



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT  
REFERENCES COMMITTEE

**Reference: Fee rebate for the Australian Quarantine and Inspection Service export  
certification functions**

THURSDAY, 10 SEPTEMBER 2009

CANBERRA

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## SENATE RURAL AND REGIONAL AFFAIRS AND TRANSPORT

### REFERENCES COMMITTEE

Thursday, 10 September 2009

**Members:** Senator Nash (*Chair*), Senator Sterle (*Deputy Chair*), Senators Heffernan, McGauran, Milne and O'Brien

**Participating members:** Senators Abetz, Adams, Back, Barnett, Bernardi, Bilyk, Birmingham, Mark Bishop, Boswell, Boyce, Brandis, Bob Brown, Carol Brown, Bushby, Cameron, Cash, Colbeck, Jacinta Collins, Coonan, Cormann, Crossin, Eggleston, Farrell, Feeney, Ferguson, Fielding, Fierravanti-Wells, Fifield, Fisher, Forshaw, Furner, Hanson-Young, Humphries, Hurley, Hutchins, Johnston, Joyce, Kroger, Ludlam, Lundy, Ian Macdonald, McEwen, McLucas, Marshall, Mason, Milne, Minchin, Moore, Parry, Payne, Polley, Pratt, Ronaldson, Ryan, Scullion, Siewert, Troeth, Trood, Williams, Wortley and Xenophon

**Senators in attendance:** Senators Back, Boswell, Colbeck, Heffernan, McGauran, Milne, Nash, O'Brien and Sterle

#### Terms of reference for the inquiry:

To inquire into and report on:

The Australian Government's management of the removal of the 40 per cent fee rebate for the Australian Quarantine and Inspection Service (AQIS) export certification functions, having regard to:

- a. the level of industry support for the removal of the 40 per cent rebate prior to the implementation of comprehensive reform of AQIS's export inspection and certification services;
- b. the adequacy of consultation by the Government in the development of industry work plans;
- c. the capacity of the Government, including AQIS, to implement efficiency proposals;
- d. the adequacy of government funding to implement industry work plans;
- e. any progress on meeting targets in industry work plans;
- f. the financial or other impact on industry sectors of the failure to meet reform targets; and
- g. any other relevant matter.

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**Committee met at 5.03 pm**

**CHAIR (Senator Nash)**—I declare open this public hearing of the Senate Rural and Regional Affairs and Transport References Committee. The committee is hearing evidence on the inquiry into management of the removal of the fee rebate for AQIS export certification functions. I welcome you all here today. This is a public hearing, and a *Hansard* transcript of the proceedings is being made.

Before the committee starts taking evidence, 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 a committee.

The committee prefers all evidence to be given in public, but under the Senate's resolutions witnesses have the right to request to be heard in private session. It is important that witnesses give the committee notice if they intend to ask to give evidence in camera. If a witness objects to answering a question, the witness should 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 which is claimed. If the committee determines to insist on an answer, a witness may request that the answer be given in camera. Such a request may, of course, also be made at any other time. Finally, on behalf of the committee, I would like to thank all those who have made submissions and sent representatives here today for their cooperation in this inquiry.

[5.05 pm]

**MASTERS, Mr Geoffrey Albert, Quality and Technical Services Manager, ABB Grain Ltd**

**CLAMP, Mr Phillip Mark, Quality Assurance Manager, Graincorp Operations Ltd**

*Evidence was taken via teleconference—*

**CHAIR**—Welcome. Is there anything you would like to add, Mr Masters, about the capacity in which you appear today?

**Mr Masters**—I am the Quality and Technical Services Manager for ABB Grain in Adelaide.

**CHAIR**—I am assuming we do not have Mr Clamp on the line yet? No, we do not. Mr Masters, do you want to make any amendments or alterations to your submission, which has been lodged with the committee and numbered 14?

**Mr Masters**—No.

**CHAIR**—Would you like to make a brief opening statement before we move to questions?

**Mr Masters**—I think most of our views have been expressed in that document. However, we do support the reform process in that we see this as an opportunity for the grain industry and the export grain industry to move forward in the way that certification is delivered.

**CHAIR**—I am sorry, Mr Masters; we are just having a little trouble with the audio. Can I get you to speak a little more loudly for us?

**Mr Masters**—I was just saying that we do support the review. I have outlined some concerns that we have with the process. But we believe that this can ultimately deliver great benefits to the Australian grain industry. I will just leave it there.

**CHAIR**—We will now move to questions.

**Senator COLBECK**—Mr Masters, the major concern that you express in your submission is, with the time lines, with being able to adequately consult with industry to develop alternative options, and then the industry having to bear the cost of increased charges until the reforms are implemented. You also say in your submission that industry will eventually have a choice of cheap alternative service options. Could you give us any sense of what sort of time frames you are talking about there, and whether or not you have agreed time frames with the department as yet?

**Mr Masters**—The limits that have been applied from an industry point of view require the work to be essentially completed by 30 June this year. Our view is that that will put real pressure on the working groups to deliver the results in that time frame. The review has been undertaken and opportunities for changes in legislation and operational inspection identified. We would need



to see the legislation changed, and I suppose the question is about how we can see the legislation changes implemented. Once those happen and we can implement, say, alternative inspection protocols, then we might see some efficiency gains or cheaper options for service providers delivering services to the export industry. So, I suppose, to answer your question, we will not see a cheaper way of getting our services provided until industry is in a position to be able to offer those services through alternative arrangements.

**Senator COLBECK**—I think I understand what you are trying to tell me.

**Mr Masters**—I must apologise because every few seconds I am getting quite a loud hissing noise coming through when I am talking and it breaks up my train of thought, unfortunately.

**Senator COLBECK**—That is relatively evident to us here, so we understand and we will try to work with you on that. Have you done a calculation of the additional cost to your business for this process?

**Mr Masters**—We did some calculations for bulk grains where we looked at the original base cost plus overtime charges that an exporter might incur. We then looked at the quantum of what the new charges would be plus overtime. In our view there has potentially been a doubling in the overall cost of base charge plus overtime of around 15c a tonne, which maybe sees it somewhere around 30c a tonne—although that is quite dependent on the facility having the tonnage rate, inspection points and things like that involved. We had a look at some of the container operations, and the cost of doing containers was heavily dependent on the size of the consignment but in some cases was more than double the cost for a packer. That was some of the evaluation work we did originally. When we were having discussions with our business in particular but also with other parts of the industry, some of the numbers we looked at were for that doubling of the cost of putting products out. If you look at a bulk product, you see that it went from 15c to 30c a tonne as a quantifiable amount that we could come up with.

**Senator COLBECK**—So for your business that becomes a business cost that you have to factor into the running of your business and either recoup through some source or offset in some way.

**Mr Masters**—Yes. At the moment ABB has some contracts that have been written so that we wear these additional costs within our business. Those may be able to be passed through to the purchaser of the grain. Sometimes they may not be. At the moment, most grain has already been bought from growers. The impact of that from a grower's perspective is mostly not possible, because the grain has already been priced for the coming harvest. Depending on when some changes might be implementable, there is a possibility that markets may price these extra costs into their total price structure, which could lead to a small price reduction for growers. In an active market that can be fairly hard to identify specifically as a reason for how a price is set on a given day.

**Senator COLBECK**—I understand what you are saying. There is a question that I had for Graincorp, but it probably specifically relates to you to a certain extent. They have said that the grain industry representatives believe that the removal of the rebate will allow for funding and development of reforms to AQIS that will bring about benefits to the grains industry. I think everyone is fairly keen to see that there be a reform process undertaken. The concern that I have

is that, effectively, what is happening is that industry is being asked to pay for the reform process by paying additional fees and charges. While there is some assistance being given through the \$40 million to industry to implement the charges jointly with AQIS, that money has been dealt with by additional costs to industry. That is something you have decided to accept as part of the reform process?

**Mr Masters**—As we said in our submission, when we were first told that they were going to remove the 40 per cent rebate we were not very happy. When we were then offered the opportunity to have a reform of the legislation and the mechanisms through which exports occur, we could see the longer term benefit of that process and as such accepted that in some cases there is going to be some cost. From ABB's perspective we are wearing those costs, but obviously there are some exporters out there who it has a greater impact on. They would be having difficulty, potentially, in managing those costs. It is an issue that we are wearing the additional costs. Yes, we are getting the \$40 million, but relief from the higher charges will be subject to how quickly we can put the new reforms in place.

**Senator COLBECK**—Have you done any calculations in your discussions and negotiations that you have had so far about the extent of the possible savings? Has any level of that been identified as part of the negotiations you have had so far?

**Mr Masters**—We have done some calculations internally. If we were to look at certification insurance or approved arrangements, where we could look at flexible systems of inspection, we think there could be significant savings over the new charter which would ultimately give some benefit back to industry. But I am still working through those things. Ultimately, it will depend on what comes out of the reform process. What sorts of alternative inspection arrangements are actually put in place will dictate how much those savings can be. On a general vessel basis, we think we should be able to save half of the increase back again, at least. Again, the question is: how does each particular exporter value that? I can only say from ABB's perspective that in a bulk shipping situation we have done some numbers that we think will certainly deliver some savings, but that ultimately will depend on the reforms that are identified and eventually implemented.

**Senator COLBECK**—So the work plan is not that far advanced that it can give you the capacity to identify things to that extent?

**Mr Masters**—I am talking here from the point of view of the task force that we are involved with. We have some ideas around how we might be able to implement work efficiencies, but it will depend on the final review because we still have to verify those against importing country requirements and ensure that our obligations are still met. But we believe that there is a great opportunity for the industry to move forward here fairly significantly in the longer term. The issue is that industry are going to be bearing those higher charges.

**Senator COLBECK**—We talked about the time frames and the fact that you see them as being pretty tight at the moment. Through the ministerial task force, have you had any discussions about extending those time frames as part of the process?

**Mr Masters**—We have, and we are still waiting to hear exactly how the legislative rewrites are going to work and, if they have to extend past 30 June, whether funding will still be

available. We are working on a time frame where, as has been expressed to us, things will be finished by 30 June. A fairly substantial amount of the funding is around the legislative rewrites. That is where we are at the moment.

**Senator STERLE**—Mr Masters, time constraints are upon us so I would like to go to paragraph (f) on page 5 of your submission. Along the same line of questioning as Senator Colbeck, who asked you about the impost of the cost to your business, what would be the cost to your business and your industry if these reforms were disallowed?

**Mr Masters**—I suppose if the reforms were disallowed we assume the 40 per cent goes back on, so we are back in a situation where we are paying at those lower rates and we would be back where we were. Now there would be a gap that has occurred where we have been paying the higher rate, so the question is how that would be refunded to industry, if at all. I think it would be more the longer term penalties and how we are going to get the reforms, because this is clearly an expensive process to go through. If industry or the government were to commit to a reform process, that is one thing. But it is the funding that has given us the opportunity to move forward. If it was disallowed I suspect the reform process would stall, if not totally stop. That would obviously have a very long-term impact on the industry in our capacity to perhaps have some real reforms around the way industry or exports occur.

