



New South Wales Department of Primary Industries

# ANNUAL REPORT 2005-06



NSW DEPARTMENT OF  
**PRIMARY INDUSTRIES**



**The Hon Ian Macdonald MLC**

Minister for Natural Resources  
Minister for Primary Industries  
Minister for Mineral Resources

Parliament House  
Macquarie St SYDNEY NSW 2000  
22 December 2006

Dear Minister

In accordance with the *Annual Reports (Departments) Act 1985*, the *Public Finance and Audit Act 1983*, and the regulations under these Acts I am pleased to submit the 2005-06 Annual Report of the New South Wales Department of Primary Industries for presentation to Parliament.

This is the first report of the Department to review progress against the strategic directions contained in the Department's Corporate Plan 2005-2008. The report reflects on the Department's achievements for the past year against identified corporate outcomes.

Clarification that the audited financial statements should include financial statements of the Marine Parks Authority resulted in some delays. An extension of two months was sought and approved under section 16 of the *Annual Reports (Departments) Act 1985*.

Yours sincerely

**Barry Buffier**

Director-General  
NSW Department of Primary Industries

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# Director-General's **Year in Review**



This annual report, which is the second for NSW DPI, charts the considerable progress made over the past 12 months. The Department is delivering significant outcomes for regional NSW and the State as a whole. We are working towards the achievement of five unifying corporate goals that dovetail with the priorities that the NSW Government has identified in the State Plan – a document that will shape public policy over the next decade. Partnerships are in place that will foster innovation and drive the uptake of new technology.

Rural and regional industries are some of our most competitive and despite the continuing drought, account for \$10 billion annually in export income. However we recognise that while promoting industry growth, NSW DPI must continue to work closely with stakeholders and other agencies to find practical environmental solutions to such issues as salinity, erosion, water use and loss of biodiversity. Accordingly it is reassuring to note that the importance of maintaining profitable and sustainable primary industries is acknowledged in the State Plan.

NSW DPI is also a leader in promoting better agricultural practices internationally. This is demonstrated by the agreement signed with Gansu Province in north-west China which involves the development of practical training programs to support sustainable development of the livestock and wool industries. On a recent visit to the province we negotiated the first of the training programs and it was a privilege to deliver the occasional address to students graduating from Gansu Agricultural University.

Following are some of NSW DPI's notable achievements under the five key result areas in the corporate plan. The main report narrative has more expansive commentary while the case studies bring selected achievements into sharper focus.

## **Strong economic performance of primary industries**

The statistics on the performance of NSW primary industries for 2005-06 are impressive.

The mineral resources sector again performed strongly. The total value of mineral production, up 20 per cent on the previous year, was estimated at over \$11 billion while the royalties collected totaled over \$500 million. Mining and exploration initiatives over the year should secure strong results well into the future. Potential development of the Carroona Coal Area by BHP Billiton could alone generate 1000 new jobs and capital works and infrastructure projects close to \$2 billion over the life of the mine.

Forests NSW, a public trading enterprise within NSW DPI, successfully met the challenge posed by the downturn in the housing market by reducing operating expenditure by over eight per cent through improvements in business systems, and delivering a trading result of over \$31 million. Forests NSW also developed a technological solution for better matching supply and demand for their products. This project received due recognition when it won gold in the Business, Management and Financial Performance category at the 2005 Premier's Public Sector Awards.

Despite the drought, the gross value of agricultural production is still expected to reach around \$9 billion. However, this result masks the devastating impact of the drought at the individual farm level. The prolonged drought has greatly affected net incomes and the wellbeing of farm families with flow on effects to related rural businesses and communities. NSW DPI has focused on the development of responsive and sustainable management strategies during this period and will continue to build the capacity of industry to recover rapidly when the drought breaks.

Our partnerships with external science and research organisations also actively support the economic performance of primary industries. We have numerous joint projects with universities and the nationally funded cooperative research centres operating in the agricultural and environmental sectors. In 2005-06 these projects ranged from weed reduction to acceleration of technology uptake in the beef industry. One example of current collaborative research is the surveillance of wild birds for avian influenza, a disease with major economic and human health impacts.

Another example is the FutureDairy project, a science and research partnership involving NSW DPI as a major equity partner.

## Director-General's **Year in review** continued

This year FutureDairy installed an automated milking system at the Elizabeth Macarthur Agricultural Institute under the 'Innovations' strand of the project.

