

## Estimates 1 July 2011

### Primary Industries and Resources

**Mr PEDERICK:** I refer to Budget Paper 4, Volume 3, page 185, the first chart, Expenses. **Total expenses** budgeted for 2011-12 are \$181.7 million. The 2010-11 estimated result is \$216.3 million from an estimate of \$225.6 million. In 2009-10, the budget was \$285.6 million. Does this drop in three years of \$104 million, and I quote, 'To deliver specialist services and advice across South Australia, fostering growth and development, prosperity, quality of life, while supporting environmentally sustainable development of the state's resources,' to quote the description objective at the top of the page reflect the Labor government's attitude to the importance of agriculture to South Australia's overall economy?

**The Hon. M.F. O'BRIEN:** Member for Hammond, probably the most significant movement over those years has been the one-off payment of \$57.167 million in the Jervois to Langhorne Creek and Currency Creek irrigation pipeline. That could be seen as capital expenditure, but the treatment has been that it has been expensed. The most significant component in that movement has been the \$57 million one-off in 2009-10.

In passing over to the Chief Executive, I will also make note of the fact that we had the plague locust emergency response, the state drought response measures and the exceptional circumstances interest rate subsidy program measures embodied in those figures. Now we are out of drought and, hopefully, we have dealt with the locust issues. In my opening statement, I mentioned that that was largely responsible for budget movements, and that is also reflected in expenses, but the Chief Executive may have more to add.

**Mr KNIGHT:** The member for Hammond is right in pointing out that the movement between the 2009 actual figure published this year and the 2011-12 budget does look to be of the order of \$100 million but, as the minister has just indicated, there are some very large one-off movements in there that contribute to the greater part of the \$100 million.

The biggest component relates to the payment that PIRSA made for the construction of the pipeline from Jervois to Langhorne Creek, but also there were significant payments in the 2009-10 year that related to payments for drought, including the EC payments to landholders. As the minister said in his opening speech, there is very little funding in the 2011-12 budget for that purpose, because there is there only one area any longer in EC.

So, there is very little in the 181, but there is a lot; I do not have the figures in front of me, and I would be happy to provide a table that shows the detail. Behind all of that, of course, there are some savings over what represents two financial years, but nothing like \$100 million. I would be guessing, but it might be \$10 million in actual real savings. So, there are no suggestion that there are no savings in that, but to suggest that there is a \$100 million reduction would be fairly misleading, I think.

**Mr PEDERICK:** It is straight there on the budget line, and it is a \$104 million drop. It does not matter how you couch it; it is there.

**Mr KNIGHT:** Had the pipeline not happened, it would not have been 250. In fact, the 285 was not the budget. If you go back to the actual budget (we do not have them in this year's papers), the budget would not have been 285, because we were not budgeting to make that payment. What in fact happened is that that money came back to us from the commonwealth in the end. We had not received it in the year in which we had expended it. That 285 is an extraordinarily high year; it is not representative of the ongoing level of expenditure for this program.

**Mr PEDERICK:** That money for the Langhorne pipeline: I understand you are indicating \$52.7 million was already funded by the commonwealth?

**Mr KNIGHT:** Yes; it was all paid for by the commonwealth. Mr Archer has just handed me some figures that show the that movement between those two financial years just in EC payments alone was another \$42 million. In other words, there is \$42 million in the 2009-10 payments that is not in the 2011-12. If those figures were comparable between 2009-10 and 2011-12, we would suddenly have \$100 million up our sleeve that we could spend on new initiatives.

**Mr PEDERICK:** But 90 per cent of the EC money would have been commonwealth.

**Mr KNIGHT** Correct.

**The Hon. M.F. O'BRIEN:** If I might just come in here, member for Hammond, if you have page 185 open, and the table to which you referred, you have concentrated on the expenses. If you have a look at the income, you will find in that particular year not only were expenses the highest over the several years we are considering but also income. Income for 2009-10 was \$229 million, as opposed to \$98 million for the budget 2011-12.

The significant variance between those years is largely due to commonwealth revenue and intergovernment transfers and other grants. So, you are right; it was commonwealth money, it comes in as revenue and is ultimately expensed. Looking at things on balance, for that particular year expenses were up, but so was revenue and, if you look over that table, there is a significant reduction in commonwealth revenue over that period. That is largely your explanation.

**Mr PEDERICK:** Thank you. Are you finished?

**The Hon. M.F. O'BRIEN:** I think the chief executive wants to make a comment.

**Mr KNIGHT:** Maybe one way to illustrate that is if you look at the very bottom of that table, where it says, 'Net cost of providing services.' That is the true measure of how much money the state government has put in here through the budget, leaving aside all the revenue side. You can see that between those two years in 2009-10 it was \$55 million and that in the budget year coming up it is \$83.6 million. There are all sorts of influences driving that, but it is totally the opposite movement from what we have in the gross payments.

I think to try to pull out that \$100 million movement and describe it as being reflective of what is happening in the budget would be a bit inaccurate, given that the level of one-off movements between those two years explains most of that. The biggest parts are EC, and we had a number of regions in EC in 2009-10, and immediately under that first line where it is talking about the expenses you will see the line of commonwealth revenues the minister referred to. You can see that in 2009-10 it was \$53 million, and in 2011-12 it is only \$16 million, so there is a significant reduction in the commonwealth money flowing through our accounts for EC, which is a big contributor to that \$100 million reduction.

I might just add that if you turn over the page you will see the financial commentary. The minister mentioned in his opening statement that there is now provided in these papers (this is a new feature for this year) a list of explanations of all these movements, and most of the things that we have commented on are listed in those dot points on page 186.

**Mr PEDERICK:** I appreciate that, but I guess for simplicity, and for people going through estimates questions and answers who do not have the budget in front of them, it is nice to get them out during estimates. How much flexibility does the government have in accessing funding? Whichever way you look at it, this is a huge, savage cut to primary industries. It is the biggest single earning industry in this state, and if we need to access money in a hurry, whether exceptional circumstances come into play, a locust plague or other issues that need funding, how quickly—because I know the government is strapped for cash—can the primary industries department access funds to fund this very vital contributor to the state economy?

**The Hon. M.F. O'BRIEN:** I think the rapid response to the locust plague indicates that we will move rapidly and that we will put whatever resources are required into whatever immediate issue is facing the primary production sector. We certainly did not dillydally on that. It was done really within a very short period of time: a matter of weeks.

As you are aware, we put out the initial proposition, and I think the member for Flinders may have come back and asked that one particular component of the program that was confined to one section of the state, which was the rebate for on-farm use of insecticide, be broadened. We resolved that matter, I think, within a week. We were very fast on our feet, and cabinet did not dillydally around in allocating the necessary funding. The budget context is identical to the one with which we are currently dealing.

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**Mr PEDERICK:** I refer to Budget Paper 4, Volume 3, page 185, and the chart indicating expenses. I refer also to the announcement in last year's budget which affected three budgets post last year's budget. It was the **\$80 million to be found in cuts across those four years as well as 179 jobs**, and there are other service cuts programmed in this year.

Does the government expect that the effect of all these cuts on agriculture spending not only affects production and export earning capabilities over time but also will take many years and many millions of dollars to resurrect?

**The Hon. M.F. O'BRIEN:** The member for Hammond would be aware of the broader budget setting, the impact of the global financial crisis, the reduction in GST receipts, the ageing of our population and the impact that that is placing on our health system. I think it is common knowledge that the commonwealth and the states have to adjust their spending priorities to reflect changes in revenue receipts. The dimension of our cuts are, obviously, nowhere as profound as those facing Greece, the United Kingdom or the United States, but we are facing similar issues.

I acknowledge the fact that the commonwealth government's rapid response to the global financial crisis by way of stimulus spending means that we are not carrying literally hundreds of thousands of Australians on welfare by way of unemployment payments. The fact remains that Australia did suffer the consequences of the global financial crisis and is still suffering the consequences, so budget cuts have had to be made across the board and PIRSA is no exception.

I think we have been extremely proactive, and I will pass over to the chief executive in a minute. We have conducted a review of our operations to ensure that we maintain a high standard of service delivery to the rural sector. I am establishing an agribusiness council to get high level advice as to where the sector ought to be going so that I can better inform the agency of the necessary priorities. I think we are dealing extremely well with the consequences of the global financial crisis. On that note, I will pass over to the chief executive officer.

**Mr KNIGHT:** As the minister has acknowledged, once you strip out the one-off things that we talked about before that do tend to mask the real impact, as the member said, there are budget reductions that PIRSA, along with all government agencies, have to deal with. We are a comparatively large agency of government. We spent, in total, well over \$200 million a year, even without one-off things like the drought, and we employ around 1,200 or 1,300 people. So, we are a comparatively operation and, in an operation like that, we accepted that the government, faced with declining revenues, particularly from GST, needed to make hard decisions.

