

STANDING COMMITTEE ON ESTIMATES AND FINANCIAL OPERATIONS

2017–18 ANNUAL REPORT HEARINGS



**TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
TUESDAY, 13 NOVEMBER 2018**

**SESSION FIVE
DEPARTMENT OF PRIMARY INDUSTRIES AND REGIONAL DEVELOPMENT**

Members

**Hon Alanna Clohesy (Chair)
Hon Tjorn Sibma (Deputy Chair)
Hon Diane Evers
Hon Aaron Stonehouse
Hon Colin Tincknell**

Hearing commenced at 3.31 pm

Hon ALANNAH MACTIERNAN

Minister for Regional Development; Agriculture and Food, examined:

Mr DAVID (RALPH) ADDIS

Director General, examined:

Mr NIEGEL GRAZIA

Deputy Director General, Industry and Economic Development, examined:

Dr RICK FLETCHER

Executive Director, Fisheries and Agriculture Resource Management, examined:

Dr MARK SWEETINGHAM

Managing Director, examined:

Ms MELISSA MURPHY

Managing Director, Capability and Performance, examined:

Ms MANDY TAYLOR

Chief finance officer, examined:

Ms MIA CARBON

Manager, Biosecurity Strategy, examined:

The CHAIR: This is a hearing with the Department of Primary Industries and Regional Development. On behalf of the Legislative Council's Standing Committee on Estimates and Financial Operations, I welcome you to today's hearing. Can each of the witnesses confirm that they have read, understood and signed the document "Information for Witnesses"?

The WITNESSES: Yes.

The CHAIR: It is essential that all your testimony before the committee is complete and truthful to the best of your knowledge. This hearing is being recorded by Hansard and a transcript of your evidence will be provided to you. It is also being broadcast live on the Parliament's website. The hearing is being held in public, although there is discretion available to the committee to hear evidence in private. If for some reason you wish to make a confidential statement during today's proceedings, you should request that the evidence be taken in closed session before answering the question. Agencies have an important role and duty in assisting the Parliament to review agency outcomes and the committee values your assistance with this.

Minister, have you got a brief opening statement of no more than two minutes to make?

Hon ALANNAH MacTIERNAN: Just to say that, obviously, we have gone through a process of amalgamation in the agency, that we very much see what we are doing as a work in progress, that we have considerable work to do to rebuild many of our capabilities and to ensure that they are adequately funded. Whilst we think we are making progress, we are recognising that we have a considerable way to go.

Hon DIANE EVERS: My first questions relate to the key effectiveness indicators, table 1, on pages 32 and 33. Somewhere down the list there is “Proportion of co-investment in department-led initiatives”. The target was 25 per cent. It is 22.4 per cent. I am just interested to know, maybe, some examples of what these are, and why the expectation of a target of 25 per cent.

Hon ALANNAH MacTIERNAN: Which page—33?

Mr Addis: Item 7?

Hon DIANE EVERS: Yes, number 7.

Hon ALANNAH MacTIERNAN: This is quite a complex one, that has to do with a writedown in property values. It does seem quite bizarre that that would have that impact. Who would like to give that long and complicated explanation?

Mr Addis: Are you able to respond to that, Mandy?

Ms Taylor: Sure. Can I just confirm—were you asking what is co-investment in that calculation?

Hon DIANE EVERS: I guess that is part of it—why the co-investment, how that benefits the organisation and maybe an example of it?

Ms Taylor: Co-investment is where we partner with other parties, so we leverage funds from other entities to help us do the business of the department. That includes all of that. We do not include royalties for regions in there as co-funding, but it is everything else that we get from external providers. What was the second part of the question?

Hon DIANE EVERS: The part of it is why the target of 25 per cent, what is an example of one that you have done and why the drop from 25 per cent to the actual 22 per cent?

Ms Taylor: I was not part of the group that set the target. I am not sure if Mark Sweetingham would have detail on the target.

Dr Sweetingham: I can add something to this in that this is one of the major areas that my part of the business and Rick Fletcher’s part of the business operates in. It is a large chunk of the department’s expenditure. To have a target of 25 per cent co-investment is quite a good target. Ralph mentioned the fact that the devaluation of the site has impacted on the negative apparent variation, but the figures I have in front of me are that there was actually an increase of \$6.6 million to a total of \$40.8 million in this financial year, which was 19 per cent higher than the 2016–17 figure. So, in actual fact, we are pretty pleased with that performance of being able to bring in \$40.8 million in co-investment from other organisations, including the commonwealth and industry levy players to support this major thrust of the department’s activity.

Mr Addis: Perhaps if I could add, as Dr Sweetingham just said, we actually achieved higher in absolute terms co-investment from other sources, but the figure was also distorted by the inclusion of the cost base of, I think it was, a \$27 million revaluation on the South Perth facilities. That has a fairly substantial impact on a number of the KPIs. You will see that we have reported as if it had been taken out, we would have well and truly met the target.

Hon DIANE EVERS: It is interesting because we were trying to focus a bit on KPIs and maybe this is another example of where they almost mislead you from the truth. What you are saying is that it is actually a positive.

Mr Addis: Yes. Just to explain that a bit further, the accounting treatment of the \$27 million revaluation would, in the normal course of business, be dealt with through the balance sheet. It would not affect the KPIs. Because we were amalgamated, there is an abnormal accounting treatment in the first year, so it has had to go through profit and loss and hit our costs.

