

# CORRECTED TRANSCRIPT

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

### Inquiry into budget estimates 2005–06

Melbourne — 12 May 2005.

#### Members

Mr W. R. Baxter

Ms C. M. Campbell

Mr R. W. Clark

Mr B. Forwood

Ms D. L. Green

Mr J. Merlino

Mr G. K. Rich-Phillips

Ms G. D. Romanes

Mr A. Somyurek

Chair: Ms C. M. Campbell

Deputy Chair: Mr B. Forwood

#### Staff

Executive Officer: Ms M. Cornwell

#### Witnesses

Mr R. Cameron, Minister for Agriculture;

Mr P. Harris, secretary;

Mr D. Seymour, deputy secretary;

Dr B. Kefford, deputy secretary, regional services and agriculture;

Mr S. Condron, chief financial officer;

Dr P. Appleford, executive director, Fisheries Victoria; and

Dr C. Noble, executive director, Primary Industries Research Victoria, Department of Primary Industries.

**The CHAIR** — I declare open the Public Accounts and Estimates Committee hearings on the 2005–06 budget estimates for the agricultural portfolio. Welcome to the Honourable Bob Cameron, Minister for Agriculture; Mr Peter Harris, Secretary of the Department of Primary Industries; and Mr Dale Seymour, deputy secretary; Dr Bruce Kefford, deputy secretary, regional services and agriculture; Mr Shaun Condron, chief financial officer, Department of Primary Industries; Dr Peter Appleford, executive director, Fisheries Victoria; Dr C. Noble, executive director, Primary Industries Research Victoria; departmental officers; members of the public and media.

In accordance with the guidelines for public hearings I remind members of the public they cannot participate in the committee proceedings. Only officers of the PAEC secretariat are to approach PAEC members. Departmental officers, as requested by the minister or the minister's acting chief-of-staff, can approach the table during the hearings. Members of the media are also requested to observe the guidelines for filming or recording proceedings in the Legislative Council committee room.

All evidence taken by this committee is taken under the provisions of the Parliamentary Committee Act and is protected from judicial review. However, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. All evidence today is being recorded and witnesses will be provided with proof versions early next week. Could those present with mobile phones check that they are switched off and any pagers are turned to silent. I will now pass on to you, Minister, to give an up to 10 minutes presentation.

**Mr CAMERON** — Thank you, Chair, and committee members. I have a little bit of a slide show to start the afternoon off with. We will go to the first one.

#### **Overheads shown.**

**Mr CAMERON** — We have a natural resource base in Victoria which DPI likes to enhance and obviously we want to do that to make sure we have sustainable agriculture or sustainable fisheries. We also want to make sure that we are able, as a state, to take advantage of that. That occurs through direct contributions to the economy, through the processing and manufacturing of primary products and also by exports.

In February 2005 there were 82 000 people employed directly in agriculture, fishing and forestry in Victoria — that is about 3.3 per cent of the work force. In addition another 98 000 people were employed in directly related manufacturing industries — that might be, for example, dairy factories — making a significant contribution to Victoria's economy and communities. For example, the report of the national recreation and indigenous fishing survey — if you just go to the slide with the subheading 'Natural resource base' — in relation to fisheries for recreational purposes indicates that Victorian recreational fishers spend an estimated \$396 million a year on fishing-related equipment and activities. That might be travelling, it might be staying overnight, but it is around \$400 million.

Employment rates in food, beverage and tobacco manufacturing have been increasing, with around 60 000 people employed in Victoria in February 2005, and that equates to over 30 per cent of employment in these industries Australia-wide; so we have captured a good slice of the national market. This graph shows the increase in the gross value of agricultural commodities produced in Victoria over recent years. You will see that it was at \$6.3 billion in 1998–99; it is at \$8.7 billion in 2002–03, an increase of \$2.3 billion or 38 per cent over that period. The key commodities that made up this impressive figure are crops, grains, livestock, dairy products and wool.

This slide shows the preliminary values for the production of agricultural commodities by state in the year 2003–04. As you can see, for the first time ever Victoria is now the leading agricultural producer within Australia, with a value higher than in New South Wales; and we have been closing the gap on New South Wales over the years. New South Wales is coming out of the 2002–03 drought a lot slower and we were able to nudge ahead.

Going to the next slide we see that under the Bracks government Victoria is not only the largest agriculture-producing state, it is the largest exporter of food and fibre; accounting for 26 per cent of those Australian exports. The value of the food and fibre exports is \$6.8 billion in 2004, an increase of 19 per cent from 2003. Again, that was coming out of a very difficult 2002. Over the last seven years the value of these exports from Victoria has increased at the rate of 3 per cent.

Dairy was still the largest export industry within Victoria in 2004, accounting for 29 per cent of all Victorian exports. The other major industry contributors are meat, grain and wool. Australian dairy exports were worth \$2.3 billion and Victoria makes up 85 per cent of those Australian exports. Victoria remained the largest exporter

by value of dairy products, followed by Tasmania, then New South Wales. The major dairy products exported from Victoria are powdered milk, cream and cheese, and over the last seven years the Victorian dairy industry has experienced upward growth.

Going to the next slide, which is about output structure change, we see that over the last 12 months DPI has reviewed and reformed its output structure to ensure that it clearly describes the department's key activities and services and it reflects the outputs delivered on behalf of the government. In doing so it has shifted the emphasis from describing sectoral funding to analysing and offering for future scrutiny, including by the PAEC, the suite of services that government funding purchases from DPI. The former output structure was the culmination of many years of structural change within government and did not accurately reflect the new department's operations.

The new structure reflects activities rather than industry sectors and is grouped into four new outputs under one output group covering the sustainable development of primary industries. Each of these new outputs covers more than one of the industry sectors serviced by DPI as they instead focus on key service delivery areas. The new structure will enable the department to more clearly explain its role in delivering services related to primary industries.

The table on the next slide shows the budgeted output costs for the Department of Primary Industries under the revised output structure. The budgeted and expected annual output costs for 2004–05 have also been converted into the revised structure for comparative purposes. As I mentioned earlier on, however, these outputs include the resources portfolio output costs as well as the costs for the agriculture portfolio. As you can see, the government is continuing to invest strongly in the sustainable development of Victoria's primary industries, with a 2.5 per cent increase in budgeted outcome costs from 2004–05 to the 2005–06 financial year, and that includes initiatives as well as indexation.

The next slide relates to primary industry policy, which improves investment in and the protection of Victoria's primary industries. In 2003–04 Victoria's milk production was valued at around \$1.7 billion, representing more than 61 per cent of total Australian production. Victorian meat exports were valued at \$1.3 billion in 2004, an increase of 12 per cent from 2003. The US, Japan and South Korea were Victoria's major meat export markets.

Grain exports were valued at \$1 billion in 2004, a huge increase of 132 per cent from 2003. Wheat was the most valuable grain commodity exported from Victoria in 2004, accounting for 63 per cent of all grain exports. Victorian agreement to the national emergency plant pest response deed has been formalised. This deed is designed to improve exotic plant pest emergency response and eradication capability.

I go now to the slide relating to the regulation and compliance output, which represents DPI's work to regulate natural resource use in the public interest and protect Victoria's primary industries for long-term sustainability. Education, deterrents and other proactive approaches are a key factor in encouraging best-practice behaviours. A part of the aim of this output is to ensure compliance to reduce the risks from plant and animal pests and diseases. This, as well as building and maintaining an emergency response capability, ensures the quality and safety of Victoria's plants and animals and allows Victorians to be confident that the food they eat is clean and green.

An important example of success in this area was seen when DPI obtained international recognition for freedom from citrus canker, which was detected in Queensland in 2004, for Victorian citrus following completion of a statewide survey, where no disease was detected. Obviously you have to go to quite a bit of work to show that you have no disease, which is important for export reasons.

I turn to the next slide. DPI is a leader in strategic and applied scientific research. It is appropriate that the output structure reflects this. That includes new technologies, but also new practices, products and production systems. I am sure some of that will come up during the presentation.

The next slide relates to sustainable practice change. That is about the facilitation and adoption of new practices along the value chain and the creation of incentives for best practice. Clearly you will see some of the highlights there, but that is very important if we are going to adapt and change so we can continue to get the best out of our natural resource base.

The next slide relates to budget initiatives in relation to biosecurity. There are two parts there: one is additional biosecurity officers; but there is \$5.8 million to facilitate the establishment of a national biosecurity centre. We want to do feasibility studies around that in the coming year. That will involve partners coming in if that is to go

ahead, but that is to increase our R & D and biosecurity capacity. We are trying to take the national lead there. There is a need for it, and we think that can work for all parties, including the federal government.

The last slide relates to the Melbourne Markets. Last week we announced that we wanted to move the Melbourne Markets to Epping. There had been some conjecture over where it would be, but we want to do that so we can see the markets continue to grow. They have been growing substantially, and there is no reason to expect that they will not continue to grow substantially.

