

Department of Primary Industries
Queensland

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ANNUAL REPORT

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DPI
QUEENSLAND
DEPARTMENT OF
PRIMARY INDUSTRIES

OUR VISION

A primary industries sector confidently competing in a world market.

OUR MISSION

To bring together government and industry in partnership in order to increase the profitability of Queensland's primary industries-based enterprises on a sustainable basis.



DPI i
CALL CENTRE

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About the Annual Report

This Annual Report provides details of the Department's achievement of its key business and financial targets during 1997-98.

To get copies of the Annual Report

Copies of the report are available on request from:

DPI Information Centre
 Primary Industries Building
 80 Ann Street
 Brisbane Q 4000.

The report can also be accessed through the DPI Home Page on the Internet, at <http://www.dpi.qld.gov.au>

For further information about obtaining copies please contact the DPI Call Centre on 13 25 23.

LETTER OF TRANSMITTAL

The Honourable Henry Palaszczuk, MLA
Minister for Primary Industries
Primary Industries Building
80 Ann Street
BRISBANE Q 4000

Dear Minister

I have much pleasure in submitting to you the annual report for the Department of Primary Industries, Queensland, for the financial year ended 30 June 1998.

The core mission of the Department during the past year has been to boost Queensland's rural economic development by working in partnership with industry to increase the profitability of primary industries-based enterprises on a sustainable basis.

I should like to express my sincere appreciation to all staff who have worked enthusiastically and professionally throughout the year to achieve the Department's objectives.

I look forward to working with you to further enhance Queensland's primary industries production and increase the long-term profitability of the State's rural-based industries.

Yours sincerely



Dr W A Hoey
A/Director-General

A MESSAGE FROM THE DIRECTOR-GENERAL

It is my pleasure to report a year of solid achievement for DPI in what has been an eventful year of global economic instability.

The Asian crisis, the falling Australian dollar and new arrangements affecting world agricultural trade have all had a big impact on the outlook for Queensland's primary industries—in both the short and the long term. These impacts have presented challenges to both DPI and its clients to improve performance and manage change in innovative and imaginative ways. Against this background the Department has continued to work towards positioning the State's primary industries to be sustainable, resilient and self-reliant.

It is very satisfying to be able to report a number of significant achievements, of which eradication of the extremely damaging papaya fruit fly from north Queensland is just one example. Declaring Area Freedom one year ahead of schedule at an estimated saving of \$30m is an outstanding tribute to the more than 300 full time and casual staff who worked on the project. The list of other successes is a long one, and touches on such areas as:

- the signing of a new protocol making possible live cattle exports to the People's Republic of China;
- DPI's status as a world leader in the development of new technologies for breeding, rearing, producing and marketing aquaculture species;
- the declaration of two new Fish Habitat Areas;
- Queensland's uptake—the fastest in the country—of the national on-farm accreditation program 'CattleCare';
- DPI's 'Bestprac' program, which has gained acceptance as a national model for wool production benchmark groups;
- the very strong demand for the Department's Futureprofit learning courses;
- adoption of DPI's AgriInfonet service as a national joint venture;
- the provision of highly accessible, relevant and timely information via the Department's Call Centre and its Web site.

During the past year the Department consolidated and strengthened its partnership arrangements with industry through the operations of institutes and through the industry development councils (IDC's). DPI's creative partnerships with industry and with other government agencies are crucial if the Department is to have a thorough understanding of its clients' needs and be in a position to respond to those



needs in its delivery of services. Such partnerships ensure that the Department is working towards the right goals and that it will continue to be flexible and constructive in rising to the challenges facing industry.

The eight institutes have had an important year strengthening their positions. Most were called upon to establish new management arrangements and relationships while responding to the constant need to improve service delivery. The ground work is now there for significant innovation.

DPI's rural service coordination teams also added an essential cross-industry dimension to its services. This enabled it to better address those rural community issues closely related to the activity of the primary industry sector.

As an organisation dedicated to servicing the State's primary industries, DPI relies heavily on the competence, enthusiasm, energy and understanding of its staff—whether they work 'hands on' in the field, behind a bench in a laboratory or at a desk or counter. Over the past year, DPI officers have amply demonstrated their dedication to the primary industries sector and their willingness to 'go the extra mile' to provide the Department's clients with relevant, timely and valuable services. This was clearly evident in the feedback we gained through the client survey.

The achievements of the past year were a result of effective participation with our industry clients and of the commitment and dedication to staff, whose efforts I value. DPI's attention to its staff was recognised by the receipt of two equal employment opportunity best practice awards and an Australian Human Resources Institute (Queensland Division) Corporate Award.

The year 1997-98 was a rewarding one indeed for the Department; our achievements provide a good foundation to meet the challenges and opportunities ahead.

Dr Greg Robbins, Director, Queensland Beef Industry Institute, Ms Jenny Milson, Pasture Agronomist, Longreach, Dr John Vercoe, Board Chairman, Queensland Beef Industry Institute, Dr Warren Hoey, A/Director-General.

Summary of key achievements

ANIMAL AND PLANT HEALTH SERVICE



- Success of the papaya fruit fly eradication campaign led to declaration of Area Freedom a year ahead of schedule on 23 August 1998, saving almost \$30m. The campaign is considered a model of its kind and has generated international interest.
- The signing of a new import protocol in April 1998 cleared the way for the start of live cattle exports from northern Australia to China.
- Audits were carried out of 290 high risk properties under the joint industry-government national organochlorine residue management (NORM) program. Trained sniffer dogs were introduced to help industry manage chemical residues.
- Forty workshops were held around the State to educate producers in and promote their awareness of the responsible use of chemicals and the benefits of quality assurance programs.



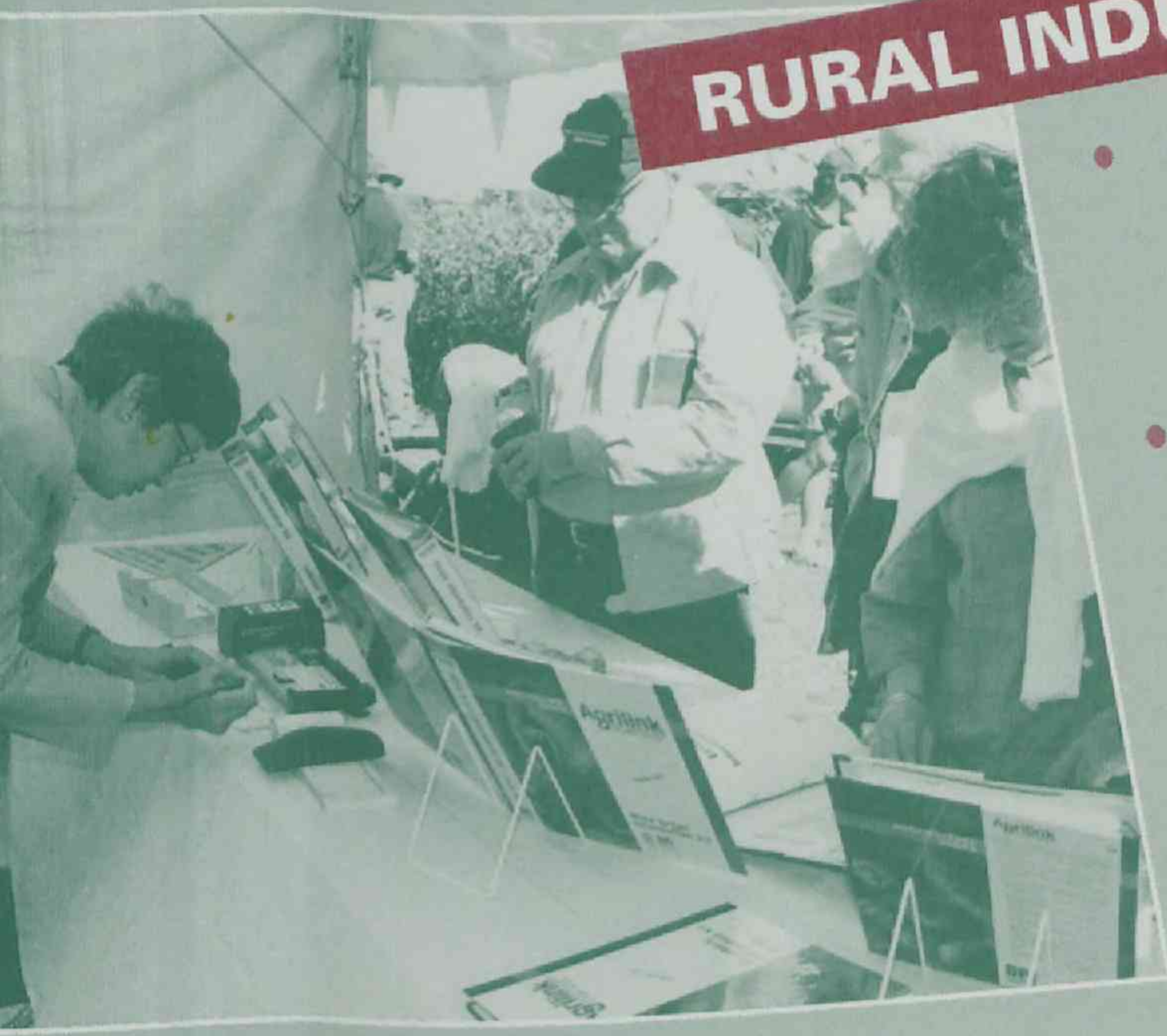
FISHERIES

- The Department has become a recognised leader in the development of new technologies for breeding, rearing, producing and marketing aquaculture species.
- Protection of key fisheries habitats was expanded with the declaration of Fish Habitat Areas over parts of Trinity Inlet (Cairns) and Kinkuna (Woodgate).
- Vessel monitoring systems were introduced into Queensland scallop trawl fishing, providing major enforcement benefits to government and communication opportunities to industry.

FOREST PRODUCTION



- DPI Forestry reached agreement with Tarong Energy Corporation on a joint venture to establish a hoop pine plantation that will supply timber as well as help offset the corporation's greenhouse gas emissions.
- DPI Forestry supplied 1.9 million m³ of plantation and native forest log timber to customers during the year, representing over 80% of the input to Queensland's \$1.7 billion forest industry.
- DPI Forestry's Queensland Forestry Research Institute developed a moisture meter and distortion detector for wood products.
- DPI Forestry implemented broad scale on-site retention of tree residues for second rotation planting in recently harvested hoop and exotic pine plantation areas. This will help to ensure the long-term stability and sustainability of Crown plantations.



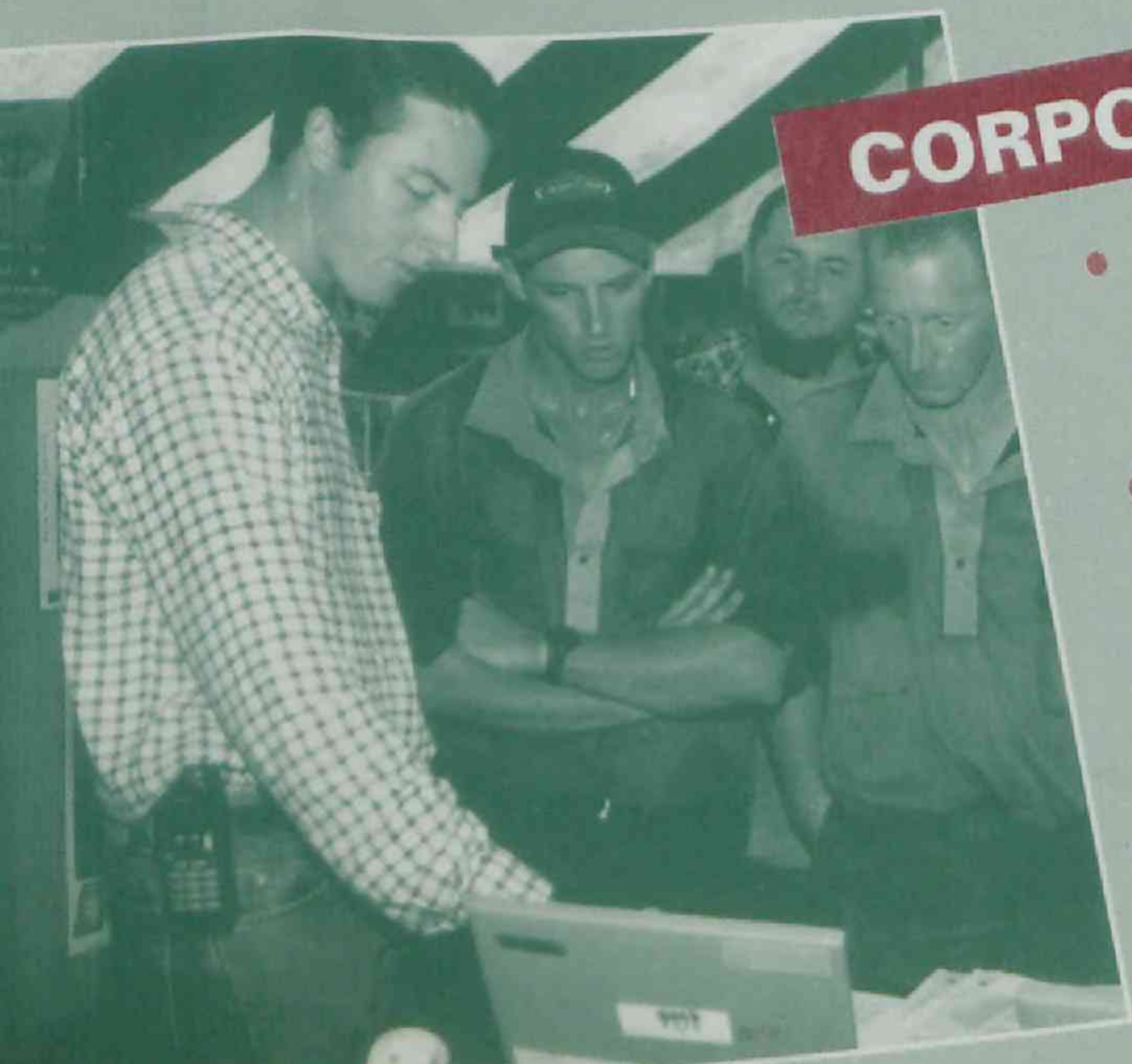
RURAL INDUSTRY BUSINESS SERVICE

- More than 65 groups—three times the expected number—attended workshops under the Futureprofit program of learning courses. There has been an overwhelming level of demand, strong industry support, and interest in expansion of the program on a national basis.
- Export and investment plans were developed for beef, seafood, fruit and vegetables, in partnership with industry.
- Five Drought Exceptional Circumstances (DEC) submissions were made to the Commonwealth Minister for Primary Industries and Energy, to help maintain DEC payments to the State.
- Strong demand continued for the Building Rural Leaders Foundation program, which helped more than 350 people develop leadership and related skills.
- DPI made its information services more accessible through its Call Centre, its Web site and implementation of VIRTUA, a library management system providing access to information on the Web. VIRTUA reduces costs and delays for rural and remote-area clients.



AGRICULTURE

- DPI helped secure for Queensland the fastest uptake rate of the national on-farm quality assurance program Cattlecare.
- Five pilot Bestprac producer groups were facilitated and the program gained acceptance as a national model for wool production benchmark groups.
- More than 100 vegetation monitoring sites established in Queensland's grazed woodlands will improve understanding of vegetation dynamics and help identify optimal tree-grass balance for sustainable production.
- Five new horticultural projects were selected for development of export opportunities expected to generate \$12m in additional exports by 2001.
- A coccidiosis vaccine developed by the Queensland Poultry Research and Development Centre was made ready for commercial production.
- As a result of new 'gene technology' approaches implemented by Farming Systems Institute plant breeders, two new high yielding wheat varieties were approved by the Australian Wheat Board and four new sorghum germplasm lines sold to industry.