### **Appropriate access to and wise management of natural resources**

Sustainability is the cornerstone of natural resource management in the mining, forests, agriculture and fisheries industries, that is, across the entire NSW DPI portfolio of activities. Sustainability and industry growth can also march hand in hand. The required elements are sound initial planning, adherence to best practice standards and clear regulatory controls, consistently applied.

NSW DPI's research programs continued to develop technologies to assist in the sustainable use of natural resources. As an example, we provided data to underpin development of emissions trading involving forestry and agriculture. Key projects include the study of the greenhouse footprint of wood products through life cycle assessment, and the management of soil carbon in cropping and grazing systems.

Our extension and education programs contribute to the adoption of best practice in primary industries. Through these programs the Department worked with industry to increase the uptake of conservation farming techniques in the broadacre cropping industries, and programs such as *WaterWise on the Farm* assisted in reducing water usage by irrigators.

With the expansion of NSW marine parks to include parks in the Port Stephens and Batemans Bay areas, we are conserving important marine ecosystems and rare or threatened species for future generations. The total area covered by marine parks is approximately double what it had been in 2004-05 and now covers 34 per cent of state waters.

Certification of the environmental management system under ISO 14001 will assist Forests NSW to enhance their environmental performance over time. The system, which involves regular measurement and review, sets a practical framework for achieving environmental goals in such areas as plantation management, harvesting, and pest and weed control. It will assist both staff and contractors to identify and manage environmental risks.

The Oyster Industry Sustainable Aquaculture Strategy, to be released next year, charts the course for sustainable growth of a valuable fishery. The strategy, which has strong support from the oyster industry, identifies priority areas for oyster farming in NSW and a streamlined approvals process for oyster aquaculture development in these areas.

In the minerals sector we worked in partnership with the Ministerial Council on Minerals and Petroleum Resources and the Minerals Council of Australia to develop a framework for strategic water management for the mining industry. This joint initiative aims to promote responsible water management in mining by instilling an understanding that water is both a vital business and community asset.

### **Healthy and safe industries**

NSW DPI was at the frontline in managing two significant health and safety issues – the presence of elevated dioxin levels in fish in Sydney Harbour and preparedness for a potential outbreak of avian influenza (bird flu) in Australia.

Scientific testing informed careful management of the dioxin issue. Our primary concerns were to assist the NSW Food Authority and the NSW Department of Health to safeguard public health and to minimise financial hardship for commercial fishers operating in Port Jackson through a buy-out of commercial fishing businesses affected by the closure.

The Department also coordinated NSW involvement in Exercise Eleusis, a simulation exercise to test Australian and State government preparedness for an outbreak of avian influenza. The exercise provided opportunities to assess the effectiveness of current response plans and for NSW DPI officers to test their own emergency disease response skills and ability to work cooperatively with industry organisations and other key government agencies.

The NSW mining industry recorded its first fatality-free year in 2005-06. Implementation of the recommendations of last year's Mine Safety Review is underway with the introduction of an industry levy to fund NSW DPI's mine safety programs. This will enable the reform program to improve mine safety in NSW mines to continue.

### **A stronger voice for primary industries in Government decision-making**

Establishment of four ministerial advisory councils, for agriculture, the seafood industry, minerals, and forests and forestry products has given NSW DPI and industry a forum to exchange views and address issues important for primary industries in NSW. For example, the NSW Minerals Ministerial Advisory Council, which includes mining company representatives, is developing an action plan to address the industry's image, the energy future, training and skills, and impediments to exploration and development.

## Director-General's **Year in review** continued

NSW DPI is also developing closer relationships with agencies at local level, including Catchment Management Authorities and Rural Lands Protection Boards. A full review of the memorandum of understanding with the Rural Lands Protection Boards is underway and should secure a higher level of cooperation.

### **Excellence in service delivery to stakeholders**

NSW DPI continued to show excellence in science and research. With over half of our research scientists classified as Principal Research Scientists, the highest classification awarded to scientists in the NSW Public Service, the quality of NSW DPI's research programs continues to be widely recognised.

This is reflected in the fact that external parties invested approximately \$48 million in 2005-06 in agricultural research undertaken in collaboration with the Department. Significant providers of research funds were Research and Development Corporations, Cooperative Research Centres, National Heritage Trust, Australian Centre for International Agricultural Research and the State Government's Biofirst program.

As part of the Minister's Towards 2020 plan NSW DPI used the sale of surplus properties to fund state-of-the-art research centres at key regional locations. Under the management of the Corporate Services Division, sales this year netted \$3.5 million. All sale proceeds were reinvested and will enhance research facilities at key centres.