Hon ALANNAH MacTIERNAN: That is because it is not accounted for in —

Mr Addis: In the balance sheet there is an asset revaluation reserve. In the normal course, it would have been debited against that. This is definitely accounting 101 for me. But because we were amalgamated, the asset revaluation reserve gets zeroed out and there is nothing in it to debit against, so it has to go through the profit and loss as a cost.

[3.40 pm]

Hon TJORN SIBMA: May I follow just on this, because the question might be dealt with now so we can get onto more meaningful business. I suppose if you had your opportunity again, you may well have maintained one of the entities as a going concern just to maintain a revaluation reserve. Effectively, because you had to zero out, you start from scratch again. My question is: is this likely to be just a one-off function of the transition into a new entity, and you would not anticipate the same kind of result in the next reporting period?

Mr Addis: The first part of your question is quite a technical accounting and government policy question. My understanding is that the decision to not adopt one of the entities as a going concern was not available to us and was made as a whole-of-government position overall. To the second part of your question, absolutely, we would not expect this to happen in the normal course.

Hon ALANNAH MacTIERNAN: But I also think it is important that a KPI should not be capable of being distorted in this way. Certainly these were KPIs that were set well before. We think that it does show a problem in terms of the KPIs that were set. As part of the new agency, we want things that are really — If Dr Sweetingham is talking about co-investment, and that includes things like co-investment with GRDC and other entities that we are leveraging funds off, that should not be something that should be drawn in such a way that it is not affected by matters that are quite extraneous to it. That is clearly work that we have to do in improving our KPIs.

Hon DIANE EVERS: My next question is on the capability review, which is mentioned on page 43. I understand that is not completed and that it will be at some point in the near future. I was wondering if you can give us any idea of how that is going and the benefits the organisation might be receiving from the process of going through it.

Hon ALANNAH MacTIERNAN: I will talk in a very general sense and then Ralph/David can fill in. Quite clearly, it is well known that we have a bit of a fiscal cliff—that there has been a problem with funding that we inherited and we have not yet corrected that. The agreement with Treasury was that once we were an amalgamated entity and we had worked out the various savings from bringing the three entities together—what were the areas where we could save costs—once there was clarity around that, we would come back as part of next year's budget cycle with this capability review, which identifies where it is under the current framework that we would need to have more resources. We have money, obviously, to employ people now, but that capability review is in its finalisation. We anticipate that this will be ready for February next year for us to go into the budget process.

Mr Addis: Just to add to that, in the context of a newly formed and amalgamated agency that has some inherited budget challenges, which have been known for quite a while but probably not really understood at a level of detail and certainly not yet resolved, the aim is to get very clear about that financial challenge in the budget out years and make sure that in the context of an amalgamating agency we get clear about what are the sorts of capabilities and priorities we need to do well and be effective for the state in coming years, and essentially bring those things together in advance of the budget process in January through March. We expect to get a draft report in the next few weeks. The ministers will give that some consideration. We have taken every opportunity through the

process to make sure that Treasury and DPC are well engaged so that, ideally, when we get a result, they understand it and have a level of commitment to it. We think it is pretty important that we build a strong agency, given the state's economic priorities around economic diversification and broadening and deepening our economic prospects. We think primary industries is a very important part of that, as is the regions. We do think we have a pretty important role to play and we want to be in good shape. We are feeling reasonably confident about that.

Hon DIANE EVERS: The next one is still on page 43. Your department has established a new area in the department to focus on the scientific infrastructure needed to maintain and build on the competitive advantage of Western Australia's agrifood sector. Can you provide an overview of the current state of this scientific infrastructure of the department? What does that really mean?

Hon ALANNAH MacTIERNAN: We have been looking at a range of our research facilities, which, to some extent, the state had walked away from—for example, the Frank Wise centre in the Kimberley and the Carnarvon centre. We have been putting effort into shoring up our capability in both of those centres, as an example. They were two that probably were most demonstrably perhaps going backwards, where we had stepped away from investment in that. We are still working through. I think we have signed a new agreement with NACRA, but we have made it very clear to the industry group that is set up there that we are going to be a proper player there. We are looking at not only keeping our breeding capability that we have got at the moment, but also looking at how we can enhance that. Likewise, in Carnarvon we are looking at how we can get much better interaction between the development commissions and those centres. Just some of the small things we have done, too, is that we recently launched a number of mobile laboratories. We had special mobile laboratories built that enable us to go actually out into the field and do plant samples in the field. You get a much better quality of sample as a result of that. They have been very popular in the farming community.

Dr Sweetingham: And, of course, the minister did open about \$9 million worth of improvements at our Northam offices. These are new labs, glasshouses and irrigated plot facilities. I think it was March this year when that was announced. That \$9 million investment there is going to be very important for us to continue to leverage R&D co-investment from the Grains Research and Development Corporation and also as a hub where we hope to bring through researchers from Murdoch, UWA, Curtin and CSIRO to collaborate—PhD students and the like working very closely with our experienced field researchers. The minister mentioned Kununurra. At the Frank Wise Institute we have invested this year, or we are in the process of investing, in new tractors, seeders and fertiliser rigs to bring the research capability up in that area. I believe we are also in the process of upgrading our sheep research facilities in Katanning.