**Senator STERLE**—I would like to go back to your submission again, where one of your points about the issues for review was about the level of industry support. It was suggested in the Senate chamber earlier today that it was only the minority that had agreed. Would you have any comment about that?

**Mr Masters**—Can you please clarify for me what you mean when you say that the minority had agreed? Are you talking of the total industries involved or are you talking about within the grain industry?

**Senator STERLE**—Of the total industries involved.

**Mr Masters**—I understood there was reasonable support across most industries in respect to it but I suppose specifically I can only comment on the grains industry. It went through certainly most of the peak industry agencies involved in the grain industry, which have ultimately supported the reform process. If that is linked to the increased charges then that is also what we have accepted. We certainly accepted the reform process. Phil, I am not sure of your comments.

**Senator STERLE**—That is fine. Thank you, Mr Masters. That is clear.

**CHAIR**—Thank you for joining us, Mr Clamp. Apologies that we have only got a very short period of time left for this particular section. You have lodged submission No.6. Do you wish to make any amendments or alterations to the submission?

**Mr Clamp**—Yes, I would like to make an alteration on page 1, in the third paragraph under the 'Industry support for reform' section, regarding the phrase:

All members of the AGICC support the removal of the 40% rebate.

I understand Australian Seed Federation may have some unresolved issues regarding their support, but certainly there is very widespread support. I thought there was universal support amongst the AGICC members but I have subsequently been advised that Australian Seed Federation may have an unresolved issue there, so I would just clarify that.

The other comment I would like to make is about the summary on page 2, in the second and third paragraphs. As it says there, we are very concerned about the tight timelines for the reform agenda. Should the reform agenda take place, it would be a shame for this money to be spent by June 2010 just to meet that deadline. Those are the only comments I would like to make on the submission.

**Senator BACK**—I have just two very quick questions, given the time. Firstly, what countries are your international competitors from and what costs do they bear as part of the export certification processes? Could you give me some idea about that, please.

**Mr Clamp**—I am not an expert on the cost structures. I do not know about their cost structures. I know a bit about their inspection arrangements, but I do not know about their cost structures. We would say our major competitors are, broadly, the US and Canada.

**Senator BACK**—What inspection fees do the exporters from those countries pay?

**Mr Clamp**—As I mentioned, I do not know. I have no detail of those fees.

**Senator BACK**—Mr Masters?

**Mr Masters**—I have the same answer as Mr Clamp.

**Senator BACK**—Secondly, can you give me some indication of the likely impact of the deregulation last year. Is it impacting as part of this process or not?

**Mr Masters**—I do not think it has significant impact. The deregulation did not occur. This reform agenda is still good for the industry, in any case—most definitely.

**CHAIR**—Senator Colbeck, do you have any questions?

**Senator HEFFERNAN**—While you are thinking about a question, can I ask a question?

**Senator COLBECK**—Yes, go to Senator Heffernan.

**Senator HEFFERNAN**—Can I ask a question that is off the sheet a bit? Could you describe to the committee the collapse in the international price for wheat in the last six months?

**Mr Clamp**—I am afraid I am not qualified to comment on that. It is outside my area of expertise.

**Senator HEFFERNAN**—Is the guy from ABB still there? Would it be fair enough to say that it is \$150 a tonne?

**Mr Clamp**—Again, I cannot comment. It is not something that I have had dealings in.

**CHAIR**—Senator Heffernan, are you done?

**Senator HEFFERNAN**—Yes.

**Senator COLBECK**—Mr Clamp, have you done a calculation on the annual cost to GrainCorp of the increased fees?

**Mr Clamp**—The increased fees are fairly simple in respect of the bulk tonnage fees: it is the difference between the old fee and the new fee, and that is a quantum of 40 per cent. That is a minor expense in the bulk area. Regarding the containerised fees for the containerised part of our business—that is, packing and, you said, ‘other packers and marketers’—depending on the system they use, the fee increase may be the full 40 per cent or it may be considerably less than the 40 per cent if they have an approved arrangement with AQIS which allows them to adopt various other inspection models paid at a purely hourly rate. I cannot quite give you the figures off the top of my head, but that would be the quantum.

**Senator COLBECK**—What is GrainCorp looking to do to mitigate the cost to the business? How are you going to deal with those additional costs in the business?

**Mr Clamp**—They would be passed on as costs, albeit minor costs. But, in respect of the reform agenda, we believe these costs are more than made up for in efficiencies. There are some alternative arrangements, such as approved arrangements offered under inspection models reforming the outdated legislation and the like, and we believe that there is a net benefit both in engaging in the reform and in the ensuing alternate options offered.

**Senator COLBECK**—So you believe that once the reform process is completed, however long it takes, the benefit will more than make up for the loss of the 40 per cent.

**Mr Clamp**—To quantify, we believe so because it will bring some net efficiencies through the supply chain by offering some alternate inspection arrangements. So, yes, that is our very firm belief. As to providing you hard numbers for it, I cannot provide those. But we believe that the idea of updating the legislation to contemporary standards to offer alternate service provision will potentially produce competition in this area. We believe it is all good for business.

**Senator COLBECK**—How much of these efficiencies and revised procedures are going to rely, upon acceptance by our customer countries, on different types of documentation?

**Mr Clamp**—There will be some. That is probably more a question for AQIS, as they have more direct customer dealings on a government to government basis. It is certainly acknowledged that some countries will require a period of adjustment. Apart from that acknowledgement, depending on the inspection model that may be used from time to time, I cannot comment, I am afraid.

**Senator COLBECK**—So neither you nor Mr Masters is aware of requirements or countries that might have specific limitations that could hold back the gains that might be achievable?

**Mr Clamp**—I do not mean to be evasive, but off the top of my head I could not quote that country A will accept while country B may not accept.

**Senator COLBECK**—We will ask the department, but I was interested in your market experience and what you had seen from dealing in the markets that you operate in.

**Mr Clamp**—Perhaps I can put it another way: the US and Canada offer alternative inspection arrangements that Australia does not currently have. They deal with similar trading partners to Australia. So I do not see it as an insurmountable hurdle, but I do see it as a period of adjustment for country A, for argument's sake, to understand that Australia had changed its arrangements. Whether it is like the Canadian model or the US model, it would be up to that country to make the call as to whether that was acceptable to them or not. It is about providing choices for us.

**Senator COLBECK**—I think that is a fair comment, and it may even differ based on different commodities and the regimes that exist in those different commodities. It was worth raising the point.

**Mr Clamp**—Yes. I would suggest that is a very fair comment.

**CHAIR**—Could you outline for the committee exactly where you see the efficiencies coming from.

**Mr Clamp**—I see efficiencies coming from offering an upgrade of the legislation, increasing the capacity of AQIS to provide their services and increasing the number of inspection options. At the moment, you have some fairly limited inspection models under the Australian scheme when you compare those to the US and Canada, as an example. If you compare them to other countries you will find there are plenty of differences. So we see some potential efficiencies in being able to utilise some alternative inspection arrangements, such as, potentially, inspection by GrainCorp providers. It could be third party providers, it could be AQIS, and it could involve some variation to their actual inspection arrangements, depending on legislative requirements and what is ultimately acceptable to trading partners. It is certainly not a case of one size fits all. We believe that choice should be offered to the industry in respect of various models that might suit an industry from time to time in a particular market. It would certainly bring about efficiencies.

**Senator COLBECK**—If there was something that the government could do to facilitate this process better, what would that be?

**Mr Clamp**—If the reform goes ahead, it would be to extend the deadline beyond June 2010 because it is too tight and we would prefer, if this goes ahead, to spend the money over a longer period of time to realise a better outcome than one that is driven by achieving a budget deadline by a date.

**Senator BOSWELL**—I just got here, so you may have answered some of these questions. What service does your industry get for the cost of each inspection fee?

**Mr Clamp**—The service they would get from an inspection fee would vary depending on the inspection article. They have a table of charges. For instance, for bulk grain it is a tonnage

charge and for containers it might be an hourly rate depending on the service offered. That is a question for AQIS.

**Senator BOSWELL**—Have you suggested to AQIS where they could get further efficiencies, or have they proposed to you how they will get further efficiencies?

**Mr Clamp**—There have been no proposals put to AQIS. Certainly, GrainCorp have some views about efficiencies, and I have mentioned those—some potential alternative inspection models developed as a result of working groups within the ministerial task force. That is how we are addressing that.

**Senator BOSWELL**—If the coalition moved to disallow the regulations that will remove the 40 per cent rebate, do you think that AQIS inspection fee reductions would still take place?

**Mr Clamp**—I cannot answer that. I do not know.

**Senator BOSWELL**—What part of the \$40 million is the grain industry going to get?

**Mr Clamp**—I am not sure of the quantum, but our share to fund the reform process is \$4 million or \$3.9-something million.

**Senator BOSWELL**—Someone has just given it to me, thank you.

**CHAIR**—Mr Masters, Mr Clamp, thank you very much for giving evidence before us today.

[5.38 pm]

**JUDD, Mr Wesley, Chair, Australian Dairy Industry Council**

*Evidence was taken via teleconference—*

**CHAIR**—Welcome, Mr Judd. You have lodged submission No.17 with the committee. Would you like to make any alterations or amendments to that submission?

**Mr Judd**—No. I think we can go with that as it is presented. We are quite comfortable with that.

**CHAIR**—Would you like to make a brief opening statement before we move to questions?

**Mr Judd**—Yes. First of all, I thank you for the opportunity and I certainly apologise at the outset for having to do this via teleconference. I think we have canvassed the issue well within the industry. We have had discussions with the department over that period of time, and the industry is reasonably comfortable with what we have been able to achieve up to this point. We have had quite a bit of discussion about where we think we can chase some efficiencies and lessen the impact of the removal of the subsidy.

The other thing I would like to say is that we were keen, as we went through the process, to also include the state dairy food authorities. We believe that we should look at this whole issue right across the chain. The food safety and quality assurance process, from the farm through to the final product and the export or domestic market, is all-encompassing. So we were keen to look at it in that way.

I think the industry understands the financial impacts. We have had good discussions through the Dairy Industry Council. That body consists of the industry across the board, including the processing sector where the major ramifications of the change will be. I think it is probably a fair assumption to say that they are happy with where we are at and with what we have been able to negotiate. I believe, as I said at the outset, that through this process we can find some ways to chase some efficiency to lessen the impact. Thank you for the opportunity.

**CHAIR**—Thank you very much, Mr Judd.

**Senator COLBECK**—Thank you for your time, Mr Judd, and thank you for your submission. Do you have a timeline for the finalisation of the development plan and any sense of what savings might be achievable through the implementation of that process?

**Mr Judd**—As far as the timeline goes, we are on target with where the process has eventuated to so far. We do not want to see it go on forever. There is currently some work already underway in regard to the certification. That work has started. We have had several phone hook-ups and a face-to-face meeting to ensure that we stay on time. It is certainly the intent of the industry to keep it there. We have not got a firm figure on costs and what could be achieved out of the work that may be identified, but the processes have highlighted several areas and I will give a couple



of examples. There is quite a bit of efficiency that can be gained by dealing with the requirements electronically rather than manually. It is in that area that we think we can make some significant savings.