**The CHAIR** — Minister, I would like to take you to your fisheries enforcement. You made reference to that in one of the slides. Obviously it is really important to have regulation and compliance measures for the protection of our fisheries stock. I am particularly interested in how you achieve your performance measures in that regard. Could you run us through that, and whether it has been successful to date?

**Mr CAMERON** — I will take you through some of these, and then I might get Dr Peter Appleford, who is the head of Fisheries Victoria, to take it from there. Obviously enforcement is a key part of fisheries. For example, fisheries theft can undermine fisheries, and of course we have a vested interest to make sure that that enforcement continues appropriately.

I take the abalone industry as an example. The value of the abalone industry is equal to the value of all the other fish and things that might come out of the sea in Victoria. South-eastern Australia is the last sustainable wild-catch abalone area in the world. Everywhere else in the world they have fallen apart because they have been overfished, and part of that has been to do with theft of abalone. In South Africa they still have a wild-catch industry, which is falling apart as we speak essentially because of theft and organised crime, so we have to protect our fishery.

Part of that is about catching people in the water, and part of that is also about deterrence downstream. Fisheries Victoria has gone through an exercise in the last year called Operation Black Ice, and that has just culminated; it has been working off intelligence that has been obtained. Just today and in the last couple of days 7 people have been arrested and charged with 36 offences of trafficking in abalone; 17 people were charged on summons; a company is to be charged on summons; a vehicle was seized; 458 kilograms of abalone meat was seized; and processing and freezer equipment was seized; and we will also be pursuing the proceeds of crime. What that has been about is aiming at the downstream market. Abalone has to be sold somewhere, but it has been aiming at restaurants where illegal abalone has been sold, so it is trying to make sure there are not markets. This is something that constantly has to be done. I invite Dr Appleford to discuss the output group more broadly.

**Dr APPLEFORD** — A number of performance measures have been indicated in the budget that relate to fisheries per se. The first one is the number of fisheries compliance strategies that are implemented. We develop fisheries compliance strategies to ensure that we target our effort. We have limited resources, and we need to make sure we get the best possible result from those resources that we have. So we develop defined strategies, often in consultation with stakeholders for key fisheries such as abalone. When we develop those strategies we then need to ensure that they are implemented. So we have a number of strategies that we wish to develop and implement in any particular year, and we implement those strategies to ensure we get the maximum effect at the end of the day.

Those strategies are supported by the resources that we get. They have had a significant funding increase over the past few years with the implementation of the marine parks initiative. That has enabled us to put on an additional 21 fisheries officers and 3 regionally based fisheries investigators. In combination with the 24-hours-a-day, 7-days-a-week fisheries reporting hotline that the public uses to report fisheries activity that they see as suspicious, this has allowed us to increase the number of prosecutions and the number of PIN-able offences that have been recorded over the last 12-month period by 40 per cent and 30 per cent respectively.

The 13FISH reporting hotline has resulted in the first 18 months in 1355 calls, and those calls that could not be responded to initially provided information that then gave us the intelligence to provide planned operations in regard to fisheries activities.

We aim to enhance and maintain the levels of community compliance to achieve sustainability within the fisheries resource and/or area. We aim to maintain that at above 90 per cent. The reason we have a performance measure above 90 per cent is that we need to ensure that we target compliance activity where there is a compliance issue. We do not wish to target compliance activity where there is already a high level of compliance, so if you have 99 per cent compliance there is no point in targeting valuable resources to that area. So we target that.

We also maintain levels of compliance to ensure sustainability of priority fish species, and we also have a target measure of greater than 90 per cent. Again priority species are the valuable species. At present they are the abalone and rock lobster, both of which have quotas, which is the amount of fish that a particular licence-holder can take per year. Because of the value there is often quite a lot of organised illegal activity associated with those species. Again for that reason we have a separate performance measure to ensure that we maintain the sustainability of those stocks, and those stocks are generally very susceptible to overfishing.

**The CHAIR** — Thank you very much for that comprehensive answer. You may wish to assist Hansard with the copy of what you have just provided.

**Mr RICH-PHILLIPS** — Minister, I would like to ask you about the showgrounds redevelopment. The budget provides only \$7.9 million in the year after next for decontamination works. What is the government's total capital commitment to that project? And given that, I understand, the demolition works have already started on that site, has the government reached a contractual agreement with the Royal Agricultural Society for that redevelopment? Have you actually signed a contract?

**Mr CAMERON** — The RAS and ourselves are in agreement. We have in fact formed a joint venture. In relation to the funding, you have referred to \$7.9 million — I will just ask Shaun: the 101 appears in the earlier budget papers?

**Mr CONDRON** — Yes, that is correct.

**Mr CAMERON** — There is another 100.7 in the end, which was announced earlier on and which will be in earlier budget papers.

**Mr RICH-PHILLIPS** — In relation to the joint venture with RAS, you said you were in agreement, have you actually signed a contract with the RAS?

**Mr CAMERON** — With the RAS?

**Mr RICH-PHILLIPS** — Yes.

**Mr CAMERON** — Yes.

**Mr SEYMOUR** — The joint venture agreement with the RAS has been concluded, and so the answer to your question is that the RAS and the state through DPI and MPV and Treasury, which are the other two agencies that form the state directors on the joint venture (JV) are in agreement as to the investment, the master plan and the construction plan for the redevelopment of the showgrounds.

**Mr RICH-PHILLIPS** — And documents have been signed?

**Mr SEYMOUR** — Which documents are you referring to?

**Mr RICH-PHILLIPS** — The JV document? Has it been executed?

**Mr SEYMOUR** — The JV documents have been concluded, yes.

**The CHAIR** — Before we go to Ms Romanes's question, particularly in agriculture last year, you used many Latin names. If you do not mind, Dale, could you assist Hansard by providing them with copies from your folder of those Latin names and documentation? It is extremely helpful.

**Mr CAMERON** — Mr Noble, the head of research, was the offender there. We will constrain him if necessary!

**The CHAIR** — It is just a help in making sure their record is accurate and easily transcribed.

**Ms ROMANES** — Minister, one of the emphases in the 2005–06 budget is the delivery of significant infrastructure expenditure for the future. You were part of an announcement with the Premier and the Minister for Major Projects last week on the relocation of the Footscray Road market to Epping in 2010, and there is reference in budget paper 3 to the \$300 million TEI that has been put aside for that project. Can you outline the benefits that the new market will bring to help achieve the strategic goals of the department and the government?

**Mr CAMERON** — The markets of course are a very important conduit not only for industry but also for the food sector. Really what you have is a large transport hub with goods coming and going. And we have the present site down at Footscray Road, which is 35 hectares, and that is very constrained.

When the markets went there in 1969 there were only a few hundred businesses, 700 people, involved in the market at that time, whereas today there are 2700 registered businesses which come and go or have a link with the market and 7000 people — they are not all there full time, but they come and go. But that just shows you the increase in activity that we have seen at the markets and why we need new markets.

We have also seen the amount of throughput at the markets substantially grow — that is, doubling in a decade. As people increasingly want more fresh food you would expect that to continue to grow. It certainly shows no abatement.

A process was gone through as to where the markets should be, and in the event of any failure of there being some consensus we had land at Werribee, which we presently own and which would be the default position. However, the market was not unanimous but close to unanimous — they spoke with one voice — that any move should be to the north, and that is why the land at Epping was selected. That is 130 hectares of land, so there is enormous scope there for the future.

Of course when you look at the future, when you at that growth, when you look at the transport and the transport movements, you see that about three quarters of the goods that come to market actually come from the north of the state. They might come from northern Victoria, like the Goulburn Valley, or they might come from New South Wales or Queensland. So that is why the north was seen as the logical site by people at the markets.

One of things about the market is that people wanted to have a good lead-in time — they wanted to know when they were going to move; they wanted to have a long lead-in time, because they have their investments and they want to be able to write them off over time. That is why we said 2010 is the date when we want to see the markets move.

**Mr BAXTER** — Minister, your slides rightly drew attention to the appalling agriculture for the economy of Victoria and the fact that we have overtaken New South Wales, and I have heard you on radio saying that is the case. Why then in this budget of \$30 billion — the first time we have crossed that threshold — has agriculture received such a small increase of just a little over 1 per cent compared with the actuals of last year under your stewardship?

**Mr CAMERON** — I have to say I do not agree. If you have a look at the major projects that have been announced in the agriculture portfolio during the course of the Bracks government you see there was a substantial investment in doing up regional research facilities — some \$50 million. What you had a few years ago was the \$100 million flag — —

**Mr BAXTER** — But — —

**Mr CAMERON** — No, you asked the question, and I will answer. There was the \$100 million flag for the showgrounds. If you have a look this year you see we have flagged TEI of \$300 million for the Melbourne market, which is very important for the horticulture sector. And what we have flagged, subject to the feasibility in relation to a national biosecurity centre — which is very important in relation to national research and development. I would have thought they were pretty big advances, Mr Baxter.