CORPORATE PERFORMANCE AND STRATEGIES

- DPI human resource management practices were recognised by the receipt of two Equal Employment Opportunity Best Practice Awards and the Australian Human Resource Institute (Queensland) Corporate Award.
- A DPI Learning Framework was developed and is being piloted as a 'leadership through learning' strategy.
- The Department's Corporate Governance processes have been recognised as a model across the Queensland public sector.
- DPI conducted reviews of the sugar, grain, dairy and chicken meat industries in accordance with the National Competition Policy.
- The Department helped develop a range of legislation to give effect to industry restructuring in the sugar, fisheries and grain industries.

DPI products

Industry-focused service delivery to

- primary producers • producer groups

- agribusiness • processors

- central government agencies

- other government departments

- local authorities • DPI institutes

- general public • media

- educational institutions

- funding bodies • interest groups

- contractors/suppliers

- commercial developers

and services

Business management and development services

- property management planning
- farm financial counselling
- climate risk assessment
- enterprise development
- promoting the role of rural women
- future profit planning
- monitoring and evaluation of rural enterprise business profitability and performance
- natural disaster advice and response

Policy and planning for industry development

- research and extension policy
- industry development
- legislative support/review
- policy development
- support to industry organisations

Processing technology RD&E

- food research and development
- food processing and development
- food analytical services
- food safety related to processing
- transport and packaging of processed products
- processing of by-products
- food information services
- value adding

Market access and development services

- surveillance and control of pests and diseases
- chemical and residue control
- emergency response capability
- pest disinfection
- quarantine
- food safety
- pro-active export development
- investment advisory services
- marketing information and analysis
- market distribution systems

Information products and services

- publications
- library services
- information centres
- Call Centre
- web services
- Primary Industries Week
- displays
- business briefs

Resource management and community services

- animal welfare
- research and development into resource management and animal and plant sources of human illness
- environmental impacts
- greenhouse issues
- native forest management
- intensive livestock environmental management
- regulatory compliance
- boating safety
- marine and freshwater habitat and fisheries management
- fish stocking
- fisheries resource assessment

Production research and extension services

- propagation, breeding, biotechnology
- whole-of-farm management systems
- integration of farm production systems
- improved management practices for production systems
- new industry production systems development
- product improvement
- product quality and enhancement
- quality systems and implementation

Commercial production

- plantation timber
- native forest timber
- quarry materials
- tree seed and seedlings
- forest management and timber expertise and technologies

BUSINESS FRAMEWORK



Terence Norman Johnston
B.Sc.(For.), Dip. For., M. Nat. Res.

Mr Johnston joined the Department of Forestry in 1965 and moved to the new Department of Primary Industries in 1991 as Director of the Strategic Policy Unit. He was appointed Deputy Director-General in 1995.

Overview

During the twelve months to 30 June 1998 the Department continued to develop its 'partnership' model for delivering its services to clients. I have been a strong advocate of the development of a work environment that is client focused and supportive of staff and encourages teamwork and learning to achieve the Department's goals.

The Department is already beginning to feel the positive impact of the partnership model, as both staff and clients come to recognise DPI's role as an economic development agency that works closely with the State's rural industries and communities. Staff have continued to work in close partnership with clients to ensure that the necessary strategic vision for the States rural industries is in place, and that strategies to ensure long-term profitability and economic growth are developed and implemented. It is pleasing to see how this approach has already expanded the range of DPI services being provided to our rural industries. At the same time we have continued to re-evaluate the nature and extent of our more traditional services.

Change—and the need to adapt to change—is a constant feature of all modern organisations, including DPI. The key to coping with change is to secure a high level of staff and stakeholder commitment to the objectives of the organisation, and I believe that DPI has scored well in this area.

Our partnership model has been adjusted to suit the specific needs of our groups and institutes rather than being applied blindly across the organisation. This has resulted in considerable variation in the business implementation framework, depending on the particular needs of each of our business areas. For instance the Fisheries Group, which must balance competing demands on resources, has a framework different from that of the agricultural areas, which are more focused on improving farm viability and profitability. The common theme across all business areas, however, remains a focus on outcomes and a commitment to work in partnership with our clients and stakeholders.

I look forward to continuing to work with staff and clients as we further refine and implement our partnership model.
Terry Johnston, Deputy Director-General

Industry development councils

Industry development councils (IDCs) provide both a forum and a process for industry and the Department to come together to provide strategic directions for industry development. The IDCs are broadly representative of the whole of industry ('paddock to plate'), as well as including government representatives.

During the year IDCs were established for the horticulture (fruit and vegetables), fisheries, nursery and allied trades, winegrape and pig industries, joining these for the beef, dairy and emu industries set up the previous year. Others are planned for the grains and cotton industries. A number of the IDCs are creating interest and commitment in the industries concerned, and gaining momentum.

Outcomes from the operation of IDCs include a whole-of-industry approach to issues, the development of a clear vision for future industry development, consensus on what needs to be done by both government and industry, and implementation of concrete actions.

Industry institutes: working in partnership with industry

DPI has introduced a network of industry-based institutes to deliver industry-specific programs across production and marketing chains. Eight institutes have now been established across the State. The institutes are founded on a joint commitment by industry and government, through partnership agreements that were developed during the process of their establishment and that are continually being enhanced. Boards comprised of industry representatives and others with special expertise have been established to oversee the strategic direction and management of the institutes.

Four new institutes were established in 1997-98: the Sheep and Wool Institute, the Queensland Beef Industry Institute, the Queensland Horticulture Institute and the Farming Systems Institute. They complement the four established previously, three of which are joint venture institutes of DPI, industry and The University of Queensland: the Australian Tropical Dairy Institute, the Australasian Pig Institute and the

Queensland Poultry Research and Development Centre. The fourth is DPI's Centre for Food Technology.

Business management

During 1997-98 the Department organised its activities through six program areas: Agriculture Industry Development, Animal and Plant Health Service, Fisheries, Forest Production, Rural Industry Business Services, and Corporate Performance and Strategies. The first five were administered by their own business groups; Corporate Performance and Strategies was the responsibility of two business groups—Corporate Performance and Policy and Legal Services.

The Senior Management Team continued to meet regularly to deal with management issues relating to the Department's core business. This group continues to provide corporate direction, evaluates business performance and allocates resources as appropriate. Business objectives and targets continue to be negotiated directly with industry groups and were published in the *Creating the future: DPI's priorities 1997-2003* and the series of associated documents *Priorities 1997-98 and beyond*. These documents address specific industry and cross-industry issues and business targets established in consultation with industry groups.

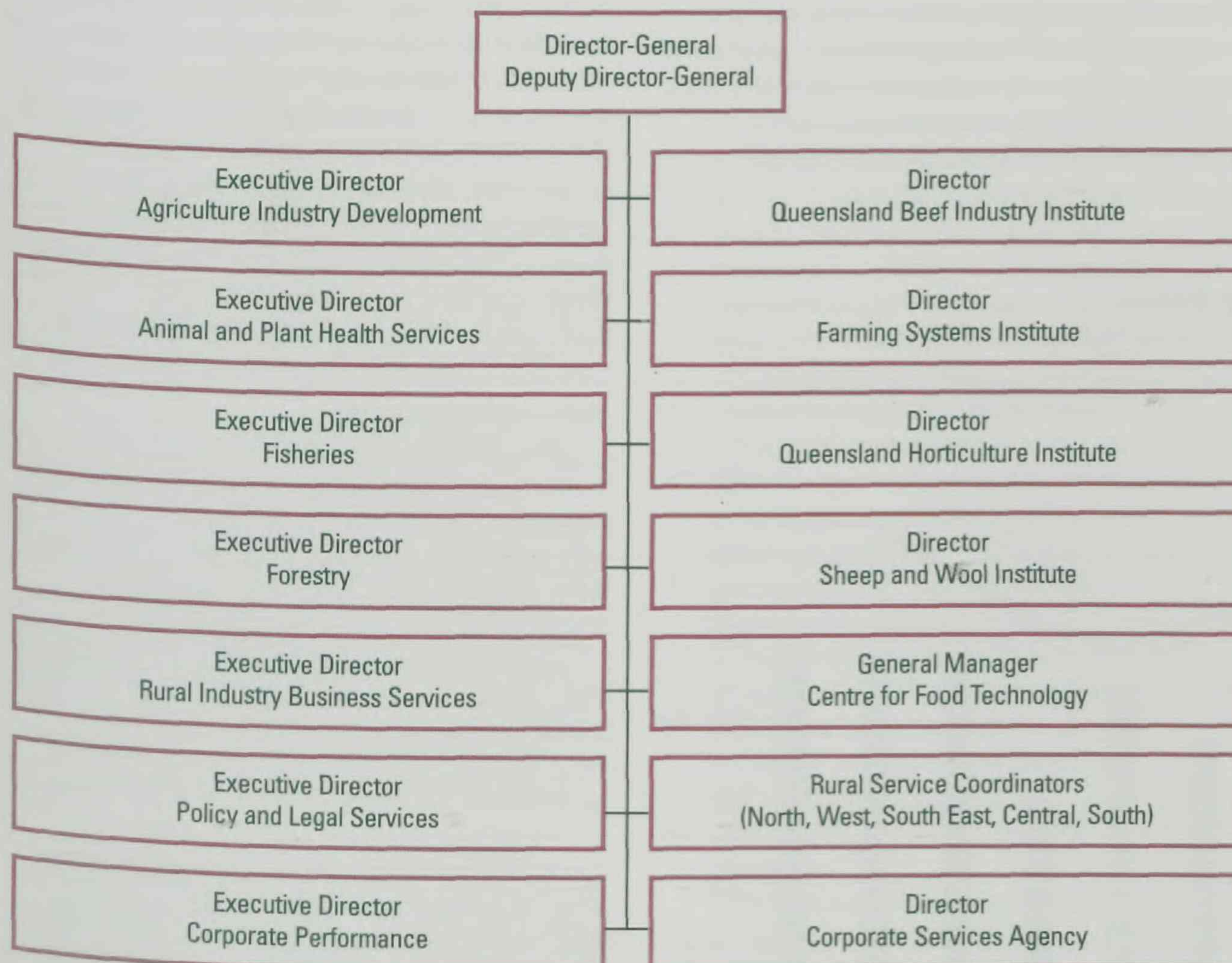
The Senior Management Team comprises:

Dr Warren Hoey	A/Director-General
Mr Terry Johnston	Deputy Director-General
Dr Rosemary Clarkson	Executive Director, Agriculture Industry Development
Mr Kevin Dunn	Executive Director, Animal and Plant Health Services
Mr John Skinner	Executive Director, Corporate Performance
Mr John Pollock	Executive Director, Fisheries
Dr Gary Bacon	Executive Director, Forestry
Mr Peter Neville	Executive Director, Policy and Legal Services
Dr Peter White	Executive Director, Rural Industry Business Services.

Service delivery throughout regional Queensland continued to be supported through the Department's service centres and its Rural Service Coordinators:

North	Mr Eddie Gilbert
West	Mr Tony Raynor
South East	Mr Keith McCubbin
Central	Dr Bob Miles
South	Dr Sandra Baxendell.

Organisational chart



OUR CLIENTS—A CHANGING PORTRAIT

Quotes from our clients

'When we had a disease outbreak they [the Department] worked like troopers, and deserve to be commended.'

'[The Call Centre] is a very good concept. I used it a bit as a test—it was good, easy, pleasant and I got good responses. It took a few people to get there but you expect that, and they persevered.'

'One of the good things about the Agrilink Wine Grape Information Kit is that it comes with a regular updating and revision service. This means it always contains the very latest information.'

'We [used] DPI for drawing up QA documentation, and they did a good job. In their area, fees for service are good value.'

DPI's role is to work with clients to ensure their long-term success. To be effective it needs to understand clients' circumstances and their needs, not only now but as they are likely to evolve in the future, and to respond flexibly to any changes. It therefore needs to be aware of:

- the current situation of its clients;
- the results expected of DPI in the short term;
- the effectiveness of the services it currently offers;
- the long-term aims of clients;
- the long-term contribution expected of DPI;
- the service mix that DPI will need to deliver in the future.

In this way DPI will know how to move forward in synchronisation with its clients. Conversely, getting out of touch with its clients and failing to move with them will jeopardise the Department's long-term success.

DPI is continually seeking information about its clients, in order to improve the type and quality of services it delivers to them. But it also seeks information about how its client base is changing, and the implications this may have for service delivery in the future. In 1997-98 the Department sought information about its clients from many sources: its Call Centre, evaluations and reviews, analysis of available statistical data, and for the first time a survey of client satisfaction. All indications are that the profile of its clients is changing.

DPI's clients have traditionally belonged to four broad categories:

- primary producers
- post-farm-gate businesses (or processors)
- recreational resource users
- rural communities

However, these categories appear to be merging; for example, some horticulturalists are extending their businesses to include on-farm processing.

During the past decade the number of farm businesses in Queensland has tended to decline, while total agricultural turnover has shown a rising trend (see chart). Average farm size has increased and the economic structure of agricultural industry is changing. In 1995-96 just one third of Queensland farms—the biggest—accounted for almost three-quarters of total output. Clients with large businesses generally have different needs from those with smaller enterprises. Turnover trends suggest that many traditional clients with longstanding relationships with DPI are leaving the industry; new entrants may have different expectations of DPI services and new relationships have to be formed.

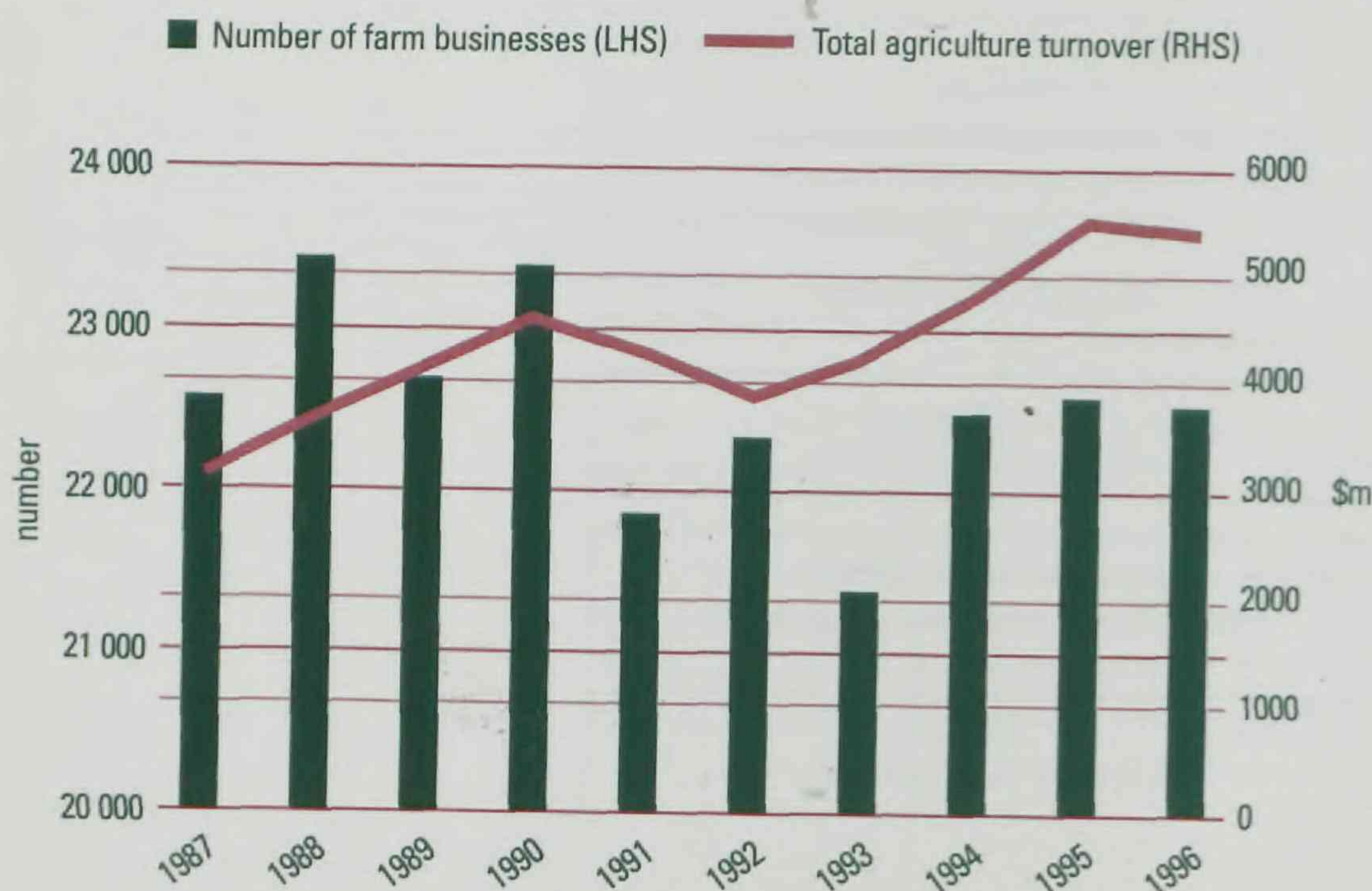
According to 1996 ABS statistics the average Queensland primary producer is in the 45-54 age bracket. The age profile of farmers and farm hands is significantly older than that of seafarers, fishing hands and foresters. Furthermore, the survey of client satisfaction indicated that 58% of all primary producers have been involved in primary production for more than 20 years. These statistics clearly indicate that the State's farming population is ageing. Consequently, there may be a need to plan for the succession of farming skills and knowledge. DPI will work with its clients to develop an appropriate response.