Hon ALANNAH MacTIERNAN: We are, actually; we are putting about a million extra into that to enable us to really speed up the breeding process, which is going to be very important for providing diversity of opportunity for sheep farmers.

Mr Grazia: Mark, you might like to mention Merredin as well.

Dr Sweetingham: Yes. The Merredin situation is quite interesting. A freak storm earlier in the year blew the roof off our dryland research facilities at Merredin. Through a combination of the insurance repayment and some repurposing of some of our capital expenditure funds, we will be upgrading labs at our Merredin research facilities as well.

[3.50 pm]

Hon ALANNAH MacTIERNAN: Longer term, we recognise that something really has to be done at South Perth. That is part of why we got this devaluation of the land—because we have been working

with LandCorp about what it is that we might be able to do to get proper, modern facilities out at South Perth.

Hon TJORN SIBMA: My next tranche of questions will focus in on the minister's opening statement and some of the remarks you made around the challenges of integrating these agencies into a new department. Bearing in mind that the agency was formed on 1 July last year, when will you complete your integration processes? I am given to understand that it is a work in progress but there must be an end date soon. When is that likely to be?

Mr Addis: It is a very good question. There is a whole raft of things to integrate, starting with structure and people, and systems and platforms. The deeper and longer task is to, I suppose, integrate the culture of the organisation so we are all about the same things. The people integration—we are about 25 per cent through that now. We anticipate completing that process towards the middle of next year. That will have all of our people migrated into a new functional structure. That has been a challenging process but, ultimately, it will have us all lined up around quite a new organisational design, which is quite a bit simplified and less siloed than the former agencies if we had have left them in that shape. That is the people and structure side. In terms of systems and platforms, obviously that is complex. It is likely to take us, to complete that including knitting together three sets of different policies and procedures, a good two years from now but we will make progress with the core platforms certainly during the course of next year. For finance, HR, payroll and IT, we would expect to have made very good progress on those core platforms during the course of next year.

Hon TJORN SIBMA: This is important to clarify because you are effectively having to implement a whole-of-government policy. I am not reflecting on the policy in any way, but I want to clarify this. Mr Addis, am I to understand that you are confident that two years from today, you will have completed the entire suite of systems and platforms integration that you require? Do I understand you correctly?

Mr Addis: And policies and procedures.

Hon TJORN SIBMA: And policies and procedures.

Mr Addis: I think the policies and procedures are probably the longer lagging part of that because there are so many of them across three agencies.

Hon TJORN SIBMA: In terms of the systems-wide underpinning, can I just ask a very simple question: are all your people on a common-user email domain or are you using different departmental nomenclature?

Mr Addis: I am not the technical guy but we all have a DPIRD email address, but it is built over the top of three—fish, agriculture and regional development—underlying emails.

Hon TJORN SIBMA: Do you have a common payroll system?

Mr Addis: No.

Hon TJORN SIBMA: I will focus on that as an example. When do you anticipate having a common payroll system?

Mr Addis: We are expecting a recommendation to the executive in the next week or two, I think.

Ms Taylor: I believe so, yes. I would assume it will be within the next 18 months—worst-case scenario.

Mr Addis: My understanding is that it will be in the second half of next year, but we are expecting a recommendation on that in detail, and the other core platforms.

Hon TJORN SIBMA: I will just focus on this dimension. How will that be funded? Is it through the garnering of internal savings or will you go to Treasury seeking supplementation so you can actually bring effect to this systems integration?

Ms Taylor: We currently have some budget set aside for a capital systems implementation. We are currently doing all the costings at the moment to determine if we can get all three systems using that funding. If we cannot, then we would need to get additional capital funding from Treasury.

Hon TJORN SIBMA: I know that if I ask a question about business cases being prepared for cabinet consideration, I am going to get a, “nice try” response —

The CHAIR: Yes.

Hon ALANNAH MacTIERNAN: We are not doing one at the moment —

Hon TJORN SIBMA: You are not doing one at the moment; that is what I wanted to determine.

Hon ALANNAH MacTIERNAN: — because it is not clear that we will not be able to do that within the allocation. But if it becomes the case that we cannot, then obviously we will have to do that.

Hon TJORN SIBMA: Are you able to provide the committee with—I will be sensible about this—a ballpark estimation about the cost that would be involved in actually delivering this system? Is it something that you can purchase, effectively, off the shelf, or is it going to have to be built from internal departmental resources?

Ms Taylor: I think it is a bit of both, probably.

Mr Addis: Are you just talking about payroll?

Hon TJORN SIBMA: Yes, I just want to pick one system as an example.

Mr Addis: For payroll, subject to an executive decision in the near future, it is a standard package. I think two of our former agencies were on it.

Ms Taylor: That is correct.

Mr Addis: It is a relatively straightforward thing but it does require that we have completed structure change et cetera so that we can set it up properly. I do not have to hand the cost that we anticipate for that, so if you are wanting that, we would need to take it on notice.

Hon TJORN SIBMA: If I could take that on notice.

[Supplementary Information No E1.]

