. When it appeared in the subsequent annual report—2004-05—it was a very large sum, relatively speaking, because it reflected a market adjustment that covered a period of 20 months.

**Senator O'BRIEN**—What is the equivalent position you use as a benchmark now?

**Mr Besley**—Again, as I recall, it was an SES position in the Public Service, but I cannot tell you which one—I was not there at the time. I could check that if it is an important issue. But it was benchmarked against the Public Service on the basis of the kind of work the job entailed in relation to similar positions in the Public Service.

**Senator O'BRIEN**—Which similar positions are we benchmarking against?

**Mr Besley**—I cannot tell you that, but I imagine it would have been against a selection of SES positions, probably with an emphasis on those within the agriculture department.

**Senator O'BRIEN**—So it is an SES position package of entitlements at \$260,000?

**Mr Besley**—At the moment, yes.

**Senator O'BRIEN**—So that is what the position was benchmarked against?

**Mr Besley**—Yes. It was benchmarked originally against an SES position. Then, in August 2004, a market adjustment occurred, which the SES positions against which he had been benchmarked also had received. He was treated in the same way as they were and his salary was adjusted accordingly.

**Senator O'BRIEN**—So that is why he got the additional \$90,000 in his salary package last year?

**Mr Besley**—Yes. But that \$88,983, to be precise—

**Senator O'BRIEN**—Thanks for correcting me.

**Mr Besley**—was a market adjustment that covered a period of 20 months, because there was a delay in making that market adjustment which, for a number of reasons, just happened.

**Senator O'BRIEN**—So when the AWA was entered into in early 2001, did it have a life?

**Mr Besley**—Most AWAs, as I understand it, have a nominal termination period, but unless and until they are actually wound up they can keep rolling on.

**Senator O'BRIEN**—Yes. I think they are legally binding until there is a withdrawal.

**Mr Besley**—That is exactly right.

**Senator O'BRIEN**—So there was no withdrawal from that AWA between then and the period last year that you are talking about now?

**Mr Besley**—I am sorry, which period?

**Senator O'BRIEN**—You said that last year there was an agreement to adjust and that neither party had withdrawn from the AWA at that time.

**Mr Besley**—That is correct.

**Senator O'BRIEN**—But, effectively, there was a retrospective adjustment of the agreement.

**Mr Besley**—It was adjusted back to the date upon which the market adjustment occurred for all people in that category. In fact in terms of an annual adjustment it was \$50,000, which over 20 months became the \$88,000.

**CHAIR**—What are we talking about here? Is it the bonus?

**Senator O'BRIEN**—We are talking about the package. I thought you said the package went from \$150,000 total in 2001, and that it was adjusted to \$260,000 effective from February 2003. Have I got that right?

**Mr Besley**—No. We need to be clear: we are talking about cash and total package.

**Senator O'BRIEN**—Yes. I am asking about the package, and what you told me earlier was that the package in 2001 was \$150,000.

**Mr Taylor**—That is correct. The package in 2001 was around \$150,000. The adjustment that was put in place took the package up to \$199,000. The \$260,000 that is recorded in the annual report includes add-ons such as accrued long service leave, accrued recreation leave, fringe benefits tax—

**CHAIR**—But has that become a permanent feature of your package, or is it just an accrual?

**Mr Taylor**—It is an accrual that the authority must carry in order to meet, for example, any leave entitlements that I or any other staff member of the Wheat Export Authority might have.

**CHAIR**—As a matter of interest, how much bonus do you pay yourself?

**Senator O'BRIEN**—Could we just get an explanation of this? If we work through this we will probably do it a bit better, Mr Chairman. The additional \$88,983 was—

**Mr Besley**—Twenty months of the \$50,000 annual adjustment.

**Senator O'BRIEN**—So the figure of \$350,000 last year is \$287,983 plus these accrued entitlements; is that right?

**Mr Besley**—Mr Taylor has mentioned the figure of \$260,000, which includes the entitlement to recreation and long service leave.

**Senator O'BRIEN**—Is that what it is? Is the other \$60,000-odd for leave entitlements?

**CHAIR**—Mr Besley, when you say, 'leave entitlement,' is that payment in lieu of leave?

**Mr Besley**—It is leave to which he is entitled to be paid. He can take it if he wants to it, or he can take payment in lieu.

**CHAIR**—So you can stay on the job and get paid your wage, plus get paid for not being on holidays?

**Mr Besley**—He can cash out his leave under the terms of his AWA.

**CHAIR**—What do you do?

**Mr Besley**—When he goes on leave?

**CHAIR**—Do you cash out your leave or go for a holiday?

**Mr Taylor**—I take as much leave as I can. If I could just clarify—

**Senator O'BRIEN**—Last year when you received \$350,000, does that mean you were paid your salary, plus you took the leave? You were paid those amounts?

**Mr Taylor**—No. If I took any leave—as all employees are entitled to—then that leave would have been paid recreational leave. If I did not take all the leave then it as an accrual, which the Wheat Export Authority carries for any leave entitlement that has not been taken through the period. If I could just clarify: a statement on page 125 in our annual report says that the remuneration package, excluding the additional payments, was \$260,000 to \$269,000. That is the normal figure that would be reported in the annual report, excluding any market



adjustments. It is the \$260,000 figure that includes, in addition to the employment package, superannuation of both employee and employer superannuation contributions.

**Senator O'BRIEN**—Super is not in the package?

**Mr Taylor**—A part of it is.

**Senator O'BRIEN**—The \$260,000 includes both?

**Mr Taylor**—Yes. It includes any motor vehicle allowance, fringe benefits tax that might apply for any salary packaging, bonuses, the leave accruals—as I explained, long service leave and annual leave accruals.

**CHAIR**—And a performance bonus?

**Mr Taylor**—Yes.

**CHAIR**—There was a great lurk on the railways years ago involving annual sick leave. If you did not take it for 14 years, you got a year's pay. If you accrue annual leave, when do you cash it out? Do you cash it out in today's wages? Are you allowed to accrue so that it becomes a nice little how-do-you-do in 10 years time or whatever? It was one of the great lurks of the railways. It is like having engine drivers and firemen when there are no fires.

**Mr Taylor**—In theory, you assume you could do that. If the leave is not taken then it would be carried over.

**CHAIR**—They do not insist you take the leave; you can accrue it and then cash it out in 10 years time at that rate of pay?

**Mr Besley**—You cannot cash out sick leave.

**CHAIR**—I am not talking about sick leave. I am talking about annual leave. They stopped that on the railways, too, Mr Besley. You can no longer cash out your sick leave. You got a year's pay after 14 years if you took no sick leave. It was a great lurk.

**Mr Taylor**—My response would be, yes; but I think that also applies to employees generally. If an employee—

**CHAIR**—Mind you, we are all dirty that we are not getting paid what you are getting.

**Mr Taylor**—If an employee earns an increase in their annual salary, when they cash out their leave that leave would be payable at whatever their current remuneration level is.

**Senator O'BRIEN**—So the figure in the report includes bonuses. Does it reflect the bonuses paid in that year?

**Mr Taylor**—Correct.

**Senator O'BRIEN**—It is not a notional bonus that might be paid; it is actually a bonus that is paid?

**Mr Taylor**—Yes.

**Senator O'BRIEN**—And that is a bonus provided for under the agreement, or is it a bonus at the discretion of the board?

**Mr Taylor**—It is at the discretion of the board of the Wheat Export Authority.

**CHAIR**—Could we see the paperwork that developed the logic for your performance bonus?

**Senator NASH**—Is that a set criterion?

**CHAIR**—There must be some logic used. We do not just say: ‘Shivers! He did a good job. We’ll give him 90 grand.’

**Mr Besley**—There is a review of the staff in the authority.

**CHAIR**—Would it be in order for us to see the review?

**Mr Besley**—I guess it would. I cannot see a problem with that.

**CHAIR**—I have some interesting questions after lunch, which we will now go to. Thank very much.

#### **Proceedings suspended from 1.00 pm to 2.01 pm**

**CHAIR**—I want to ask the Wheat Export Authority a question but I do not want to cut across any of the Cole issues, and, Minister, you would be cognisant of that. I have a strong view that, the day the AWB set up the Geneva desk, they gave everyone a serious problem. Could the Wheat Export Authority walk us through how you determine when the AWB decides, through its Geneva desk, that any profit will accumulate to the shareholders and not to the pool on a third party sale—one was flagged recently from the Argentine to Iraq—because someone else defaulted? You do not have to answer this if you think we are entering into territory we do not belong in. When that happened I think AWB talked the market down, because the default contractor that defaulted on the contract of wheat set it at a rate so that the AWB said, ‘We cannot match that, so we will go to the Argentine and get the wheat because we can then provide it somewhere near that price.’ I think they should have said to Iraq, ‘You’re off the pace, old son. If you want our wheat, here it is at this money,’ instead of going to the Argentine. When they do that, do they come to you and say, ‘Mr Wheat Export Authority, is this going to in any way damage the pool prospects globally?’ If they do that, how do you determine that that did not happen?

**Mr Besley**—They do not. They do not come near us.

**CHAIR**—So they come to you only after the event? Surely I have heard somewhere that one of your roles—and I am obviously wrong on this—is to determine whether a third party sale is in Australia’s best interests. It is not your role?

**Mr Taylor**—No. That is correct, it is not the Wheat Export Authority’s role. What I can explain to you is that some business rules exist between AWB International and AWB Geneva. Those business rules include AWB Geneva being required to inform AWB International of any proposed sale of wheat. When AWB Geneva identifies that to AWB International, under those business rules AWB International has a right of veto over AWB Geneva’s proposed sale. So, if the pool managers determine that it is not in the interests of the pool, they can veto that sale.

**CHAIR**—AWB(I) can say to AWB Geneva, ‘Sorry, old son, but you’re talking the market down. The sale is off’?

**Mr Taylor**—It would be for AWB(I) to determine the reasons, but if they do not think the sale is in the interests of the pool—

**CHAIR**—What happens then?

**Mr Taylor**—They inform AWB Geneva.

**CHAIR**—What do Geneva do?

**Mr Taylor**—My understanding is that, if the business rules work, AWB Geneva would not be able to proceed with that sale of wheat.

**CHAIR**—So then at the end of that day your role is to make sure that AWB(I) is operated in a way that maximises the benefit to the pool?

**Mr Taylor**—Yes.

**CHAIR**—So you actually have to look back at that transaction?

**Mr Taylor**—We have a look at AWB(I)'s exercise of its—

**CHAIR**—So did you have a look at its exercise in that instance?

**Mr Taylor**—We have not looked at the individual commercial transactions. What we know is that this relationship exists and that (I) is there to make decisions in the interests of the pool.

**CHAIR**—But don't you look at whether (I) are dreaming, or are you dreaming?

**Mr Taylor**—They are the commercial managers of the single desk.

**CHAIR**—But surely your role is to give us poor, broken-down wheat growers confidence that the operation of the pool is in our best interests and the pool's role is to make sure that Geneva does not interfere with the operation of our best interests. But the dots are never joined up, it seems. Sorry to do this to you, and there is worse to come.

**Mr Taylor**—The WEA does look at how AWB(I) are maximising net returns to the pool. That is looked at annually by the Wheat Export Authority, as you know. While we have not delved into the commercial transactions between (I) and AWB Geneva where they have sold wheat, we do know that AWB(I) have exercised that veto on three occasions.

**CHAIR**—But how do you know who is playing the game straight? Do you just pin the donkey's tail on? How do you work it out, or have you been given a task and a job description that—

**Mr Besley**—You cannot work it out.

**CHAIR**—So should we change those arrangements, Mr Besley?

**Mr Besley**—They would say that they have sold Argentine wheat, for example, because the margin was too low to make a decent return for Australian wheat or, alternatively, they did not have the wheat and they wanted to keep that—

**CHAIR**—I understand that, but they did have a choice on behalf of Australia's wheat growers to say to Iraq, 'Sorry, old mate. We can't meet Russia's price there, but we can give you some better wheat for this price,' which would directly benefit Australia through the pool. But they took the path of, 'We have to think of the shareholders. We'll do a deal from the

Argentina, through Geneva, to Iraq at a lower price,' whereby the shareholders—that is, a limited corporate identity—will benefit, whereas there is absolutely no benefit to Australia's wheat growers. In fact, there might have been a detriment. I cannot see how a system that does not pick up, through your role, a potential detriment is not flawed. Anyhow, I will move on from that. You can have a think about that and I will come back to it.

I now turn to demurrage. I notice when AWB operate the pool that the profits from the financial transactions, the foreign exchange stuff, end up in the growers' pockets—a good place for it to end up. But if there is a profit in shipping, it ends up in the shareholders' pockets—not a very good place for it to end up. And if there is demurrage, like the Indian thing or this proposition over there now, the dear old wheat grower has to pay it. Do you think that is reasonable?

**Mr Besley**—That is not our understanding.

**CHAIR**—That is what I have been led to understand.

**Mr Besley**—We have reported to the growers on the demurrage issue, and we have made the point that—whereas in the growers' report before last, I think it was, there was a cost, demurrage, and that was charged to the pool, so it affected the growers.

**CHAIR**—Yes, the demurrage is charged to the pool.

**Mr Besley**—But also the year before that, whatever the opposite of demurrage is called—dispatch—that was a number, a plus.

**CHAIR**—But, if the dispatch goes wrong, the charges accumulate to the pool?

**Mr Besley**—Dispatch on that occasion—obviously, dispatch, is a plus—went into the pool.

**CHAIR**—But, if my brother-in-law, through my second cousin, through the Geneva desk, has a mate who runs a shipping line and I organise the shipping and there is a profit, it goes to the shareholders, not to the pool?

**Mr Besley**—I think you are bringing another issue in.

**CHAIR**—I might be getting too close to the quick.

**Mr Besley**—What I thought we were talking about was dispatch and demurrage. Both of those are either a plus or a negative to the pool, which affects the growers up or down as the case may be—dispatch, demurrage.

**CHAIR**—But the profits of the freight arrangements, the shipping, accumulate to the shareholders?

**Mr Taylor**—AWB Chartering is able to make a profit, but it is for AWB International, in managing the national pool and deciding on what chartering arrangements a customer might want and be prepared to pay for, to see that the chartering fee being charged is—

**CHAIR**—But the service is provided by AWB Ltd.

**Mr Taylor**—Correct.

**CHAIR**—If AWB Ltd has, as has been alleged, a cosy relationship with a second cousin somewhere, it seems to me that arrangement ought to be stopped. When the Cole inquiry is

finished, I will be prepared to bomb from a great height a group of people who will never know what hit them. I think it is a disgrace to say nothing—

**Mr Besley**—I think life will never be quite the same after Cole.

**CHAIR**—That the pool was used—we had better not go there—to retire people out of another organisation. I think it is a disgrace. Anyhow, there you go. Senator Adams, do you want to have a quick shot?

**Senator ADAMS**—Yes, I would.

**CHAIR**—Bear in mind we obviously do not want to interfere, influence or—

**Senator ADAMS**—It is all right. Don't worry, I will not.

**Senator Abetz**—Follow Senator Heffernan's lead.

**Senator ADAMS**—Mr Besley, could you explain to the committee exactly what the legislative delegation of the Wheat Export Authority is, just so we can be clear on exactly what your legislative delegation is?

**Mr Besley**—My delegation to the—

**Senator ADAMS**—The Wheat Export Authority, just where they sit, because people are very confused about your role, the role of the Wheat Export Authority under legislation.

**Mr Besley**—I thought I had tried to deal with that at our last Senate estimates.

**Senator ADAMS**—Yes, I know. I would just like you to repeat it.

**Mr Besley**—It says in the act we control the export of wheat from Australia. Let us deal with that first. The only control we exercise over wheat that is exported is for non-AWB(I) exporters who need to have a permit. Before they get that permit, we have to talk to AWB(I) and take their comments on board; also listen to and take on board the advice we have got from other places, like Austrade; and apply our own market knowledge and so on. We then decide independently whether or not to issue that permit. So that is the control side. That is not for bulk—only containers and bags. For bulk, of course, AWB(I) have a monopoly. They can export without a permit from us. They get a standard one just to service the Customs regulations, but that is not because of any need to come to us, and they can veto anybody else's bulk exports.

**Senator ADAMS**—We know that.

**Mr Besley**—And they generally do.

**Senator ADAMS**—That is right.

**Mr Besley**—They have only ever approved one, and that was an error, they say. The act says we control the export of wheat from Australia. The containers and bags which we give licences for, export permits for, amount to no more than at the most four per cent of the exports in any year. So it is a bit strange to see the act saying what it does say, but that is what it says.

The other function we have is to monitor, not to audit, the way that AWB(I) manages the single desk for the benefit of the growers. That is a fairly limited role. People think that we

have much more of an investigative or audit role, which we do not have. We have to monitor it.

**Senator ADAMS**—If, while you are monitoring it, there is something wrong, what happens then?

**Mr Besley**—How do you mean? If what is wrong?

**Senator ADAMS**—You are saying you are monitoring it. If there is something that you are not happy with, what do you do? What is the process?

**Mr Besley**—We report that to the growers. We cannot direct AWB(I) to do anything. We report to the minister and to growers. Some of the things that we have reported on have caused AWB(I) to change and improve their operations. But it is a strange kind of role. We cannot audit. We can get information specifically for the purpose of monitoring, but we do not have an audit function at all. The act is singularly unhelpful in that respect. My plea to anyone who is changing the act is, for goodness sake, make it clear precisely what role the Wheat Export Authority or its successor body may have. All of the things we do are retrospective. We report on what has happened. We do not have any prospective—

**CHAIR**—Do you think your powers ought to be reviewed?

**Mr Besley**—It depends on what the government wants. If our powers are to be as I have just described them, that should be clearer than it is. But, if the growers would like to see, and I suspect they would, some body that could be, to use your phrase, a cage of gorillas rather than a bed of pansies, that should also be said in the act. In other words, if the body that succeeds us—and we are going to be changed one way or the other, Uhrig or Cole—is given that role, that should be clearly spelt out in the act. It is no good having it all like that.

**CHAIR**—I took a lot of interest in that sale from the Argentine because the ASIC obligation of the directors of AWBL is, without a doubt, to maximise the benefit and profit for the shareholders. There is nothing to talk about there. Do not ask me about the constitutional requirement on the poor old growers but, for instance, if the Argentine had a boom year that doubled the crop and all this wheat came on the market, under the present arrangements the Geneva desk could have a feast in sales from the Argentine to wherever, and you fellows would just have to sit back and watch that happen.

**Mr Besley**—We would want to report on it, but, yes, we do not have a role.

**CHAIR**—Yes, but there is nothing you could do about it.

**Mr Besley**—We do not have a role, no.

**CHAIR**—I think you might have to change that.

**Mr Besley**—As I said, it is a matter for the government of the day to decide what it wants this body, whatever it is, to do and make it clear in the act that that is what it has to do.

**Senator O'BRIEN**—We had some exchanges just before lunch. I want to be clear that the figure that you gave us, the \$199,000, does not include allowance for a motor vehicle, fringe benefits tax, superannuation—

**Mr Besley**—If I could, I would like to be clear that I have made it clear to you that the starting position was \$150,000.

**Senator O'BRIEN**—Yes. In 2001?

**Mr Besley**—Yes; which included Mr Taylor's contribution to his superannuation and motor vehicle allowance.

**Senator O'BRIEN**—So it was not everything?

**Mr Besley**—Not everything, no.

**Senator O'BRIEN**—I thought you said it was.

**Mr Besley**—It did not include performance and other bonuses, superannuation paid by the employer or fringe benefits tax on those benefits. So the \$150,000 was market adjusted up to, in effect, \$200,000 in round terms. That was manifested in this rather large back payment, if you like to call it that, which was really an adjustment that retrospectively was made because it should have been made at the time that it went back to.

**Senator O'BRIEN**—An \$88,983 back payment?

**Mr Besley**—Exactly.

**Senator O'BRIEN**—You told us that, and I do not need to go over that again.

**Mr Besley**—So, if you add that to the \$199,000, you are up in bigger numbers. If I can now move to the figure that includes recreation and long service leave accruals, which you are required to do, performance and other bonuses, employer contribution to superannuation and any other allowances, and fringe benefits tax, that takes it up to \$260,000.

**Senator O'BRIEN**—I take it you take that figure from the SES level?

**Mr Besley**—The starting point was benchmarked against an SES position back in 2001. The market adjustment, which should have been made in February 2003 but in fact was made in August 2004 and then backdated, was based on a similar action that was taken in the SES.

**Senator O'BRIEN**—SES 3 level.

**Mr Besley**—No, I do not think it is 3.

**Senator O'BRIEN**—I have just looked at the survey of APS remuneration in 2004. The base salary level for SES 3 was \$179,883—this is the average—total remuneration, \$250,607; an actual bonus payment, \$12,176; total reward, \$261,813. That included base salary, superannuation, motor vehicle and other fixed benefits, including FBT. It seems to be a remarkably similar rate.

**Mr Besley**—It appears not to have included recreation and long service leave accrual.

**Senator O'BRIEN**—How much is that? That is a small component of that figure, surely.

**Mr Besley**—I cannot tell you off the top of my head. With great respect, I think we are getting—

**Senator O'BRIEN**—SES 2 is \$50,000 less, so it is somewhere pretty close to SES 3, isn't it?

**Mr Besley**—I do not know that. Another thing worries me about this, having thought about it over lunch. You asked me whether you could see the basis upon which bonuses are paid.

**Senator O'BRIEN**—It was not me who asked you that, but someone else did and you agreed to provide it.

**Mr Besley**—Okay, the chairman did. I have thought about that and taken a bit of advice, and I think there is a privacy issue here. In order to give me time to just examine that a bit further, I would like to see that put on notice.

**CHAIR**—No trouble.

**Senator FERRIS**—But we do not want to get the answers the night before we ask you again. We got a pile of answers yesterday, and it was bad manners, to say the least.

**Mr Besley**—All I can do is apologise for that. There were complex issues, I know.

**CHAIR**—It is fair enough to take advice.

**Mr Besley**—So we will. I would like to do that. At the same time I would like to include, if I could, your question, Senator O'Brien, and tell you which was the base comparison.

**Senator O'BRIEN**—Why is that a privacy issue? You have told us the figures. I just want to know how you have lined it up. You have said you line it up with an SES figure. Which one? There are three. Don't you know?

**Mr Besley**—No, I do not offhand. I am not a public servant anymore. I do not keep these figures in my head.

**Senator O'BRIEN**—This is about a very high salary position. SES 3, according to the material I have received from the Parliamentary Library, is the only level, with the inclusions that you talked about, that is anywhere near the rates you are talking about. SES 1, for example, in 2004 averaged \$145,000. Bonuses and other remuneration would have taken it up to \$210,000—a long way short of \$260,000.

**Mr Besley**—That is SES 1?

**Senator O'BRIEN**—SES 1 is lower.

**Mr Besley**—Yes. That is about where I think the thing was benchmarked to begin with.

**Senator O'BRIEN**—At SES 1?

**Mr Besley**—But I do not know. I do not keep these figures in my head. I cannot quite understand why it is of such abiding interest to this inquiry.

**Senator O'BRIEN**—SES 3 is I think something like a deputy secretary level in the APS, as I am advised. Are we equating Mr Taylor's position to a deputy secretary position?

**Mr Besley**—I am just simply telling you what I understand to have been the situation.

**Senator FERRIS**—My understanding is that Mr Taylor earns more than the Prime Minister, which is quite a remarkable feat, I would have thought.

**CHAIR**—For a young man.

**Senator FERRIS**—For anybody.

**Mr Besley**—There are plenty of people in the world who earn more than the Prime Minister.



**Senator FERRIS**—I understand that, but they are not Mr Taylor's age and they are not Mr Taylor's Public Service classification.

**Mr Besley**—He is older than he looks.

**Senator FERRIS**—He might be, but I just say the same thing.

**Mr Besley**—Senator, what is the purpose of this? Where are you getting to? Why do you want to know all that?

**Senator FERRIS**—I am making an observation, Mr Besley. They are not my questions.

**CHAIR**—Thank you very much; we will go back to questions.

**Senator O'BRIEN**—You are spending growers' money on this. I want to know because these figures appeared in the public record. You were prepared to answer those questions because you read a prepared statement which went to addressing the issue of the \$350,000 figure that was reported in the media, and the \$260,000 figure. So you came here prepared to make a statement, Mr Besley, and I am testing that statement.

**Mr Besley**—I did not have a prepared statement. I had heard that you were interested in it, but I do not know why.

**Senator O'BRIEN**—You read a statement, Mr Besley.

**Mr Besley**—I had some notes on a bit of paper, which I will show you, if you like.

**Senator O'BRIEN**—You were prepared to answer the questions, that is right, as you should have been.

**Mr Besley**—Anyway, the question has been answered, hasn't it?

**Senator O'BRIEN**—I am not sure that it has. That is why I was asking some follow-up questions. I thought there was a bit of a conflict in what you said. I would not want to accuse you of misleading, so I just thought, 'Let's be clear. I'll ask these questions, and we'll get direct answers to them.' Is there a problem with that?

**Mr Besley**—No.

**Senator O'BRIEN**—Good.

**Mr Besley**—That is why I went through the numbers again: to make sure we understood what we were talking about.

**Senator O'BRIEN**—Thank you for that. You told us there was a base figure of \$199,000. It must be something more than that because you now call it \$200,000.

**Mr Taylor**—If I could just clarify that. You are saying 'base figure'. That is the remuneration package figure, which includes motor vehicle, employee contributions to superannuation, a proportion of the employer's contributions to superannuation as well.

**Senator O'BRIEN**—It is a part package then, because other parts of the payments would be counted as part of a package, for example, in the SES.

**Mr Taylor**—There are additional items that are part of the SES model has been applied to that package.

**Senator O'BRIEN**—So the real package is something more than that.

**Mr Taylor**—I am just concerned that, in relation to the base salary which you referred to earlier, we were talking about the same things, the same items.

**Senator O'BRIEN**—That is why we are looking at the total, and that is why I am trying to make a comparison. If FBT is included in the \$260,000, is that included in the comparable SES figure? Is that how you come at the total figure, or do you look at the \$199,000 figure based upon some other figure in the SES? I am trying to understand where you are coming from.

**Mr Besley**—The \$199,000 was the market adjustment to the original starting base of \$150,000. I did say the \$150,000 did include superannuation—the employer's contribution and part of, but not much of, the employee's—and motor vehicle. That \$150,000 became \$199,000 through that market adjustment.

**Senator O'BRIEN**—The employee contribution is paid as well as the employer contribution, is it?

**Mr Besley**—Paid?

**Senator O'BRIEN**—Yes. Who pays the employee contribution?

**Mr Besley**—The employee.

**Senator O'BRIEN**—So why is it at cost in the figures? It comes out of the \$199,000, doesn't it?

**Mr Besley**—That is the way it is structured.

**Senator O'BRIEN**—Is it deducted from the \$199,000, or is it paid in addition?

**Mr Taylor**—The employee contributions are a deduction from the \$199,000, as is the motor vehicle component. There is also a component of employer contribution deducted from the \$199,000 figure.

**Senator O'BRIEN**—What figures actually make up the difference between that figure and the \$260,000 figure?

**Mr Besley**—They are the accrual of long service leave and recreation leave, performance and any other bonuses, and the fringe benefits tax that applies to the fringe benefits that are part of the package.

**Mr Taylor**—Plus the remaining employer's contributions to superannuation.

**Mr Besley**—Would you like to see this all set out in a response?

**Senator O'BRIEN**—It depends on when we are going to get it. I take up the point that has been made: when we receive a sheaf of answers the night before estimates, it is not very helpful considering there have been three months to provide them. We will come to that. I would like you to advise us which SES level, which position in the Public Service, Mr Taylor's position has been aligned to.

**Mr Besley**—We will take that on board.

**CHAIR**—If you are going to have this, you might as well have it out. You might also like to have a skills set that goes with the job. I am a wool classer and a welder. I have no idea

what you are. You might be a bookkeeper, for all I know. You originally applied for the job how many years ago?

**Mr Taylor**—Six years ago.

**CHAIR**—Have you had a renewal of contract yet?

**Mr Taylor**—Yes.

**CHAIR**—When did you renew?

**Mr Taylor**—In 2003.

**CHAIR**—So I presume a certain skills set went with the job. What were you qualified to do when you took the job on? I am a wool classer and a welder. What are you?

**Mr Taylor**—I am a graduate from the University of Canberra.

**CHAIR**—In what?

**Mr Taylor**—Management with economics and law. I worked in the public sector, the Public Service—

**CHAIR**—I recall you telling me that.

**Mr Taylor**—Across a range of commodities, from the livestock areas through to the cropping areas.

**CHAIR**—What part of the Public Service did you work in?

**Mr Taylor**—The department of agriculture—DPIE, as it was at the time.

**CHAIR**—When you saw the ad in the paper, did you cut it out and hide it from everyone else? Do not answer that.

**Mr Taylor**—No, I am not going to.

**Senator FERRIS**—Just to reinforce what my colleague Senator O'Brien is saying, presumably your position is held against a position within the structure of the department which has a skills set attached to it that is able to be compared. For completeness, when we get this documentation it would be useful to have the complete analysis.

**Mr Besley**—It is not held against a position.

**Senator FERRIS**—No, I do not mean a position is lost in the department. I mean they are on a par.

**CHAIR**—But, in any event, you are a lawyer; is that right?

**Mr Taylor**—I am not claiming to be a lawyer, no.

**CHAIR**—What are you claiming to be?

**Mr Taylor**—The Chief Executive Officer of the Wheat Export Authority—

**CHAIR**—No, no; you have a commerce and law degree, did you say?

**Mr Taylor**—I have a management degree with economics and law. So I am not an economist or a lawyer. I am a—

**CHAIR**—So you majored in economics. I was going to apologise because earlier I said perhaps we should shoot every third lawyer. I do not want you to think I want to include you in that

**Senator O'BRIEN**—Can we correct that. You said 'two out of three'.

**CHAIR**—Minister, are you a lawyer?

**Senator Abetz**—No, I am not. I am a minister of the Crown.

**Senator FERRIS**—You are a barrister by qualification.

**Senator O'BRIEN**—Mr Besley, were you directly involved in negotiations with the Grains Council of Australia about the industry levy?

**Mr Besley**—No, not directly. Do you mean the 22c?

**Senator O'BRIEN**—Yes.

**Mr Besley**—No, regarding the rules under which that is recommended to the minister, the initiative starts with the Grains Council. They consult with us. I was aware of what was happening and was informed of and agreed with what was being sent to them so they could make a decision on what they chose to recommend. After one false start, they then indicated to us that they were going to recommend 19c, and we said, 'Yes, we could live with that.' So the minister was informed.

**Senator O'BRIEN**—Where were the savings to come from within the organisation to accommodate the cut in revenue?

**Mr Besley**—It was not a question of savings so much. It was just a question of what the crop looked like and what the income was going to be. We were not specifically saying we can reduce the number of staff by X simply because we are going to have the levy cut from 22c to 19c. It was, 'Where are we? How are we doing? What does the crop look like?' We were concerned not to have a situation arise whereby the levy came down to an unsustainable level so that you would have to put it up again, because it did not seem to us to make sense to have this yo-yoing effect. We discussed, or Glen and co did, that point with the management of the Grains Council.

**Senator O'BRIEN**—Did someone in the Wheat Export Authority work out what a reduction from 22c to 19c would mean in terms of the income for the Wheat Export Authority?

**Mr Besley**—Yes, somebody did.

**Senator O'BRIEN**—The comment reported in the media is that you could live with that. But you did not need to lose any staff, I take it, as a result of that?

**Mr Besley**—No, we did not.

**Senator O'BRIEN**—So how would you, as you put it, live with the reduction in income, or do you say there would not be a reduction because on volumes you would keep the same income?