The Corporate Services Division also negotiated co-locations with other government agencies that will achieve mutual savings and strengthen cooperation. For example, we negotiated a strategic alliance with the NSW Department of Natural Resources with the aim of sharing accommodation, infrastructure and support services. Such arrangements have already resulted in operational savings in excess of \$1 million per annum.

Delivery of external training courses attained a new level of professionalism in 2005-06 through the aggregation of training for the farming and agribusiness sectors under the PROfarm banner and the introduction of better course promotion and booking systems. Around 150 regular and on-demand courses are available, all delivered locally by skilled NSW DPI staff.

We enhanced our ability to support Aboriginal communities by finalising arrangements for the establishment of a high level Aboriginal Reference Group to advise the Department and the Minister on policy issues, and by developing operational guidelines for Aboriginal cultural heritage management in the Forests NSW Environmental Management System.

NSW DPI has successfully established a sound corporate governance framework to support continued excellence in service delivery. The Department has implemented an integrated planning and reporting system and completed a department-wide risk assessment that now informs a number of corporate governance processes.

### **Staff and board of management**

To support our staff and to continue to provide a safe, satisfying and fair work environment we undertook a communications survey to improve internal communication, introduced a comprehensive OH&S policy, and commenced work on a strategic workforce plan.

An important initiative was the launch in March of the NSW DPI *Women's Employment Strategy* to maximise the potential of women in the workplace and to ensure that they are recognised as key contributors. We intend to continue to build on our people strategies to support and recognise our staff.

I would like to pay tribute to Dr Mike Curll who retired this year from the position of Deputy Director-General Science and Research; Dr Richard Sheldrake, formerly the Deputy Director-General Agriculture, Fisheries & Regional Relations who is now the Director-General of the NSW Department of Natural Resources; and Peter Duncan, formerly Chief Executive Officer, Forests NSW, now with the Premier's Department. All were part of the executive team that guided NSW DPI through its formative period and can take credit for helping to establish a strong and effective organisation.

In closing, I give my sincere thanks to NSW DPI's board of management and all staff for their work and commitment to achieving results during 2005-06.



**Barry Buffier**  
Director-General

## About NSW DPI

The NSW Department of Primary Industries was established to give rural and regional NSW a stronger voice in government and to better support primary industries in NSW. It was formed on 1 July 2004 by the merger of the NSW Department of Mineral Resources, State Forests NSW, NSW Agriculture and NSW Fisheries. We have approximately 3500 staff based in over 130 locations across the state.

Primary industries are the backbone of regional NSW. The agricultural, mining, fishing and forestry industries provide approximately 30 per cent to 40 per cent of the employment in NSW regional areas, and are key financial drivers of regional economies, generating 40 per cent to 50 per cent of regional economic activity in this state. In addition to these benefits to regional communities, primary industries in NSW generate, either directly or indirectly, 14 per cent of gross product for the state and more than \$10 billion in exports annually.

## Our role

There are seven Divisions within the Department namely:

### Agriculture and Fisheries Division

Promotes industry and export development by working with industry to improve the sustainability and profitability of the agriculture and fisheries sectors.

Manages the sustainability of the State's fisheries resources and conserves aquatic biodiversity.

### Mineral Resources Division

Leads the stewardship of the State's mineral resources to facilitate profitable and sustainable development, effective environmental management, and safe and responsible mining.

### Forests NSW

Forests NSW operates as a public trading enterprise within NSW DPI. It manages the forests estate to provide timber now and into the future.

### Science and Research Division

Undertakes strategic science and research that underpins the growth, sustainability and biosecurity of primary industries in NSW.

### Biosecurity, Compliance and Mine Safety Division

Manages biosecurity risks impacting on NSW primary industries to enhance market access, protect human health and the environment. Responds to emergencies and disasters and promotes safety in the mining industry.

### Strategy, Policy and Communications Division

Plays a lead role in translating government priorities and industry needs into the Department's policy and corporate agenda. Coordinates whole-of-government approaches and manages strategic and contentious issues. Facilitates strategic communications and promotes the work of the Department and primary industries.

### Corporate Services Division

Develops, manages and advises on systems, infrastructure, policies and standards to provide services to NSW DPI in the areas of finance and administration, human resources, assets, information technology and legal services.