Hon TJORN SIBMA: Just using the challenges that you face integrating under a common-user payroll system, can I get a sense of the time lines that you are working towards, just in a generic sense, for your common-user finance systems and your common-user human resources systems? Sorry; I will start again. Which of the systems that you are looking to integrate pose you the biggest challenge and are likely to take the longest to complete?

Mr Addis: Finance, HR and payroll—again, we have not received the detailed proposal from the corporate sector or the capability and performance pillar. We expect that in the next couple of weeks, but my anticipation is that those three will be finalised in the second half of next year. The more complex and longer time frame will be around the broad IT system, which obviously has multiple layers and elements, so it will be a progressive migration over time. I might add that one of the—you could look at it as a challenge, but also as an enabler, is when you start from three agencies that have been of a scale and complexity that they were in isolation and you put them together, the task is quite significantly different. We have taken an approach where we wanted to get the right people in charge of each of those core functions before we make snap decisions about

the future systems we want. We think we have now got to the point where we have the right CIO, CFO and HR people in charge to make sure that we get those decisions right and implement them well.

The CHAIR: Hon Dr Steve Thomas.

Hon Dr STEVE THOMAS: Thank you, Madam Chair.

Hon ALANNAH MacTIERNAN: The arum lily page?

Hon Dr STEVE THOMAS: Minister, you would be best not to encourage me today. I have already been reprimanded several times by the Chair!

The CHAIR: Correct—who is ready to reprimand at a moment's notice!

Hon ALANNAH MacTIERNAN: I should have; I was going to cut some out of my garden and bring them today!

Hon Dr STEVE THOMAS: I could have brought you some. I very nearly took some up to the —

The CHAIR: Honourable member, you have 19 minutes.

Hon Dr STEVE THOMAS: I would have brought some up for the Minister for Environment's birthday on 31 July; I even looked up when it was.

On page 18, you mention the tomato potato psyllid. I understand that Victoria and New South Wales have now opened their borders for potato exports based on this. I am wondering if you could give us an update—it is unashamedly a question asked on behalf of the potato producers of the south west region—on where we are and what time frame we might look at for South Australia and Queensland, potentially to open their borders?

Ms Carbon: Our plan for freedom from CLso, which is the bacteria that is associated with the psyllid that was of concern, has now been accepted nationally by all jurisdictions except South Australia, in my understanding. Those jurisdictions now need to go through the process to change their legislative import requirements to allow movements to occur. That will differ from jurisdiction to jurisdiction, but we are working very closely with our colleagues to provide them with any information that they need to enable that. We are expecting those to open very soon. We are certainly still in very detailed negotiations with South Australia, and it is an absolute priority for us to get the acceptance there as well.

[4.00 pm]

Hon Dr STEVE THOMAS: I agree that South Australia is a priority, so we do not have a time frame for them? There was an announcement today, I think, in relation to either New South Wales or Victoria, but no time frame for South Australia?

Ms Carbon: Not currently.

Hon Dr STEVE THOMAS: That is unfortunate.

Hon ALANNAH MacTIERNAN: I think there is a little bit of protectionism that goes on sometimes with these market access things. I think the view of some of our colleagues in the eastern states is that we have played that game in the past, so perhaps they are not going to be as speedy as they might be.

Hon Dr STEVE THOMAS: Unfortunately, we probably have played those games in the past.

I will move on, Madam Chair. I will use page 11, which is just the list of legislation managed by the department and, in particular, the Biosecurity and Agriculture Management Act 2007, an act that passed through the Parliament when we were both in that other place, minister. I had quite a bit to

do with it. In relation to biosecurity—I could give you plenty of references within the annual report to biosecurity—could I ask specifically in relation to that act, sections 26 to 31 relate to biosecurity. I will give you a little detail just because I happen to have pulled it up here. Section 26 is the duty to report a declared pest; under 27, the director general can issue an exclusion notice; 29 requires compliance with the notice; 30 is the duty to control the pest and under 30(2), the owner or person in control of an area must take the prescribed actions; and 31 is a pest control notice which can be given. You may need to provide this by additional information, I suspect, but can you tell me how many times those sections of the Biosecurity and Agriculture Management Act have been used? How many notices have been issued? How many legal actions have been initiated?

Hon ALANNAH MacTIERNAN: Perhaps we will do it over the period of this —

The CHAIR: The reporting period.

Hon ALANNAH MacTIERNAN: — reporting period.

Hon Dr STEVE THOMAS: I am happy to go back as far as you can.

Hon ALANNAH MacTIERNAN: No. We will do it over the reporting period.

Hon Dr STEVE THOMAS: That is fine.

The CHAIR: Minister, are you happy to take that on notice?

Hon ALANNAH MacTIERNAN: I will just ask if Mia has some of that information on hand.

Ms Carbon: I do not have numbers of pest control notices and other notices to hand, but we can certainly provide them.

Hon ALANNAH MacTIERNAN: We will provide that for the reporting period.

The CHAIR: For this reporting period and, if it is not too onerous, a comparator would suit the member, I would guess.

Hon Dr STEVE THOMAS: Whatever is easily available, basically, without going into too much detail.

[Supplementary Information No E2.]

