

Estimates – 13/10/10

Food and Wine Industry; job losses – effects on services etc

Mr PEDERICK: I refer to Budget Paper 6, page 73, Food and Wine Industries: the fourth line under Operating Expenses. I note that you mentioned the article in the paper this morning. In reference to that line, and especially in the light of the food industry sector, can the minister explain **the loss of 10,600 jobs** in the food industry sector and outline where they were lost and also the 11 per cent drop in food exports for 2009-10?

The Hon. M.F. O'BRIEN: I have to call on the chair for a ruling. We did not employ those 11,000 and I am really not in a position—

Mr PEDERICK: It's in the paper.

The Hon. M.F. O'BRIEN: Yes, well, I didn't make that statement. I can talk generally. I am not going to be drawn but I think, as the member for Hammond and probably the members for Chaffey and Flinders are well aware, because it has occurred in their electorates, with the drought, a lot of people sought employment elsewhere particularly in the mines.

The member for Flinders, I think, is quite keen to see some mining activity occur on Eyre Peninsula as a source of adjunct employment, particularly for the sons and daughters of primary producers on Eyre Peninsula, but I would put part of that job loss down to the fact that people have taken on alternative employment during the worst of the drought to keep their heads above water and that they will return—and are returning—to the sector as things improve.

We have also had issues with the high exchange rate which has bounced around quite a bit. It is a common phenomenon of a high exchange rate and isolating that in terms of exports. I know that it has caused issues. Also with the global financial crisis, there has been a slump which we are probably now over where our exports were in less demand than they had been during the good times.

I can single out the dairy industry as probably the sector that was hardest hit by the global financial crisis. Countries that took enormous quantities of Australian powdered milk basically deserted the market overnight and I think you would find that, in areas such as seafood, both the high Australian dollar and a lessening in demand as a result of the global financial crisis would have been major contributors. However, it is not a budget line, and I really do not want to be drawn.

Mr PEDERICK: Referring to the same budget line, can the minister explain the \$300,000 drop in **export assistance funding** for the food industry from a level of \$500,000 three years ago?

The Hon. M.F. O'BRIEN: On that particular item, we made a decision—and it was an election commitment—that we would allocate \$1 million over four years to the food and wine sectors. That ultimately subsumes the amount that we were giving in export assistance, I think, in the year currently under consideration. Which budget line is the member for Hammond referring to?

Mr PEDERICK: Just bear with me. I was linking it to Budget Paper 6 and Operating Expenses under Food and Wine Industries on page 73.

The Hon. M.F. O'BRIEN: The negative actually indicates additional revenue. It is just the way that they are expressed in the budget papers.

Mr PEDERICK: I understand that.

The Hon. M.F. O'BRIEN: It can be a bit confusing but that is what the negative actually indicates. That is our election commitment of the \$1 million per annum over the four years.

Mr PEDERICK: I do understand the negatives, minister. I refer to the Budget Paper 6, page 30, referring to the \$8 million earmarked over the next four years to establish a strategic industry development fund. Will some of this funding go to agriculture and, if so, where, and isn't this directly counted by the abolition of the **Strategic Industry Support Fund** on page 43?

The Hon. M.F. O'BRIEN: This is DTED and I have responsibility for regional affairs, but we are not dealing with that particular budget line.

Mr PEDERICK: I refer to Budget Paper 6, page 13, referring to the so-called **targeted voluntary separation package** scheme and anticipated cost of \$353.8 million. My initial question is: how much of this figure will come from the PIRSA budget?

The Hon. M.F. O'BRIEN: I will pass this over to Geoff Knight.

Mr KNIGHT: Until we commence this process, it will be impossible to indicate. That will determine the numbers of people. We have made public that the four year budget task will probably see about 200 staff reductions; that is in a departmental total of around about 1,400. That will be through a combination of TVSPs and non-replacement of non-essential positions. Our annual attrition rate in a department of that size is upwards of 200 anyway, so there are strategic opportunities, just like any business. When a vacancy occurs, you have a bit of a think about whether that is a core job that needs to be replaced before you just go out there and automatically replace it.

The answer will depend on how many of that 200 require TVSPs and how long those staff have been in the employment of the government. That amount listed on page 13 of the budget measures document, by the way, is a provision that the Department of Treasury and Finance has made. The funding will be from the Department of Treasury and Finance, in any event, so that is something that, perhaps as the program unfolds during this year, the minister may wish to provide further advice to the parliament on. It is impossible to say at this stage until we actually commence the program, which will be some time after 1 November.

