



## **PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE**

### **2009-10 AND 2010-11 FINANCIAL AND PERFORMANCE OUTCOMES QUESTIONNAIRE — PART TWO**

#### **DEPARTMENT OF PRIMARY INDUSTRIES**

### Question 1

In October 2009, the then Premier announced a \$47 million drought assistance package to sustain Victoria's agricultural sector.

- (a) Please outline for 2009-10 and 2010-11 the amount of assistance provided for each of the following programs, together with the number of recipients of such funding:

	2009-10		2010-11	
	value of assistance (\$)	number of recipients	value of assistance (\$)	number of recipients
Municipal rate subsidies	\$7,895,707 <sup>1</sup>	15,129	N/A <sup>3</sup>	N/A <sup>3</sup>
Water rate rebates	N/A <sup>4</sup>	N/A <sup>4</sup>	N/A <sup>4</sup>	N/A <sup>4</sup>
Drought extension support	N/A <sup>5</sup>	N/A <sup>5</sup>	N/A <sup>5</sup>	N/A <sup>5</sup>
Apprentice retention bonuses	\$1,425,750	1,908	N/A <sup>3</sup>	N/A <sup>3</sup>
Assistance from the Vicrelief Foodbank	N/A <sup>4</sup>	N/A <sup>4</sup>	N/A <sup>4</sup>	N/A <sup>4</sup>
Financial counselling services	\$450,000 <sup>2</sup>	2,267	\$450,000	2,346
Farm Improvement Grants Program <sup>6</sup>	\$2,312,885	1,698	N/A <sup>3</sup>	N/A <sup>3</sup>

<sup>1</sup> Includes 6% administration fee paid to Local Councils for their role in administering the program. The total number of claims does not represent total number of farm families. One farmer may lodge more than one claim per year, depending on how they choose to pay their rates (i.e. a rate payer may choose to make quarterly payments and therefore four claims may be lodged).

<sup>2</sup> An additional \$270,000 was provided for the Transition Support Service (2009 Drought package)

N/A<sup>3</sup>: program ceased in a prior financial period and was no longer active

N/A<sup>4</sup>: is being directly administered by another Department on behalf of the State

N/A<sup>5</sup>: Funding is provided to the Rural Finance Corporation to administer drought extension support payments.

<sup>6</sup> The Farm Improvement Grants Program has been added to the list originally provided by PAEC, but was also included as a part of the \$47m drought package and was administered on the Government's behalf via Rural Finance Corporation (RFC).

- (b) Please detail what outcomes were achieved as a result of these assistance measures.

The broad measures of success included increased on-farm productivity through substantial farm improvements and upgrades, reduction in defaults on rate payments, increased farm cash flows and improved business decision-making through one-to-one services and group activities targeted at helping farmers to minimize their operating losses.

In addition to training, subsidies and grants, all farmers were able access a comprehensive free business assessment to assist in identifying their current position and allowing them to be more informed to negotiate with banks and lenders.

The Municipal Rates Subsidy (MRS) was provided to deliver immediate financial relief to farmers affected by drought and low water allocations. In 2009-10, eligible farmers who received Exceptional Circumstances Relief Payments from Centrelink were entitled to a subsidy of up to 30 percent on municipal rates and charges payable. The MRS was a continuation of the scheme that commenced in 2005. The main benefit of the MRS was to provide a small amount of financial assistance to farmers who otherwise may have struggled to pay their rates. A second-tier effect of the MRS was that councils continued to receive rate payments throughout the drought, assisting them to continue their usual services.

## **Question 2**

- (a) What indicators were used by the Department for determining that the increase in the number of OHS incidents from 2008-09 to 2009-10 was due to an increased awareness of the benefits of reporting<sup>1</sup> as distinct from an actual increase in the number of incidents from one year to the next?

An OHS initiative was conducted during 2009 to actively promote and encourage all employees to report all workplace incidents via the Safety Management Incident System (SIMS). The increase in incident reporting across the Department is attributed to this initiative.

