

The 2009-10 Budget provides total resources to the Department of Agriculture, Fisheries and Forestry and its portfolio agencies of \$1.950 billion in the 2009-10 Budget.

The 2008-09 Portfolio Budget Statement showed total resources available as at the 2008 May Budget for the department and its portfolio agencies as \$2.962 billion. Adjustments were then made through the 2008-09 Additional Estimates and Supplementary Estimates processes, so that at the time of preparing the 2009-10 Portfolio Budget Statement, the total 2008-09 resourcing was \$2.748 billion.

The main differences in resourcing for the department (a movement of \$798 million) were foreshadowed in last year's Budget papers (2008-09 Portfolio Budget Statement page 58) and includes the scheduled conclusions of programs and changes to the delivery of payments to the states.

In summary, in the 2009-10 Budget the government has provided the following measures for this Portfolio in the areas of drought and biosecurity.

For Drought

- \$194.3 million for exceptional circumstances for primary producers
- \$10.3 million for exceptional circumstances assistance for small businesses
- \$500,000 for interim income support for primary producers;
- \$40,000 for interim income support for small businesses;
- \$21.3 million for professional advice and planning;
- \$24.7 million for the continuation of re-establishment assistance;
- \$5.7 million for the extension of transitional income support; and
- \$45.4 million for the expansion of the small block irrigators exit grant package.

Senate Rural and Regional Affairs and Transport Legislation
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Compared to the numbers for 2008-09 (Page 32 of 2009-10 PBS), drought funding estimates have been revised downward by \$433 million due to a decrease in the number of areas that are EC declared.

If misinterpreted, the Budget papers can appear to show a greater reduction, as funds previously recorded in the agriculture portfolio budget for EC interest rate subsidies (\$229.3 million in 2008-09 representing 6 months only) are now

accounted for by the Treasury as part of the Financial Relations Reforms stemming from a COAG agreement. However, the department still retains policy responsibility for the program. This figure has been revised to \$227 million in the Treasury accounts. (Page 26 and 32 of 2009-10 Portfolio Budget Statements).

The number of areas which are declared to be in Exceptional Circumstances fell from 74 at 1 July 2008 to 58 at 1 May 2009, reflecting improved seasonal conditions in parts of Australia.

Details on these measures will be handled by representatives of the Climate Change Division.

For Biosecurity

The department has received continuation of funding for the following lapsing programs, pending the government's detailed consideration during this year of the reforms to the biosecurity framework proposed by the Beale review.

- \$68.6 million has been provided for the continuation of quarantine border security;
- \$15 million for avian influenza border control;
- \$5 million for the Securing the Future measure: protecting our industries from biological, chemical and physical risks program; and
- \$3.6 million for the continuation of the international mail program.

In 2005-06 the then government introduced a measure over four years to continue to provide a subsidy to agricultural export industries of 40% of the AQIS export fees and charges. The measure terminates as scheduled at the end of 2008-09. For 2008-09 this equates to \$37.4 million. Discussions are now being held with industry clients on fees for 2009-10.

Details of these measures will be handled by representatives of the Biosecurity divisions.

Concluding Programs

There are also some programs concluding on or before 30 June 2009. These include the following.

- The Dairy Adjustment Levy was terminated in February 2009 accounting for a \$218.8 million decrease. (2009-10 PBS, Page 30). This occurred because the dairy industry adjustment program funded by this levy was completed.

- The Murray-Darling Basin Grants for Irrigators Program concludes on 30 June 2009 resulting in an \$87.9 million change to the agriculture portfolio's 2009-10 appropriation (Page 32 2009-10 PBS). More than 10 000 grants have been approved valued at more than \$193 million. While no new grants will be provided, eligible recipients have until 31 December 2009 to spend their grants. This will allow people whose businesses were affected by bushfires sufficient time to make the investments.
- The Tasmanian Community Forest Agreement Industry Development Program concludes as planned on 30 June 2009. The 2008-09 Budget provided \$38.1 million in 2008-09 to assist the Tasmanian timber industry adjust to changes in the quantity and quality of timber resources. It stimulated industry investment of over \$250 million across 108 projects. (Page 28 2009-10 PBS).

Savings

In addition to these new measures and concluding programs our budget absorbs a small number of budget efficiency and savings measures. The portfolio was subject to the same whole of government budget efficiency decisions as all other Portfolios, except Defence.