Mr PEDERICK: Of the targeted staff who will lose jobs, how many have been offered redeployment? I note staff were offered redeployment in June of this year rather than a so-called targeted voluntary separation package. What effect will this staff cutback, through redeployment and TVSPs in the sector, have on the workload and morale of remaining staff?

Mr KNIGHT: As part of good practice, we always attempt to utilise the skills of all staff. When we are withdrawing from an area, all staff, before they can be offered a TVSP, have to be formally declared as surplus, and that triggers a process in which we look at ways of redeploying those people in other high priority programs of the department. One of the key factors in our success is retaining a skill base and capability to deliver. We are absolutely determined to ensure that we retain and

maintain our skill base going forward. That is really critical. So we will be going through that rigorously, and we are very mindful of the fact that, when we are reducing staff numbers of that order, we have to be very watchful of the work loads of those people who remain so that we can manage that.

We are also very mindful of ensuring that the industries that rely on services through PIRSA continue to receive those valued services as they always have. I can guarantee the member that it will be a very responsibly managed process. I think last year through the government's program we offered about 75 TVSPs and they were managed very effectively. I think, looking back now, we did that without any cessation of particular services or discontinuity from an industry perspective. When we went back and reviewed that program, something like 88 staff departed last year through that process.

Mr PEDERICK: I refer to the same budget line. Given these major cutbacks to PIRSA's human resources and the potential exodus of experienced people through separation packages—I know from my own experience that good people locally accepted packages in the last round and probably will in this round—where will the department find the **required expertise** to manage possible future major pest and disease outbreaks, or will it all have to be outsourced?

The Hon. M.F. O'BRIEN: I made the comment in my opening statement that these TVSPs would be offered selectively. We are quite cognisant of the fact that we do not want to lose core skills. So the answer would be: I covered it in the opening statement; we are aware of the issue; we will be quite selective in terms of who we offer these packages to; and we are also trying to bring a body of expertise behind our more experienced managers. One of those persons is Will Zacharin, sitting in the chamber, who is Executive Director of Biosecurity, and I know that, not only does he have relative youth on his side, but also he is encouraging a younger cohort to come through Biosecurity. So we are addressing those particular issues.

Mr PEDERICK: I refer to Budget Paper 4, Volume 2, page 6.4, total **full-time equivalents** for each of the three years. I note that Mr Knight mentioned around 1,400, and it is close to 1,400. How are these figures split between the resources sector and the agriculture sector? I am deeply concerned that we get a real understanding, because I do understand that minerals are not getting a touch-up in this budget but agriculture is getting belted.

The Hon. M.F. O'BRIEN: I will refer that question to Geoff Knight. The honourable member has alluded to the fact that we are talking about the department in its totality and he is better placed to answer that question.

Mr KNIGHT: Of that total, about 180 are tied up with the resources sector part of the department. I might quickly respond to the suggestion around the 'touch-up'. The honourable member in his opening address made reference to a concern that, because of the government's priority placed on mining, it might have meant that the agriculture part of the department might have received a disproportionate share of the burden.

It was covered yesterday in estimates that the government actually decided not to cut the programs that we undertake in mining and instead decided (in consultation with industry) to impose a higher royalty regime, and that seemed very much the industry making its contribution towards what government is doing.

Obviously, when you invest in all the geoscience programs, there is a dividend at the end, and that comes via royalties that are paid to the community. Increasing those royalties is seen very much as part of the deal that we have made an undertaking to the industry that we will substantially continue to do those things. The burden, as a result of all that, has not gone onto the agricultural sector. There are no greater cuts in that sector because of the priority on mining.

We will be trying to prioritise all activity in the agricultural sector. That is the logic behind it. It is not a salami-slice approach with SARDI. We talked before about the national reform—putting our resources into the areas where we can get the biggest bang for the buck for the state. That is also true of our food and wine industry areas.

Yes, it is a reduction in headcount but it is a very strategic one. The minister made the point in his opening that only about 40 of those 200 will be in regional parts of the state. We have gone through that process rigorously to ensure that there is an absolute minimum impact on regional areas of South Australia in the process.

Mr PEDERICK: In that answer, I cannot recall you giving me an indication of the total FTEs for each section—resources or agriculture.

Mr KNIGHT: I said that it was 180 from resources; so you can subtract that from the total.