- (b) What indicators were used by the Department for determining that the decrease in the number of OHS incidents from 2009-10 to 2010-11 was due to effective injury prevention and early intervention<sup>2</sup> rather than decreased reporting?

DPI actively monitors key OHS indicators from a lead indicator and a lag indicator perspective. A combination of these indicators has led DPI to attribute the decrease in OHS incidents to effective injury prevention and early intervention programs. The lead indicators from the 2010 Employee Engagement Survey show a 3% improvement in “*people putting into practice the value – Focus on Safety*”. In addition, WorkCover claims data shows a reduction in days lost due to injury. During the reporting period DPI established a Positive Workplace Program and a Peer Support Program. While it is difficult to categorically correlate these initiatives to the data outcomes, the reduction in reported workplace incidents is attributed to the greater focus on positive workplace and WorkCover management initiatives that were implemented over this period.

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<sup>1</sup> Department of Primary Industries, *Annual Report 2009-10*, September 2010, p.112

<sup>2</sup> Department of Primary Industries, *Annual Report 2010-11*, September 2011, p.136

### Question 3

During 2009-10, the Department facilitated the delivery of only 51 per cent of milestones in line with grant agreements for the Energy Technology Innovation Strategy large-scale demonstration projects.<sup>3</sup> Two large scale demonstration projects were delayed, with discussion between proponents and various governments continuing.

- (a) Please identify the two large-scale demonstration projects that were involved.

The two Energy Technology Innovation Strategy (ETIS) large scale demonstration projects involved were:

- HRL Integrated Drying and Gasification Combined Cycle project
- International Power (IP 2030) project

- (b) Please describe the difficult economic conditions and technical issues and how these have led to the delays.

The two coal pre-commercial large scale demonstration projects are technically complex and involve the development of new leading edge energy technologies. Both projects are subject to a high degree of contingency including issues associated with structure, engineering and financing arrangements.

Following on from the 2008 Global Financial Crisis, far tighter credit conditions existed in financial markets and new innovation development projects in particular have continued to experience difficulties in securing finance. These difficult economic conditions have provided significant challenges for the development of these projects.

Whilst the post combustion capture plant associated with the IP 2030 project was commissioned in July 2009, the coal drying plant experienced delays relating to technical issues from the operation of the pilot drier facility in Germany. Significantly increased costs and problems with securing loan financing also impacted on the economics associated with this project.

The HRL project experienced significant delays due to difficulties in finalising a site, delays in securing a commitment to a long term coal supply and difficulties in obtaining a long term off take agreement for electricity due to the uncertainty in the electricity market. The scope of the project was also modified with the capacity of the plant increased to 600MW following changes to turbine size and the configuration of the plant.

As a result of the issues described above, both projects were delayed and were not able to meet key project milestones.

- (c) How many of the milestones that were outstanding for 2009-10 were delivered during 2010-11?

Due to the technical and financing issues associated with the IP 2030 project that were not able to be overcome, all parties to this project agreed to terminate the project. The Termination Deed for this project was agreed and signed in January 2011.

In relation to the HRL project, the Morwell Power Station was finalised as the site for the plant and the contract for engineering procurement and construction was signed.

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<sup>3</sup> Department of Primary Industries, *Annual Report 2009-10*, September 2010, p.92 & 96

It is noted that for the same performance measure for 2010-11, the Department facilitated the delivery of only 36 per cent of milestones in line with grant agreements for the Energy Technology Innovation Strategy large-scale demonstration projects, with delays experienced with one large-scale demonstration project.<sup>4</sup>

- (a) Please identify the large-scale demonstration project that was involved.

The ETIS large scale demonstration project involved is the HRL Integrated Drying and Gasification Combined Cycle project.

- (b) What were the key milestones not achieved in 2010-11 as a result of these delays?

Construction of the HRL Dual Gas power plant was not able to commence during 2010-11 which meant key construction milestones have not been achieved as originally planned.

- (c) What factors contributed to these delays and how?

The HRL project has continued to experience financing difficulties and delays in securing the Works Approval, and a subsequent decision by the EPA limiting the size of the power plant to 300MW have further impacted the development of the project.