The client survey revealed that many primary producers operate in more than one industry. A significant proportion of clients also indicated that they believed DPI would help improve their long-term success by researching new and emerging industries.

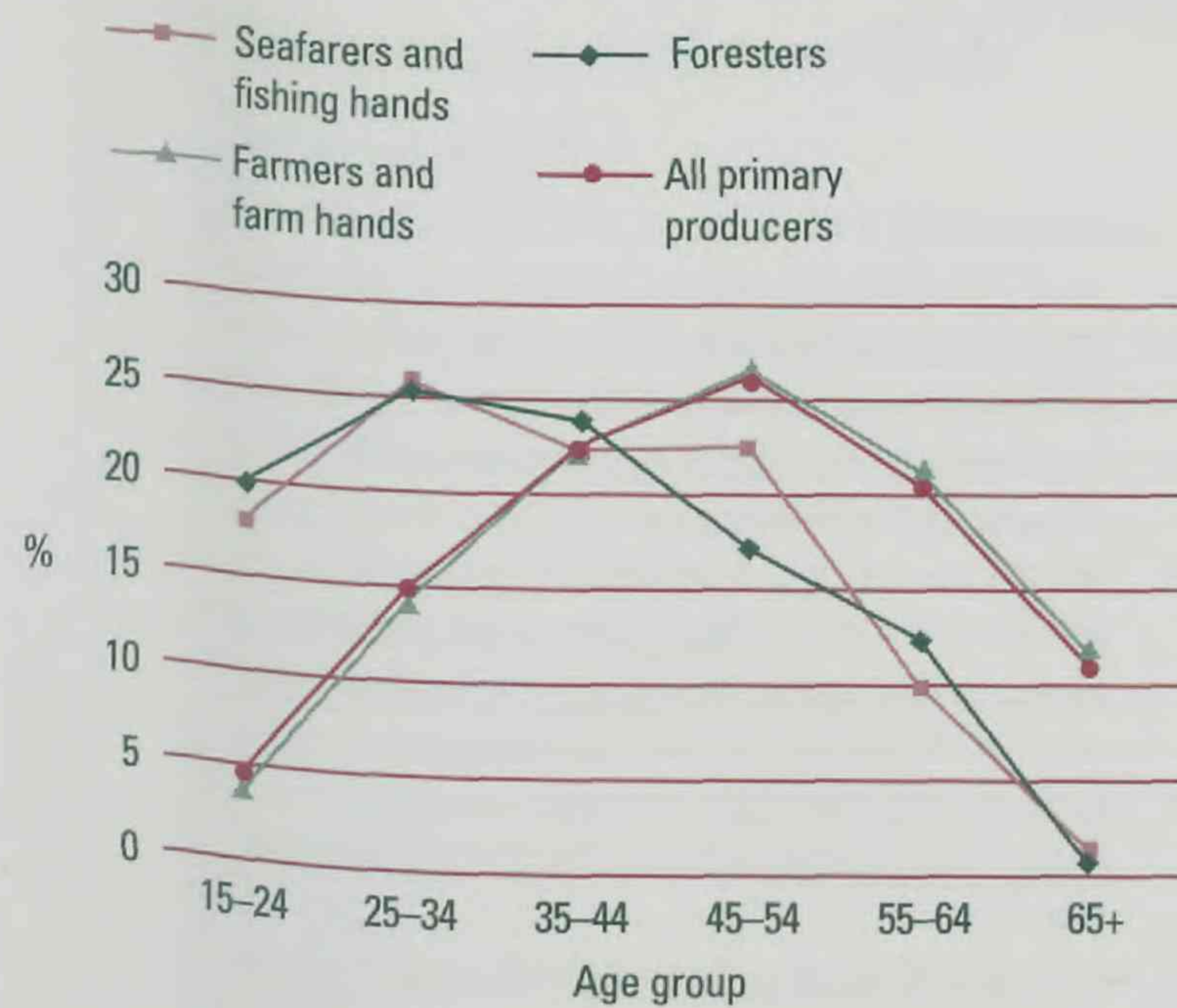
Almost one-quarter of DPI's clients expect that the service demands on DPI will increase in the coming year. At the same time it is clear that the Department's clients expect it to broaden the range of services it provides.

As an organisation DPI will need to constantly maintain the alignment between what it delivers and what its clients expect. That way it will ensure that its clients receive a seamless combination of the right services at the right time.

Queensland agricultural turnover and farm numbers



Age profile — Queensland primary producers (1996)



Our clients' expectations of DPI service delivery—the results of an evaluation

Client satisfaction is an important measure of DPI's performance. In its survey of client satisfaction the Department sought to gauge the extent to which services meet its clients' expectations. The survey asked clients questions about the effectiveness of DPI's 'shop front' and how it does business. Clients also provided feedback about the mix of services they receive.

Key information from the survey included:

- qualitative feedback from funding bodies;
- identification of service variables that determine producer and processor satisfaction with DPI;
- suggestions for addressing weaknesses;
- new demographic information about the Department's client base.

Funding bodies reported that overall they believe DPI does a very good job. They suggested that it could be more pro-active in identifying research projects that meet industry needs, with the aim of extending the results to industry. More informal, responsive communication with funding bodies was also requested.

The survey revealed a high level of contact between DPI and its client base. More than 90% of primary producers and processors in the State each received at least six services of different types from DPI in the preceding year—for example newsletters/information bulletins; farm visits/field days; telephone contact (client to DPI and DPI to client); visit to a DPI office/research station; visit from DPI staff; attending a meeting organised by DPI; and access to DPI's Web site.

Overall, about 70% of both primary producers and processors rated DPI as doing a better than average job. This feedback was consistent across industries. The main factor affecting perceptions of excellent service was the approach, manner, attitude and skill of

individual staff members. Processors felt that they would like more opportunity to influence DPI activity. Producers, on the other hand, felt that DPI could improve its contribution to the long-term success of industry, as well as its concern for and understanding of producers' needs.

Clients made specific suggestions for how DPI could improve, such as researching new and emerging industries, and these are now being reviewed. The Department is also delving into some of the more complex questions raised in the survey, such as what DPI will do to improve its contribution to clients' long-term success. It will use the information from the survey to:

- continuously improve the quality of its service delivery to clients;
- guide management decisions about what DPI does;
- identify issues that may require further attention.

The survey enabled DPI to gain valuable new information about its clients, as well as to confirm some things it had believed to be true. It also identified areas where more information is needed.

DPI Client Service Sponsor Group

Following the survey a sponsor group was formed within the Department, steered by three Executive Directors and supported by a cross-section of DPI staff. The group will be communicating key findings of the survey to staff, developing practical strategies for improvement based on the survey results, and securing commitment for their implementation.

Key strategies developed to respond to situations identified as needing improvement are:

- better coordination of consultation to advance the understanding of client needs;
- development of local focus groups to examine localised factors important for business success. The information will help DPI refine its contribution to the success of its clients;
- customer service training for DPI staff who provide regulatory services;
- identification of research projects, and communicating them and current research activities to funding bodies;
- assessment of client expectations and appropriate support from DPI in relation to new and emerging industries, and development of an appropriate response;
- provision of an improved contact structure for processors seeking information from DPI;
- development of an improved client database.

DPI plans another client satisfaction survey in 1999 to check on progress and make sure that it is focusing on the right matters.

Quotes from our clients

'They are not as money hungry as others; they're more willing to cooperate, whereas for the others money comes first.'

'We have very good working relations with the Department and its officers. This partnership approach is a real plus. If other departments die it we would have far fewer complaints.'

'They are getting better, and they are relevant, with things like the Call Centre and the Web site. We need to educate our members more [to take advantage of these].'

'These [DPI] workshops give a better understanding of how short-term and seasonal forecasts are developed. Best of all, we're able to put our own interpretation on weather and climate information that's available.'

CORPORATE GOVERNANCE

The Department places a high priority on the need for effective corporate governance. The establishment of the Board of Corporate Governance, coupled with an enhanced role for the committees on audit, risk management, workplace health and safety, legislation and finance demonstrates the Department's level of commitment to accountability and financial integrity.

The membership of the current Board is: Dr Warren Hoey, A/Director-General and Chair

Terry Johnston, Deputy Director-General
Peter Neville, Executive Director, Policy and Legal Services

John Skinner, Executive Director, Corporate Performance

Pauline Pender, Managing Director, Corporate Impact Australia

Roger McComiskie, Partner, Coopers & Lybrand.

The inclusion of two external members provides diversity and special expertise to the Board's decision-making processes.

The Board acknowledges the contributions made by its previous member, Ms Rita Gentle, (Partner, Deloitte Touche Tohmatsu) and wishes her well in her future endeavours.

The Board has endorsed the Department's Corporate Governance Framework that brings together under one umbrella the committees responsible for fiscal integrity, resource management and risk management.

- establish and monitor policies and procedures to ensure compliance with legislation and the highest standards of ethical behaviour;
- adopt an annual budget for financial performance, regularly monitor results and ensure consistency across budgeting, accounting and reporting systems;
- ensure that the Department retains a capacity to respond to changing business needs;
- adopt a strategic plan including goals and objectives, methods, and timeframes for comparing actual results with the plan;
- adopt a comprehensive performance management framework;
- ensure that adequate reporting systems and control mechanisms are in place for monitoring activities and compliance;
- ensure that satisfactory arrangements are in place for audit procedures.

Corporate governance framework



Board of Corporate Governance committee structure



The primary functions of the Board of Corporate Governance are to:

- provide a forum for collegiate leadership under the authority of the Director-General;

The Board regularly reviews:

- leadership
- statutory accountability
- communication
- roles and responsibilities
- accountability for departmental resources
- internal controls
- committees
- external reporting.

The Board also monitors the following key areas to ensure sustained performance:

- corporate planning and strategies
- financial performance
- customer satisfaction
- service performance
- technological performance
- management and organisational performance
- internal and external communication
- workforce planning
- business risks.

Board of Corporate Governance committees

Internal Audit

The role of the Internal Audit Committee is to assist the Director-General to fulfil his responsibilities as the Accountable Officer for the Department of Primary Industries. The committee also has a direct reporting relationship to the Board of Corporate Governance.

Achievement highlights

Achievement highlights of the committee in 1997-98 were:

- The committee reviewed and approved Internal Audit's 1997-98 annual audit plan.
- It endorsed the Department's new *Financial Management Practice Manual*.
- It maintained the departmental focus on the process of self-assessment.
- It reviewed reports by Internal Audit to ensure that long-term corrective actions are taken.
- It reviewed and endorsed the Department's financial statement prior to signature by the Director-General.
- It reviewed all reports from the Queensland Audit Office and the action taken by the Department to address the matters raised.
- It monitored the SAP (Systems, Applications and Products) financial and human resource system implementations to ensure that matters raised by Internal Audit and the Queensland Audit Office Best Practice guidelines were satisfactorily dealt with.
- It monitored high risk areas in relation to financial accountability, and reported on them to the Board of Corporate Governance.

Internal Audit unit

Goals

- to ensure that the Director-General is provided with advice as to the adequacy of the system of internal controls within the Department;
- to ensure that management adopts long-term solutions to identified problems;
- to keep the Internal Audit Committee abreast of relevant risks facing the Department.

Services

- Advisory and review services are provided, through a risk-based assessment of departmental activities, in relation to:
- financial accountability and reporting
 - the effectiveness of internal controls
 - self-assessments
 - special investigations on behalf of the Director-General
 - development and implementation of new systems.

Achievement highlights

In 1997-98 the unit:

- audited the departmental financial statements prior to submission to the Internal Audit Committee for approval;
- audited the development of the SAP financial system;
- played a key role in auditing development of the SAP human resource system, in conjunction with the audit managers of five other agencies. This was the first major activity involving the audit groups across agencies;
- provided audited statements to 15 funding bodies in respect of 322 projects;
- helped develop accountability assessment documents to be used by project staff in financial management and reporting for projects;
- reviewed the departmental *Financial Management Practice Manual* and associated operational procedures;
- helped implement self-assessment audits—completion and review of 20 reports.

Staffing

All staff were introduced to the issues arising from implementation of the Managing for Outcomes initiative, a consequence of the move to accrual output budgeting.