- The department is subject to a 3.25% efficiency dividend (costed at \$5.935 million).
- This year we have also been asked to find further efficiencies in our Information Technology spending as a result of the Gershon Review (at \$0.800 million).
- The government has decided to cease funding for Land and Water Australia providing savings of about \$6.3 million in 2009-10 and \$13 million in each of the out years.
- The Rural Industries Research and Development Corporation has had its resources reduced by \$3 million per annum.

Adjustments to the research, development and innovation budget should be seen in the context of the government's recent allocations to portfolio related activities. Since November 2007, the government has announced \$130 million in new spending on rural science and innovation including;

- \$46.2 million for climate change research programs
- \$35 million for the Regional Food Producers Innovation and Productivity Program

- \$26.5 million for the Farm Ready program to boost training and help farmers adapt to climate change
- \$10 million for Reef Rescue Reef Water Quality Research and Development Program; and
- \$15.3 million through National Weeds Research and Productivity program

The 2009-10 Budget also provides funds in the order of \$200 million to match industry levies raised for R&D. This supports total investment by the RDCs of some \$250 million. In some cases industry levy payments have fallen as production is affected by the drought. This is a normal cyclical pattern for R&D levy revenues.

Details of these decisions will be handled by the Climate Change and Agriculture and Productivity Divisions.

Departmental Savings

The Department itself will absorb a \$3.4 million savings measure in 2009-10. This equates to 1.2% of the Department's Departmental Appropriation. This was a decision of the government, part of this portfolio's contribution to the Budget outcomes for 2009-10.

This will require a reduction in departmental and agency running costs.

Other Minor Adjustments

Further to these decisions there are a small number of other movements.

- An additional \$0.5 million has been provided for the Live Trade Animal Welfare Partnership.
- \$600 000 will be transferred in 2009-10 from the department to the ACCC to fund the ACCC's role under the Wheat Export Marketing Act.
- The department will absorb any costs associated with the International Food and Agriculture measure in 2009-10.
- Total resourcing for the department is also reduced by \$30 million as funding for AFMA is appropriated directly to it following its change to become an agency under the FMA Act. (Page 31 of the 2009-10 PBS). This is a technical matter not affecting the resourcing available to the department.

Staffing

The conclusion of some programs, efficiency and savings measures will necessarily affect staffing levels – as will a probable reduction in our cost

recovered activity and Section 31 revenue in 2009-10 compared with 2008-09. Staff expenses are a high proportion of our operating costs and cannot be isolated from budget movements.

To manage our outcomes within our appropriation while maintaining the department in a financially secure position, we estimate staffing levels may need to decrease by about 6%. This is estimated at 250 ASL in the 2009-10 PBS.

For a number of reasons this should not be interpreted as a loss of 250 current staff.

This average staffing level for the year is an estimate only - not a target. The department will be focusing on managing within our overall appropriation, rather than achieving a particular staffing level.

With the announcement of the 2009-10 Budget, we now know our appropriation. The department's priorities are being assessed and internal budgetary decisions will be made over the next weeks in time for the beginning of the financial year.

The change in staffing levels will not be achieved by an across the board cut to funding allocations for activities. We will be ensuring our resource allocation decisions reflect current priorities and realise opportunities to achieve efficiencies.

In considering options we are taking into account:

- statutory requirements;
- the government's priorities;
- maintaining our core capacity and skills;
- opportunities to make greater use of existing expertise; and
- properly resourcing emerging areas of work.

I draw attention to Note 2 of Table 2.1 at page 69 of the 2009-10 Portfolio Budget Statement regarding average staffing levels for Outcome 2. Outcome 2 includes AQIS' quarantine and export front line operations. Note 2 states: "The change in average staffing levels from 2008-09 to 2009-10 will be managed by efficiencies in support functions without impacts on front line operations."

It is our intention to achieve changes to staffing levels primarily through managing normal turnover and placing staff in suitable positions within the department or, if necessary, other departments. We will minimise reliance on voluntary

redundancies and there should be no need for an open offer of voluntary redundancies. It is also our aim to achieve no involuntary redundancies.

The department will be guided by the redeployment and redundancy principles and framework set out by the Australian Public Service Commission and in our Collective Agreement.

Conclusion

I table for your reference a summary reconciliation that sets out the movements of the Budget from 2008-09 to 2009-10 for the Department.