Hon Dr STEVE THOMAS: I am interested because, anecdotally, industry has the opinion that the department is reluctant to use the parts of the Biosecurity and Agriculture Management Act to enforce pest control, basically. If there is evidence to the contrary—this is not just the current; this is a longstanding position before you took over, minister—and if that is not the case, I am interested in comment if the department has heard of that statement basically being put about by industry and whether it has a fairly simple rebuttal or a comment on it. Otherwise, I am happy to wait for further information.

Hon ALANNAH MacTIERNAN: Is there a particular type of pest that you are thinking of?

Hon Dr STEVE THOMAS: I have heard an overall range of pests, but the one that I get most commonly in discussion in the south west is probably narrow-leaf cotton bush. There is a perception amongst the agricultural community that it sits there particularly on, let us call it, absentee-owner land, to some degree some DBCA land. Is the department aware of that particular reputation?

Hon ALANNAH MacTIERNAN: I just say that it is probably true that the department's focus has been on pests of another nature. We have had so many biosecurity outbreaks that really are very threatening, like the psyllid, the marmorated stink bug, the citrus canker and the Q-fly incursion. These are highly problematic. Although I agree that cotton bush and arum lilies and all those things are a problem, they are not of the same order, I guess, and they do not have the same immediacy

in their concerns, so I think within a framework of somewhat limited resources, we tend to focus on those things that are really providing very real threats.

Hon Dr STEVE THOMAS: You do not have to worry about the arum lily anymore, minister; at the beginning of this year, they were gazetted as a separate control category. That is why I used cotton bush; with some community debate, it was left off the changed gazettal list.

Ms Carbon: I can certainly provide comment on that. You are correct in that the control of the sorts of pests that you are referring to, which are established pests and weeds, is the responsibility of the landholder. Typically, there are two main mechanisms we use for controlling these pests—one is the recognised biosecurity groups where we are doing it on a land-scale basis and then the other is the industry funding schemes, and we certainly have controls for cotton bush and skeleton weed through those. I am aware of the opinion from some members in industry that we are not heavy enough in our compliance action, but certainly we work along the full spectrum of compliance, starting with education, going to assisting, then directed compliance and then enforcement on the end of that, so we do work across that spectrum. I cannot give you trends in terms of directions and notice off the top of my head, but we can certainly provide that information.

Hon ALANNAH MacTIERNAN: Can I just add one thing, too? One of the positives out of the amalgamation has been bringing together capability from fisheries and agriculture into a stream of regulatory capability within the department that brings the skills together. I think that is under the deputy directorship of Heather Brayford, who was the DG of fisheries. We have really strengthened our capability. We learnt a lot from the critique of the reaction to the psyllid, which, I think, happened during the caretaker period. There was a great critique of some of our capability and the extensiveness of our knowledge, because it is important in these areas to have people who are respected in the other states. That was clearly a problem for us, because when we go in and try to get a national response and get credibility, if we have not got people who have those linkages, that can be a problem. We have been able to, I think, strengthen those agencies' capability by bringing those agencies together and having some very senior appointments.

Hon DIANE EVERS: I have just a few questions on research and development. I notice that on pages 41 and 40, there is a little bit of talk about regenerative agriculture and regeneration of the soil and vegetation in the pastoral regions. I am interested to hear a bit more as to what sort of research we would be doing into this, any programs that we have started that we are doing through DPIRD and also nutrition studies for the food that is grown in these soils.

Hon ALANNAH MacTIERNAN: Thanks very much for that. This is, as you know, a work in progress, and not uniformly embraced across groups. I will get Dr Sweetingham to describe—I am not quite sure how far he has gone down. We have made a commitment to funding a series of trials at Wongan Hills. We may also be looking at some in Newdegate, and was it a west Midlands group, Dr Sweetingham, that approached you recently?

[4.10 pm]

Dr Sweetingham: They have approached me recently.

Hon ALANNAH MacTIERNAN: We have actually set some money aside to start doing some longitudinal studies on the impact of development of the biota in the soil, and having some proper rigorous science around that in terms of both the productivity and, importantly, as you point out, Hon Diane Evers, to look at the nutritional density of the food that is actually being generated. So it is not looking just simply at yield but at the quality of what has been produced, because we do know that a lot of the increase in yield can come at the detriment of nutritional density, and we think that is a sort of marketing leveraging point that we really want to establish. We are also anticipating that

through the NRM, there have been a number of NRM applications for the NRMs to do some work in terms of research in this area, so the NRMs and some of the farmer groups—the traditional grower groups—have sought assistance under the NRM funding to do some of that work.

On a related matter, we have a very small team working on soil carbon, which is related to this because only in recent months has the first approved formula for soil carbon been approved by the Clean Energy Regulator, so enabling the accretion of soil carbon to be quantified and that then being able to generate Australian carbon credits units both for factoring into federal government emission reduction programs, but also competing on the private market for people who are required to generate carbon offsets.