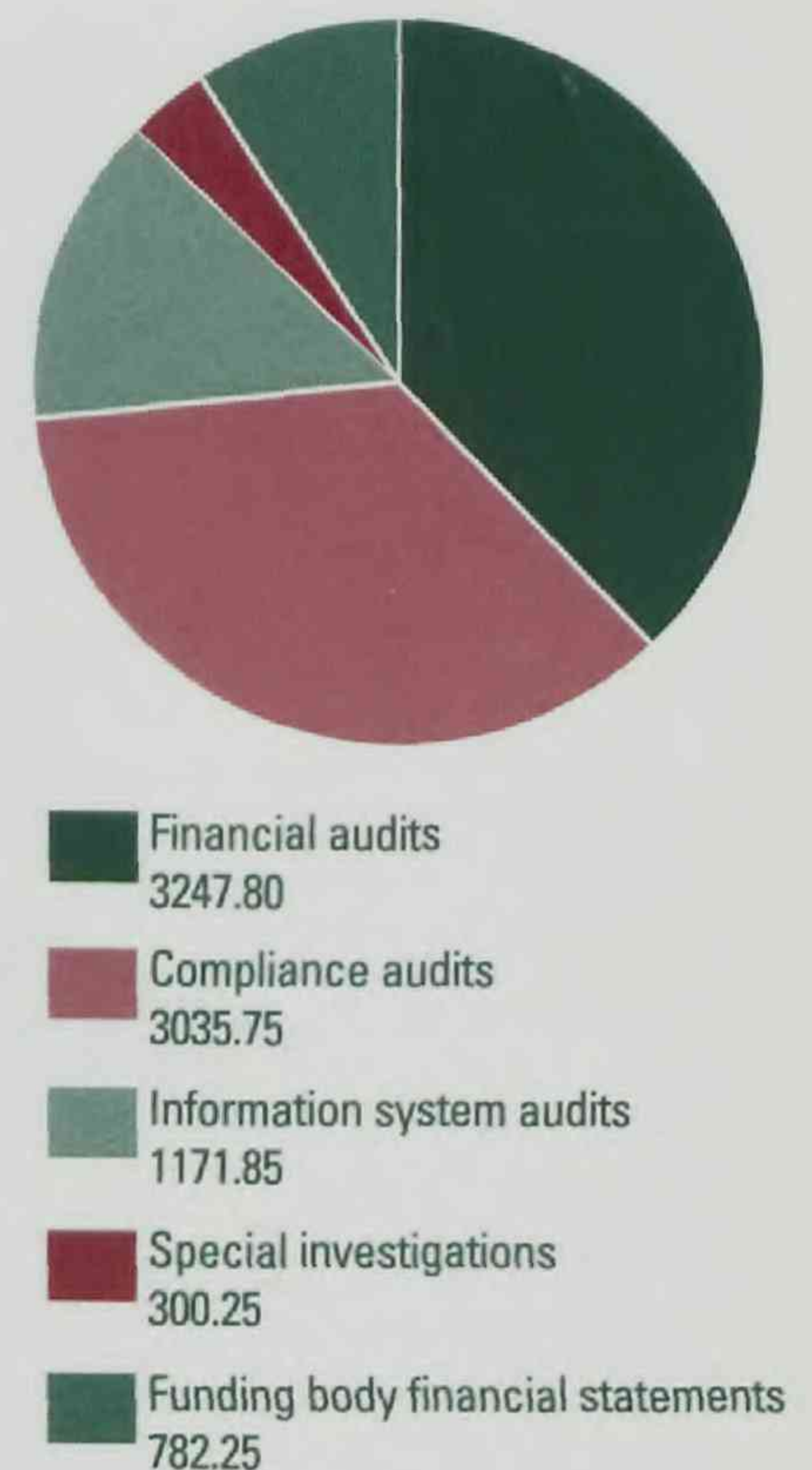
Professional skills development was provided in fraud control, computer technology and specific SAP implementation skills. Internal coaching was undertaken with new staff to ensure the best possible results from use of the audit software package ACL for targeted audits within the Department. Support was provided to staff to continue their personal professional development to ensure maximum benefits to themselves and to the Department.

Risk management

In 1997-98 the Board of Corporate Governance emphasised strategic risk management as a key focus for the Department. The primary objectives of the Risk Management Coordination Committee are to:

- oversee the development of corporate risk management policies;
- ensure that an appropriate strategic management focus is given to risk identification, measurement, management and reporting;
- establish and maintain a framework for risk management that takes account of the Department's strategic direction;
- review issues of material risk exposure;
- provide a forum where management and auditors can discuss both short-term and long-term risk;
- establish and monitor appropriate training systems and control procedures for risk management.

Audit activities for 1998 (hrs)



Achievement highlights

In 1997-98 achievement highlights across the Department in the area of risk management were as follows:

- Risk exposures were identified and prioritised.
- Responsibility for the development of action plans was assigned to each business group.
- The business groups completed action plans for areas where high risk exposure was identified.
- Action plans for medium and low risk exposures were developed.
- An emergency response management strategy was completed.
- Four corporate standards on risk management were completed.
- Evolving risk exposures were identified and addressed.

Workplace Health and Safety

The Workplace Health and Safety (WH&S) Action Committee is working on five key areas of the Department's WH&S strategies—infrastructure, resources, recording and reporting, training and awareness, and recognition.

A key priority in 1997-98 was to create a continuous improvement framework for WH&S within the Department. This framework prescribes a pro-active approach to managing WH&S, and involves strategies that focus on prevention, participation, information management and education.

Achievement highlights

There were a number of Department-wide achievement highlights in 1997-98:

- An action plan was developed; it has a high degree of commitment from all levels within the Department.
- Responsibilities for WH&S were clarified.
- Departmental WH&S policy was revised.
- Upgraded training was provided for WH&S representatives and managers.
- A full audit program of worksites was conducted.

Legislation

A committee was established to determine the priorities and resourcing needs of the Department's legislative program. Work is in progress to review and/or amend the following:

- *Sugar Industry Act 1991*;
- *Fisheries Act Amendment Bill*;
- new legislation to replace the *Stock Act 1915*, the *Brands Act 1915*, the *Exotic Diseases in Animals Act 1981* and the *Animal Protection Act 1915*;
- a range of fisheries management plans (FMPs);
- a range of subordinate legislation affecting a number of primary industries.

Finance

The role of the Finance Committee is to oversee the financial management of the Department and to report any key issues or concerns to the Board of Corporate Governance.

Achievement highlights

Achievement highlights in 1997-98 were:

- The Department's 1997-98 expenditure was within appropriation and all creditors on the Queensland Government Financial Management System (QGFMS) were paid to 30 June 1998 for all business groups.
- A review was conducted of each business group's 1997-98 business plan.
- Regular monthly meetings were held with business groups to monitor their expenditure.
- The 1998-99 Chart of Accounts structure for financial reporting by QGFMS and the new financial management system SAP was endorsed.
- The 1997-98 mid-year review submission was formulated.
- A four year rolling departmental capital works building program was endorsed, initially for the period 1997-2001.
- A dividend policy for departmental trading accounts was implemented, and funded priority activities such as the upgrade of essential facilities at Wacol and Hamilton.
- The 1998-99 budget policy and business rules were formulated and approved.
- The 1998-99 new initiative proposals were reviewed and endorsed for consideration by the Cabinet Budget Committee.
- SAP implementation was monitored and critical decisions for the configuration of the SAP financial modules were taken.

Operational Review

At the request of the Director-General Operational Review regularly conducts reviews of the efficiency, effectiveness and economy of departmental policies, systems and practices. An internal consultancy service is also provided to management, to help diagnose problems and provide integrated solutions in line with the Department's strategic direction.

Achievement highlights

In 1997-98 Operational Review assisted management to:

- implement innovative solutions, for example to problems associated with the introduction of a quality management system throughout departmental laboratories;
- develop corporate standards resulting in improved performance and compliance;

- improve departmental processes for resource reallocation, WH&S and the flow of executive correspondence;
- undertake joint reviews with the Department of Natural Resources in relation to the Corporate Services Agency.

Public Sector Ethics Act 1994—Code of Conduct

The Department's Code of Conduct was first released in 1996 and promoted widely to all staff. During 1997-98 feedback from managers confirmed that it was frequently being referred to by staff and managers faced with difficult ethical issues. Departmental officers conducted investigations into a

number of alleged breaches of the Code during the year. With its strong links to client service and good management practice, the Code subsequently proved to be an effective basis for initiating disciplinary action where appropriate.

Whistleblower's Protection Act 1994

The Department has previously published and disseminated a brochure and training kit outlining employee rights and obligations under the Whistleblower's Protection Act. In 1997-98 no public interest disclosures were reported to the Director-General under the provisions of this Act.

Board of Corporate Governance committee structure



OUR PEOPLE—BUILDING THE RIGHT WORK ENVIRONMENT

DPI is committed to building an organisation whose staff are encouraged and assisted to achieve outstanding results for the Department's clients and stakeholders. To do this its work environment must foster innovative thinking and approaches; provide encouragement and feedback to staff to allow them to perform at their full potential; foster collaboration and teamwork; and encourage flexibility to adapt to the changing environment.

To this end the Department in 1997-98 introduced a number of new strategies and consolidated strategies put in place in 1996-97.

Staff survey—listening and responding to the needs of our staff

A survey undertaken in April 1997 provided feedback from staff on their perceptions of the present departmental culture and how it could be improved. The results provided the basis for a number of corporate strategies throughout 1997-98 and will be used as a benchmark for another survey in 1998-99 to measure the effectiveness of those strategies. The content of the Department's Enterprise Agreements was shaped to respond to the particular areas of concern raised by staff, including the need for greater reward and recognition and improved communication.

As another response to the feedback, the Senior Management Team, individual business groups and institutes developed a range of local strategies for improving the culture in their own areas of influence.

The results of this survey were also cross-referenced with the results of a client survey conducted in October 1997. This provided very good data on which to base methods for supporting staff in their efforts to respond creatively and flexibly to client requests and to significantly improve client service.

Workforce plans—planning the right strategies

The Department consolidated the workforce planning processes introduced in the previous year. It outlined its corporate workforce priorities before the start of the financial year, and business groups and institutes then developed their own workforce plans in the light of their business priorities and an analysis of their workforce. These plans included strategies for recruitment, workforce management, training

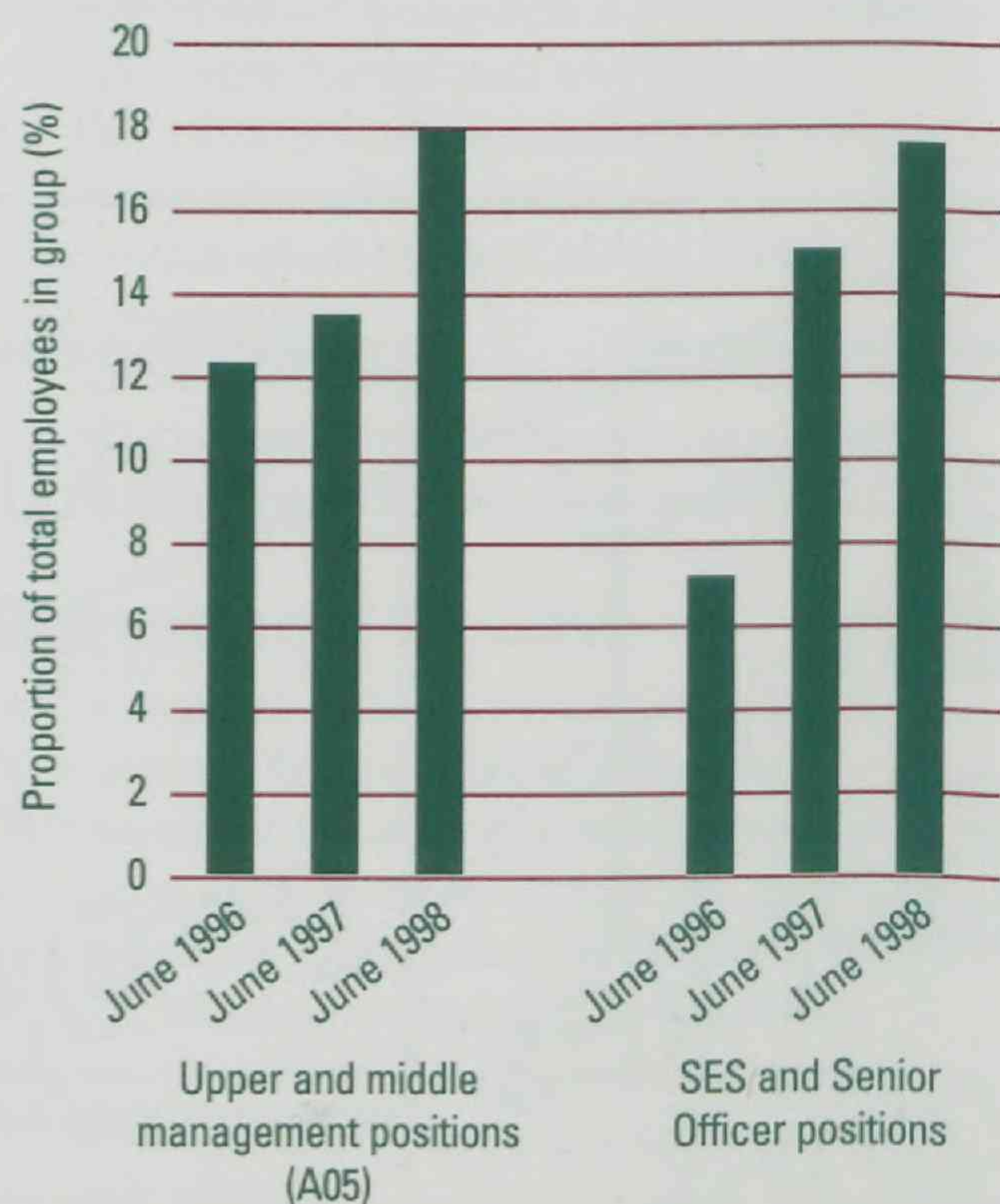
and development and equity, along with specific targets to contribute to the whole-of-Department targets outlined in the corporate priorities. They were monitored quarterly. These plans were also reflected in the individual performance plans of executive and institute directors.

Equal employment opportunity—building a diverse workforce to reflect our clients

DPI won two Public Service Commissioner's awards for best practice in equal employment opportunity in 1997-98, for:

- *career development for women*—During the past three years the Department implemented a range of strategies that raised representation of women in middle management positions from 12.3% to 17.9% and in senior and executive management positions from 7.0% to 17.5%.

Women in senior and middle management positions



- *work and family*—the Department implemented a significant number of initiatives to help clients and workers with family responsibilities to participate in the workforce more readily and effectively. They included the introduction of carer's and parent's rooms, change facilities, work and family guides for managers and employees, a parent's kit, and a 'keeping in touch' program for employees on leave.

DPI was awarded the Human Resources Corporate Award by the Australian Human Resources Institute (Queensland Division). This award recognised the excellence of the integrated suite of human resource strategies put in place to meet the business needs of the Department.

'I switched my phone through to the carer's room—my clients didn't even know I wasn't at my desk. It's brilliant! I'll be using it again.'



The carer's room in the Primary Industries Building, Brisbane.

Aboriginal and Torres Strait Islander Employment Strategy

The Department has committed itself to the development and implementation of an Aboriginal and Torres Strait Islander Employment Strategy. This strategy is now in the consultation phase with DPI senior officers, and equity and focus groups throughout the State. It aims to increase employment opportunities for Aboriginal and Torres Strait Islander people, as well as increasing cultural awareness in DPI staff.