**Mr Besley**—I did not say that. I said the volumes were promising and the revenue from the levy was going to be higher than it had been, for example, for the year before.

**Mr Taylor**—It was going to be a very tight budget that the WEA would have to manage under the 19c, and there was also a small amount of cash reserves that the Wheat Export Authority had accumulated. Its operations under an export charge at 19c were going to erode most of that small cash reserve the WEA had accumulated.

**Senator O'BRIEN**—How long did you think you could live on the 19c?

**Mr Taylor**—Our estimate at the time was for probably 12 months.

**Senator O'BRIEN**—Is that what you told the Grains Council?

**Mr Taylor**—The Grains Council were aware that it would be very tight for the WEA to maintain its operations with the export charge at 19c.

**Senator O'BRIEN**—But were they aware that you thought you would have to revisit the issue in 12 months?

**Mr Taylor**—Yes.

**Senator O'BRIEN**—And the likelihood is that it would have to go up?

**Mr Taylor**—That was a view at the time, subject to what the actual exports were going to be. As you would appreciate, actual export tonnages vary month to month, and it would depend on what the forecasts were going to be for the coming year that we were able to access during the 2005-06 year.

**Senator O'BRIEN**—Mr Taylor, in preparation for these hearings I have gone over some of your evidence from the Cole commission. I want to go to some of the matters raised in that evidence. Can I get you to confirm one point you made in evidence. It is recorded on page 3881 of the Cole commission transcript. Counsel assisting Commissioner Cole asked you a question about the construction of the contracts between AWB Ltd and the Iraqi grains board, and you answered:

I don't know how the contracts were constructed, so I don't know the answer to that.

Can you confirm, Mr Taylor, that you, as the most senior officer overseeing the use by AWB(I) of the single desk, had no idea of how the contracts with the Iraqi grains board were constructed?

**Senator Abetz**—Can I just suggest, Chair—

**CHAIR**—Thank you very much. Could I just caution people that they should be wary of going down the path of putting questions that would in any way risk variation of evidence given before an inquiry and create some sort of problem for you.

**Senator O'BRIEN**—I simply put an answer that is on the transcript, and I just wanted to confirm that it was right.

**CHAIR**—One of the things that I learnt a long time ago—

**Senator O'BRIEN**—Are you obstructing this too? You are trying in a way to instruct these officers that—

**Senator Abetz**—Grow up, Senator O'Brien. You know what the government's position on this is.

**CHAIR**—Excuse me, I am actually chairing the proceedings. I do know that one of the obligations of these committees is, as was the case with the citrus canker inquiry, that we have to be careful that we do not prejudice evidence given before an inquiry—in that case, the citrus canker inquiry was the subject of DPP proceedings; in this case, it is the Cole inquiry. I am not a lawyer. You have an economics degree in whatever you have it in, and I do not know what you are, but I am a wool classer and a welder so I do not have the expertise. But, Minister, you are a lawyer.

**Senator Abetz**—It seems singularly unhelpful to try to canvass evidence that is on the record about which the commissioner may well make a finding. Whilst I am not suggesting this, there is a whole raft of possibilities of the commissioner finding that that particular answer is absolutely truthful, he might find it is evasive or he might find that it is a lie. For us to try to canvass all that evidence and the answers given to an inquiry before any determinations are made I think is singularly unhelpful to the process of the Cole inquiry.

**CHAIR**—I think to be fair to the Wheat Export Authority, Senator O'Brien, at the last hearings they were very generous with their time and the number of questions they faced, they have been very generous today and they will continue to show that generosity. But I think there are some areas in which we ought to extend them the courtesy of not interfering in the Cole process.

**Senator O'BRIEN**—As a senator I am asking questions about the performance of an agency, and I choose to ask the questions the way that I do. There could be no prejudice of a royal commissioner by the asking of those questions, neither could the answers be used in a court of law. So I do not understand your entreaty.

**CHAIR**—I am just erring on the side of caution. Anyhow, others can be the judge.

**Senator O'BRIEN**—I wanted to know whether Mr Taylor, who is the most senior officer in the Wheat Export Authority, confirms that he had no idea how the contracts with the Iraqi grains board were constructed. It goes to his competence, I would have thought. Are you taking instruction on whether you should answer the question?

**Mr Taylor**—No, I am not taking instruction at all.

**CHAIR**—I might remind the committee that the witness can seek advice before he answers the question.

**Mr Taylor**—I would prefer not to answer that question at this point in time. I would be happy to answer it at a later date and put some context around the statement that you have just put to me.

**Senator O'BRIEN**—So you have signed off a report to government saying that there were no irregularities contained—

**Senator Abetz**—One assumes that the witness was sworn before the royal commission.

**Mr Taylor**—That is correct.

**Senator Abetz**—So a witness has sworn before a royal commission, and now we have a senator asking whether or not it was the truth. I do not think that is a very helpful avenue to pursue.

**CHAIR**—We generally work our way through these things. I am sure, Senator O'Brien, we will on this occasion, so let us just be patient.

**Senator O'BRIEN**—Did you sign off a report to government saying no irregularities were contained in the contracts with the Iraqi grains board?

**Mr Taylor**—That report which I think you are referring to was the PMR report for 2004, which did include an explanation to the minister on what WEA had identified in looking at the Iraq exports. The process of that report going to the minister included approval of the board of the Wheat Export Authority after it had been presented to them by management.

**Senator O'BRIEN**—Did you put your name to that report or not? Were you signing it as a person or—

**Mr Taylor**—I think I signed the covering letter to the minister.

**Senator O'BRIEN**—But you did not sign the report?

**Mr Taylor**—No.

**Senator O'BRIEN**—You did not effectively give the report your imprimatur?

**Mr Besley**—The report was seen in draft by AWB(I), as is customary for us to do. They did not make any changes of substance. So the board of the Wheat Export Authority approved the report. As Mr Taylor said, he sent it to the minister under a brief covering letter, which he signed, saying, 'Here it is.'

**Senator Abetz**—Can I inquire again, Chair, whether this issue was canvassed before the Cole inquiry. If it was, I would respectfully suggest we leave it alone until the inquiry findings come down because the commissioner may, if it is a material matter, make a determination about the signing of the report, the signing of the letter et cetera and what significance ought be attached to all that. I would just suggest we be very careful.

**Senator O'BRIEN**—I would not know whether that was canvassed in particular. I asked that particular question.

**CHAIR**—Could I also raise that some of the events that have occurred in the last couple of days have reopened another front or two in the Cole inquiry, and I would caution everyone to err on the side of caution.

**Senator O'BRIEN**—There has been a lot of erring, but I am not sure it has been because of caution.

**CHAIR**—I am probably guilty of all of that.

**Senator ADAMS**—Just to go back, Mr Taylor, to your contract, how long is it—how many years?

**Mr Taylor**—It is a three-year contract.

**Senator ADAMS**—You said in 2003 was the last time it was reviewed; is that correct?

**Mr Taylor**—That is correct.

**Senator ADAMS**—When is your contract due to be renewed?

**Mr Taylor**—The nominal expiry date was 30 June 2006.

**Senator ADAMS**—What has happened then?

**Mr Besley**—Those AWAs remain in place unless and until they are changed. Mr Taylor was expecting us, and we have discussed this, to take a look at it about now and decide what to do. There is an issue here that I do not want to go into in detail, but clearly there are going to be some changes to the Wheat Export Authority—

**CHAIR**—I think the answer that you have given is as complete as it ought to be.

**Senator ADAMS**—So it has been renewed in the interim then, obviously?

**Mr Besley**—You roll it.

**Senator ADAMS**—How long has it been rolled for?

**Mr Besley**—At the moment, a time we are still talking about. I have to say that we are talking about this because there is a process called the Uhrig review, under which all statutory bodies are examined. It is clear to me the structure of the WEA is going to be changed one way or the other, and that review is on hold pending the outcome of the Cole commission. So there is an aura of uncertainty about for how long these things should be rolled, and I am waiting to see a little clarity before that is sorted out with Mr Taylor.

**Senator ADAMS**—So you cannot give me any definite time as to how long it is being rolled over?

**Mr Besley**—I cannot at the moment because I do not know what is going to come out of Uhrig or Cole.

**Senator SIEWERT**—I am just looking at the answers that you gave yesterday. In answer to my first question, you said you first became aware of the kickbacks on 20 May 2004, yet your answer to a question that I think Senator O'Brien asked regarding when you got the contracts, the excerpts from the contracts, says 19 March, I think it is, 2004. If I remember correctly, the process was you got some contracts that did not provide sufficient information so you sent an officer to Melbourne. What is the discrepancy between the two dates?

**CHAIR**—I advise caution here. Unlike probably everyone in this room, bar maybe a couple of people at the top table, I spent a lot of time at the Cole commission listening, writing down bank accounts and doing all sorts of things. I am unaware, Mr Taylor, of what evidence you have or have not given. I am unaware of the questions you answered so generously at the last hearing. Given that the Cole inquiry (1) has not reported and (2) may be re-calling witnesses, I urge you to—

**Senator SIEWERT**—I am actually following up on a series of questions that I have been asking since last November.

**CHAIR**—You are doing a good job.

**Senator O'BRIEN**—Can I express some concern. This is a question about questions on notice in *Hansard*, and you are interposing the Cole Commission.

**CHAIR**—No, I am not.

**Senator O'BRIEN**—You are. That is what you just did.

**CHAIR**—I am just saying be careful. I am not saying that you do not answer.



**Senator SIEWERT**—Can they answer, Chair?

**CHAIR**—You can ask as many questions as you like.

**Senator Abetz**—Senator Siewert, that is up to them to determine. You might like to ask the question again, because I have forgotten it.

**Senator SIEWERT**—There are the two dates. There is 20 May 2004, which is in the answer to my question you took on notice. I think Senator O'Brien asked, 'When did you get the first lot of materials when you asked the AWB for some materials?' I think the answer was 19 March 2004. There is a discrepancy between the dates.

**Mr Besley**—You need to understand that it was not a one-hit bit of information. If you go back in history, there was a lot of smoke around—not much noise but a lot of smoke—with the wheat exporters of America saying this and saying that. There were references to high prices et cetera which eventually translated in 2004 into the possibility of kickbacks. With all this stuff that was going on, we sought information from AWB(I). We did not get it all in one lot. As I think I said last time, we finally resolved how to get the information that we needed to do our job at a meeting of the two boards where it was agreed, 'We can send somebody down to look at some documents relating to these contracts,' and get the information that would close the circle for us. It was not just a one-hit thing. There was a whole bunch of dates. As I think I said last time I appeared before you, we should not get too fussed about what 'mid-2004' means. It was in fact a process that extended over a number of months.

**Senator SIEWERT**—So in fact you were concerned about possible kickbacks much earlier than May 2004?

**Mr Taylor**—WEA had heard about inflated prices for wheat sales to Iraq in late 2003. That is what led to the material that was requested of AWB(I) and received on 19 March, which is one of the responses you have. The first record we have of being aware of kickbacks then alleged is 20 May, the date in the response.

**Senator SIEWERT**—Why didn't the file note you have attached to the answer you gave here ring alarm bells? I realise—and you will probably say—I am covering the same ground as last time, but I had not seen the file note last time. The information in that file note leaves a lot of gaps in AWB's response to the questions the investigator asked. I understand that was in August, after you had heard about the rumours of kickbacks in May.

**Mr Besley**—Again, you need to remember what the atmosphere was like. There were denials all over the place. There were assertions by the American wheat association and so on. The AWB(I) said they had not been engaged in kickbacks and there was no evidence on their register of agency payments. I think I said last time they have a corporate governance charter under which, if you want to make an agency payment, you have to get approval to do so and you have to report it, having made the agency payment. We looked at the register. They showed us that. They showed our person who went down there. There was no reference to agency payments for Iraq on it. They denied it. There was no reason for him not to conclude that they were telling the truth.

**Senator SIEWERT**—There was not a conclusion in that file note that in fact AWB(I) were not paying any kickbacks. Fairly worrying issues were raised, but my reading of it is that the investigator did not say, ‘This should not be further investigated.’

**Mr Besley**—Let me correct you. He was not an investigator. We do not have an investigative role—and I have said that so many times and you need to keep that firmly in your mind. We do not investigate; we monitor. The sole purpose of our having someone go down there was to find out if it were true that there were kickbacks being paid and whether those kickbacks were impacting on the pool and therefore affecting growers. The answer we got—and we are still satisfied to this day—was they were not affecting the pool and therefore growers were not affected. Our role is to monitor, not investigate.

**Senator SIEWERT**—On my reading of the file note, when your monitor went down, the monitor did not say, ‘It is all clear.’ Even if you take into account what you were just saying about it not impacting on the pool, I would not say that report is conclusive.

**Mr Besley**—It is easy to say that with hindsight.

**Senator SIEWERT**—If I were monitoring something, I would have fairly sensitive monitors on to actually pick up any irregularities.

**Mr Taylor**—That file note is one of the pieces of information that WEA used in forming its view and in informing the minister in the PMR report. There was the information requirement schedule, which you referred to earlier, where we received information on 19 March. There were additional pieces of information to that file note which were all thrown into the mix for the Wheat Export Authority to prepare the report to the minister.

**Senator SIEWERT**—We are having trouble hearing you.

**Mr Taylor**—The file note was one of the pieces of information that WEA had in forming its view about the reliability of information provided by AWB(I) and whether there had been an impact on the pool. The information requirement schedule, which was attached to one of the responses that were provided to a question from Senator O’Brien, also identifies other pieces of information that WEA had on hand to form a view throughout the course of 2004. The file note in itself is not the sole piece of information that WEA based its views on.

**Senator O’BRIEN**—Mr Besley, surely the board of the Wheat Export Authority would expect the CEO to have an understanding of the contractual arrangements of AWB with foreign markets so that he could assess its performance?

**Senator Abetz**—Once again, I think that is a matter that has been canvassed elsewhere.

**Senator O’BRIEN**—So?

**Senator Abetz**—For exactly all the reasons we have already previously discussed with the chair.

**Senator O’BRIEN**—This is about the performance of an entity which is funded by a tax on wheat growers collected by a law of this parliament.

**Senator Abetz**—That is right, which is currently subject to a very expensive inquiry funded by the taxpayers of this country. I think the taxpayers of this country may well want this fairly expensive inquiry to be able to undertake its job without interference from outside

sources. I am fully aware there are senators on both sides of the political divide who are very concerned about the way the board has behaved et cetera. But I would suggest that everybody exercise extreme caution and not seek to canvass and trawl through issues here that have been dealt with by the commissioner. Until such time as he has made his determination, I suggest we do not try to recanvass issues that are clearly fundamental to the inquiry.

**Senator O'BRIEN**—On what page of the transcript does Mr Besley canvass that matter before the Cole inquiry?

**Senator Abetz**—You know as well as I do—

**Senator O'BRIEN**—Do you, Mr Besley, canvass that particular item in your evidence before the Cole inquiry?

**Mr Besley**—Which particular item?

**Senator O'BRIEN**—The question of whether the board expected the CEO of the Wheat Export Authority to have an understanding of contracts entered into by AWB International.

**Mr Besley**—No, I did not canvass that.

**Senator O'BRIEN**—Then I can ask the question, on the minister's rationale. What is the answer?

**Senator Abetz**—Clearly these sorts of issues are—

**Senator O'BRIEN**—You cannot have it both ways.

**CHAIR**—Just a moment.

**Senator O'BRIEN**—The minister jumps in with no justification.

**CHAIR**—Senator O'Brien, I heard exactly what the minister said. I also heard Mr Besley's answer. Bearing in mind what the chairman said a few minutes ago, I am sure Mr Besley will bear his comments in mind as well when he answers the question. Let us see.

**Mr Besley**—The WEA do not look at individual contracts as a matter of routine. We do not interfere with the commercial negotiations of AWB(I). That is not our role. However they write their contracts is a matter between them and the buyer. The only reason we looked at the contracts or sent someone down to see what was there in relation to these Iraqi contracts was to try to find out, as I have said dozens of times already, whether in fact there were payments being made illegally those payments were affecting the growers.

**Senator O'BRIEN**—You sent someone down to look at those contracts to see whether they affected—

**Mr Besley**—Yes. We have been over that before. Yes, we did.

**Senator O'BRIEN**—You have said there was some process of reporting back. The board had no expectation of the CEO in that regard?

**Mr Besley**—There was no need for the board to have an expectation. It is not the role of the WEA to look at individual contracts. I cannot stress that enough. That is a commercial matter for AWB(I). We are not contract administrators. We are monitors of their performance, which is measured by the f.o.b. prices that the pool gets for its wheat.

**Senator ADAMS**—Can the Wheat Export Authority give an assurance that the prices used in its evaluation of AWB(I) have not included and do not include components that artificially inflate that price?

**Mr Besley**—No, I cannot. Without wanting to get too much into the issue that I think is wise for us not to get into, if you read the transcript of evidence in Cole you will find out there was a lot of information that was allegedly going to be sent to us that was not. One document shown to me, which is on the web site, had information in it of a kind we had never seen before.

**Senator O'BRIEN**—By 'we' do you mean the board?

**Mr Besley**—The Wheat Export Authority.

**Senator O'BRIEN**—The Wheat Export Authority had never seen it?

**Mr Besley**—No, it had not.

**Senator ADAMS**—Once again, I am finding this terribly confusing. How do you evaluate if you do not know? You are saying you are monitoring and then you are evaluating. You must surely have a benchmark?

**Mr Besley**—We do have evidence. We get a regular spreadsheet which sets out the f.o.b. prices that AWB gets for the wheat it sells on behalf of the growers. That is the way the system works. We are able to be aware that those prices are in the right order because we know what the benchmarks are out there. We rely on that information to do our monitoring. Our person went down to check that the information that was there was consistent with the f.o.b. information which had previously been provided to us on the spreadsheet, and his conclusion after his examination of some documents was that it was.

**Senator O'BRIEN**—Without seeing the contracts, all you need to hear from AWB is an f.o.b. price?

**Mr Besley**—Yes. We do not see their individual contracts.

**Senator O'BRIEN**—If they have a contract which has some other emolument which in a funny sort of way finds its way into AWB, you are not concerned about that even though it might be money coming off the top of the growers' returns?

**Mr Besley**—You are presuming something there. I think you need to wait to see what comes out of the Cole commission.

**Senator O'BRIEN**—I am not talking about the Cole commission. I am talking about how you conduct your role. If you are not interested in anything but what AWB tell you is the f.o.b. price, how do you know that they are not skimming something through some other mechanism going back into the company that does not feed money into the pool? How could the Wheat Export Authority possibly know that?

**Mr Besley**—We did a very exhaustive examination of the base cost of operating the pool from 2000 to 2004. We had people in AWB for four days, along with our external auditor, Walter Turnbull, and one of our consultants. The purpose of that, by the way, was to find out what was the base cost, because we were never able to establish a datum to get some of the fee structure—

**Senator O'BRIEN**—I am not talking about costs of operation. I understand you have done that. How do you get the information to determine whether the return to the pool has not effectively been skimmed by funds coming off a contract and going into another part of AWB feeding the private shareholders?

**Mr Taylor**—As the chairman has outlined, we do get the f.o.b. data from AWB. We had done checks on some of that data by getting certain contracts and extracts of contracts to confirm that data. We also know that they have their own benchmarking tool based on international grain prices on the day which they use as a target for the f.o.b. prices for the pool which we also check.

Where there are other services that are batched into a contract for a wheat sale, we have had a look at whether there is any evidence that other parts of the AWB Ltd group are actually profiting out of that contract. In other words: is the pool subsidising profits for the chartering group? Certainly the work that we have done and the evidence we have found, which has included looking at all contracts that included additional services, is that there was no subsidisation by the pool of the profits for those other parts of AWB.

**Senator O'BRIEN**—In a general sense, AWB would show you contracts when you wanted to see them?

**Mr Taylor**—Generally, when they have been requested for by the Wheat Export Authority and we have felt there has been a need to get those contracts for an assessment process we are going through, they have provided them.

**Senator O'BRIEN**—The Wheat Export Authority could disaggregate the f.o.b. price from other items and could follow through the chain of payments to know that money did not somehow find its way back into AWB for the private shareholders?

**Mr Taylor**—That has been the purpose of the assessment. Yes, I believe we have been able to do that. There have been several assessments that have been reported in our growers' reports about whether, for example, AWB Australia is advantaging as a result of its relationship with the pool, and we have found that it was not. We have also had a look at the chartering arrangements to see whether there was any subsidisation by the pool of the chartering services, and we found that there was not.

**CHAIR**—You did not discover the second cousin.

**Mr Taylor**—We did not discover the second cousin, no.

**Senator FERRIS**—If your monitor were to see a contract which appeared to be exceptionally generous to shareholders—that is growers—what capacity would you have as a monitoring agency to investigate that contract? I will contextualise my question by reminding you that several years ago this committee asked the AWB what premium they believed they were getting on a contract into Iraq. Senator O'Brien will remember this because he was also on the committee. The response from AWB was 10 per cent. If you, as the monitoring and evaluating agency, were looking at those contracts and you saw an exceptionally generous contract like that, what capacity would you have to call for the details and evaluate it? The AWB was referring to a contract with Iraq. I am asking you as the monitoring agency.

**Mr Taylor**—The WEA does not routinely get all contracts that are signed off by AWB(I) for the sale of pool wheat.

**Mr Besley**—Most we do not.

**Senator FERRIS**—How do you determine which ones you do get?

**Mr Taylor**—If there is a particular assessment the WEA has determined needs to be undertaken—

**Senator FERRIS**—How do you determine that? I would have thought that the contracts with the large trading partners would be contracts that you would take a particular interest in. These contracts were, after all, part of a trade which was occurring at a particularly interesting time, shall we say. How do you make the evaluation about which contracts you select? Is it random? Do you look at all of them and make the assessment? Can you give us a detailed answer on how you make that assessment to call for a contract? Mr Besley can answer it, if you like. I directed the question to you, Mr Taylor, but if he wants to answer it he can.

**Mr Besley**—Mr Taylor has already spoken about the benchmarks that exist and about our own knowledge of what is happening. If a red light comes on because something is clearly out of whack with what is happening in the market, then we will look at it. I want to stress again we look at very few contracts—only on special occasions.

**Senator FERRIS**—But I thought that was your whole role.

**Mr Besley**—No, it is not our role to look at the contracts. That is a commercial negotiation.

**Senator FERRIS**—No, do not jump to that point, Mr Besley. I have heard you make that comment.

**Mr Besley**—Perhaps I have not made myself clear.

**Senator FERRIS**—I am very clear on what you are trying to tell me. Your role, as I understand it, is to evaluate and monitor. How do you come to the conclusion about which contracts you evaluate and monitor? If you evaluate and monitor them, presumably you call for those contracts to look at them as part of your evaluation and monitoring. What are the criteria for evaluation and monitoring of a contract?

**Mr Besley**—As I said a minute ago, if there is clearly some difference between the norm that we see in the market, we know what wheat prices are—

**CHAIR**—How do you see the norm?

**Mr Besley**—There are all sorts of published indices and so on that one can draw on.

**Senator FERRIS**—AWB, by their own admission, told this committee—and it is on the *Hansard*—that they were getting a 10 per cent premium on this contract into Iraq. You presumably monitor what this committee does. This was some years ago—perhaps two or three.

**CHAIR**—It was 2003.

**Senator FERRIS**—If you are alerted to something like that, do you then call for the details to evaluate and monitor or do you just think, ‘There are 10 contracts there; I will pick six’ or ‘I will pick three’? What is it? A 10 per cent premium, by their own admission, was a pretty

significant premium to any country. Wouldn't that be enough to put a red light on somewhere in the WEA?

**Mr Besley**—A premium over what? We have looked, as we do from time to time, at their ability to price discriminate. We have had experts in to help us on that, incidentally.

**CHAIR**—Do you look at f.o.b. or CIF?

**Mr Taylor**—We look at f.o.b.

**Senator FERRIS**—I am still looking for the criteria for assessment.

**Mr Taylor**—We look at f.o.b. We do our own assessment to see whether AWB(I) are actually exercising the special export privilege, the single desk monopoly they have, to actually extract premiums from customers in markets. One of the fundamental reasons for a single desk is to maximise returns, to get the maximum price you can from your customers to the advantage of the pool, to the advantage of the growers who deliver to the pool. We do those assessments of AWB(I)'s price discrimination performance annually.

**Senator FERRIS**—How many would you look at over a year?

**Mr Taylor**—We have the complete set of data of all sales and all shipments of wheat from the pool over that pool period. We do not have the actual physical contracts.

**Senator FERRIS**—I understand that.

**CHAIR**—But you have it in f.o.b.—

**Mr Taylor**—A massive spreadsheet with f.o.b. data for every shipment of wheat from the pool over that pool period.

**CHAIR**—You may recall what Senator Ferris is leading to. We reviewed the Wheat Export Authority. We had a hearing in Perth. I remember it well. We tiptoed into this area, without knowing we were tiptoeing into this area, about the default payment. It was the default payment hearing. You probably were not part of that. Do you remember that, Senator Ferris?

**Senator FERRIS**—Yes.

**CHAIR**—We were curious about this default payment that no-one was anxious to pick up. We were then told, 'But, hang on, mate, we are not worrying about the default payment because, since the default, we have had all these other sales with these premiums attached to them.' This committee, knowing what we know now, feel like a person would feel like when they discovered the parish priest was interfering with their kids: we feel badly distressed. We are badly distressed by what we have discovered because we feel we were misled. One of the things we asked of the CEO of AWB in the wheat export review—and I can remember the words I used—was, 'Would you have the courage to disclose to this committee the process and the logic that goes into your bonus?' We all know now how the bonus was worked. We feel betrayed.

**Senator FERRIS**—I still have not got clear in my mind what happens when you get the annual set of figures. You presumably look at them, but what do you measure them against? If you find something that puts on a red light, what do you do and how often does that happen? How often do you raise issues when you look at the annual figures? I go back to what I have said to you in the past, Mr Taylor. This body of yours was set up to be the tiger, to hold the tail

of the wheat export monopoly, the single desk. Farmers whom I talk to cannot believe that what we now know happened in AWBL and AWB(I) occurred under the nose of what those farmers thought was the body that was going to be their watchdog. They feel betrayed. Either they are betrayed because they were misinformed in the beginning and they have wrong views on what your role was or you have not made clear enough to them and us what it is that you have been watchdogging. I still do not understand that. Excuse me for not understanding, but I would like you to take me through what happens when you get the annual figures, how you apply the criteria, what outcome you find and what you then do. Can you take me through that as economics EO1, and I will listen carefully.

**Mr Taylor**—When the pool sells wheat, the f.o.b. return is the return to the pool; it is what goes into the pool as a return to the growers. Any other costs—such as insurance, such as freight, such as chartering, such as any other services that may be bundled into that contract for that sale of wheat by AWB Ltd providing financial services, for example—are an add-on. The f.o.b. is what goes to the pool.

**CHAIR**—How do you work out, though, they are not ripping us on the currency transaction?

**Senator FERRIS**—I would like to hear the answer to my question in its completeness, and then I will be happy for you to ask your question. I am very interested in this explanation.

**Mr Taylor**—I will do my best to explain it.

**Senator FERRIS**—Thank you.

**Mr Taylor**—We get a very large spreadsheet from AWB(I) which is audited data—once the pool has closed—which tells the Wheat Export Authority what the f.o.b. return to the pool was for each shipment of wheat from Australia for that pool period. The Wheat Export Authority then uses that data to conduct its own price discrimination test. To do that, we plug that data into two economic models, one being the price discriminating monopolist model and one being the Knetter-Carter model. Those two models basically tell the Wheat Export Authority: is AWB(I) actually achieving premiums in markets for the growers who are delivering to the pool? In other words, is AWB(I) exercising its monopoly as it is intended to do to get good returns for growers? The outcome of our assessments of those f.o.b. returns is that AWB(I) does use its monopoly powers to get good returns, to put premium returns into the pool.

**Senator FERRIS**—Do you look for a low-red alert or a high-red alert or both?

**Mr Taylor**—I am not entirely sure what you mean when you say ‘red alert’.

**Senator FERRIS**—You are saying that you look at them to see that they are getting good returns for growers—good—and using their monopoly responsibly.

**Mr Taylor**—Yes.

**Senator FERRIS**—Are you attracted, therefore, to make sure they are not undercharging or overcharging or both?

**Mr Taylor**—Exercising the monopoly power means they get high returns in some markets and low returns in others. It all depends on the elasticities of demand within a market.



**Senator FERRIS**—Given that we now know there was one particular shipment that went to a country where they admitted that they were getting a 10 per cent premium, under the normal set of analyses would you pick up something like that and be interested in that contract?

**CHAIR**—That would not have shown up f.o.b.

**Mr Taylor**—No, that is right.

**Senator FERRIS**—Let us see, if the criteria were applied, whether it would bounce up and then you might look at it and find some reasons why it was all right.

**Mr Taylor**—We are using f.o.b. data. We then get the results from our economic assessment of how the pool is being managed and the returns to the growers. That will show to us which markets are premium-paying markets and which markets are lower-returning markets. The term is ‘discount market’. That does not necessarily mean at all that the pool is discounting wheat. It means it is a lower-returning market than the premium markets. We would see it as a positive use of monopoly power if they were actually using the monopoly to extract premiums from a market. If there are additional add-ons to the contract, then of course that is outside that economic assessment that we do based on the f.o.b. returns.

**Senator FERRIS**—How many times in a year, when you look at the yearly return, would you pick up something that you find as interesting and might be worthy of questioning further?

**Mr Taylor**—We conduct the assessment annually. Once each pool has closed, the data is then audited. About six to eight weeks after that pool has closed we actually have the data and can commence our assessment.

**CHAIR**—Are you presented with an average?

**Mr Taylor**—No. It is the f.o.b. price.

**CHAIR**—The individual sale?

**Mr Taylor**—That is right.

**Senator FERRIS**—How often would you pick up things that you want—

**Mr Taylor**—During the course of the year we rely on our stakeholders and on industry to inform the Wheat Export Authority of any issues they think are a red light. If issues come up that industry has some concerns about or we identify issues during the course of our assessment, then we will conduct an assessment.

**CHAIR**—That is where you need the gorillas.

**Mr Taylor**—That was done, for example, on the chartering arrangements and how the chartering arrangements operated in the relationship between AWB(I) and the Chartering group within AWB Ltd. The concern was: is the pool cross-subsidising Chartering profits? We found that was not the case. It was not. The pool was provided a high degree of transparency by AWB Chartering for the pool to be able to determine which was the most efficient chartering service provider for a contracted sale of wheat. We have looked at whether AWB Australia, being the domestic trading arm, is actually advantaging from the pool because of access it may have to information because of its relationship with and the structure of the

AWB Ltd group. We did a comprehensive assessment of all the data—I think there were 80,000 data points—of all deliveries to the pool by non-AWB(I) traders and AWB Australia. We were able to identify and report that there was no evidence to show that AWB Australia was advantaging as a result of its relationship to the pool.

**CHAIR**—Do you outsource that work?

**Mr Taylor**—No, that was done by the Wheat Export Authority with the assistance of our consultants.

**CHAIR**—You have an outside contractor that does that work?

**Mr Taylor**—They are our technical advisers, technical service providers.

**CHAIR**—Who are they?

**Mr Taylor**—The Allen Consulting Group.

**CHAIR**—They do not have a relationship with AWB, I do not suppose?

**Mr Taylor**—No.

**Senator FERRIS**—When you did the measurement on AWB shipping, how did you determine they were not abusing the monopoly they have? There is no transparency in the way that AWB shipping do their contracts in the sense that nobody outside of AWB does that shipping. This is one of the 77 services that AWB contract to AWB(I) which are never tendered and are not transparent. When you did that evaluation, how did you measure that they were not abusing that monopoly?