Dr Sweetingham: I can add a little bit to this. There are two approaches we are taking to nail down some of the opportunities from the regenerative agriculture movement. Part of it is in Rick Fletcher's part of the business, where we are actually looking at, through Melanie Strawbridge's group, case studies of growers who have been in regenerative practices and looking at where we can document and find evidence of the outcomes of what they are doing. But as the minister mentioned, in my part of the agency we are looking at establishing initially at Wongan Hills a long-term farming system experiment. This is something that may need to run for 10 years to show the full benefit of it, which is one of the reasons it is a big investment in planning and thoughtfulness, which is why we are not rushing into it. But we will be comparing continuous cropping with different rotations, different combinations of cereal, grain and grain legume crops with cereal and pasture rotations systems that involve grazing. Some of the treatments that we will be looking at will be comparing organic versus inorganic inputs. There is quite a complicated experimental design where we are going to have to manage the sheep very carefully to make sure that we are—well, just complying with animal ethics in terms of even doing the experiment, but how we are going to measure the outcomes of these things. We have not yet actually planned on how we will measure the nutritional density, but there are technologies for that. But we will take into account just the mere fact that some of the treatments that were put in there will be considered organic to the extent that even irrespective of whether there is a measurable nutritional benefit, there is certainly a component of the market that is prepared to pay a premium for an organically grown product. So we will be monitoring these experiments over a long period of time. Also in the planning phase we are trying to work with and recruit interest from universities, particularly, I think, the University of Western Australia, who may wish to put PhD students on this to try to unravel some of the longer term trends in the soil microbiology under these different rotations and farming systems and treatments.

Hon ALANNAH MacTIERNAN: I think, Dr Sweetingham, it is important to understand that this is not like a direct equation with organic; this is a sort of broader spectrum, focused very much on building the soil rhizobia, is it not?

Dr Sweetingham: Yes, and I think the farmers of Western Australia are going to take different things out of this. I think some conventional farmers may modify their practices certain ways, and other regenerative farmers might modify them in different ways, because we are about putting out a smorgasbord of evidence and people will always choose a farming system that will suit their needs. I might add, as well as having the organic treatment in there, some of the treatments will no doubt have GM canola in there. So, again, we can test the comparison of the impact of concerns that some people have that those crops that a GM treatment in comparison has some deleterious effect on the soil microbiota. We will be able to find the evidence to support or not that contention.

Hon DIANE EVERS: Could you just tell me the size of the plot at Wongan Hills that you are looking at, roughly? Have you any idea?

Dr Sweetingham: No, I really would not like to speculate on that. It could be anything up to about a 10-hectare experimental site. It is not yet fully planned.

The CHAIR: We need to move on for other members.

Hon DIANE EVERS: I will come back if there is time.

The CHAIR: I doubt it.

Hon AARON STONEHOUSE: I am not sure if this was answered in a previous answer, but in relation to agencies affected by machinery-of-government changes the Auditor General has noted that some entities are still in the process of determining their appropriate outcome-based management structures and appropriate KPIs that will best represent their performance. My question is, and I am not sure whether you have already answered this: are your key performance indicators likely to change in the 2018–19 budget?

Mr Addis: Yes; absolutely. We reviewed our outcome-based management framework in March this year, so this annual report is the last on which—I want to make sure I get this right—the old prior agency KPIs and so forth will be reported. From the next annual report, for the consolidated agency, we will have new outcome-based measures, essentially. Member, I would add to that: that given we did that in the first eight or nine months of the new agency, we would expect over the next couple of years to review and tweak that.

Hon AARON STONEHOUSE: I suppose that might go some way towards explaining some of the KPIs on pages 32 and 33, in table 3. I am just looking at some of these, line item 7—“Proportion of co-investment in department-led initiatives”, 25 per cent; “Proportion of businesses that consider the department has positively influenced the profitability of the sector”, only 42 was the target; “Proportion of businesses that consider the department has fostered innovation in the sector”, only 44 per cent; “Proportion of business and key stakeholders that consider the department has positively influenced the sustainability of the sector”, only 48 per cent. Some of those targets seem incredibly low to me. Can you explain perhaps why those targets are so low? I can see the actuals are quite low as well; some of them have been exceeded but they are still rather low—below 50 per cent in two of those cases. Can you explain why that is and if these KPIs in particular are likely to be changed or revised as part of those new OBMs?

Mr Addis: These KPIs were designed under the previous agency so I cannot comment on these ones. The second part of the answer—they will be quite different KPIs in the next year’s annual report.

[4.20 pm]

Hon ALANNAH MacTIERNAN: There is a bigger story to tell here. It is quite a tragic story that has unfolded over more than a decade, but perhaps happened, accelerated, in recent years—that is, the agriculture department was the centre of innovation and excellence. It had a magnificent outreach program and, so, it was highly valued by farmers. Then I think starting probably—Dr Sweetingham might correct me if I have the dates wrong—sometime in the 90s the outreach program started to be dropped off. The private sector—I know, Hon Aaron Stonehouse, that might appeal to you, but it is a somewhat complex issue—where private agronomy started replacing the public agronomy in outreach.

There is an argument, as the story has been often told to me, that then having lost the outreach, the department lost, sort of, its contact with industry and was seen, to some extent in certain areas, to have gone off on a bit of a frolic of their own—whether or not that is exaggerated. The support for the department in some sectors of the industry really started to decline. Cuts were made, no-one complains, and more cuts were made and no-one complains, and you just get a situation which is quite negative. We are trying to rebuild that. It is important, because whilst we absolutely are

people who support the private sector, it is important for us to understand that if you had a royal commission into agronomy, you would probably get a result that was very much like a royal commission into the banks, because the reality is that a lot of agronomy is driven, a lot of advice to farmers is delivered, on the back of relationships that the advisers have with chemical companies, fertiliser companies and sponsorship of major advocacy groups. You do need to have a player there that is objective and has the ability not to replace—not to go out there and replace all that private agronomy—but where some relatively disinterested research can take place. But what we are trying to do is at the same time make sure that we have very strong relationships with industry and with groups like the GRDC and the various grower groups so that we do not lose connection with them.