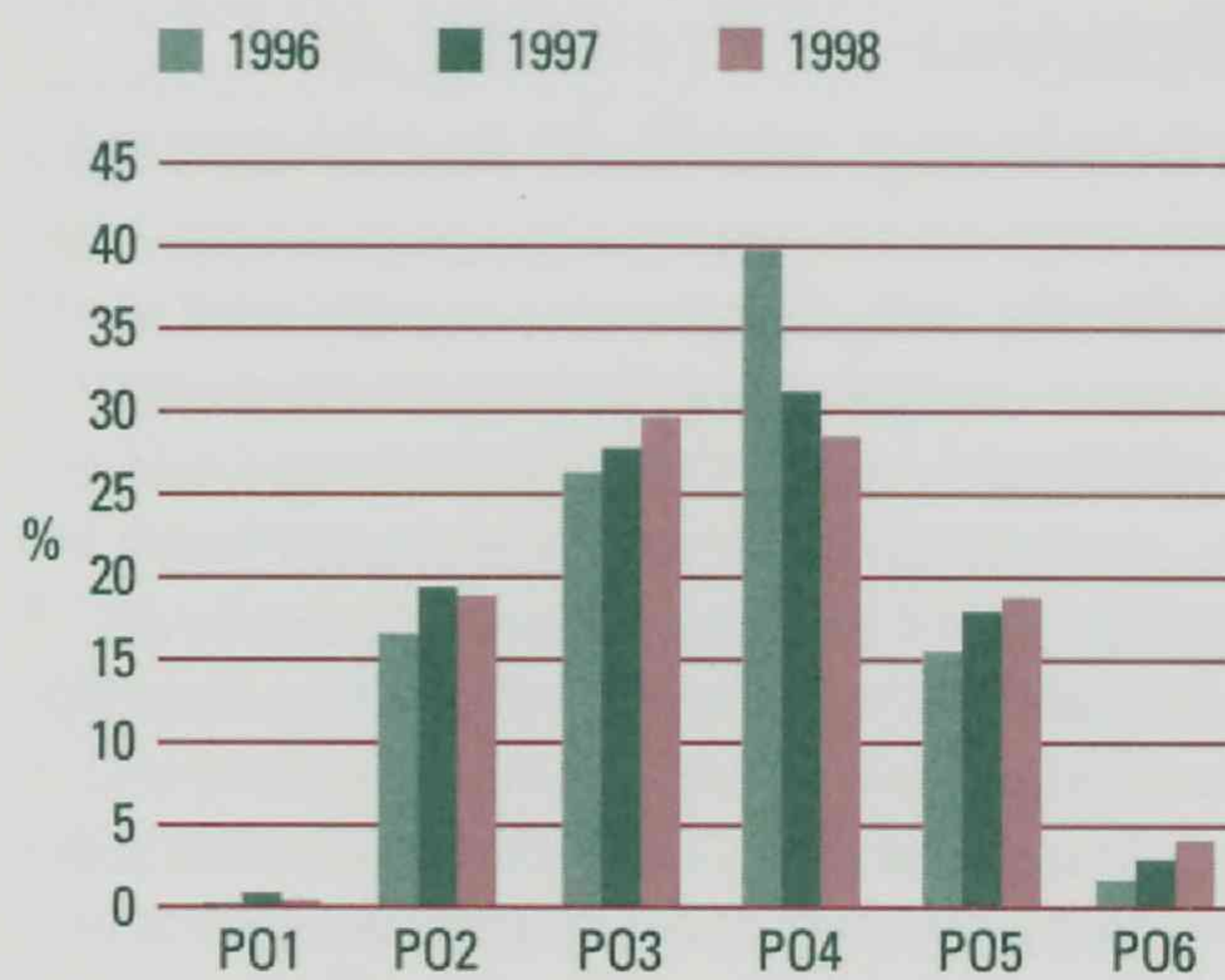
Sexual Harassment Referral Officer's Network

The Department's Sexual Harassment Referral Officer's Network was expanded to incorporate all forms of harassment. The newly named Harassment Referral Officer's (HRO) Network was very active during 1997-98. Combined training activities were undertaken with the Department of Natural Resources to encourage cost efficiencies and increase access to training. Awareness mechanisms were extended to all locations throughout DPI, and the Department's policy was upgraded to incorporate all forms of harassment. Quarterly reporting by all HROs has provided the Department and its management with effective data for developing strategies to deal with these difficult issues.

Workforce profile— monitoring our staffing

Staffing profiles are monitored quarterly on a corporate and business group/institute basis. With the introduction of InfoHRM, a new reporting tool, the Department increased its capacity to report on workforce trends in a meaningful way; the Senior Management Team, institute boards and business group management teams have had improved access to graphical and accurate data on their workforces. The Department continued to collect and analyse benchmarking data on a range of human resource measures to provide information for its decision making.

Profile of professional officers by level, 1996-98



Enterprise bargaining— remuneration and reward tied to strategic directions

The Department finalised three Certified Agreements during the course of the year. They provide for up to 12% in wage increases over three years, linked to the achievement of productivity initiatives and savings. The initiatives were developed in conjunction with staff and unions and were derived from the strategic imperatives of the Department.

Staff covered by the DPI and CSA agreements received pay rises upon certification of the agreements. A further pay increase was awarded from 1 July 1998 after DPI was able to demonstrate the achievement of productivity targets for each of its agreements. The agreements provide for a final 4% wage increase in 1999, dependent on the Department's ability to continue to achieve its remaining targets and savings.

Major new initiatives being implemented under the DPI Certified Agreement include the DPI Rural Area Incentive Scheme (RAIS), the Technical Officer Progression Scheme, achievement targets and strategies linked to the results of the Department's client survey, enhancement of performance management processes, and a review of working hours arrangements.

As a commercialised business group, DPI Forestry negotiated its own Enterprise Agreement with staff (see Forest Production program). Subject to the progressive achievement of milestones and targets under these initiatives, DPI Forestry staff will receive staged pay increases totalling 12% plus a once-only bonus payment at the end of the agreement. Staff have already received pay increases totalling 4% under the agreement and are due for a further 4% increase in November 1998.

Rural Area Incentive Scheme—*attracting and retaining staff in rural areas*

The RAIS incentives have been developed to help DPI attract and retain quality staff in remote centres. They came into effect with certification of the DPI Certified Agreement in November 1997. A locality index was developed to rate departmental centres on the basis of their remoteness and to identify staff eligibility for the available incentives.

The incentives under the scheme include:

- an increase in locality allowances;
- an allowance to help defray accommodation costs of officers not in government housing or receiving rental assistance;
- additional accommodation assistance through the subsidisation of private rentals;
- the development of transfer and rotation policies;
- initiatives to be implemented at the local level to help recruit and retain staff.

Progression—*extending our capacity to reward excellence*

Following the outstanding success of the DPI Progression Scheme for professional staff, the scheme was extended in 1997–98 to include technical staff. Technical staff had been eagerly seeking this improvement in conditions of service, and were heavily involved in the development and implementation of the DPI Technical Progression Scheme.

In the first round of the scheme, which concluded in January 1998, progression was approved for 45 technical staff—16% of eligible staff and 28% of applicants. The successful applicants were distributed broadly across the State and across business groups, institutes and disciplines.

Review of working hours arrangements—*flexibility to enhance client service*

A review of working hours arrangements was initiated to help business groups and institutes to amend or extend current arrangements, or introduce new ones, to better meet the needs of DPI, its employees and its clients. Staff are involved in the process.

This initiative provides for the introduction of payment of overtime to individuals or certain categories of field staff, as well as revised 'time off in lieu' arrangements.

Awards and recognition—*recognising and rewarding staff as the norm for DPI*

DPI recognises the outstanding performance and contributions made by staff to the achievement of its corporate goals and the continuing prosperity of Queensland's rural industries.

The 1998 Queensland Primary Industries Achievement Awards recognised excellence in various fields of the State's primary industries and nominations were received from primary producers, individuals, groups and organisations from across the State. DPI teams and individual staff were recognised in five awards:

- Christine Lane, DPI Growsearch Manager—winner, Communication Award;
- DPI Client Information Services—runner-up, Communication Award;
- DPI papaya fruit fly eradication—runner-up, Research and Development Award;
- Steven Garrad, DPI Sheep and Wool Institute—special commendation, Research and Development Award;
- DPI Southern Fisheries Centre—special commendation, Research and Development Award.

A large number of DPI staff and work teams were recognised in 1997–98 by professional and client organisations for their outstanding contribution to industry or their discipline. Some examples are:

- Dr Rosemary Clarkson, Executive Director, was named 1997 Public Sector Executive Woman of the Year in the Women's Network Australia national awards.
- David Wildermuth, Toowoomba *Futureprofit* project leader, was named Young Australian of the Year in the environment category.
- Dr Brian Burns, Queensland Beef Industry Institute Principal Husbandry Officer, and Baden Lane, Manager, Queensland Boating and Fisheries Patrol were awarded Churchill fellowships.

The prestigious Australia Day Public Service Medals in the 1998 honours list were awarded to Errol Weston, Principal Pasture Agronomist, for his contribution to sustainable agriculture in Queensland; and to Bob Brumm, Animal and Plant Health Service Principal Officer, for his work in the eradication of brucellosis and tuberculosis.

The Department also presented Australia Day achievement medallions to 8 staff representing a variety of disciplines, locations and roles: Brian Dunn, Rockhampton District Advisor; Peter Green, Animal Research

Some staff views on DPI's progression scheme for technical officers (TOs)

'I congratulate you on your effort to establish a long overdue creditable promotional scheme for TOs.' (unsuccessful applicant)

'The scheme gives TO staff the opportunity to progress in their career. Those of us who have progressed feel rewarded by peer recognition of work done.' (successful applicant)

'I am not really disappointed in missing out because I now know what I have to do [as a result of the feedback and being a panellist] to be successful next round. It is a great system which recognises and rewards technical staff in this Department.' (unsuccessful applicant)

Institute (ARI) Senior Parasitologist; Vern Hansen, Southedge Plant Breeder; Bill Holmes, Townsville Principal Agricultural Economist; Jeff Morris, Biloela Farm Supervisor; Trudie Smith, Crows Nest Administration Officer, Roger Stone, Toowoomba Senior Climatologist; and Geoff Sutcliffe, Rockhampton Groundsperson.

A number of work groups within DPI have instigated local awards to foster and reward high levels of achievement. Examples are South Region's Top Team awards, the Animal and Plant Health Service Achievement awards and the ARI's Innovation, Mavis Nolan and Quiet Achiever's awards.

Performance planning and development—building our capacity

The development of the Department's professional and technical staff was identified as a priority for the year. Six professional development networks were convened in the Queensland Horticulture Institute. Following this successful trial, other institutes and business groups are to expand on these networks during the current financial year. Mentoring and induction programs for professional and technical staff continued.

Particular attention was paid in 1997–98 to the processes in place for managing individual performance and development. New simplified policies were developed which encouraged local adaptation and implementation. A number of institutes and business groups have already instigated their own performance planning and development systems, under these broad guidelines.

The Department also streamlined its processes for dealing with ineffective performance. These streamlined processes, and the professional support given to managers to deal with particular cases, led to

an increased and appropriate use of discipline mechanisms. Eleven staff were dismissed for performance-related issues or resigned during a discipline process, and eight others were demoted or reprimanded. There was minimal recourse to the Industrial Commission or appeal mechanisms.

The Department also invested heavily in the development of its senior managers, 20 of whom attended courses offered by the Office of the Public Service. The Department continued to run or sponsor a number of other management courses, including leadership courses linked to the outcomes of the DPI staff survey. Plans are underway for further leadership development at all management levels.

Workplace health and safety—care for our staff and clients

As part of the Department's commitment to workplace health and safety (WH&S) strategies, a key priority during 1997–98 was to create a continuous improvement framework for departmental WH&S. This framework prescribes a pro-active approach to the management of WH&S and encompasses strategies focusing on prevention, participation, information management and education.

The improvement program has a high degree of commitment from all levels within the organisation. A WH&S Action Committee has been convened and is working on five key areas of importance: infrastructure, resources, recording and reporting, training and awareness, and recognition. The committee has already clarified responsibilities for WH&S, revised departmental policy, and upgraded training for WH&S representatives and managers. A full audit program of worksites was also conducted during the year.

OUR INSTITUTES

A network of rural research and extension institutes has been established by the Department to service the sectors of Queensland's primary industries. The aim is for each institute to become a centre of excellence in its own field (see also 'Business framework').

Queensland Beef Industry Institute

Aim of the Institute

To carry out high quality research, development and extension in order to develop a sustainable and profitable beef industry. The Institute is a partnership between DPI and the beef industry with 220 staff at 30 locations. Its work programs are organised mainly around client enterprises. They include breeding and feedlot cattle production systems, pasture-based growing and finishing production systems, live cattle export systems, and product enhancement.

Director: Dr Greg Robbins (Rockhampton)

A quote from the Chair

'The Institute has responded positively and responsibly to industry needs for improved services. The partnership concept is strongly in evidence in all of its activities. The Board particularly appreciates the enthusiastic and constructive manner in which the staff has responded to the challenge of the partnership model, and we at the Institute believe that it is headed for a very productive and successful future.'

John Vercoe, Chair

The current Board

Dr John Vercoe (Chair), national and international agricultural research and development consultant
Jocelyn Birch-Baker, beef producer (central Queensland);
veterinarian

John Bethel, beef producer (north Queensland)

Gavin Emery, agribusiness and rural finance consultant

Claire Rodgers, beef, pork and grain producer (north-east Darling Downs)

Dr Rosemary Clarkson, Executive Director Agriculture Industry Development, DPI

Kev Shaw, District Experimentalist, DPI

Farming Systems Institute

Aim of the Institute

To provide basic and applied research, development, extension, education and training focusing on field crop systems of northern Australia. The main focus is crop improvement and protection; soil, water and environmental management; crop and pasture systems and rotations; development and marketing; and farm mechanisation and engineering. The Institute is a partnership between DPI and the field crops industry with 450 staff at 24 locations.

Director: David Hamilton (Toowoomba)

A quote from the Chair

'The Farming Systems Institute is now up and running. We have an excellent Board and appointed our management team in December-January. The involvement of industry with various levels of management of the Farming Systems Institute will lead to better performance and better outcomes for the industry and the community.'

Lyn Brazil, Chair

The current Board

Lyn Brazil (Chair), grain and cotton grower (Brookstead)

Geoff Johnson, grain grower and industry representative (Theodore)

Allan Williams, cotton grower, industry representative and solicitor (Narrabri)

Jim Hitchener, crop consultant (Toowoomba)

Bob Hansen, Managing Director, Peanut Company of Australia (Kingaroy)

Dr Don Byth, scientist (Brisbane)

Margaret Cover, graingrower (Meandarra)

Dr Rosemary Clarkson, Executive Director Agriculture Industry Development, DPI

Queensland Horticulture Institute

Aim of the Institute

To develop and promote technology, information and management practices in order to ensure that the horticulture industry is internationally competitive. The QHI assists in opening new marketing opportunities. It also develops strategies to minimise losses and trade risks due to pests and diseases, and ensures that protection and postharvest practices meet food safety standards. It focuses on five key horticulture commodity programs: tropical fruits, subtropical fruits, vegetable crops, amenity horticulture and deciduous fruits. The QHI is a partnership between DPI and the horticulture industry with a network of 16 research stations and service centres for the horticultural industry throughout Queensland.

Director: Kathryn Adams (Indooroopilly)

A quote from the Chair

'During this past year the Queensland Horticulture Institute and Board worked together developing a strategic vision and focus for future directions of the Institute. The QHI also developed consultative mechanisms and a positive working relationship with industry to support the objective of providing solutions for industry in partnership with industry.'

Carl Hoffmann, Chair

The current Board

Carl Hoffmann (Chair), board member, Brisbane Market Authority

Edward Bunker, Managing Director, Redlands Nursery

John Gibson, board member, Australian Horticultural Corporation

Elizabeth Heij, Chief of Division, CSIRO Division of Tropical Agriculture

Joe Moro, fruit & vegetable producer (Mareeba)

Kim Morris, Principal, Kim Morris & Associates, amenity horticulture consultant (Cairns)

Noel Stevenson, papaya, banana and sugar cane producer (Innisfail area)

Paul Ziebarth, vegetable grower (Laidley)

Peter Neville, Executive Director Policy and Legal Services, DPI

Sheep and Wool Institute

Aim of the Institute

To focus on rangelands and on enhancing the wool, sheep and meat industries. Activities include product development; producer education and training; research into quality wool production; total grazing; harvesting, preparation, handling and storage of wool; chemical use; identifying emerging issues; studying production-related health conditions; and developing business management skills. The Institute is a partnership between DPI and the wool industry with 85 staff at 14 locations.

Director: Barry McDonald (Brisbane)

A quote from the Chair

'The Sheep and Wool Institute has developed a strategic plan that dictated a radical and challenging re-formation of program and business structure into a very client-focused

unit, with some real, perhaps experimental, measurements in place for success or failure. I am excited by the prospect of our next report to government and to industry 12 months from now.'

Simon Campbell, Chair

The current Board

Simon Campbell (Chair), woolgrower (Blackall)
 Michael Lyons, woolgrower (Augathella)
 Robert Pietsch, woolgrower (Inglewood)
 Simone Tully, woolgrower (Cunnamulla)
 Laurie Piper, Chief Scientist, CSIRO Division of Animal Production
 Brian Roberts, Director, Land Use Study Centre, USQ
 Mac McArthur, General Manager Extensive Livestock, DPI
 Barry McDonald, Institute Director, DPI.