**Senator COLBECK**—But you cannot quantify that at this point in time?

**Mr Judd**—No, I cannot quantify that at this point in time, but the work that we will undertake will be able to quantify it. From the input that we have had so far, the belief is that we can hopefully recoup quite a bit of the impost.

**Senator COLBECK**—Does the acceptance of new protocols by customer countries have much of an impact on capacity to make and achieve those savings and changes?

**Mr Judd**—Yes it absolutely does. Once again, through the work that we have done so far, with the discussions that we have had with the department, we have not seen anything there yet that would alarm us to the extent that we would not be able to drive some of this reform through.

**Senator COLBECK**—Who, effectively, is paying the fees at the moment? Is it the exporting companies? Are they the guys that are paying?

**Mr Judd**—The export fees currently are, yes, absolutely. They are paid in the majority by the major export processors, obviously. They have been part of the task force and are well aware of what the implications of this are.

**Senator COLBECK**—What about any impact on costs or forward prices? Have they built those costs into their businesses going forward? Is there anything that is quantifiable at this stage or is it something that you would not necessarily be able to see as part of that process?

**Mr Judd**—I suppose that individually they have accounted for that, but to me they do not seem yet to have brought any of that to the table to put in front of the task force. I expect that they would have dealt with the current year and that they would then, hopefully, be in a position to deal with what we get out of the process in subsequent years.

**Senator COLBECK**—You talked about your determination to meet the time lines. Are you confident that you can actually do that?

**Mr Judd**—I think we can. As I said earlier, some of the identified work that we need to do has already started. With that in mind, we are on target. You never know what might occur to throw things out, but we are confident at this stage. We had an Australian Dairy Industry Council meeting yesterday and the participants around the table indicated to me that they thought that we were on target.

**Senator COLBECK**—Have you calculated the total cost to the industry of where you are right now?

**Mr Judd**—Again, I suppose the total cost is in the way in which this has been put forward. The industry know exactly what the removal of that 40 per cent subsidy is. What we have sought, and the transition that we have sought, is that, while we would be up for 50 per cent of

that reform process, the rest would be rebated to us to offset the price increases. I think all of those calculations have been taken into account and I think they are fairly comfortable.

**Senator COLBECK**—So it is roughly a \$700,000-a-year cost to the industry and about 50 per cent of that you are going to rebate through your use of the amount that is given to you?

**Mr Judd**—Absolutely. That is right.

**Senator COLBECK**—If there was one change to the process that you could achieve out of the process that we are going through at the moment, what would that be?

**Mr Judd**—It would be to ensure that both sides can deliver everything we have said we can do. We would want to be comfortable that there is capacity within the government to deliver. We would want to get out of this process the assurance that the targets can be met. There is an understanding of the financial impact, and, as I said earlier, we have already had acceptance. It may well only have been for dairy, but I think it was important that the safe food authorities were also involved. If those things can be enhanced out of this process, then we would be fairly comfortable with that and the industry would continue with the current level of support.

**Senator STERLE**—Mr Judd, going through your letter to the secretariat I noticed, and was warmed by, your support of the level of consultation. Would you like to add anything to that?

**Mr Judd**—I would just reiterate what is in that letter. We have had pretty good consultation. We have had good cooperation from the AQIS representatives in the process. They have been able to meet any of the requests the industry has made of them and they have been a part of that task force as well. So we have been fairly comfortable with that.

**Senator STERLE**—If the opposition and the minor parties voted down this \$40 million reform package, what would that mean to the Australian dairy industry?

**Mr Judd**—I suppose that if it is voted down—

**Senator COLBECK**—Point of order, Madam Chair.

**CHAIR**—Just one moment, Mr Judd.

**Senator COLBECK**—I just want to clarify the question. The opposition and the minor parties are not considering voting down a reform package.

**Senator STERLE**—I did not suggest they were, Senator Colbeck.

**Senator COLBECK**—That is the question that you asked, and I listened carefully. What we are doing is considering whether we allow the 40 per cent rebate to be discontinued. That is what we are considering. We are not deciding whether or not we vote down a reform package. That would be a government decision, nothing to do with the opposition or the minor parties.

**Senator STERLE**—Mr Judd, what would happen to the dairy industry if this motion were disallowed?

**Mr Judd**—If it were disallowed, it would take away an opportunity for us. Given what we have had to deal with in the change and the wish to remove the 40 per cent, we as an industry have had to think about what we can do in lieu of that. As I said at the outset, the processing sector that is impacted by this believes there is an opportunity for some reform to streamline the way they do business, enhance the way they do business and modernise some areas where there is quite a lot of labour and input required through manual functions, just as an example. I suppose it would take away an opportunity to do that. If it were the case that that happened then as an industry we would have to have a look at that, now that we have started the process and we are this far down the track, and decide how we should proceed.

**Senator BACK**—Could you comment for us in general terms as to how you feel efficiencies might be achieved with better cooperation between state and Commonwealth regulatory arrangements in the dairy industry?

**Mr Judd**—Yes, I can. When we talk about that, we specifically refer to the audit processes at production level and at the processing level to ensure food safety requirements are met. That is critical, and that means it is also critical that we have a national approach as closely aligned as we can. We have good cooperation with the state food authorities in that regard, and we have regulations across the states that are fairly complementary. That was a request the industry made in around 2000 or 2001 to try and align those requirements as much as possible.

Also, the way we approached that gave us the opportunity in quite a few states to set up a third-party auditing process. Without going into a whole lot of detail, that has given the authorities and the industry confidence that there is some commercial reality in that process. I think it has helped the industry and government to control the costs. It is important that that is interlinked with the AQIS process, that there are no impediments in there and that the process is seamless. That has happened, and we would be looking for this review to find any other areas where we could enhance that.

**Senator BACK**—I have only one other question. I have had a communication from a reprocessor who believes that, whilst the general thrust is in the right direction, there is an inequality or inequity. I guess his point would be that there is a prejudice against reproducers and manufacturers. He is of the understanding that some options had been put to the committee but not accepted. Would you care to comment at this early stage as to whether you believe there could be a better level of equity across the industry in bearing these costs?

**Mr Judd**—I am not aware of the matter he speaks of specifically, but what I would say is that it is probably too early to quantify what we might be able to do there. We would hope that our actions go in the direction that is going to give outcomes there anyway so his concerns may well be met in the approaches we have put together. But the work that is to go on at the end of the day will answer that question.

**Senator MILNE**—Mr Judd, I just noticed your business process map of dairy export certification. You are obviously putting a lot of faith in getting that map completed and then looking over time at what might be achieved. Have you put a date on when you expect your business process map to be completed? We are already at September and this process has to be completed by May if this is going to achieve the efficiencies we are talking about.

**Mr Judd**—As I said earlier, I am not nervous about where we are at. That project has actually started and is well on the way. The early part of the project was fairly time-consuming and from the information I have gathered from throughout the industry in the last couple of days that process is past. That is a pretty substantial piece of work. I am very reluctant, as you would have heard throughout my answers to all of these questions, to just go and put a date on it. We all know how these things work. But we are not seeing problems, and the people I have talked to across the industry in the last two days are not highlighting to me that they have got concerns to prevent us keeping to a reasonable time line to ensure the process is through. We understand well where the end of this is and of course there are other platforms of work that need to be done as well, but with the knowledge that we have got across the issues and the cooperation we have had across the industry along with AQIS, we think we can meet that.

**Senator MILNE**—I am really pleased to hear that. I am also pleased to hear how confident and positive you feel about this opportunity to look at reform. Can you suggest or tell me where you think the greatest opportunity for efficiency is now that you have actually got well underway with the business process map. Where do you think you could really make the savings? What is worrying me is that 50 per cent of the money is going to go into rebates and 50 per cent into the reform process, but by May next year the full cost is going to come onto the dairy industry. You are confident that you can make up that 40 per cent in the time frame?

**Mr Judd**—The people most impacted by this, the processors, because of what they deal with here with regard to this, are telling us at Australian Dairy Industry Council that they are happy that they can. That is all I can go on, as the chairman, and that is what I can report to you people. So, no, we are confident that we can pick up if not all, then very, very close to that amount. We would not have attempted this in any other way. It was one of the discussions we had early in the process that, if this had to be new policy then we wanted the opportunity, and the only way we would agree to that was to then put in place something that did identify where we can make substantial savings and enhance the business we do.

**Senator MILNE**—Thank you for that. I wish you well with it and I hope that when May comes around next year you have achieved those reforms.

**Mr Judd**—We certainly do too, and we are certainly committed to ensuring that.

**Senator BOSWELL**—These reforms have not yet been implemented by the minister—is that correct?

**Mr Judd**—Yes.

**Senator BOSWELL**—How can you be so confident that you are going to achieve these reforms when you do not know what they are?

**Mr Judd**—They are not implemented, no. But, with the structure of working together in the areas the industry wants to pursue, they will deliver. As I said in the previous answer, if this had to be the way we were going to do business into the future we would have to offset that cost. We would have to have a better way to do that business.

**Senator BOSWELL**—How are you going to offset the cost? Does that mean there will not be as many AQIS inspectors working with the dairy industry?

**Mr Judd**—The discussions in this process will go right across the whole spectrum from AQIS inspection through to the export processing requirement. We see opportunities across the whole business to pull that cost and that saving out of the current requirement.

**Senator BOSWELL**—I am not across this, so maybe you can explain it to me. We are going to reduce the inspection fee by 40 per cent. The minister has not said what the reforms will be and has not implemented them. It seems a giant leap in faith for you to support the reforms not knowing what they are.

**Mr Judd**—That is right, but from the discussions we have had with AQIS and with the department there are a lot of areas where the exporters tell us they can do this a whole lot better. A lot of manual work and other things are required currently. Changing those procedures to electronic ones could cost quite a bit of money. That is one area that I illustrate. However, we are reasonably confident that the commitment that has been given to us to chase this reform can be delivered with the task force that has been set up across the industry, AQIS and government. That would be our expectation, given the fact that there has been a change in the way this is to operate.

**Senator BOSWELL**—We are proposing to disallow this regulation, which would stop you losing the 40 per cent. But you do not want us to do that—is that what you are saying?

**Mr Judd**—Earlier in the piece when we learnt as an industry of the regulation and the taking away of the 40 per cent, we took it that the only way we could deal with that was to change the way we do business. Doing that would require reform, and that is the way forward. As I said earlier on, if for some reason changes were on the way through, the industry would need to look at what those changes were and what we would do beyond that.

**Senator BOSWELL**—I will have a talk to my colleague Senator Colbeck because I am obviously not across this issue and I am not getting it. I cannot see how you would want us to increase AQIS's 40 per cent. You do not know what the reforms are and you do not know when they will be implemented. It seems to me that either you are taking a gigantic leap of faith or I do not understand this. It is probably the latter, but I will talk to my colleague next to me, Senator Colbeck, and he might be able to brief me on it.

**CHAIR**—We might just have to wait for that a little bit later, Senator Boswell.

**Mr Judd**—Can I just say that the industry certainly would not be kicking up a stink if the money was left on the table. That would be a given.