We took a pretty comprehensive look at everything we do, with the view to identifying areas. We certainly were not going to target those areas that have a big contribution to the economy. At the heart of our mission in life, I guess it is about sustainable economic development and prosperity, particularly for regional South Australia. Most of the industries we work with generate their wealth in regional South Australia, whether you are looking at agriculture, forestry, fisheries, aquaculture and, of course, mining, which is the other part of the portfolio.

We set about the challenge of trying to find ways of achieving those savings, in both FTEs and dollars, in ways that were not going to impact adversely, and that is a pretty big challenge, obviously. It means that you have to become efficient in every possible way you can. It means that you have to find new ways of delivering, and sometimes that means partnerships through NRM boards; it means partnerships with Regional Development Australia bodies around South Australia; and it means being a little more innovative in what we do and perhaps being a bit more selective in where we get involved and where we work in partnerships with organisations such as Food SA.

The minister talked earlier on, in response to a question, about that new partnership. The early signs of that and the relocation of Food SA to co-exist with our SARDI food innovation operations at the Waite campus look very promising. The industry, whenever I met with them, is nothing but positive about that arrangement. They are doing things collectively in terms of managing the intake of graduates into the food industry.

Can you continue to achieve terrific outcomes while managing reduced budgets? Well, the private sector does this all the time, and I do not think that governments have any right to be any different from that. I think you quoted some numbers; they were close to 200. We are reducing our workforce, and we are trying to do it in a way that focuses on those areas that perhaps are administrative areas of the department. We looked very hard at our business support functions in the agency, making them efficient as we can.

We have engaged some external expertise to assist us in this because we are not alone; we are not the first business or agency of government that has had to go through a belt-tightening exercise like this. So, we have sought some external assistance in that process. We are working through implementing that, and we are very positive about it. We had a very positive response rate to

this. We recently surveyed staff, and that clearly showed that, whilst I do hear that there are issues of morale in other parts of government, certainly in my agency morale is still very high. We have a very close relationship with the industries we work with. We have tough challenges, but we expect that we will continue to achieve the sorts of growth targets across the various industry sectors we work with.

**Mr PEDERICK:** I refer to Budget Paper 4, Volume 3, page 194, 'Financial commentary, 2011-12 Budget/2010-11 Estimated Result'. The first dot points refers to a **reduction in service delivery** to meet budget savings targets in 2011-12 of \$1.6 million. I am interested in what services are being reduced, what services are ceasing and whether there are any fewer people delivering these services—are the people involved in this being cut as part of the separation packages.

**The Hon. M.F. O'BRIEN:** I will refer this to the Chief Executive.

**Mr KNIGHT:** That is Sub-program 3.5: Rural Services, if I am looking at the right page.

**The Hon. M.F. O'BRIEN:** We are on the right page, Adrian.

**Mr KNIGHT:** The minister in his opening statement made explicit reference to Rural Solutions, and you can see in there the net cost of the sub-program. There is a reduction of about \$4 million that is referred to in that dot point. The dot point the member refers to in relation to the \$1.6 million is mainly reduced expenditure that is brought about by reduced income.

Rural Solutions provides services to both PIRSA and other parts of government, notably DENR for NRM-type services and, as those parts of government have reduced their expenditure on Rural Solutions services, we have obviously had to reduce our expenditure accordingly. That is why it refers to decreased costs and reduced cost recovery. They are earning less, so they have to spend less, in a nutshell.

**Mr PEDERICK:** I refer to Budget Paper 4, Volume 3, page 195, the first dot point under Targets 2011-12. The statement under **Product development** reads:

Provide relevant, innovative and high quality products that integrate economic, environmental and social dimensions into a comprehensive ecologically sustainable development based service package.

Can the minister explain in simple English what this means, how specifically it applies to primary industries and what products are being looked at?

**The Hon. M.F. O'BRIEN:** That again refers to **Rural Solutions** and I think, from memory, it has 11 portfolio areas and myriad subprograms off the 11 portfolio areas. We are going through the process now of basically identifying the ongoing relevance of each of those portfolio offerings, if you like, with a view to seeing which of those we ought to retain and which of those we ought to dispense with. I must admit that my thinking at the moment is that we have great opportunities to be taking our expertise overseas.

We have world-leading expertise in dryland farming in particular, and I think our irrigation technology is world leading as well. We have SARDI and we have the University of Adelaide as probably the pre-eminent agricultural research and teaching university in the southern hemisphere. When we are talking about product development, that is one opportunity which I believe is staring us in the face and which could be a significant revenue generator for the state and also assist in growing our markets.

We had a delegation from Kazakhstan here a week ago with Rural Solutions. They want to develop an international standard beef industry to service the European Community, which we do not currently service in any depth. They can use our expertise, and they can use our breeding stock. These opportunities are arising, and I would like us to seize upon them. There are other areas that we are looking at to consider whether we have an ongoing role. We played a major role with NRM boards during the drought. Now that level of business is dropping back, so we have to look for other opportunities.

**Mr PEDERICK:** On the same page, page 195, the last target dot point refers to becoming the **provider of choice** to the entire range of service consumers. This follows on from statements at the top of the same page explaining the \$12.5 million drop in expenses as attributable to a lower level of activities in Rural Solutions South Australia arising from savings measures implemented in the 2010-11 budget and targeted voluntary separation payments in 2009-10. How does the government

propose to promote rural services and how can rural services gain and retain market share with such large ongoing cuts from their budget?

**The Hon. M.F. O'BRIEN:** I will just briefly outline what we are doing, which follows on from the previous question. I think it was in 1990 that the then Liberal government said that it wanted Rural Solutions to basically pay its own way. It might have been minister Kerin who set this particular objective. Should we have hastened more quickly towards that objective? I do not know: we probably should have. However, minister Kerin's objective, I think, is as relevant today as it was in 1990, and we are going to grasp the nettle on this.

We have reduced the numbers employed in that agency, and we have also moved out of business that is not profitable. We have told government agencies that we will be charging on a cost-recovery basis. We are honing our areas of expertise and our commercial focus. There is a body of work currently underway on that set of propositions, but I will hand over to the Chief Executive to go into a little more detail.

**Mr KNIGHT:** I think it is probably worth pointing out that the budgeted revenue for the forthcoming year is still \$15.4 million, so that is all money that Rural Solutions earns in the commercial marketplace and with government. The target the member has drawn attention to might be considered as somewhat of an aspirational target, but it does say that Rural Solutions aims to become a provider of choice in the marketplace, and it already has a very strong reputation.

I do not say this as a promotional statement but, when you talk to the industry in various regions, the work that Rural Solutions does in areas such as water management and irrigation efficiency, for example, is extremely well regarded. It does work in the international sphere and continues to win a significant amount of work internationally. As the minister said, a lot of that is on the back of South Australia's world-renowned reputation as a leader in many areas of dryland farming.

Rural Solutions has done quite a bit of work in Iraq, and I think there will be significant opportunities coming up for us not to do it on a gratis basis but on a basis of leveraging the expertise that has come from South Australia in all sorts of areas. The minister mentioned Kazakhstan, but there are other opportunities out there, as well. Rural Solutions continues to do a lot of work in the natural resource management sphere, even though we have probably built in some decline.

I just draw the member's attention to that income line in the table on page 194. In hindsight, we probably took a slightly too conservative view when we set the budget last year. You can see that we budgeted for a very significant reduction in revenue from the \$20 million that we actually earned in 2009-10. We expected that to fall to close to \$13 million in 2010-11. The drop-off was not nearly as marked as that because the estimated result for 2010-11 (it was closing off yesterday, so we do not have the audited figures yet) was some \$3 million higher than that.

We perhaps overestimated the market impact on Rural Solutions and we are now, in the coming financial year starting day, projecting that it will hold that slightly higher level of revenue, so it is not all doom and gloom there. However, the policy position that we have come to is that Rural Solutions has to operate on its own two feet; it cannot be subsidised by taxpayers.

**Mr PEDERICK:** In Budget Paper 4, Volume 3, page 186, the second dot point up from the bottom of the page refers to **targeted voluntary separation packages**. I am interested certainly in the commentary on Rural Solutions in this because I believe that there were 27 full-time equivalents hired and I think most of them, if not all, were in Rural Solutions, but there was a cut of around the same number. The question I am asking is: which departments have the voluntary separation packages come from? How many TVSPs were offered by primary industries and the agriculture section? How is primary industries tracking with its staff reduction target? I repeat: was there an issue with cutting the wrong people out of Rural Solutions, because obviously you had a rehiring program?

**The Hon. M.F. O'BRIEN:** That is very much operational, and I will pass it over to the Chief Executive and let him get into the detail.

**Mr KNIGHT:** First, I probably should say that we certainly have not rehired anyone that we separated and certainly not anyone that we gave a targeted separation package to. The government, last year, announced a four-year program of savings, and we made reference to that before. The government has also indicated that we have access to that targeted separation arrangement for the entire four-year duration of the program, so we are not rushing into this. We are not doing it in a haphazard way.