Dr Sweetingham: I could add, member, that even though there is great debate about what the target should be, that we have now got better longitudinal data on this. My notes say that what we have achieved—therefore, KPIs 8, 9 and 10—these are the highest results from surveys we have done since 2013–14. At least we are tracking in the right direction over that period.

Hon TJORN SIBMA: I am interested in data provided on page 56 of the annual report. It is the summary of consolidated appropriations. I am interested in movements in all, but a few in particular, details of expenses by service. I will just note that there has been a reported variation of a positive \$40.6 million expended on policy investment, but \$39 million or thereabouts not spent on regional policy; \$16.7 million spent more than the target figure on productivity, improvement and innovation, but \$13.7 million less spent on support for regional development commissions. I was just wondering whether, for each of those four classes, I could just get an explanation as to why those variances have occurred.

Ms Taylor: Certainly. In variances between the first two that you mentioned, the policy investment and regional policies, that resulted due to a realignment of expenditure between those two classes. They basically both relate to the previous class of regional development. The variance offset each other there. I do not have any details on the movement in productivity and improvement innovation. The one for the support for regional development commissions, that was more a case of us setting the budget probably a bit higher when we did the actual budget papers. The amount that is reflected in the actuals is the amount that we have as a resource received or provided free of charge via DPIRD through to the regional development commissions.

Mr Addis: I would add, though, that the overall level of resource that has been applied to the commissions while the model is changing—that staff have been transferred into the department—has broadly stayed similar to the pattern over the last several years.

Hon ALANNAH MacTIERNAN: We also note that we have increased the percentage of people in total that are in the regions. We are improving that.

The CHAIR: Can I just check the information that you do not have, is that with you, or you just do not have it?

Ms Taylor: No, it is just not with me.

Hon TJORN SIBMA: If I could take that on notice.

The CHAIR: Are you good with that, minister?

Hon ALANNAH MacTIERNAN: Yes.

[Supplementary Information No E3.]

Mr Addis: That is just the line, “Productivity, improvement and innovation”?

Hon TJORN SIBMA: That is correct. Can I just get a sense—the quantum of the overall variance is getting close to \$30 million, the total cost of services variance line there. There might be a

reasonable justification for that variance. Is it the difference between you are creating effectively an amalgamated agency from scratch, these were best-case estimates based on service delivery lines across the preceding agencies and you have just found as an amalgamated entity you do not need to spend so much because you have actually derived some efficiency? I am just trying to get a sense of whether or not I would be anticipating in a future annual report variances at this quantum, or whether this is an aberration.

Ms Taylor: Some of the expenditure was delays in projects, external projects, royalties for regions projects, to do with savings and salaries due to the fact that we were spending time amalgamating the department and we had some biosecurity responses. So we had some delays in actually being able to meet some milestones. I do not expect the cost for the department will be increased by the \$30 million saving we have had.

Hon Dr STEVE THOMAS: I will be fairly brief on a couple of key issues. Minister, I note the South Perth department of agriculture site has been an issue for 13 years, that I can recall, and I can only suggest you invest in a very good insurance policy and some scented candles for that one. But in relation to a couple of quick questions —

Hon ALANNAH MacTIERNAN: Okay, yes. We find that we are tempted to that option quite often.

Hon Dr STEVE THOMAS: I am sure you are. I am sure every government has been. A general statement, on page 51 is the comprehensive income statement and you can really look pretty much anywhere in the financial figures. This time last year, we looked at the list of agency figures and suggested that there was a cross-subsidy between regional development and agriculture, which had been a multiyear process—that regional development had effectively been cross-subsidising agriculture for, let us say, eight years at least, I suspect.

Hon ALANNAH MacTIERNAN: I am not sure that is —

Mr Addis: No.

Hon Dr STEVE THOMAS: Something like that.

Hon ALANNAH MacTIERNAN: Really in the last four —

Mr Addis: Four or five years.

Hon Dr STEVE THOMAS: I cannot find a measure of that in an easy way in the set of papers. Is it possible to find out what that—because we had some indication previously of that cross-subsidy, I think in questions, minister, I asked you in the house. But can we get some indication of what that cross-subsidy looks like now?

Hon ALANNAH MacTIERNAN: This was, I think, those projects that were specific for our projects that we used to fill the gap between, because of the projected decline in agriculture expenditure. What we can certainly do is provide a figure that for this reporting gives you what the RforR shall we say top-up to agriculture is. I think we can do that.

Hon Dr STEVE THOMAS: I absolutely acknowledge that is not a new thing. You did not invent that.

Hon ALANNAH MacTIERNAN: No.

Hon Dr STEVE THOMAS: I am just interested in the trend.

Hon ALANNAH MacTIERNAN: In part, this is what we are trying to address with the capability reviewers finding a longer-term pathway rather than just necessarily continuing that process of top-up. The view across government was that we needed to bring the three agencies together first. We needed to find out what the efficiencies were going to be from bringing three agencies together and

then come back to them with what we consider to be what should be the steady state business as usual.