- (d) What were the implications of these delays in terms of achieving the planned outcomes from the demonstration project?

The HRL Dual Gas project is still working through different configuration options of the plant (through ongoing front end engineering and design work) and also reviewing the commercial structure of the project to enable the project to achieve the objectives of all parties. The Victorian Government is working closely with HRL to overcome the challenges facing this project. The difficulties associated with this project are similar to the difficulties being encountered by new technology demonstration projects internationally.

- (e) When is it envisaged that all of the milestones in the grant agreements for this project will be delivered?

Key project milestones for the HRL Dual Gas project will be achieved when construction and commissioning of the power plant is completed. Pending approvals and resolution of the issues highlighted above HRL has indicated the demonstration project can be operational in 2013.

#### **Question 4**

What outcomes were delivered by the State's ETIS program overall in 2009-10 and 2010-11 compared to expectations?

The ETIS program remains a vital part of the Victorian Government's objective to transition to lower emission energy sources. Supporting the development of new energy technologies through research and development and pre-commercial demonstration projects are key elements of the ETIS program. The following outcomes were achieved through the ETIS program in line with expectations during

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<sup>4</sup> Department of Primary Industries, *Annual Report 2010-11*, September 2011, p.112

2009-10 and 2010-11:

- Nine out of ten brown coal research and development (R&D) projects were managed through to completion.
- Four Sustainable Energy R&D projects were managed through to completion. Facilitation of the identification and selection of projects as part of the Carbon Capture and Storage Large Scale Demonstration program with three carbon capture projects in the feasibility stage of development.
- Provided funding, matched by the Commonwealth, for a geoscience evaluation program to support the development of Carbon Capture and Storage as part of the Carbon Capture and Storage Large Scale Demonstration program.
- Facilitated the identification and selection of the Greener Earth Energy project as part of the Sustainable Energy Large Scale Demonstration program.
- Facilitated and selected new Sustainable Energy R&D projects as part of the second round of this program. Established Brown Coal Innovation Australia to support brown coal R&D.
- Facilitated and awarded funding for a pre-feasibility study on Victorian Brown Coal by Nippon Steel Engineering.
- Successfully hosted the first International Symposium on the Sustainable Use of Low Rank Coals.
- The Victorian Government was a major sponsor of the All Energy Conference and participated in the delegation to the Shanghai World Trade Expo.
- Facilitated the transition of the Solar Systems ETIS grant for a Mildura based solar project to Silex Systems.
- Supported activities to encourage research and new energy technology development investment from Japan.

The ETIS program has established Victoria as a leader in the development of new energy technology programs both in Australia and internationally. The ETIS projects have delivered or are delivering credible progress for their respective technologies with the co-benefits of supporting skills and knowledge development for the State. Though the continuing pre-commercial large scale demonstration projects are behind schedule they remain valuable options for Victoria in reducing emissions for the future. The ETIS program has been successful in securing Commonwealth and private sector funding resulting in new energy innovation investment for Victoria.

### **Question 5**

- (a) With regard to Brown Coal Innovation Australia co-investing with industry and research entities, what outcomes were derived in 2009-10 and 2010-11 in terms of developing new, high-quality, brown-coal technologies and in the adaptation of existing low-emissions technologies to Victorian brown coal?

The achievements to date of Brown Coal Innovation Australia (BCIA) include the following:

- Attracting funding of at least \$7 million from the Commonwealth government via the Australian National Low Emissions Coal Research and Development (ANLEC) program for R&D
- Attracting corporate members to BCIA
- Funding sixteen R&D projects and leveraging a total of \$20 million in industry and Commonwealth funding to Victoria
- Contributing funding to establish two world class Research Fellowships

- Awarding five post graduate research scholarships
- Conducting a community forum and skills workshop in the Latrobe Valley

BCIA also coordinates brown coal R&D nationally within the ANLEC R&D framework providing strong support for the development of low emissions technologies for Victoria's brown coal.

- (b) Given that Brown Coal Innovation Australia had been established in August 2009<sup>5</sup>, what was the specific purpose of the \$3.8 million grant during 2010-11, which had as its stated purpose '*to establish Brown Coal Innovation Australia, which will support low-emission brown coal research and development*'<sup>6</sup>?