**Mr Taylor**—What we saw is that the relationship between AWB International and the Chartering people was a transparent relationship where the pool is actually able to see what the offers are for the chartering service it is looking for on the day, and the pool had the choice about which bid it would accept for the chartering.

**CHAIR**—What would be a fair thing, according to the Wheat Export Authority or—who do you outsource this to?

**Mr Taylor**—Allen Consulting Group.

**CHAIR**—Can you give us the corporate details of those people so we can have a sneak look at them? What do you consider to be a fair margin on that deal as the profit to go to Limited? They must charge a profit line?

**Mr Taylor**—A fee of 80c per tonne is charged to the pool. I believe it is on the public record.

**CHAIR**—Over and above the cost?

**Mr Taylor**—That 80c per tonne was market tested when AWB(I) was entering into the chartering arrangement with AWB Ltd. We had a look at the results of that market assessment which they undertook. The 80c was within the realms of what they had been quoted for the commercial provision of those services.

**CHAIR**—Does that include or exclude their fixed administrative overheads to do that work? In other words, is it a dead-set profit centre guaranteed return or does it include their fixed administrative overheads of doing the work?

**Mr Taylor**—The chartering is part of the overall service that is provided by AWB Ltd to the pool.

**CHAIR**—Is the 80c a profit?

**Mr Taylor**—There is an 80c fee charged by AWB Chartering. How they distribute that financially, I do not know.

**Senator FERRIS**—Is it possible for this committee to have a look at the report on the wheat industry benchmark?

**Mr Taylor**—Which report in particular are you asking about, Senator?

**Senator FERRIS**—My understanding is that quite recently there was a report done on wheat industry benchmarking.

**Mr Taylor**—Yes.

**Senator FERRIS**—Is it possible for this committee to be supplied with a copy of it?

**Mr Taylor**—An internal report was done by AWB of its wheat industry benchmark that has been provided on a confidential basis to the Wheat Export Authority. It is one of the issues that WEA will be assessing and reporting on in its 2006 PMR report and growers' report. That report is the property of AWB International. I would need to seek its agreement before WEA would be able to pass that on.

**Senator FERRIS**—Can you take us through the way in which the report was constructed?

**Mr Taylor**—Unfortunately I cannot. That report has recently landed on the Wheat Export Authority and I have not reviewed that report at this point in time.

**Senator FERRIS**—Is this the first time a report such as this has been done?

**Mr Taylor**—No.

**Senator FERRIS**—Is it similar to previous reports?

**Mr Taylor**—I do not know. I have not seen this report. I do not know how similar it is to previous reports.

**Senator FERRIS**—When I asked you a question and you said, 'I am not sure which report you mean,' are there a number of these benchmarking reports that have been done?

**Mr Taylor**—I was wondering whether you were referring to previous assessments the Wheat Export Authority has undertaken of the wheat industry benchmark and the reports that we have made on the wheat industry benchmark.

**Senator FERRIS**—Can you tell me about the way those reports are constructed in principle?

**Mr Taylor**—The reports that we prepare are the growers' reports. In those growers' reports we report on issues the WEA has considered are important for growers from the point of view of the net return to the pool. Also in those growers' reports we have reported on issues that have been raised with the Wheat Export Authority that are basically stakeholder concerns about AWB(I)'s management of the pool. The wheat industry benchmark has been looked at and reported on by the Wheat Export Authority on a number of occasions. We have reported

the breakdown of the sub-benchmarks within that wheat industry benchmark. It comprises three sub-benchmarks: pricing performance, foreign exchange and commodity hedging, and supply chain.

In the first report the Wheat Export Authority prepared on the assessment of the wheat industry benchmark, we determined that the pricing performance sub-benchmark was sound and that the structure of it was reasonable. The foreign exchange and commodity hedging again was seen to be an appropriate benchmark. But the WEA did identify some concerns about the supply chain sub-benchmark and the currency of that sub-benchmark based on the model that is used where there is a process of averaging over a five-year period. We were concerned that that therefore does not reflect fairly any changes in the supply chain over a 12-month or a 24-month period.

**CHAIR**—CBH, Cooperative Bulk Handling, were smart enough to buy a 50 per cent share or whatever they bought in those mills in Malaysia et cetera. That was a pretty smart move. It is very unfair that they have their own storage facilities, wear their own fixed administrative overheads et cetera but they cannot actually supply wheat stored in their facilities to their own corporate identity across the sea. When AWB(I) vetoed that proposition, did you blokes form a view?

**Mr Besley**—Once they veto it, that is it, we cannot do a thing about it. Personally, I have some sympathy with the view you have just put, and I have heard you put it before. That is something I hope will be addressed in the post-Cole industry structure.

**CHAIR**—The other side of that equation is that, when AWB Ltd buy for cash at the bridge, it has never been explained to me how AWB International or WEA looking at AWB International can confirm to Australia's wheat growers that in some way, given that the pool is the last-resort buyer, when they dump that wheat into the pool it does not affect the market and the pool. They want their cake and they want to eat it too, in other words. With regard to CBH, it is inherently unfair not to be able to supply wheat to yourself out of your own facilities for somehow the greater good, yet you can be a buyer of last resort and God knows what it means to the market. Is that too complex and far buried and way out of your area?

**Mr Besley**—As I said, I have some personal support for the view you have just put, but we are stuck with what the law says. The law says, 'If they veto it, that is it.' We have no redress. We cannot open it up. Recently, on one of the many applications for bulk wheat, we produced a case in support of it, which they usually do. This came back to us a second time. We asked whether we could provide that information to AWB(I), because we thought this might shed more light on it. They said, 'Sure you can.' We sent it to AWB(I). Their response was, 'This gives us all the more reason to say no again,' which I thought was an interesting comment.

**CHAIR**—The difficulty I have is that for the future—and we do not want to talk about the future today—with some of the models and dreaming that have been put up, we stand at great risk of collusion at the buying end, not the selling end. You and I have indicated what we think is a bit unfair. We have a long way to go with this stuff.

**Mr Besley**—Can I add a comment to the discussion about the WIB. There was an independent review of the WIB, the wheat industry benchmark, by Towers Perrin. We, the Wheat Export Authority, were given a free range, without anyone from AWB(I) present, to

question them on their analysis of and endorsement of that benchmarking system. That occurred three years ago, I guess. Although we did not design the WIB and we have to report on its operation, we have been able to have the benefit of knowledge of an independent consultant who helped them formulate it in the first place.

**CHAIR**—I must declare my interest here. I am a wheat farmer. I have a tractor, a header, a plough and some AWB shares. I thought maybe I could auction them at the media mid-winter ball if they are an interest of curiosity to everyone.

**Senator Abetz**—What sort of plough is it?

**CHAIR**—An old mouldboard, mate. You do not use ploughs anymore.

**Senator O'BRIEN**—Mr Besley, in answer to a question from Senator Siewert at the last hearings you advised us that the minister had never sought clarification following the provision of your confidential reports. Can you tell me how many of these confidential reports have been provided by the Wheat Export Authority to the minister?

**Mr Besley**—One every year.

**Mr Taylor**—The first PMR report to the minister covered a period of 18 months; otherwise annually.

**Mr Besley**—I think I said last time that we report against a framework which was agreed between the players and the industry and which was signed off by the minister. If we have reported correctly, as I do assert we have, against that framework, the minister ought not to have cause to ask a question, but obviously if he has a question he would ask it.

**Senator O'BRIEN**—Because it fits the framework, you would not expect him to come back to you on any information you supplied him?

**Mr Besley**—Not if we have done it correctly, but that in no way would inhibit a minister from asking questions.

**Senator O'BRIEN**—You said in February you were going to check whether there had been some response.

**Mr Besley**—He has never come back with a query.

**Mr Taylor**—That is correct. There has not been a request. That is in one of the responses that have been provided to you.

**Senator O'BRIEN**—Does the department consider the contents of these reports and then provide advice to the minister or are the reports simply passed directly to the minister's office?

**Mr Phillips**—We will be sent a copy usually through the minister's office.

**Senator O'BRIEN**—Are you saying there is no consultation between the minister's office and the department about the report?

**Mr Phillips**—If the minister's office asks us for advice on those reports, we will provide it. But it is an independent statutory authority reporting directly to the minister.

**Senator O'BRIEN**—Does the department follow a practice of looking at the report and seeking to follow up any matters it considers that should be followed up with the Wheat Export Authority?

**Mr Phillips**—We do look at the reports, yes, and we will provide advice to the minister on issues that we consider he should be made aware of.

**Senator O'BRIEN**—Was there any response or follow-up from the department to the contents of the October 2004 report?

**Mr Phillips**—It predates my time. I would have to check. I cannot answer that question right now because I was not around at that time, but I can find out whether we provided advice.

**Senator O'BRIEN**—Do you know, Mr Banfield?

**Mr Banfield**—No, I do not. Again, we will take that on notice and come back to you, Senator.

**Senator O'BRIEN**—Is the answer to the question you took on notice about the date the report was provided to the minister in the answers you provided to questions on notice last night at seven o'clock?

**Mr Taylor**—Yes, it is. It was sent to the minister on 15 October.

**Senator O'BRIEN**—You were also going to get the exact date and the means by which you advised the minister or his office you were investigating the AWB oil for food allegation. Is that in the answers?

**Mr Taylor**—It is. The Wheat Export Authority did not provide specific advice to the minister or his office on that issue.

**Senator O'BRIEN**—At the last hearings you said you would find out exactly how the request for information about the corruption allegations was made to AWB. Is that one of the answers that have been provided?

**Mr Taylor**—That is correct.

**Mr Besley**—Yes, it is.

**Senator O'BRIEN**—Which one?

**Mr Taylor**—I think question F&A 8 attaches an email from the Wheat Export Authority to AWB(I) and the attached information requirements schedule as at that date.

**Senator O'BRIEN**—We will be a little slower because of the fact that the answers were received at a time which makes going over some of the *Hansard* essential. Mr Besley, you told us last time the request originated at a board meeting.

**Mr Besley**—As I am sure I said to one of your colleagues, the process of getting information extended over a period and it was not producing as much information as we felt we needed to have to perform our function. So, at one of our meetings where the boards of AWB(I) and WEA sat together to sort out issues that needed to be sorted out, we asked for more and better particulars on that. The upshot was it was agreed that we would send

somebody down to look at the papers relating to those contracts. That was done, and was done in the AWB(I) offices in Melbourne.

**Senator O'BRIEN**—The board did not cause any written request to go to AWB?

**Mr Besley**—There had been requests before, and what we asked for is answered in one of the questions. That had not produced quite the detailed information we felt we needed to satisfy ourselves.

**Senator SIEWERT**—When the monitor went down to Melbourne, did they get access to all the files they wanted? I seem to recall from last estimates that you said they had limited access. Is my recollection correct?

**Mr Besley**—Yes, it is. They were given a ring-bind folder with some details—I cannot tell you what they were—of the contracts under examination where it was alleged there had been some nefarious payments, kickbacks.

**Senator SIEWERT**—You did not attempt to get any further information after that viewing in Melbourne?

**Mr Besley**—No, because our officer, who is a senior officer, was satisfied with what he found. He was able to check—and this was the primary purpose of his going there—that the f.o.b. prices supplied to us earlier checked out with what he was able to extract from the documents they showed him for those contracts.

**Senator SIEWERT**—In the email and its attachment that you provided to us it makes note of providing and asking for an update to the brief note on Iraq previously provided in April 2003. Did you get that update? Can that be provided to the committee?

**Mr Taylor**—I believe we did get an update on that material.

**Mr Besley**—And I think we sent it to the Cole inquiry.

**Mr Taylor**—That material would be evidence that had been tabled at the Cole inquiry. I am not sure whether we would be in a position to supply that material to you.

**Senator SIEWERT**—I presume, therefore, that the note that we have been provided with—the record of the meeting with AWB on 11 August 2004, which your monitor wrote—was not provided to the Cole inquiry.

**Mr Taylor**—That note has been provided to the Cole inquiry and it has been released as a public exhibit. I do not know the status of the other document you have asked for. The Cole inquiry determined that some of the material that WEA had provided, insofar as briefs from AWB(I) are concerned, were confidential and had not released them.

**Senator SIEWERT**—You do not know whether that briefing note has been classed as a confidential document?

**Mr Taylor**—I do not know, but I am happy to take that on notice and check that for you.

**Senator SIEWERT**—I asked earlier what was the other evidence that you used to decide to take no further action. I am presuming that note, because it was listed in that email, is one of those bits of information that you used. Is that a correct assumption?

**Mr Taylor**—That would be a fair assumption, yes.

**Senator SIEWERT**—If you could take that on notice, that would be appreciated.

**Mr Taylor**—Certainly.

**Senator O'BRIEN**—I think somewhere you have provided the file note prepared following the review by the Wheat Export Authority officer of AWB files. Was there a review of files or a summary of files?

**Mr Besley**—As I said a moment ago, they were documents in a ring binder. I cannot tell you what they were. I was not there, and neither was Mr Taylor.

**Senator O'BRIEN**—We have a copy of the file note. Which question is that answered with?

**Mr Taylor**—F&A 8 is the file note along with the email to AWB(I) requesting that information. Sorry, I have that reference wrong. F&A 8 is the request for information to AWB(I) for the file note. It is F&A 13.

**Senator O'BRIEN**—You were represented by Mr Charman?

**Mr Taylor**—That is correct.

**Senator O'BRIEN**—And Ms Duck?

**Mr Taylor**—Correct.

**Senator O'BRIEN**—When did Ms Duck leave the Wheat Export Authority?

**Mr Taylor**—I would need to check to be absolutely specific, but I believe it was around October 2005.

**Senator O'BRIEN**—Mr Charman has gone as well, has he?

**Mr Taylor**—That is correct. Mr Charman retired in September 2005.

**Senator O'BRIEN**—Does anyone know how long the meeting took?

**Mr Taylor**—No, I do not know the answer to that.

**Senator O'BRIEN**—It says the folder contains 17 sales contracts for wheat. Does that mean the full contract or a summary document was provided?

**Mr Taylor**—We do not know the answer to that. We were unable to take copies of those documents and unable to take those original documents from the premises. The request was for access to the contracts. My understanding is that there was quite a volume of material in the folders that were provided to the two WEA officers.

**Senator O'BRIEN**—In your inquiry about other contracts, has AWB ever given copies of contracts to the Wheat Export Authority?

**Mr Taylor**—Yes.

**Senator O'BRIEN**—Is that the normal procedure? If you wished information about a contract, would you be given a copy?

**Mr Taylor**—Yes. We did not always request a full copy of a contract. Sometimes, if there was a specific issue that we were looking at relating to the contract, we would ask for the relevant part.



**Senator O'BRIEN**—This was the only occasion where AWB would not allow you to take away a copy of a contract?

**Mr Taylor**—That is correct.

**Senator O'BRIEN**—Was that matter reported to the board, Mr Besley?

**Mr Besley**—The file note itself was not given to the board.

**Senator O'BRIEN**—I did not ask that. I asked whether this different behaviour was reported to the board in the context of this request, which initiated from the board, for information.

**Mr Besley**—Yes, it was. The board was made aware of what happened, how it happened and that we were not copying them and were not able to take them away. The board was made aware of that.

**Senator O'BRIEN**—Was the board aware of the normal practice—that is, that you could take copies of contracts for other matters in the past?

**Mr Besley**—I do not know that it was, actually. I personally do not recall it ever having been said to us. This was kind of special.

**Senator O'BRIEN**—You knew, Mr Taylor?

**Mr Taylor**—Yes. I am afraid I do not recall at this point whether we have made specific reference to the board members in briefing them on our access to contracts. My belief—which I would like to check, if you would like me to give a 100 per cent accurate answer—is that with some of the assessments we had done, such as those I ran through with Senator Ferris earlier on, we are most likely to have reported to the board that it was based on access to contracts or parts of contracts.

**Senator SIEWERT**—Was it normal for you to accept you could not have copies?

**Senator O'BRIEN**—No, it was not. They did not have to—

**Senator SIEWERT**—My understanding is you have quite strong powers under the act to obtain information. Why didn't you use those?

**Mr Besley**—I think you asked us that last time. We did not think we needed to do it because our officer was able to do what he needed to do in light of what he was provided—that is, to check that the f.o.b. prices—whereas they had appeared in the spreadsheets sent to us by AWB(I).

**Senator SIEWERT**—You were responding to various kickback allegations. The file note lodged by your monitor actually confirmed that they had been asked about the 10 per cent surcharge.

**Mr Besley**—Yes. They were asked about it because letters were tabled by them, along with other letters about UN ticking and DFAT monitoring documents. When that was produced, Terry Charman said, 'What is all this about?' They just said, as you see in his note, 'The provisional government had required all food suppliers to cut their costs by 10 per cent otherwise they would not get the contract.' Indeed, they give one instance where one supplier of food from Russia was not given the contract because they would not agree with that 10 per

cent reduction. That was incidental to it but, because it was raised, he said, ‘What is all that about?’

**Senator SIEWERT**—Why didn’t he provide that note to the board?

**Mr Besley**—The important part extracted from it was included in the PMR report that went to the minister. That, plus other information we have, enabled us to say things in that report which, as I think I said last time, effectively gave AWB(I), on the basis of our state of knowledge, a clean skin, a tick.

**Senator SIEWERT**—You may have answered this question before and I have forgotten. Did the board see the report that went to the minister?

**Mr Besley**—Yes, it did. That was a report from the board.

**Mr Taylor**—The Wheat Export Authority board, Senator?

**Senator SIEWERT**—Yes.

**Mr Besley**—Yes, they did.

**Senator SIEWERT**—They saw the report, but they did not see the briefing note on which it was based?

**Mr Taylor**—That is correct. At that point we would have been well into the process of preparing the draft of the PMR report. At that point we would have been close to having a final draft of the PMR report, which would be provided to the board for their consideration. That file note was used to prepare part of that report.

**Senator SIEWERT**—You reported to the board that you did not have access to all the information from the AWB on which you based the report, but you did not provide to the board the file note that resulted from that information?

**Mr Taylor**—The board knew that we were having difficulties in accessing information we had requested from AWB(I). That is why the board, at a board-to-board meeting, discussed the issue of access to that material for the Wheat Export Authority. So the board were aware of the difficulties we were having in getting that access. After that date, we did not provide that particular file note to them.

**Senator SIEWERT**—I presume the board knew its own powers?

**Mr Taylor**—Yes.

**Senator SIEWERT**—It could compel the AWB to give it access to all information rather than excerpts from contracts?

**Mr Taylor**—Yes, the Wheat Export Authority had exercised those powers previously.

**Senator SIEWERT**—Why didn’t it on this occasion?

**Mr Besley**—I said a moment ago we believed we did not need to because the purpose of the visit had been met—that is, there had been a check done: was the information provided to us previously consistent with the documents that our officer saw in those contract files? His conclusion was, ‘Yes, it was.’ So there was no need to go further.

**Senator SIEWERT**—I must have mistaken the step. When you reported that you did not have access to the full contracts, was that when you were first sent the information in I think February or was it after the monitor had been to Melbourne?

**Mr Besley**—We began to seek information. As I said earlier, it was not in one hit. It happened progressively. Because the progression was not going in the direction as fully as we felt it needed to, we then took the opportunity of a scheduled board-to-board meeting to say, ‘There is an issue here. We need more and better particulars about it. We need to understand what is going on.’ It was agreed that we would then send somebody down to their offices to look at these contracts to check that out. That is how that happened.

**Senator SIEWERT**—That was subsequent to February?

**Mr Besley**—Yes. He went down in August?

**Mr Taylor**—July was the first board meeting.

**Senator SIEWERT**—After the monitor had been to Melbourne, the board did not know that they still had access to only those files in the ring-clip file, I think you termed it?

**Mr Taylor**—I believe that the ring folders contained the contract material that the Wheat Export Authority had been requesting. Following that board-to-board meeting on 27 July where the issue was raised between the board members and access was agreed, that access was granted on 11 August.

**Senator SIEWERT**—I thought you said earlier you do not actually know what was in those ring folders. You cannot provide us with a list?

**Mr Taylor**—That is correct.

**Senator SIEWERT**—You have said it is just the 17 contracts?

**Mr Taylor**—Correct.

**Senator ADAMS**—Coming back to the issue of contracts and staff employment, Mr Besley, can I have an assurance from you that no staff contracts will be renegotiated or signed until after the Cole inquiry reports?

**Mr Besley**—I am not sure I can give you that assurance. We have to keep the show running. If people leave—and people do leave from time to time, no matter how good an organisation is—we have to keep the numbers up so we can do our job.

**Senator ADAMS**—Are you saying that, if you have a vacancy, you do not have anyone on the staff who can act in that role until the Cole inquiry reports?

**Mr Besley**—We do not have spare horsepower sitting around not being used, I can assure you, Senator.

**CHAIR**—I can make an offer that I would be happy to fill in on the money.

**Senator FERRIS**—Higher duties.

**Mr Besley**—Thank you very much, Senator, for that.

**CHAIR**—Mr Besley, to be fair, you have indicated you are cognisant of the fact there may be changes.

**Mr Besley**—Absolutely. It is a question that concerns me because there is a morale issue, of course. People know there are things in the wind and we have to keep them going along. That is a challenge for both the CEO and the board.

**CHAIR**—But it would be regrettable for Australia's taxpayers or the wheat growers if someone was signed up to a contract the day before the role changed, and then there was compensation, litigation and God knows what.

**Mr Besley**—There will be no attempt to do that sort of thing.

**Senator ADAMS**—You would make temporary appointments to cover the time?

**Mr Besley**—We do that of course now from time to time. If there is a peak, we hire people in on contract. It is a very small organisation. It is 16 people at the moment. That is not very big if you look at the kinds of issues that are confronting it.

#### **Proceedings suspended from 4.00 pm to 4.20 pm**

**Senator O'BRIEN**—Mr Besley, you told us that that file note went to the minister's office with a report in October 2004, and at the last hearing you said you would check to see if it also went to the Wheat Export Authority board.

**Mr Besley**—Not the file note. The PMR report that went to the minister on 15 October used the file note to write part of it, but the file note itself was not sent to the minister's office.

**Senator O'BRIEN**—Is that what you meant? You said:

I am reminded that it is an ingredient of a confidential report to the minister.

What does that mean?

**Mr Besley**—Did I say that? I am not sure that I did. Anyway, it was—

**Senator O'BRIEN**—You did. I am just reading from *Hansard* on page RRAT31 of Tuesday, 14 February, about halfway down.

**Mr Besley**—Okay. We drew on that file note to report the issue that we needed to report to the minister, which was what had happened when we had examined those documents concerning contracts with Iraq, but we did not send the entire file note. There was a lot in there about KPIs and stuff that was not material to the point we were making in the report.

**Senator O'BRIEN**—You could not remember on the last occasion whether that file note went to the board. You said you would like to check that.

**Mr Besley**—Yes. It did not go to the board.

**Senator O'BRIEN**—So was there another document which went to the board?

**Mr Besley**—The draft PMR report went to the board. Included in that was some information from that file note.

**Senator O'BRIEN**—Did you tell us who wrote that—

**Mr Besley**—File note? Terry Charman.

**Senator O'BRIEN**—No, the PMR report.

**Mr Besley**—He had a lot to do with it. That was his responsibility primarily but, clearly, under the direction of the CEO. Then, of course, it was a board report, so it came to the board.

I might also add that it went to the AWB(I) board, as is customary for us to do to make sure that we are not saying something that they say is grossly wrong and so that they can tell us why—and they did not. It having gone through that process, it came back to our board. Our board then signed off on it, and it went to the minister under a cover letter from Mr Taylor.

**Mr Taylor**—To add to that, when the Wheat Export Authority provides its draft PMR report to the AWB(I) board for comment, the primary purpose of that is to identify whether there are any factual inaccuracies in the report as prepared by the Wheat Export Authority. It does not necessarily change the views that have been expressed by the Wheat Export Authority in that report to the minister if AWB(I) object to some of the views being expressed by the WEA.

**Senator O'BRIEN**—But they see the whole report.

**Mr Taylor**—Yes, they do.

**Senator O'BRIEN**—The file note talks about four people attending the meeting on 11 August: Steve Sheridan from AWB(I), Dougal Heath from AWB(I), Terry Charman from the Wheat Export Authority and Amelia Duck from the Wheat Export Authority. At that time a Mr Malcolm Heath was a member of the Wheat Export Authority board. Is he related to Mr Dougal Heath?

**Mr Besley**—No, he is not.

**Senator O'BRIEN**—You have checked that out to make sure there was no conflict?

**Mr Besley**—Yes, we have.

**Mr Taylor**—It was one of the first questions I asked Dougal Heath when he became a member of the AWB(I) team.

**Senator O'BRIEN**—So the file note that came back from this investigation into concerns about AWB in Iraq contained four paragraphs.

**Mr Besley**—I thought it was more than that.

**Senator O'BRIEN**—Sorry, four numbered points on Iraq.

**Mr Besley**—Are you talking about the points in paragraph 10?

**Senator O'BRIEN**—There is a subheading of 'Iraq sales contracts' and then there are four numbered points—

**Mr Besley**—Yes, that is quite right. Paragraphs 10, 11, 12 and 13.

**Senator O'BRIEN**—That was all that came back from that meeting and the inspection of the large folder of information.

**Mr Besley**—It was, but, as Mr Taylor has said earlier, it was not the only thing that allowed us to reach the view we reached in reporting to the minister.

**Senator O'BRIEN**—'It was not the only thing'; what other 'thing' are you talking about?

**Mr Besley**—Comment, email—I cannot list them. You might be able to, Glen.

**Mr Taylor**—There was other material listed in the information requirements schedule attached to F&A No. 8. That was the first request for information to AWB(I) regarding Iraq.

There were further developments on that information requirements schedule request during the year. AWB(I) responded and provided information against each of the requests that are identified individually in the information requirements schedule, so it was those in totality that were taken into account by the Wheat Export Authority, in addition to the file note arising from the 11 August meeting in Melbourne, that allowed the WEA to form its view and draft the relevant section of the PMR report to the minister.

**Senator O'BRIEN**—Apart from these four paragraphs, how much information did you actually have?

**Mr Taylor**—WEA had all the material that was identified in that first information requirements schedule request. That material was provided by AWB(I) on 19 March. They provided material against each of those requests. There were further developments of the requests during the year and they provided that information as well.

**Senator O'BRIEN**—Given that you have told us that you would from time to time ask to see contracts or extracts from contracts where you wished to check a particular matter, could you tell us why in this case you only asked for a summary of contracts?

**Mr Taylor**—That request came from the issue being raised by the Wheat Export Authority board at a board meeting in February 2004. At that point in time, there was speculation about inflated prices for pool wheat sales in Iraq. During the year there came more information and more allegations about kickbacks being paid in Iraq. In response to those issues and allegations that emerged during 2004, the Wheat Export Authority subsequently modified that information requirements schedule request and asked for more specific information, such as access to the contracts for Iraq wheat sales.

**Senator O'BRIEN**—Did I understand you to say that access was not available?

**Mr Taylor**—Access was not provided to the Iraq wheat sale contracts until the issue had been agreed at a board meeting on 27 July. It was following that board meeting that the WEA visited the AWB(I) offices on 11 August. Part of the agreement at that board meeting on 27 July was that the Wheat Export Authority would view the contracts on AWB(I) premises and not take copies.

**Senator O'BRIEN**—So 17 contracts were viewed?

**Mr Taylor**—Correct.

**Senator O'BRIEN**—In paragraph 11 of that file note what you are saying is that the summary material matched earlier material that the Wheat Export Authority had been provided? That is what the author is saying.

**Mr Taylor**—Did you make reference to summary material, Senator? Can I just clarify that?

**Senator O'BRIEN**—Yes.

**Mr Taylor**—This file note was prepared following the review of the contracts at the Melbourne premises of AWB(I). So that statement is the outcome of the review of the contracts; it is not a review of a summary of the contracts. I think the summary that you are

referring to was the initial request that the Wheat Export Authority made to AWB(I) in February 2004, which subsequently evolved into a request for access to contracts.

**Senator O'BRIEN**—You have probably told me this, but was it 17 contracts that you asked for that they provided?

**Mr Taylor**—The Wheat Export Authority asked for access to contracts for Iraq. There were 17 contracts supplied by AWB(I) for that review to take place, which we understood to be all the contracts that met the request of the Wheat Export Authority.

**Senator O'BRIEN**—The note said that the authorisation letters 'did not contain any reference to the rationale for the deduction nor any specific arrangements'. How did the Wheat Export Authority seek to establish the rationale for the deduction?

**Mr Taylor**—I think paragraph 13 develops that issue further.

**Senator O'BRIEN**—So all of paragraph 13, as set out there, is what AWB (International) told you?

**Mr Taylor**—That was the material that we had from AWB(I), yes.

**Senator O'BRIEN**—It starts with the words, 'AWB(I) explained'.

**Mr Taylor**—Yes.

**Senator O'BRIEN**—Does that file note mean that that was a recital of their explanation?

**Mr Taylor**—That is how it is represented, yes.

**Senator O'BRIEN**—I take it from what you have said, and correct me if I am wrong, that essentially that explanation was accepted?

**Mr Besley**—Yes, it was.

**Senator O'BRIEN**—And no advice was sought from DFAT on the matter?

**Mr Besley**—No, and that was particularly because there was evidence that the contracts had been signed off by DFAT and the UN.

**Senator O'BRIEN**—Senator Siewert asked a question about when the Wheat Export Authority first heard about the potential kickbacks that caused it to investigate AWB(I) contracts in Melbourne. We want to know what paper and when. I understand you allege you first heard of the kickbacks through an ABC online article dated 20 May 2004. In another answer, I think you said you relied on Australian media reporting of a United States Defense Contract Audit Agency report. So is it the ABC online report of this agent's report on the oil for food program that you relied on?

**Mr Besley**—It was a growing tide. As I think I said earlier, there were comments about inflated prices first, which transitioned progressively into allegations of kickbacks. So there was a body of evidence building up. We said, 'Well, we'd better find out about this, because it may be affecting growers if it's happening.'

**Senator O'BRIEN**—I had a look at the archives of ABC online and I found a story dated 30 April that refers to this agency's audit report. It is a short one—about nine paragraphs. Is that the story you relied on as the information base for your investigation? In that story, there is reference to possible overpricing of a contract by \$20 million, but beyond that no detail.

**Mr Besley**—In the ABC online story?

**Senator O'BRIEN**—Yes.

**Mr Taylor**—Of 30 April, Senator?

**Senator O'BRIEN**—That is right.

**Mr Taylor**—No. Our first record of that issue being identified by the Wheat Export Authority was the ABC online article two or three weeks later, on 20 May 2004.

**Senator O'BRIEN**—Mr Besley, you were talking of a stream of information. So the stream began on 20 May. Is that what you are saying?

**Mr Besley**—No. As I said, the early comments being made by Canada and the US Wheat Associates were about inflated prices. You may recall that at the time there was some slight cynicism. Was this a trade battle? Was this somebody trying to steal a market? It is easy, with hindsight, to attach a more significant meaning to those statements than was done at the time because of the atmosphere that prevailed at the time. There was a build up of these sorts of bits and pieces, which led to specific comments like the ABC online thing, which used the word 'kickbacks'.

**Senator ADAMS**—Mr Taylor, at the Cole inquiry you stated, 'In hindsight, I would have done things a lot differently.' Now you have the benefit of hindsight, what precisely are you doing differently in relation to ensuring that the information provided to you by AWB(I), and therefore the information you provide to growers, is accurate?

**Mr Taylor**—The Wheat Export Authority has tested and continues to test the information it gets from AWB(I) for our reports to the minister and to growers.