Centre for Food Technology

Aim of the Institute

To help small to large food manufacturers and processors with all aspects of value adding and postharvest technology, including the adoption of new technology and processes, analytical testing, and export market development. The Centre brings together the expertise of food scientists, technologists, analysts and engineers and provides a range of services including product and process development; pilot plant investigations; chemical and microbiological analysis; trade liaison with export markets; export certification of food products; market access to intelligence and development of export controls; strategic applied R&D; audit and advice on waste minimisation and use; advice on quality assurance, design and implementation; sensory evaluation; and practical training and workshops. It has collaborative links with other key research centres and universities throughout Australia.

General Manager: Peter Skarszewski (Hamilton)

A quote from the Chair

'The Board of the Centre for Food Technology is pleased to report that the Centre achieved the great majority of its goals for the financial year. Staff teams are well motivated and continue to service the Queensland and Australian food industries.'

Bill Widerburg, Chair

The current Board

Bill Widerburg (Chair), Midaplain Pty Ltd
 Gregory Williamson, Intersect Strategic Consulting
 John George, Mrs Crocket's Kitchen Pty Ltd
 Noel Carruthers, National Hide Processors Pty Ltd
 Ewan Colquhoun, Macarthur Consulting
 Barry Kelly, Golden Circle Ltd
 Ray Teh, Karlgold Pty Ltd
 Steven Myler, Chisholm Manufacturing
 Dr Peter White, Executive Director, Rural Industry Business Services, DPI

Queensland Poultry Research and Development Centre

Aim of the Centre

To undertake industry-oriented research into producing nutritionally healthy, high quality poultry products from livestock housed to the highest standards. The Centre brings together expertise in nutrition, husbandry, genetics and animal health, and emerging industries such as emus and ostriches are included in its research program. The Centre is a joint venture of DPI, The University of Queensland and the poultry industry.

Director: David Farrell (Redlands)

A quote from the Chair

'The Queensland Poultry Research and Development Centre provides leadership in research, extension and education to the egg and chicken meat industries. Continuing projects in nutrition, computer modelling of diets and vaccine development all support a more efficient industry. Industry funding bodies have continued to support new projects and contract research is in demand.'

Ralph Hohl, Chair

The current Board

Ralph Hohl (Chair), egg industry (Gold Coast)
 Geoff Stewart, egg industry (Toowoomba)
 Gary Sansom, chicken meat industry (Beaudesert)
 Dr John Dingle, University of Queensland
 Dr Bob Pym, University of Queensland
 Dr Rosemary Clarkson, Executive Director Agriculture Industry Development, DPI
 John Walthall, General Manager Intensive Livestock, DPI

Australian Tropical Dairy Institute

Aim of the Institute

To enhance the competitiveness, profitability and sustainability of the northern dairy industry. The Institute carries out work through collaborative projects, and coordinates resources for training at a wide range of levels. Current research includes feeding systems, animal health, milk processing and farm business management. The Institute is a joint venture of DPI, the Queensland Dairyfarmers' Organisation and The University of Queensland.

Director: Dr Tom Cowan (Gatton)

A quote from the Chair

'The Australian Tropical Dairy Institute has enhanced research, development, extension, education and training services in support of Australia's subtropical dairy industry. The primary focus in the last year has been to enhance producer management skills and prepare for a less regulated and more competitive milk market.'

Mal Lanham, Chair

The current Board

Mal Lanham (Chair), dairy farmer (Nambour), Vice President, Queensland Dairyfarmers' Organisation
 Ralph Leutton, Executive Officer, Queensland Dairyfarmers' Organisation
 Dr John Ternouth, University of Queensland
 Dr Michael McGowan, University of Queensland
 Dr Rosemary Clarkson, Executive Director Agriculture Industry Development, DPI
 John Walthall, General Manager Intensive Livestock, DPI

Australasian Pig Institute

Aim of the Institute

To enhance the profitability of the pig industry through research, development, and education and training. Three key areas of activity have been identified: environmental sustainability, education and training, and extension and technology. The Institute is also looking at niche areas including health and diagnostics, reproduction, genetics, market development and links to Asia. It is a joint venture of the Queensland Pork Producers' Organisation, The University of Queensland and DPI.

Director: Dr Alan King (Gatton)

A quote from the Chair

'The Australasian Pig Institute has increased and refocused services to the pig industry in Queensland. It provides a wide range of research, development, extension, education and training for the pig industry, but top priority in the past year has been given to helping producers manage the impacts of the pork price collapse following the relaxation of pork import controls.'

Bruce Lockwood, Chair

The current Board

Bruce Lockwood (Chair), pig farmer (Toowoomba), Queensland Pork Producers Organisation
 Bruce Trout, pig farmer (Kingaroy), Queensland Pork Producers' Organisation
 Dr Keith Hughes, University of Queensland
 Dr Bruce Young, University of Queensland
 Dr Rosemary Clarkson, Executive Director Agriculture Industry Development, DPI
 John Walthall, General Manager Intensive Livestock, DPI

OUR CHANGING ECONOMIC ENVIRONMENT

Queensland's primary industries operate in an increasingly globalised environment, dominated by international factors. A number of major emerging global developments have had an impact on the State's primary industries in 1997-98, and are expected to continue to do so in the foreseeable future.

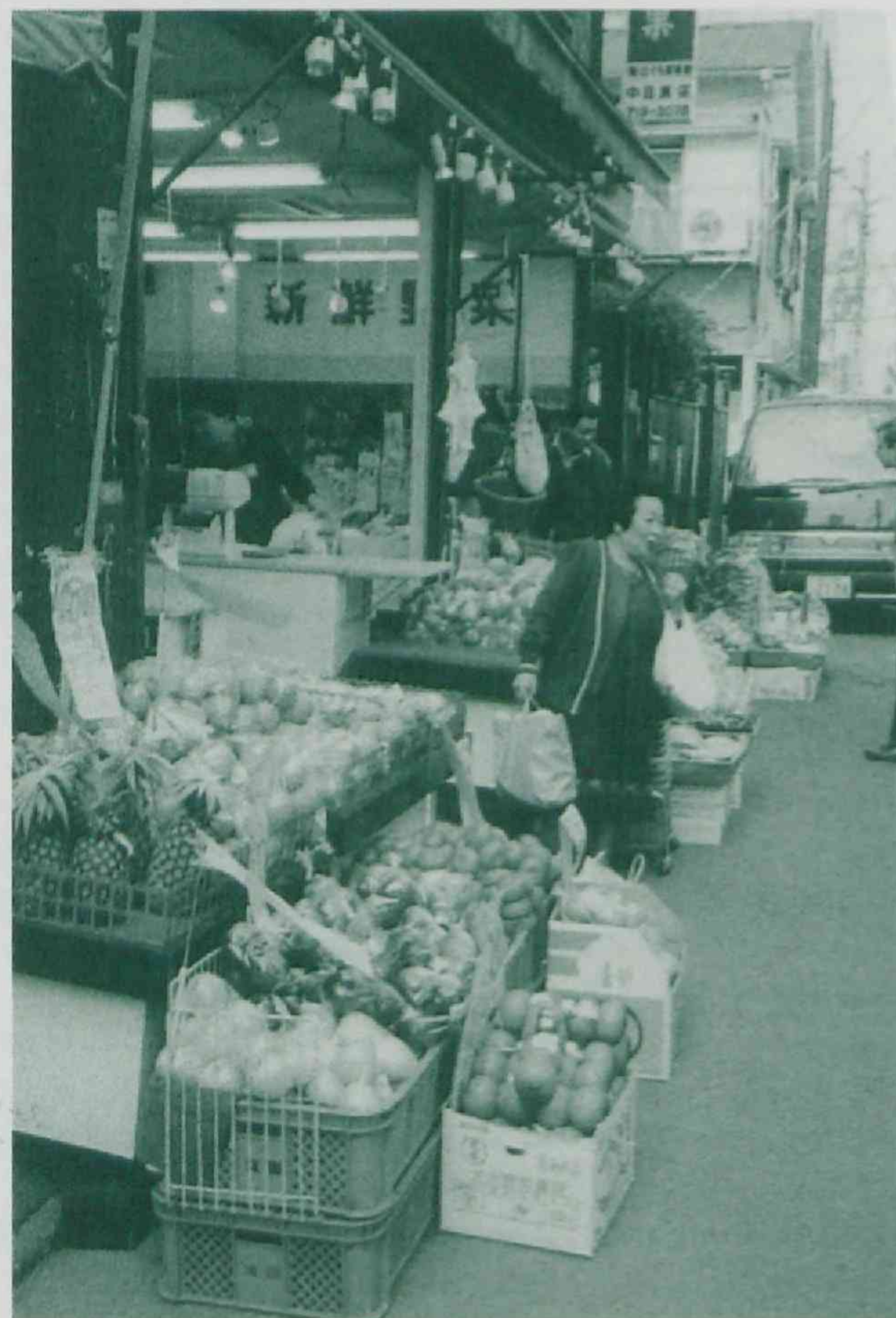
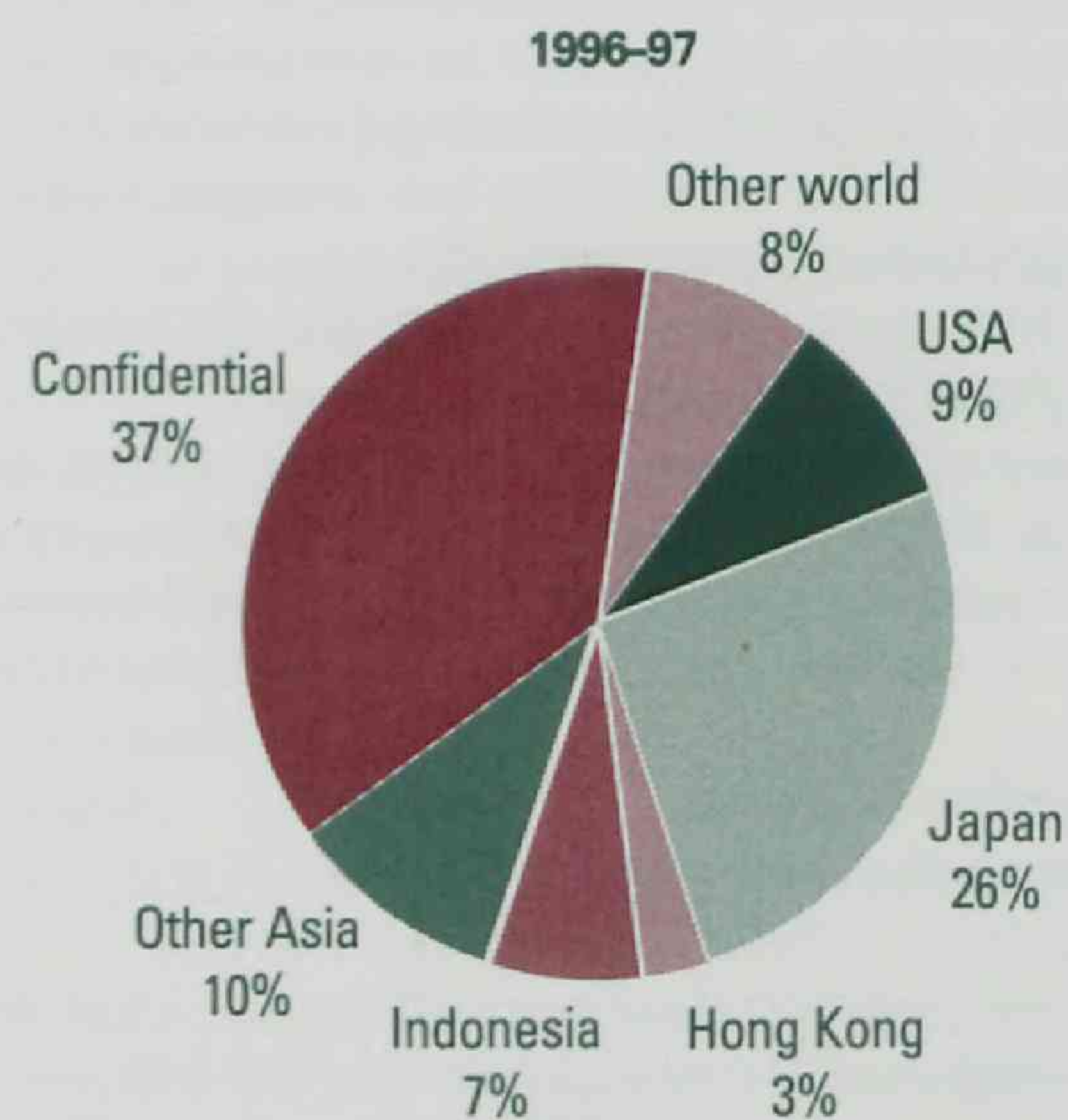
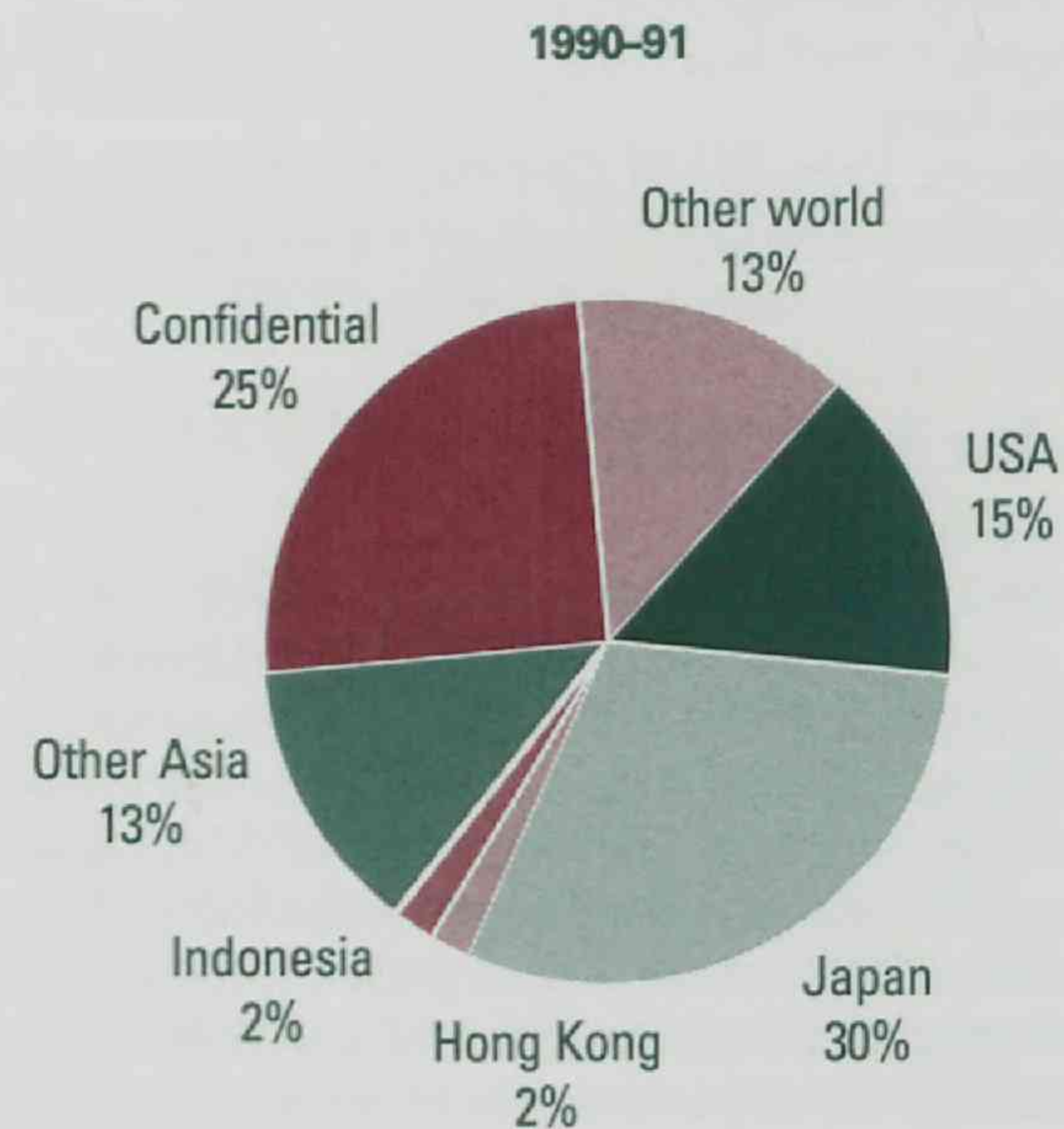
1997-98 in review

The Asian crisis

On 4 July 1997 the Bank of Thailand decided to float the overvalued Thai baht on the international currency market, resulting in a rapid devaluation of the currency. This unexpected decision sent shock waves through East Asia which, until recently, had sustained high growth and attracted substantial foreign investment (peaking at US\$106 billion* in 1996). Reassessing their risk exposure, foreign investors were quick to divest US\$12 billion from Thailand, Indonesia, Korea, Malaysia and the Philippines; this was sufficient to throw these countries into deep recession and have a major flow-on impact on the economies of Japan, Hong Kong, Taiwan and Singapore.