**Mr BAXTER** — I am specifically looking at this budget and your own table up there which shows the budgetary position, and I am extrapolating that onto actuals last year compared with this year. It is just over a 1 per cent increase, and it seems to me in the overall scheme of things — bearing in mind the importance of agriculture in this state, which you have rightly pointed out — that agriculture has not received due recognition by this government in this budget.

**Mr CAMERON** — I have to fundamentally disagree. If you go back to the time of the Kennett era and compare it, you have chalk and cheese, haven't you?

**Mr BAXTER** — Yes, and — —

**Mr CAMERON** — Thanks!

**Mr BAXTER** — And the Kennett government of course inherited a huge debt, which it fixed.

**Mr SOMYUREK** — Minister, I refer you to budget paper 3 on page 307. The Department of Primary Industries budget position provides for \$5.8 million in 2005–06 for facilitating moves for a national biosecurity centre in Victoria. It also provides for an \$8.4 million provision for enhanced funding and staffing to manage the risks of exotic plant pests and diseases. Can you explain how these initiatives relate to the managing of risks referred to in question 2 of the committee survey detailing the importance of managing plants and biosecurity risks to Victorian primary industries and our valuable export markets?

**Mr CAMERON** — Biosecurity is one of those growing areas where we have to place some increased importance nationally, and you ask: why would we have to do that? The reason we have to do that is that we live in a world where people movement and trade movements become more and more, and we therefore get exposed more to the potential for disease and viruses, which we would not have been as exposed to in the past.

What it means is it is a far more serious issue this decade than it was if we were to go back 30, 60 or 90 years. That is why you see more funding there for increases in plant biosecurity on the ground, just as we announced a couple of years ago an increase in relation to animal biosecurity, so we wanted to beef up that capacity. Also there is an initiative there of \$5.8 million, being towards the feasibility and a down payment on what we hope can all be brought together, but there are a lot of oars in the water here, for a national biosecurity centre.

I might just explain to you around national research and development. For example, DPI has the largest research capacity of any organisation in the state. We have more scientists in DPI than any other organisation in the state, and that is the case with a lot of state DPIs. But when we look at agricultural research and development, increasingly people want to know, 'There is a lot being spent around the nation. Can we get better value for money?'. So, for example, states invest, the federal government, the RIRCs invest — that is, rural industry research corporations — so when you sell your wool you pay a levy or when you sell your milk you pay a levy, and they raise money and that is matched by the federal government. So there are all these different funding agencies out there, and they come together and put together a program.

To get a better spend there has to be some changes in the way we approach national research and development. Certainly that is something we have been keen on. I think we are starting to see that across the nation. When you think that federal Treasury, for example, matches the amount spent by the RIRCs — by the rural industries — they always think, 'Well, we cannot influence this. This can always be done better'. That is the way treasuries think, of course. What I think is important for industry, governments and state and federal DPIs to demonstrate is that we are able to get a better spend. When we look at biosecurity we see those needs in the nation and what we would like to bring together.

For example, there is some of the high-order research capacity that we have in the city. We can bring them together at La Trobe, Bundoora, and doing it with a university. We can involve the CSIRO and it would be subject to federal government support as well. If we are able to do that, we will enhance our biosecurity capacity quite considerably nationally, because there is no such thing as a Victorian disease or a New South Wales disease. Disease does not know borders or respect jurisdictions.

Bruce, you might like to expand on some of the issues that we confront, where Victoria is a standout in biosecurity and how nationally we can enhance that.

**The CHAIR** — Particularly in relation to risks was the question.

**Dr KEFFORD** — In a sense the most important thing about biosecurity response is the speed with which we can respond to an outbreak. If you can identify an outbreak quickly and get onto it quickly, then the total turnaround time to get back to normal production is much reduced, the net cost to the state is much less — and the net cost to industry. There is an example of technology recently that we applied. There was a Newcastle disease virus outbreak in chickens in Victoria. In contrast to the previous outbreak, which cost tens of millions of dollars in New South Wales, we turned around that outbreak for about \$2 million — a tenfold or more reduction in the total cost, and the time to return back to trading was much reduced. This was a function of a specific test which our technology allowed us to develop, which speeded up identification and therefore response.

It is one example of the use of modern technologies — platform technologies — which are a feature of the way our research arm, PIRVic, is structured now. We use these modern technologies for a range of diagnostic and response

tools that improve our effectiveness. Bringing them together in one location at La Trobe will actually allow a broader application of these platforms. It will allow what is ultimately very expensive technology and machines — some of these machines are multimillion-dollar machines; in fact we have the fastest gene sequencer in the southern hemisphere out at La Trobe — to be used by a wider group of people and our partners, such as CSIRO.

We tackle risk on a range of fronts there, but one of our most potent tools is using modern science to reduce the time it takes to respond. We tackle risk also by bringing together expertise from a range of players. CSIRO and ourselves carry some of the best scientists in Australia, and bringing them to bear on some of these outbreaks is very significant. It is true to say that without our capability it would have been taken much longer to deal with the Karnal bunt outbreak. There was a suggestion that we had Karnal bunt in our wheat, and that was dealt with using these sorts of skills and these sorts of technologies. As a result Australia got back to trading wheat much quicker.

**The CHAIR** — That is a very expansive answer. Could I just have clarification on the performance measure? How would you assess your success in terms of performance measures if, for example, a new outbreak in Victoria takes 2 days to identify and 10 days to eliminate, compared with interstate 7 days and 20 days to eliminate? The question went to how do you actually work out your success in terms of performance measures. After that I still do not understand. How do you do it? Prosecution in fishing is easy, but how do you do it in there?

**Dr KEFFORD** — There are two approaches to this. Essentially within Biosecurity Victoria they have a range of compliance processes. For example, for certain types of disease situations they require a turnaround within so many hours. So whether or not that has been met is one way we measure performance. Equally at a national level when we are dealing on national outbreaks we are working with the national management group, which requires certain levels of performance and the scrutiny of our interstate colleagues.

**Mr SOMYUREK** — Minister, you mentioned that biosecurity is a national issue, and it is. It does not discriminate with respect to national and state borders. Given that, how much input would you expect from the federal government?

**Mr CAMERON** — How much would we expect?

**Mr SOMYUREK** — Yes. How much contribution would you expect the federal government to make for the whole project?

**Mr CAMERON** — In relation to the national biosecurity centre?

**Mr SOMYUREK** — Yes.

**Mr CAMERON** — We would love them to match us. Whether that is possible or not we do not now. Obviously we have to go through negotiations with them and their various agencies. But certainly from the federal government's point of view biosecurity has been an issue. You would have seen issues which the federal government has started to address around Biosecurity Australia last year, but it is very important that there is that critical research and development capacity, so I think there would have to be some attractiveness to a proposition like this to the federal government or the federal government agencies like the CSIRO.

**Mr RICH-PHILLIPS** — Minister, I would like to take you back to the issue of the Melbourne Markets redevelopment and to your opening comments and your answer to Ms Romanes where you indicated the government's rationale for the move was capacity constraints on the existing site and a desire for the markets to grow further. You cited the increase from 700 businesses to roughly 2700 on the site now. Of course those 2700 are accommodated on the existing site. With the growth in supermarkets obviously a lot of produce is now bypassing the market. Can you provide the committee with any evidence of unmet demand from potential businesses seeking to enter the existing site?

**Mr CAMERON** — Yes, because the Melbourne Market Authority did a survey of how much space people would like down there.

**Mr SEYMOUR** — I might answer this. This is a very interesting part of the project. If you do the maths on the current site, on the existing numbers it will reach a point of saturation in about 2008 in terms of throughput. Something like 50 per cent of business is still transacted via the market mechanism in Footscray Road, although



you are correct to say that there is a large stream of business that bypasses the market in direct contract between grower and retailer.

The issue for us in terms of planning a new market was that it is not just the trading floor that matters, and the trading floor includes what I would refer to as booths along the trading floor where the market produce is contained with the operators. It is the broader opportunity around storage, particularly cold storage, and the investment opportunity of market users in cold storage capacity that is equally relevant to the needs of the market. So if you take that broader view of the world in terms of the market and its current operations, there is literally not enough room to manage that type of expansion as we go forward. Therefore it was not a case of if, it was always a case of when. The overwhelming support of market users, both leaseholders and broader users who are registered to come into the site on a daily basis, was that if they were to go, they were to go north, because they saw, as we did through the business case that we have done, which we presented back to government recently as part of the process, that the majority of the business of fresh produce — which accounts for about three-quarters of all input — comes down the Hume Freeway or the Calder Highway. Therefore, the logical place to put this was in the north of the city.

That is the broad answer. It is about capacity, it is about cold storage and about being able to have an integrated freight and logistics opportunity operating within the market precinct. To do that you need a substantial, unencumbered land-holding of the type that we have secured in Epping.