**Senator BOSWELL**—What sort of money are you looking for?

**Mr Judd**—Let us go back to basics. The cost impost on industry is about \$700,000 in total. That is why industry took the view: 'If we can try and chase some of the areas of reform that some of the major exporters in dairy have been discussing for some time with AQIS, given that amount of money, we are confident that we can probably recoup most of that money.' If that

process changes or there are changes to the way it looks like it will come out, then we will review where we are at that time. Given the fact that we have done this work, we will probably seek to find some areas for these reforms.

**Senator BOSWELL**—Wes, I just have one more question. I am starting to get it. Have you been pushed into this with a gun at your head and you are trying to make the best of it? Do you genuinely want to do this or is it that you do not see any way out? Are you taking the attitude that you have lost your 40 per cent so you will try and get out of it with the money that is given to you?

**Mr Judd**—Early in the piece, when we were enlightened about where this might go, we said that the only way that we will be comfortable or happy as an industry is if we can get an opportunity to retrieve the money that it is going to cost through a lesser cost to do business to export.

**CHAIR**—Mr Judd, thank you. We have run out of time, so we are going to have to pull you up there. Thank you very much indeed for making the time for us this evening.

**Mr Judd**—Thank you very much.

[6.08 pm]

**DELANE, Mr Robert, Deputy Secretary, Biodiversity Services Group, Department of Agriculture, Fisheries and Forestry**

**O'CONNELL, Dr Conall, Secretary, Department of Agriculture, Fisheries and Forestry**

**READ, Mr Gregory, Executive Manager, Food, Biodiversity Services Group, Department of Agriculture, Fisheries and Forestry**

**CHAIR**—Welcome. I remind senators that the Senate has resolved that an officer of a department of the Commonwealth or of a state shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to a minister. This 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 when and how policies were adopted. Officers of the department are also reminded that any claim that it would be contrary to the public interest to answer a question must be made by a minister and should be accompanied by a statement setting out the basis for the claim. You have lodged submission No. 12 with the committee. Would you like to make any alterations or amendments?

**Dr O'Connell**—No.

**CHAIR**—Would you like to make an opening statement?

**Dr O'Connell**—No, thank you.

**CHAIR**—No? Very quick! Just before I pass to colleagues, I have one question. Could you clarify this for me. In the correspondence you sent back to the committee when asked about the details of the work plans, you outlined for the committee that two of the work plans had been completed: the horticulture work plan, with the budget yet to be finalised, and the live exports work plan. In your submission, though, in part (b) on page 2, you actually state:

... each work plan was finalised by the industry representatives on the taskforces.

So they do not seem to be saying the same thing. Could you explain that for the committee.

**Mr Read**—The two finalised versions that we have, because the last meetings of the ministerial task forces have signed off on them, are the two that you guys now have, horticulture and live animal exports. The others have been developed in detail, and they relate to the grain proposal. The meat proposal is still being developed. Could we just come back to that submission again.

**CHAIR**—Yes. The submission clearly states:

... each work plan was finalised by the industry representatives on the taskforces.

**Mr Read**—Certainly the higher level work plans were agreed earlier. The reform agendas were agreed earlier.

**CHAIR**—It just seems inconsistent; that is all.

**Mr Read**—There are two sets of language we are using. The first was that coming up to July there was certainly a broad reform agenda that was agreed across each of those task forces, but just an outline. Behind that are detailed work plans for precisely how the projects will be rolled out. The two that you have are those developed plans. The other four are in the process of being developed against those higher level frameworks.

**CHAIR**—All right. I will pass to colleagues, but before I do I say: perhaps you might like to look at it and amend it, because it really does seem inconsistent in the language that has been used.

**Senator O'BRIEN**—Could you give us some further information on the impact that the disallowance of this regulation will have on AQIS's budget.

**Mr Delane**—The reform package is approximately \$40 million after costings; it is \$39.4 million. If this is disallowed then we revert to the previous fees and charges, some of which were being under-recovered, leading to deficits in the industry liability accounts. We expect that the revenue shortfalls in the department for this financial year will be of the order of \$30 million. If not corrected, those shortfalls will persist and in fact get larger. Because of the scale of the industry et cetera, we expect that the normal revenues would be in excess of \$40 million. We also expect that, because the fees and charges are based on a previous level and under-recovering, there will be shortfalls in the industry liability accounts, the balancing account from which the industry revenue is returned and costs are met.

By the end of 2009-10, we expect that those shortfalls will accumulate to approximately \$18 million. There are a lot of questions around that, but our estimate currently is about \$18 million. That has to be offset by the department, so we have some balance sheet issues which we will also have to manage. As that rolls through, if it rolls through into next year, we will have further shortfall issues with those industry liability accounts in excess of \$10 million. Those accounts have to be balanced off at some point, so to do that we would have to have quite substantial fee increases at some future point to meet the cost of service provision at that time—normally we would expect that to be higher—and to recover those shortfalls. So we would be expecting cost increases, and fees and charges would have to come forward that would be significantly higher than those that have been brought forward this year—potentially over 100 per cent higher.

**Senator O'BRIEN**—I understand that when the current 40 per cent exportation fee subsidy was announced, I think it was in 2005, the then minister said it was for a specific finite period and it would lapse at the end of that period. Is that right?

**Mr Delane**—Our understanding was that the program was to lapse at the end of June 2009. No provision was made in the government's forward budgeting system. That was the advice, I understand, that the Beale review also received and hence they recommended that the program lapse as intended.



**Senator O'BRIEN**—In terms of the lapsing of the subsidy is that effectively a return to the ongoing government policy of cost recovery by AQIS from industry?

**Mr Delane**—The subsidy was introduced in 2001, so prior to that point there was full cost recovery. The subsidy of 40 per cent was introduced and has been in place for eight years ending 30 June.

**Senator O'BRIEN**—In terms of the impact on the department's budget, will the department cope with the proposal if the regulation is disallowed?

**Dr O'Connell**—All other things being equal, we will not have any additional funding. It would leave that hole in our budget for the year that we would have to manage which would be very difficult—\$30 million in this year would be extremely difficult.

**Senator O'BRIEN**—Where is the money for the reform package coming from?

**Dr O'Connell**—If we do not have that? That money is contingent on the fees going through, so we would not have that all other things being equal.

**Senator O'BRIEN**—I am taking you to be saying that unless there was some supplementation of the budget, in other words that the money would come from somewhere else, that would necessarily happen.

**Dr O'Connell**—I could not pre-empt any other decision of government, but if we had the disallowance then we would have a \$30 million approximately hole in our budget for the year.

**Senator O'BRIEN**—Does that grow in subsequent years?

**Dr O'Connell**—Yes.

**Mr Read**—It is \$30 million in the current financial year and \$43 million in the subsequent financial year.

**Senator O'BRIEN**—I suppose that is a matter for government to address. You said that the ending of the subsidy was supported by the Beale review. Can you elaborate further on the rationale? It may be self-evident from the papers.

**Dr O'Connell**—I think it was Beale's view that normal cost recovery arrangements should continue. The position was that there was no particular public policy reason to be pursuing that subsidy.

**Senator O'BRIEN**—In terms of the meat industry would it be fair to say that reforms in the meat industry would not be at the cost of the very important health roles that AQIS inspectors play at a plant level?

**Mr Read**—The first point to make with regard to any reform of any of the sectors and particularly the red meat sector is that any reform that is pursued cannot compromise food safety and it cannot compromise market access. What would be articulated as reforms which may well

be functions potentially not performed by government employed inspectors but by company inspectors would need to be examined closely. They would need to be discussed in detail with countries we are exporting to to ensure that they are consistent with the legislation those countries operate under. Equally, where we undertake that particular provision we would need to implement verification arrangements that ensure high levels of confidence that those roles are fulfilled appropriately. In AQIS we have been doing that delegation of authority for the last 18 years, so it is not new. There are a range of functions that we have been slowly devolving back to companies as importing countries accept those arrangements and that we have then been overlaying with verification.

**Senator O'BRIEN**—It has been suggested in some submissions that there has been criticism of inspection services, particularly from the EU. Is that fair comment?

**Mr Read**—There are comments made from a range of countries, including the EU. The EU review our system in parallel with their own member states. As you would expect, the directives verbatim applying to an EU member state sometimes have different relevance when it applies nationally in Australia. There are always discussions around those areas. Appropriately, we put forth robust arguments justifying why we undertake a particular measure or regulatory function in a particular way in this country as opposed to how you would do it in Europe.

**Senator O'BRIEN**—In any case, you would have to satisfy them with any arrangements you put in place.

**Mr Read**—Correct. So we have those discussions and on those issues I meet regularly with my counterparts in Brussels. We will continue to have those discussions, but that is part of market access. It certainly is not an issue of the integrity or safety of the product.

**Senator O'BRIEN**—Thank you.

**Senator MILNE**—Thank you for coming along. Firstly, as an overview, I want to get from you a sense of which of the industry sectors are on track and do not appear to have any major problems with achieving the reforms, as well as where you still have major problems. We will get you back tomorrow, but in the meantime I am interested in seeing from your perspective where you have bridges too far. Secondly, from my point of view, it is absolutely true what you say about not compromising food safety and not compromising export markets, but the real issue here is that there are people who are alleging that this is just a cost transfer from the public to the private sector and that there are no real net savings. This is the issue for me. You can obviously transfer the cost of doing something from the government to the producer, but the promise here is that the reform will generate net savings, and that is where I am struggling here. I am yet to see a lot of these industries identify for me where the inefficiencies are to the point that it will make 40 per cent difference by May next year. I am interested in that. Horticulture in particular—I wanted to ask you before we talk to them—are alleging that even if they go with the AA agreements that is no good, because a number of countries will only accept a government accreditation service. So they might put this in place and it will not matter; they will still have to pay. I would like to know how New Zealand gets around that if that is the case. I would appreciate it if we could start with those.

**Mr Delane**—Perhaps I will make some opening comments. Then I will go to Mr Read, who has been dealing more directly with individual taskforces.

**Senator MILNE**—Before you do, I must complement you, Mr Read. I noticed that the horticulture exporters have said in their submission that they really appreciate the quality of the consultation that you have engaged in. Since it is mostly brickbats, I will pass that compliment on to you.

**Mr Delane**—Senator, we do not shy away—nor, I think, do any of the industry sectors—from the challenge of delivering efficiencies very quickly and, effectively, at the same rate as cost increases. But we are effectively 2½ months into this process and, as I am sure you are aware, it has not been easy to get to a very close and mature but robust partnership with all industry sectors. But I believe that we are there now with all sectors, through a lot of effort from AQIS managers and staff, and some fantastic input from industry representatives in all sectors. There has been a lot of work done to establish the foundations for those relationships. The overall reform agendas for each of them are now moving into the detailed work plans. Those sectors have sought to analyse all options. For the silver lining, it has been a going back to taws and having industry sectors really look at where they are at and where our services are at today but also about looking forward.

I think now we have established with all of the sectors a centre-of-business to centre-of-business approach, so it is not as simple as just looking at the AQIS cost schedule and playing with that. We have been saying for some time—and I think industry has now warmed to this—that the greatest savings will be achieved if we analyse not just where costs are within the AQIS part of the overall area but also in fact where costs are imposed within companies because of aspects of certification. So that has taken quite a lot of work from industry and us. We have been working through with them as to when immediate benefits can be applied through rebates, but, as I think you have heard, only two of the sectors have chosen to go with rebates; the others have chosen reform ahead of rebates, which is a pretty positive sign.