Mr PEDERICK: Thank you. I refer to Budget Paper 4, Volume 2, page 6.6, dot points 1, 3, 4 and 6, which state:

- facilitating the development and growth of food, wine, fisheries, agriculture and forestry sectors;
- facilitating the application of innovative new technologies, services, products and knowledge...;
- providing research and development capability delivering innovation in the agri-food, wine and bioscience industries; and
- protecting agri-food industries against potential biosecurity outbreaks.

My question is quite broad: how does the government propose to **achieve all these objectives**, given the slashing of \$80 million of PIRSA funding, reducing staff levels by at least 180 and cutting research and development programs and industry support schemes?

The Hon. M.F. O'BRIEN: Member for Hammond, I return to an answer that I think I have given to two questions, which is basically that we are going to sharpen the focus of the department. We are setting up the council (whatever it is called; you might help us in coming up with a name), which will obviously have carriage of these strategic plan targets. To achieve that, we have enlisted the support of Nous. We have a dedicated team within PIRSA working alongside the Nous Group to reshape the department to reorient the focus of individuals and sections.

It is my expectation and the expectation of the chief executive officer that the lion's share of that work will be completed by the end of this calendar year and that we will be in a position to make an announcement very early in the new year as to what the organisational structure of the department will look like and what the council will look like. The chief executive would like to make a comment.

Mr KNIGHT: When the minister gave his opening statement, he handed out a table, which was an attempt to explain significant movements between years. This refers directly to the member's reference to an \$80 million cut. I notice that was also referred to by the member for Schubert overnight when referring to an \$80 million cut and 180 jobs. The 180 jobs is right because that is straight from the budget papers, but I think the problem with the reference to an \$80 million cut is that you have to take into account some substantial extraordinary items that have come out of our lines this year.

The best example of that that I can think of is the Langhorne Creek pipeline because we spent so much money on that last year, but obviously we have finished the pipeline, so you do not keep spending \$50 million a year on that. For the record, it is probably worth saying (and it is quite clear in the table on page 71 of Budget Paper 6) the actual cut to the department—it is not a cut this year, it takes four years for that to accumulate—is \$25 million, not \$80 million.

Mr PEDERICK: That's absolutely right; it is \$80 million over four years, but it is an \$80 million cut to primary industries.

Mr KNIGHT: No, it's not, because if you want to add those four years together, fine, but you are counting the same dollar four times. That would be like saying that, over 10 years, then it is going to be \$200 million.

Mr PEDERICK: I have agreed that it is \$80 million over four years. I have agreed with that statement and it is the period that is indicated in the budget forward estimates. I refer to Budget Paper 3, page 2.2 and table 2.2. Line 7 shows marked reductions in funding for operations, particularly into 2011-12.

The Hon. M.F. O'BRIEN: Sorry, can I interrupt, member for Hammond, which—

Mr PEDERICK: Budget Paper 3, page 2.2.

The Hon. M.F. O'BRIEN: What was the question; sorry, member for Hammond?

Mr PEDERICK: The question is: what operations will be cut to meet the overall reduction?

The Hon. M.F. O'BRIEN: Again, this is the issue of what the negative means. It actually is an increase in expenditure, not a decrease. The increase in the 2010-11 year of the 10.7 can be largely explained by our commitment to dealing with the locust plague. I think Biosecurity SA is being beefed up. There has been a movement from the two environmental agencies. PIRSA now has total carriage of biosecurity. What you are actually talking about there are increases to expenditure, not decreases.

Mr PEDERICK: On page 2.6 of Budget Paper 3, table 2.5 showing the full-time equivalent job impacts, line 6, under Primary Industries and Resources, it is stated it will lose 179 jobs. Can the minister confirm whether this **179 is in addition to the 106 jobs** that we know of that were lost to PIRSA and Rural Solutions across the state before the election?

The Hon. M.F. O'BRIEN: That is in addition to the reductions in FTEs last year.

Mr PEDERICK: In line with the same budget line, minister, it has been noted that 40 jobs will go in regional areas, which will have a significant impact in regional areas if you apply the multiplier of impact of about 1:5. Can you specify the particular regional offices where these job cuts will happen and which regional offices will close—because I believe the Keith office is closing. I wonder if you can verify that as well.

The Hon. M.F. O'BRIEN: We have not gone into the specifics. At this stage, and in fairness to the staff, these TVSPs are not compulsory. I made the point that we are obviously going to be approaching people, because we want to retain those individuals that are vital to the ongoing function of the department. In particular, the member for Hammond alluded to the importance of retaining a body of expertise, particularly within biosecurity. As I said, these are targeted and, until we have had those discussions with staff members, and in order to do them justice, we are not really in a position to indicate which offices will be closing. We also want to have discussions with the communities.