One year on from the Asian crisis the net effects are continued widespread economic recession, significantly lower exchange rates and asset prices, higher interest rates, and mark-downs in individual countries'

Major export destinations for Queensland



Queensland rural products on sale in an Asian market.

sovereign credit ratings, with Indonesia, Korea, the Philippines and Thailand being rated 'below investment grade'.

The Asian crisis has had negative flow-on effects on trade. Japan, Indonesia, Hong Kong, Taiwan, Korea and the Philippines were significant export markets for Queensland in 1997-98, absorbing around half the State's total exports of rural products. The live cattle industry was the first to feel the impact, with a 50% fall in live cattle exports to Indonesia by October 1997. Current export data do not yet fully reflect the impact of the Asian crisis on bulk commodities; its full effect is not likely to be felt until the second half of 1998 because of the lag between orders and delivery and the long-term contractual arrangements under which Queensland commodities are traded.

Queensland's trade statistics for the 12 months to May 1998 show declines in the exports of live animals (-43%) cereals (-35%), and sugar and confectionery (-18%) compared with the preceding year.

*Dollar amounts mentioned in this report are in Australian dollars unless otherwise specified.

However the trade statistics show total exports unchanged at \$4.15 billion. Commodities showing improvement during this period included meat (+33%), seafood (+28%), vegetables (+24%) and dairy products (+13%). It should be noted, however, that these figures do not reveal the real impact of the Asian crisis on Queensland's exports, but more likely reflect the fulfilling of prior forward contracts with the region.

Japanese recession

Japan is suffering from the inefficiencies of years of protectionism and inflexibility in its domestic economy. The Japanese recession is characterised by poor growth bordering on 'stagflation', resulting from prolonged bad debts of approximately US\$1 trillion in the banking sector. This has led to a tightening of fiscal policy, increases in some taxes, financial market instability, and the collapse of financial institutions. Private sector activity remains weak.

Depreciation of the yen against the United States dollar has stimulated Japanese exports to the United States and Europe, but Asian markets for Japanese exports are shrinking as a result of the Asian crisis. The prolonged impact of that crisis on Japan's export trade may heavily influence the country's prospects for growth.

Japanese demand for Queensland's primary products has eased in recent years, but no further sharp declines were experienced in 1997-98. Queensland's export competitiveness in Japan in relation to United States and European suppliers is strengthened by the current low exchange rate of the Australian dollar against the American currency.

The strong United States economy

After five years of expansion the United States economy continues to grow at around 4% per annum, well above the historical norm. Despite tight labour markets, wage settlements and price increases have remained low, reflecting in part strong productivity performance in recent years, as well as falling import prices for a wide range of products. The United States has also experienced a stock market boom as a direct result of the strong performance of its economy: in 1997 share prices rose on average by around 30%. Private consumption and business investment also remained strong during 1997-98, although the effects were partly offset by a sharp decline in net exports and rising imports, due to the strength of the United States dollar. The United States remains a significant market for Queensland primary produce, but dependence on this market has shown a declining trend in recent years.

The weak Australian dollar

Australia has experienced strong economic growth during the past year, based on low interest rates and a low real exchange rate for the dollar. The low exchange rate improves Australia's competitiveness in its own domestic market by making imported products comparatively more expensive, and also in world markets, where its products are cheaper in relation to their United States and European equivalents. For the same reason, in countries with strong currencies (such as the United States and some European countries) Australian exports are more competitive in terms of price than the domestically produced equivalents. Export prices in Australian dollars are currently at their highest since the resource export boom in 1988, and equal to those in 1985 when the declining dollar increased resource equity prices.

Reducing international protectionism

Advances in transport and communications are creating opportunities for international trade and a general trend towards globalisation. This, combined with a readiness in some countries to reduce agricultural protection, could favour Queensland's export trade.

Australia has relatively low levels of government assistance for agriculture. According to the scale used by the Organisation for Economic Co-operation and Development, Australian agricultural protection is the second lowest of the industrialised countries. Moreover assistance levels are declining, and many major agricultural industries receive little or no support. For example the level of assistance to beef, the largest contributor to Queensland's gross value of agricultural production, is currently just one-third of the average for all the State's agricultural industries.

The Kyoto protocol

In December 1997 international delegates negotiated strategies for the global reduction of greenhouse gases and threat of climate change, under the Kyoto Protocol. In brief, it was agreed that developed countries as a whole will reduce greenhouse gas emissions by at least 5% by 2008-2012. Each country has a specific target, based upon its economic circumstances and ability to reduce emissions. While most developed countries are required to reduce emissions Australia is entitled to increase its emissions by 8% over the period, based on its high levels of agricultural, aluminium and steel production and its strong population growth. The agreement has so far had no direct impact on Queensland's primary industries.

1998-99 outlook

The Asian crisis

The effects of the Asian crisis are expected to continue to be felt in 1998-99. Demand is predicted to fall across the region, affecting growth and creating further political instability in the Asia. Unemployment and social unrest are expected to worsen during the period, while consumption is likely to continue to fall. This situation may be further exacerbated if China decides to devalue the yuan. Recovery in Asian region will depend on the timing of a devaluation of the Chinese yuan and continued steady growth in the United States economy.

Continuing low currency values and diminished purchasing power will make imported goods more expensive for Asian buyers, causing a shift in demand away from high value imported food to traditional Asian foods. The magnitude of this shift will vary according to the elasticity of demand for individual products. The impact will be greatest on high value products.

Current predictions for Queensland's fruit and vegetable exports suggest that citrus will be worst hit as a result of loss of the Indonesian market, which is usually valued at \$10-15m. On the other hand, and despite an expected consumption decrease of 10% in the Asian region and low world prices, Queensland sugar exports are expected to remain steady in 1998-99. This is due to a high level of futures hedging, failure of this year's Thai sugar crop, and relaxation of tariffs on sugar imports into Thailand, Indonesia and South Korea under agreements with the International Monetary Fund.

Live cattle exports to Indonesia will remain low due to severe currency depreciation and reduced incomes. Prices for live cattle are expected to remain high in

Indonesian currency terms, and the cost of holding cattle on feed is inflated by high interest rates; imported meat will therefore be prohibitively expensive to most end consumers. The same forces are expected to apply to a lesser extent in the Philippines.

The outlook for Japan

The Japanese economy will experience further contraction in the coming year. Negative growth (-1.6%) is expected for 1998 and zero growth in 1999. Devaluation of the yen is possible; this would strengthen Japan's exports but would also exacerbate divestment and regional instability.

Japan is a significant market for Queensland primary products, in particular meat, seafood, wheat and grains, hides and skins, sugar and cotton. The effect of the recession is likely to be felt in the high value industries with high elasticity of demand; these include seafood, fruit and vegetables, wool and possibly cotton. Exports of cereals, meat and sugar are not expected to fall significantly.

New market opportunities

Opportunities for Queensland's rural products are developing in regions such as the Middle East, China and Eastern Europe. The current low value of the Australian dollar gives Queensland's products a competitive advantage in these markets in relation to United States products. DPI is developing strategies to expand Queensland's presence and profile in these markets.

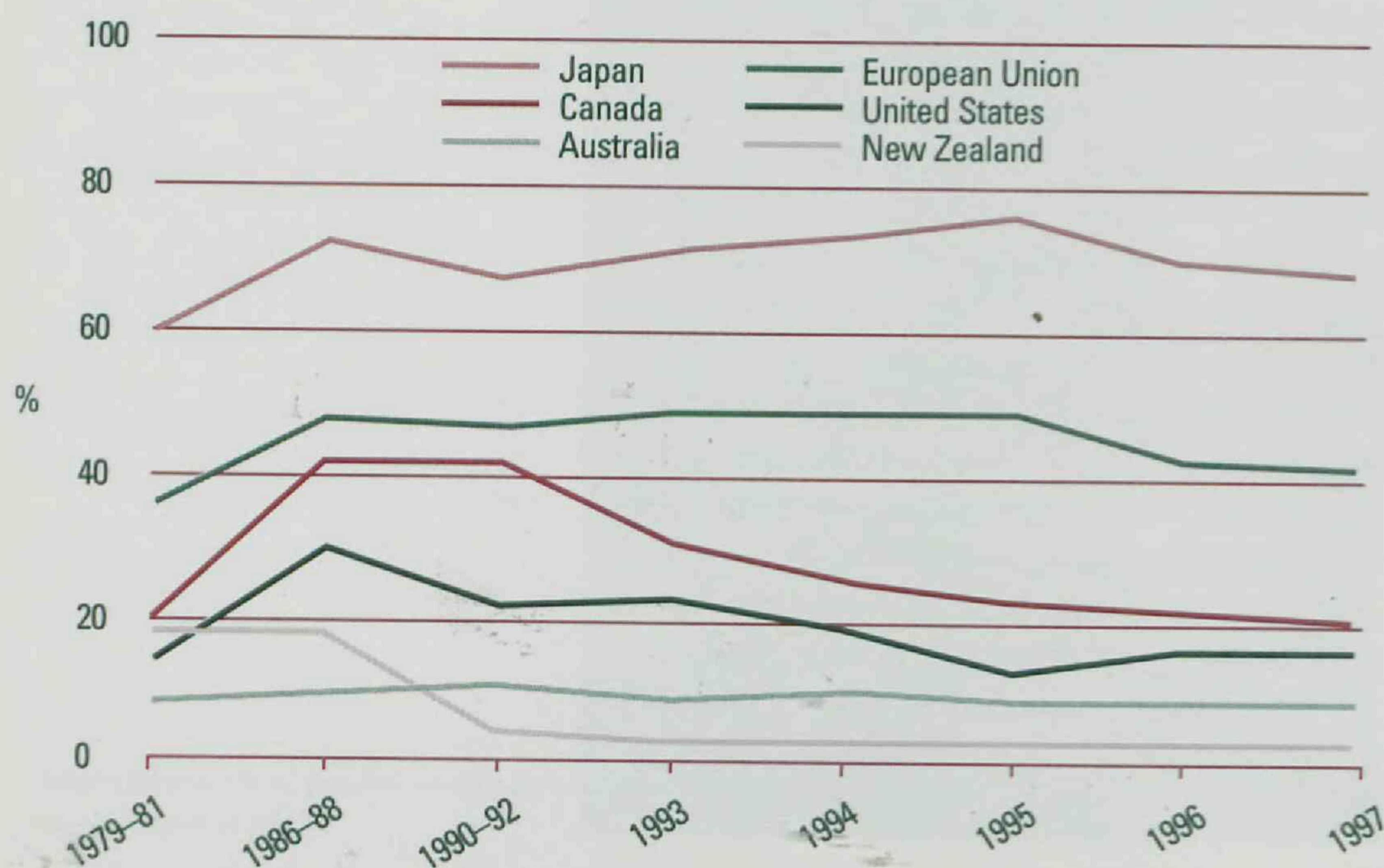
The Australian dollar's low value will also help selected Queensland rural products to enter the European Union (EU). In addition, proposed changes to the EU's Common Agricultural Policy should lead to lower subsidies to its producers, which will improve Queensland's competitiveness in the international market place.

Improved market access opportunities with China have emerged following the signing of a protocol allowing the export of slaughter cattle from Queensland, subject to quarantine requirements. Shipments are expected to start late in 1998 and will depend on the movement of exchange rates. This new market for live cattle is likely to absorb some of the slack resulting from the decline in trade with Indonesia.

Emerging competitors

While trade opportunities are expanding, market share for Queensland agribusiness products could be seriously threatened by the emergence of very competitive Southern Hemisphere suppliers, especially in horticulture, wine and beef. Countries in South America and Africa have already established, and are expanding, a presence in Asia, Europe and North America and are competing on both price and quality.

Average support for Agriculture in selected OECD countries



The outlook for the United States

Recent strong upward movements in the United States dollar against other major international currencies could significantly improve the short-term outlook for exports of Queensland primary products. Moreover, the strong performance of the United States economy suggests that the dollar will remain high against major currencies in 1998-99, even though growth is predicted to slow to around 2% in 1998-99. This is expected to have a negative impact on United States export and import-competing industries, and net exports are expected to decline sharply.

Exchange rates and redirection of trade

After several years of strong growth in the Australian economy, growth in gross domestic product is expected to slow to 1.5% in 1999, well down from previous forecasts of around 4%, largely as a flow-on effect of the Asian crisis. Exchange rate predictions are unreliable, but recovery of the Australian dollar against the United States currency is expected to be slow. Exports should therefore remain competitive in the coming year, with opportunities opening up for increased trade with North America and Europe.