**Mr RICH-PHILLIPS** — On the question of staying at Footscray or moving to Epping, what was the view of the people you surveyed?

**Mr SEYMOUR** — The overwhelming majority of those who participated was that they would go north.

**Mr RICH-PHILLIPS** — Rather than stay at Footscray?

**Mr SEYMOUR** — No. The minister might like to comment.

**Mr CAMERON** — There will always be some people who want to stay and some people who say that they have to move, but ultimately there is a broad recognition down there that it has a use-by life. Some people, like your leader, are very blunt and say, 'The government should just do it and move north'. We went through a process to identify where to go.

**The CHAIR** — In relation to biosecurity funding, you gave us a very comprehensive answer before. I am particularly interested in recent funding moves. Are we spending more on biosecurity than previously, and what are your projections in that regard?

**Mr CAMERON** — Let us look at the expenditure, and I have a graph here which the Department of Primary Industries has prepared which I will hand out. I will take you through the prepared graph, which shows that in 1999–2000 the spend was \$25.9 million, increasing to \$59 million in 2005–06. That reflects the government's commitment in a number of areas in terms of animal and plant biosecurity and the eradication and management of pests and diseases such as red fire ants and ovine Johne's disease. In particular, factors contributing to the increase have included the ovine Johne's disease control program, offering wider choice of disease control options, financial assistance to obtain professional advice to enable and inform decisions, improved social support mechanisms and a comprehensive communications program. We have had the successful expansion of the national livestock identification scheme, which has been pushed considerably by Victoria and is being implemented in Victoria. There has been funding to protect Victoria's food and agricultural exports and upgrade biosecurity services for diseases and pests such as foot-and-mouth and mad cow disease. There have been enhanced biosecurity and defending our farms against diseases initiatives, which included increased resources for surveillance and response and improved trace-back compliance and diagnostic capability. There was also the national eradication program for red fire ants and the new plant biosecurity initiative announced in this budget.

**Mr BAXTER** — Still on the same subject but looking more particularly to the proposed biosecurity centre at La Trobe University, page 307 of budget paper 3 shows an allocation for this year of \$5.8 million and nothing in the out years, which is a bit unusual bearing in mind that most of these capital projects include an allocation in the out years — and your answer to Mr Somyurek of a moment ago seemed somewhat hopeful that the federal government might come on board. Just how secure is the funding for this proposal? Where are you anticipating getting it from, and who has signed up to it?

**Mr CAMERON** — I might get Mr Harris to answer that, Mr Baxter.

**Mr HARRIS** — Peter Harris, secretary, Department of Primary Industries. Basically, the position is as follows: we have done a business case and presented it to the government. The business case has been endorsed and has been through the first stage of the gateway process, which is the Treasury assessment process for the external scrutiny of business cases. The government has given us \$5.8 million to go ahead with design work, so we will be putting together a design office for the biosecurity centre. At the same time we are putting together a partnership group of potential participating agencies. Obviously La Trobe University is at the head of the list, but CSIRO is equally at the head of the list. The Australian Quarantine and Inspection Service and other federal agencies will be seeking to be involved in the design.

So to this point the funding from the Victorian government is to enable us to put together that partnership and to get commitments which might be either in-kind or cash related support for the construction and fit-out of these facilities. Fit-out is particularly important, because we are doing research facilities, as is the commitment of researchers and the location of functionality across the sweep of south-east Australia that is currently dispersed and therefore less efficient in potentially responding to biosecurity research and response to outbreaks.

I believe next week in Canberra Dr Kefford will be convening the first meeting of this potential partners group. We have had positive responses in writing from all those parties that I specified in terms of participation in the development of this concept. The Victorian government's commitment is not currently written in budget papers for two good reasons. The first is that completion and design and the commitment of both funds and the commitment of functionality will determine exactly how much the Victorian government will have to put in and how much other agencies will put in. The federal government has a number of programs already in place which can provide funding for a centre like this. Obviously they are funded on a competitive allocation basis, and that is the second reason why we have not specified the ultimate number, because we do not know how much we might be successful in gaining from those federal government competitive allocation funding processes. But the response to date has been pretty positive, particularly in the case of both CSIRO and La Trobe University.

**Mr BAXTER** — So no-one has yet actually signed up to put funds in. Is the Victorian government committed to doing it in any event if no-one comes to the party with funding? What is the estimated cost of the centre?

**Mr HARRIS** — No-one has signed up to it because, as I have explained, they do not have anything to sign up to. We are going to design it as a partnership. That has not been done before. As the minister mentioned, we are trying to create a national initiative. When the federal government does this, it puts together the same sort of arrangement. It gets a set of parties and seeks commitment. We are in exactly the same position as the federal government would be if it were running this initiative. We are reasonably confident that we will get that support.

In terms of the Victorian government's commitment, under the Victorian government's processes going through gateway is your way of getting capital approval; we are through gateway no. 1, which is the most we could be through at this point. We could not be any further through because we have not got a finalised design and therefore we have not got a complete business case. Next year I am quite confident you will see funding allocated in the budget for this arrangement, but the exact number cannot be determined. In terms of the overall cost of this centre, our business case concept — and it is mentioned in the press release of the budget announcement — we believe is about a \$170 million investment. But that number will vary up or down depending on the transfer of functionality and the successful nature of the funding from other parties. In our own minds that is the core figure that is essential to develop this, but that is not a figure that would in the end make any sense, because we are hoping basically to leverage a substantial commitment from other parties.

**Mr CAMERON** — What we are trying to do — they have objectives, we have objectives — is to try to bring about a win-win for all of the agencies, so that as a nation we get a better spend.

**Mr RICH-PHILLIPS** — With the development of the centre at Bundoora, what will happen with the Attwood, Frankston and Knox research centres?

**Mr CAMERON** — That is all part of the business case, but you would expect that they would be substantially scaled back or closed. The staff have been taken through that process — no-one's job is at risk. In fact what this does is secure jobs in Victoria, because as I have told you previously there are a whole lot of different

fundings out there in the marketplace. Having a centre which can bring about mutual benefits for everybody, that will enhance job security. Are you talking specifically about what might happen to those sites?

**Mr HARRIS** — In terms of the three sites, the likelihood is that the functionality of Knoxfield will move to Bundoora and a reasonable chunk of both Attwood and Frankston. In the case of the residual functionality at those sites, if the logic is for the size and scope of the facilities there — the residual functionality is simply too small to justify that — then we will be relocating the functionality that does not belong at Bundoora to other locations amongst DPI research and extension stations around Melbourne. That decision is yet to be taken and again comes back ultimately to the transfer that would occur under the finalisation of the business case. We have given staff as comprehensive an outline of this as we can. It has been pretty positively received. This is a once-in-a-lifetime opportunity to re-create the research facility that you would most like to have. We get a very positive response, broadly speaking, from the staff. I have not seen anything negative, and with the announcement over a week ago we have not received negative feedback at all on this issue.

**Ms ROMANES** — I would like to refer to page 3 of the department's response to the PAEC questionnaire. There is information there about allocations to the national eradication program for red imported fire ants. The current financial year has an allocation of \$4 million but the 2005–06 budget allocates \$3.1 million for this program. Minister, can you explain why the contribution is some \$900 000 below the last figure and whether this reflects some success in the campaign?

**Mr CAMERON** — Red imported fire ants are probably the worst pest ever to have taken hold in Australia. You might recall that they took hold in the Brisbane area going back a few years. Amongst the states and territories and the commonwealth we have an agreement about the eradication of pests. First of all we have to determine whether it is possible to eradicate them, and if it is we all sign up and contribute. Over a five-year period we would estimate to spend some \$22 million. We are at that point now, as we are coming to the back end of the program where you will start to see that phase down. You ask about success — in Victoria we have had two incursions of red imported fire ants. They were got on to very quickly and were quickly eradicated. They were isolated. Every year over the summer/autumn period we have people who go out and poke and prod around ports, caravan parks and places where they might move into Victoria, such as nurseries. That is just about to finish, and if we are successful at that, then under the arrangements we will say we are red-fire-ant free. We will then not worry about them unless we actually see them. People are far more alert these days.

If you go to southern Brisbane, you find they had infested quite a number of suburbs. There were huge chunks of suburbs that were sprayed four times a year. Someone would come and knock on your door and say, 'Sorry about this, whether you like it or not we are going to spray your front and back yards'. It was a very big exercise. The number of sites that have been located has substantially diminished over that period. We are hopeful that we are finally seeing the issue contained to that area and the eradication happening, because of the small number of sites that are bobbing up every three months nowadays.