**Hon. Ian Macdonald, MLC**  
Minister for Primary Industries

## Organisational structure



**Barry Buffier**  
Director-General

Executive Support



## Our vision and values

### Vision

*Profitable and sustainable primary industries building vibrant communities*

### Values

The values that will guide us in achieving our vision are:

▶ **Integrity**

*We will behave ethically and act with honesty, fairness, courage and loyalty*

▶ **Professionalism**

*We will conduct ourselves in a business-like manner to deliver efficient and expert services in the public interest and we will be accountable for our decisions*

▶ **Innovation**

*We will strive for excellence, creativity, leading edge science and quality*

▶ **Respect**

*We will respect each other, our families, our clients, those with different ideas and from diverse backgrounds and cultures*

# Our strategies

To achieve our vision NSW DPI has identified the following key result areas:

Key result areas	Outcomes
<h3 data-bbox="134 481 868 517">Strong economic performance of primary industries</h3> <p data-bbox="134 544 655 745">We will contribute to the strong economic performance of primary industries in NSW by growing productivity, investing in research and development, and facilitating the use of innovative technologies. We will manage our public trading enterprise, Forests NSW, in a commercial manner.</p>	<ul data-bbox="767 544 1406 638" style="list-style-type: none"><li>● Industry see NSW as an attractive state in which to invest</li><li>● Primary industries' competitiveness is increased</li><li>● NSW primary industries use innovative technologies and practices</li></ul>
<h3 data-bbox="134 786 687 822">Wise management of natural resources</h3> <p data-bbox="134 851 667 1019">Our policies and operations will demonstrate the principles of sustainable development. We will work with primary industries to ensure that their operations reflect these principles, and that primary industries have appropriate access to natural resources.</p>	<ul data-bbox="767 851 1410 1104" style="list-style-type: none"><li>● Primary industries have appropriate access to natural resources</li><li>● NSW DPI policies and operations reflect principles of sustainable development</li><li>● Primary industries operations reflect principles of sustainable development</li><li>● NSW DPI has positive and productive partnerships with Catchment Management Authorities and other relevant authorities and jurisdictions to ensure sustainable use of natural resources</li></ul>
<h3 data-bbox="134 1144 517 1180">Healthy and safe industries</h3> <p data-bbox="134 1209 663 1377">We will support the development of healthy products and safe primary industries by proactively managing risks presented by pests, weeds, diseases, chemicals and natural disasters, and by regulating health and safety in the mining industry.</p>	<ul data-bbox="767 1209 1437 1429" style="list-style-type: none"><li>● Risks posed by pests, diseases, chemicals and climate uncertainty to the economy, environment and human health are excluded, eradicated or effectively managed</li><li>● Communities and primary industries are prepared for managing risks</li><li>● Mining industry operates to best practice health and safety standards</li><li>● Forests NSW is the industry leader in the adoption of best practice health and safety standards</li></ul>
<h3 data-bbox="134 1480 1114 1516">Stronger voice for primary industries in Government decision-making</h3> <p data-bbox="134 1543 684 1747">We will create a stronger voice for primary industries in Government decision-making by leading an informed debate on primary industries issues. Through community consultation and by providing information and expert advice, we will convey to communities the potential social and economic benefits of sustainable primary industries.</p>	<ul data-bbox="767 1543 1437 1762" style="list-style-type: none"><li>● There is informed debate on primary industries issues involving extensive and effective consultation</li><li>● Government policies and regulations take into account interests of primary industries in NSW</li><li>● Community confidence in primary industries operating in their region is enhanced</li><li>● Social and economic value of regional communities is recognised</li></ul>
<h3 data-bbox="134 1805 544 1841">Excellence in service delivery</h3> <p data-bbox="134 1868 683 2038">We will provide a safe, satisfying and fair work environment, and have a skilled team working together to deliver excellent services and outcomes for our stakeholders in the areas of commercial services, research, policy, regulation, education and advice.</p>	<ul data-bbox="767 1868 1437 2087" style="list-style-type: none"><li>● Service delivery aligned with stakeholder priorities</li><li>● Policy, regulation and advice based on sound knowledge and analysis</li><li>● A skilled and cohesive workforce operating in a safe, satisfying and fair work environment</li><li>● Service delivery models, systems and processes based on innovative solutions</li><li>● A sound corporate governance framework in place</li></ul>