Hon Dr STEVE THOMAS: Can we get that then as additional information—what that top up is at the moment?

Hon ALANNAH MacTIERNAN: Yes.

[Supplementary Information No E4.]

Hon Dr STEVE THOMAS: One last question. I will jump to probably page 42 for a reference point and that is the royalties for regions reform. Is the department reviewing at any point the legacy issues of royalties for regions expenditure historically where there is an ongoing legacy cost where local governments in particular might be coming back to the department seeking a subsidy to maintain something that was built under royalties for regions previously; that is, do you have a measure of those legacy costs?

Hon ALANNAH MacTIERNAN: No.

Hon Dr STEVE THOMAS: No?

Hon ALANNAH MacTIERNAN: To my knowledge not. Indeed, to date, even though there are some projects obviously that have been quite costly, we have not had submissions from any local governments seeking —

Hon Dr STEVE THOMAS: Seeking ongoing support projects?

Hon ALANNAH MacTIERNAN: That is right.

Hon Dr STEVE THOMAS: Okay.

Mr Addis: Clearly, that was reviewed broadly in the special inquiry by Mr Langoulant.

Hon Dr STEVE THOMAS: Yes. That is why I asked because reference was made without quantifying anything.

Mr Addis: Yes, and I think it would be fair to say that, firstly, in a real sense we have not received much traffic on it—any traffic that I am aware of. Niegel, you might have a different comment.

Mr Grazia: No.

Mr Addis: Secondly, it is also fair to say that while we already started to be clearer and tighter on those sorts of whole-of-life type costs issues, we have certainly tightened that up since the special inquiry.

Hon ALANNAH MacTIERNAN: I think this is probably something that is going to be seen a bit longer down the track. Most of these facilities have been built in the last five years. The maintenance costs and the running costs will obviously start kicking in.

Hon Dr STEVE THOMAS: I am a bit surprised you are not getting cultural centre and swimming pools with operating costs worried about maintaining that. I will probably come back and ask it again next year and see whether that has changed.

Hon ALANNAH MacTIERNAN: Ask the Minister for Local Government.

Hon DIANE EVERS: Continuing along the royalties for regions theme and page 51 where it shows \$137 million as income from royalties for regions. Really, my question is specifically about the project with the Southern Forests Food Council. It received significant funding through royalties for regions from 2012 and I believe it is still getting something. It was my impression that when that was running it was some sort of a pilot project. I am just wondering what has been the outcome of six years of this project and is it something that we could spread to other regions in the state?

Hon ALANNAH MacTIERNAN: The jury is a bit out on this. Certainly, the original grant of \$5 million was supposed to get the organisation to a point where it was up and running and it was a self-funded industry model. That had not happened, so we restructured some of the grants that were going to the Shire of Manjimup and I think it was another \$1.5 million that we took from a fairly elaborate revitalisation project and we set that \$1.5 million aside for the Southern Forests Food Council, provided they came up with a revised business plan and they could show us very clearly the pathway to sustainability. That funding will be provided over this year and the next two financial years. In the meantime, they used quite a bit of that original \$5 million to do some branding. They developed an attractive brand and they are very optimistic about that brand. It seems to me it is a brand that will probably work in a WA context. I am not sure it is a brand that will work in a national or international context, but it may do. We decided we would not do a sudden death and we would give them three more years of assistance to really get their act together and get it a member-based organisation.

Hon DIANE EVERS: Through that \$5 million that they have spent were there things that they learnt from that that would make it easier for another region of the state to pick this up and do something similar?

Hon ALANNAH MacTIERNAN: I am not sure. To some extent, as I said, a lot was put into the — There were some positive things they have done. Part of it was there were a lot of small growers and this enabled the aggregation of the product of the small growers. They have developed a brand for that combined product and they have developed a trading floor at the Canning Vale markets, which they believe is successful. I guess, to some extent, you need a bit more time to see how useful these things will be. They certainly are very confident about them. This is an industry where you have lots of very different views. We think it is important that they get more of the larger players back on board. They were originally on board and then the larger players drifted out. I think the amounts of money that were put in were very huge and completely unsustainable. What we have done with these much smaller grants is, hopefully, get them to really understanding that they have to raise money from their industry to sustain this effort.

The CHAIR: It looks like we might get an early night, minister.

Hon ALANNAH MacTIERNAN: Thank you.

The CHAIR: On behalf of the committee, I thank you for your attendance today. The committee will forward the transcript of evidence, which highlights any questions taken on notice and any additional questions that members may have after Monday, 26 November 2018. Responses to these questions will be requested within 10 working days of receipt of the questions. If you are unable to meet this due date, please advise the committee in writing as soon as possible before the due date with advice to include specific reasons as to why the due date cannot be met. If members have any unasked questions, I ask you to submit these via the electronic lodgement system on the POWAnet site by five o'clock on Wednesday, 21 November 2018.

Once again, I thank you for your attendance today.

Hon ALANNAH MacTIERNAN: Madam Chair, may I thank you and your committee for some very intelligent and probing questions.

The CHAIR: Thank you. Thank you Hansard; thank you audio.

Hearing concluded at 4.38 pm