**Mr RICH-PHILLIPS** — Minister, going back to the market redevelopment, you said before roughly 2700 stallholders on the existing site — —

**Mr CAMERON** — No, 2700 registered businesses that come and go and use the market.

**Mr RICH-PHILLIPS** — It is a substantial number of site-holders with substantial capital investment with cool stores at some \$5000 to \$6000 each. I am advised the estimated cost for them to relocate to Epping is in the order of \$100 million. I would be interested to know if the government has an alternative figure for the relocation. Will compensation be provided to those site-holders to relocate to Epping?

**Mr CAMERON** — As you know, the Melbourne Market Authority is a government commercial entity. It has commercial leases, and if there is any breach of those commercial leases, of course compensation will have to be paid. We have identified that the market is coming to the end of its life and taken into account that people need for taxation purposes to write down numbers over a period of time. That is why the 2010 date was chosen.

**Mr RICH-PHILLIPS** — But will you actually provide compensation for the physical move of half a million dollars worth of cool stores from Footscray to Epping? Will there be any consideration given to the existing — —

**Mr CAMERON** — Only if there is a breach in commercial leases.

**Mr RICH-PHILLIPS** — So that those whose leases expire will get no compensation to make the move to the new site?

**The CHAIR** — That is what he just said.

**Mr CAMERON** — That is what I just said. Then there are other commercial realities which may come into play as to whether it is those people at the site now or other people who go to the new markets. That will be the subject for commercial negotiations at a later stage.

**Mr SOMYUREK** — One of the significant measures of the department is found at budget paper 3, page 187. It states a goal of enhancing industry competitiveness. Can you point to any other results in measures in the past 12 months which reflect the achievement of this goal?

**Mr CAMERON** — Thank you very much. When we look at industry competitiveness and measures which might show that, very pleasingly Victoria for the first time has become Australia's largest agriculture-producing state. As I said to you earlier, we have been catching up on New South Wales. We have nudged ahead of it; it had a poorer year because of coming out of drought, so it might get back ahead again, but our long-term aim is to be ahead of it.

I go back to the preliminary estimates of the value of Victorian agricultural production, the commodities produced in 2003–04. That was \$8.69 billion, which was an increase of \$1.2 billion from the year earlier, the 2003 year, whereas the value of agricultural commodities in New South Wales was estimated to be \$8.36 billion. Victoria's increase in the value of commodities was 16.5 per cent, ahead of the Australian total increase of 12.3 per cent, with New South Wales only increasing 4.2 per cent. As I said, that was the issue of New South Wales coming out of the drought. When we have a look at Victoria as a state and look at all of the arable land, in all of the land that is used for agriculture in Australia, Victoria makes up only 3 per cent, but from that 3 per cent Victoria contributed 23.8 per cent of the total value of Australian agricultural commodities. That contribution is the highest of the states.

Just going to the break-up, have a look at crops, and have a look at the value there. There was a peak. Sorry, have a look at crops, have a look at cereals, have a look at livestock. What you see are changes there which were able to make up those impressive figures, which I think has been a credit to industry, because it has been quite prepared to get down and get on with the job.

**Mr BAXTER** — Minister, the Treasurer, when he appeared before the committee yesterday twice of his own volition commented upon the risks and the dangers of a drought setting in again and an El Nino event returning to Victoria — and I must say I was pleased that the Treasurer was as conscious as he obviously is about the impact of drought on this state, and particularly on our farmers. Bearing in mind we are in the middle of May and it is getting borderline for the sowing of winter crops, what arrangements do you have in place in the department to deal with a drought situation, if it does turn out to be so, particularly bearing in mind the string of dry years we have had and that another severe drought this year coming on top of those dry years is likely to involve a lot more farmers than we have perhaps had to deal with previously finding themselves in substantial financial strife?

**Mr CAMERON** — I will approach it from a few angles. I have a map here. I will show you the areas that still have EC in Victoria. I will take you through this. This is just a little bit of an update, a snapshot, of where we are. You will see there is East Gippsland there — that large chunk out to the east — then you will see a whole lot of fragmented little pieces in the north of the state. Most of those had EC for two years, and they have been rolled over, and most of them relate purely to the dairy industry in the majority of those. If you go to nos 4 and 5, that ran out two days ago, so this map is a couple of days old. The federal government lifted 4 and 5. It did its own assessments at the end of the two-year period and decided to take that away. If you have a look at what is no. 10, you will see there are some green patches there. They are state parks. If you have a look at what is the red shading, that is where EC, or interim EC, has just been announced in the last week or so. The bottom of that is Horsham, so that gives you an example of that area there.

As you saw from those figures a little bit earlier, Mr Baxter, the increase that we have seen with agricultural output last year was not as good as it was the year before the drought, but it is getting back up there, so the question is what is going to happen this year. Ultimately nobody can really answer that question at this stage. It is May, as you would appreciate, and some people are pretty nervous about that. Other people are more nervous about when it

might rain over the course of the back end of winter and spring because they are reliant upon irrigation — for example, a lot of those people in northern Victoria. But certainly it is something that we have to watch.

In relation to a lot of people and the preparations that they are making, obviously coming out of 2002 a lot of people have been more attuned to what they might do to prepare themselves a bit better, particularly in the livestock sector. For example, what you might have seen in your own area in Towong is that I think people are obviously having to think through those issues at the present time, but I cannot really take it much further than that because we have to wait and see what occurs.

**Mr BAXTER** — I have a supplementary comment, Chair. Yes, you are right in the sense that farmers are getting very nervous. They are drawing on the experience of 2002 in particular, and there is no doubt that the commonwealth has helped to a large degree. The purpose of my question was not only have we got to have farmers doing what they can do for themselves, but we have got to have your department absolutely attuned to focus on a very severe drought if it sets in. Regrettably it is showing all the indications of setting in. I think the committee is looking for an assurance that the appointment is geared up for this.

**Mr CAMERON** — Yes. I think what you are seeing in terms of extension activity is probably a good example of that. I might give you to Dr Kefford who might help to expand on that to answer your question, Mr Baxter.

**Dr KEFFORD** — I think we can give you a strong assurance that the department is on its toes in regard to this drought. In fact we have been watching this episode — it is now over years. We have an extensive network of experienced extension staff who can be drawn into dealing with emergencies of this nature and other emergencies at very short notice. We have a group that meets regularly to discuss the progress of the dry seasonal conditions. They produce regular reports to the top end of government and the minister on extensive detail about the condition of agricultural industries, water courses, even social issues. I think that our performance in drought responses has been exemplary and it has been recognised by the Emergency Management Australia award recently for our Towong response. Over years we have found swinging into action a very straightforward exercise. I do not expect it to be any different this time round. We are all watching this issue very closely.

We have taken some proactive steps — For instance, in the Horsham area we have run a range of workshops called ‘Back in black’ which focus on a range of agronomic issues and cash flow issues. Our FarmBis programs are again focusing on preparedness for drought and how one responds and when one triggers drought response plans. So yes — very front of mind — we are ready and will swing into action when required.

**The CHAIR** — Minister, I want to take you to strategic and applied science results. In the budget papers there is a reference to science and innovation to increase productivity, profitability and sustainability whilst also contributing to competitiveness and exports — quite ideal performance measures. I would be interested in any area where a combination of those has in fact synchronised. I imagine you will give me some examples, but by way of example, does there happen to be any that would show that we are doing research that would provide seed or product that could be utilised in drought conditions where previously farmers have been unable to plant crop? That might be too specific, but on hearing Mr Baxter’s question it is one that came to mind. If you could do the general one, I will understand you cannot be very specific.

**Mr CAMERON** — When you have a look at agricultural production in Victoria you see quite large increases over time in R&D, whether it is headline R&D and what that might lead to in production, or whether it is going about farming practices a certain way, bringing about greater production; it all comes to ultimately the same benefit. I might just run through some recent examples and then I might ask Dr Noble to talk more specifically about changes in drought practices or things like that which bring about production. I am cognisant of what you said earlier and I will ask Dr Noble not to speak in Latin during that period.

Take for example the dairy industry. Greenhouse gases are a big issue nationally. The dairy industry is a smart industry; it recognises issues and it likes to get ahead of it. With the dairy industry we are actually doing a bit of research, mainly out at Ellinbank, out near Warragul. The nature of that research is actually trying to measure greenhouse gases from cows. You ask, ‘How do you do that?’.

**The CHAIR** — I can understand how you would do it, but I was confused if you were going to say you were eliminating it.

**Mr CAMERON** — No, you put it into a big vat and measure it. You ask, ‘Why would you want to do that?’. The reason you would want to do that is if you were to have different management practices then you can measure it to see if there has been a reduction or not. So when you think about greenhouse gas that is a lot of energy, and that is just wasted into the atmosphere and of course people do not like the greenhouse gases in the atmosphere. That is wasted energy. If you can convert that energy into production then you have actually had a win for the environment and you have had a win for industry. That is why this is a very important project. I think that is one people are watching with a great deal of interest because it will be a substantial win-win benefit.