Funding of \$16 million over 4 years to establish and support the operations of BCIA was announced in August 2009. The constitution to establish BCIA as a not for profit company limited by guarantee was passed by the Victorian Government on 24 December 2009.

The State executed a funding agreement with BCIA in July 2010. The funding agreement provides for a total grant of \$15 million over 4 years be provided to BCIA (\$1 million remained with DPI to support the establishment costs of BCIA and also to enable the ongoing support and oversight of the agreement). The first milestone payment to BCIA under the funding agreement was provided in 2010-11. This allowed BCIA to be operational from July 2010. The grants to BCIA provide funding for the operations of BCIA and also to support the R&D programs.

## Question 6

The Department in its *Annual Report 2010-11* states that Clean Coal Victoria continued its work, maximising the value of Victoria's coal resource while delivering the best outcomes for the economy, the environment and local communities.<sup>7</sup>

- (a) What was the cost of operating Clean Coal Victoria in 2010-11?

The total cost of the Clean Coal Victoria (CCV) work program in 2010-11 was \$2.4 million.

- (b) What performance measures and targets have been established to assess the outcomes achieved by Clean Coal Victoria in 2010-11?

The key areas to assess the performance of CCV during 2010-11 included:

- Completion of the coal resource definition and sequence of mining plan as part of the development of a Strategic plan for the coal resource.
- Delivery of a Coal Roadmap Workshop (involving a range of participants) by the last quarter of 2010-11.
- Continue the Community Consultation program on clean coal matters with an average of one meeting per month.
- Represent the Department's views and the implication on the coal resource and of the utilisation of

<sup>5</sup> Department of Primary Industries, *Annual Report 2009-10*, September 2010, p.11

<sup>6</sup> Department of Primary Industries, *Annual Report 2010-11*, September 2011, p.120

<sup>7</sup> Department of Primary Industries, *Annual Report 2010-11*, September 2011, p.42

the coal resource on the Gippsland water resources (Artesian and Surface water).

- Represent the Department on Coal related matters to ensure the resource is protected for future use, the impact of mining is considered in other regional and local planning activities affecting the coal resource. Respond to land use and planning issues on coal matters.
- Operate the CCV work program within the allocated budget.

(c) How did Clean Coal Victoria perform against these performance measures and targets in 2010-11?

The achievements of CCV in these key areas included:

- The coal resource definition was completed and complemented by an additional study into the 'value in use of coal'. These works allowed CCV to develop a clear picture of the coal resource and to develop a sequence of mining plan for different assumed coal demands, leading to an improved understanding of the land that needs to be protected for future use.
- The Brown Coal Roadmap was scoped, facilitators engaged and the Workshop with 79 participants from industry, government and academia completed in late June 2010. The coal roadmap work program is due to be completed by the 3rd quarter 2011-12.
- The Strategic planning process continued with draft reports of the resource definition work being completed. A minor study into mine rehabilitation was completed and CCV was represented on a technical review panel for the Princess Hwy duplication between Traralgon and Sale and the Gippsland Regional Water Strategy discussions.
- CCV spoke at 25 community meetings on clean coal and addressed five conferences
- The CCV Advisory Committee was formed and had three meetings in 2010-11.
- The CCV Work program for 2010-11 was completed within Budget.

(d) The Clean Coal Victoria initiative experienced delays in meeting milestones due to contractual negotiations with the drilling contractor during 2009-10.<sup>8</sup> How much expenditure was deferred from 2009-10?

An amount of \$1.5 million was deferred from 2009-10 relating to the CCV work program largely due to delays associated with the CCV drilling plan.

(e) Were these delayed milestones met during 2010-11?

The drilling work deferred from 2009-10 was completed during 2010-11.

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<sup>8</sup> Department of Primary Industries, *Annual Report 2009-10*, September 2010, p.83



### Question 7

In what ways do the objectives of Brown Coal Innovation Australia and Clean Coal Victoria differ?