We have gone through our workforce and looked at all the areas of key skill that we need to retain. I have been upfront on this and I suspect that, even though at times this has been communicated in emails, these probably do go out and are released outside the agency. I have made it very clear that anyone who has skill areas that we require in the future that relate to a priority for the government will not be receiving a TVSP. It would be irresponsible of us to target employees with offers to leave if they have skills that we require into the future.

So, that forecast where I did say that we were perhaps more conservative than we needed to be in terms of Rural Solutions revenue, that did not result in a hasty exit of staff. In fact, our total approach to employee reduction is quite a measured one. We have used some TVSPs and, as at 30 June 2011 (yesterday), we had in fact separated 31 FTEs from PIRSA in the previous financial year, so that is a reasonably modest number in the total scheme of things. Over the four years the numbers will be a bit higher than that, but it is 31.02 to be precise in that financial year.

We also went through a process of looking at where we had contract employment where those contracts were coming up for renewal. We looked at opportunities not to renew contracts. We also looked at opportunities where vacancies came up. We looked at opportunities where we might strategically not fill certain vacancies. Obviously, if you have a critical vacancy to fill, you have to fill it, but occasionally you get the opportunity to say, 'Someone has left. Do we really need that job filled?' In a small number of instances, we have probably found that we did not need to.

In Rural Solutions' case, we have employed a range of approaches, including TVSPs. I can tell you how many of the 31 were Rural Solutions: 14 of the 31, so just under half of those were Rural Solutions employees. We have not re-employed any of those, as I said before—neither will we.

**Mr PEDERICK:** Just a comment on that, referring to Budget Paper 3, Budget Statement, page 26, where the last line refers to an increase in PIRSA staff of 27 full-time equivalents. It is interesting to note that you have just indicated that 14 staff have accepted TVSPs—probably reluctantly—but then 27 other staff were hired. I am interested. Has the targeting gone wrong here? What has gone wrong? We have lost 14, but then you have had to hire 27 other people, and it seems odd because you obviously had an increased fee-for-service demand in Rural Solutions. It seems to me that it was hardly a targeted approach to separation packages.

**The Hon. M.F. O'BRIEN:** We will get Steve Archer to answer this. The answer is not quite as obvious as the question sounds.

**Mr ARCHER:** I would refer the member to page 194 of the Portfolio Statements, in particular, under the comparison between the 2010 estimated result and the 2010-11 budget, you will see the very first dot point talks about an expected increase of internally funded projects to \$5 million. That \$5 million represents a grossing up of revenue and expenditure, as reflected in the previous comments by the chief executive. Within that \$5 million reflects 27 people. At no stage did we separate any of those people. That is just an overestimation in the first place of what we were going to separate and we are just reinstating what was previously an overestimation of our reduction.

**Mr PEDERICK:** I find it hard to quantify that 14 people from Rural Solutions went but you have hired 27 others, which is what you have said today.

**Mr ARCHER:** No, in fact, we have never hired 27 people at all: we just did not separate 27 people. In the estimates put forward in the 2010-11 budget, we were estimating to reduce our workforce, if I recall, by around about 100 people. We are now saying that we did not need to separate it by that figure; in fact, we need to reduce our workforce by 27 less. We, in fact, retained 27 people who we previously thought we would separate over and above those 14 who left.

**Mr PEDERICK:** So the calculations were wrong.

**Mr ARCHER:** Correct.

**Mr PEDERICK:** I refer to Budget Paper 4, Volume 3, page 192. The first paragraph of the financial commentary describes a \$2.7 million decrease in expenses due to a **reduction in research and development activity and service delivery** to meet budget savings targets. What concerns me—and I note people from inside **SARDI** have the same concern—is what the reduction will be in the number of agronomists and scientists employed by SARDI?

**The Hon. M.F. O'BRIEN:** I will pass this one over, but just to comment on your previous response. It was not a miscalculation: it was that the forecast reduction in the number of voluntary

separation packages that would be offered or taken up was not met, so we are not talking about a miscalculation. In response to this particular matter, I will pass that one on to Don.

**Dr PLOWMAN:** The budget savings that are identified here are those that are a part of the earlier budget savings that were identified and discussed in the last financial year. As with all of the budget savings, we attempt to minimise the impact on, in this case, the output from the science program. Bearing in mind that SARDI is unquestionably the leading research institute in the country and is able to attract quite a bit of industry funding, the aim in looking at implementing budget savings is to identify those areas where the impact will be least.

We do that initially by looking at what we call the national research development and extension framework, which is an agreement across Australia as to where the focus for research and development will be evident. South Australia, for example, has the lead role for grains, pigs, poultry, grapes and wine, biofuels and related. In looking at the balance of the program, we look at the areas which we have a lead responsibility for nationally—and clearly they are where we have a key program for supporting our own industry sectors—and then look at where those reductions will occur.

You specifically mention the crop programs. They are areas which South Australia has a lead responsibility for and the reduction in those programs will be minor, if anything at all. So far reductions have occurred in areas such as dairying, where the dairy research programs are now undertaken primarily out of Victoria, with the information from those programs coming back into South Australia through a range of extension approaches. There are also areas—for example, some of the support areas in coordination of international projects, where some of the economics work which is outsourced rather than done locally—where the reductions in the SARDI budget have occurred and where we will attempt to continue to implement the reductions.

**Mr PEDERICK:** On the same line, would I be able to get a breakdown on the specific cuts per department and program of the \$2.7 million?

**Dr PLOWMAN:** We could take that on notice; I do not have it with me at present.

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**Mr PEDERICK:** I refer to Budget Paper 4, Volume 3, page 192. I wonder whether the minister can give me an update of the proposed merger of SARDI and the University of Adelaide, where the progress of that merger is and what part it has to play in the budget for SARDI in the 2011-12 budget.

**The Hon. M.F. O'BRIEN:** Dealing with the budget implications, there are none. This is really an opportunity, I believe, for South Australian agriculture to lift its level of access to international opportunities, in particular, and also to available research dollars within the Australian economy and, additionally, to allow the university not only to move into the middle of the group of eight in terms of its relative ranking but also to allow the realisation of the vision of the Vice Chancellor of the University of Adelaide, James McWha, for the University of Adelaide to become the Southern Hemisphere's pre-eminent agricultural research and teaching university.

Talking about the repositioning of the University of Adelaide, the university made the approach to me. It was not an approach made by the South Australian government or PIRSA to in any way offload what is a wonderful asset for South Australian agriculture. They came to me with a proposition that they believe the work they do, particularly at the Waite, could be reinforced by the scientific research activity undertaken by PIRSA.

By combining the research dollars that the university attracts with the research dollars attracted by SARDI, we could ultimately end up with a dollar research outcome for the University of Adelaide far exceeding its current outcome. The increase in research dollars and research activity would take the university from its position at No. 8 in the group of eight potentially up to No. 4 or No. 5, but into the middle of the ranking so that we end up with a university that, rather than sitting on the very extremities of the group of eight, which are our elite universities, it sits in the middle of the pack. I think that is a great outcome for SARDI, the university and the state. By having the university also as the attractor of funds, we have the ability to attract additional research dollars into the primary industries sector, because there are constraints on the South Australian government being a recipient of research dollars, particularly commonwealth research dollars.

That is one benefit, and another benefit is in assisting the university to attract both interstate and overseas students to Adelaide to study agricultural courses and also to undertake research. I

think education is now either our second or third largest export industry. I believe this move will assist us in further increasing the number of young people wanting to come and study and research in Adelaide.

I also think that there is a significant benefit to South Australian agriculture and Australian agriculture in having an operation like SARDI with greater access to the pure research that is carried out by the University of Adelaide. I think we are seen to be a research and development applier, if you like, whereas I am not sure that the university has quite the same level of expertise in taking its pure research and applying it on the ground; having SARDI in the mix I think is going to allow better utilisation of pure university research.

I think it is a great win-win. It was never driven by budgetary considerations. It was really an initiative that came out of the University of Adelaide that I thought stacked up on a whole range of fronts. It was an approach taken by the University of Sydney. I believe they made an approach five or six years ago to the University of Sydney, which is one of Australia's pre-eminent universities, with a proposal that was similar. I am not sure whether the New South Wales government moved its agricultural research. I am not sure what areas the research carried out by the New South Wales government was in, but this has been done before and has been done with great effect.

To reiterate, it is not a budgetary measure; it never was intended to be. It has been now well and truly embraced by SARDI. They think that it is a tremendous move. We are in the final stages of discussion with the university, and we are now looking at the structure, but it is my intention that the government of South Australia, and PIRSA in particular, will continue to have a fairly tight hold on the reins. We want to retain our role in setting priorities for agricultural research in South Australia, and I certainly will not be signing off on any proposition that significantly dilutes the ability of PIRSA to set research direction.