**Senator NASH**—What is the testing process?

**Senator ADAMS**—How do you test it?

**Mr Taylor**—I ran through the process earlier this afternoon. I am looking at the wheat industry benchmark, the structure of that benchmark and whether that benchmark is actually constructed in such a way whereby growers' interests are being pursued: the assessment we do on their f.o.b. prices and whether they are price discriminating. The testing that we did of the costs of operating the pool involved us conducting a very thorough and detailed audit—and I should correct my chairman here when he said earlier that it was done over four years; it was over a six-year period between 1998 and 2004—of what those costs were in order for the Wheat Export Authority to identify whether the base fee within the remuneration model, which is used to pay AWB Ltd for services it provides to AWB(I), was reasonable.

We go through many processes and dig very deeply from time to time into AWB(I)'s business in order to understand the methodologies and some of the models they apply to see whether the growers' interests are being pursued. I would put to you that we, as a normal part of our business, test the information being provided by AWB. I also mentioned earlier that we have on occasion requested copies of contracts or extracts of contracts in order to confirm certain assessments that we were undertaking, be it chartering or other financial products and services, that might be included in sales of wheat. We continue to do that.



**Senator ADAMS**—I know you have had a lot of criticism about the way that you have been doing things. Have you been taking advice from producers and analysts who have, over a number of years, criticised the deficiencies in the Wheat Export Authority? Are you taking these criticisms on board?

**Mr Taylor**—The Wheat Export Authority has taken criticisms and observations that have been made by stakeholders in the past. One of the first responses to that was the publication of our 2003 growers' report, which was a major step forward in the information and the transparency of the WEA's performance assessment of AWB(I), compared to what had previously been provided. However, that, in part, was also due to the Wheat Export Authority coming to terms with and having enough information under its belt to be able to provide a meaningful report to the growers. We received very positive feedback from our grower stakeholders and industry representative groups about that growers' report. So the WEA is receptive to views and criticisms that are being made of it by its stakeholders and we do our best to respond to those.

**Mr Besley**—There is another side of that. We go to quite a lot of trouble to talk to groups, farmers federations, growers associations and so on to try to explain what is and is not our role because there is still a great lack of understanding out there about what our role is.

**Senator ADAMS**—I started my questioning today for exactly that reason: these are the complaints that we are getting all the time.

**Mr Besley**—I can understand that and I have some sympathy, but we have made it a bit of a mission to try to get people to know what is and is not our role. In fact, I had a letter printed in the *Financial Review* which, if people read it, would, I hope, make them understand that we do not have a role that some people seek to ascribe and impute to us. That is one of the points I made earlier: whatever happens post Cole, I would hope the legislation—whatever legislation it is and whatever body it is governing—is clearer than our legislation.

**Mr Taylor**—As a small agency it is a constant challenge to communicate with your stakeholders. If I could draw your attention to our 2004-05 annual report, from page 87 to page 90 there are four pages of stakeholder engagements by the Wheat Export Authority. That is an indication that we do take very seriously engagement with our stakeholders and we do commit considerable resources, again within a small agency, to meeting with stakeholders to hear their views about what we do and what we have reported.

**Senator ADAMS**—In your contract do you have performance indicators that ask you to show that you have done that? Have you got performance indicators in your own personal contract as to your performance which then goes to the board so they can tick off on what you have done and what you have not done?

**Mr Taylor**—Yes, there is a set of performance indicators in my contract. The organisation also has an annual operational plan which is signed off by the board which contains a raft of key performance indicators which we as an organisation must achieve, and the board annually assesses our performance as an organisation against those performance indicators.

**Senator ADAMS**—Are there any performance indicators that pertain to stakeholders?

**Mr Taylor**—Yes.

**Mr Besley**—Communication, yes, very much.

**Senator ADAMS**—Good.

**Mr Taylor**—And our annual operational plan is on our website, publicly available, along with our corporate plan, and it contains all of our key performance indicators and the priorities for the Wheat Export Authority.

**Senator O'BRIEN**—I would like to get back to the matter that I was seeking a little more information on. I asked for a copy of the answer to F&A 06. The question was:

Just going back to the United States Defense Contract Audit Agency, you say that you have never seen the report which I referred to earlier. Mr Vaile said on 13 February that that report was addressed by the Wheat Export Authority when they did the review of those contracts that were conducted by AWB. Are you saying you have never seen this report?

The answer on notice is:

The Wheat Export Authority addressed the issues raised in the United States Defence Contract Audit Agency report as reported in the Australian media. See response to F&A 01.

The response to F&A 01 says: 'The Wheat Export Authority first heard of the alleged kickbacks through an ABC online article dated 20 May 2004. But the article on 20 May does not refer to the United States Defense Contract Audit Agency; the Article of 30 April does.' So were you trying to throw us off track with F&A 06?

**Mr Taylor**—There were various articles that made reference—

**Senator O'BRIEN**—Why did you refer us to F&A 01 in the answer to F&A 06 if that was not the article that you wanted to refer us to?

**Mr Taylor**—There was no intention to throw you off at all. The United States Defense Contract Audit Agency report, as I am sure you would be aware, was referenced quite regularly in the press, but the response there to F&A 06 is correct. The article mentioned in F&A 01 refers to kickbacks and we were responding there to the allegations of kickbacks which were in the media.

**Senator O'BRIEN**—Yes, but it does not refer to the United States Defense Contract Audit Agency. The article that does refer to that is the article of 30 April, and in that story there is a reference to possible overpricing of a contract by \$20 million but, beyond that, no detail. You also said the Wheat Export Authority had never actually seen the United States Defense Contract Audit Agency report. Were you aware that it was on the net?

**Mr Taylor**—We were aware that it became available on the net.

**Senator O'BRIEN**—When did it become available on the net?

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

**Senator O'BRIEN**—That report contained the date of contract, volume shipped, price in euros, price in US dollars, data on freight and trucking costs and the US price of wheat at that time. Would that information have been of any value?

**Mr Taylor**—We would need to see the report and see those references.

**Senator O'BRIEN**—You have not seen the report?

**Mr Taylor**—We have now seen extracts and bits of that report, but we have not seen the report in its totality.

**Senator O'BRIEN**—You have not looked at the report on the web?

**Mr Taylor**—We have looked at extracts from the report from the web.

**Senator O'BRIEN**—But you did not look up the amount of information and the variety of information that might have been available?

**Mr Taylor**—Personally, I did not look at it in totality.

**Senator O'BRIEN**—Mr Besley, are you surprised your staff relied on media summaries of the report and did not get the report?

**Mr Besley**—Not really, because that was the alerting mechanism, and that is what led ultimately to our senior officer going down and looking at some contracts—

**Senator O'BRIEN**—Did you ask him to?

**Mr Besley**—following, of course, a request for information made earlier to AWB(I).

**Senator O'BRIEN**—You are aware of the United States Defense Contract Audit Agency report; you never asked anyone if you could actually get it?

**Mr Besley**—No, we did not. As I said, you need to transport yourself back to the time when there were all sorts of allegations about who was trying to pinch whose market. What we were concerned to find out was: were the growers being disadvantaged if what was alleged to be happening was happening? So we did not need to see the report for that. As you know yourself, you cannot always believe everything you read in the press.

**Senator O'BRIEN**—No. Given that that is where you sourced your information, I am surprised you did not go to the primary document.

**Mr Besley**—All we got out of that was a trigger to get us to do something else.

**Senator O'BRIEN**—But the report referred to a primary document. You say you cannot believe what is in the press?

**Mr Besley**—I said, 'You can't always believe what you read in the press.'

**Senator O'BRIEN**—You cannot always believe what is in the press, but you are saying that did not trigger in your mind the idea, 'We should get a copy of this report and see what it actually says; let's not believe the press.'

**Mr Besley**—I hear what you say, but it served to get us to do the inquiry we made, and I think that was an important thing for us to do.

**Senator O'BRIEN**—I take it then that you were not aware that AWB Ltd and wheat were mentioned in the report?

**Mr Besley**—Yes, we were because—

**Senator O'BRIEN**—But you did not bother to look it up?

**Mr Besley**—With respect, we did not need to. We needed to find out for ourselves by going to the source not of the report but of the organisation which was alleged to be paying kickbacks and try to sort it out there or try and understand it.

**Senator O'BRIEN**—The answer to F&A 17 says the board was not presented with a file note.

**Mr Besley**—Yes, I mentioned that to you before.

**Senator O'BRIEN**—When was the board provided with advice on the results of the investigation if it did not see the file note?

**Mr Besley**—I could not be precise about it, but it was part of the progressive drafting of the PMR report.

**Senator O'BRIEN**—Would it be in the board minutes as to when you received the advice?

**Mr Besley**—I cannot answer that off the top of my head. The thing is that our person came away satisfied, rightly or wrongly, after a very thorough check, given what was available to him and what he was hearing. There was no need to especially say, 'Hey, board, we've been down and here's the result.' It was just part of the process then of getting on with drafting the report, which does not occur overnight—it takes some time. We would have at each board meeting a progress report on where PMR was. But whether it was actually said at a board meeting—and, incidentally, we now have this note from Terry Charman—I cannot remember. Can you, Glen?

**Mr Taylor**—I do not recall if it was mentioned specifically.

**Senator O'BRIEN**—You do not recall whether there was a report—

**Mr Besley**—I do not think there would have been.

**Mr Taylor**—I do not recall that there was a specific brief to the board on the outcomes of the review of the AWB(I) contracts in Melbourne.

**Senator O'BRIEN**—So the matter was initiated by the board, but you do not think there was a report to the board on the outcome?

**Mr Taylor**—I do not recall if there was a specific briefing on that issue to the board.

**Senator O'BRIEN**—But you have looked at all these things in preparation for your appearance elsewhere, haven't you?

**Mr Taylor**—Yes, we have.

**Senator O'BRIEN**—And you cannot recall any reference in the minutes to briefing the board about the outcome of the visit in August?

**Mr Taylor**—At this point in time, I do not recall whether there was a specific brief on that issue. I do not believe there was one.

**Mr Besley**—That is also my recollection.

**Senator SIEWERT**—Wouldn't the minutes of the board meeting record that?

**Senator O'BRIEN**—That is what I just asked them.

**Mr Besley**—I was just making the point that it was not an earth-shattering thing. There was an issue to be checked and it was checked. It was found, rightly or wrongly, you can say with hindsight, that there was nothing untoward—and I think that is a word I used once before. So probably—and I am thinking about how we operate—it would not have been

necessary to say, ‘Terry Charman has been down there and found nothing.’ It would have just been melded into the process, which was an ongoing and not instantaneous process, of preparing this report, the status of which was reported regularly to board meetings until it was ready for the board to look at and express its views on the draft.

**Senator O’BRIEN**—Have either of you gentlemen recently read, or read at all, the minutes of the board meetings in 2004?

**Mr Taylor**—Yes, I have.

**Senator O’BRIEN**—Mr Besley?

**Mr Besley**—No, not really.

**CHAIR**—Are they AWB Ltd board meetings?

**Senator O’BRIEN**—No, Wheat Export Authority board meetings.

**Mr Besley**—Let me just give a bit of an explanation. The reason Mr Taylor would have read them was that they were requested by the inquiries that were going on—both Volcker and so on—and he wanted to make sure that they were complete and accurate and so on, which I am sure they are. My reason for not revisiting them was that, each time we had a board meeting, we approved the minutes and that was that. They are a record, but I do not necessarily want to keep running back and asking, ‘What did we decide three months ago?’ unless there is an issue relevant to it, and there was not one that I can recall. The PMR report was being prepared and the progress of that work was being reported regularly at each board meeting.

**Senator O’BRIEN**—I am just astonished that, given all that has happened over this year, you are saying you have not gone over the minutes of your own board’s meetings in 2004.

**Mr Besley**—You said ‘recently’, didn’t you?

**Senator O’BRIEN**—Yes.

**Mr Besley**—No, I have not recently done it.

**Senator O’BRIEN**—What is your interpretation of ‘recently’?

**Senator Abetz**—Why do you not define your question?

**Senator O’BRIEN**—I am happy to, but I want to understand how Mr Besley has limited himself to understand ‘recently’, so I can—

**Senator Abetz**—You said ‘recently’. Why don’t you say that you are interested in the last month, three months or six months, so we do not play these charades?

**Senator O’BRIEN**—I am happy not to play charades; I am trying to ask straight questions. I have not asked to play charades.

**Senator Abetz**—You asked a vague question. You have received, from what I can understand from your point of view, a vague answer. Therefore, the imperative is on you to define your question in a way that is very specific so, hopefully, it elicits a more specific answer for you.

**Senator O'BRIEN**—Did you have a look at the board minutes—that is, the board minutes of meetings in 2004—before your appearance at estimates in February?

**Mr Besley**—Did I?

**Senator O'BRIEN**—Between the end of the year and your appearance at estimates in February.

**Mr Besley**—I am reminded that I was in fact shown the information that was going to Cole, which included minutes, and I remember quickly flipping through them, but I do not think I could say to you that I studied them in great depth, given my statement earlier that the minutes were already signed off as a correct record. It was just getting some feel for what was in there and that was, even in the most remote terms of 'recently', quite recent because that was earlier this year.

**Senator O'BRIEN**—Earlier this year is recent, isn't it?

**Mr Besley**—It is a definitional issue; I would call it recent.

**Senator O'BRIEN**—So you did not refresh your memory for the estimates hearing in February, but you looked at some material which was going to Cole and that contained the board meetings?

**Mr Besley**—That would have served as a dual purpose, because it was about the same time.

**Senator O'BRIEN**—But you did not read the minutes at that time?

**Mr Besley**—I do not know what you mean by 'read'. Am I a fast reader or a slow reader or do I look at the substance? In my life, I have had to deal with a hell of a lot of board papers and I can get the substance fairly quickly. What are you driving at?

**Senator O'BRIEN**—I am asking if you read them to enhance—

**Mr Besley**—What do you mean by 'read'—comprehend or what?

**Senator O'BRIEN**—I mean read them so that you know what took place in relation to the matters relevant to these inquiries.

**Mr Besley**—You can scan minutes that you have approved at a board meeting and remind yourself what was done without a detailed reading. That is my point. I do not know what we are arguing about. Are you talking about comprehension or fast reading or what?

**Senator O'BRIEN**—I would have thought that, prior to your attending estimates, where questions were going to be asked about what occurred in 2004, you would read the minutes of the board meetings that took place in 2004. Did you do that? Can I have an answer to that question, because we have had an exchange about precision, so I—

**Mr Besley**—I have given you the only answer I can give you, which is I looked at them and I scanned them. If that is reading then I did. If it is not, I didn't.

**Senator O'BRIEN**—So you looked at them?

**CHAIR**—Mr Besley, I am sure you do a lot better than me, because I only look at the pictures. I do not read them.

**Mr Besley**—I would not say that, Senator.

**CHAIR**—But, surely, the procedure would be that, when you have a board meeting, a set of minutes is generated and before you get into the business at the next board meeting you have the minutes presented to the meeting for their completion, confirmation, accurate display and anyone who is on the board gets the chance to say, ‘Yes, that’s what happened.’

**Mr Besley**—That is exactly what happens. Not only that, there is an action sheet of what has to happen and who has to do it, and we keep a running action sheet so that anything that did not get ticked off at the last board meeting—and some things take longer than the interval between two boards—is not lost. We have an action sheet from the last board and anything that is left over that has not yet been dealt with, so we—

**CHAIR**—If there is a mistake in the minutes—and I am reminded of the good work my secretary here does—you take the secretary’s head off below the shoulders if it is serious enough?

**Mr Besley**—We circulate the minutes in draft to start with, members make their comments and then at the meeting we note who has commented on what and we agree on the minutes between us as then being an accurate record, along with the action sheet. So, at that time, the minutes are fairly clearly in our minds, and therefore I believe that a quick skim of them is probably equivalent to your definition of reading.

**Senator O’BRIEN**—Is it fair to say that, if something took place at a meeting in 2004, it would be in the minutes? If material was presented on a matter the board had previously discussed, it would be recorded in the minutes?

**Mr Besley**—Yes, it would.

**Senator O’BRIEN**—My question was simply: if the file note did not go to a board meeting in 2004, was there another report detailing the outcome of the discussions between the Wheat Export Authority’s officers and AWB International, and was that recorded in the minutes? I thought you said you could not recall and that is why I am asking these questions.

**Mr Besley**—I think Mr Taylor has already said there was not a special report to the board on that particular thing by itself.

**Mr Taylor**—That is correct. I think I said I did not believe that there was a particular report to the board on that issue, but I cannot say that I have an absolute recollection at this point in time on that.

**Mr Besley**—And I added that that was my recollection also.

**CHAIR**—Do you fellows ever get to see the minutes of the board meetings of AWB(I) and AWBL?

**Mr Besley**—Sometimes.

**CHAIR**—There is a great curiosity for me, I have to say, because allegedly AWB(I) has an independent board from AWBL. ‘L’ obviously has an ASIC obligation to the shareholders and ‘I’ has an obligation to the pool, and there is this great set of Chinese walls between the two boards. We have discovered in recent times that not only are there no Chinese walls but they have actually had joint board meetings. Would you ever have got to see any of that?

**Mr Taylor**—We have seen some documentation, some minutes from the board—

**CHAIR**—Did they try and separate one board from the other?

**Mr Taylor**—They have their own separate and independent committees which appear to literally meet independently and then subsequently have a joint meeting. The minutes that we have seen have been of the AWB International board.

**CHAIR**—Just from your long experience and your university training, do they appear to be independent meetings? They do not to me because it was quite obvious in another place. They said, ‘Yeah, we all went along and sat round the table.’ And: ‘That meeting is over now. We’ll have this meeting.’ It is independent.

**Mr Taylor**—They do have joint board meetings and also separate board meetings as a routine part of their business.

**CHAIR**—If you can act in the interests of shareholders over here and you act in the interests of growers over here and have independent boards that meet jointly, how do you do that? It is BS, isn’t it?

**Mr Taylor**—Perhaps that is a matter for AWB.

**CHAIR**—For them to wonder and for us to worry, yes.

**Mr Besley**—I do not think it is fair to ask us that.

**CHAIR**—No, never mind. Anyhow, there you go.

**Senator O’BRIEN**—The question I asked on F&A 12 was:

In response to the WEA’s first request for documentary evidence from AWB(I), when did the WEA first receive information? Was it just a trickle or did you get a bundle of information?

You said:

The information was received on 19 March 2004.

Which answer details what that information was?

**Mr Taylor**—The response to F&A 08 attaches a document called 2004 IRS in the top left-hand corner. On the right-hand side are the questions and information requested on that date. That information was received by the Wheat Export Authority from AWB on 19 March. It was actually all received on time and it was all the information that was listed there.

**Senator O’BRIEN**—That was not when the AWB(I) refused your access to the actual contracts?

**Mr Taylor**—That is correct. There was a subsequent updating of this information request to add additional information that was sought by the Wheat Export Authority.

**Senator O’BRIEN**—Was that a written request? Was it another one of these key issues for examination documents, was it?

**Mr Taylor**—Correct. It was actually for the development of that very document.

**Senator O’BRIEN**—That was all you asked for at the beginning?

**Mr Taylor**—That was the first request to the AWB(I) for information, yes.



**Senator O'BRIEN**—That was provided on 19 March. How long after that did you request the other information?

**Mr Taylor**—I believe it was June, but I would like to take it on notice and confirm that.

**Senator O'BRIEN**—Has the material requested, which was apparently supplied on 19 March, been supplied in totality to the Cole inquiry?

**Mr Taylor**—Yes, everything the Wheat Export Authority has on Iraq.

**Senator O'BRIEN**—I am just wondering if you have still got all of this or had all of it at that time.

**Mr Taylor**—Yes.

**Senator O'BRIEN**—So it was three to 3½ months later you asked for—

**Mr Taylor**—Could I come back to you with those dates?

**Senator O'BRIEN**—Yes. Is that when you asked for the actual contracts?

**Mr Taylor**—Correct. It was subsequent request to the one you have before you where the Wheat Export Authority asked AWB(I) for copies of contracts for Iraq.

**Senator O'BRIEN**—Did something happen in the intervening period that caused you to request that additional information?

**Mr Taylor**—Yes. There were further reports referring to kickbacks being paid. As the chairman mentioned, there was a tidal wave of coverage on the whole Iraq situation. The Wheat Export Authority responded by asking for, rather than a summary of all contracts for Iraq, copies of contracts for Iraq sales—I could check, but I believe the request was for copies of contracts for Iraq sales. It was that request which subsequently led to a board-to-board discussion on the issue and then access being agreed only on AWB(I) premises.

**CHAIR**—Does the Wheat Export Authority have any authority to look at, interpret, think about and comment upon the bonus payments that come across—obviously funded by the poor unfortunate wheat growers, of whom I am one—to executives, like Mr whatever his name is?

**Mr Taylor**—The Wheat Export Authority has looked at the performance arrangements for key staff within AWB(I) and has previously reported in its growers' reports some views about—

**CHAIR**—So would Mr Lindberg have been included in all of that?

**Mr Taylor**—I do not believe he was.

**CHAIR**—The bulking up of the price is one of those curiosities in life given that it was, shall I say, CIF or delivered down some dirt track somewhere. Did the grossing up of the turnover—the extra money that was in the financial transaction and the currency market et cetera—add to the bonus of the performance of the people who were grossing it up or was the bonus worked out f.o.b.?

**Mr Besley**—Let me have a go at that. It was basically f.o.b. but, given what has emerged in the inquiry that we are not going to spend too much time talking about today—

**CHAIR**—None in fact.

**Mr Besley**—the board wants to look at something again because there may be some issues that need further examination.

**CHAIR**—If you know what I mean.

**Senator O'BRIEN**—Can you tell me how often Wheat Export Authority officers travel overseas and on how many occasions the cost of that travel is met by an entity other than the Wheat Export Authority?

**Mr Besley**—On the last part of the question, it is never met by any other entity. We had visits overseas in 2000-01 and the total cost was \$41,000. That was for a group that went to Singapore, Malaysia and Vietnam, looking at three markets. I believe some of the visits were made at the same time that AWB(I) was there.

**Mr Taylor**—Yes, on that particular trip there were in some cases some combined meetings with AWB International representatives. The Wheat Export Authority met with some of AWB(I)'s customers in those markets.

**CHAIR**—Was there a clear definition of the separation as to who paid for the grog if you were travelling around with AWB(I), as it were—you know what I mean? They did not shout you a round?

**Mr Besley**—No, they paid their own and we paid ours.

**CHAIR**—Fair enough.

**Mr Besley**—In 2003-04 we spent \$102,000. We went to New Zealand for five days, we went to Vietnam for five days and we went to China for nine days and to Italy for 10 days. That was entirely us; nobody else was there. That amount was \$102,000.

**Senator O'BRIEN**—Have any Wheat Export Authority officers left its employ and some time later undertaken work for AWB, either on the basis of short-term contracts or as employees?

**Mr Taylor**—I do not believe that has happened in any instance.

**Senator O'BRIEN**—Has there been much turnover of staff? I see you have people retiring and some people going to the department.

**Mr Taylor**—Yes, there has been a high turnover of staff recently.

**Senator O'BRIEN**—Was that the case prior to the Iraq wheat sales matter becoming so public?

**Mr Taylor**—I think the turnover that I am referring to started in late 2005 when the issue was becoming—

**CHAIR**—A person standing at the back of the room, detached from this, as it were, would not see that as a strategic move?

**Mr Taylor**—I am sorry: I did not hear all of what you said.

**CHAIR**—So they were not strategic retirements, just normal ones?

**Mr Taylor**—No.

**Mr Besley**—As I said before, I think there was a measure of uncertainty around what was happening. Everyone knows about Uhrig. I have already been Uhrig-ed once in another place.

**CHAIR**—I would have to say I agree with that perception.

**Senator O'BRIEN**—I am curious, Glen. In relation to the file note that we were talking about earlier, the folder provided by AWB(I) for Wheat Export Authority perusal contained the 17 sales contracts for wheat. Does that mean that it would have had access to f.o.b. price, freight, cost, gross contract price et cetera?

**Mr Taylor**—I do not know and the Wheat Export Authority has no record of exactly what details were contained in those contracts, in particular insofar as the breakdown you have referred to.

**Senator O'BRIEN**—So there is no note anywhere?

**Mr Taylor**—No.

**Senator O'BRIEN**—You say the staff turnover is substantially from the end of 2005 on. What proportion of staff positions have turned over? There are only 15, so it should not be too hard to work out.

**Mr Taylor**—I think the number at this point in time would be six.

**Senator O'BRIEN**—Six out of 15?

**Mr Taylor**—Correct.

**CHAIR**—Are there any jobs there for wool classers/welders?

**Senator O'BRIEN**—Yes, there are.

**Senator NASH**—What about just wool classers?

**Senator O'BRIEN**—I think the welder side of it might be useful. In general terms, is the Wheat Export Authority able to determine in detail the structure of contract prices with the entities of countries with which AWB(I) deals, by its dealings?

**Mr Besley**—That is a matter, as I said before, for their commercial negotiation. As I said, we are not contract administrators.

**Senator O'BRIEN**—I do not have any more questions, Chair. I do not think there is any point in asking any more questions at this stage.

**CHAIR**—Senator Nash, have you got any questions?

**Senator NASH**—Not for this particular group; no, thank you, Chair.

**CHAIR**—We will all quit while we are in front. Thank you very much for your time, Mr Besley and Mr Taylor, and we hope you enjoyed the afternoon.

**Mr Besley**—Thank you, Senators; you are welcome. I have just missed a plane to Sydney, but that is okay.

**CHAIR**—You can stay and have a nice glass of red wine somewhere.

[5.25 p.m.]

### **Grains Research and Development Corporation**

**Senator NASH**—I have a few questions about plant breeders' rights in wheat breeding programs and that type of area. How many wheat breeding programs are there? How many people are out there running separate programs that are funded by GRDC?

**Mr Enright**—I might ask Peter Reading to talk about that because he is negotiating with some of them.

**Mr Reading**—Currently in one form or another you could say there are probably 14 that would be involved in programs but, in terms of the major programs, there are about five to six. There has been some rationalising but, if you went through and looked at some of the companies that are involved, it is where the definition between pre-breeding and breeding comes in. There are four or five major ones but if you went through the total that are involved in some way or another there would be up to 14.

**Senator NASH**—Could you let me know who those five are?

**Mr Reading**—In the west, you have the Department of Agriculture, DAFWA. In New South Wales and Queensland you have a combination called Enterprise Grains Australia, EGA, which is made up of QDPI and the New South Wales program. In the south, you have AGT, which was the old SARDI program—

**Senator NASH**—That is as many acronyms as DFAT.

**Mr Reading**—There are a lot of acronyms. AGT recently merged with SunPrime to form a broadened AGT. You also have Longreach, which is a joint venture between Syngenta and AWB—that is another program. Then you go into some of the smaller programs. Access Genetics, which was recently taken over by the Nufarm group, do some. You have HRZ Wheats, which is looking at high rainfall wheats. That is a joint venture between Export Grain Centre—EGC—the CSIRO and Crop and Food out of New Zealand. Then you go into some of the CRCs, such as the value-added wheat CRC, which has had a soft wheat program. But the major ones are: in the west, DAFWA; in the south, AGT; in the east, EGA, which is made up of QDPI and New South Wales program; and probably Longreach.

**Senator NASH**—As I am not familiar with all those acronyms, which of those are private enterprise? Roughly how many of, say, those 14 are likely to be private enterprise?

**Mr Reading**—The industry is changing. Traditionally wheat breeding, like barley breeding, was primarily a public good by the departments. Over time, driven by a number of factors—one was the increasing demand on government expenditure in terms of medical health, policing and things like that—the amount of money available for R&D has been decreasing. Another factor was the advent of PBR legislation which, through the creation of endpoint royalties and recognising breeders' rights, does create a market. Those two factors together have seen a gradual change from public—though you still have some that are purely public—right through to completely privatised. The ones that are completely privatised at the moment are Longreach, which as I mentioned is a JV between Syngenta and AWB, and AGT is basically privatised now. DAFWA is still a department, even it is talking about maybe

moving away from that. EGA, which is the combination of the Queensland and New South Wales, is primarily still public.

**Senator NASH**—You levy grain growers for research and development—

**Mr Enright**—The GRDC signal—

**Senator NASH**—The levy that you take from grain growers is a percentage per tonne. Is that correct?

**Mr Enright**—It is 0.99 per cent of net farm gate value of grains production.

**Senator NASH**—What does that go to?

**Mr Enright**—That is matched, of course, up to 0.5 per cent of the gross value of production of the industry.

**Mr Reading**—By government.

**Senator NASH**—What do you in GRDC use that funding for?

**Mr Reading**—The funding is primarily spent across a number of what we call lines of business: varieties, farming practices, new products, capacity building, and communication. It is right across that lot. The majority of investment, probably approximately 60 per cent, is into varieties which covers pre-breeding, breeding, and a thing which has just been introduced last year called national variety testing. The majority goes into bringing a lot of expenditure into Australia, not only by GRDC but by other monies as well, in the pre-breeding end. Varieties is about 60 per cent.

**Senator NASH**—That is to those entities that we were talking about earlier. Is that right?

**Mr Reading**—No, that is only a small part of it. If you look up what makes up breeding or the breeding pipeline, it starts with pre-breeding, which is all the stuff about germ plasm, manipulation, gene discovery, genetic tools and all the traits. Building the traits is the pre-breeding part, and there are a number of bodies in that. Some of the CRCs are in that; CSIRO is a big player in that. Then you go into the actual breeding programs themselves, the ones we have just mentioned. Then you go out of that and into what they say is the commercialisation of that variety and national variety testing. The main stages we are involved are pre-breeding, and we put about \$16 million a year into that. Of the total it is about \$80 million that is spent up there. The total investment in breeding programs all up is about \$29 million; I would have to take on notice what our percentage of that is. Then we go into variety testing. As these programs move from the public to private, growers are demanding independent variety evaluation. So we fund that independent variety evaluation. I think the cost of that each year is about \$4.3 or \$4.4 million.

**Senator NASH**—Just roughly, on average per year, how much of the grower levy would go to those private entities we were mentioning earlier?

**Mr Reading**—None goes into Longreach which is a fully private entity. Into DAFWA, which is a completely public entity, we are putting about \$1.8 million. AGT is in the transferral stage. It is a research program that became a combination of program. SARDI was a public program. I think our research funding with that finishes in June next year, if I

remember correctly. I think we are putting about \$1.5 to \$2 million into the EGA programs. But again, I would have to take it on notice and get back to you with specifics.

**Senator NASH**—If you could and you would not mind, that would be good. I have had it raised with me that there is some concern that the grower levy going to GRDC is going to fund private enterprise research and development for development of seed that growers then have to buy back. It is not an area I am very familiar with so I just thought I would take the opportunity to get some clarification of whether or not that is a valid concern.

**Mr Enright**—The issue is breeding seed as such. That is the output of these breeding programs, obviously. In none of them do we hold more than 50 per cent equity where we have made GRDC investments. Remember, the commercial partners who are working here have the ability under the PBR Act to sell seed and collect royalties on it and they are doing that. While it is not our prime driver, it is something we work with them on to talk about the rate and the value and the cost of that seed. What we want to do is get the varieties out there as quickly as possible.

**Senator NASH**—I appreciate the work you do, but is that a valid concern?

**Mr Reading**—We survey our growers every year and we go to a lot of farmer meetings, and certainly one of the biggest concerns they have comes in this area called double dipping. They are saying, ‘Hang on, we’re paying the levy and on top of that we’re paying a royalty based on the variety that comes out.’ Wheat breeding is the one where there is a real market; if you look at barley and pulses there is never going to be a market based on the volume of the crop et cetera. What GRDC is doing is trying to gradually move out of breeding altogether. Once it does that it can go back up to the true market failure area which is the pre-breeding, and that is potentially where all genetic gain will come from. We will then also be in the national variety testing arena which is important—that is when you are evaluating. But you just cannot walk away from funding. The programs in there are moving from the public to the private—you just cannot walk away from it. Over the last year we have quite actively stated to the grower groups and to the growers et cetera that we are going through a transition phase of moving out of that where we will go back and up to the pre-breeding.