We have expressed the view right from the start that AQIS did not want to be involved where we did not need to be involved, but where we did, to ensure market access, we would be there proudly and strongly as a regulator to give export markets the confidence they required and that our exporters required.

So there has been an enormous amount of work done by a lot of people in the last couple of months. It is difficult to capture the benefits of reforms every day. They clearly are there in a cash sense for those sectors that have decided to start with rebates. Mr Read and others have been working through the individual sectors and he can talk perhaps about the pace at which we think reforms can generate those savings in each sector.

**Senator MILNE**—Thank you. I would appreciate that.

**Mr Read**—I think the clear message to establish at the start is in terms of the benefits. Mr Delane mentioned one of them. Clearly, AQIS efficiency is one area, and that is obviously going to be reflected in different fees and charges. The second is a smarter way of doing business with industry. As evidenced to us already, there are substantial dollars that can be taken out of the export chain from the industry side if we can work smartly with them, and I can give examples

of that. The third area, which is equally as important, though, as those two, is our export markets, because, if we can actually get some changes to occur on that front around the acceptance of alternative ways of us doing business, there are huge dollar implications—as well as improved market access arrangements. So it is a three-pronged attack. Two of those do not show up in our reduced fees and charges, but they do show up as improved market access and less expenditure from the industry side in accessing those markets.

Just to illustrate the point that I made about industry, the example I will mention to start with is around the export of bulk grain. ABB has had discussions with us about how we can add a lot more surety to the timing of the clearing of grain in the loading of those bulk vessels, what we can put in as a preclearance arrangement that will enable them to manage demurrage and other costs in a much more effective way than currently happens. At the moment, if we push the red button because of contamination that we identify as the grain passes by, there is a big cost on the industry side. So, what is smarter play in doing that? We are working through those types of concepts on the grain side and, as I mentioned earlier, we need to develop verification overlays so that we do not get duded as a regulator on that particular front.

In terms of market access, the two per cent protocol arrangement with horticulture is an area that we need to really focus on. That will make a substantial difference to us. The requirement in meat inspection for government employed inspectors is a big cost to industry but it is also an importing country requirement that we need to work harder on. Equally, in the run of things at the moment, as you would be aware, we have had market access issues into places like Russia, and some of the reforms that we are looking at now go to the heart of that. As I mentioned earlier, we are very solid in our food safety and integrity of product, but the world is getting harder to export to, and in that particular place we need to ensure that our certification systems are absolutely robust and tight and that we in fact present as the world leader, the shining light, in this particular area, as we occupy that export space probably more than anyone.

That is the setting that we have been running across each of the export sectors that we deal with. As Mr Delane said: frankly, nothing is sacrosanct. Everything is on the table, and we are going to look openly and objectively at every one of the ideas that industry brings to us, including, as you have mentioned, horticulture.

Do you want me to run through each of the sectors? That was the question.

**CHAIR**—There is probably not time, and you will be coming back tomorrow. Could you just answer the specific question about their claim that it is because other markets require government inspection. You mentioned a couple of things there—that that is not a cost that they can absorb, because it requires government to do it. Is that the case? That is what I am asking.

**Mr Read**—It is specific with certain countries and it is not specific with others. What I am saying to you is that it is a grey area. Those importing countries will articulate that they want official inspection. We need to work with them to understand and clarify precisely what ‘official inspection’ means. That is the trick in this; the trick is being able to provide confidence to those importing authorities that using an approved officer with the appropriate controls provides them with the level of integrity they are seeking in that choice of words.

**Senator MILNE**—Are you confident we can get that by May next year? If we do not, the reforms cannot be implemented. They are still going to have to pay for the AQIS service.

**Mr Read**—That is not the only issue with horticulture, of course.

**Senator MILNE**—No, but it is specifically one I want an answer to.

**Mr Read**—It is a crystal ball point. On that particular issue, the world is moving and is certainly getting more receptive to that concept.

**Senator MILNE**—Thank you. We might pursue that.

**CHAIR**—I am going to pass across to Senator Colbeck but, before I do, I have one quick question. How was the figure of \$40 million determined as the appropriate amount needed to bring about the reforms?

**Mr Delane**—The \$40 million that was announced in June was the approximate figure that has been applied through the subsidies in recent years. It varies from year to year, depending on the scale and type of business activity that occurs and where industry liability accounts are, but it is approximately \$40 million.

**CHAIR**—So it was determined because it was the figure that exists for the current arrangements, as opposed to looking at what the reforms would be and the price tag that would be attached to those?

**Mr Delane**—Yes, that is true.

**CHAIR**—So a bucket of money was available. What if it actually did not need that much?

**Dr O'Connell**—I might pass again to Mr Read.

**Mr Read**—The Department of Finance and Deregulation has been involved in the costings process as well, and it may be worth explaining some of that.

**Mr Read**—In terms of a target, \$40 million, we certainly had detailed discussions with the department of finance across every dollar of that amount of money, as you would expect, and the justifications for the spend of that particular level of money. But in a snapshot it can be approached in a number of ways. If you look at the meat industry, for example, and what is required to reform the meat sector in a fairly substantial way—and you have only got 12 months to do it—you need somewhere around \$20 million. That is not very hard to calculate, when you look at some of the propositions that have been proposed on that front. The market access support across these sectors will always cost \$2 million to \$3 million over that period of time to get to that point. When you look at the other sectors, like horticulture, like the grain sector, like the live animal export proposals that we had some early discussions about, again those numbers that those industries put forward supported very closely the proposition of a package of \$40 million, keeping in mind that it has also got a built-in \$10 million transition component to it that the red meat sector has been utilising up to this point. What I have just described there is a set of

numbers that gets you to \$30 million as well as the argument that was put forward by that sector to use rebates to transition their industry through to full costs.

**Senator COLBECK**—I want to go back to a couple of questions that Senator O'Brien asked. You talked about a \$30 million shortfall this year. Is that on the business-as-usual case or if the removal of the rebate is disallowed?

**Mr Delane**—That is the cost to us if there is no rebate or subsidy and the fees and charges are disallowed.

**Senator COLBECK**—If you do not have the increased income from the removal of the rebate—

**Mr Delane**—That is right.

**Senator COLBECK**—you will have a \$30 million shortfall this year.

**Dr O'Connell**—Plus around \$18 million in the—

**Senator COLBECK**—I was going to come to that. That \$18 million is also an additional cost in the liability accounts. There is currently a shortfall in those accounts as well. Is that correct?

**Mr Read**—Correct.

**Senator COLBECK**—Is that \$18 million a cumulative number or an additional number on top of that?

**Mr Read**—It is an additional number on top of what is there at the moment.

**Senator COLBECK**—So effectively you are losing about \$40 million. Do you expect to gain about another \$40 million to \$42 million from the changes in fees? From the removal of the rebate, you pick up about \$42 million. Is that right?

**Mr Read**—Can you repeat the question?

**Senator COLBECK**—You take away the 40 per cent rebate, which recoups you about an additional \$42 million.

**Mr Read**—The other way of expressing it is we increase the fees and charges for this year that certainly pick up over \$40 million.

**Senator COLBECK**—And then you are putting \$39.9 million of that back in to implement the reforms.

**Mr Read**—There is an initial reform agenda of that, yes.

**Senator COLBECK**—So effectively the industry is paying for AQIS to reform itself in that sense. You are putting the fees up, you are recouping additional funds and then you are giving some of that back for a reform process. So effectively industry is paying for the government to reform itself.

**Mr Read**—Well, industry—

**Senator COLBECK**—That is the way the equation works.

**Dr O’Connell**—I think that would be to look at it as a trade-off, and—

**Senator COLBECK**—It is a perspective issue, I understand.

**Dr O’Connell**—Very much. One is a cost recovery and we are just recovering the cost of the services, and the other is a government program to provide reform. So it would not be accurate to say that they are paying for the reform in that sense.

**Mr Delane**—To go further: some of these reform strategies in fact will lead to improvements within exporters’ businesses as well as improvements within our business.

**Senator COLBECK**—That is what we are all hoping, because, if they do not achieve those, the screams will be loud and long. The issue is not the reform process; it is the process by which the reform process is occurring. That is why we are going through this inquiry discussion right now. That is fundamentally why we are doing it.

**Mr Delane**—As Mr Read pointed out using the grain example, there are opportunities by working very closely together for businesses to identify savings within their businesses as well as potential savings within our part of the process.

**Senator COLBECK**—Are there any activities in the greater DAFF budget that are not funded beyond the end of this financial year?

**Dr O’Connell**—As a rule some programs would drop off. I could not tell you off the top of my head which ones. We would have to look at budget papers to see which had estimates and which did not.

**Senator COLBECK**—So all of the programs that are in the budget that do not have funding beyond 2009-10 or, say, 2010-11 are automatically ceasing programs.

**Dr O’Connell**—Yes. If there is nothing in the forward estimates and there is no further decision of government then they cease.

**Senator COLBECK**—That is the pertinent point: if there is no decision of government. I know I am going over old ground that we discussed at estimates. It is the hoary chestnut.

**Dr O’Connell**—There are different sorts of appearances in the budget.

**Senator COLBECK**—I understand exactly what you are saying to me. For a program in the budget not being funded beyond, say, June 2011 to be funded beyond that point, a government would have to make a decision to fund it beyond that point.

**Dr O'Connell**—Yes.

**Senator COLBECK**—I am trying to deal with the assertion that Senator O'Brien made that the previous government made a decision not to continue this. In estimates previous ministers disavowed that assertion and, for the purposes of the record, I just wanted to go back and put that on the record. It is a discussion we do not really need to have. I think most of us have moved past that now.

**Dr O'Connell**—My perspective on it is a very simple one, and it is from the budget management and program management perspective. There are different things that happen in the budget. Sometimes you will have money in the forward estimates for a lapsing program and it will still require a decision of government to make that happen. Other times you will have a program which lapses and there are no funds in the forward estimates, in which case from the perspective of the budget and the government of the day that is a program which ceases. Without a decision, that is a program that ceases. That is what we are talking about here. It is a moot point as to what is the potential intent of government.

**Senator COLBECK**—I understand that perfectly. Senator O'Brien is putting a perspective on the record that I am just countering. I could quite easily say that if you look beyond this financial year's budget there is no money in the budget for drought funding; likewise, we have had that argument publicly.

**Dr O'Connell**—The drought, of course, is a different issue. It is managed on a year by year basis.

**Senator COLBECK**—I understand that and I do not need to take it any further. The Beale review has been referred to us also. How much did the Beale review recommend be spent on this reform process?

**Dr O'Connell**—I stand to be corrected, but I think the point that Beale makes is not about a requirement for spending on a reform process but is more saying that there is no justification in public policy terms for the subsidy to continue.

**Senator COLBECK**—But he did make a considerable recommendation for reforms of things like IT which are going to be necessary as part of this process. He made a recommendation that close to a quarter of a billion dollars be spent on reform processes.