An example of something else we are doing is how to make grass grow quicker. You ask, ‘Well, that sounds very good and fine but how do you do that?’. It is just by looking at soil bacteria. Are there different soil bacteria that do that? If that is the case, coat it around the seed so that when you plant the seed that will occur. That is showing really positive results with some grasses. Obviously if you can do that, then you will get the benefits that are able to come with that, and you may also get tougher types of grasses that are more resistant to adverse conditions. One of those adverse conditions might be lack of water. I might get Clive to come back to that.

In respect of the dairy industry, for example, and again this relates to the practice end, if you are to feed cows just a certain amount of grain — not a great deal, but a certain amount of grain — at different times of the year for pasture-based dairying, what does that do in terms of production? What we are discovering is small increases at certain periods of the year will actually give more protein and more cheese. Again, that is a substantial win for industry.

Going back to the issue around practice or higher level research and drought, I will turn to you, Clive.

**Dr NOBLE** — Thank you, Minister. I will focus on the drought from two perspectives, because with a lot of the issues around water management, both in the presence of adequate water and the absence of it, there are a number of different measures you can take. We put particular emphasis on a systems approach to both our science and what is happening in the farming community. By ‘a systems approach’ I mean if you look at drought in dryland areas, whilst we cannot make it rain, changes in agricultural practices — which might be anything from the time of sowing to the type of crop you might sow through to where you might sow it in the landscape, and indeed potentially changes in where in the landscape we sow particular crops — can all lead to a range of benefits that relate to sustainability, in other words, protection of the soil, to production which in turn can relate to profit in the medium to longer term. It cannot change cropping systems in the short term of a 12-month period.

A lot of our research is based around longer term changes in practices when it comes to taking a systems approach. Where we grow the crops, what soil types and how we might manage the landscape is one area of management. It is not only for dryland areas, it also relates to irrigated areas, because in drought conditions there is obviously less water available for irrigation as well. Under those circumstances a lot of our research is based on water use efficiency: how much water a particular crop or a production system might use and trying to reduce the volume of water for a given level of production — and turning it round the other way, maximising the production per unit of water. So the focus is not just on the dryland areas when it comes to drought, it is also on irrigation areas, because drought affects irrigation areas.

The other side to it is trying to make some changes to the crops themselves, particularly trying to, if you like, breed more drought-tolerant crops. In that context over many years scientists have attempted to find, be it for grass, be it for wheat, be it for barley, a more drought-tolerant crop, a crop that would use less water or be able to sustain itself — in other words, not die — in the absence of rainfall. The approach we are taking, and in fact we have both a national and international leadership position, with the forages, which are critical to our broad-acre production, is to understand the genetic make-up of those crops. Forages are rye grasses and clovers, which make up the bulk of our pastures.

We have an international leadership position in understanding the genetics — this is at a molecular level — of those particular crops, and a key target we are looking at is the genes that influence, if not control, tolerance to stress, particularly drought. Other such stressors are things like salinity, which is prominent in Victoria as well. Part of that process is discovering the genes and those portions of the genetic material that actually turn a tolerance to drought on or off. Part of our program is that by discovering those genes it would actually allow us to breed more drought-tolerant crops more rapidly, using traditional methods.

**The CHAIR** — Thank you. I know you could probably talk all afternoon on that, but in the interests of more questions that gives me some comfort.

**Mr RICH-PHILLIPS** — I would like to go back to the redevelopment of the showgrounds site and just clarify, with respect to the work that has taken place on that site and has been taking place for the last couple of months, who are the parties to the contract under which that work is being done?

**Mr SEYMOUR** — There is a deed of undertaking signed between the state and the preferred bidder, which is a special-purpose vehicle that goes by the name of PPP Solutions, so the agreement will be between the state and the RAS as joint venture partners and PPPS.

**Mr RICH-PHILLIPS** — It will be, but is not currently?

**Mr SEYMOUR** — The state has provided and completed all commercial negotiations with PPPS as the preferred bidder. The documentation that gives effect to the agreement is quite complex, as you would expect it to be on an asset development of this type and size. The consortium, which is PPPS, has the documentation, and for all the commercial negotiations being concluded the documentation has been initialled to reflect all of those commercial arrangements that have been concluded.

**Mr RICH-PHILLIPS** — So it has not been formally executed yet — between the government, the RAS and PPP Solutions — despite work already taking place?

**Mr SEYMOUR** — There are a number of elements to the relationship in terms of agreements. As I said, the documentation has been initialled by both parties, reflecting that commercial agreement has been reached on what is a complex asset development. In the meantime, under the deed of undertaking and with certain guarantees put in place that were required by the state of PPPS, we have already commenced a major part of the demolition work required at the showgrounds because — if I could draw a policy link to this for a moment — this is about saving the show. The state, when it made its commitment public some three years ago, entered into an MOU with the Royal Agricultural Society that was designed to redevelop the site at Ascot Vale in order to save the show. So we have been working diligently along with Major Projects Victoria to ensure that that is indeed the outcome.

The show is an important icon for all Victorians. It remains if not the largest, certainly one of the largest, public events in Victoria every year. I do not have my statistics with me at the moment, but I think it is in the order of over 550 000 people in calendar year 2004. It remains a much-loved, respected and important part of our social calendar, but from an agribusiness point of view —

**The CHAIR** — You are not allowed to kill Father Christmas. That is what the kids think of the show.

**Mr SEYMOUR** — From an agribusiness point of view it also brings the city and the country together in a unique way, in a way that enables urbanites like us to see what happens in rural Victoria and, fundamentally, how important it is in terms of economic growth for the state. So saving the show is about making sure that that relationship between city and country can continue. The preferred bidder has reflected that intention in the nature of the bid it placed on the table. The master plan — I am not sure if you have seen the master plan — effectively captures an opportunity for agribusiness to be promoted on the site at Ascot Vale, where it has been for over 150 years. There will be a new grand pavilion, an outdoor animal competition area, a large new exhibition building, a town square and pavilion, a revitalised major entrance and boulevard, done in a way that will make us all proud to keep going to the show and to promote agribusiness, because as the minister outlined today it is such an important part of our economy and the foundation of our economy.

**Mr RICH-PHILLIPS** — Given the current contractual circumstances, as you have outlined, who is assuming the risk for the work that is currently being undertaken? Is it the state; is it the RAS; or is it PPP Solutions? Who does the risk sit with?

**Mr SEYMOUR** — The construction risk sits with PPPS.

**Mr RICH-PHILLIPS** — Right at this point in time?

**Mr SEYMOUR** — Under the deed of undertaking and the guarantees I referred to earlier — which I will not go into in detail because they are commercial in confidence, and I ask you to respect the fact that I could not go

into the detail of those numbers — the right level of protection has been put in place by the state to enable that early work on demolition to continue.

If you have been out there recently, you will have seen that a massive amount of work has taken place already. In doing so we have worked around also providing the site for a key feature film that is being shot in Victoria at the moment, which I think goes under the name of *Ghost Rider*, which utilised the main pavilion in the old context, the old Hunter stand, as a major backdrop for a key part of the filming of that Hollywood-type movie. So we have been able to accommodate a broader arts and cultural outcome as part of the redevelopment. At the same time we have not lost any time to date in terms of the redevelopment, and as I say demolition is all but complete and the next phase will start very soon.

**Mr RICH-PHILLIPS** — And at this point in time, 12 May, that risk is with PPP Solutions?

**Mr SEYMOUR** — The construction risk remains with PPPS.

**Mr CAMERON** — Explain about the bonds.

**Mr SEYMOUR** — Would you like me to explain?

**Mr CAMERON** — Just briefly.

**Mr SEYMOUR** — With these sorts of complex commercial negotiations the state always requires under any PPP arrangement a certain level of initial protection to ensure that the matter goes forward in a timely and productive manner and that appropriate commercial risk is being borne by the construction agency, or in this case PPPS as consortium partners. That is certainly the case, and we have those bonds in place.

**Ms ROMANES** — Minister, in your presentation at the start of this hearing you drew attention to the significant contribution that recreational fishing makes to the economy. Could you provide the committee with an example or examples of what activities are funded through the department's output towards improving recreational fishing, and perhaps you might make reference to where table 2.7 on page 186 sits in terms of the different output categories.

**Mr CAMERON** — Broadly, probably the thing that people like most about what the department does in terms of recreational fishing is stocking. That is where fish are released into the water every year, and we have been keen promoters of that. So what you are seeing, if you have a look at the number of fish stocked in the last five years — and I will take you over that — are big increases. However when you talk about stocking, people have different views on these things. It depends: some people are trout fishermen and some are native fishermen, but most people tend to be one or the other, and they are very keen about one or the other.