**Mr PEDERICK:** I refer to the same budget line. Is there a risk that there will be a gifting of SARDI-owned assets to the university? Is there also a risk, if those assets do change hands, that some of those SARDI assets could be onsold without any benefit to the government?

**The Hon. M.F. O'BRIEN:** Those issues have yet to be explored. I could make the observation that the assets owned by the South Australian government at Urrbrae actually sit on university land. The arrangement with the university sees those physical assets, the improved value, if you like, sitting on university land ultimately reverting to the university some years hence. So that is the reality: it would happen irrespective of whether we were having these discussions.

As for other assets that do not sit on university land, it would be my intent that there be strict control over the university's ability to deal with those assets—a significant feature of any agreement that we enter into with the university. I am very much aware of concerns that have been expressed by the opposition in the past in terms of the university's treatment of bequeathed land, particularly at Martindale Hall and other locations in the Mid North. I am very much cognisant of the concerns, particularly of the member for Bragg, and I have taken those concerns on board.

**Mr PEDERICK:** We are certainly concerned with assets like the West Beach site and, obviously, other research facilities throughout the state.

**The Hon. M.F. O'BRIEN:** That is what I was referring to.

**Mr PEDERICK:** In the South-East, etc.

**The Hon. M.F. O'BRIEN:** I was referring to those assets, member for Hammond, yes.

**Mr PEDERICK:** In Budget Paper 4, Volume 3, page 192, paragraph 2 of the financial commentary refers to reduced funding for the Integrated Marine Observation System and photobioreactor projects. What is the current status or state of progress of these projects, and are they part of a national program or are other states and the commonwealth also reducing their funding?

**Dr PLOWMAN:** These are large programs that have been funded from a number of sources. They are very similar to some of the discussions we have had right up front, where there is a sum of money injected for a period of time to set up an infrastructure facility or the like. My understanding is that the IMOS system is operational and, in fact, is a very effective system to monitor a whole range of attributes around ocean movements and attributes such as temperature, etc., and that the photobioreactor project has resulted in the establishment of the infrastructure that is being utilised for that purpose.

**Mr PEDERICK:** Referring to page 193 of the same budget paper, under Highlights, paragraph 2, '**Climate change adaptation**' states:

The South Australian **Transect for Environmental Monitoring and Decision-making** (TREND) network has been established providing the basis of a collective approach to climate change monitoring in South Australian terrestrial and marine systems.

What was the cost of establishing that network and what will be the ongoing cost of maintaining it?

**The Hon. M.F. O'BRIEN:** I will take that on notice, but it might be informative if I give a brief outline of what the transect will achieve. TREND is an acronym for Transect for Environmental Monitoring and Decision-making. SARDI was a partner with the University of Adelaide in an application to the Premier's Science Research Fund for a three-year project from July 2010 to June 2013. The primary production component of TREND will focus on monitoring crop development, crop diseases and risk management.

Although climate change projections are available for South Australia from the CSIRO and the Bureau of Meteorology, this information is difficult to use in planning. One approach is to use space as a proxy for time—that is, rather than consider what a 1.5 degree Celsius warming and a 10 per cent drying might be at a certain location, to work at a location that is 1.5 degrees warmer and 10 per cent drier, in order to predict what future scenarios will look like.

The project will develop a synthesis and analysis node that gathers existing and new information, include scenario planning to develop evidence-based recommendations and incorporate adaptive management principles and political/socio-economic drivers to help keep recommendations relevant in a rapidly changing world. I have to say that paragraph is probably reasonably irrelevant.

A steering group has been formed and has met, and a policy workshop with key stakeholders from DENR and PIRSA held in April 2011 identified significant policy questions that can be addressed by TREND. I now have some figures. The expenditure on the initiative is budgeted at \$346,700 and revenue is identical.

**Mr PEDERICK:** What is the ongoing cost per annum for the network, for the monitoring?

**The Hon. M.F. O'BRIEN:** We will take that one on notice, member for Hammond.

**Mr PEDERICK:** I refer to Budget Paper 4, Volume 3, page 202. The first item under 'Assets' shows **cash assets of \$70.405 million**. Previous years show similar amounts. Why is it necessary to hold such substantial cash reserves?

**The Hon. M.F. O'BRIEN:** I will pass this one over to Steve Archer.

**Mr ARCHER:** The values that you talk about principally relate to historic cash relating to the Rural Industry Adjustment Fund. That is dating back to the early 1990s, from memory, when the commonwealth provided us with significant funds to implement programs in the rural sector together with a provision for employee entitlements in the future.

**Mr PEDERICK:** Is that money accruing interest?

**Mr ARCHER:** It is government practice that we do not accrue interest on agency balances, but Treasury and Finance do invest that fund through the South Australian Financing Authority and does accrue interest on it for the benefit of the budget.

**Mr PEDERICK:** But the interest just goes back into general revenue.

**Mr ARCHER:** That's correct.

**Mr PEDERICK:** On the same page under 'Non current assets', line two notes \$102.182 million for **land and improvements**. Can you provide me with a breakdown of this amount and a breakdown of the 2010-11 estimated figure of \$105.2 million?

**The Hon. M.F. O'BRIEN:** Member for Hammond, we will take that on notice.

**Mr PEDERICK:** I refer to Budget Paper 4, Volume 3, page 187, under 'Highlights 2010-11', dot point two at the first paragraph referring to '**Wine: A Partnership 2010-15**'. How much, if any, of the \$1 million—and I guess that is an annual amount—invested into an agreement with the South Australian Wine Industry Association was spent in 2010-11? How was that money spent?

**The Hon. M.F. O'BRIEN:** That \$1 million, I think, is over four years. The Wine Industry Association is using \$250,000 a year in large part to prepare South Australian wine businesses for

opportunities, particularly in the Chinese market. It is very strategically focused. They have put up a program to me for approval which I have approved. In large part, they are running courses throughout the state with wineries so that they can avail themselves of the opportunities. The amount has been allocated and is being expended. I do not think there will be any issues with their not being able to spend their \$250,000 a year.

They brought in a group of Chinese wine purchasers, probably seven or eight weeks ago, and I welcomed them at the wine centre, and then they broke out into groups and went to each of the regions—and a group went to the Riverland. The idea is to get Chinese wholesalers to South Australia and to introduce them to the regions and the winegrowers so that they return to China, effectively, as ambassadors.

We have that particular program running, and then another one which will educate them in managing currency exposure and all the issues that they have to run through in getting into the export market. It is very tightly focused and we keep a close look at it. I think it is money well spent. That is where the opportunity is.

**Mr PEDERICK:** Minister, how does this program fit in with your government's food and wine industry policy going into the 2010 election, where \$1 million was allocated per year for new export programs to drive the food and wine sector growth? Are you saying that the other three-quarters of a million per annum goes to food? It feels like you have cut money out of a policy announcement.

**The Hon. M.F. O'BRIEN:** No; the other three-quarters of a million goes into Food SA. I answered a question a little earlier: this is the organisation that was forged out of the merger of the two existing food bodies. There was one that was very much export oriented and represented the larger food producers and then there was the other that looked more at the domestic market and the smaller producers. Those two have been merged. The merged entity is located at SARDA, which has been a good move.

Catherine Barnett, the CE of Food SA, informed me yesterday that she has doubled her membership. The money is in place to encourage the development of the South Australian food market, particularly the finished food market, and there is a view that, if the money is well applied, within four years they will be more than self-sufficient and able to undertake this particular task without the assistance of government.

**Mr PEDERICK:** Out of that policy of \$1 million per year by your government, \$3 million out of the \$4 million would be food, so the wine industry will only get \$1 million of that; is that correct?

**The Hon. M.F. O'BRIEN:** Yes, that is correct. The exact breakdown is: Food SA, \$550,000 per annum; the Wine Industry Association, \$250,000 per annum; and then \$200,000 held by PIRSA for investment attraction opportunities.

**Mr PEDERICK:** Minister, would you be able to bring back a detailed account of how that \$1 million was invested with the South Australian Wine Industry Association; how it was used?

**The Hon. M.F. O'BRIEN:** I can certainly do that. I can even organise briefings from the two organisations, if you would like. I will definitely give you a report, but at a later stage you might want a briefing as well.

**Mr PEDERICK:** I appreciate that minister, thank you. Minister, I refer to Budget Paper 4, Volume 3, page 196 and mention the introductory paragraph which states:

Develop and implement policies, legislation, regulatory frameworks, surveillance, preparedness and response programs that protect the economy, environment, communities and human health from the negative impacts associated with the entry, establishment or spread of pests, diseases and contaminants in the areas of animal health, aquatic animal health, marine pests, vertebrate pests, weeds, plant health, food borne pathogens from primary industries and chemical residues.

No doubt the current mouse plague comes under this heading. What is the government doing to expedite the prompt establishment of regional mixing stations to assist farmers with the cost and availability of mouse bait?