**Dr O'Connell**—There is a whole set of funding recommendations and reforms proposals that Beale made. But, when we are talking about the specific set of reforms that Mr Delane and Mr Read have been pursuing with those areas of industry, there is no particular proposal from Beale in terms of a funding component for that.

**Senator COLBECK**—Likewise, the issue of effectively making industry pay for the government to reform itself when the government could make a decision to put in substantial



funds, which is one of the arguments which have been put forward as part of this process from industry and others—

**Dr O’Connell**—I would have to question the premise of that, in that the industry is simply being asked to pay for the cost of the services. There is a separate component of funding that the government is putting in to pay for the reforms. That is an appropriation component. As for industry, what we are suggesting in terms of the cost recovery changes is simply that they pay the cost of the services as they are.

**Senator COLBECK**—We will not spend any more time on that, and I think the discussion has been had. I want to go to the progress on the industry plans, and Senator Milne did touch on that to a certain extent. We have received two fairly detailed plans. I want to get some sense as to the time lines as far as this process is concerned and also offer a brief comment. We heard the grains people talking about their concerns about the time lines being a bit ambitious. I understand that the time frames around the beef reforms have had to be modified. So I am expressing the concerns that Senator Milne touched on about the capacity to actually deliver these within the time frames that we have available.

**Mr Read**—There are two points to make. Opening with Senator Nash’s comment, we have here the documents, the six reform agendas, which I am happy to provide to the committee. You have got the detailed work plans that sit behind those. In terms of the work plans themselves, they are ambitious, they are complex, they cover six industry sectors and they are very broad ranging across each of those sectors. Is there potential to deliver against those reform agendas by 30 June? That has been our desire and our objective and that is what has been built into those plans at this stage. I believe there is nothing that I have seen in there at this point—both for the plans that are finalised but equally for the ones that we are finalising over the ministerial task forces over the next three or four weeks—to suggest that we cannot meet substantially the time frame of 30 June.

**Senator COLBECK**—So are there any contingency plans built into those things to deal with it? The grains industry have been quite open and upfront about their concern about reaching it within that time frame, given potential legislative requirements and things of that nature. There would have to be other considerations as part of that as well.

**Mr Read**—There will be. Legislative issues are things that can be put in train and the process pursued through, and some of those processes will probably take over 12 months. As for the discussions as to market access, it is as I mentioned earlier. We will set those in place and we can only work with those import authorities to make those adjustments as we go forward. But, equally, from our certification side, where we do not have, for example, full agreement by a market to do a particular action on this side we put a compensating arrangement in until we get that in place. Most of those cases that we have been looking at still substantially drive us towards the reform objectives that we are looking for. As you are saying, we have plan B just about sitting there for most of the items that we are looking at driving forward.

**Senator COLBECK**—How detailed is the work that you have done across all of the six so far on acceptance of the change in process in our export markets?

**Mr Read**—Fairly detailed. By that I mean I have already had one set of discussions, in June, in Europe and the United States. We have got another team heading off next week for the same set of discussions. We have had a round of discussions in Asia as well.

**Senator COLBECK**—How well is that understood within the various industry sectors?

**Mr Read**—That is communicated back to those industry sectors.

**Senator BOSWELL**—Madam Chair, on a point of order: are AQIS coming back?

**CHAIR**—They are. I was just about to point that out.

**Senator COLBECK**—I was going to make the same point. I do have one question more but I am happy to leave that until a little bit later if there is time. I am happy to move on. I can come back to some of this if there is still time.

**CHAIR**—I think we had better make sure if there are any questions for Dr O’Connell as he is not back tomorrow, as I understand it.

**Dr O’Connell**—Possibly I will be, but it depends on the planes.

**CHAIR**—We will go to Senator Back.

**Senator BACK**—Gentlemen, thank you very much for coming. Firstly, I refer to the figure of \$39.4 million that was confirmed at 21 August. What was the figure allocated on 1 July 2009?

**Mr Read**—Sorry, it was as at 1 July 2009?

**Senator BACK**—Yes, the beginning of this financial year.

**Mr Read**—For this reform agenda?

**Senator BACK**—Yes.

**Mr Read**—There was no figure allocated until we agreed on the costing with the department of finance. The figure that was agreed with the department of finance was \$39.4 million.

**Senator BACK**—So no figure was announced until such time as that figure was agreed with the department?

**Mr Read**—The number was up to 40 million. As I said earlier, the department of finance scrutinised every spending initiative that was in that proposal and the number that has been set is 39.4 million.

**Senator BACK**—Within that figure of \$39.4 million, how much, if at all, is allocated to redundancies should they actually be required as part of this reform process?

**Mr Read**—We are still working through the detail of the answer to that question. I do not want to pre-empt it with a guess.

**Senator BACK**—But there is the likelihood that some of those allocated dollars will actually be going towards redundancies?

**Mr Read**—That is correct.

**Senator BACK**—Given the fact that the meat industry accounts for three-quarters of the whole exercise, can you tell me if, as part of the reform process, it is likely that there may be some hierarchy of exporters? In other words, those who have a proven track record of compliance over time end up perhaps not being subject to the same level of rigour and therefore cost, subject of course to occasional audit et cetera. Is that a likely reform that might be able to be carried out? Do you understand what I am saying? In other words, if someone is compliant time after time after time with inspections, they actually could have a slightly relaxed export certification process and therefore achieve savings.

**Mr Read**—That reform outline that you have described it on the table across all of those commodity sectors.

**Senator BACK**—On the table?

**Mr Read**—Yes. To do it you cannot guess as to what is good performance and bad performance. You need to have the infrastructure in place. Part of this reform agenda is getting that infrastructure in place and then commensurately it is based on performance: good performance, less verification and fewer audits; poorer performance, more intensive responses.

**Senator BACK**—And that, presumably, will form part of your discussions with European importers and others?

**Mr Read**—It will where countries prescribe, for example, monthly visits. If we have to move away from that we need to then describe on what basis we are moving away from it without simply just backing out of an obligation.

**Senator BACK**—Finally, I just want to confirm, Mr Delane, that you are the executive director of AQIS and in that capacity you are a deputy secretary of the department.

**Mr Delane**—It is the other way around.

**Senator BACK**—Certainly, but each are interlinked to the other?

**Mr Delane**—Yes.

**Senator STERLE**—So, Dr O'Connell, if the fees are disallowed what will be the total impact on the biosecurity budget for 2009-10 and 2010-11?

**Dr O'Connell**—Roughly, the total impact on the department overall will be roughly \$103 million partially sitting in the industry accounts as debts essentially, which would go onto our balance sheet, and partly—

**Senator COLBECK**—Over what time was that?

**Dr O'Connell**—Two years, and, obviously, a large chunk simply out of the capacity of the department to fund basically its staff doing this work.

**Senator STERLE**—So if the opposition and the Greens vote disallowance of the regs there will be a \$103 million black hole in our biosecurity?

**Dr O'Connell**—In the department overall and its balance sheet and running costs.

**Senator BOSWELL**—What efficiencies have AQIS promised to deliver for the beef industry?

**Mr Read**—AQIS has been working very closely with the meat industry to develop a range of reforms across the delivery of meat inspection services, on AQIS's verification of those plants, the use of technology and how we can place ourselves with industry in a smarter way in that regard—taking costs out of our side, taking costs out of the industry side. We are looking at market access issues and legislative issues of concern.

**Senator BOSWELL**—How does AQIS currently determine how many meat inspectors are required for each abattoir? Is there a formula for throughput?

**Mr Read**—There is a meat inspection staffing standard that has been in place for a number of years. It has been used up to this point as a reference guide.

**Senator BOSWELL**—Will that formula change throughout the reform process, so that there will be fewer inspectors doing the same work?

**Mr Read**—The point we have made from the start of this, with any of those particular sectors that we have been talking to, is that it is not about anyone working more intensely, as we describe it, or putting one more bead of sweat on their brow than currently. It is about how we apply those resources in a much smarter way. In terms of those individuals and their functions, as they are conducted now, we are looking for opportunities to change the balance between us and the companies as to who performs which functions and then will seek derogation where we can get scientific argument to support that with a range of markets.

**Senator BOSWELL**—So you are saying there will be no meat inspectors made redundant or will there be meat inspectors made redundant?

**Mr Read**—I did not say that.

**Senator BOSWELL**—Are there going to be meat inspectors made redundant?

**Mr Read**—I mentioned earlier that there is a substantial amount of funding here for redundancies where we identify those areas.

**Senator BOSWELL**—Who is going to pay for these redundancies? Is that picked up in the savings?

**Mr Read**—That will form part of the \$39.4 million.

**Senator BOSWELL**—How many meat inspectors are based in towns that do not have abattoirs?

**Mr Read**—I cannot answer that. I will have to take it on notice.

**Senator BOSWELL**—Can you answer that tomorrow?

**Mr Read**—I am not sure I can. In towns that do not have abattoirs?

**Senator BOSWELL**—I know one and they have to drive to towns that do have abattoirs.

**Mr Read**—I am not sure I have all the addresses of everyone, in terms of the towns and the abattoirs.

**Senator BOSWELL**—You must know who you have to pay travel allowance to and so forth.

**Mr Read**—If the question is ‘Who has been approved to operate under a reassigned arrangement?’ I can certainly answer that.

**Senator BOSWELL**—The question was: how many meat inspectors live in towns that do not have abattoirs?

**Mr Read**—I cannot answer that.

**Dr O’Connell**—We will take that on notice and see if we can have a stab at that.

**CHAIR**—Senator Boswell, we will have to conclude your remarks and perhaps flow those over to tomorrow when AQIS is back.

**Senator COLBECK**—Dr O’Connell, could you give us an indication of the conversations you have had with Austrade over the last 48 hours with respect to this?

**Dr O’Connell**—I have not had any conversations with Austrade.

**Senator COLBECK**—No-one from within the department?

**Dr O’Connell**—I think the deputy executive or the director or Peter Yuile may well have had a conversation with Rob Delane and may well have had a conversation with one of our other acting deputies to explain the background to the Austrade position, but that is all we have had.

**Senator COLBECK**—Can Mr Delane give us some detail of the conversation?

**Mr Delane**—That is a summary—a simple explanation of the background of the situation and a request for provision by us of background to the reform agenda.

**Senator COLBECK**—So it was a request of you to give them background or for them to give you background on their situation?

**Mr Delane**—Mr Yuile gave me a very brief summary of the situation regarding the handling of the situation by Austrade and requested that we provide some background information on the export certification reform package, which we have done.

**Senator COLBECK**—So that conversation occurred post their original submission being forwarded to the committee and the publicity that followed that?

**Mr Delane**—That is right.

**Dr O'Connell**—Post both—post the submission and I think post Mr Yuile writing again to Senator Nash as the chair.

**Senator COLBECK**—But there has been effectively no communication on this process prior to that between the two agencies?

**Dr O'Connell**—Not to my knowledge.

**Mr Delane**—Not to my knowledge.

**Senator COLBECK**—Mr Read?

**Mr Read**—No, not to my knowledge, supporting what Mr Delane has said.

**Senator COLBECK**—So all through this process and the development of the reform process there has been no consultation with Austrade?