There will continue to be a presence in each of the South Australian government administrative regions. That will mean that there will be at least one office and there may be secondary offices. We are talking with government agencies to see whether we can actually share accommodation to maintain the provision of counter services. Those discussions are yet to occur as well, but we are having discussions with at least two other agencies with a view to collocation. So, at this stage it is a little too early to indicate where those office closures will occur.

Mr PEDERICK: Can you confirm the **Keith office** is closing, minister?

The Hon. M.F. O'BRIEN: We have made an announcement on that. The closure date is 22 October.

Mr PEDERICK: On the same budget line, what frontline services will be reduced in regional areas across the state as far as these 40 job cuts? I am interested in your previous answer, in that you are saying some of that work has not been done, but obviously the number 40 has been identified and I want some more feedback on how that number has been arrived at as well.

The Hon. M.F. O'BRIEN: I will not go too much into the detail, but obviously if you have a budget target set for state government as a whole you then work back to the agencies and the agencies then have to determine how they make those particular savings. The figure of 40 was arrived at in part by an examination of the work performed in the field by Rural Solutions. I think probably 50 per cent of the work that is done by Rural Solutions is done for state and federal government environmental agencies. They pay for the work and we perform it.

What we are saying to both DENR and the commonwealth is that, 'If you want that consultancy work performed by Rural Solutions then we won't discount it.' It will be the same rate (hopefully a competitive rate) that may be offered by private sector companies operating within the environmental space.

So, we believe that, by insisting that we recover full costs, rather than providing a subsidy to both the commonwealth government and the new environment department, there will be that particular staff reduction. It may come to pass that the commonwealth and DENR want to pay what they would have to pay to the private sector to perform those functions and those job losses do not occur, but

our calculations at this stage indicate that that would probably be the quantum of job loss.

Mr PEDERICK: In light of that answer, what percentage of regional agricultural staff hired by PIRSA is the 40, as far as a percentage of the total staff employed in regional areas of South Australia?

The Hon. M.F. O'BRIEN: The chief executive has advised me that it would be less than 10 per cent.

Mr PEDERICK: Thank you. I refer to Budget Paper 6, page 75, and reference to a saving of \$2.6 million by rationalising the level of resources and the strategy policy and advice areas of PIRSA. Which particular resources are referred to in this statement and what current programs will or are likely to be cut to meet this target?

The Hon. M.F. O'BRIEN: I will give this question to the chief executive officer.

Mr KNIGHT: This saving does accumulate to \$2.6 million over four years, so it is \$400,000 in this current year and it builds up to just under \$1 million by the fourth year. This is very much about rationalising and coordinating our effort across the agency, so it is about making us more effective at lower cost. We will be prioritising workloads and there will be impacts across a number of divisions but it will mean about seven fewer staff. It is, I think, consistent with the idea of doing more with less.

It will be spread across a couple of divisions but mainly in our corporate divisions, so these are head office type functions. We may rely a little bit more on outside sources for some of the economic analysis that we do, compared to the past. However, our aim will be to try to minimise any unintended effects of discontinuing some of that activity. It might mean that we do it in one place in the department rather than two or three places. The emphasis is on trying to make our operations a bit more efficient, but it is a central office function.

Mr PEDERICK: Thank you. I want to go back to Budget Paper 3, page 2.6, table 2.5: full-time equivalent impacts. In your answers regarding regional staff losing jobs and the potential of further regional offices closing—

The Hon. M.F. O'BRIEN: Could you give us the page reference again, sorry?

Mr PEDERICK: Yes, sorry. Budget paper 3, page 2.6, table 2.5, line 6: Primary Industries and Resources will lose 179 jobs. My question is: when will we and the state be informed of the **impacts on regional offices** of both staff and services to be cut? I firmly believe there will be a problem in delivering much needed services to the regional areas and our farmers.

The Hon. M.F. O'BRIEN: We probably explored that particular issue in some depth a couple of questions back. Until we have had discussions with staff and have determined the staff that we seek to obtain, and until we have had conclusive discussions with NRM boards, RDA boards and DTEI, we are not in a clear position to establish our co-location options. Once all of that work has been done then we will be in a position to give you a conclusive answer, but that is a little way away at this particular point in time.

Mr PEDERICK: Just for further clarification on the same budget line, have those discussions on the cross agency amalgamations started, and have the discussions started with staff? If not, when will they begin?