**Senator NASH**—Do you have any kind of end date in mind for when you would like that transition phase to be completed?

**Mr Reading**—We would hope that it would be completed in two to three years. That is the plan. I think it is important to add that you cannot just say, ‘Now it’s gone from public to private.’ There is no way you can do it. It has to be a managed process; it has to be a transition. As the chair mentioned, our key driver is that growers are getting access to the best varieties possible to enable them to compete in the ever-changing global grains industry. So it is then trying to work the mechanics between pre-breeding, breeding and variety testing that enables that to happen in the most efficient way possible.

**Senator NASH**—Your saying ‘ever-changing’ leads me to the other point I wanted to raise with you: plant breeders’ rights and the ability, be it a public or private entity, to develop seed and then have the ability to sell that seed at a premium and get the royalties—and also the grower not having the capacity to sell that seed for propagation purposes. I guess it is the

plant breeders' rights environment in that scenario. Has GRDC done or considered doing any work on grain growers' profitability?

I started that with 'ever-changing'. Given that there are so many varieties coming on and they seem to change so quickly, and that growers are often being told to grow X variety and in a couple of years it might be another one, there is not a long, extended period by which you can get through that initial payment. It is a bit like a patent, really. Eventually it would get lengthened out and there would not be that sort of financial impost on them. Has GRDC done any work on that PBR impact on grain growers' viability?

**Mr Reading**—We are doing a lot of work in a number of areas. It is a very broad subject. For example, as to understanding the implications and what comes with plant breeders' rights, GRDC—and now with support from some of the RDCs—fund an organisation called ACIPA. That is an acronym for the Australian Centre for Intellectual Property in Agriculture. It does a lot of work in terms of education programs, understanding what the implications are, legal and otherwise, of the plant breeders' rights. They do work and do grower group meetings and all these things. That is one angle of it.

We are doing a lot of investigation in terms of the take-up of end point royalties—for example, I think now about 30 per cent of the current varieties are attracting end point royalties—understanding what market share they have, what the grower accepts and what the adoption of the varieties is. One thing Australia is doing quite well, which we believe is probably the best, fairest way to go all round, is that the royalty is an end point royalty. So the person who owns that propriety right actually shares in the risk with the grower in terms of whether the royalty gets paid or not. Obviously, if there is no production there is no royalty.

There are three issues around royalty payments. There is a commercialisation charge, a collection charge and then what ultimately gets back to breeders. For example, all the money GRDC gets back from royalties goes back into breeding programs. So it is going back in to help subsidise some of the payments that are going out due to the traditional public breeding programs pulling out of that investment. So we are doing work with that.

We are doing focus groups with growers. We have seen, in terms of the research we do with growers, a change from the real concerns about the double dipping and all these things to them saying, 'Okay, we accept it but, by God, those varieties better be good and be worth it.' So we are going through that process. We are doing work on how to improve the royalty collection process, how to get away from one of the biggest issues growers have: the very complex contract arrangements with the seed commercialisers. Our preference would be a royalty based system which basically encourages the variety to be taken up by growers. Ultimately, the success of that variety is then the royalty that it gets.

**Senator NASH**—The royalty it gets at the end.

**Mr Reading**—There is a lot of work going on. It is a real moving feast.

**Senator NASH**—It sounds like it

**Mr Enright**—To add a couple of points to that, looking at profitability, we work with ABARE to conduct the ABARE farm survey, which is a valuable piece of study in profitability. That is the other area that I think is important. We have got very high breeding

standards that we are applying to the companies in which we are investing for plant breeding. Unless they can demonstrate better performance in terms of yield quality, disease resistance and those attributes that actually mean money at the production end, we do not want them released.

**Senator NASH**—Would it be possible for the committee to have a description of the makeup and a breakdown of the funding that goes to each of those initial entities we were talking about, particularly the grower funding that has come to you that goes back out to those entities?

**Mr Reading**—We can certainly provide that.

**Senator NASH**—That would be helpful, thank you.

**Senator O'BRIEN**—The corporation operating under the Primary Industries and Energy Research and Development Act has two stakeholders—grain growers and the Australian government—and is subject to accountability and reporting obligations set out in the Commonwealth Authorities and Companies Act. I understand your task is to invest in research and link that research with industry needs. Is that a correct understanding of your task?

**Mr Enright**—Yes, it is part of it. It goes a little wider than that, but fundamentally that is it.

**Senator O'BRIEN**—When you say it goes a little wider, are there other tasks or would you describe those tasks as being broader?

**Mr Enright**—I would describe those tasks as being broader.

**Senator O'BRIEN**—How would you describe them?

**Mr Enright**—The driver for us is the profitability of Australian grain growers competing more effectively on the global market.

**Senator O'BRIEN**—It probably means the same thing, in a way, but I understand what you are saying. According to page 244 of this year's PBS, you work with other corporations where that is applicable 'to leverage capital and expertise to improve/facilitate better paths to market, including through commercialisation of the outputs of R&D' built around better varieties, better farm practices, new products and building research capacity. You expect a revenue stream of just short of \$120 million this coming year.

**Mr Enright**—That is correct.

**Senator O'BRIEN**—How many people are currently employed by GRDC?

**Mr Enright**—I believe 46 is the figure, as of 30 June 2005.

**Mr Reading**—It is a bit higher than that; it is 52.

**Senator O'BRIEN**—Quick growth?

**Mr Reading**—No, our establishment number is 52. At any stage you have vacancies, depending on staff turnover et cetera, but our establishment level is 52.

**Senator O'BRIEN**—How many of these would be classified as administrative staff?



**Mr Reading**—I can get back to you with the exact number—I am just going through the breakdown in my head. I think it is probably about 15 to 20, but I would like to take the specific figure on notice. It depends on how you define admin, because you have pure admin such as the personal assistants; you have admin in corporate services, which covers accounts payable and payroll, for example. In the project management area, we have program managers and we also have some program assistants. Part of that is admin—for example, making sure the reports are in on time et cetera. So it is really a question of defining what level of admin. We can supply that information to you.

**Senator O'BRIEN**—Thank you. Has the number of administrative staff increased over the last five years?

**Mr Enright**—Yes, it has slightly.

**Senator O'BRIEN**—Could you give us a snapshot of the changes in the employment patterns of GRDC over that period?

**Mr Enright**—I was looking at the numbers the other day and I think four years ago we were at roughly 42. I can give you the accurate numbers, but we have gone up from 42 to 49, I think.

**Senator O'BRIEN**—Thank you, if you could take that on notice.

**Mr Reading**—If you look at a breakdown of our areas, firstly you have the executive team, which basically heads up those lines of business you just referred to. Under that you have the program teams and program managers, and they run the programs such as crop protection and some of the breeding stuff that we were talking about a little while ago. With that group you will have the actual people who work on the project mechanics like making sure that the contract is in, the contract is signed and the contract is out. Extra initiatives we have taken on, such as the national variety trials, require administration support, so that is where those numbers have come from.

**Senator O'BRIEN**—So I take it that it is fair to say that the percentage of your budget that is spent on administration has increased over time?

**Mr Enright**—I will have to seek the actual numbers, but it has not increased exponentially.

**Senator O'BRIEN**—But you think there has been some increase, perhaps, but not—

**Mr Enright**—In percentage terms it has remained pretty low.

**Senator O'BRIEN**—If you could check that for us and let us know, I would appreciate it.

**Mr Reading**—Again, we will give you the different breakdown of admin just in case there is a difference in what you call admin and what we call admin from a project sense et cetera.

**Senator O'BRIEN**—Thanks for that. How much did GRDC spend on travel last year?

**Mr Reading**—The number was about \$750,000. I think it was around that. I will take that again on notice.

**Senator O'BRIEN**—Was that an unusual amount?

**Mr Reading**—No, not in comparison with previous years, obviously allowing for inflation, and even though the major fuel impacts would have been this year.

**Senator O'BRIEN**—Would it be easy to pull out the figures for each of the last five years?

**Mr Reading**—Yes.

**Senator O'BRIEN**—Thanks. I assume when GRDC board members travel they fly business class. Is that correct—if they are flying on a sector with an airline that offers it?

**Mr Enright**—Yes, that is normally the case but not always. With short flights between Sydney and Canberra and things like that we quite often use economy. But in my case, flying to Perth quite regularly, business class is used on those longer routes.

**Mr Reading**—I am the managing director. I fly on the short sectors in economy. I am on the board—I am the director—but I fly economy on the short sectors.

**Senator O'BRIEN**—Apart from you, who else would travel business class on sectors, whether they were long or short?

**Mr Enright**—Only directors.

**Mr Reading**—No. For staff it is for flights over three hours, I think, and for the executive team I think it is flights over 1½ hours. So that would take in Canberra-Brisbane, Canberra-Adelaide and Canberra-Perth.

**Senator O'BRIEN**—How many people are on the executive team?

**Mr Reading**—Six.

**Senator O'BRIEN**—And for everyone else, if it is a three hour plus flight, it is business class?

**Mr Enright**—Yes.

**Senator O'BRIEN**—How are accommodation and meal expenses paid for? Do GRDC board members and staff get a daily allowance when travelling?

**Mr Enright**—Yes, they do. They work on a daily allowance regime and we operate under the Salaries and Allowances Tribunal rates, which are set by the tribunal from time to time.

**Senator O'BRIEN**—So it is the Public Service standard?

**Mr Enright**—Yes.

**Senator O'BRIEN**—Do board members or staff get a corporate credit card?

**Mr Enright**—Board members do not. Some levels of the staff do—obviously the managing director.

**Mr Reading**—Those who travel frequently do have the use of a corporate credit card, but there are under quite tight policies and procedures for how that can be used. When I mentioned the executive team, I was referring to the executive team that reports to me. If you include me, that would be seven.

**Senator O'BRIEN**—Is there a document that sets out the guidelines for the use of the credit cards?

**Mr Reading**—Yes, there is.

**Senator O'BRIEN**—Is that able to be supplied to the committee?

**Mr Reading**—Yes.

**Senator O'BRIEN**—Thanks. Do you control that, Mr Reading, or does the board, or is there an officer who monitors that?

**Mr Enright**—It is controlled primarily by the managing director, but the policies and procedures around it are adopted by the board. As part of our review of policies and procedures on a cyclical arrangement, that is looked at by the board.

**Mr Reading**—Expenses are signed off at the various levels of delegation, which are spelt out in the board policies and procedures. For example, my travel expenses are signed by the chairman.

**Senator O'BRIEN**—How much would GRDC have spent on corporate hospitality, let us say, in the current financial year?

**Mr Enright**—I would have to do some analysis and provide you with that figure. Corporate hospitality is not big in our area. We do have expenses for conducting our business, being a national organisation, and talking with research institutions right across the country. We have a lot of people travelling, obviously, and doing a lot of negotiations with people with whom we are investing. Obviously, they eat when they are travelling, but I do not know whether you would put that in the category of corporate entertainment or whatever.

**Senator O'BRIEN**—Are you entertaining people with a business relationship with GRDC?

**Mr Enright**—We certainly do some of that.

**Senator O'BRIEN**—Could you give me some details of the expenditure on that form of corporate hospitality over the current financial year and the previous one? Who approves corporate hospitality within GRDC? Is it a matter for individual officers from time to time or does there need to be a specific decision taken at a higher level?

**Mr Enright**—We have a delegation authority, which is covered under our policies and procedures, which specifies the delegation available to various officers at various levels. It is fairly restrictive in the sense that any major piece of work in this area would be signed off by the managing director or me as chair.

**Mr Reading**—Most of it would relate to when someone is on a trip to Perth and goes out to dinner with someone and they buy them dinner. That is the limit of the hospitality. We do not entertain or put on functions or anything of that nature.

**Mr Enright**—To be fair, we do do some when we visit the board. One of our major institutions where we have investment, for instance, is SARDI in South Australia. The board visited there and visited the Australian Centre for Plant Functional Genomics, which is cohosted on that site. We have probably \$20 million invested in that particular area. We hosted a function that evening and the deans of agriculture, and the equivalent at CSIRO and SARDI, and some of the key research staff joined us for dinner. We host that type of function, where we get together for a few hours and talk, but these are very senior research partners.

**Senator O'BRIEN**—I understand that from time to time the Grains Council of Australia is contracted by GRDC for the provision of some services. Can you tell us how much was paid by GRDC to the Grains Council of Australia last year?

**Mr Enright**—Yes, I have that here. As part of the Single Vision forums we paid \$110,000, or just over, which was part of the process of rolling out Single Vision. In the implementation phase of Single Vision, we paid \$150,000. We paid \$103,000, as a one-off, for the licensing and promotion of Graincare, an off-farm quality assurance scheme that had been in negotiations between GCA and GRDC for many years. We had a contractual arrangement after that program had been sold to continue the promotion of it.

**Mr Reading**—That was on top of the \$211,000 which is mentioned in the annual report, which is paid for the consultation process. Under the PIERD Act, the GCA is the consulting body. I think we have three or four formal meetings with them a year and for that we pay their transport costs et cetera for those consulting meetings.

**Senator O'BRIEN**—Last year it was \$575,000?

**Mr Reading**—It was \$211,000 for the consulting process and those specific projects which were mentioned by the chairman and which are detailed in the annual report.

**Senator O'BRIEN**—It is about \$575,000?

**Mr Enright**—Last year it was.

**Senator O'BRIEN**—What sort of pattern is there? Is it normally \$211,000 and then other contracts on top as they arise?

**Mr Reading**—If they are specific contracts, that is correct. It is around \$200,000 on an annual basis.

**Senator O'BRIEN**—That is the base, is it?

**Mr Reading**—Correct.

**Senator O'BRIEN**—Did you have other contracts with them the year before?

**Mr Enright**—The year before we were involved in the Single Vision study. That was funded over 2½ years. There were costs associated with that, but it was quite a different arrangement conducted separately and managed separately. The base cost of our consultation process with GCA, which we are required to do, was around \$211,000.

**Senator O'BRIEN**—So the year before, on top of the \$211,000, what would it have been—another \$100,000?

**Mr Enright**—It was probably more than that the year before because it was halfway through the Single Vision study, which was carried out by Pocknee and Associates at that time, and there were payments through that, although they did not go strictly to GCA because it was managed separately with an independently appointed executive manager.

**Senator O'BRIEN**—So the money did not go to the Grains Council?

**Mr Enright**—No.

**Senator O'BRIEN**—Does GRDC make payments to agripolitical bodies other than the Grains Council—for example, NFF or state farmer organisations?

**Mr Enright**—No, I do not think we do.

**Mr Reading**—There is a conference called the agricultural conference. We support that to the tune of about \$8,000 or \$9,000 a year. From time to time, we have had requests to support state conferences for sponsorship and we do that on a case by case basis.

**Senator O'BRIEN**—Those would be the sorts of grains industry events that you would sponsor?

**Mr Reading**—Correct. The benefit we provide is that it brings together a lot of growers. They normally have topics on the agenda which are of particular interest. I think Senator Siewert was talking about biofuels—those types of things. They are specific types of industry things. There is a sunflower association, a maize association, a sorghum association and we help support those conferences. But they are basically research conferences—growers come and they learn about the latest R&D techniques and things like that.

**Senator O'BRIEN**—There would be 20 or 30 a year?

**Mr Reading**—No, not that many. I think there would be about seven a year. Again, I can get you the specific number if you want. I am just trying to remember them. Certainly, sorghum, maize, sunflower associations—

**Mr Enright**—Ag Australia.

**Mr Reading**—Grains Week; they are the major ones that come to mind.

**Senator O'BRIEN**—You talked about commissioning, I think, Graham Pocknee and Associates to undertake a review. Was that the review in 2002-03 to review GRDC operations?

**Mr Enright**—Not to review GRDC operations.

**Senator O'BRIEN**—Did Pocknee and Associates, in fact, do that?

**Mr Reading**—No. The background to Single Vision is that it started in about 2003. I was checking the notes the other day. There were great changes going on in the grains industry in terms of the traditional statutory bodies going to public listed corporations and the breakdown of things like PBR legislation and all these things. There was a thing about relooking at the industry: where is the industry going? That looked at things such as future demand scenarios; ongoing sustainability; fragmentation and duplication that exist in the industry; and the potential new demand uses that neutraceuticals, pharmaceuticals and bioceuticals have. That culminated in that document entitled *Towards a Single Vision*—which I am happy to leave you a copy of—which was launched at April Grains Week in Perth. That is all the consolidation work that went into the publication of that document.

**Mr Enright**—That was a piece of work that Pocknee and Benjamin undertook, but it was not aimed at GRDC.

**Senator O'BRIEN**—Single Vision is a corporate entity, is it not? It has been incorporated?

**Mr Enright**—*Towards a Single Vision for the Australian Grains Industry 2005-2025* was the document produced as a result of that consultancy and was launched in 2004. Part of that process was to further test the recommendations contained in that document by way of some task forces and forums throughout the industry. That happened through 2004, having been

launched in April 2004. That culminated in Grains Week 2005, at which the output of those task forces was presented. There were forums and a lot of collation was done. It was at that conference we were asked by GCA to establish Single Vision Grains, an interim arrangement to take some of the issues forward so that the grains industry could capture what had been explained in the Single Vision study and try and move that forward to make some changes within the industry. That was the genesis of Single Vision Grains Australia as we know it today.

**Senator O'BRIEN**—It is not a fully owned subsidiary of GRDC, so how would you describe the relationship between the two organisations?

**Mr Enright**—Very deliberately, it was an interim arrangement that we agreed to put together and, as such, it has no corporate structure. The board is an interim board and the board members have contractual arrangements with GRDC. Acting as an interim board, they have a set of key performance arrangements which they have to meet. Our commitment was to put this in place for a period of two years only, at the end of which Single Vision needed to engage the industry more widely and decide what form, structure or work needed to be done, what body should be in place to do it and how that should be funded. From our point of view, it is a project to meet a requirement, and that is why we deliberately did not seek a corporate structure for it at this point.

**Senator O'BRIEN**—So it has a board?

**Mr Enright**—It has a board called the Single Vision interim board.

**Senator O'BRIEN**—And it is incorporated?

**Mr Enright**—It is not incorporated, no.

**Mr Reading**—I just might run through a couple of the objectives that were presented when industry was asking us to go ahead with this. The interim board was to be independent of politics, pursue broad industry agreement on the formation of an organisation—or it could form an organisation—be completely independent of current industry organisations, have transparency and be accountable for its performance. The implementation of the board was establish guidelines and scenario planning and update producers—they updated producers on that progress at Grains Week 2006. Then, as the chairman mentioned, within two years they really had to come back and say that industry believes in what Single Vision is delivering, or has delivered, and is recommending and prepared to fund its ongoing operations.

**Senator O'BRIEN**—How would you describe it as an entity having a board if it is not incorporated? What sort of entity is it?

**Mr Enright**—Single Vision is an interim board but the members have contracts with GRDC. So it is an unincorporated venture.

**Mr Reading**—As I mentioned, after consultation with industry they have to come up with what type of structure there should be going forward. It could end up being just a loose coordination of people coming together when there is an issue. It could end up as a separate identity. We are really looking for that interim board, after consultation with industry, to come back and say what it should like, if anything, going forward.

**Senator O'BRIEN**—What funds has GRDC provided to the entity Single Vision Grains?

**Mr Enright**—We virtually announced to the industry at grains week that we would give a commitment of up to \$1 million per year for two years, but that money is not appropriated to Single Vision on day one. We monitor them, they report to us and we actually pay the bills. So they operate under fairly close financial guidelines from us.

**Senator O'BRIEN**—There is actually a contractual arrangement between the board members—

**Mr Enright**—Individually.

**Senator O'BRIEN**—and GRDC.

**Mr Enright**—A legal contract document.

**Senator O'BRIEN**—Is there a legal contract with the entity? I am not sure how that would be possible.

**Mr Enright**—No, it is with the individuals. But collectively they have key performance arrangements. The managing director just read out some of the issues they have to meet. We have a review and reporting procedure with them which we follow.

**Mr Reading**—Their ultimate key performance indicator will be whether the industry says it wants such an organisation to exist going forward. With all the issues—

**CHAIR**—This is Single Vision?

**Mr Reading**—Yes, correct. If you look at the concept of Single Vision, it is quite interesting. People are actually starting to talk about it now. Take, for example, things like infrastructure. I was at a meeting in Melbourne not long ago and someone said, 'There are a whole lot of issues on infrastructure. We need a Single Vision approach to this. We need to get the parties together.' Take some of the comments that Senator Siewert mentioned earlier about getting people together to understand what are the issues with biofuels and to get all the players involved, not just the ones that have interests specifically in a plant or growing a crop. We should look at the whole industry dynamics of it. That is what the Single Vision process was about. It was bringing people together, understanding that they work in different corporations and that they belong to different cultures and structures. But with areas that are facing common issues in the grains industry, it is to bring them together to get a consensus. That is the principle of Single Vision.

**CHAIR**—That is what you call 'marketing'. I mean the name is. That would have been tested in a group somewhere—for sure. Someone would have been well paid to do the research.

**Mr Reading**—But the principle of trying to get those common discussions going, in an industry which has all those things we talk about, is a very solid one.

**CHAIR**—I understand all of that. It is an industry that is driven by self-interest coming from a thousand directions.

**Mr Reading**—Exactly right.

**Mr Enright**—'Single Vision—Multiple Voices' was the thing. That approach has been taken in other industries.

**CHAIR**—Everyone is driven by their own self-interest and how you do that without collusion in the market is the answer I am waiting for.

**Mr Enright**—That is one of the objectives of Single Vision. Those are exactly the words that came out of it. It was if the grains industry wanted to address the structural issues.

**CHAIR**—I will listen patiently.

**Mr Enright**—That is what the study showed, and we saw Single Vision as providing a forum, not a solution.

**CHAIR**—I think it is a good idea.

**Mr Enright**—That study identified that, while we have 200 groups proposing to speak for growers in various set parts of the industry, there is no single forum where these things could come together and all could have a discussion on the issues.

**CHAIR**—I understand how it works, because every person who comes through the door is usually driven by self-interest and the bunnies are always the growers, whether they be grape growers or wheat growers.

**Mr Enright**—The growers asked us to take this path, so that is why we have responded.

**Senator O'BRIEN**—Who are the board members of Single Vision?

**Mr Enright**—It was chaired by Murray Rogers. There is Christine Hawkins, who has an investment banking background primarily and was previously deputy chair of the GRDC board. There is Grant Latta, who has spent most of his life in the food industry and was also at one point chairman of GRDC. There is Ian MacKinnon, a grower from Tasmania, and also Philip Young, who is a consultant. He has also chaired the AGT plant-breeding company.

**CHAIR**—Was one of the tests to get on that board a memory lapse test?

**Mr Enright**—Beg your pardon, Sir?

**Senator SIEWERT**—No answer is required.

**CHAIR**—Don't answer that, but there has been this dramatic portrayal of all these memory lapses in recent times. Don't answer; you will dig the hole deeper.

**Senator O'BRIEN**—I am confused, Mr Enright. I have a search document on an Australian company, No. 112288981, entitled Single Vision Grains Australia Ltd, with a registered address of level 2, suite 17, 2 Lorraine Street, Capalaba, but previously the Grains Council of Australia, 1st floor, 14-16 Brisbane Avenue, Barton, ACT, and three of those people you name are directors according to that search. Is that another entity or is that the same entity?

**Mr Enright**—It is the same one.

**Senator O'BRIEN**—I thought you said it was not incorporated.

**Mr Enright**—Not the Single Vision that we have today. Let me give you some of the history. Prior to Grains Week 2005, when the industry asked us to facilitate this interim board, the Grains Council of Australia had other models in the offing. On the strength of that they actually registered Single Vision Grains Australia as a company, with various officers of the Grains Council of Australia being the holders of that company.



**CHAIR**—They had to go and do market research firstly, you said.

**Mr Enright**—Sorry, I did not hear that question.

**CHAIR**—Registering the name.

**Mr Enright**—Yes, they registered the name. When we went to Grains Week in 2005, that company was registered and held by GCA, which was what you just read out.

**Senator O'BRIEN**—It apparently still is, or it was as at the beginning of May this year.

**Mr Enright**—I think what happened prior to that was, once we set up the interim arrangement, that interim board had to decide on a name for itself, and by negotiation they actually bought the name from the Grains Council.

**CHAIR**—Would it be fair to say there has been a bit of a blue amongst some of the players since the original—

**Mr Enright**—Amongst the board members of Single Vision?

**CHAIR**—The original concept and the people who promoted the original concept and what is there now.

**Mr Enright**—There was disagreement on that, for sure.

**CHAIR**—We have to interpret that, you see.

**Mr Enright**—The original proposal was something that, from a GRDC point of view, I could not have lived with. With its impact and our operation of it under the PIERD Act, it was not possible and it was quite a different arrangement. The Single Vision company which they originally registered was going to operate under the act. I felt that GRDC funding it in the way it was proposed was outside the act, so I took some advice on that and was comfortable that we could not go with that model. I communicated that fact to the president of the GCA prior to Grains Week, and the rest is history.

**CHAIR**—It is for us to understand all that and interpret the silly-buggers that has gone on.

**Senator O'BRIEN**—Are you satisfied that the Single Vision entity that you have described, which apparently has some of the same officers as the company, if it still exists, can be funded by GRDC under the PIERD Act?

**Mr Enright**—Yes. When we were asked by GCA to facilitate the setting up of some mechanism to take forward the principle of Single Vision, having spent considerable money on the study thus far, we wanted to make sure that some of the good was captured out of it. I said that one of the first things we would do is check our ability to undertake that under the PIERD Act, which we did. I am comfortable with the way it is structured at the moment and that the investments we are making to manage it in the way of a normal project are quite within the act.

**Senator O'BRIEN**—I would like to establish why an incorporated body cannot be funded by you under the PIERD Act but this entity could.

**Mr Enright**—We are involved in some corporate bodies, such as plant breeding and that sort of thing. The difficulty we had was that, when we were starting this at Grains Week 2005, we did not know what the final outcome was going to be. There was a proposal that GCA

were floating prior to Grains Week that we felt we could not have dealt with because it meant handing over a large piece of money for somebody else to manage, which is not possible. The model for the future is not clear. That is why we set up this interim board—to give this body two years to actually talk with industry and say, ‘At the end of two years what do we need?’ Maybe we need a great company owned by the grain growers of Australia or whatever, but, whatever that is, it is to be defined. If we had gone into a company structure on day one, given the cost of setting that up and the difficulty of undoing it, we would probably have got it wrong.

**CHAIR**—Is there any chance that you fellows could send a bit of money off to do a bit of research on the global fertiliser cartel? Fuel for a tractor is one thing and fertiliser is another, and as you know, world wheat stocks have been pretty well at an all time low for years, and prices are also at a low, but fertiliser is up there and it is a cartel. Should you be putting some money towards a bit of research into what the hell is going on in the fertiliser market?

**Mr Enright**—I would have to consider that. We can invest money in areas of production, agronomy, crop research and all aspects of the grain industry—

**CHAIR**—What is happening is that we are arguing about \$5 a tonne, whether you warehouse it with this bloke or that bloke and whether there is a premium of \$2 here, and yet at the same time a swing of \$100 a tonne on fertiliser just goes like that and we have to cop it.

**Mr Enright**—The area where we could look at it—and I can say this without going into too much detail—is in the economic analysis of those sorts of things. We can get involved in that. I would have to take some advice before we moved any further down the line on that.

**CHAIR**—You have got all these world trade issues and you have got those Yanks saying, ‘We’ve got to get rid of that goddamn single desk.’ And then, when we put to them, ‘What about those farm gate subsidies?’, they say, ‘Well, we’ve gotta have ourselves a safety net or we can’t operate,’ but at the same time we have got to cop fertiliser prices at whatever they signal.

**Mr Enright**—I am a grower and I do not disagree with you. But I think GRDC’s capacity to invest in this area is somewhat limited under the PIERD Act.

**CHAIR**—All I am flagging is that someone ought to take up and do something about the fertiliser stuff. We are going to have the same problem with chemicals. We are going to have a monopoly control of the various chemical regimes and we are going to have associated gene technologies set to a certain set of crop chemicals so it will be ‘Use our chemicals!’ There is plenty of work for you to do.

**Mr Enright**—We certainly do a lot of work in the chemical usage area and registration. We assist with registration of labels so that they particularly meet legal requirements to stop spray drift and all that sort of stuff. We do a lot of work in that area.

**Mr Reading**—We are doing a lot of work at the moment on what we call a ‘value driver analysis’ where we look at the three things that drive a grower’s return on capital: the output side, the input side and his capital side. We are populating all of that in terms of things such as this: on the inputs you have got fertilisers, you have got chemicals and you have got labour—all of those things—and we are working with some economists and saying, ‘What are the key

ones?’ Some of the key ones are very obvious: fertiliser and chemical costs, fuel costs. We are saying, ‘Okay, where can we influence them through R&D, applied R&D or by changing farming management practices?’ We do a lot of work on that. That is all about managing and trying to not only deal with the current issues but also find how to address the long-term issues in terms of fuel efficiency, chemical efficiency, fewer chemicals and all those other things. So we are doing a lot of work on that.

**CHAIR**—We will not survive unless you do that. We are into one-pass canola now. Once upon a time, it was a horrific operation but now it is just one pass. Modern tractors, I have to say, are very fuel efficient. I just have to urge you to do something about fertilisers and chemicals.

**Mr Reading**—If you look at the productivity that the grains industry has enjoyed, which I think we, whatever part of the industry that we come from, should all be very proud of, it has grown at 3.2 per cent, which is incredible compared to the closest commodities, which are at about 1.61 per cent, and Australian industry, which as a whole grows at one per cent. But that is just keeping our head above water because our growers’ terms of trade are declining at two per cent in real terms a year, so it really puts an incredible emphasis on trying to keep those productivity levels increasing through R&D and all these other things.

**CHAIR**—I do not think there is any money in wheat today. At today’s prices growing wheat is just an experience you have in life. You do not actually do it to be the richest bloke in the cemetery; you do it because you like doing it.

**Senator FERRIS**—Like wool.

**CHAIR**—Wool is worse: you only grow wool if you are suicidal.

**Mr Enright**—I do both.

**CHAIR**—Get yourself a few fat lambs. We need a shower of rain a bit more than we need anything else. There is money in mud.

**Mr Reading**—We definitely need a shower of rain.

**CHAIR**—Let us move on. Senator O’Brien, sorry to interrupt you like that.

**Senator O’BRIEN**—Mr Enright, I think you said there had been some agreement that the name, Single Vision, would go with the entity that you set up. Is that right?

**Mr Enright**—That is correct.

**Senator O’BRIEN**—So what is the story with the entity that the Grains Council set up which has a number of directors in common with the entity you are talking about?

**Mr Enright**—I do not know what they did with their entity but they, being the interim board, negotiated with GCA and came to an agreement to use the name, Single Vision Grains Australia, and they bought it off or came to some arrangement with GCA. I believe they bought the name or they came to an agreement with GCA to use it anyway—that is, the use of the name but not the company. Whether GCA still has a company called that, I do not know.

**Senator O’BRIEN**—On 2 May, according to my search, they did. Well, they didn’t but the directors—including Rogers, Snell, MacKinnon—did. That is what the ASIC search I have got says.

**Mr Reading**—One of their tasks is to come up with what type of structure there should be. We have no feedback on that. At this stage, the directors are engaged on consultative agreements with us. One of their tasks, presumably after going out and talking to all industry, is to come up with the type of structure to have going forward. Does it just become a good exercise and then disappear? Does it become a fully operational company? That is one of the tasks this interim board has. From our perspective, as the chairman mentioned, we were approached by industry to keep all the work that had been done on Single Vision going. We agreed on that interim funding for the two-year period, over which time they had to work out where they wanted to be, if it should be there and what work they were going to address, and then come back in two years, hopefully with a recommendation one way or the other.