## Our results\*

### Strong economic performance of primary industries

Outcome	Performance Indicators	2004-05	2005-06
Industry see NSW as an attractive state in which to invest	Value of primary industries' production by sector		
	• wild harvest fisheries	\$76.6m <sup>#</sup>	\$68.6 <sup>#</sup>
	• aquaculture	\$49.9m	\$52m
	• minerals	\$9.2b <sup>#</sup>	\$11.6b <sup>#</sup>
	• forestry: timber sales by volume (m <sup>3</sup> )	4.39m	4.45m
	dividend paid to government	\$32.54m	\$26.32m
	• agriculture	\$9052m	\$9511m
• average GVP per fishing business (\$'000)	51	47	
Primary industries' competitiveness is increased	Level of investment by primary industries		
	• capital expenditure mining	\$1200m	\$1760m
	• aquaculture	\$2.5m	\$10m
Primary industries' competitiveness is increased	Volume and value of targeted primary industries exports		
	• coal: volume	86.6mt	89.8mt
	value	\$5.5b	\$6.7b
	• agriculture	\$5705m <sup>#</sup>	\$5641m <sup>#</sup>
	• aquaculture	\$0.1m	\$0.2m

### Appropriate access to and wise management of natural resources

Outcome	Performance Indicators	2004-05	2005-06
NSW DPI policies and operations reflect principles of sustainable development	• minerals: amount of security held	\$473m	\$511m
	• rehabilitation of mines (number)	50	26
	• aquatic species protected	27	29
	• number of key NSW fisheries that have been subject to environmental impact assessment	6	10
	• compliance rates for recreational fishers	88	89
Primary industries operations reflect principles of sustainable development	% of industry operators who use specific sustainable practices:		
	• % of crop area sown using reduced tillage technology	70	70
	• % of dairy farms participating in the 'Setting Targets for Sustainable Change Program'	1	4
	% of industry operators and harvest sectors complying with management plans:		
	• compliance rates for commercial fishers	91	92
	• compliance rates for aquaculture	65	60
	% of mines operating to agreed mine operations plans, petroleum operations plans and subsidence management plans	95	95

## Healthy and safe industries

Outcome	Performance Indicators	2004-05	2005-06
Risks posed by pests, diseases and chemicals to the economy, environment and human health are excluded, eradicated or effectively managed	% compliance with performance measures of the National Animal Health Performance Standards	93	90
Mining industry operates to best practice health and safety standards	Improved mine safety performance benchmarked and compared over time <ul style="list-style-type: none"> <li>• Fatal injury frequency rate*:               <ul style="list-style-type: none"> <li>- coal yearly</li> <li>- five year average</li> <li>- non coal yearly</li> <li>- five year average</li> </ul> </li> <li>• Lost time injury frequency rate*:               <ul style="list-style-type: none"> <li>- coal</li> <li>- non-coal</li> </ul> </li> <li>• Serious bodily injury frequency rate*:               <ul style="list-style-type: none"> <li>- coal</li> <li>- non-coal</li> </ul> </li> </ul>	0.00 0.06 0.11 0.06	0.00 0.04 0.00 0.04
		18.00 5.47	14.30 n/a
		1.5 1.03	1.42 1.87

#Estimate figures only

\*Extract from NSW DPI Results and Services Plan. Information relating to Forests NSW extracted from the Forests NSW Corporate Business Strategy 2005-06.

\*Frequency rates specified as injury/fatality per million hours worked.

# Financial overview 2005–06

## Financial Highlights

Significant initiatives and developments during 2005-06 include:

- the Department achieved a balanced budget and met the financial targets set by the NSW Government
- \$5.3 million recovered from industry through the Mine Safety Levy for the Department’s costs associated with its mine safety function
- \$88 million remitted to government from the \$100 million exploration licence to BHP Billiton for the potential world class coal mine at Caroona
- \$17.82 million expended on drought assistance and support to rural New South Wales
- \$4 million buy-out program for commercial fishers and an advisory program for recreational fishers in Port Jackson in response to elevated dioxin levels in fish
- \$4.4 million for commercial fishing buyout arrangements for Cape Byron Marine Park
- \$3.5 million reinvestment of asset sales in the Towards 2020 initiative to enhance research facilities such as the Automated Dairy Farm at the Elizabeth Macarthur Institute of Agriculture, the fisheries laboratory at Cronulla and commencing electronic surveillance at the Queensland border for improved tick control.