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

Mr KNIGHT: Those discussions have commenced, and they are very much about trying to get a more coordinated approach in regional areas. I am sure the member is aware that many of our regions now have almost a confusion of different structures. So, we have the RDA structures; we have the NRM board structures, which PIRSA links quite closely to; and in some regions we have additional structures, particularly during a drought. We found one of the most effective ways to operate is to draw the NRM boards, the RDA boards and local government together in a very collaborative way.

Those discussions have commenced. They are part of the process of realignment between NRM boards and the new DENR. PIRSA wants to explore options where, in a region, if we reach the point where we have a small number of staff, rather than closing an office, we would rather locate our staff within the local council, which might be an effective way of going as well. It also could be co-located with the RDA or the NRM board. Those discussions are underway. It is also part of understanding the impact of savings on those agencies.

I will make the point that, in many cases where it impacts on regional areas, we are focused firstly on whether or not we can reduce the administrative support staffing levels before we reduce the professional and technical staff. We have a front counter service, and we reviewed that last year. We found the actual level of public traffic through those front counters was not exactly extraordinary, and in many cases it was not sufficient to justify having the sort of level of administrative and clerical staffing that you need.

In some locations we will still have professional technical staff supporting the industry sectors around the state, but we may not have 9 to 5 clerical support for the front counter. That way we can maintain those parts of the services that really do add value for industry and focus our efforts on reducing the number of staff associated with just front counter services. That is why we are unable to specify exactly where those 40 will be until we have worked through that process; but I can assure the member that the aim of the process is to absolutely minimise any reductions in services that industry does value and use.

Mr PEDERICK: I refer to the same budget line. In light of that answer, does that mean we will just have closed offices and that there will not be the opportunity for people to walk in off the street for advice at these offices, even though there might be small visitations from some weeks on some days?

The Hon. M.F. O'BRIEN: I know that every time I hark back to my Elders days I get the raised eyebrows, but this is the reality. Even when I was there some time back there was a shift in regional Australia to—

Mr Pederick interjecting:

The Hon. M.F. O'BRIEN: No. I am saying that there is a reduced call on office front services and that most canny rural producers—who are some of the most computer literate individuals in Australia, given the fact that they have to chase

international markets—are increasingly relying on accessing services by way of the web. I think to want us to maintain an ageing or aged infrastructure is both unnecessary and non-reflective of where our primary producers are heading.

I am more than comfortable with the fact that having significant offices in each of the regions in major regional centres will provide the service required where an in-depth discussion is necessitated but, by and large, the processes currently underway I believe will accelerate—particularly with the rollout of the national broadband network which is going to be rolled out through regional Australia first—the call on the front counter staff and front counter advice receding into our distant memory. I am quite comfortable with the direction we are heading on this one.

Mr PEDERICK: So, that was a yes, I take it, minister?

The Hon. M.F. O'BRIEN: It was, yes.

Mr PEDERICK: It took a while to get there.

The Hon. M.F. O'BRIEN: My Chief Executive Officer has pointed out that it is not in all cases. I think we have made it quite plain that the very minimum will be the retention of a significant presence in each of the South Australian government administrative regions and then there may be sub-offices, but that has to be worked out. However, the trend is to an increasing use of the web.

Mr PEDERICK: Referring to the same budget line, when do you believe these discussions on job losses and amalgamations of offices and staff across the state will be finalised?

The Hon. M.F. O'BRIEN: I will give that over to my chief executive.

Mr KNIGHT: The government, in bringing down the budget for 2010-11, indicated that the TVSP arrangements would take effect from 1 November. We are still awaiting final details of the scheme. I think the Treasurer himself made some comments on the design aspects in bringing down the state budget, but we do not have the final details of that including taxation and other arrangements.

We are working through the final budget measures that the government announced a few weeks ago so we will be ready on 1 November. I would expect that, by the end of this calendar year, we will substantially be in a position to confirm where in regional parts of South Australia any staffing reductions might be required.

As the minister has already said, obviously they do require discussion with the staff involved and they do require discussion with those regional communities because, if we can find alternative arrangements that mean that while the community might not have a department of environment office, a PIRSA office and someone else there, we might have a one-stop shop. Some people might even argue that that is a better arrangement anyway for a region, so the detail of that might change, but by the end of this year I would hope that we will be in a position to confirm that.

The TVSP arrangements, as I said, do not commence until 1 November, so necessarily we have a period of time over those four to six weeks where people need time to weigh up their decisions and to consult their financial adviser and their family before they make pretty hard decisions for themselves. Once that has happened, the minister will make some more public statements about that.