**Senator O'BRIEN**—You are potentially putting money into an entity called Single Vision Grains Australia, which you say has certain directors. There is a registered entity with the same name which has certain directors in common.

**Mr Enright**—I think what appears to have happened, and I have not confirmed this, is that they had negotiated to use the name—I knew about that—because they wanted to maintain the name even though they were not a corporate structure. To do that they may collectively or on an individual basis have decided to take over the company and that is why the directors are naming it, so it could be sitting there for when they need it in the future. I can assure you that there is no money going into any entity of that structure from GRDC.

**Senator O'BRIEN**—So the current directors are Rogers, Snell and MacKinnon, and the others are previous directors. The current secretary is Selwyn Snell.

**Mr Enright**—That is correct. Selwyn Snell is engaged as the CEO.

**CHAIR**—Who appoints the directors?

**Mr Enright**—The GRDC board in conjunction with industry. We had consultations with the GCA following Grains Week and—

**CHAIR**—How long ago did that happen?

**Mr Enright**—It happened after April 2005. We did not appoint the board until July that year because we were waiting for industry to have some more discussions on the matter. We did not actually appoint them until about July.

**Mr Reading**—Industry gave us a list of names, on which were those individuals, with the exception of MacKinnon and Young. There was a list of requirements, and I can run through some of those: be politically neutral, excepting for the proposed GRDC representative; not be an office holder of a representative organisation, GRDC panel or other organisation that provides funding to Single Vision; represent as much of the value chain as possible; possess appropriate understanding of the Single Vision strategy; have experience in board level management; encompass experience in establishing and building a service company; understand the difference between research activities—

**CHAIR**—Do you know what I mean when I say that one of those people has had some memory lapse problems?

**Mr Reading**—Exactly. That would be the chairman, and I understand that, in a study they are doing on potential wheat-marketing options, he is not involved. That is the understanding I have.

**Mr Enright**—At the time of the appointment, that was—

**Mr Reading**—It was before the Cole inquiry.

**CHAIR**—I realise that.

**Mr Reading**—The directors Rogers, Hawkins and Latta were on the list that was given to us by industry and we believe that they had consulted fairly broadly with industry on that.

**CHAIR**—That is fair enough—we all live and learn.

**Mr Reading**—Exactly.

**Senator O'BRIEN**—The corporation's annual report for 2004-05 was signed off on 10 October last year, so that information was correct at that time. I refer you to appendix 2 of that report, headed 'GRDC project list enhanced management'. There is a reference to project GRD195—the corporation's contribution to the implementation of Single Vision—which according to this report was matched by the Grains Council of Australia Incorporated and United Growers Holdings.

**Mr Enright**—Yes.

**Mr Reading**—Correct.

**Senator O'BRIEN**—Were these funds for Single Vision sourced in part from grower levies and in part from matching funding from the Commonwealth?

**Mr Enright**—The investment by the GRDC would have been as an investment. We do not differentiate those investments, although the mechanism is that the funds are not matched by the government until they are actually spent. They were the corporate funds of the organisation that were invested in that process.

**Mr Reading**—The two specific amounts were the ones that are highlighted in the annual report. There was the \$110,000 to fund communication and national activities, basically to follow on from the launch of that document, and the request for the money that was matched. It was originally going to be \$160,000, which was going to be contributed by United Grower Holdings, which existed at that stage. It no longer exists, with the merger of ABB and AusBulk. Then Grain Growers Association, \$50,000; PGA, \$10,000; and the GCA affiliates, \$50,000. So the idea was that all of industry was going to contribute to try and take this forward.

**Mr Enright**—They did.

**Mr Reading**—That is what they did. PGA eventually did not go ahead with it, but all the others did, so it was the combined industry again and the principles of single vision: 'Let's pool some resources. Let's try and take forward and develop some of these issues that were raised in that single vision document.' It was an idea of industry working together on common issues, and that was that project.

**Mr Enright**—Those funds went into a separate account, and they were managed quite separately. They did not go into GCA. We had a separate accounting arrangement to manage that.

**Senator O'BRIEN**—Did you say GCA was putting money up?

**Mr Enright**—Correct.

**Senator O'BRIEN**—How much were they putting up?

**Mr Reading**—It was \$50,000 all coming from their affiliates, assuming that was \$10,000 per affiliate. So if you have got five affiliates, that is \$10,000 each.

**CHAIR**—Have you struck many territorial jealousies?

**Mr Reading**—Again, as you rightly pointed out, they exist. How do you try and get above that? You have got to work with it: we have to.

**CHAIR**—I know you have to.

**Mr Reading**—If you look at the position we are in, as GRDC, we are working across state departments, with universities, with CSIRO, and we are somehow trying to coordinate a national approach to grains R&D. The idea of talking about—

**CHAIR**—There is a knighthood in the offering if you do all that!

**Mr Reading**—It is hard work. And one of the benefits we saw coming out of it from a single vision concept is that very thing I was talking about from an R&D perspective. If you look at the progress that has been made in the last two years, we now have a nationally coordinated pulse breeding program. We now have a nationally coordinated barley breeding program. We now have nationally plant genetic resource centres coordinated. For 13 years they have been trying to do that—we now have it. And that is all about the principles of single vision and working together on common areas, and getting over the other things you have got to work on.

**Senator Abetz**—I did not know there could be so much passion in grains, but it is good to hear.

**Mr Reading**—Very passionate.

**Senator Abetz**—It is good to hear.

**Mr Reading**—Passion and focus is how we are going to get anywhere. It is a great industry.

**CHAIR**—We are talking in code here, Minister, because I do not want to go to jail.

**Mr Reading**—It is a great industry, and we have just got to make sure it stays that way.

**CHAIR**—I have to say that a lot of people, myself included, feel let down and betrayed, and we have to rebuild our self-confidence and the public's confidence.

**Mr Enright**—The thing that is becoming very clear in this industry in terms of research investment is, when you look around the world, with the size of the industry we just cannot support seven or eight of everything. We could in old times because people—state governments particularly—were prepared to invest a lot of money into public—

**CHAIR**—Unless what you are talking about happens, we will go the way of the TCF industries. We will go out and down the chute.

**Mr Reading**—I am quite confident that that will not happen. I think the progress that has been made in its relatively short period of time, and again it is all about the principles. It is getting together, looking at the issues collectively, leaving our egos and everything outside the back door, looking at the problem, looking at the challenge of the international grains industry. For example, three years ago the Black Sea represented three per cent of Middle East grain trade. Last year it represented 29 per cent. If we are not seeing that as a major issue that we as an industry have got to address—

**CHAIR**—If you fly over the Black Sea and see all that beautiful country there, you know what we are up against.

**Mr Reading**—Absolutely.

**CHAIR**—And this is the fertiliser thing: they get fertiliser from the Ukraine, instead of Florida.

**Mr Enright**—Anyway, we have got to keep exploring the opportunities to make a difference.

**CHAIR**—You will be pleased to know it is dinner time, and you will probably be saddened to know that you have to come back after dinner! For the record, ABARE is staying, BRS is staying, Food and Agriculture are staying and obviously you GRDC fellows are staying, and everyone else can go home. God bless you all.

#### **Proceedings suspended from 6.33 pm to 7.37 pm**

#### **Australian Bureau of Agriculture and Resource Economics**

**CHAIR**—Senator Siewert, do you have some questions?

**Senator SIEWERT**—I have lots. I want to ask some questions on oil, you will be shocked to learn. When you were presenting evidence at the oil inquiry, you quoted a figure of \$40 a barrel for coal-to-liquid technology. On what did you base those figures?

**Dr Fisher**—They are estimates from the international literature and the International Energy Information Agency from the United States.

**Senator SIEWERT**—If I wanted to look at that, it is easily referable if I go to the—

**Dr Fisher**—Yes. We can provide references to either this committee or the other committee—

**CHAIR**—We are here today, so—

**Senator SIEWERT**—We are here, so that would be very much appreciated.

**CHAIR**—One or other.

**Dr Fisher**—Yes, or both, whichever you prefer.

**Senator SIEWERT**—We talked about what would be the cost if it included greenhouse gases. Sorry, there are two points there. That \$40 a barrel was ex any potential carbon tax, wasn't it?

**Dr Fisher**—Yes. As I think I said at the other hearings, if you take account of the cost of sequestering carbon dioxide, for example, if that is the route that you were to go down to take care of the carbon dioxide emissions from that technology, the current best estimates are of the order of \$40 a tonne CO<sub>2</sub>. You need a carbon tax of \$40 a tonne CO<sub>2</sub> before you could bring carbon sequestration and storage in, to make it viable. Those estimates will vary between countries, and presumably as the technology matures the cost will come down somewhat.

**Senator SIEWERT**—If my recollection serves me, we talked about how much it would be per barrel. You did not know, and I think you were going to get back to us, weren't you?

**Dr Fisher**—I am not sure whether I was to get back to you. I think there was some discussion about whether that was going to be referred to CSIRO, because it is a scientific question.

**Senator SIEWERT**—You are right, yes. Does the international literature that you used look at accounting for greenhouse gases as well?

**Dr Fisher**—No. You would have to account for greenhouse gases on top of the number that I quoted.

**Senator SIEWERT**—Yes, I understand that, but nobody internationally has canvassed that cost. Is there anything that you have looked at that canvasses the cost outside Australian circumstances?

**Dr Fisher**—No. As far as I know, there is not. To do that, you would need to include a coal-to-liquids technology in a climate-modelling run and then run the necessary carbon taxes to whatever the policy assumption was and then observe at what price that technology came in. That analysis is possible, but I do not know of any work currently that has done that.

**Senator SIEWERT**—You do not have such modelling processes?

**Dr Fisher**—No. At this stage we have not incorporated that technology in our modelling.

**Senator SIEWERT**—Obviously, I am aware of the submission that you put to the oil inquiry and the questions that we have been following up there. If you assume that the costs have been spread over transport and fertiliser, has ABARE done any modelling of the impact on agriculture?

**Dr Fisher**—No, we have not. We have done modelling for APEC, as I think I mentioned to the committee, which is at a macro level and looks at implications for broad trade measures, but we have not done a specific sectoral analysis for Australian agriculture.

**Senator SIEWERT**—Have you done it for any sector, besides the APEC stuff?

**Dr Fisher**—No. We are capable of doing that sort of analysis, but we have not done that.

**Senator SIEWERT**—If somebody asked you to do it, you would have the resources to do it?

**Dr Fisher**—I have the capability of doing it. The resources, of course, are—

**Senator SIEWERT**—Otherwise deployed?

**Dr Fisher**—They belong to the secretary.



**Senator SIEWERT**—I should have asked that. You have the capability of doing it. Could you do it across sectors? I am talking obviously about the sectors that you have responsibility for.

**Dr Fisher**—The GTEM, our analytical tool for doing this work, is highly disaggregated. We can do that sort of analysis across many sectors across many countries, but of course that type of work is quite expensive.

**Senator SIEWERT**—Is the model fine enough to be able to do it for a range of prices? Sorry, that is a silly question. You obviously could do it across a whole lot of price scenarios, but you have not done it.

**Dr Fisher**—Yes. We can explore the impact of various fuel prices, for example, and changes in fuel prices on a range of sectors. If we were doing that type of analysis, we would take a low-price trajectory, a medium-price trajectory, a high-price trajectory and then we would just report the results in a factual way and allow the reader to draw their own conclusions.

**Senator SIEWERT**—The obvious cost impact of rising oil prices is on transport, but does it look into fertiliser provision and all those sorts of things?

**Dr Fisher**—The way the model is constructed, it has a set of input-output tables. So basically all of the inputs you need by sector are included there. Then when you shock a particular price, that feeds through all of the inputs, both the direct inputs and the indirect inputs, into the industry. The industry will respond by changing its output, depending on how fuel intensive it is and whether there are other fuels available, for example. Substitute fuels will come in under a scenario like that. For example, if oil prices are high, petrol prices are high, then other fuel sources come in. They will substitute to some extent, and that will offset the impact to a degree. Overall, if you have a high fuel price scenario, then you would expect to see substitution away from high-energy intensive production sectors.

**Senator SIEWERT**—I have been looking at your figures on Australia's energy supply and disposal for June 2005. I have also been looking at the figures of the Department of Industry, Tourism and Resources and I am trying to compare the two. One is in petajoules. You are forecasting in petajoules. Is that right?

**Dr Fisher**—Normally we would denominate all of those things in petajoules because what we are trying to do there is compare different fuels, and we convert those fuels on a set of reported conversion factors.

**Senator SIEWERT**—Yes. But the department does not say, 'We have had to do some conversions.' I might have been converting wrongly and I may need your advice on it. In the 2005 report that is reporting for 2003-04, it says 'The supply is 1,031.4 petajoules' and 'Less stock changes and discrepancies, which is 196.6 petajoules'.

**Dr Fisher**—I am sorry. I do not think I am going to be able to answer those questions unless I have the document that you are referring to.

**Senator SIEWERT**—All right. Let me explain where I am going, and you might be able to.

**Dr Fisher**—Thank you.

**Senator SIEWERT**—There is a supply which is around 1,000. Discrepancies are around 200; I am rounding up to 200 petajoules, which if I am doing my conversion rates correctly means four million tonnes of oil.

**Dr Fisher**—It depends on which fuel we are talking about, because there are many conversion rates. For example, our uranium exports are 126 million tonnes of oil equivalent—

**Senator SIEWERT**—This is crude oil.

**Dr Fisher**—For crude oil, you are looking at about 40 times approximately. Five equals 200 approximately.

**Senator SIEWERT**—Yes.

**CHAIR**—Could we just confirm that with the secretary?

**Ms Hewitt**—I do not like to second-guess Dr Fisher on these things, but I was hoping he would come to the happy story in Australian agriculture related to fuel price rises. I think there is one in sugar, but that is for quite different reasons. I am probably diverging here from the senator's line of questioning.

**CHAIR**—You have ducked the question. Thank you very much.

**Senator SIEWERT**—What I am doing now is looking at what the Department of Industry, Tourism and Resources has said. They have said in the year 2003-04, 'The crude oil in stock is around two million barrels,' so what I cannot understand is the difference between what ABARE says and what the department says.

**Dr Fisher**—I do not believe that I can answer this question on the run, because I do not know which documents we are talking about. I would have to take this on notice. If you can provide us with the relevant reference to the ITR document that you are referring to, then I can compare it with my forecasts.

**CHAIR**—Could I just ask in plain English: are you really talking about whether we have gone over the top?

**Senator SIEWERT**—No, what I have been looking at is what we carry in storage. There are two very different sets of figures, and what I need to do is get them reconciled and, because they are in different units, that is hard as well.

**Dr Fisher**—Yes. If you provide us with the relevant documents and references to the pages et cetera, then I can do that, but it is very difficult without the things in front of me.

**Senator SIEWERT**—Yes, I appreciate that. It is quite technical. I am happy to take a break, but I have more questions.

**CHAIR**—God bless you. Senator O'Brien, thank you.

**Senator O'BRIEN**—I do not think the estimates would be complete without Dr Fisher telling us something about the outlook for the main commodity groups that ABARE collects information on: beef, lamb, pork, chicken, wheat, canola, sugar, wine, cotton, wool. Just a small snapshot of those would be helpful.

**CHAIR**—As you know, Dr Fisher, you have got to predict the weather in all of this.

**Dr Fisher**—Yes, thanks for that timely reminder, given it is that time of year when people in New South Wales are worried about a seasonal break. As we discussed last year at this time, it is a very difficult time for farmers with respect to that. On the positive side it is worth mentioning that we have been looking again at the demand side of the equation. One of the interesting things we see at the moment is that we have now had four years of growth in the world economy above four per cent on the IMF measure. We have not had a circumstance like this since the period 1970 to 1973, so this is the first time since then that we have had a run of world economic growth above four per cent for this long. The projections at this stage are that that will continue into 2007. If that turns out to be the case, then what we are seeing here is a substantial boost along for commodities on the demand side, which has been very good news. Of course, the big question is how long that can go on for. At this stage we are assuming that that will continue into 2007. Therefore, on the demand side, that is quite a positive story.

With respect to the particular agricultural commodities, on the crop side we are expecting to see, in most cases, on broadacre crops, small increases in prices in the case of wheat, for example, as we move from 2005-06 into the new season. I should preface this by saying that this is our preliminary take on the numbers we will release in the June issue of *Australian Commodities*, which is due to be released on 26 June. In the case of wheat we are expecting about a four per cent increase in global wheat prices, which has the potential to translate into possibly something like a nine or 10 per cent increase in Australia by the time we convert that to APW prices. The principal reason for that is that we have seen less than good conditions in several major producing countries; therefore, production is expected to be a bit lower and we expect prices to be a bit higher. The same is true for soya beans and canola. We also expect to see a moderate increase in barley prices.

In the case of cotton, we expect to see world production again exceed consumption in 2006-07. Therefore, we are expecting to see some moderate drop in prices—of the order of five per cent against the 2005-06 out turn. In the case of sugar, which is a commodity that my secretary referred to previously, we expect to see a moderate increase in prices in 2006-07. We are expecting about US17c a pound for sugar. You might recall that three years ago we were down to something like US6c, US6.5c. The principal reason for that is the oil price story and the movement of Brazilian sugar into ethanol. As a consequence of that, a whole lot of that sugar has been taken off the international market. There are some other factors happening there, but that is the principal story.

**Ms Hewitt**—Can I add one in particular, Dr Fisher. This is another good news story. We are entering a period where the European export subsidy case that we were successful in winning in the WTO, along with Brazil and Thailand, is going to start to have an impact. That pulls another significant couple of million tonnes off the world market. Again, I think the combination of those factors has been a very felicitous one for the Australian industry.

**Dr Fisher**—Moving onto beef, on the assumption that we see the United States resume its exports of meat into Japan, and North Asia more generally, we would expect to see some moderate drop in prices of beef and, as a consequence of the substitution between beef and lamb in the domestic market, also some drop in the price of lamb. We are currently expecting about a seven per cent drop in the price of beef and, for the lamb producers, of the order of a two per cent drop. In the case of lamb, there are some moderating forces happening.

**CHAIR**—So the American export thing for lamb will not be the driver?

**Dr Fisher**—No. The story in the beef industry has been very positive over a fairly long period of time now, but we do expect to see some moderation in prices. Those prices are still, however, relatively good, I would say. In the case of wool, we are expecting another moderate fall in 2006-07. This is not, of course, being helped by the cheaper cotton that we have around, so there is an ongoing issue, we believe, with respect to the demand for wool and long-term prices.

**CHAIR**—Is that why you cannot open the windows here on the second floor?

**Dr Fisher**—I would not be able to comment on the construction of Parliament House. In the case of dairy, we expect to see some moderation in international prices for all of the major dairy manufactured products and, as a consequence of that, cascading back to a moderate drop of about two per cent on farm gate milk prices. Mr Chairman, that is a quick summary of the overall story.

**CHAIR**—Thank you.

**Senator O'BRIEN**—I am particularly interested in your views on the outlook for the minerals and energy sector. I assume it swings to a large degree on the outlook for the Chinese economy.

**Dr Fisher**—Yes. We have seen spectacular increases in basically all of the major minerals commodities. In fact, there is probably a little bit of irrational exuberance in some of those markets up until two or three weeks ago, and now some of those prices have started to come back. A lot of this action is being driven by the combination of huge growth in industrial production in the Chinese economy and strong growth elsewhere in North Asia and, in fact, continued strong growth in the United States. That has followed a long period of quite low prices.

For example, if you think back three or four years ago, we were at US70c a pound on copper; two or three weeks ago copper prices reached just under US400c a pound. They have come off recently, but that is an amazing increase over the period of two or three years. I would suggest that that cannot be sustained. You cannot have prices that high without some supplier response, so over the medium term we would expect to see supplier response come on and moderate those prices, but I think it is fair to say that we are going to see, for some of those commodities, reasonably strong prices over the next three or four years, subject of course to continued strong economic growth. That turns on the whole question of whether the current account deficits, for example, in the United States, are sustainable and whether financial markets will tolerate the huge imbalances that we are seeing.

**CHAIR**—Do you figure the value of the Chinese currency in all of this?

**Dr Fisher**—We are assuming over the longer term that there will be a moderate, managed revaluation of the Chinese currency upwards.

**Senator O'BRIEN**—The discussion in the newspapers recently has been about the current refusal of the Chinese to accept the 19 per cent increase in iron ore prices and now the Japanese have agreed to that price. Is there a possibility that there could be a stalemate in those sorts of discussions which would have a tempering effect on the economic growth?

**Dr Fisher**—I am not able to comment on the inside commercial negotiations by the various mining houses that have not settled in China, of course. In the end these things will be settled. I would not wish to hazard a guess at where these commercial agreements will come out, but I think they will be settled in the relatively near term, and I do not believe that we are going to see a major disruption in that market as a consequence of—

**CHAIR**—It is called market forces.

**Dr Fisher**—Exactly. I think that both sides will come to some sensible commercial resolution for this particular problem, because we continue to see very strong demand for steel and the Chinese market needs to produce that product and they need that iron ore.

**Senator O'BRIEN**—Can you say if there has been any further work on the viability of biofuels?

**Dr Fisher**—At present we are not working on biofuels. We have the capability of doing that, but at this stage we are not doing any work.

**Senator O'BRIEN**—Thanks for that.

**CHAIR**—Could you explore for the committee the alternatives in nuclear energy: uranium, thorium and lithium. You gave a great description to the committee the other day about the 'coffin economy', without going back to revisit it. I thought that was a spectacular description, if you recall that. With thorium, in particular, most Australians have not heard of thorium. India is doing work on the technology.

**Dr Fisher**—I am not a scientist; I am not an expert on these things. My understanding, however, is that in the case of—

**CHAIR**—In terms of our balance of payments in energy crossover we are, as you said to the committee the other day, a net exporter and will continue to be for a long time. Obviously these elements are part of our bank.

**Dr Fisher**—Yes. Returning to thorium, my understanding is that the Indians are exploring the possibility of thorium based nuclear reactors. My understanding is that this is a potential technology; it is not something that exists in any commercial sense at the moment. It may be something that we see in the next 50 years. There are enormous amounts of thorium on the planet and there are enormous thorium reserves in India, and that is why, I think, the Indians are interested in this particular product.

In terms of our net energy exports, to give you some numbers—and this goes back to these conversion factors which are quite complicated—if we convert using standard conversion rates into million tonnes of oil equivalent, in 2004-05 we exported about 157 million tonnes of oil equivalent in coal. In the same year we exported about 126 million tonnes oil equivalent in uranium, coming from about 11,500 tonnes of U308. So 11,500 tonnes of U308—

**CHAIR**—Relates to how much coal?

**Dr Fisher**—relates to about 200 million tonnes, as a rough estimate. Those numbers are approximate, but that gives you some idea of the energy content of a tonne of uranium. When you think of the benefit of moving a tonne of uranium compared with the equivalent amount of coal bunker fuel, the CO<sub>2</sub> savings you get in terms of the transport, if you are worried about

the climate problem, are enormous. I acknowledge that there are other issues with respect to the nuclear industry, which we are all cognisant of, but the nuclear industry is something that we have to consider in the context of solutions for climate change, given the sort of problem that we potentially have with respect to climate change on the planet.

**Senator HOGG**—Is there an equivalent for LNG in there as well?

**Dr Fisher**—Yes, there is. In 2004-05, we exported about 14 million tonnes of oil equivalent in terms of LNG.

**CHAIR**—You may not be able to put that tonne export potential—200 million tonnes of coal, is it?

**Dr Fisher**—Approximately.

**CHAIR**—And 11,000 tonnes of—

**Dr Fisher**—Eleven and a half.

**CHAIR**—What would it be in volume?

**Dr Fisher**—Now you have reached the limit of my knowledge.

**CHAIR**—The other day, in our other pleasant meeting we had, which I thought was very interesting, we talked about our gas and my curiosity as to why we sell gas to wherever we sell it to—Japan and China or somewhere—for 5c a litre and why our taxis run on gas and our buses run on gas but our cars run on petrol. Why don't we use more gas?

**Dr Fisher**—Which gas—LNG? There is work going on at the moment with respect to using methane—natural gas—in transport vehicles. At the moment we do use some of that in heavy trucks and buses. There are some issues with respect to the storage and the weight of the tanks you need to carry it, but that work is going on.

**CHAIR**—Dr Fisher, will you be able to provide this committee with the benefit of the study that is being done on that?

**Dr Fisher**—That is something that I think is properly in the purview of CSIRO.

**CHAIR**—We will ask them.

**Senator SIEWERT**—I asked earlier about biofuels and biodiesel in particular. It was suggested that we ask ABARE, so I am. We were shown some figures yesterday—admittedly from the industry, although you would think that they would know—indicating that more biodiesel or biofuel is going to be produced than the target, the suggestion being that there will be up to one million tonnes.

**Dr Fisher**—Did they mention 1,000 megalitres?

**Senator SIEWERT**—Yes. We were talking about oils and crossing over, because it relates to tallow and oil et cetera, so we were going between litres and tonnes. Have you seen or done any work that actually puts the figures at around that level?

**Dr Fisher**—Our understanding is that, if all the proposals that we have for biofuels and ethanol plants were to come into place, if every proposal that is on the books at the moment were to be implemented, by about 2010 you have the potential to produce 1,000 megalitres of product. I think that is where that number is coming from. It is the aggregation of each plant

that is on the books. That does not mean that commercially we will see that. My understanding is that that is the potential out there if you build everything that is on the plans at the moment.

**Senator SIEWERT**—The point that is being made is that we would then use up what Australia produces in tallow and importing oils such as palm oil. We would have to import because there will not be enough crops. Is that a realistic scenario? Have you done any work around that?

**Dr Fisher**—When you look at these plans, I think the number is about 870 megalitres of ethanol that would be coming from grains. That would use about 2.15 million tonnes of grain. If you look at the source of that grain, most of it would probably be sorghum. We currently produce between two and 2½ million tonnes of sorghum per annum. Barley is not a very good product for producing ethanol. It is not as good as sorghum because there are some problems with the hardness of the husk and it contains less carbohydrate, so it does not convert as well. If we were to see that sort of target reached, then we would see some serious upward pressure on sorghum prices. That has consequences for other grain prices and substitution between products, and the feed grain market; therefore, that will cascade into livestock production.

**CHAIR**—The other day the lot feeders came in. The argument they put is that they do not want artificial distortion in the grains market to assist the ethanol industry. But surely, Dr Fisher, the input parity would be as big an influence on our grain prices as all these other things?

**Dr Fisher**—The question then arises as to whether we have policies in place to deal with the importation of the feedstock necessary to put into those ethanol plants.

**CHAIR**—I am not talking about the feedstock for the ethanol plants as much as the determinant of the price—my good friend brought in a couple of loads of wheat and dropped the price \$50 there a year or two ago because there was import parity. You can bring in grain as long as you treat it within a certain distance and maybe it is suited to the chook industry or whatever—because it still puts a check in the price of grain related to the rest of the world.

**Dr Fisher**—Indeed. We are effectively a price-taker on the world market, so if we were to see imports of that product, and that is a policy issue that would need to be dealt with by my other colleagues in the department, then we would not see as much pressure on internal grain markets as we would if there is no possibility of importing feedstocks for these plants.

**Senator SIEWERT**—If those figures were as high as the industry is predicting, for both ethanol and biodiesel, have you done any work around that? It sounds to me like, particularly with biodiesel, the figures have been underestimated for the potential out there in coming online.

**Dr Fisher**—No. We have aggregated up the plants and done those sorts of calculations, but we have not gone on to look at the implications for the flow-through to these other markets.

**Senator SIEWERT**—I am finished on that, but I have more. Yesterday the Productivity Commission came out and made a statement on waste and bags. If there is scarcity of oil and oil prices go up, do you think that is going to affect the price of plastic bags?

**Dr Fisher**—I am not an expert on the costings of plastic bags. I understand that many of these plastic bags are actually imported from China. My guess is that the transport costs are probably much more important in the cost of these things than the original bags themselves.

**Senator SIEWERT**—So you are saying oil is a feed stock for plastic bags but oil is also part of transport.

**Dr Fisher**—Yes. I imagine that the Productivity Commission has done those calculations and is in a far better position than I to answer that question.

**Senator SIEWERT**—Would you support the idea of a levy rather than phasing out plastic bags? Do you think a more effective policy tool would be a levy rather than a ban?

**Senator Abetz**—That is asking for a comment on a policy issue. I do not know if that is within the remit of ABARE. If it is, that is fine. I am just flagging that.

**Dr Fisher**—Without delving into the realm of politics—

**Senator SIEWERT**—I am not asking you to make a comment on policy.

**Dr Fisher**—Theoretically, if somebody were to ask me that question, my briefing would be that I believe in price mechanisms rather than regulation. If we could devise a price mechanism to make the costs of these things transparent, then consumers would respond to that and we would get a better outcome than if we tried to regulate these things away.

**Senator SIEWERT**—I was not trying to trick you with that question. I was trying to find out if a market mechanism would be better.

**Dr Fisher**—It has probably become obvious to the committee over the years that I am quite fond of the market.

**Ms Hewitt**—Dr Fisher is often inclined to say, ‘It’s a beautiful thing,’ indeed.

**CHAIR**—Times change, Senator. There was a time when it was very fashionable to be a smoker, and now I tend to think, ‘Oh, my God, there’s someone smoking.’ I think in time, to your great joy, people will say, ‘There’s a plastic bag. Oh, shucks!’

**Senator Abetz**—That is why we should have more paper bags.

**Senator HOGG**—I would not say that too loudly, Minister—not environmentally friendly!

**Senator Abetz**—We have gone from plastic bags to salinity in about two seconds.

**Senator HOGG**—We got off the paper bags very quickly, I see.

**Senator SIEWERT**—We were talking about energy before and we were talking about nuclear energy. What work has been done on renewable energies?

**Dr Fisher**—All of our work basically around all of these energy technologies is tied up with our climate change work. We have a model called GTEM. In that model we have a range of technologies, including hydro and renewables—solar, wind et cetera—and when we run our climate policy scenarios or our technology scenarios typically what we do is ask the question: at what price will these technologies enter and how much of the fuel will they make up? Depending on the carbon penalty that you are assuming, for whatever reason, you get more or less of these things coming in. Our work is not specifically on renewables per se. It is done in the context of other analysis we do for various clients on climate change.



**Senator SIEWERT**—Where do you get your prices for renewables from?

**Dr Fisher**—We search the international literature for information on the cost functions that are there today, plus projections about the way in which costs will change over time. We typically use something called ‘learning by doing’, which is about what happens to various industries when the size of the industry expands. Typically, you get the amount of cost reduction associated with a doubling of capacity of the industry, so each time you double you get some percentage cost reduction. Those estimates are taken from the international literature, both scientific and economic. We put those estimates in the model and then when we run the scenarios out over time—typically out to 2050 or 2100—these technologies come in in various amounts, depending on what the policy assumptions are or the policies we impose on the model. For example, if we run a scenario where we do not allow carbon capture and storage, then we would see far more renewables enter and a lot of coal go out. If we allow carbon capture and storage, we would see under most price scenarios a lot of coal without carbon capture and storage go out of the fuel mix, a lot of coal with carbon capture and storage enter and a lot of renewables. It depends on the policy.

**Senator SIEWERT**—When you are running the carbon capture and storage, do you also put a price on carbon? Do you run it with a price on carbon?

**Dr Fisher**—Yes. We do them in two ways. We either say for some reason—and I would not want to be going near policy here, which is not my business—there is a carbon penalty, a carbon tax or an emissions trading scheme or whatever policy our client wishes to analyse, so there will be a price on carbon. That is one possibility. The other possibility is that we ask the model a different question—a technology question. If we were to see the following technologies enter, how much impact would this have on global emissions? That was the type of analysis we did for the Asia-Pacific partnership work earlier in the year.