When we have a look at those comparisons about how many fish are being put into the water, what we have had is an average of 1.6 million during the last five years. That compares with 1.2 million for the five years before that. If you go in particular to the trout, if we have a look at the totals all together over the last five years that have been put in water which we have overseen — and people have to come and ask us if they want to do it as well — we have seen 7.95 million, and 6.05 million in the five years before that. I will break that up: with native fish for the past five years, 4.7 million; and 3.5 million for the five years before. Also, with trout in the last five years, 3.24 million; and in the five years before, 2.55 million. So that I think probably has been the thing that most people would talk about.

In relation specifically to the output, I might just get Dr Appleford.

**Mr HARRIS** — I can probably do that without Peter. The bottom line is that in reference to the output summary on page 186 of the budget paper that you referred to, Ms Romanes, because as we have advised committee in the questionnaire we have changed the nature of our output structure, effectively all of the operating divisions are spread across what we now call service delivery. So rather than being a functional area, rather than being X dollars for fish, Y dollars for agriculture and Z dollars for minerals, for example, we are saying the government is effectively buying from us our services. Those services are policy — there is a better title for them in there — regulation, research and practice change. What that does is, we hope, help the committee and the government understand that that is actually what you are getting from the Department of Primary Industries. You are not so much getting X dollars for agriculture and Y dollars for fish; you are actually buying services from us.



The relative balances are quite important. So if you look at the budget document that Ms Romanes referred to, you can get a feel for how much policy the Department of Primary Industries is supplying versus how much regulation and compliance we are supplying. We think over time that will be a far more useful indicator for the committee and for the government to determine. If they think over time we should be more of a regulatory agency and less of a policy advising agency, they should be able to see that change.

Indeed, this is the sort of best-practice version of departmental output structures being applied by the commonwealth to its agencies, and we are applying it here. I think we are the first to start up in Victoria under this kind of structure, but I think you will see more departments moving to this sort of thing over time.

We can still relate this back to, for example, fisheries. Your question, Ms Romanes, was effectively: where do fisheries run in this? In the total output cost by division, fisheries is about a \$45.5 million entity for us. In last year's budget papers I think it was about a \$44.5 million entity. Under this kind of arrangement the bulk of the funding, the \$45.5 million that I am referring to, comes from regulation and compliance and lesser amounts of fisheries activity in terms of services provided are in policy and research, and then there is a substantial amount again in practice change. So the two big areas of service activity that the fisheries provide are regulation compliance and practice change, and some on research and some on policy.

**Ms ROMANES** — As a supplementary question on that, do you attempt to or is it appropriate to sort of say, 'Of the output costs for fisheries, so much is for recreational fishing and so much is for commercial fishing', or is that an unrealistic division?

**Mr HARRIS** — It would be plausible to do that here in part, but I think if we did it in full for you, if you wanted us to pull it apart again, there are a lot of judgments that go into this. For example, just thinking about compliance, you have a certain amount of scrutiny around marine national park reserves. That could involve scrutiny of recreational fishermen or scrutiny of commercial fishermen, depending on who is apparently transgressing at the particular time. So it is when you divide up those sorts of hours of activity. We can, obviously, if the committee is very interested in this — —

**Ms ROMANES** — I am not really asking that. I suppose I would make the point that even if you took the whole of the fisheries budget — and the minister has drawn attention to the contribution to the economy of recreational fishing — it is still a good result, a good outcome.

**Mr BAXTER** — Chair, the minister made a fairly big call a moment ago when he suggested that fire ants might have been the worst pest that had come into this nation. Perhaps potentially they were, if we had not got on top of it. Fortunately, I think, we have.

**Mr CAMERON** — Yes. People say they probably would be worse than the rabbit if they took hold.

**Mr BAXTER** — I want to look particularly at foxes, which I think are one of our worst pests at the moment, not only with our native fauna but particularly with the lamb industry and also with the spread of disease to other farming enterprises and other animals. Why are we not making a full-frontal attack on foxes? Why is the fox bounty, which I think took some 180 000 foxes out in a relatively short time, not continued; and why are we discouraging the use of raw liver and concentrating on the Foxoff program, as successful as it might be? Why are we narrowing the arsenal that is available instead of making a full attack to see if we cannot get on top of the fox problem?

**Mr CAMERON** — In relation to the budget papers, these are matters in portfolio of the Minister for Environment. I understand is coming here tomorrow. You will probably have to address that matter to him then. What occurs is that DSE contracts Mr Harris to perform some functions as DSE requires, but this does not go through the budget of the Minister for Agriculture.

**Mr BAXTER** — So, despite the fact that you were contracted to do the fire ants — —

**Mr CAMERON** — No, Mr Harris is contracted, not me.

**Mr BAXTER** — Well the department is contracted. I thought you were speaking for the department and that it was a generic term.

**Mr CAMERON** — No, it is not, because these things are done on an individual ministerial basis, as we have had these discussions previously about other things.

**The CHAIR** — By way of a supplementary question, is the DPI doing any research on eliminating foxes by any other means, and what are they? Through research?

**Mr HARRIS** — I think the answer is yes, there is fox research going on. In fact there are a number of activities that extend outside the research area. Perhaps, Clive, if you talk about research, and we can take it further than that if you need us to.

**The CHAIR** — By genetic measures or other, are you doing any research on eliminating foxes?

**Dr KEFFORD** — The research that we do in regard to foxes is also funded through DSE. It is a small component of the research. It is not through genetic means. We are not using any genetic approaches. The research with DSE — I do not have the detail with me, so I may have to come back to you on it, but there is a small amount which is related particularly to baits and the efficacy of baits on foxes. Part of that is ensuring there are no off species impacts.

**Mr BAXTER** — Does the department have any statistics on the cost to the agriculture in this state of foxes per year? The reason I ask this question is that I am aware it falls to DSE in terms of running these things, but DPI has been the deliverer, by and large — it collected the fox scalps, tails and so on — and presumably DPI gives advice to DSE. Do we have a handle on what foxes are costing the industry in this state.

**Mr CAMERON** — I am not aware of that. We will have to take that on notice, Mr Baxter.

**Mr SOMYUREK** — Minister, earlier on in your presentation you referred to sustainable practice change, and I noticed Mr Harris also did a few minutes ago. I refer to the sustainable practice change measures in the DPI outputs in BP 3 on page 191. Can you point to areas where there has been successful in delivering new ideas and practices whilst assisting industries and community to understand, manage and adapt to change?

**Mr CAMERON** — I might get Dr Kefford, who is the deputy secretary in relation to agriculture, to answer that question.

**Dr KEFFORD** — I was writing myself a note. Could you just repeat the question? I was concentrating on something else.

**Mr SOMUYREK** — The question related to sustainable practice change. My question essentially was: can you point to areas where this has been successful in delivering new ideas and practices whilst assisting industries and communities to understand, manage and adapt to change?

**Dr KEFFORD** — I think the best example I can point to really touches on an area that has already been drawn to, and that is the drought response. We had a particularly important and insightful exercise in the north-east of the state relating to the Towong community. This community suffered a double blow with the worst fires in 60 years and the worst drought in 100 years. In fact it took a 100-year drought to actually give them an effect in that very reliable rainfall area. After a visit from the minister, the minister sent his drought task force to the region. I was the chair of that task force. I have had long experience with emergency responses, and I have never seen a community in such distress. The minister asked us to do what we could, and it was very interesting that that community was suffering extreme exhaustion from having fought the fires.

Essentially the drought had caught up with them, and they were doing their best with overstocked farms and a shortage of feed on farms, but they were also suffering the negative impacts of poor policy implementation in New South Wales, which had led to fodder subsidies driving the cost of imported feed up dramatically. When the task force met with the community, led by the mayor of the shire, Lyn Coulston, who turned out to be very pivotal in this exercise, we saw levels of distress which when we checked with the health department indicated we had a serious social problem that could play out in very tragic terms. We immediately swung our extension team into Towong, and there began quite a innovative approach.

We essentially ran a joint government exercise with all relevant government agencies — Treasury, the Premier's department, DIIRD, ourselves, DSE and, importantly, commonwealth agencies to essentially quickly give relief to this community. The relief came in the form of advice on how to feed cattle in this condition and how many they

could carry, social advice from social counsellors to see if we had families in particular distress. We got Centrelink to turn around its Centrelink payments to the EC-type payments, the family support payments, from what was weeks then to hours. We got our staff accredited by Centrelink to view relevant documents, and they actually filled out the forms. The VFF helped us in getting supplies of relatively cheap grain. Our staff were working with the farmers because at this stage this community was not used to feeding grain to cattle, and it was actually killing cattle with grain, because they can react poorly to it if it is not fed appropriately. What actually happened in a period of what was about four weeks was there were essentially 1000 farms; 500 of the farms were in good order, 250 wanted information and 250 — round figures — wanted intensive care. We turned that community around in a very cooperative fashion — and I have to emphasise the importance of Lyn Coulston and her local shire team — from deep distress to looking forward.