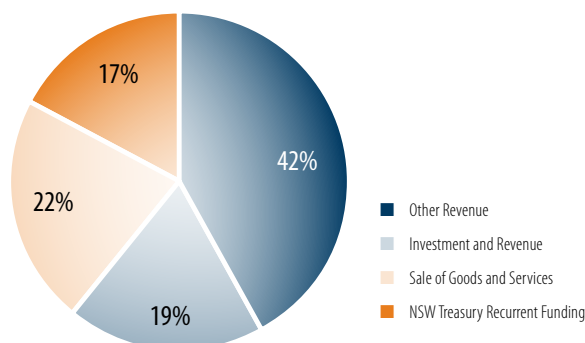
## Budget structure

The NSW Department of Primary Industries is an entity (for the purpose of financial reporting) which includes Forests NSW. However, Forests NSW operates as a non budget sector Public Trading Enterprise and as such is also an entity for the purpose of financial reporting. NSW DPI’s financial statements for 2005-06 are a consolidation of these two entities. This summary represents the consolidated financial performance for the year ended 30 June 2006 and financial position as at 30 June 2006.

## Source of funds

NSW DPI’s total revenue for the year ended 30 June 2006 was \$686.9 million. The main sources of revenue were NSW Treasury Funding \$301 million, sale of goods and services \$129 million and royalties from timber and related products \$134.7 million.

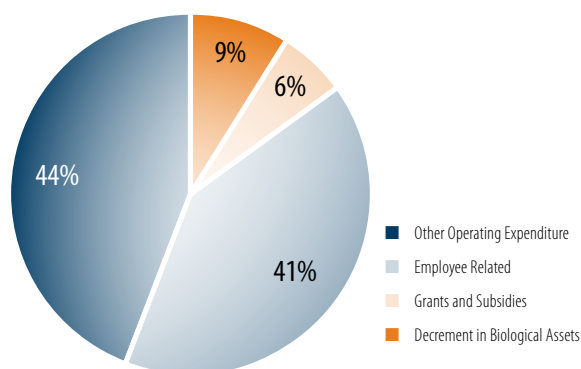
Sources of Revenue



## Application of funds

NSW DPI’s operating expenditure for the year ended 30 June 2006 was \$679.2 million of which \$276.6 million related to employee costs. Other significant operating expenditure included \$90 million for Forests NSW contract harvest and haulers and \$29 million for depreciation on the Department’s fixed assets. Grants and subsidies were \$44 million for the year, and the value of Forests NSW biological assets decreased by \$62.8 million.

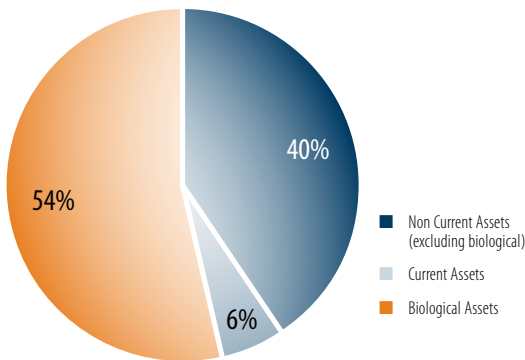
Operating Expenditure



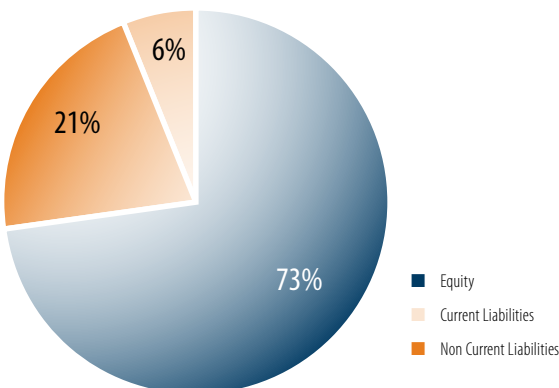
### NSW DPI's assets and liabilities

The Department's total assets as at 30 June 2006 were valued at \$2912 million, a decrease of \$124 million on the previous year. This is due primarily to the reclassification of land and property under the newly introduced Australian Equivalents of International Financial Reporting Standards and also the revaluation of biological assets. Total liabilities as at 30 June 2006 were \$786 million, a decrease of \$95 million on the previous year. This decrease reflects a decrease in borrowings and dividend payable by Forests NSW.

#### Total Assets



#### Total Liabilities and Equity



### Crown revenues

NSW DPI collected revenue on behalf of the Crown Entity totalling \$526.7 million, the majority of which related to mineral royalties, mining and exploration leases, and coal lease concessions.

#### Crown revenues (\$million)