**Senator SIEWERT**—Do you have expert panels advising ABARE on the different issues that you work on?

**Dr Fisher**—No, I do not have expert panels. Usually we do lots of consultation with our stakeholders rather than form panels. I had an experience with a panel previously that led to a situation where somebody complained to the Ombudsman about me, and as a consequence of that I have abandoned that approach. We would prefer to consult, and we do this openly and collaboratively with individual stakeholders. Our policy is that, unless the minister asks us to do something confidential for him or her, everything we do is public. It is on our web site. It is free. That is the way we operate. We like to operate in a totally transparent way.

**Senator SIEWERT**—Thank you.

**CHAIR**—Thank you very much, Dr Fisher. Thank you for coming forward in the program to give us your insights tonight.

**Dr Fisher**—Thank you.

**CHAIR**—We are now recalling the Grains Research and Development Corporation.

[8.27 pm]

### **Grains Research and Development Corporation**

**Senator O'BRIEN**—I just want to clarify a few things from earlier on. The Graham Pocknee and Associates report: they did the original Single Vision report with someone else?

**Mr Enright**—No, they did the report.

**Senator O'BRIEN**—They did it all on their own?

**Mr Enright**—Yes. There were several consultants involved, primarily led by consultant Colin Benjamin.

**Senator O'BRIEN**—Was there a public part of their report and a private part of their report?

**Mr Enright**—No. The public document was released at Grains Week 2004 in Perth, and that is the document which we have here.

**Senator O'BRIEN**—Someone keeps telling me that Pocknee did a report for GRDC which was about the GRDC's operations. You are categorically saying that did not happen?

**Mr Reading**—I have been in the job since February 2004 and certainly not in my time.

**Senator O'BRIEN**—It was commissioned in 2002-03, I am told.

**Mr Reading**—I have no knowledge of it.

**Senator O'BRIEN**—Can you take that on notice?

**Mr Enright**—Yes, sure. It was a report on—

**Senator O'BRIEN**—A review of the operations of GRDC.

**Mr Enright**—In 2002?

**Senator O'BRIEN**—It was commissioned in 2002-03.

**Mr Enright**—I have no independent recollection of that, but I will check on that.

**Senator O'BRIEN**—What moneys have GRDC actually paid to Single Vision?

**Mr Reading**—When it was set up, it was given a float of \$5,000. That account was to be used to pay small urgent accounts directly from their Brisbane office. This account was set up in February 2006 and has not been replenished. Other amounts paid by GRDC are as follows: invoice authorised by either the Single Vision CEO or chairman is forwarded to the GRDC accounts office. The account, depending on its nature, may be authorised by an appropriate GRDC officer—for example, directors, consulting, instalments. These accounts are paid in the next available run. In addition, expenses incurred in the GRDC system, such as flights and accommodation which are booked on their behalf, are charged to the Single Vision account. We watch, obviously, the balance of that account. As of the 18th of the 5th, the amount paid 'on behalf' was approximately \$540,000.

**Senator O'BRIEN**—Would that be Mr Snell's salary?

**Mr Reading**—That would be Snell's salary; it would be the interim directors' salaries; it would be any travel. They have an employee, a guy called Matt Keally, who is I think in

business development, and they have a part-time casual who is paid on a fortnightly basis and works two to three days a week.

**Senator O'BRIEN**—A part-time casual?

**Mr Reading**—Yes. That is for the officework, I presume.

**Senator O'BRIEN**—So there are three on the payroll?

**Mr Enright**—That is correct.

**Senator O'BRIEN**—Who actually is employing Mr Snell?

**Mr Enright**—The employment was made by the Single Vision interim board, but because they have no structure as such as a corporate, as we have explained, that money goes via the GRDC.

**Senator O'BRIEN**—He is employed actually by GRDC?

**Mr Reading**—He would appear on our payroll, that is correct. If they decide that they want to be a different structure, then if they set up a corporation or whatever, based on consulting with industry, they would move across to that, presumably.

**Senator O'BRIEN**—You are assuring us that the interim workers are not meeting the costs of the company that we talked about earlier, with funding provided to them by GRDC. I understand that the Grains Council of Australia, who originally set up the incorporated body Single Vision, as referred to earlier tonight, sold the company for \$14,000 in January 2006.

**Mr Enright**—I think we discussed that before dinner and I think that that is what I said to you at the time: that they came to some arrangement with GCA to use that company. That is why that company now resides with the directors of Single Vision Grains Australia.

**Mr Reading**—I believe the major issue there was that they were not allowed to use the name Single Vision Grains Australia, so then they had some discussions with GCA. That is about as much as I know about that.

**Mr Enright**—But we have not dealt with that company as a corporate.

**Senator O'BRIEN**—Mr Enright, I think you said, 'I knew that they'—meaning the directors—'had negotiated to retain the name. I knew that because they wanted to retain the name even though they were not a corporate structure—to do that collectively or on an individual basis. They decided to take over the company.' Are you saying that it was the individual directors who paid the Grains Council of Australia the \$14,000 for this company and not GRDC?

**Mr Enright**—No, I am not saying that, because I have no knowledge.

**Mr Reading**—I believe that potentially could have come out of the advances we gave them.

**Senator O'BRIEN**—The Grains Council inform us that they were in fact paid by GRDC. Does that mean that they could simply have GRDC pay a bill and claim it as their remuneration?

**Mr Reading**—I would have to take that on notice, but I presume what would have happened, if the Single Vision interim board came to an agreement with GCA, GCA would

have then passed the bill on to Single Vision, who then would have asked us to pay that bill. I will take that on notice. I can get you that answer tomorrow morning. I just have to ask the accountants.

**Senator O'BRIEN**—If you would. I am just keen to know whether you stand by the statement earlier. You said, 'I can assure you, Senator, that there is no money going into any entity from GRDC.'

**Mr Enright**—Other than the Single Vision interim board under the arrangements we have outlined.

**Senator O'BRIEN**—It is a very murky arrangement. You have your board, that company, common directors and a common secretary—a secretary of the incorporated body who is the secretary of the unincorporated body—and the moneys passing, apparently, from you, sometimes to those directors of the unincorporated body but, from what Grains Council are saying, possibly also towards the purchase of the company for those directors or for somebody else.

**Mr Enright**—But the company structure at Single Vision Grains Australia, which is now in the hands of some directors of Single Vision Grains Australia, does not operate. We have no operations with that company.

**Senator O'BRIEN**—I am sorry, when you say it does not operate, who owns the name Single Vision Grains Australia?

**Mr Enright**—As you outlined, the directors of Single Vision Grains Australia Limited are those three directors which you named earlier, and I do not know but I assume that somebody had to have their name on there in terms of ownership and those three directors did that.

**Senator O'BRIEN**—Murray Rogers, Selwyn Snell and Ian MacKinnon, who were all appointed on 16 December 2005.

**Mr Enright**—That is obviously when they made the sale.

**Senator O'BRIEN**—Are they all common directors with your entity? I do not have all of those names written down as the directors of the entity you described earlier.

**Mr Enright**—Yes, they are, apart from Selwyn Snell, who is the CEO of the interim board. The other two are directors of Single Vision Grains.

**Senator O'BRIEN**—Is there a schedule which identifies the reporting obligations of the Single Vision entity that you say you fund?

**Mr Enright**—Yes, there is.

**Senator O'BRIEN**—How often must that entity report? What is the required content of those reports?

**Mr Enright**—They report to us quarterly, I believe. We have arranged with them to meet with the GRDC board. We have had one meeting and we are scheduled to meet them again in June.

**Mr Reading**—They, as requested, reported to Grains Week 2006, which was held in Canberra back in April, and they outlined the programs they were working on, including

biofuels, infrastructure, and reported to industry on how they had progressed the items that came out of the Single Vision document and the forums that were conducted past that time. They reported that to industry and also, I think the day before, to the GRDC board which was the same presentation.

**Senator O'BRIEN**—We have now heard that \$540,00 of the \$2 million that is available for Single Vision has been expended. Is that right?

**Mr Enright**—Yes, that is right.

**Senator O'BRIEN**—Over what period is it available?

**Mr Enright**—The commitment given in April 2005 was that the interim board would have support for two years, of up to \$1 million each year—a total of \$2 million. Leading up to that point, we would review the operation. Some of the key performance criteria that we set for that interim board were that they had to decide what the future arrangements were—in other words, if we cannot come to satisfactory arrangements about the future, the whole thing may cease.

**Mr Reading**—A key performance criteria was that industry not only was prepared to support the concept of Single Vision but also be prepared to substantially fund it, because in the end it would have to be an industry body going forward. As the chairman pointed out, we agreed following the approach to provide seed funding and that was exactly what it was meant to be.

**Senator O'BRIEN**—I suppose that is the most appropriate type of funding for your industry.

**Senator HOGG**—That is what I was thinking. Well said! Seed funding. Do you folks get worse as the night goes on?

**Senator Abetz**—It does degenerate, doesn't it?

**Senator O'BRIEN**—The directors of the unincorporated entity were selected by GRDC, were they?

**Mr Enright**—In consultation with industry. The GCA at that time—at the end of Grains Week 2005 this was set up—had a list of potential people, which they shared with us. Some of those people on that board are common: two of them, I think, were appointed by us and there is one vacancy still which we left for the discretion of the board to decide whether they should or should not fill it.

**Senator O'BRIEN**—Your media release of 8 July, announcing it last year, said:

The high calibre of Directors we've been able to attract to the interim board reflects the commitment the industry has to moving forward for the benefit of all.

Is the 'we' GRDC?

**Mr Enright**—Yes. 'We', the GRDC, were announcing it, because we were funding it. That was an essential part of the criteria when we set this up. The only way that we could move this thing forward and provide the governance and accountability back through the system was by a research arrangement such as this. The one area that we did not want to go into was setting up a corporate where we handed over a budget for them to operate, because that would

be outside the operation of the PIERD Act. The expenditure by this interim board is reflected through our systems. That is why we set it up that way—so that we can monitor that, the same as any other investment.

**Senator O'BRIEN**—A cynic would say that you have an interesting structure where you pay moneys to a certain number of people who are on an unincorporated body but, provided it is not in your name, you are quite happy for them to fund the incorporated entity which you say you cannot be involved in because of the PIERD Act.

**Mr Enright**—They cannot fund the incorporated body, because any Single Vision interim board funds come through our system. If that company had started operating, that would come straight before us. I do not see how we would expend money on the operations of the corporate company at this point, because we have very clearly said to the industry that this is an interim arrangement for two years.

**Senator O'BRIEN**—Yes. But if the incorporated and the unincorporated entities are the same, what protection do you have that people acting on behalf of the unincorporated body with the name Single Vision are not actually building goodwill and future arrangements for the incorporated body?

**Mr Enright**—They can build goodwill but they cannot operate with any finance because it has to come through us. If at the end of two years they come and convince the industry and the GRDC and the wider grains industry that this corporate vehicle is the way to go forward in a fully corporate structure, with input from others, we will have that discussion at the time. At this point we have had no discussions on that.

**Senator O'BRIEN**—Is it the case that the GRDC's business activity statement covers activities carried on by the unincorporated entity?

**Mr Enright**—Yes, it does, because the bills obviously go through our systems.

**Senator O'BRIEN**—Are the bills in the name of Single Vision or GRDC?

**Mr Enright**—They come to us as Single Vision. We have an account from which we monitor the performance because we only have this commitment for \$1 million. The Single Vision thing is clearly identified in our accounts.

**Senator O'BRIEN**—You are sure that none of them say 'Single Vision Grains Australia Ltd'?

**Mr Enright**—Yes, I am sure. We are spending \$130 million on a whole range of accounts. Dealing with Single Vision Grains Australia, compared with some of the investments and other investments we have across the industry, this is not an exceptional piece of work. We have far more complex arrangements with universities and state departments, and quite interesting research arrangements which have far more complexity than this one and involve IP and a whole range of things. Monitoring this with the GRDC systems which are in place is not a difficult task.

**Mr Reading**—I will mention too that I have just got the resolution from the GRDC board on this and one of the statements is, 'A separate legal entity is not needed immediately, but the interim board is to decide over time whether a separate legal entity was warranted and then secure long-term funding for its activities over that two-year period.' If they come back and

say, 'We believe longer term it should be that vehicle,' the board will look at it. It is really, again, going around and talking to industry and securing support for industry for the principles of Single Vision, and then how that should operate longer term.

**Senator O'BRIEN**—The amount of \$110,398 that you have referred to I think appears on page 69 of the annual report, paid to the Grains Council of Australia for the Single Vision regional forum, fed into the decision to establish Single Vision by GRDC.

**Mr Enright**—That operation was prior to the announcement where we decided to go with the concept that is now in place. That was part of the process through 2004 of the industry forums and task forces that were operating, to try to further work some of the issues that have been identified in the original study.

**Mr Reading**—Which would have culminated in the recommendation last year at Grains Week—would GRDC facilitate working towards the establishment of Single Vision company to progress it from there. I think I mentioned pre dinner that it was the result of those forums that they covered over 600 producers and 96 other members of the industry in terms of marketers-handlers, saying, 'What does this industry need with all the issues facing the industry?' Then it was at Grains Week last year that they said, based on that and the task forces, they would approach GRDC to facilitate the establishment. That is where GRDC agreed to that interim funding for two years to progress the findings of all those forums and industry task forces where, as I said, there were over 600 growers and a lot of across-the-value-chain industry input.

**Senator O'BRIEN**—Given it appears that taxpayers' money may be involved, have there been financial reports to the government about this activity?

**Mr Enright**—Our reporting arrangements are laid down by law, and we follow them. We have an annual operating plan approved by the minister which contains an amount to do this, and our annual reporting, of course, which culminates in the annual report tabled in parliament. Those financial reporting requirements are adhered to.

**Mr Reading**—In last year's annual report there was a specific section on Single Vision.

**Senator O'BRIEN**—Your mission is to invest in innovation. You research and develop for the greatest benefit of stakeholders, the grain growers and the Australian government. Your investment plan for this year is all about research. Key areas identified include conservation, farming, soils, cropping, machinery and weed management. I am interested in how Single Vision fits within the GRDC research philosophy.

**Mr Enright**—Under the act it also says, if I could highlight the relevant part, in relation to primary industry we operate in field science, technology and economics, including:

- (a) acquiring knowledge that may be of use in obtaining or furthering an objective of that primary industry or class, including knowledge that may be of use for the purpose of improving any aspect of the production, processing, storage, transport or marketing of goods that are the produce, or that are derived from the produce, of that primary industry or class; or
- (b) applying such knowledge for the purpose of attaining or furthering such an objective.

Strategic planning for the grain industry is something we have been involved in since 1991-92. In the Grains 2000 Project back in 1992, the GRDC funded three strategic planning units

right across the industry; one for milling wheat, one for feed grains, one for grains and oil seeds. They were large studies and they had the highest support of government at the time, so we have done all that work. The GRDC work in the area of strategic planning for the grain industry is something we have been involved in right the way through. Also with Pulse Australia and the Australian Oil Seeds Federation—both aspects of the grain industry have been involved in strategic planning. We have done that because part of our operation is to improve the science and productivity side of it, but as it stresses right through the act the expectation was that these research corporations would look across the entire value chain and, hence, they are looking at the issues of transport, storage and marketing. It is all part of it and we have been doing it for 15 years.

**Mr Reading**—Also, as I mentioned earlier, they reported to the GRDC board and to Grains Week. They talked about the projects they are doing in trying to understand industry attitudes towards GMs. They are doing work on biofuels which is absolutely critical not only from the technical side but from the market side et cetera. They are also doing work on infrastructure, which could have some major impacts on us. I know Senator Heffernan is not in the room at the moment, but there was just an announcement by GrainCorp the other day, in New South Wales, that they will be shutting quite a number of their sites, and that has tremendous implications for storage on farms, silo bag storage. So that is all very relevant to work that we do.

**Mr Enright**—The other point that should be highlighted is that we have been involved in this study for 2½ years. It was not a small study. It was a very wide-ranging and quite expensive study. Our objective in moving this thing forward was to try to harness some of the issues that came out of that industry and make sure we took them forward. At the end of the day, it was GCA who approached us on this matter and asked us to do this. Let us not forget that. What we were doing was trying to put in an arrangement that suited taking this forward in a legal way. What GCA were proposing prior to Grains Week 2005 was illegal. I pointed that out to them, and that plan disappeared off their web site and we have never seen it again. I did not prescribe this, but I made it very clear where we could operate and where we could not in terms of the PIERD Act. We left it at that. We went to Grains Week and what we have now is what they asked for, and we have put the governance around it to take it forward. That is why it is there.

**Senator O'BRIEN**—I do not have any difficulty with the idea that what is on the Single Vision web site fits with GRDC's research framework: infrastructure research, biotech research, GMOs research, communications research, biofuels research, feed grains research. I do not have any problem with that. It is just a very peculiar set of circumstances that sees an incorporated entity and a non-incorporated entity with the same names, same secretary, similar board membership, and someone telling us that the Grains Council were paid by GRDC for the company in the form of a cheque or an electronic funds transfer from GRDC. So why wouldn't I ask the questions I am asking?

**Mr Enright**—I am not suggesting you would not ask it. What I am saying is that the strangeness of the situation is as a result of Single Vision Grains Australia, the unincorporated vehicle we set up wishing to use that name, and then GCA insisting on selling it. I guess that was the only way they could get it to reharness that name. We would not have had this



complication if they had taken a completely new name. If GCA had given them the operation of Single Vision we would not have this problem.

**Senator O'BRIEN**—I wanted the company people here, and they may well have been in a position to elaborate on that, but the committee members did not think it was appropriate, so I have to ask you the questions.

**Mr Enright**—I am happy to answer to the best of my ability. I am trying to do that, but I think we need to look at it in the context of what has been put in place here. The fact was that the only way we could use that name was to buy the company from GCA. That is where it is operating but, as I have stressed on a number of occasions, in terms of GRDC operating with that corporate company we do not operate it.

**Senator O'BRIEN**—Perhaps you could take on notice and let us know how it came to pass, if it did, that a GRDC cheque or an electronic funds transfer paid Grains Council for the company?

**Mr Enright**—I will certainly do that.

**Senator O'BRIEN**—If that occurred, then there would need to be an explanation; otherwise, it would appear that you owned the company.

**Mr Enright**—Yes. I will make sure we get the financial transactions of how this occurred. I will sort them out.

**Senator O'BRIEN**—Perhaps we can break now, if that is all right.

#### **Proceedings suspended from 8.59 pm to 9.21 pm**

**Senator O'BRIEN**—Now that we have clarified that Single Vision actually is part of GRDC, I want to go to the work Single Vision commissioned into the export marketing arrangements for the industry. This research commenced in March this year and included economic analysis of different wheat marketing systems, and the Centre for International Economics undertook some modelling of alternatives to the current single desk marketing arrangements. How much is Single Vision or GRDC paying CIE for the work?

**Mr Reading**—The amount that CIE were paid? I am not sure if we have received a bill from them yet. I will take that on notice and get back to you.

**Senator O'BRIEN**—There was an article in the *Australian* on 26 April which reads in part:

The new research, by Single Vision Grains, began early last month and includes economic modelling by the Centre for International Economics of alternatives to the current system. Single Vision chief executive Selwyn Snell said the impetus for the review came from his company's board, which includes former AWB chief executive Murray Rogers. 'We're making sure the industry has been approached in its entirety to contribute their thoughts on what might be able to be improved in the marketing structures going forward, and that includes the single desk,' Mr Snell said. The report by Single Vision, which is funded by the federal Government's Grains Research and Development Corporation, will provide the Government with alternatives to the 84-year-old wheat exporting scheme. The terms of reference stipulate that 'the project makes full consideration that any changes allow for orderly transition, understanding the seasonal agricultural timelines and the economic and marketing impacts that align themselves to wheat marketing'.

That is in the *Australian*, general news section, page 6, Wednesday, 26 April.

**Mr Enright**—Yes, I read the article.

**Senator O'BRIEN**—It says GRDC is funding it. You say you do not know about it.

**Mr Enright**—I said I had read the article. Among a number of the projects, the Single Vision board is being involved in marketing; that was a decision they made. As I stressed to you, one of the operating measures that we had in place for the Single Vision board was that it be independent. It was their assessment, given the current climate, that they wanted to do some analysis of marketing options. That was their decision.

**Senator O'BRIEN**—Their charter was to do that and the bills would come to GRDC and be paid?

**Mr Enright**—The project cost comes to GRDC but we do not control the actual technical day-to-day operation and what they choose to do, their directions, or the people they choose to talk to.

**Senator O'BRIEN**—According to the CEO of Single Vision, Mr Snell, as recorded in this article, the structure of the Wheat Export Authority is also the subject of the review, which gives us a situation where we have one statutory authority funding an investigation into the adequacy or otherwise of another statutory authority. Do you see that as an unusual arrangement?

**Mr Enright**—As I said before, when you look at the strategic planning for the grains industry, part of that is marketing. All previous strategic studies have come across this point and when they decided to look at this operation, obviously they chose to look at structures right across the industry.

**Senator O'BRIEN**—Do you know if the CIE report has been provided?

**Mr Enright**—In our discussions with the Single Vision board, they reported to me that the study is done on a number of fronts. CIE is one of the people they are using to do some economic analysis of models. It is not a CIE report as such. I have not seen it.

**Senator O'BRIEN**—Is it concluded?

**Mr Enright**—We have not been advised of that at this stage.

**Senator O'BRIEN**—Do you know if it is the intention to hand it to the government?

**Mr Enright**—The intention has been to do two things: hand the report to the government but also take it to industry, the many people that they have consulted with through the process. They have advised me they plan to take it to the industry for discussion because it is primarily a discussion document with options.

**Senator O'BRIEN**—Was the department aware of any examples of research and development corporations operating through other entities using the research and development pool of funds they have through those entities for the research work? I will try to express the current situation we have been discussing, in a meaningful way. I take it, Mr Banfield, you heard the discussion. You know the arrangements that exist between GRDC and the unincorporated body Single Vision et cetera?

**Mr Banfield**—I am not aware of other research that has been funded by other research and development corporations, so if you want me to take the detail of that on notice, I am happy to do that. The point that I would make is that, as I think Mr Enright and Mr Reading have indicated, there is a remit in the PIERD Act for the RDCs to legitimately undertake research into some of these wider areas, including in relation to things like marketing. If your question is, ‘Have other R&D corporations potentially funded research associated with marketing and aspects of that?’ the answer is yes, as I understand it; but I would take the detail on notice. Whether that has got to structures, in terms of potential structures of industry, is another matter. The point I am making in general terms is that, as I understand it, research into marketing and those sorts of things is legitimately covered within the ambit of the PIERD Act.

**Senator O’BRIEN**—I have no doubt the department would have seen that article in the *Australian* that I just read into the *Hansard* about Single Vision’s research into the single desk and into alternatives to the Wheat Export Authority. Was there any contact made from the department to inquire of GRDC what their role was and how that was using taxpayer and grower funds?

**Mr Banfield**—My colleagues might help out here, but from my point of view I was aware of the issue after the fact. I was certainly not aware of it before that research had been commissioned. I do not know whether Mr Phillips has any further information.

**Mr Phillips**—I would not say that the first time we became aware of it was that article. It had been going around the industry that this work was under way. The report in the paper was by no means the first indication of it. We were aware that the work was under way, but I am unaware of any request being made to the department to ask, ‘Is this consistent with the requirements of the PIERD Act?’ or the like.

**Senator O’BRIEN**—How long before that article do you think you would have been aware that Single Vision had engaged CIE, for example—but others—to undertake work on alternatives to the current export arrangements?

**Mr Phillips**—I could not honestly say. Our people talk with people in the industry all the time. It has probably come up in phone calls—in discussions with the GRDC even—that this work was being carried out, but how far in front of that particular press article I could not say.

**Senator O’BRIEN**—Is it appropriate, in the government’s view, for one statutory authority indirectly to inquire into the appropriateness of another statutory authority’s existence?

**Mr Banfield**—Again, I would have to take the detail of that on notice, but what we are talking about here is a different set of circumstances, where you have the GRDC, which as you know is part industry and part government funded, looking at research across the whole of the grains industry at a time when there is a lot of discussion about wheat marketing arrangements. As you know, there are a variety of proposals that have been floated publicly around the place. On the other hand, you have the Wheat Export Authority, which has a very clear remit in terms of monitoring of the single desk arrangement and of monitoring AWBI. In a contextual sense, I think there is a difference here, in that WEA is very much more constrained in terms of its roles and responsibilities.

**Senator O’BRIEN**—I will read that answer with interest.

**Mr Banfield**—If you are asking me in a legal sense, I will take that on notice. I am giving you a bit of context around it, trying to be helpful.

**Senator O'BRIEN**—It is not an everyday occurrence, surely.

**Mr Banfield**—No, that is true.

**Senator O'BRIEN**—Is this sort of verging on the edges of agripolitical activity? Is this the forerunner of a campaign for the government to pick up the recommendations of Vision Australia's research? I do not know. One of the reasons I asked the question is that I do not think that parliament would have envisaged the role of research and development corporations for rural industries to be doing work for the political arms of different interests of agricultural politics, for example. That might be what would come out of this inquiry.

**Mr Banfield**—I have not seen the draft report or whatever, so I cannot offer a comment.

**Senator O'BRIEN**—No. I do not think anyone has yet.

**Mr Banfield**—If you are asking is it okay to engage in agripolitical activities, the answer to that is clearly no, but I would need to see the report. It may be a factual economic analysis of various scenarios and, in that case, that is not necessarily in the area of agripolitical activities.

**Senator O'BRIEN**—I think we will leave the subject now before we get you into any more trouble, Mr Banfield. Thank you for coming and thank you for helping us this evening.

**Mr Banfield**—Thank you, Senator.

**Senator O'BRIEN**—I have some questions for the department.

**Senator SIEWERT**—I have some brief questions for GRDC.

**Senator O'BRIEN**—I let you believe it was all over; sorry.

**Mr Banfield**—That is okay.

**Senator SIEWERT**—False hope! How much work are you doing to factor climate change into the research that you are doing? I am aware of, for example, some of the work that Ross Kingwell has been doing in WA. How much do you factor that into the research that you fund and do?

**Mr Enright**—We have quite an investment. Do you have the details, Peter? We can probably get them to you, Senator, if not. There are a number of examples I can think of—the CRCs and the climate initiative, the name of which escapes me.

**Mr Reading**—I will come back on notice with the specific amount. What we are trying to do on climate, which is consistent with some of the discussions we were having before, is to work with all the bodies to make sure we are not duplicating and we are not fragmenting. We are looking at climate change from a number of aspects. Some are specific in terms of the impact on rainfall and things such as that. We are taking a lead role and looking at the impact on the plant system itself. With climate change, not only do you have reducing moisture in certain areas—and Western Australia is a case where rainfall has reduced—but we are looking at the impact of greenhouse gases in terms of not only the environmental greenhouse impact

but also in terms of crop yield and in terms of actually increasing crop production because of the higher concentrations of CO<sub>2</sub>.

We need to make sure we are taking a coordinated approach across all industry groups, and we are making some progress there through the CRC through our panel chairs—one of the climate variability studies. We are looking specifically at plant interreactions and soil interreactions. It is quite a substantial campaign.

**Senator SIEWERT**—Are you able to provide some of the detail on the—

**Mr Reading**—The dollars?

**Senator SIEWERT**—Yes.

**Mr Reading**—Yes.

**Mr Enright**—There is a nationally coordinated body that is looking at all aspects of this. I cannot remember the name of it offhand, but we will give you that.

**Senator SIEWERT**—At the risk of being boring, I am going to go to oil. Are you taking into consideration the potential increase in oil prices, oil supply and the impact that will have on agriculture and grain production?

**Mr Reading**—We are doing it from two angles. One, as I mentioned earlier, is doing it on the value driver analysis, in terms of ways you can improve fuel use efficiencies for on-farming operations. We are also looking at it in terms of alternative fuels; biofuels. I think I mentioned earlier that Single Vision is doing some work on market studies in terms of what the market dynamics are. In terms of specific R&D, we are tending to focus not so much on ethanol, because the science of ethanol production is straightforward—a fermentation type of process—but investigative studies, looking at taking it from lignin sources, biocellulose sources.

**Senator SIEWERT**—You have pre-empted my next question.

**Mr Reading**—There are technology challenges there, whereas the technology challenge in terms of ethanol has all been done. There is nothing that we can add. There is a lot of discussion going on in terms of when it becomes economical and all those things, and we are doing some studies on that. There are plenty of models around where you can factor in exchange rates, you can factor in the US dollar per barrel oil rate, you can factor in what the cost of the grain is and work out whether the break-even is. We have done some work on that.

The other issue going forward is obviously, from a grain aspect, that you very quickly use up all your grain to make ethanol. Again, we are looking at it more from the biomass side, where you look at the lignin-cellulose issues. We are looking at doing some scoping studies this year, and perhaps some R&D, in that area.

**Senator SIEWERT**—Are you looking at species varieties as well?

**Mr Enright**—That is part of the crop.

**Mr Reading**—Correct.

**Mr Enright**—You are competing with feed grain use. If you are going to take out half the sorghum crop for ethanol, you have a feed grain issue and those sorts of interactions, and that

can cause different spreads about where you might grow this stuff. It is really that sort of analysis.

**Senator SIEWERT**—I look at it from the perspective of getting two bangs for your buck in terms of land care and land management and, particularly from a Western Australian perspective, trying to put more woody stuff back in the ground. Do you factor that into benefits and outcomes?

**Mr Enright**—The area we are probably getting into now is environmental management systems. We are involved in that study, with signposts to NRM, trying to get decent measures on those things and what different structures you could make.

With the salinity CRC, where we are working, part of that program is getting that better balance of water use in the landscape. In most cases, that is involving the planting of at least perennials, and shrubs and those sorts of things. I think, in answer to your question, it is part of that total farm package which we are trying to look at.

**Mr Reading**—There is certainly potential for, for example, sorghum biomass, other than the grain, if that can be used as a converter; so that is probably two bangs for your buck. You are not only taking the grain for the feed; you are looking at, potentially, the biomass for potential—

**Senator SIEWERT**—I am thinking more of going into the tree crops, where they are producing economic benefit, and trying to make them economically viable, when we are trying to get them into the landscape anyway.

**Mr Reading**—Obviously the studies on the lignin and the cellulose could potentially take it into tree crops and all the others. Also, there are other studies looking at the wild relatives of canola—juncea—and looking at those as potential sources, particularly for the biodiesel side. That work is going on as well.

**Senator SIEWERT**—From the work being done with the wild sources, do you know if they have the same fertiliser requirements?

**Mr Enright**—Junceas and that sort of thing?

**Senator SIEWERT**—Yes.

**Mr Enright**—Mostly they do, but there is variation. The advantage you have from working with those species is that, if you are looking at it purely from an oil point of view, you do not have the constraint of food quality for oil, and there is evidence that if you can breed for better yield—and yield is the only criterion in oil content, regardless of quality—you can make faster gains in the breeding programs. We have not done the economics. The economics today still dictate that you want to be in the food market. That is where the dollars are, relative to the oil market. The oil market, as Peter said, is very sensitive to the US price of crude. There could be opportunities and we are keeping some investment in looking at those opportunities. Getting canola-quality mustard into the dry areas has been a sort of Holy Grail for 10 to 15 years, but it has not got there yet. We have made more advances in conventional breeding of canola. There are probably opportunities there to increase that yield, but we need to increase that yield anyway.

**Senator SIEWERT**—One of the issues with the more crop based varieties of the biofuels is the use of fertiliser, and, of course, fertiliser is oil based, so you have an issue there as well. Are you working on that issue?