The objectives of BCIA and CCV are discrete and complementary.

The BCIA:

- Funds and facilitates brown coal technology research and development.
- Focuses on skills-development and the expansion of training opportunities to secure the scientific, engineering and trades expertise needed for development of new low-emissions brown coal technologies.

CCV:

- Is responsible for the strategic planning of the brown coal resource including long term planning for the extraction, development, use and rehabilitation of the State's coal resources.
- Undertakes drilling to add to the existing body of knowledge on both the quantity and quality of the brown coal reserves, addressing critical knowledge gaps where required.
- Provides advice on environmental issues and requirements related to coal mining, such as long term mine rehabilitation, water and geotechnical considerations.
- Conducts significant community and stakeholder engagement (including a ministerial appointed CCV Advisory Committee) to ensure that the community and key stakeholders are informed and consulted appropriately on issues relating to brown coal utilisation.

BCIA is a key element of the ETIS program focused on developing new low emission technologies for brown coal through R&D. CCV has a broader remit focused on the long term sustainable development of the State's coal resources including supporting improved decision making for the protection of the coal resource. CCV is not responsible for coal R&D activities but works with and supports the ETIS program.

### Question 8

'Owner contributions by State Government' for 2010-11 were \$8.9 million less than budgeted, being \$14.0 million compared to the budget of \$22.9 million. The Department disclosed that the variance was predominately a result of delays in the procurement of scientific equipment for the Biosciences Research Centre project.<sup>9</sup>

- (a) What was the value of the scientific equipment to be purchased for the Biosciences Research Centre project that was delayed?

The value of the scientific equipment that was to be purchased for the Biosciences Research Centre that was delayed was \$7.1 million.

- (b) Please quantify the delays experienced.

In addition to the funding for the construction costs of the Biosciences Research Centre the project budget included \$30 million for the replacement and procurement of new scientific equipment and technology for the Department to be utilised within the new facility. This equipment funding was originally budgeted to be expended during the construction phase of the project and with the equipment to be utilised within DPI's

<sup>9</sup> Department of Primary Industries, *Annual Report 2010-11*, September 2011, p.118

existing facilities prior to relocation to the new facility and \$15.5 million was expended up to 30 June 2011. To ensure the most effective utilisation of the equipment funding, it was determined that a portion of the equipment budget would be retained for the purchase of new and replacement equipment after the building was completed and occupied. Therefore during 2010-11 DPI purposely delayed the purchase of scientific equipment to the value of \$7.1 million.

(c) What were the reasons for the delays?

Please refer to details provided in response to Question 8 (b) above.

(d) What was the impact of the delays on the Biosciences Research Centre project?

The decision by DPI to delay the purchase of new and replacement equipment to after the building is completed and occupied has had no impact on the construction master works program.

(e) What are the timelines for acquiring this equipment?

The majority of the equipment is expected to be purchased during 2011-12.

### **Question 9**

The Department reported that the employee engagement survey that was undertaken in July and August 2010 showed that the Department had improved in 65 out of 102 survey areas since 2008.<sup>10</sup>

(a) What was the impact of the improvements since 2008 on the Department's performance?

The greatest performance impacts from the EES between 2008 and 2010 included

- Values

In 2008, Values were tracking low, with the exception of Focus on Safety. This was improved through re-establishing and personalising behaviours as part of the values, ie creating action based 'I' statements that everyone could relate to; and including these in Performance Management discussions with a focus on "how" as well as "what" we do. In 2010, the EES reported an average increase of 22.5%, indicating a change to DPI's culture, which positively impacts performance.

- Change management

DPI developed a change management framework which is used across the department, connecting with each business area through People and Culture change specialists and business partners. This approach delivers support to leaders and staff through clarity of direction and expectations about how change will occur.

- Response to bullying

In 2008, while staff did not perceive bullying as a significant concern, they were unsure about what to do if they saw or experienced bullying. In response, a range of communication tools were developed including the Positive Workplace Kit, and supported with workshops across the department. This promoted the understanding of what constitutes workplace bullying, how it is different from performance management and an escalation model.