The minister asked Bruce Esplin and me to go up again recently to see how things were, and you could not credit the change. This community and the shire are now looking forward. They are much more attuned with departmental programs. Their strategic focus on the future direction of that community is vastly different. The business plan that the shire has is totally different. They are in touch with modern agricultural practice, they are swinging into high-value agricultural production — seed production, which they are particularly well suited for. When we arrived there, there were smiles about the future. It is the first time I have really seen joined-up government in the flesh. It is a dramatic change for that community. In years to come we will see Towong as a bit of an exemplar for rural communities. It is very important to note that the mayor, Lyn Coulston, was absolutely pivotal in helping that to work; absolutely crucial.

**Mr RICH-PHILLIPS** — Minister, I would like to ask you about the Melbourne Markets redevelopment. BP 3 on page 308 has the output asset initiatives which list the \$300 million. I have a couple of questions. One is: what is the estimated total cost of the market redevelopment — that is, above what the government's capital contribution will be? And do you know the time line for the Partnerships Victoria tender process approximately, and — Mr Harris might know the answer to this — what is the detail of that money? It has not actually been allocated to a particular year. What is its status in terms of the appropriation and the budget bill in relation to where it actually falls given it has not been assigned to a particular year?

**Mr CAMERON** — As you know, what the government has indicated in relation to the TEI is that it will be a large project, and it will also be, you would imagine, a substantial private investment as well. It is a very large site, and you will see people wanting to locate nearby.

**Mr RICH-PHILLIPS** — Do you have an idea of what the private investment would be on top of your 300?

**Mr CAMERON** — We would imagine that here in this hub you could probably get towards \$1 billion over a longer period of time. I have to take you back to the very start as to where we are. What we have done at this point in time is that we have located the site. We have said it will be in 2010, and we have taken into account that people have to write-down for investment purposes. If I own a small shopping centre, I have tenants in my shopping centre and I want to go and build a bigger shopping centre, I would want those people to come with me because I want to keep a critical mass in the market. I have commercial leases with them, and I have to honour those commercial leases. However, there will be, subject to commercial negotiations, some sort of inducements for people to go and move there. I think you might call that compensation; I would call that normal commercial arrangements.

All of these things have to occur and there has to be an indication of how many people will sign up to make sure there is critical mass. But all of the questions that you ask, all of those things are things that come from this point onwards. Peter, would you like to take that?

**Mr HARRIS** — Sure. In terms of time frames to completion, the Premier said publicly done and occupied by 2010. In terms of something more specific in relation to funding, there is quite a conscious reason, as the minister was just explaining, why we have put a broad figure without actual allocations against years in there — that is, there are two at least potential structures by which you could proceed with this. The government can effectively build this and look for a financier and a constructor, or you can turn this around and offer it as a private sector venture arrangement where the government is a sublessee, if you like, of the trading floor, but there is a whole bunch of other commercial activities the minister referred to and Mr Seymour referred — cold storage and that sort of thing — that also goes on at this site.

Under one of those two models this project will proceed, but the two models will substantially differ with how much private sector capital is put in up front. You can imagine under the, if you like, private site government sublease for a trading floor model there will be much more substantial risk capital taken from the private sector and a large and ongoing stream of payments obviously from the government. The reverse split up of risk would be the case if this thing was effectively run as a government-supported and designed arrangement where we brought in a constructor and a financier to create the outcome. That is yet to be determined, but we are quite close to a decision on that. There has been work going on in the first half of this year. Mr Seymour is across the detail of this and he is effectively running it for DPI at the moment. We are pretty clear about when the decision making will occur on that in terms of time frames. Effectively you have to make a decision in the coming six months on that model structure. Certainly by the time you get the next budget I think you will see decision making on this.

**Mr RICH-PHILLIPS** — This figure here in the budget is effectively a notional figure of cost to government and you will need to go back to Treasury, depending on the model you adopt, to actually get the final appropriation, whether it is a series of cash flows or other funding.

**Mr HARRIS** — In other projects I am dealing with we call it the envelope. There is an envelope, and how much you have to utilise will depend on how effective you are as a negotiator.

**The CHAIR** — Thank you very much. I want to move to another pest — locusts. I note that DPI has assessed that although there are very few adult locusts remaining within Victoria, there is likely to be a very significant and widespread hatching of eggs in mid to late spring 2005 within Victoria. Minister, could you outline to us how the department plans to ensure that the locust pests are eliminated or minimised?

**Mr RICH-PHILLIPS** — How do you know that is happening, Chair?

**The CHAIR** — It is in the DPI: plague locusts as assessed, 25 April 2005, DPI web site.

**Mr RICH-PHILLIPS** — Very good. You found the footnote.

**Mr CAMERON** — The thing about locusts is that they are naturally occurring and they are and can be a substantial pest. Mr Baxter might remember very well the early '70s. Locusts tend to build up over a period of time and get successively worse or stay as bad as the year before. It was as a result of that experience that the eastern states and the commonwealth came together to make the Australian Plague Locust Commission. It was because locusts do not respect borders, and it was about how you can try to contain them by pooling together. If we can stop locusts in northern New South Wales, then that is good for southern New South Wales and good for Victoria. But what we have seen is their build-up in the last couple of years. To be blunt, we are extremely lucky in Victoria this year. It was only by a pure fluke of luck that we had extremely cold weather after Christmas. If there were northerly winds during that week we would have had locusts throughout a substantial part of Victoria. And that was notwithstanding an enormous amount of spraying and an enormous amount of activity that was put into New South Wales. The present situation we have now in Victoria is that there are some eggs in the ground in northern Victoria. How many exactly is an unknown.

**The CHAIR** — I did not ask you that question. We take that for granted.

**Mr CAMERON** — We know that they are across northern Victoria. We do know that in New South Wales, notwithstanding all of the activity that has occurred there, there are a lot of eggs in the ground. What is going to have to happen come spring is that there will have to be some activity in Victoria and there will have to be even more activity in southern New South Wales. We only have to wind the clock back to last spring, except this time they are slightly further south. This is going to be dependent on the weather. Wet and warm weather is their preferred condition, and northerly winds will bring them this way. People can say, 'You cannot see any outside at the moment, it must all be over', but nobody should be under that misapprehension at all.

**The CHAIR** — Do you have a supplementary, Mr Baxter?

**Mr BAXTER** — No, I was going to make a comment about it, but I will make it in the first part of my question. Yes, there are a few about minister. One only has to look at the front of my car to know that. In fact I parked the car in the main street of Echuca not so long ago, and when I came back a peacock and two peahens were picking the locusts out of the grille — right in the main street!

Minister, I want to turn to native vegetation, which I know is within the responsibility of your colleague who is appearing before us tomorrow. Clearly native vegetation regulations impact very severely on farmers, and there is a draft document purporting to be proposals to seriously increase the severity of native vegetation controls, which if they were implemented would cause a lot of difficulty for farmers, including perhaps requiring them to engage consultants at something like \$1000 an hour, which they can least afford at the best of times, let alone in the middle of a drought.

My question is, bearing in mind this impacts so much on agriculture, what role does your department have in the formulation of the policy to make sure that the outcome is practical for farmers, is workable and does not destroy the goodwill we have built up over the last 20 years amongst land-holders in terms of the environment? In other words, is the department acting as a friend at court, so to speak, around the table in the negotiations to get satisfactory outcomes for native vegetation? Is it an advocate for farmers?

**Dr KEFFORD** — The answer is yes. We have a role in assisting with this. DSE developed its policy positions on this, and we provide advice through that development process, which of course is ultimately considered by cabinet. Not only do we have an interest in making sure that is effective for the farming community, but also we have an interest as an agent of government in ultimately regulating this through our CAS processes. We put forward into that process the issues which relate to agriculture, keeping in mind the ultimate policy of government and trying to work out how ultimately a win-win can be achieved in terms of biodiversity and effective agriculture in the process.

**Mr BAXTER** — So you obviously do not have a veto?

**Dr KEFFORD** — No.

**Mr CAMERON** — It is an issue for the Minister for Environment.

**Mr BAXTER** — But in terms of what impact it is going to have on the farmers, if we get regulations which some suggest are going to make it very difficult to clear any native vegetation at all without making some very dramatic replacements elsewhere, you do not have a veto to say, 'That is simply not going to work'?

**Mr CAMERON** — That is a matter that ultimately rests with the Minister for Environment. No-one has a veto, but as you have heard, there is input and no doubt there will be input from many others in relation to this draft.

**The CHAIR** — I thank you, minister and the witnesses for your attendance. I am sorry, Shaun, that we have not included you directly. I also place on record that we note the Department of Primary Industry's positive response to last year's estimates hearing, so we hope that our recommendations this year will be as useful as they were last year.

That concludes the consideration of the budget estimates for the portfolio of agriculture. I thank the minister, the witnesses in attendance and the many people who have prepared extensively for today. There will be a number of follow-up matters that we will communicate to you. The transcript will be sent to you as soon as Hansard gets it to us.

**Committee adjourned.**