**Dr O'Connell**—My understanding is that the Austrade submission was put in without Austrade discussing—

**Senator COLBECK**—I understand what you are saying, but that is not what I am asking. A fairly significant reform of an export process is occurring and what I am trying to get to the bottom of is: was there any communication of that reform process and discussion of that reform process with Austrade, who I would have thought would have some understanding of what was going on in this process?

**Dr O'Connell**—I believe we have engaged with the Department of Foreign Affairs and Trade. Austrade is part of that.

**Mr Delane**—Just to be clear, we are talking about reform of the export certification process, not of a trade of an export process—just our part of that.

**Senator COLBECK**—Point taken, Mr Delane, but—

**Dr O'Connell**—The appropriate part of the portfolio would be the Department of Foreign Affairs and Trade as opposed to Austrade. It is the trade policy people in the area.

**Senator COLBECK**—But the Austrade people do work extensively with clients, and the export certification process is a significant part of what they deal with.

**Dr O'Connell**—In those consultations we would operate with a policy area and expect them to manage anything within their portfolio. That would be the normal process.

**Senator MILNE**—Just to follow up from what Senator Colbeck's question, Mr Read, in the discussions about access to overseas markets and whether overseas markets are going to accept certification that is not government certification in the way we currently know it, do you talk to Austrade or to Foreign Affairs?

**Mr Read**—Foreign Affairs and Trade at those particular posts. There are a range of people in those posts. Whoever the relevant people are, it is mainly the Foreign Affairs and Trade people that we talk to.

**CHAIR**—We will have to stop there. Thank you very much for giving us your time this evening.

[7.02 pm]

**YUILE, Mr Peter William, Deputy Chief Executive Officer, Austrade**

**CHAIR**—Welcome. I remind senators that the Senate has resolved that an officer of a department of the Commonwealth or of a state shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to a minister. This 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 when and how policies were adopted. Officers of the department are also reminded that any claim that it would be contrary to public interest to answer a question must be made by a minister and should be accompanied by a statement setting out the basis for the claim. Mr Yuile, would you like to make an opening statement before we proceed to questions?

**Mr Yuile**—Yes, I would like to make a few opening remarks. Firstly I would like to address the circumstances of Austrade's submission to the committee and the subsequent clarification and withdrawal. That is a matter that has obviously received a lot of attention in the media and also in parliament. Austrade has established procedures for developing and approving our submissions to parliamentary committees and inquiries, but on this occasion our submission to this inquiry was not approved by me or another member of the Austrade executive. We regularly prepare submissions and provide advice to the parliament, and an oversight like this has not happened before. So I think the first thing I need to do is to apologise to the committee for that oversight. It is a matter of regret and embarrassment and I have taken immediate steps to ensure our protocols are reinforced with a view to not having that happen again.

**Senator McGAURAN**—The witness is making a statement—

**CHAIR**—One moment, Senator McGauran. The witness is making his opening remarks.

**Mr Yuile**—There have been assertions that Austrade was pressured to withdraw this submission and I wish to refute those absolutely. This Tuesday last evening I became aware that a submission had been tabled with the committee. On checking it, it became clear that the submission had been prepared at short notice and had not been properly checked or approved. Having checked those facts and following a routine portfolio meeting with the Minister for Trade on Wednesday morning, which is a regular thing during the sitting period, I spoke to the minister, I explained that there had been a mistake and I offered my apologies to him. I explained that there had been a failure in our process and I wished to correct the record. Clearly, the only way to correct the record was to write to the committee, and that is what I have done.

I was telephoned, on receipt of my letter, by the committee secretariat, seeking a view on what to do with the submission. My point was to correct the record and I deferred to the secretariat and to the committee in terms of whether the submission should be removed from the website. Then, following a phone call this morning, I wrote to the committee again to formally have the submission withdrawn on the basis that it did not reflect Austrade's considered position. So I just thought I needed to make those things clear. Apart from that, Senator, I am here to take questions.



**CHAIR**—Thanks, Mr Yuile. Senator Colbeck.

**Senator COLBECK**—Thanks, Mr Yuile, and thank you for your apology; it is appreciated. Is it possible for you to table for us—and you might have to get advice on this; I appreciate that—the protocol that you have for clearing these submissions?

**Mr Yuile**—It is an internal procedure. I can—

**Senator COLBECK**—Could you briefly describe for me what would normally occur.

**Mr Yuile**—Sure. Normally, if we were requested to make a submission or we chose to make a submission, we would prepare that with the relative operating divisions; we would clear it through the organisation at a senior level, at the executive level; and we would normally—and this has been the practice over successive governments—send a submission to the minister informing him, or advising him, of the submission going forward and then lodge the submission. That is what we would normally do. That is what we typically do for parliamentary inquiries or parliamentary committee requests for reports.

**Senator COLBECK**—Effectively there is a process where it comes through the senior executive service and then into the minister's office and then—

**Mr Yuile**—It comes through the executive of the organisation; that is right.

**Senator COLBECK**—Is it always signed off by the minister prior to coming to the relevant committees?

**Mr Yuile**—I have been in the organisation a relatively short time and we have done a few submissions. It has been sent to the minister and the minister's office through a submission as an advice, so it is forward information. I guess if it were a sensitive issue you would—as, again, typically the practice has been in successive governments—seek the clearance of the minister. But neither of those things were done on this occasion.

**Senator COLBECK**—Did you receive the committee's request to bring the officers who prepared the document to the committee this evening?

**Mr Yuile**—I did get it late this afternoon.

**Senator COLBECK**—And that was not possible?

**Mr Yuile**—I guess I come from a background where the senior officer responsible should appear before the committee and take the responsibility.

**Senator COLBECK**—I will go to why I asked the question. Despite the fact that we have been advised that the submission does not reflect the government's views, obviously—

**Mr Yuile**—No, sorry, it does not reflect the organisation's view. That is what I said in my letter and that is certainly the case.

**Senator COLBECK**—That is fine. I accept what you are saying. It does not reflect the organisation's view.

*Senator McGauran interjecting—*

**CHAIR**—Senator McGauran, we are very short of time.

**Senator COLBECK**—I think the government has also said that it does not reflect the government's views, and I am happy to accept that that is the case. That is not a point of argument. But my interest in what was in the submission was that obviously the officers had been working with people who are involved in the export process and had formed the view based on that. It might not have been a full view of the industry, which did not allow them to make a fully informed decision—and I think that has been part of the discussion—but I was interested in the cohort that people were talking to and therefore getting a sense of why that came up. Am I within the rules there, Chair?

**CHAIR**—I think you are okay.

**Senator COLBECK**—Thanks. I am trying to be sensitive to the situation that we find ourselves in.

**Mr Yuile**—We do deal with clients, obviously, all the time, and in this instance some of our advisers had received informal information from some of their clients that there were concerns about the charges. These go back, I might say—as I have discovered since I have gone into this—to before the announcement of the government's package in June and the reform processes. What we would ordinarily do—and what we did do in this case—is that we would refer the exporters to the relevant primary policy area. That is the normal process, and that is what we did do. The development of the submission that was prepared was to reflect the views of those few exporters that had raised issues with our export advisers. It is not a very large group, it is not a comprehensive group, and, clearly, whilst I have got some background with AQIS and the export certification process, I did look into understanding what had been happening in the last six months in more detail. I have not been across that in detail to see the sort of level of consultation in these industry-AQIS ministerial task forces.

**Senator COLBECK**—The discussion that you had with the department and AQIS post—

**Mr Yuile**—I got a copy of the submission that the department had made, or AQIS had made, to this inquiry and I also rang just to clarify any further background that I might need. I explained that this submission had been forwarded without clearance and clearly I was concerned about that, and, in offering to come to the committee, I needed to prepare myself more fully.

**Senator COLBECK**—I asked DAFF about their consultation with the broader department. It concerns me that the information has not filtered down into a unit that is front-line dealing with these issues and talking to people about how they manage an export process and interact with various agencies. How would you find yourself in the situation where you are effectively isolated from something that is as active as it is—although there is obviously some communication from industry into the department, but not the other way?

**Mr Yuile**—I am not sure I am completely with you. Ordinarily we are dealing with exporters all the time. They are not all in the agricultural sector, but those that we do deal with, if they raised this sort of an issue, we would refer to the area that had primary policy responsibility. In this case, because there was a consultation process going on, I understand why we would do that, because that was the primary way which the government was dealing with this issue. Export advisers, of course, are—

**Senator COLBECK**—But they are dealing at the coalface all the time and, with an issue like that cropping up, I would have thought it would be important that they have an understanding of the process, where it is all going to. It is probably pertinent that you got submission No. 13—or it was submission No. 13.

**Senator O'BRIEN**—What does that mean?

**Senator COLBECK**—It does not mean anything. It's just one of those nasty coincidences.

**CHAIR**—An observation.

**Senator COLBECK**—But it has brought us to where we are right now, hasn't it?

**Mr Yuile**—Well, clearly, some exporters have raised issues, and that was what was reflected. And, I am told, our exporter adviser did refer them to the consultative process, so he was aware of it. I have not been following that issue in detail—I guess that is what I am saying. But those relevant advisers in the agribusiness agriculture area were aware, and they did refer them to the consultative process.

**Senator COLBECK**—Does Austrade now have a view, or is there an official view that you can put to the committee, on this situation?

**Mr Yuile**—I am very aware that the whole question of charging and of export certification is a complex one. Clearly, change is going to be challenging. The government's decision flows from the recommendations of the Beale committee, a subsequent decision with respect to the cost recovery elements, and then a further decision to introduce a very important reform package. We are very supportive of seeing that process continue. We will support any exporters in participating in that process, and that is what we will continue to do in terms of referral. Beyond that, once the package is implemented, if exporter clients raise issues with us we will refer them to AQIS, if it is indeed an AQIS issue. We could also go directly to AQIS, and that is what we would do. But, given that there has been this process involved, that is what we have done—we have referred them to the appropriate process and supported that.

**Senator O'BRIEN**—Mr Yuile, you have previously been an officer in the department. You have also been an officer with AQIS, haven't you?

**Mr Yuile**—I have.

**Senator O'BRIEN**—I guess that is what staggers me a bit: that, given your knowledge, an officer in your department would not think to, for example, bring to you a submission about

AQIS and its charging regime—which I suspect you would know a hell of a lot more about than that officer—before submitting it to the committee. Is that a fair comment?

**Mr Yuile**—Yes, it is a fair comment. I was surprised and disappointed that it was not raised with me before—

**Senator HEFFERNAN**—Would you know a lot more than—

**Senator O'BRIEN**—I am asking the questions, Senator Heffernan.

**Senator STERLE**—Chair, Senator O'Brien has the call.

**Senator O'BRIEN**—I do not want an extensive amount of time, Senator, but we are trying to run this in an orderly fashion so that people have a chance to ask questions and we are not interrupting. Austrade's normal role, as I understand it, is that Austrade deals with particular exporters and, on a cost-recovery basis, provides a particular service to assist them with their export business—is that a fair description?