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<sup>10</sup> Department of Primary Industries, *Annual Report 2010-11*, September 2011, pp.50 and 133

- **Manager disconnect**

In 2008, levels of disconnect in the organisation were higher than desirable. In response, a multifaceted approach including DPI Conference discussions, launching of the online resource Manager Connect Portal, and management/leadership development programs cover the manager/leader responsibility in connecting their team with the goal of the organisation. The increase in manager connect score indicate a positive impact on employee engagement and discretionary effort.

(b) Of the 37 areas that had not improved since 2008, which showed the greatest need for improvement?

While 37 areas had shown no improvement, 30 were above benchmark, 3 at level and 4 were below the benchmark. The areas of greatest concern were around Employee Commitment, Workforce Planning and Career Development.

(c) What strategies have been employed to improve the performance in these areas in future?

DPI continuously monitors this and other people and workforce data to select areas for improvement of overall departmental performance. These areas will be outlined with the impending release of the DPI People Strategy 2012-14.

Major aspects that address employee commitment, career development and workforce planning include, the development and implementation of Succession and Talent Planning to identify high performing staff and critical roles; promoting cross team capability sharing through secondments, shadowing, mentoring and specific development opportunities; and continuing to identify and improve the accessibility of mission critical data to inform the decision making process.

## **Question 10**

During 2009-10 the Department implemented the new internal shared service model,<sup>11</sup> and this model has been in operation throughout 2010-11.<sup>12</sup> The *Annual Report 2009-10* indicates that the purpose of this change was to achieve improved service quality, efficiency and cost effectiveness. The *Annual Report 2009-10* also states that, '*Performance measurement and benefits assessment of the SDU will be supported by strengthened performance metrics from 2010-11.*'<sup>13</sup> With regard to the introduction of the new internal shared service model, please:

(a) quantify the efficiency savings and service effectiveness gains that were derived in 2010-11 from the Department's new model;

The Department's Business and Corporate Services Group was able to achieve a \$2M efficiency gain in 2010-11 in the delivery of its core operational corporate services.

The gains in service effectiveness have been reflected in the measurement of customer satisfaction during the second quarter 2011, indicating that 80% of staff surveyed were satisfied with the provision of services under the new model.

(b) indicate how these efficiency and effectiveness gains were achieved;

<sup>11</sup> Department of Primary Industries, *Annual Report 2009-10*, September 2010, p.40

<sup>12</sup> Department of Primary Industries, *Annual Report 2010-11*, September 2011, p.49

<sup>13</sup> Department of Primary Industries, *Annual Report 2009-10*, September 2010, p.40

Increased operational effectiveness has been achieved via improvements in internal knowledge management including documentation of internal processes and staff skills and capability development. The implementation of service and process management capabilities within the organisation has enabled greater consistency in the delivery of common services across DPI's multiple locations and reduced error rates and duplication. This has enabled an overall reduction of staffing numbers via normal retirements and resignations. Along with the staffing efficiencies a further reduction in travel and accommodation expenses has been enabled via the greater use of remote collaboration technologies and approaches.

(c) explain how these efficiency and effectiveness gains compare with expectations; and

The efficiency gains are in line with expectations with further efficiencies expected to be achieved in 2011-12.

(d) briefly outline the strengthened performance metrics.

The development of an operational business service catalogue has provided the Departments Business and Corporate Services group the opportunity to evaluate service provision requirements in consultation with the recipients of the services. This has led to the identification of core services which includes key delivery performance measures. Reporting against these measures has been provided to the Department's principal service forum on a monthly basis.

An independent survey was conducted during the second quarter of 2011 (May – July inclusive) to measure the customer satisfaction of services provided by the recently established shared service model. The results of the survey indicated that 80% of staff surveyed were satisfied with the provision of services under the new model. This was further supported by a strong score against an industry benchmarking measure. This customer survey result was achieved while achieving a \$2M reduction in costs in the delivery of core services.

## CONTACT DETAILS

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**The completed questionnaire must be returned by no later than COB, Tuesday, 13 December 2011.**

Please return the response (including an electronic version) of the questionnaire to:

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