**The Hon. M.F. O'BRIEN:** I will pass this over to Will, but I will make a couple of comments. When I visited Eyre Peninsula some 12 to 18 months ago and met with the member for Flinders in Port Lincoln, I was given a presentation from the NRM board. During the course of that presentation I mentioned that mice were certainly an issue in the northern part of Eyre Peninsula and asked what the response was of the NRM board. The chairman of the Eyre Peninsula NRM Board gave me an

explanation of work to date but concurred with my observation that what we were lacking was an off-the-shelf policy position.

I must admit that tended to surprise me; given the fact that mouse plagues come around on a fairly regular basis, so why were we all at sea? Why did we not have something to pull off the shelf and get implemented? He asked whether he could set up a working party and I said that I would ultimately have to refer it to the minister for environment, but I thought it was a good idea. That was the commencement of the working party.

They have come down with a series of recommendations. I am not sure whether the members for Hammond, Chaffey and Flinders are aware of those recommendations, but one of them was the possibility of either NRM boards or farmers mixing their own bait. The issue was getting the approval of the APVMA, and we finally received that approval for a Western Australian group called 4Farmers, which intends to set up mixing stations in South Australia. On that note I will pass over to Will Zacharin, who can probably get into a little more detail.

**Mr ZACHARIN:** As the minister mentioned, the control of the zinc phosphide bait is through the Australian Pesticides and Veterinary Medicines Authority, a federal authority. There are currently two commercial companies in Australia that can provide the zinc phosphide bait, but due to cost and supply considerations there has been a major call for different bait suppliers. So we have been assisting commercial companies that have approached the APVMA for emergency permits. One of those emergency permits has been for the use of unsterilised grain, which we have facilitated to try to assist the two commercial companies to increase their capacity to supply bait right across southern Australia. The second emergency permit is for the establishment of the regional bait mixing stations.

That first commercial company, 4Farmers Pty Ltd, out of Western Australia, is looking at setting up three to four regional stations in South Australia, and PIRSA has offered a case management approach to that company to make sure that we can facilitate the fast tracking of approvals through local government, the EPA, SA Health and whatever else is required to get an appropriate facility for them to set up those regional stations. That will allow farmers to bring in their own grain, have it mixed with zinc phosphide baits and then take it back out to their farm and spread it. We are hoping that will be somewhere between 50 and 70 per cent less in terms of the current cost of mouse baits.

**Mr PEDERICK:** Where are you likely to propose those mixing stations? Are they going to be spread across the state?

**The Hon. M.F. O'BRIEN:** It is probably commercial in confidence at this stage, but I can indicate that there is one on Yorke Peninsula and one on Eyre Peninsula. The locations have been identified and conveyed to me and, while I could be proven wrong, I think they are probably the two areas in which we would like to have something happening on the ground fairly quickly. Will, are you aware of other locations?

**Mr ZACHARIN:** They have mentioned four potential sites, but they are commercial-in-confidence, obviously. There are other parties who have already contacted PIRSA, as well, two other companies which are looking at establishing regional mixing stations. It is not for us to release the areas or where they are putting in planning development applications to facilitate that sort of business.

**Mr PEDERICK:** I am a bit stunned at the secrecy, since mice are pretty well all over the state. I hope that the people in the business, including the state government, are aware of the plagues through the Riverland and the Mallee, on behalf of myself and the member for Chaffey. We will see how we go.

I refer to the same page, the first point of the financial commentary notes and the \$11.6 million spent on the plague locust emergency response program. Given the stated success of this program, and its ultimate contribution to the grain harvest, is the government considering subsidising the cost of mouse bait or providing any other cost-saving measures in line with the locust program to reduce the end-user cost to farmers treating their properties?

**The Hon. M.F. O'BRIEN:** I appreciate the comment from the member for Hammond alerting me to the issue in the Riverland. I was aware some six months ago that the Riverina area of New South Wales was under threat, for me personally, and I am sure Biosecurity SA are well and truly on top of what is going on, but it would certainly—

**Mr PEDERICK:** Just on that minister, I know that some mice are being fed five times in the Mallee.

**The Hon. M.F. O'BRIEN:** Okay, right, very generous.

**Mr PEDERICK:** It is a problem because we have to keep feeding them.

**The Hon. M.F. O'BRIEN:** Yes, it is. It is good, member for Hammond, because you have raised this with me on a couple of occasions. The APVMA (and I do not want to be disrespectful) is notoriously slow, and I am glad that we have finally got a landing on this so that we can actually see something happen, and that was one of the recommendations of the working party.

Another one of the recommendations was that the status of mice (and I am not sure of the exact description) should remain unaltered, and I think that that has something to do with the territorial nature of mice, and that it not be made a declared pest under the NRM Act. Because that recommendation was made—and there is obviously some strong underlying logic—I think we find ourselves in a slightly different situation with mice as opposed to locusts, but we will review it.

**Mr ZACHARIN:** The mouse working party that was established by the government came up with 24 recommendations, and it was not just about looking at the bait situation. By the way, the working party did not recommend that any subsidies were appropriate for bait. It was a combination of changing agronomic practices in those years that were conducive to a build-up in mice numbers.

We provided a lot of information through Biosecurity SA to landowners last year and at many of the field days about what they could do to clean up excess grain from the fantastic harvest last year: make sure they put livestock through some of those areas, bash down some of the stubble, and remove some of the conditions that were going to allow mice to build up on properties because, essentially, they do not travel far; they are not like locusts.

If you have a mouse problem, it has originated on your property or adjacent to your property. Good hygiene practices—in terms of looking after spilt grain, removing excess stubble, keeping a good eye out and monitoring your paddocks to look for holes, and seeding at a slightly lower depth and not seeding into dry ground; and baiting at the same time as seeding—all these practices were issues that needed to be highlighted to growers. The best practice came out of a large survey we held with farmers last year asking what worked well and what did not work well for you in the mouse impacts that we had on Eyre Peninsula in early 2010. That really highlighted that farmers did need to change their practice.

Getting back to the bait situation, we do have two commercial bait manufacturers. It is not the role of government to intervene in those markets where there are commercial products available—there are commercial products for all sorts of pests and weed management for farmers—but the price has impacted on people who have to bait two or three times, and that is why we have been supporting other commercial entry into the market and perhaps the supply of regional bait stations using unsterilised grain (because there is a cost in sterilising the grain). It looks like the market is playing out, there is high demand, and we have a number of companies that are prepared to mix in these regional stations with unsterilised grain to reduce the cost.

**Mr PEDERICK:** I think about the only good thing about the mice is that they might be eating locust eggs; that might be the only bonus. The second dot point on that page refers to a reduction in 2011-12 funding for South Australia's commitment to national eradication programs managed by PIRSA. My first question is: was this reduction in funding planned with a knowledge that there would be a push to downgrade the broomrape program from one of eradication to one of containment?

**The Hon. M.F. O'BRIEN:** No, it was not. It was well in advance of that particular decision, and this is a moving policy area. The recent PIMC meeting, the meeting of ministers for primary industry ministers in Brisbane, spent some time dealing with this issue. The scheme is more or less a national insurance policy. A state will have a particular issue—we have branched broomrape; Queensland, unfortunately, has four or five issues; and Western Australia has a particular pest.

For one state to try to deal with the eradication of that pest would be financially onerous, so all the states combine their resources, and that reduction would be a reduction in a national program. I will ask the chief executive to give you a bit of a flavour for where the reductions were in terms of the pest and the drop in contribution from South Australia.

**Mr KNIGHT:** All of this refers to programs in other states, so there is no impact in terms of branched broomrape. As it turns out, the reason there is a reduction between 2010-11 and 2011-12 is

that, in relation to certain diseases that were being dealt with interstate in the course of the year, assessments have been made that eradication is not feasible, and that brings to an end the national cost-sharing arrangements.

I can give you a quick overview of that \$400,000. It means that some of these things that were national programs in 2010-11 will not be national programs in 2011-12. Asian honey bees is an example. We contributed \$158,000 to the national eradication program in Queensland and we will not be contributing in 2011-12 under current policies. Myrtle rust is another one that impacted New South Wales and Queensland in 2010-11 but has recently been declared technically ineradicable, so there is a reduction.

There is no change of policy on the part of government and there is no impact on any activity happening within the borders of South Australia. It is purely that, as these things come and go, our contribution to these national programs can go up and down, depending on what those programs require. Out of interest, one that does not change between years is our contribution to red imported fire ants, which has been quite a significant program over a number of years. In dollar terms that remains unchanged between 2010-11 and 2011-12.

If there are new pests that come up in 2011-12 we do not budget for that, by the way, because it is impossible to budget for these things. If something new crops up during the course of the year, either in South Australia or in another state, we may well have to go to cabinet for an increase in funding. The reductions that are noted there (\$0.4 million) are purely related to those programs that are no longer national eradication programs in the coming year. It has nothing to do with a change of policy, or certainly nothing to do with branched broomrape at least.