**Mr Yuile**—Yes. That is correct.

**Senator O'BRIEN**—So Austrade is a cost recovery operation—an organisation under the department of trade, but which has cost recovery for exporters?

**Mr Yuile**—Cost recovery is an element of our activity, that is correct. Where we provide a tailored service, where there is a private good and a private return, we charge for those services. There are other instances where we are providing, obviously, public-good services and information, and we do not charge for that.

**Senator O'BRIEN**—Can you give us some examples, just so we can understand any difference?

**Mr Yuile**—If an exporter is looking at a market and seeks our assistance with setting up a program, developing private meetings, establishing potential contacts with agents—that sort of market intelligence and advice—then they would be charged for that.

**Senator O'BRIEN**—Meeting obligations of entry into other markets?

**Mr Yuile**—Sure; if we are giving them particular advice, if they seek advice on the entry requirements, the regulatory requirements, the certification, the standards—whatever it happens to be—then, if we do that research for that individual, we would charge for it.

**Senator O'BRIEN**—The difference would be that, in some cases, AQIS is a mandatory accreditation service, if I can call it that, accrediting an Australian product whereas some of the services that you provide are optional.

**Mr Yuile**—They are optional and they are contestable. Exporters are not obliged to use us. They can use other agents.

**Senator O'BRIEN**—Thank you.

**Senator BACK**—It seems to me this whole exercise has been a storm in a teacup, hasn't it?

**Mr Yuile**—You may well think so, Senator. It is an embarrassment for us because it was not a properly considered and cleared submission. In the broader scheme of things this may not continue to be an issue. Certainly, I am disappointed about it and so from that point of view it is an issue.

**Senator BACK**—It seemed to me that the submission reflected not necessarily a view of Austrade but simply a view of exporters who had represented themselves to you as a body in which they have confidence in terms of export activities.

**Mr Yuile**—I think that is correct. There were a few exporters, clients, who obviously raised concerns about charging. It is understandable, given that we are dealing with them on a range of other issues, that we would assist them with their export activities.

**Senator BACK**—To what extent, if at all, do you think this is going to cause some exporters to lose confidence in communicating with Austrade in relation to their export activities?

**Mr Yuile**—That is a difficult one to answer. I would expect that if exporters raised their concerns with us, particularly where there is a major policy process and consultative process, we would continue to refer them. If they sought for us to make some representation with the body concerned then of course we would consider that too. I would hope that we would continue to do that.

**Senator BACK**—So would I. Thank you.

**Senator BOSWELL**—I am a little concerned about this. When a senior service such as Austrade puts on paper the concern of their exporters or their clients and that is reflected on a piece of paper that has since been withdrawn I wonder whether the person who did it should be commended for his honesty or condemned for his foolishness.

**Mr Yuile**—I am not sure whether that is a question or a statement but I would say, as I said earlier, the submission was prepared on the basis of the representations or the information that had been passed to our advisers.

**Senator BOSWELL**—Isn't that the way you would normally prepare a submission—you take information and then you reflect that?

**Mr Yuile**—Normally, if you were doing a major submission you would, of course, canvass the whole field. As it has been explained to me, we had some individual clients in the animal genetics area, representatives from the bee industry and representatives from Wildflowers Australia who were the people who raised these issues with us as well as with the National Herd Improvement Association. The export adviser concerned referred those people to AQIS because that is where the issue needs to be resolved. We have not had contact with other industry associations. We have not sought that. That has been a process obviously that has been pursued

by the department and with AQIS and that is as it should be. I cannot really go further in explaining that to you, Senator.

**Senator BOSWELL**—There is not much more that we can ask. There are obviously some concerns in your department that the charges are going to inflict some heavy burdens on some industries and that was reflected in the statement that was put down.

**Mr Yuile**—What I have tried to explain is that the people drafting that were reflecting the representations made to them.

**Senator HEFFERNAN**—Were those representations from only those few people?

**Mr Yuile**—That is correct. They are the only ones that have been raised with me.

**Senator HEFFERNAN**—What sort of half-baked exercise is that?

**Mr Yuile**—Precisely, which is why I would not have put forward a submission.

**Senator HEFFERNAN**—So you are saying that the only representation—

**CHAIR**—Let him finish answering the question.

**Senator HEFFERNAN**—The reflection in Austrade's report that got shoved that only expressed the view of four or five people—

**Mr Yuile**—No, what I said was that the exporter's clients who had raised issues with us were exporters from the genetic material area, I am told representatives from the National Herd Improvement Association, representatives from the Honey Bee Industry Council—

**Senator HEFFERNAN**—Did you invite those people or did you invite everyone?

**Mr Yuile**—As I said earlier—and maybe you were not here—we were not conducting any process; the process—

**Senator HEFFERNAN**—Why did you make the submission with no process?

**CHAIR**—Let him finish.

**Senator STERLE**—Stop barging in halfway through.

**CHAIR**—Everybody just stop. Let the witness finish his answer, Senator Heffernan.

**Mr Yuile**—That is correct, Senator Heffernan. Frankly, that is right. I would not have been putting in a submission had it come to me when I had found out that these legitimate concerns from people—I am not denying those concerns existed—were from a small group.

**Senator HEFFERNAN**—Yes, but—

**Mr Yuile**—No, let me finish. This is a small group. We were not canvassing the views of industry or broader industry associations. There is a broader process going on there.

**Senator HEFFERNAN**—But did you know that your man, the author, who has obviously had his thing withdrawn, was authoring a document?

**Mr Yuile**—No, I was not aware that this was being prepared.

**Senator HEFFERNAN**—Well, who in the department knew that he was authoring the document, except the author?

**Senator STERLE**—Chair, through you, if Senator Heffernan had been here—

**CHAIR**—We have discussed this, Senator Heffernan.

**Senator HEFFERNAN**—Right oh, so there were 28 submissions. If it is a poll of how many in favour and how many against, there were 19 were against the government's position, nine were for it—four strongly. I noticed that the minister this morning was well briefed on, because he mentioned the grain people. The grain people do not have the cost inputs. That is why you have got them there and that is why we have got them here. There were five mildly for the government and four strongly. The minister was well briefed. He raised them.

*Senator Sterle interjecting—*

**Senator HEFFERNAN**—There were 19 against. If it is just a poll on who is for and who is against, it is not going to work. The industry is seriously concerned in some points. What is Austrade's role in making a submission? What is the role of Austrade?

**Senator STERLE**—I am sick of the verballing.

**Mr Yuile**—In this instance, given the nature of the inquiry, I believe it was more appropriate, obviously, for the industry representatives—

**Senator COLBECK**—Point of order, Chair. I cannot hear for Senator Sterle's noise. If you could ask Senator Sterle to be quiet so I can hear.

**Mr Yuile**—Wait until I get out into the paddock, Senator.

**Senator HEFFERNAN**—No, you're alright—just talk up a little bit.

**Mr Yuile**—What I said earlier was that ordinarily in these circumstances where a major process is being conducted by another policy agency we would refer the client to that agency. I am told that that is what we did. The export adviser was aware of the issue, was aware of the inquiry, saw the inquiry request for submissions and reflected in the draft that they had prepared the representations that had been made to them. I would have made a judgment—well, I did not have an opportunity to make a judgment. It did not come to me. We did not canvass a broader cross-section of industry or industry associations, which is what you would ordinarily do in trying to give a balanced perspective.

**Senator HEFFERNAN**—But what is wrong with the submission that says, as it does, that these people are concerned about this and the impact it will have upon them? Why can't that be reflected? Why does it need to be withdrawn?

**CHAIR**—Senator Heffernan, Mr Yuile has already answered that question earlier. It is not the considered view of Austrade. That question has been answered.

**Senator HEFFERNAN**—So the guy who authored it, did he not hear from anyone else?

**Mr Yuile**—Not that I'm aware of.

**Senator HEFFERNAN**—Did you ask him? Have you had a discussion with him?

**Mr Yuile**—Yes, I have. He indicated that they were the groups who had indicated—

**Senator HEFFERNAN**—How did they get to him?

**Mr Yuile**—They know him. He is an export adviser. He is working in the agricultural field.

**Senator McGAURAN**—Senator Heffernan makes a good point. It is quite obvious that this report reflects the greater majority of your clients, when it reads 'undesirable economic impacts that will reduce Australia's competitive ...'—

**CHAIR**—Senator McGauran, can I just hold you up there, please.

**Mr Yuile**—You are verballing me now. The person who drafted this submission was clearly reflecting the representations that were made to them by the people I have mentioned.

**CHAIR**—Mr Yuile has answered that question.

**Senator HEFFERNAN**—So do you think that we—

**CHAIR**—Senator Heffernan, just one moment. Mr Yuile answered that question earlier. I do not think we need to go down that track again. I am just letting you know that you have one last question. This is the last question.

**Senator HEFFERNAN**—The big question for the industry, for instance, for the dairy industry, where they have just whacked a big subsidy on manufactured milk in Europe and in America, do you really take into consideration in considering this—and sure, the government has got a position and I am sure these blokes are here to prosecute it—the impact on the industry?

**Mr Yuile**—In what respect, sorry?

**Senator HEFFERNAN**—If this is implemented, if this subsidy is withdrawn, given the rising dollar, given the fact that for instance the wool industry is not viable at the present time and neither is the dairy industry, do you actually take into account—do you have a little poll to say



there is four against and five something else—or do you say, ‘What is the general impact?’ because obviously in a summary, the grain industry is barely affected by this? The industries that are seriously impacted are the smaller type boutique industries. That is for sure.

**CHAIR**—Get to the point of the question, Senator Heffernan.

**Senator HEFFERNAN**—Some of the big fellas—the live export fellas—are not impacted. Do you actually consider the impact? How do you arrive at a position?

**Mr Yuile**—If we were doing a broader consultation and study, there are a whole raft of factors.

**Senator HEFFERNAN**—But why haven’t you done a broader study?

**Mr Yuile**—Because it is being conducted by the policy agency responsible. We are a trade development agency. We have promotional activities, we promote investment into Australia, we work with clients—of course we do—and if those clients have views on policy issues we clearly refer them to the relevant agency.

**Senator HEFFERNAN**—One to go. If I rang the author—

**CHAIR**—No, we are concluding, Senator Heffernan. We had agreement to conclude at 7.30.

**Senator STERLE**—You are out of order.

**Senator HEFFERNAN**—Can you guarantee—

**Mr Yuile**—Could I answer that?

**CHAIR**—You may.

**Mr Yuile**—That is really good point. You have touched a really important point. It was in the letter from the Senate committee—in fact, Ms Jeanette Radcliffe, who I have not met. There is absolutely no suggestion that there would be any discipline or intimidation of the person. Someone made a mistake in terms of releasing the document to the committee before we had properly cleared it. That is a mistake. For that I will apologise.

**Senator HEFFERNAN**—But, isn’t that—

**CHAIR**—Senator Heffernan!

**Mr Yuile**—There will be no disciplinary or other—

*Senator Heffernan interjecting—*

**CHAIR**—Senator Heffernan, no! That concludes today’s hearing. Thank you to all witnesses who appeared. Thank you, Mr Yuile, very much for appearing this evening.

**Committee adjourned at 7.32 pm**