**Mr Reading**—Yes, we have done some preliminary work. It is really about the cost in energy to develop the energy you are producing, and that study is being done. We have done some preliminary work on that and I think there is some further work going on. It is a very critical part, because you are really, obviously, burning a lot of—

**Senator SIEWERT**—There would be no point in—

**Mr Reading**—It is that you are getting a favourable net balance out of it, yes. It is a very complex area and goes across all those issues we have talked about, and a few more, but what we are trying to do, again, is take a sort of holistic approach in terms of where the R&D needs to be done. As I said, certainly for ethanol it does not need to be done. Single Vision has been doing some work in terms of the market dynamics and all of that stuff, and then really working with industry, with the grower organisations and others, in terms of how we take it forward.

**CHAIR**—Is that canola?

**Senator SIEWERT**—A whole range of things, not just canola.

**Senator O'BRIEN**—On page 51 of this year's PBS under the heading 'Output objectives for industry development' one of the department's key priorities is the examination of the findings of the Cole commission. In particular, you will be looking at the implications for our current wheat marketing arrangements. Is consideration of the possible changes to the current single desk part of those considerations or are you looking into who, other than AWB International, might control the export monopoly?

**Mr Phillips**—Once the Cole inquiry report is out, we will look at that to see if there are recommendations in there that relate to potentially how the single desk policy may have impacted on what happened and whether or not it needs to be addressed in any way. The Cole report has not come out, so in that sense, in terms of the changes, it is too early to comment.

**Senator O'BRIEN**—I thought the terms of reference for Cole were to see if anyone had committed any criminal act.

**Mr Phillips**—We will await what Commissioner Cole says as to whether or not the current arrangements in place may have contributed to what is alleged to have happened.

**Senator O'BRIEN**—Has any work been undertaken to date in relation to the future of AWB in the export marketing arrangements that are currently in place?

**Mr Phillips**—As you would expect, we have been monitoring what has been going on, looking at all of the options that have been put forward by the various industry stakeholders and analysing those, so that we can be prepared to provide advice to the government after the Cole commission reports.

**CHAIR**—Every person with a vested interest has been putting a view, in summary.

**Senator O'BRIEN**—I take it you have not been involved in any way in the work being done by Single Vision, funded by GRDC?

**Mr Phillips**—No.

**Ms Hewitt**—Senator, I should mention that Single Vision, at their request, came to see me on a couple of occasions when they had just started the work, and more recently. They wanted to let us know what they were doing. We made it very clear that we do not have any views and are not in a position to make any comment on their work, but we have broadly just kept across what they had in mind, and I believe the work is continuing. I just needed to say that.

**CHAIR**—Every man and his dog, in summary, has a view.

**Senator O'BRIEN**—The department does not have a view. Do you have a view?

**CHAIR**—I think that is pretty wise if the department does not have a view, because they all have a vested interest and someone has to be the referee.

[9.45 pm]

**Senator O'BRIEN**—I go back to the issues I was raising about the turf industry. I noted that the reason that the parliamentary secretary is asking that there be a new ballot conducted by the Australian Electoral Commission is that there were allegations relating to confidentiality of that ballot. Who made those allegations?

**Mr Phillips**—There are certain turf growers that have made representations to members of parliament, who have made those views known to the government.

**CHAIR**—And that related to putting a ballot paper not inside another envelope, so that if you opened the ballot paper you knew who the—

**Mr Phillips**—The registration paper and the voting form were not placed in separate envelopes and it was theoretically possible for the returning officer to have kept a list of—

**CHAIR**—If you could get away with it in the Labor Party or the Liberal Party you would be called a scammer.

**Senator O'BRIEN**—So were you one of the people who wrote, Mr Chairman?

**CHAIR**—No! But, yes, there were plenty of representations about the form of the ballot.

**Senator O'BRIEN**—I understand that the representations had basically come from Western Australia. Is that true?

**Mr Phillips**—That is true.

**Senator Abetz**—There are issues here of confidentiality, privacy, in what I assume would be a relatively small industry or sector, is it?

**Mr Phillips**—It is, yes.

**Senator Abetz**—And so if you start trying to identify players in a particular state I think you could well be pinpointing people. I would have thought that any fair person, having heard the description of the chairman as to how the ballot was conducted, would say that it was—how can I put it in a neutral sense?—not best practice, and therefore the conduct of a new ballot may have been advisable, and I do not think we have to try to pinpoint people or make scapegoats of individuals. Objectively, it was a legitimate complaint to have made, I would have thought.



**Senator O'BRIEN**—Yes. The parliamentary secretary said this:

While I recognise the Australian government's levy principles and guidelines do not specify that a ballot for a levy and export charge must be confidential, material distributed to turf producers clearly indicated that a confidential ballot was being conducted and, indeed, I do not think anyone has established it was not confidential. It is just the appearance of being confidential that is in question.

I stress those words because the government's own guidelines do not specify that the ballot be confidential.

**Mr Phillips**—That is true, but once the organisation says it will conduct a ballot in a particular way, then people participate on the basis of that, and if it is not conducted in accordance with those assurances—

**Senator O'BRIEN**—I do not think anyone has been able to say it was not conducted—because it was conducted, as I understand it, by a person independent of the industry.

**CHAIR**—Who would be only as independent as the person who paid him. You do not have to be a rocket scientist to know that, if you have a ballot paper, you normally put a ballot paper inside a blank envelope so that you do not identify the sender. In this case, there was no blank envelope. It just went inside the thing, you signed and said, 'This is Joe Bloggs. This is how I vote.' Open the envelope, 'That's how Joe Bloggs voted.' You do not have to be a rocket scientist to work out, unintentionally or otherwise, how everyone voted.

**Senator O'BRIEN**—I suppose if the government thought that was important, they would have put it in the guidelines for industry; but they did not.

**Senator Abetz**—No, the official has already indicated it is not specified, but if the industry group indicated—is that right?—that it would be a confidential ballot and it turns out not to be a confidential ballot, then I think it is appropriate for that ballot to be reconducted.

**Senator ADAMS**—I would like to make a comment on this as well. It was not just the ballot, it was the fact that a number of turf producers did not receive ballot papers. There were a number of issues involved.

**CHAIR**—It has a familiar ring to it.

**Senator O'BRIEN**—It is interesting that the complaints only seem to come from one area, isn't it?

**Senator ADAMS**—No, they did not.

**Senator Abetz**—Senator O'Brien, I trust that you are not speaking on behalf of the Australian Labor Party with your comments, because I would have thought if a promise of a confidential ballot was made, and one small lonesome individual makes the complaint and exposes the problem, that would of itself be enough to reconduct the ballot in a manner as was promised to all. To try to vilify or identify the one or couple of people basically says, 'If you can get away with it, you ought to be able to get away with it,' and I do not think that is good enough for any electoral process. I would have hoped that the Labor Party would have—

**Senator O'BRIEN**—We should make sure everyone who would like to vote gets a vote, should we?

**Senator Abetz**—I would have thought so.

**Senator O'BRIEN**—When we do that with the electoral laws in this country—

**Senator Abetz**—It is not compulsory voting in these industry ballots but it would be a bit bad, would it not, if you rolled up to your electoral booth and were told that you were not on the roll and as a result you could not vote; or you were told there was a confidential ballot but somebody said, 'Senator O'Brien voted in this particular way.' It is just unacceptable and I would be astounded if Labor actually held to the view that Senator O'Brien is, by implication, expressing.

**Senator HOGG**—Who was responsible for the corruption of the roll if it were not properly constituted?

**Mr Banfield**—That is one of the difficulties with this whole thing. As senators around the table know, it has been quite a hotly debated issue. One of the problems is that it is, as Senator Abetz says, a small industry. There is no established roll in the sense that might apply in other industries, so that has been one of the challenges in designing a process, which we have sought to do with the second ballot, to make sure that, in the absence of an agreed roll, those who are turf producers and have an interest and want to vote in the process can do so.

**CHAIR**—The difficulty is that there are a lot of small growers who are not interested in playing games and being in ballots. They just want to plant the next lot and get their money, and they are entitled to have a vote. It is almost a case of putting your hand up to say, 'I'm one of them.' A few of them did not.

**Senator HOGG**—Who made the decision, or who had the capacity to make the decision, to conduct the second ballot?

**Mr Banfield**—Ultimately that was a government decision, exercised through the parliamentary secretary, Ms Ley.

**CHAIR**—Well backed by the mob, the mob being all of us.

**Senator HOGG**—Who is going to conduct the next ballot?

**Mr Banfield**—It is being done through the Australian Electoral Commission.

**Senator HOGG**—Do they have the responsibility of putting together a roll, and is that roll contestable before the ballot begins?

**Mr Banfield**—Mr Phillips will correct me if I miss anything out here, but the decision was that, given the circumstances that Senator Heffernan has outlined about a number of small producers, there was a process where a list was used as a starting point. Then there were advertisements in newspapers with a request that any turf producer who was not potentially on that list who wished to vote and to register to vote could do so by contacting the government.

**Senator HOGG**—The government or the AEC?

**Mr Phillips**—The way the electoral roll was put together is that we started with the list from Turf Producers Australia Ltd—which is the peak body for the turf producers—that they used for the first ballot. Levies revenue service within the department was the coordinator of the roll. To try to make sure that that list was updated, we sent letters to everyone on that list. We sent letters to everyone who subscribed to *TurfCraft* magazine and, as Mr Banfield has

indicated, we placed advertisements in a number of newspapers around the countryside saying, 'If you wish to be added to the roll, please contact this number.' It was a Freecall number and it was revenue service. They put together a combined list, cross-checking it to take off duplicates and the like, then submitted that to the Australian Electoral Commission, who then took over and mailed out the ballot papers.

**Senator HOGG**—What was the net result of that? How many additions, how many deletions?

**Mr Phillips**—I do not have the exact figure with me. I think it was slightly over 500; 560 or something like that.

**Senator HOGG**—Out of a possible—

**Mr Phillips**—That is the number of people who registered. The first mailing list used by Turf Producers Australia Ltd had only somewhere between 400 and 500 names on it, so this one is an expanded list.

**Senator HOGG**—This one has—

**Mr Phillips**—I do not have the exact figure. It is around 550.

**Senator HOGG**—There is in the order of another 10 per cent added to the roll.

**Mr Phillips**—Twenty per cent.

**Senator HOGG**—What about deletions?

**Mr Phillips**—I do not have that figure with me.

**Senator HOGG**—Would you take that on notice? I would be interested to know.

**Senator O'BRIEN**—Was the person who conducted the original ballot an officer of the organisation seeking the—

**Mr Phillips**—No, there was an independent accountant who was engaged to act as the returning officer.

**Senator HOGG**—Who is meeting the cost of it: the government?

**Mr Phillips**—The government.

**Senator O'BRIEN**—I have no further questions at this time.

**Ms Hewitt**—There was one brief follow-up, if you would like us to deal with a matter raised earlier in the day, and that was to do with the Q fever vaccine. Was it from Senator O'Brien?

**Senator O'BRIEN**—Yes, I asked the question.

**Ms Hewitt**—It was my error, Senator. I understand that the matter is being looked after in the food and agriculture division. I think I was correct in understanding the tender process to be the responsibility of the Department of Health and Ageing, but to the extent that we are involved—and we are, to some extent—in the work, Mr Murnane can assist.

**Senator O'BRIEN**—Thank you. I was asking the question because the minister, Mr McGauran, announced in a press release that a tender process was being initiated to attract new suppliers of the Q fever vaccine, and I wanted to know where that process was up to.

**Mr Murnane**—Firstly, the tender process is being managed by the Department of Health and Ageing. On 20 April the Department of Health and Ageing initiated an expression of interest process for the long-term supply of the Q fever vaccine. I understand that the expressions of interest are being considered by a tender assessment panel within the Department of Health and Ageing and that panel is in the process of finalising recommendations as to the next step of the process.

**Senator O'BRIEN**—Has there been much interest shown in the tender process, given that up to now CSL is the only Q fever vaccine producer in the world?

**Mr Murnane**—Given that a decision has not been finalised, I would prefer not to comment on that.

**Senator O'BRIEN**—Are Australian stocks of this vaccine still likely to run out within six months?

**Mr Murnane**—With the strategy that is being put in place to ration the supply, CSL have been saying that they believe that there will be sufficient supplies until a new batch is released in February next year.

**Senator O'BRIEN**—How do you ration a vaccine?

**Mr Murnane**—They have identified a hierarchy of priority cases. The first priority is that the vaccine be made available to abattoir workers, trades on the abattoir campuses and other persons visiting abattoirs, including inspectors, and they have developed a hierarchy from there.

**Senator O'BRIEN**—Is it possible to get a copy of the document which sets out this new hierarchy of rationing?

**Mr Murnane**—It was a document prepared by CSL. I will have to consult with them about its release. It was provided to us on an in confidence basis.

**Senator O'BRIEN**—I am interested in what effect it will have on cattle producers, dairy farmers, vets—

**Mr Murnane**—I understand the question, but I think I would prefer to consult with CSL because it was provided to us on an in confidence basis.

**Senator O'BRIEN**—Thank you for that.

**Mr Phillips**—On the question that Senator Hogg asked about how many growers are on the turf roll now, it is 526.

[10.06 pm]

#### **Bureau of Rural Sciences**

**Senator SIEWERT**—I have a similar question to that which I asked GRDC. What work is being done on biofuels, looking at trying to fill in the gap, once biodiesels and biofuels take off, to meet expected production? What work is being done to look at alternative crops and to try and prevent having to import a large amount of oils?

**Dr Samson**—The bureau is not engaged in any work of the nature you describe.

**Senator SIEWERT**—Why is that?

**Dr Samson**—I think we had this discussion once before. Predominantly, the nature of the work that the bureau undertakes is to underpin the work of the policy areas in the department, so our work program is very much driven by the policy areas' work program. We undertake scientific work to underpin that. We have not been requested to do any work along the lines that you describe.

**Senator SIEWERT**—I will go back to the department, then. Am I allowed to do that? The reason I am asking you is because when I asked the department this morning they said, 'Ask ABARE and others.' Now I will go back to the department.

**Dr Samson**—We certainly come under the category of 'others'.

**Senator SIEWERT**—I could not remember all of those that we should be asking.

**Ms Hewitt**—If I could give you a broad answer, there have in times past been pieces of work done either in the natural resource management division or, to some extent, in ABARE. There was quite a bit of ABARE work done that contributed to the wider government task force on biofuels, which reported some months ago. From time to time quite a lot of work has been done, but the main policy drive for that work would be in the energy policy field. When policy developments or market developments emerge which mean there are very significant implications or problems or opportunities in agriculture, it may be that we will do further work, but for the moment I think the work is more of an energy policy than an agricultural policy matter. We do not have any major work under way. We look at issues at the margin; the impact potentially on feed grain prices and therefore the impact on the livestock industry and so on. Insofar as scientific work is concerned, I am not sure that there is anything that falls squarely into the category of work that we would currently judge to be a high priority.

**Senator SIEWERT**—My understanding of the Biofuels Task Force is that the predictions for production and the targets are in fact much lower now than people were predicting, so the implications for the industry will be potentially bigger in the shorter term than were expected.

**Ms Hewitt**—Because of the price changes, the market developments—

**Senator SIEWERT**—Because of price changes, yes.

**Ms Hewitt**—I think that is probably right. In terms of a policy matter, the government took some decisions of a policy kind at that point, and so we regard the policy landscape as being pretty settled for the time being.

**Senator SIEWERT**—What you are saying—and I am not trying to verbal you or anything—is that we need to be therefore talking to government about what the policy settings are in light of the changed circumstances.

**Ms Hewitt**—I think so, and it is really around energy policy and energy pricing and so on. I think it is more a matter for ITR really in a policy sense than it is for us. There would be flow-on implications, obviously, for agriculture were policies to change.

**Senator SIEWERT**—Yes. Even if policies do not change, in fact there is going to be a flow-on for agriculture, because what we are being told by industry is that we are going to be producing more than you think and it is going to have implications. So, while I do accept the premise that we need to be talking to government about policy, there are going to be implications for industry whether government changes its policy or not.

**Ms Hewitt**—Yes, indeed. I believe some industries are doing their own work. I know the intensive livestock industry has quite a bit of work under way, and they are commissioning more, to tease out implications from their perspective. Some of what you heard from Dr Fisher tonight indicated that factoring through some of these possible interactions has in fact been done. You have seen that in the way Dr Fisher described parts of the commodity outlook, industry by industry. But we are not doing any further work at the moment of a significant policy review kind.

**Senator SIEWERT**—I am not trying to dish ABARE when they are not here, and the information that I am aware of was produced to the references committee during our oil inquiry, but there is some concern that ABARE has not been doing modelling of oil prices higher than they are at the moment. I suppose what I am concerned about is, if ABARE are using figures that are not in fact reflecting what is going on internationally, what implications that would also have for agriculture in particular because it is such a big oil user, and therefore what implication it has for biofuels.

**Ms Hewitt**—We can reflect further about your comments. I do think that ABARE has a very careful eye to oil price. They have, obviously, made some assumptions in the work that they have done for the projections you will see in the June *Australian Commodities* journal. I think, by implication, you are suggesting we should be doing a bit more work in the portfolio. I am happy to take note of your comment and reflect on that further.

**Senator SIEWERT**—That is what I am asking about. I will broaden that: what scope is there for you to pick up more work on this issue if it is emerging that, in fact, the industry projections are closer to the mark than what was originally—

**Ms Hewitt**—I will certainly undertake to reflect on that, and to have some further conversation with Dr Fisher about that, but, for the moment we have a pretty full program. We are going into a period of further planning and performance review in the department in a couple of weeks time, so we will make sure we have that in our minds as we go through that activity.

**CHAIR**—Senator O'Brien.

**Senator O'BRIEN**—In last year's PBS on page 20, there was a forecast expenditure on the Centre of Excellence for Biosecurity Risk Analysis and Research of \$1.68 million. The revised estimated expense for the year is now \$720,000. Why has there been such a large reduction in the amount of money spent this year?

**Dr Grant**—The original forecast was on the basis that the centre would be set up, we had hoped, about June or July 2005, following the election commitment made in the previous October. The consultations that we have undertaken, and the final selection process and negotiation of the contract with the selected party, have all taken a little longer than we expected. It has been quite a complex negotiation process. The group is a consortium of three and has others involved and, when it comes to issues of particularly intellectual property, we have had some long and protracted negotiations to get the contractual agreement acceptable to both parties. That has taken a little longer.

Essentially where we are at is that the centre was agreed and set up by contract and started on 1 March of this year, and the funding represents that proportion of the year, allowing for

some start-up moneys. Of that \$720,000, \$560,000 is for the operation of the centre until the end of this financial year, and the remainder has been for a couple of projects that were undertaken pending the establishment of the centre.

**Senator O'BRIEN**—Those two projects were not envisaged when the funding was allocated?

**Dr Grant**—They were, but, at the end of the day, it was all going to be rolled into the \$1.68 million.

**Senator O'BRIEN**—On 30 March this year the minister announced that Melbourne University had been chosen as the site for the Centre of Excellence. Is this an open-ended commitment to Melbourne University, or will the other 10 universities that indicated an interest in hosting the centre get a another chance to make a bid at some future date?

**Dr Grant**—The expression of interest in May of last year called for any party to express interest in being selected. As you say, a number of universities in various consortia were respondents. The selection panel went through the process and the outcome has been Melbourne University. The way this is working, however, is that Melbourne University, in and of itself, is not exclusively the party. It is the party with whom we have the contract, but there are two other members in its consortium. It is also going to work with a great number of the original expressed interest parties. Originally, many of those parties had Melbourne University as a party member, and Melbourne University had some of them, so there was a lot cross-connection. Risk analysis is a fairly small and esoteric field.

The answer to your question in sum is that Melbourne University has spent some considerable time over recent months going around and talking to a number of parties in various other institutions, including universities, CSIRO, and some centres of excellence, CRCs, and is aligning those people into the project work that it will undertake as part of its work program. So the answer is, yes, they are involved but they are not going to get a chance to bid again. This contract has been written and given to Melbourne University, and takes it up to 30 June 2009.

**Senator O'BRIEN**—Can you tell me how the national agricultural monitoring system is progressing? You told us last time that your plan was to have a website up and running by June or July.

**Dr Ritman**—As you know, since last we spoke there has been a live pilot launch of the NAMS. In the last month we have had 240,000 page downloads from the NAMS, so there is a lot of interest in the website. We have received feedback in two forms. The website has a feedback form on which respondents can enter information and respond back and we have had a number of email replies. Across the board, the nature of the feedback and replies is very positive. There is some positive and negative, obviously, in regard to the operation of the website. A number of bugs have been identified, and that is part of the process; we want to find out how it is running under test conditions. We are very proud of the results so far. The developments are continuing, and a final version will be available in early July.

**Ms Hewitt**—Could I make the suggestion that, if the committee were interested at any time in seeing a live demonstration, it is quite an impressive piece of technology. As Dr Ritman said, we are delighted with the work that has been done and the success that it has met

with, both with our state and territory government counterparts and a very positive reaction from farm organisations and other stakeholders. It really will take a lot of the agony out of the assessment procedure for exceptional circumstances applications, and we can see a whole raft of advantages and opportunities for—

**CHAIR**—So we should not look a gift horse in the mouth?

**Ms Hewitt**—No. But more than that, I would just be delighted to be able to show you the product. We think it is really quite exciting.

**CHAIR**—So will this monitor parts of a rural land protection board?

**Ms Hewitt**—You can get right down to local government area and call up on—

**CHAIR**—Let me declare an interest here. In the rural lands protection board at Balranald I have a place. It is 35,000 acres and I have 1,000 sheep on it, and all the annual bladder saltbush has died because of what has happened. We have not had a decent season for 10 years. There are 20,000 acres of flood country that has not had a flood since 1993 and there are 10,000 acres of gum trees in it that are dying. The rural lands protection board in Balranald says we are not in drought.

**Ms Hewitt**—Even after the announcements earlier this week?

**CHAIR**—It is an absolute outrage that we are still not in drought. In relation to the rural lands protection board at Balranald, we are up one end of it and it goes 100-and-something miles down the other way, and there is a bit of feed down the other end. Would you identify for the purposes of reasonable equitable decision-making where it breaks down, not at the Commonwealth level but at the local rural lands protection board level? Can you identify a piece of a PP board that is completely devastated, when one part of it is and one part of it is not?

**Ms Hewitt**—What we can do—and I think it might help in this area of trying to get a bit more consistency between jurisdictions around these matters—is get to a single common set of data. That is, a common of way describing seasonal conditions—

**CHAIR**—But you have to break up a district. It is ridiculous that Yass was drought declared last month, and they got a body of dry feed, and we got nothing. We are not drought declared.

**Ms Hewitt**—I hesitate to enter into the particulars—

**CHAIR**—Let me tell what the particulars are. You have a lot of people out there that think it is unfashionable to be drought declared and do not believe in assistance. They have this nice independent streak in them and think that there is something wrong with anyone that seeks help.

**Ms Hewitt**—What this will do, Senator, is get onto a pretty objective basis how the situation in one area compares—

**CHAIR**—The land types vary, so you can have heavy country, black country that is terrific when you get 10 inches of rain and red country that only needs two inches of rain, and that is all in the one geographic area but the soil types are different. Unless you can do that, I will be unimpressed.



**Dr Samson**—We hope to be able to impress you, Senator. This system will allow you to drill down either to an LPB statistical land area or an ABARE unit. You can then, within a single LPB, drill down to topographical information, soil type, land use. I think already, as the system stands in its current form, we can go some way to demonstrating what you are looking for.

**Senator O'BRIEN**—I do not have an interest, but I would be interested in seeing it.

**CHAIR**—Bloody oath, I will be too! We'll take up your offer.

**Ms Hewitt**—If there are not too many people online, we will be able to print you out an exceptional circumstances application in three minutes.

**CHAIR**—Yes, but the thing is, if you get the wrong data at the rural lands protection board level, like we saw tonight with Single Vision—all the internal politics—it can all run off the rails.

**Ms Hewitt**—That is why I say we have been really pleased to have made this a collaborative project with our state and territory colleagues, because we have jointly been involved in the design of the system. We are using data that comes from all the jurisdictions, as well as Met Bureau and some of the federal sources, and it is presented in a way that we have all got ownership of. We are hoping it will bring people to look at the issues through the vehicle of the same data and describe it in the same way. All of that ought to help us—

**CHAIR**—Should we have a glass of wine when we get the presentation?

**Ms Hewitt**—That sounds like a good idea.

**Senator O'BRIEN**—The initial package relates to broadacre farming?

**Dr Ritman**—Yes, that is right.

**Senator O'BRIEN**—When will the refinement in the software to cover irrigation intensive industries be—

**Dr Ritman**—There is currently a work plan under way, which will report through the NAM steering committee to the PIMC on 19 October. BRS is involved with a number of other state agencies to develop a work plan and costing.

**Dr Samson**—The intention there is to have that extension into the irrigation intensive industries as a working part of the NAMS in the 2006-07 financial year. We are not quite sure when in that period yet. As Dr Ritman said, the final details of the work plan are being developed as we speak.

**Senator O'BRIEN**—That is what you described previously as the second phase.

**Dr Samson**—I think that is correct.

**Senator O'BRIEN**—Where is the Water 2010 project up to?

**Dr Ritman**—The Water 2010 project is to deliver a website, which is almost complete, with its first stage. The first stage is delivery of a mapping tool and some information on catchment water balances. That has been completed and is under testing in the department. We are currently talking to the National Water Commission to see if we can link that website to their outputs. They have great interest in that. The second stage, which we have not

embarked on yet, is to take that information, which is the status of a catchment, and look at scenarios within a catchment. For example, you might want to look at a changing land use within a catchment, and you could use the mapping tool or the water balance tool that already exists.

**CHAIR**—So this is linked to the 2020 Vision stuff, with plantation forestry and that.

**Dr Ritman**—Potentially that could be part of the scenarios. Forestry plantations could form part of the land use change in the scenarios, but that is the part we have not embarked on.

**CHAIR**—As you know, 38 per cent of run-off in the Murray-Darling Basin comes from two per cent of the catchment. That two per cent of the catchment would be a good place to start with this. Do you have a geographic area that you have nominated to start in?

**Dr Ritman**—Not that I know of.

**CHAIR**—That is where you ought to start, in my view.

**Dr Ritman**—I will take that on notice.

**Senator O'BRIEN**—I thought that what you have described as the second phase you talked about as the third phase last time.

**Dr Grant**—There are three phases. The first was gathering data and seeing what was there, the second was putting it into the database and checking that it all existed there and was able to be cross-referenced, and the third phase—

**Senator O'BRIEN**—So two are done now?

**Dr Grant**—Two are done and they are under test at the moment. Indeed, there is a steering committee, of which I am the chair, which comprises a number of government departments, ABS, the National Water Commission, the Australian Greenhouse Office, the Murray-Darling Basin Commission and other entities, and we have the website out with that steering committee under test at the moment to see that the information that is contained, which is mostly theirs, is correct and that, when you interrogate it, it comes up appropriately.

The third phase, as I say, which should start in the beginning of this coming financial year, will be to start working through some scenario testing and putting those sorts of changes to the algorithms in the computer and seeing what it comes back with when you change the rainfall input, for example, or the evaporation rate or the demand draw because of a change in land use. That is the sort of thing that is the third phase, which will start soon. The second phase has been completed and is under test in terms of the steering committee before it goes live.

**CHAIR**—So you are going to test that what they say is actually there? Where is 'there'?

**Dr Grant**—In the website that we built.

**CHAIR**—I know, but what bit of landscape are you going to test it on?

**Dr Grant**—You can do it for any part of Australia, by a one-kilometre grid.

**CHAIR**—I have had a look at Google Earth and all of that, but have you nominated an area to test it on, or is it just generally right across? There must be somewhere where you are going to say, ‘Righto, we’re going to test it on this bit of country and see if it works.’

**Dr Grant**—There has been a lot of information gathered over many years by CSIRO, Land and Water Resources Audit and others about water. We have sourced all of that, put it into the website—and it is geographically located across the whole continent—and the tool now can be interrogated at any point in Australia and it should give you back the information that has been collected and put into the tool according to that geographic area.

**CHAIR**—When that forest fire was in the Snowy Mountains area, is this able to interpret what that means for the run-off and the future regrowth of the forest in terms of interception?

**Dr Grant**—The answer to that is at this point no, because the data that has been put in was as a result of surveys that have been done over a span of time. It is usually pulsed information. In other words, there was work done in the 1980s by CSIRO; the land and water resources audit did its work in the nineties. So that is the fixed data that is going in there. What we will be able to do is to then do scenarios: what if you had a bushfire and it devastated X hectares of land in a particular catchment? What does that mean if the uptake of that water is not by trees but is now into run-off?

**CHAIR**—And what if we have climate change?

**Dr Grant**—And what if we have climate change and the like, yes.

**CHAIR**—Very good.

**Senator O’BRIEN**—The modelling of climate change is interesting. Is that work in progress?

**Dr Grant**—We are not modelling climate change.

**Senator O’BRIEN**—You are factoring it in?

**Dr Grant**—All we would say is, ‘This area has these records over the last 140 years from the Bureau of Meteorology on rainfall. What happens if you reduce that by a third because of an assumed outcome of climate change—or 10 per cent or 20 per cent or 50 per cent?’ You can put in scenario numbers. That is the third phase, which is the one yet to be done.

**Senator O’BRIEN**—Or a temperature increase.

**Dr Grant**—Or a temperature increase, which leads to greater evaporation.

**CHAIR**—Maybe Snowy Hydro should tap into this before they put the thing on the market.

**Dr Grant**—I do not think I will comment, Senator.

**Senator O’BRIEN**—What work is being done in fisheries and forestry?

**Dr Bygrave**—We do a range of scientific research analysis across the marine sciences area, the fisheries area, as well as the forestry and vegetation sciences area. Specifically, we provide scientific advice on the status of fishery stocks across Australia. I have just returned from an international meeting in India where we are providing scientific advice on the status of stocks in the Indian Ocean. That was with the Indian Ocean Tuna Commission. That

meeting is currently under way. We are looking at the status of big-eye tuna and yellowfin tuna, for example, in the Indian Ocean so that we can get a good understanding of whether the fish stocks are being overfished and whether the allocations across countries are adequate. That is the fisheries area.

In marine sciences we are doing a lot of work on reducing by-catch in the fisheries, particularly seals and turtles. We are looking at the use of circle hooks, for example, to minimise the catch of turtles in fisheries. We are also doing a lot of geographic information system work on the different fish stocks around the country.

In the forestry and vegetation sciences area we have a process under way, looking at the State of the Forests Report, which is due in 2008. We have also done work on the National Vegetation Information System, again a geographic information based system, and our social sciences area cuts across those areas, as well as the climate change and land and water areas. There are a lot of details across a lot of areas, so it is hard to cover it all in five minutes.

**Dr Grant**—Can I just point out that Dr Bygrave left India this morning to be here, Senator.

**CHAIR**—Goodness gracious me! What about we ask you to think about the northern agricultural frontier of Australia where 60 per cent of Australia's water is? Don't you think we ought to do a bit of work up there and see if we can make use of some of that water?

**Ms Hewitt**—That was the recommendation, you will note, of the Corish report: that we ought to be having a bit of a think about and a look at Northern Australia to see whether there are opportunities there that have not been explored.

**CHAIR**—There obviously are. It is just a question of learning from our mistakes down here and applying it up there. Is there work under way on that?

**Ms Hewitt**—Not in the department at this stage.

**CHAIR**—Senator O'Brien, are you ready to go home?

**Senator O'BRIEN**—Yes, I am.

**CHAIR**—We get a 20-minute early mark. Thanks very much.

**Committee adjourned at 10.37 pm**