**Mr PEDERICK:** I refer to the same budget line. In regard to the branched broomrape program and the national body saying that it cannot be eradicated, I think they really need to have a good look at it because I think it can be; it will take a lot of time. I am very concerned that, if we take the foot off the foot pedal, we will end up with a few hundred farmers having to bear the cost in the Murray Mallee and maybe losing access to markets, apart from other issues. If the federal government withdraws its funding (I think it is about \$2.6 million per annum), will the state government put in more money to keep the program of eradication of branched broomrape on the agenda?

**The Hon. M.F. O'BRIEN:** There are a couple aspects to that question. At that PIMC meeting in Brisbane, the Queensland minister, in particular, was concerned that these decisions that are made by an independent panel of experts could lead to a situation where Queensland has to basically pick up the burden for a whole range of pests, and that is the unfortunate thing for Queensland in that I think there might be eight or nine programs and five of them are occurring in Queensland.

He asked for a review because at the moment we do not have a defined post-eradication strategy. If the team of experts determines that the pest cannot be eradicated and we go into containment mode, what does that mean for the state that has the issue? He placed particular concern on the Asian honey bee, and that does pose issues for the rest of the nation, as does branched broomrape.

The officials were to come back with a funding proposition for containment, which we do not have at the moment. It is basically, 'Well, you're own your now. We've tried eradication, and it hasn't worked.' He is very keen to see some post-eradication containment decision to attract some national funding. So, there is an uncertainty on that particular aspect at this point in time.

Also, the final decision has not been made on whether branched broomrape will no longer to be deemed to be eradicable. On my reading of my report, it tends to indicate that the time lines have slipped. What has occurred in the last 12 months was that the level of infestation increased, and we concluded that the viability of the seed was a lot longer than we envisaged (I think it was nine years) and in areas that we thought were pretty well free of the pest—paddocks that we thought were branched broomrape-free threw up plants. So, that threw out a lot of the assumptions.

One of the propositions was about whether it could be finally eradicated; I think it was 60 years hence and then we are not even sure. You would have to maintain a \$10 million a year program for 60 years, and even then you would not be sure whether you had dealt with. So, that is \$0.6 billion. One of the reasons that we are not sure whether you could ultimately eradicate it is that a lot of the infestation occurs outside areas of cultivation, and the landowners, the shack holders or the graziers do not have the financial imperative, if you like, to get on top of the issue.

It may well be that we come down on the side of a containment program, which I am adamant will have the same outcomes in terms of properties or paddocks being brought out of quarantine, as is the current regime. The way that we fund that we have yet to determine. Are we still going to have in place a national funding regime, or are we going to have to fall back on our own resources?

Is there a role for national private sector funding, given the fact that if this pest were to get out into our major grain growing areas in New South Wales and Victoria the consequences are quite severe? Should there be a role for national funding in addition to state or commonwealth funding? We have yet to explore those, but I could not see that under any circumstances would we not commit to a vigilant containment program and the letting out of areas over time as they prove that they no longer have the infestation.

**Mr PEDERICK:** Yes, minister. The new infestations might have, I think, coincided with the good, wet year.

**The Hon. M.F. O'BRIEN:** Yes, I thought the same.

**Mr PEDERICK:** That obviously helped, or did not help, depending on how you want to look at it. I guess the minimum I am asking for is: does the government guarantee its annual contribution of I think it is \$1.9 million per annum going into the future?

**The Hon. M.F. O'BRIEN:** There is nothing in the forward estimates. There is a process, but you can rest assured that I will certainly be making cabinet aware of the implications of not having a very robust containment strategy, and I am sure that Biosecurity SA officers and I will also be making the national bodies representing grain and horticulture aware of their obligation, if you like, to assist in containing what could be an unmitigated disaster for Australian grain and horticulture.

**Mr PEDERICK:** Bearing in mind that answer, minister, are you saying that the government is walking away from any financial commitment to the control of branched broomrape?

**The Hon. M.F. O'BRIEN:** No, I am not. What I am saying is that I do not draw up budget lines in estimates and nor does the member for Hammond as the opposition spokesperson on agriculture make potential budget commitments for his side of politics by way of the media. There is a process, and this is not part of the process.

**Mr PEDERICK:** I refer to the last dot point in the same budget paper, page 196. The 2010-11 estimated result describes \$300,000 spent on biosecurity-related surveillance and control programs funded under the state natural resources management program. What specifically were these programs?

**The Hon. M.F. O'BRIEN:** I will pass that over to Will. I will ask the chief executive to deal with this question.

**Mr KNIGHT:** That dot point that the member has asked about relates to the \$2.3 million increase in expenses between the 2010-11 budget and the 2010-11 estimated result. The important thing that contributed to that was—and elsewhere in these papers we talk about—the transfer of responsibility for NRM biosecurity arrangements from the former department of water, land and biodiversity conservation across to PIRSA. That was the important change that contributed to Biosecurity SA, and with that came funding associated with those programs and, of course, one of those was branched broomrape.

As to the exact details of why there is a \$300,000 increase, I will take that on notice, but I can assure you it is purely related to a transfer in of responsibility. NRM biosecurity issues were formally dealt with by DWLBC prior to the last change. What has been quite an important initiative is the government's decision to bring all biosecurity functions together under the one minister, so some things have transferred in from other parts of government.

**Mr PEDERICK:** Can a list of those programs be brought back to the committee?

**The Hon. M.F. O'BRIEN:** Yes, I will take it on notice and we will come back to you.

**Mr PEDERICK:** In Budget Paper 4, Volume 3, page 197, the third dot point down talks about a delay in the biosecurity cost-recovery levy until January 2012. Will the delay in the introduction of that levy by the government enable the minister to fulfil his promise, made in January 2011 to the *Stock Journal*, that his objective was to make the levy cost neutral by investigating other levies that farmers pay and look for opportunities to rationalise them? That is to say, what other levies will be removed from farmers; if some are to be removed, which ones and when?

**The Hon. M.F. O'BRIEN:** We undertook that body of work largely at SAFF's behest, and it seemed like a good idea at the time. What we have discovered is an unwillingness by industry bodies to see the application of their levy moneys reappropriated. SAFF asked for it, I thought it was a good idea at the time, we went out and asked and the feedback we got was, 'Hands off. We (being the industry bodies) are quite strategic in the application of our levies money,' and the matter now rests.

**Mr PEDERICK:** On the same budget line, has it finally been determined who will pay this biosecurity levy? Will it be property owners with one or more livestock, 20 or more livestock? What criteria have you set in place?

**The Hon. M.F. O'BRIEN:** We are at the point now where ACIL Tasman has returned with a cost-benefit analysis of private benefit, as opposed to public benefit, of our biosecurity activities. I have been asked by industry if that can go out for public comment, and I am more than agreeable—I think it is a useful exercise. When we have a firm landing on what is the public and private benefit of our activities in biosecurity, we will be in a position to take it to the next step. I have been informed that it might be a matter of several weeks before we can get the ACIL Tasman work out into the wider community, and that will then inform subsequent debate.

**Mr PEDERICK:** In the same budget paper at page 197, the 2010-11 estimated result at dot point 1 refers to the \$11.6 million spent on the plague locust emergency response program. Noting that you have already identified the \$12.8 million that was allocated, what happened to the \$1.2 million left over? Has that been put back into general revenue?

**The Hon. M.F. O'BRIEN:** I have been advised that, yes. Sorry, no, apparently—

**Mr PEDERICK:** Is it yes or no?

**The Hon. M.F. O'BRIEN:** Steve can answer that.

**Mr PEDERICK:** He's got the biggest pocket there.

**Mr ARCHER:** I would like to have that biggest pocket. I refer the honourable member to page 194 of the same document. If you look at the third dot point under the financial commentary, the balance of the 12.8 sits within Rural Services. That reflects the fact that, under the biosecurity eradication program, the services of Rural Solutions SA are used to manage the project and to provide hands-on services throughout the community.

**Mr PEDERICK:** What are you saying? It was rationalised through Rural Solutions?

**Mr KNIGHT:** No, we are saying it is split across two sub-programs.

**Mr PEDERICK:** I refer to a new budget line: page 198, under the biosecurity targets for 2011-12 at dot point two paragraph one, 'Consolidate training of staff across PIRSA for the Biosecurity First Response Team'. What specific training is referred to by this budget line?

**The Hon. M.F. O'BRIEN:** Mr Zacharin will take that.

**Mr ZACHARIN:** One of the initiatives we have been undertaking since the machinery of government changes to put Biosecurity SA together was to create what we call our First Response Team, which is a team of trained people within Biosecurity SA and broadly within PIRSA, which can respond to Level 1, 2, 3 or 4 animal health or pest emergencies. That is about undertaking foundation training for a number of staff under the Australian Institute of Management emergency management arrangements so that we have the capability and capacity within South Australia to respond to a serious disease outbreak.

If we were to get something like foot and mouth disease in this country, which is considered a Level 4 incursion, within a week or two we would have to mobilise hundreds of people to be in a position to effectively respond to this type of outbreak. So, this is about ramping up our training and creating a first response team that can be put on the ground within a matter of hours because, as you know, with any new pest or disease incursion, the more rapidly you can respond, the more likely you are to get on top of the situation and reduce the costs of that response.

**Mr PEDERICK:** So, it is across a broad range of threats, is it? The training?

**Mr ZACHARIN:** Yes, this will allow people to respond to whether it is a pest or an animal disease or a plant disease emergency. These are generic skills which people are being trained in, so it does not matter if they are currently an animal health officer or someone working on the fruit fly program. For example, they could be mobilised within a number of hours to respond to something like

another locust incursion, if possible, or to an animal health emergency like equine influenza or foot and mouth disease.

**Mr PEDERICK:** I refer to Budget Paper 4, Volume 3, page 198: Targets 2011-12. This is under 'Cost recovery', paragraph one: 'Investigate cost sharing options for plant health program'. Which particular plant health program or programs are referred to in this and how will beneficiaries of each program be identified?

**The Hon. M.F. O'BRIEN:** I will read from the briefing notes because they are a little more succinct. As you have clearly identified, we have savings objectives under the plant health program, and after initially announcing the intended closure of night shifts at Yamba and Ceduna would take place on 31 December 2010, Biosecurity SA entered into consultation with industry via the minister's Horticulture Plant Health Consultative Committee to seek industry's view on potential cost savings and a cost-sharing model for the plant health program.

Closure of the night shift operation at Yamba and Ceduna was revisited on 30 June 2011, on the proviso that the horticultural industry provided a proposal detailing cost-sharing arrangements between industry and government for plant health programs. The extension also allowed the horticultural industry time to consider cost-sharing approaches to assist in supporting South Australia's plant health programs. In April 2011, it was decided to extend indefinitely the opening of both the Ceduna and Yamba quarantine stations. This meant that all investigations into identifying potential cost savings efficiencies associated with the night shift at the 24-7 quarantine station ceased.

Biosecurity SA is engaging with the Western Australian Department of Agriculture and Food in respect of the potential for reallocating quarantine station operations at Ceduna to a joint WA/SA operation at the existing WA facility on Eyre Peninsula at the border. I spoke with Terry Redman the night before last on that particular issue and a couple of other issues that were of interest to both Terry and me, one of which was the live cattle issue which, obviously, is of great interest to him. Terry is looking at that particular proposal and he is going to get back to me to give me an indication of where things sit with WA.

In relation to the live cattle trade, I subsequently had a couple of discussions with the federal minister. We are now widening our brief—and I have yet to have a discussion with Terry Redman—because of possible implications for the live sheep trade, which is currently off the radar but which I have a feeling may come back on the radar.

On the other issue of recovery, the Horticultural Coalition presented me with a very detailed and robust report and set of recommendations, which we are currently investigating, but I think it is fair to say that we are getting considerable engagement from industry. I will be able to come back to the member for Hammond when I have worked through all of those recommendations and had further discussions with the horticultural sector.

**Mr TRELOAR:** I refer to Budget Paper 4, Volume 3, page 196, and particularly to the comments you made in answer to the last question. My question refers to the accommodation at the quarantine station at Ceduna. I am wondering why the government is considering potential relocation, given that it has just spent \$300,000 on new office accommodation. What would be the perceived benefit in relocating? If it is relocated, will current staff be offered TVSPs?

**The Hon. M.F. O'BRIEN:** I will pass it over to get into the detail. We check on traffic coming one way at Ceduna and, several hundred kilometres further west, Western Australia has a similar facility checking on traffic coming the other way for another pest (which I think is a wood-borer), but common sense would indicate that, if you could have the one facility basically monitoring vehicles travelling both ways, it would have a cost benefit for both WA and South Australia.

What we are now doing is seeing whether there is actually a cost benefit for WA and whether there is a cost benefit for SA. Until that work is done, we are not really in a position to talk about TVSPs or the like. In terms of the new premises, I visited the old one some six or eight months ago and thought it was a bloody disgrace, to be perfectly honest.

**Mr TRELOAR:** Agreed.

**The Hon. M.F. O'BRIEN:** I have asked about it and been advised previously that it is temporary and can be relocated. Irrespective of the discussions, I think there was just a view that it is a pretty shabby front-of-shop exposure for the South Australian government for people coming from

interstate. The place was literally falling down around our ears. Will can probably offer a little more detail.

**Mr ZACHARIN:** Members are probably aware of a number of developments that have been proposed around Ceduna over the last few years as well, so that has led to a delay in capital expenditure on the Ceduna road block. However, it got to the stage where there were occupational health and safety issues with maintaining the road block in its current state, and we made the decision to bulldoze it, get rid of it. That new accommodation is a temporary mobile facility. It comes at a cost, but because those development applications may still proceed in the Ceduna area, and would require a diversion to the national highway, we did not think it was appropriate to put in a permanent facility there at this time.

As well as the investigation we are now doing with the WA government about collocation, as the minister intimated there are two road blocks on Highway 1. They are less than 400 kilometres apart, and we are doing the same work at ours that WA is doing at theirs. The last time we reviewed the possibility of collocation was back in 1996, so we have a joint team across both jurisdictions at the moment. They have dusted off that review, and they are looking at what the benefits and costs of may be of having another look at collocation.

**Mr TRELOAR:** As a supplementary question to the minister, are the existing staff at Ceduna being consulted in this process?

**The Hon. M.F. O'BRIEN:** I will pass that over to Will.

**Mr ZACHARIN:** Of course, the existing staff at Ceduna are well aware that we are talking to the WA government about the possibility of co-location. We have also advised the public sector union of this. A number of questions have been put to us by the staff, and we are answering them to the best of our ability at this point but, until we get into the nitty-gritty of whether any co-location has a positive cost benefit, we are not in a position to tell them whether or not it will go ahead. It will depend on the review.

**Mr TRELOAR:** With all due respect, that is not what I asked. I asked whether the staff were being consulted, not whether they were being advised.

**The Hon. M.F. O'BRIEN:** I suppose there are two points. At this stage, it may well be that the outcome is that the Western Australian operation is handled by ourselves. It is no lay-down misère that the South Australian function has to go to WA; they might figure that it makes more sense to locate it at Ceduna. I think the WA facility is probably in the middle of nowhere. I have not travelled across the Nullarbor—

**Mr TRELOAR:** It is at Border Village.

**The Hon. M.F. O'BRIEN:** Yes, so it could go either way. At this stage, other than flagging that discussions are occurring, there is really not a great deal to convey. As I said, it may well be that they are doing work for WA in due course.

**Mr PEDERICK:** I refer to Budget Paper 4, Volume 3, page 197. The third dot point from the bottom refers to increased cost recovery from industry for resources which are of benefit to the industry in 2010-11 and a figure of \$0.4 million. Which industry or industries are referred to here, what are the resources and what are the benefits?

**The Hon. M.F. O'BRIEN:** We will have to take that one on notice.

**Mr PEDERICK:** Thank you. Page 198, Highlights 2010-11, dot point 3, paragraph 3, refers to the eradication of four **fruit fly outbreaks**. What is the cost of managing these outbreaks, and what resources, money, training, manpower and equipment are needed to contain and eradicate individual outbreaks, whether they are in the Adelaide metropolitan area or in a regional area where there has recently been an outbreak, like Port Augusta?

**Mr ZACHARIN:** It really depends on how aggressive the incursion is, but each of these outbreaks costs in the region of about \$150,000 for us to address this year. Some of them can be more persistent than others. The funding is provided for out of the biosecurity fund, so it really depends on how long it takes us to get rid of the flies, how many sterile fruit flies we may have to release and how many times that occurs. It is different for each incursion. Some incursions we can eradicate fairly quickly and, at other times of the year, it can be quite persistent, so the cost can increase. On average it is costing us about \$150,000 per event.

**Mr PEDERICK:** How many staff does that involve, and how much equipment?

**Mr ZACHARIN:** We have a number of permanent staff within the plant and food standards area of Biosecurity SA which will pitch in, but we also have the capacity to get a number of casual staff in. We employ somewhere in the region of 40-50 casual staff as required to assist with baiting arrangements, knocking on doors, advising the community that we have a fruit fly outbreak in the area and assisting in the removal of fruit from any fruit trees within the quarantine zone. Again, it depends on how aggressive the incursion has been, how broad the initial quarantine zone has to be and how long it takes us to get around the area and do a lot of baiting and removal of fruit.

**Mr PEDERICK:** Thank you.

**Mr WHETSTONE:** Minister, has the government done an analysis on what funds would be needed to contain and eradicate an individual fruit fly outbreak in a commercial fruit growing area—particularly in the Riverland—obviously within a national Fruit Fly Exclusion Zone? You have expressed that you have enough resources to deal with any number of outbreaks, whether it be locusts or fruit fly. Have you done any modelling on what it would cost the government with one outbreak in the commercial Fruit Fly Exclusion Zone?

**The Hon. M.F. O'BRIEN:** Member for Chaffey, I will pass that over to Will, but I am sure that we have.

**Mr ZACHARIN:** If we had an outbreak within the Riverland area, we anticipate that that could cost us up to \$2 million in terms of the response but, again, it depends on how many gravid female flies were found within the area. If it was just one single fly we would have to implement a quarantine area of up to two kilometres, I think, around the current area, and up to 15 kilometres within the outbreak area.

That would require the stripping of a lot of fruit, and it would require a huge amount of surveillance and setting up of supplementary traps within the area. So, again, depending on how aggressive the incursion was, it could cost us up to \$2 million and it could last over several months. That funding has always been provided as an emergency response through the Biosecurity Fund and, if it put pressure on that fund, we always understand that we have the capacity to go back to cabinet to consider what the cost may be in terms of eradication.

**Mr WHETSTONE:** Through the minister: with consultation with the commodity groups, has there been some form of costing or analysis as to what impact there would be to that industry with a fruit fly outbreak?

**The Hon. M.F. O'BRIEN:** I will pass that over to Will. I have obviously had discussions with the Citrus Industry Development Board and they have alerted me to the consequences, particularly for certain select markets; I think Japan and Korea would be under threat. As I said, I think there is a Japanese delegation in South Australia; either there has been or will be in the very near future. Similarly, discussions with the Horticulture Coalition have alerted me to their particular concerns, but I will pass over to Will.

**Mr ZACHARIN:** I cannot specifically describe the emergency response planning that has been undertaken with the citrus board in that area, but I am happy to take that on notice and get back to you in terms of the planning that has been undertaken with the industry.

**Mr WHETSTONE:** Considering the amount of fruit that was detected in vehicles at Yamba and the random road block at Blanchetown over the Queen's Birthday long weekend, does the government accept a need for greater resources to be put into detection and community awareness programs in regard to fruit fly?

**The Hon. M.F. O'BRIEN:** The Citrus Industry Development Board brought to my attention the necessity to have a mobile strategy in terms of road blocks and alerted me to the fact that a lot of producers in the Riverland were taking fruit outside the Riverland, then returning with it, which posed a biosecurity threat. They are also of the view that there should be a greater emphasis on education and that the fruit fly awareness program probably is in need of a refresh. It has become very much part and parcel of the broad South Australian social setting. I have taken on board those concerns, and we will certainly be acting on them.

The two most recent uses of the mobile road block strategy I think were, in large part, a response to the CIDB discussions that were held with me.

**Mr WHETSTONE:** Is the government seeking a greater contribution from industry to fund fruit fly programs, considering the advantage in the markets that particularly the Riverland has, being a fruit fly free status area?

**The Hon. M.F. O'BRIEN:** We are looking for greater cost recovery right across the primary industry sector. This is the strategy that the government has adopted. There are very few sectors of the South Australian economy that receive substantial ongoing government support once they have moved beyond the stage of some degree of maturity. I think an example of where the government has made a contribution is Bio Innovation, which was an initiative of the previous government, and we are facilitating the development of the defence sector in South Australia; but, ultimately, a point is reached where those industries should be able to stand on their own two feet. Our view is that the primary production sector is very mature and well and truly at a point where it does not require substantial injections of government money.

Where we have arrived at with this process is determining what is the public benefit and what is the private benefit. This is a methodology that was worked up by the Productivity Commission, from memory. It has been taken on board by the commonwealth and, I believe, increasingly, by all the other states, so there will be an ongoing role for government to make a contribution to the sector, but it will be to cover the costs of the public benefit. The private benefit costs, in large part, should be subscribed to by the private sector.

In relation to the fruit fly issue, there is a significant benefit that accrues to the citrus industry in the Riverland because they do not have to undertake the pre and post-harvest treatment that their interstate counterparts have to undertake in the treatment of fruit. They actually accrue a dollar benefit, and I think we are aware of what that dollar benefit is. Our view is that a proportion of that ought to be paid back to cover in part the cost of providing the benefit that gives them the extra dollar for their fruit. I have a note here that says that the benefit that accrues to Riverland producers has been quantified at between \$3 and \$5 per carton because of state government expenditure.

**Mr WHETSTONE:** I guess the citrus industry would welcome the extra dollars at the moment with the price of fruit. I am worried about the near-sightedness of the government projecting the benefit to the fruit industry. We are looking at the benefits to the wine industry (particularly with Yamba and Ceduna), the grain industry and livestock and the disease and weed biosecurity risk the whole state is facing, yet the fruit industry seems to be picked out as the main beneficiary.

**The Hon. M.F. O'BRIEN:** Member for Chaffey, I think the process that we have undertaken with the Horticultural Coalition is to say that the benefit to South Australia extends beyond the Riverland, because the way that the program operates is that it is run in the metropolitan area. I think the strategy is that, if an infestation occurred in the metropolitan area, given population density and the fact that people still have fruit trees in their backyard and they travel interstate, and we do not control it in the metropolitan area, it will ultimately ravage the Riverland.

But there are also benefits for horticulture on the Northern Adelaide Plains and in the Adelaide Hills. Our discussions with the horticulture sector are: let's look at this in a broader sense and not try to impose the cost impost on the Riverland, even though it is a significant beneficiary, because fruit growers in the Adelaide Hills and horticulturists on the Adelaide Plains also have a benefit. We are trying to get a reasonably equitable distribution of effort across the state, and that is the discussion at the moment.

**The CHAIR:** The member for Hammond has some omnibus questions to read into the record.

**Mr PEDERICK:** Thank you, Chair. The omnibus questions are:

1. Will the minister provide a detailed breakdown of expenditure on consultants and contractors above \$10,000 in 2009-10 for all departments and agencies reporting to the minister—listing the name of the consultant, contractor or service supplier, cost, work undertaken and method of appointment?

2. For each department or agency reporting to the minister how many surplus employees were there as at 30 June 2011, and for each surplus employee what is the title or classification of the employee and the Total Employment Cost (TEC) of the employee?

3. In financial year 2009-10 for all departments and agencies reporting to the minister, what underspending on projects and programs was not approved by cabinet for carryover expenditure in 2010-11, and how much was approved by cabinet?

4. Between 30 June 2010 and 30 June 2011, will the minister list the job title and total employment cost of each person (with a total estimated cost of \$100,000 or more)—

- (a) which has been abolished; and
- (b) which has been created?

5. For the year 2010-11, will the minister provide a breakdown of expenditure on all grants administered by the departments and agencies reporting to the minister—listing the name of the grant recipient, the amount of the grant and the purpose of the grants, and whether the grant was subject to a grant agreement as required by Treasurer's Instruction No. 15?

6. For all capital works projects listed in Budget Paper 5 that are the responsibility of the minister, will the minister list the total amounts spent to date on each project?

7. For each department or agency reporting to the minister, how many Targeted Voluntary Separation Packages (TVSPs) will be offered for the financial years 2010-11, 2011-12, 2012-13, 2013-14 and 2014-15? I have one last question, if that is all right, Mr Chair.

**The CHAIR:** As long as you start right away.

**Mr PEDERICK:** I will get right onto it. I refer to Budget Paper 4, Volume 3, page 190. Under **'Fisheries'** Description/objective, it states:

The management and administration of the living marine and freshwater resources of South Australia, as required under the Fisheries Management Act 2007. This includes the development and implementation of appropriate management plans for commercial fishing, recreational fishing and charter fishing; development of government policy for sustainable resource access; and allocation and the administration of licensing and compliance services.

I refer to some words from the Fisheries Management Act 2007, which provides:

An Act to provide for the conservation and management of the aquatic resources of the State, the management of fisheries and aquatic reserves, the regulation of fishing and the processing of aquatic resources, the protection of aquatic habitats, aquatic mammals and aquatic resources and the control of exotic aquatic organisms and disease in aquatic resources; and for other purposes.

This is a crunch question, minister. Given the wide-ranging influence and effect of the proposed marine parks legislation, will the Minister for Fisheries be fully responsible now and in the future for all aspects of this sub-program, as described above and as laid down in the Fisheries Management Act, or will the environment department be taking over this role?

**The Hon. M.F. O'BRIEN:** I have been advised yes and no.

**Mr PEDERICK:** So, yes, you are; and no, the Department of Environment is not getting it: is that correct, minister?

**The Hon. M.F. O'BRIEN:** That is right.

**The CHAIR:** I thank the minister and I also thank the members of the committee. Thank you to the advisers for your assistance. There being no further questions for the Minister for Agriculture, Food and Fisheries, we will now adjourn until 13:45.