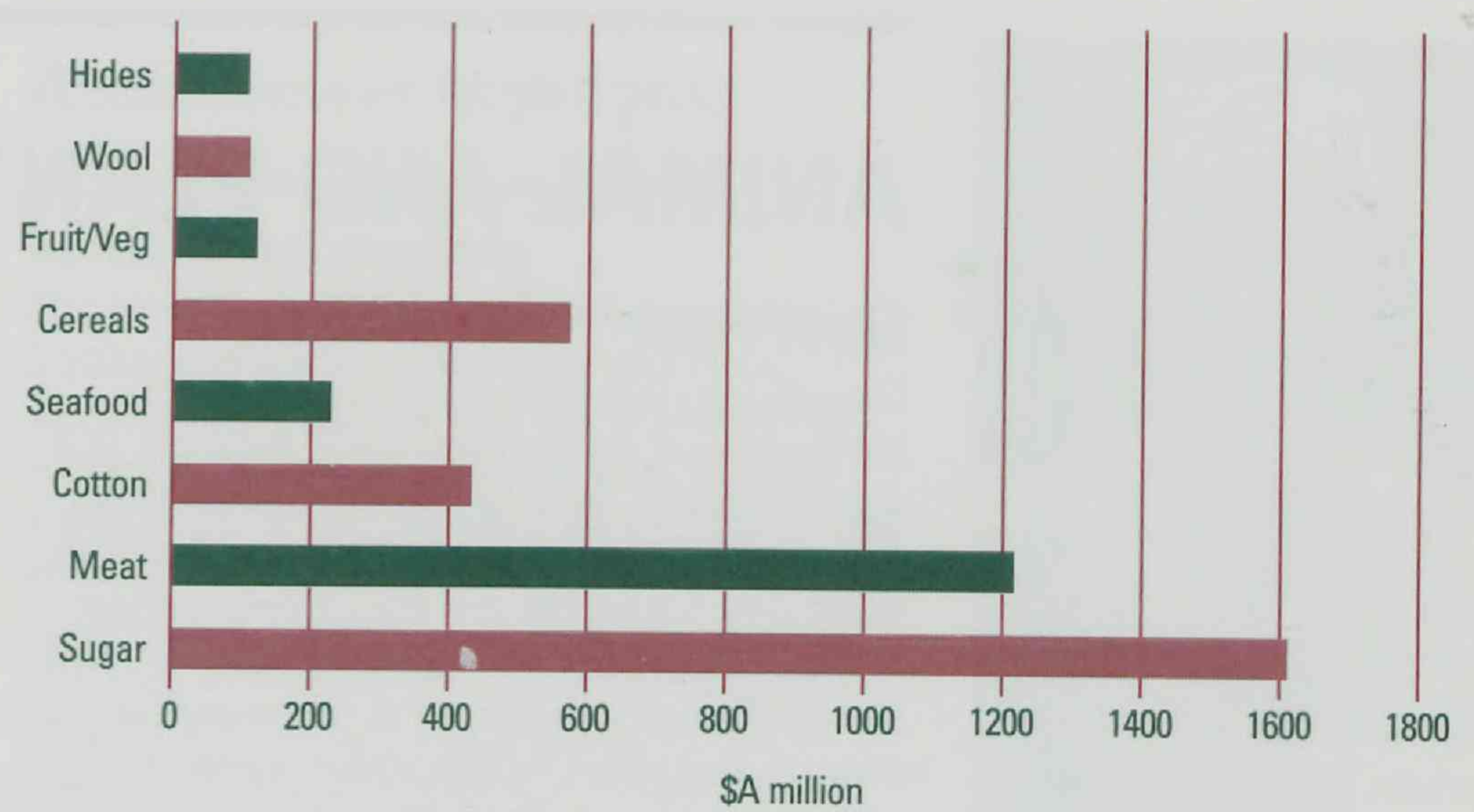
The United States, Japan and other Asian countries have been the dominant markets for exports of Queensland primary products. However, Australia's low real exchange rate, combined with the effects of falling demand across much of Asia, is expected to lead to a redirection of the State's overseas trade to other regions. The live cattle industry, for example, is already seeking new markets in China and the Middle East. China, however, may face strong internal pressures to devalue its currency, a move that could affect the economic recovery of other Asian countries.

Freer trade in agricultural products

The 1994 Uruguay Round of negotiations was a significant step towards reducing international trade barriers. Agricultural products have traditionally been the subject of many more trading restrictions and distortions than other products, but in the Uruguay Round they were included in the broader rules guiding international trade and investment. Negotiations to continue the reform process, scheduled to begin in 1999, are intended to further foster international market access and reduce subsidisation of agricultural export industries.

As a significant producer and exporter Queensland has a strong interest in reducing

Primary product exports by product group, Queensland 1996-97



trade barriers affecting agricultural products. While trade reform for Queensland's major agricultural exports is expected to be a slow and erratic process, there are positive developments. It is expected that less protectionism and more stable market prices world wide will lead to improved market access and reduced competition from subsidised exports, which will ultimately mean increased agricultural production and exports for Queensland.

However, it should be noted that there is an increasing tendency by countries to resort to non-tariff barriers, based for example on environmental and health issues (such as chemical residues in food, genetically modified organisms, and protection of non-targeted species), to restrict trade.

The effects of Kyoto

Land clearing for farming and other uses accounts for 20% of greenhouse gas emissions in Australia. The need for increased vegetation has been recognised in a number of programs, such as Bushcare, as well as wider strategies such as the National Greenhouse Response Strategy, aimed at the sustainable management of rural lands and forests. While it is difficult to gauge the impact of the Kyoto Protocol on Queensland's primary industries, studies in the United States indicate that limiting greenhouse gas emissions will increase the cost of agricultural production. It is expected that the costs of fuel, gas, fertiliser and agricultural chemicals will rise, reducing competitiveness compared with low cost developing countries that are not signatories to the Protocol.

PROGRAMS

ANIMAL AND PLANT HEALTH SERVICE



Kevin John Dunn
B.V.Sc.(Hons)

Mr Dunn joined DPI in 1992 after serving with the Commonwealth Government in Canberra, Adelaide, Cocos Islands and Brussels. He became Director of DPI's Animal Health and Welfare Bureau in 1992 and Executive Director, Animal and Plant Health Service in 1996.

Major outputs and outcomes

Restoring key horticultural markets for north Queensland

The papaya fruit fly is eradicated from north Queensland by the year 2000.

Pest and disease surveillance for market access

Queensland's trade in primary produce enjoys a competitive advantage through high quality surveillance systems.

Early detection, rapid response, back to business

The adverse effects of exotic and emergency pest and disease incidents on agriculture and the community are minimised through effective response management.

Contained pests and diseases, competitive industries

Industry competitiveness is enhanced through minimising the impact of significant established pests and diseases.

Wholesome agricultural products, more markets

Community and market expectations of the quality and wholesomeness of Queensland's agricultural produce are satisfied in respect of the control of chemical residues and disease agents.

Animal welfare, community and market acceptance

The welfare of animals in Queensland meets community and market expectations.

Overview

Significant changes are occurring in international agricultural trade patterns and standards and there is increasing consumer demand for quality food products. Together, these developments call for corresponding changes in service provision to industry and the community in the areas of assessment of animal and plant health status, control of serious pests and diseases, and animal welfare standards.

Queensland agriculture relies heavily on its ability to trade internationally. Significantly, rural communities also rely on effective strategies to remain competitive in relation to imported products. Substantial forces outside the State's control affect the animal and plant health aspects of international trade. The World Trade Organization (WTO) now requires its members to ensure that any protective trade measures be based on scientific principles, and not to maintain such measures without sufficient scientific evidence. For agricultural trade, the Sanitary and Phytosanitary (SPS) agreement defines the basic rights and obligations of member countries with respect to protecting human, animal or plant health and includes the concepts of risk assessment, regionalisation, harmonisation and transparency.

As international trade in agricultural products moves away from tariff-based controls, there is increasing reliance in trade negotiations on quantitative assessment of the health status of countries and regions. Reassurance of and confidence in Queensland's excellent pest and disease status will be achieved only through comprehensive surveillance systems which quantify its current status and provide for early detection and reporting of any change.

While Australia's isolation and its status as a country relatively free of pests and diseases provide a competitive advantage, the country is also vulnerable to a number of serious pests and diseases that are present in areas very close to its borders. In 1997-98 the animal and plant health program achieved its goals of early detection of and effective response to several new and emerging threats: black sigatoka in bananas, spiraling whitefly and mango leafhopper in horticulture, and Japanese encephalitis, a mosquito-borne virus infection of animals and humans. These activities highlight the rapidly changing risks due to the movements of people and native fauna and flora at the

fringes of Queensland, which threaten the State's ability to trade, undermine its ability to produce agricultural products efficiently, and in some cases threaten community health. They also demonstrate the need to promote community awareness and provide planning and staff training to achieve an effective emergency response capability.

Along with industry the Department is in the process of prioritising the pest and disease threats facing Queensland, in order to ensure that contingency plans are put in place in line with agreed government and industry policies. APHS uses risk analysis approaches for such threats and subsequent risk management procedures. Eradication of specific pests or diseases may be considered appropriate for industry viability and international competitiveness. In 1997-98 the papaya fruit fly was virtually eradicated in north Queensland, at least 12 months ahead of schedule—a remarkable achievement by international standards.

Agricultural and veterinary (agvet) chemicals remain an integral part of modern primary production. However the use of chemicals in agriculture is subject to increasing pressure from consumers and environmental groups. It is important that only appropriate chemicals be available for use, that they be used responsibly, and that systems be in place to monitor their distribution and use. APHS provides services to support these outcomes.

Livestock production not only needs to meet community and consumer expectations that animals be treated humanely, but increasingly needs a positive welfare reputation to enhance market access. The Department, through APHS, is moving to introduce new legislation and ensure that primary producers are aware of and educated about animal welfare issues.

I am extremely pleased that APHS has achieved an appropriate blend of skills and enthusiasm for efficiently providing for the needs of the State now and into the future. Its work is supported by its ongoing partnerships with industry, through consultative processes and through more formal alliances such as that with the Queensland Animal Health Council, which was established during the year. Through continued planning and partnership building, the evolving challenges presented by the requirements of agricultural trade and community expectations of agricultural pest and disease control practices will be surmountable.

Kevin Dunn, Executive Director

Program description

The Animal and Plant Health Service delivers regulatory, educational and advisory services aimed at:

- controlling significant pests and diseases of animals and plants;
- preventing the spread of pests and diseases where necessary;
- eradicating pests and diseases where appropriate;
- responding to pest and disease emergencies;
- providing information on the distribution and occurrence levels of pests and diseases relevant to trade;
- promoting correct use of agricultural and veterinary chemicals;
- promoting acceptable animal welfare standards.

APHS supports and encourages a number of industry-driven quality assurance initiatives. It also provides diagnostic surveillance services, undertakes research where required, and has a role in the prevention of animal pest and disease conditions which can affect human health.

The outputs and outcomes of APHS in 1997-98 were the result of close partnership between government and industry. Following are noteworthy aspects of that partnership:

- The charter of the Queensland Animal Health Council (QAHC) was established in 1997 and the Council began operations in January 1998. The council is a skills-based body whose purpose is to initiate, develop and evaluate strategic animal health policy and provide recommendations to the Minister. QAHC will play a key role in establishing and maintaining communication with relevant industry organisations to facilitate adequate consultation on animal health issues—a key partnership of government and industry.
- A feasibility study to develop options for the establishment of a proposed Animal Health Institute in Queensland got underway in April 1998. The proposal is for the possible amalgamation of DPI's animal health laboratory resources with the animal health activities of The University of Queensland and CSIRO's Division of Tropical Agriculture into a single facility for animal health. The study will be completed by December 1998. It is using cost-benefit analysis to help identify the best options. It will lead to recommendations as to where the merged facility might be located, how it would operate, how much it would cost and how it would be funded.
- Negotiations are well under way at national level for the establishment of an Australian Plant Health Council. APHS is playing a key role in the development of this body, working closely with national

industry bodies and with the Commonwealth Government and the State Governments to establish its charter.

Achievement highlights

Restoring north Queensland's horticultural markets

The long-term viability of Queensland's \$500m horticultural industry has been significantly enhanced by the outstanding success achieved towards the goal of total eradication of the papaya fruit fly (PFF). Area Freedom throughout the entire Pest Quarantine Area in north Queensland was declared in August 1998. It is now expected that the eradication campaign will end in June 1999, a year ahead of schedule, thus saving almost \$30m. The eradication techniques used have been so successful that the use of expensive sterile insect technology (SIT), previously considered necessary to eradicate this pest, has been deferred.

There was progressive area release of PFF quarantine restrictions throughout 1997-98 and all such restrictions were lifted on 23 August 1998. These moves progressively relieved growers of the costs and inconvenience of complying with PFF treatment certification, as well as eliminating delays to industry and to the travelling public due to roadblocks in the affected area of north Queensland. They also enhanced access for local horticultural produce to sensitive export markets.

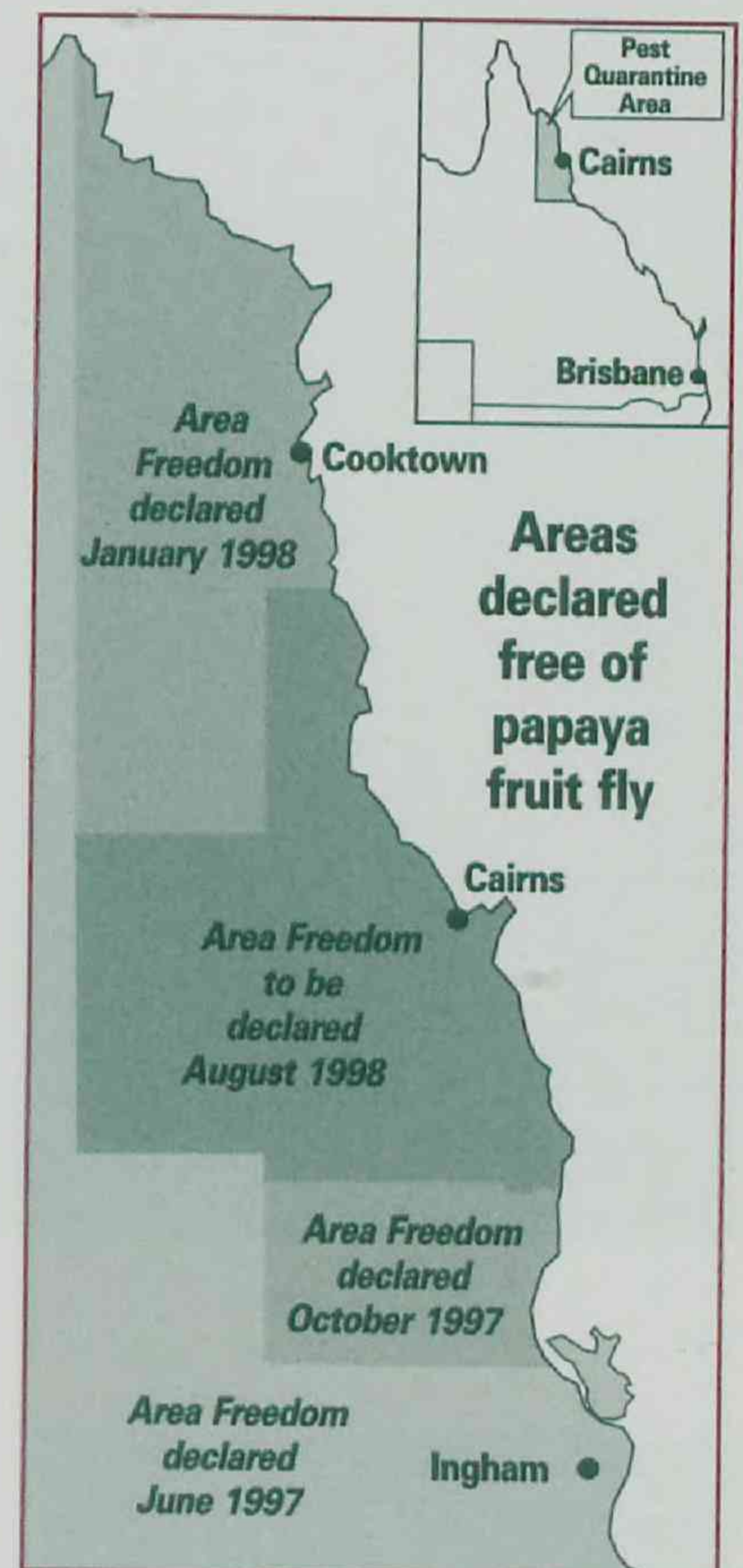
An analysis by the Australian Bureau of Agricultural and Resource Economics (ABARE) indicated that the long-term benefits of PFF eradication amply justified the significant cost (more than \$50m) of the campaign.

The achievements of this eradication campaign have been many. The technical inputs into eradication and monitoring, the rigorous approaches to control of movement of product, the community awareness and public education, and the continuing national support provided have been models for a campaign of this kind. The staff of APHS should be proud of their efforts in delivering the campaign.

Pest and disease surveillance for market access

- A disease surveillance system was implemented in 1997-98 across the beef and sheep industry. More than 220 cattle herds and 15 sheep flocks were randomly selected and sampled for the presence and absence of specific diseases that could be raised in trade negotiations. The results have been provided to the National Animal Health Information System (NAHIS), which is Australia's information centre for meeting international obligations.

PROGRAMS



'Animal health policy is a significant contributor to global agricultural trade and also to domestic marketability of livestock and products. It is vital that government and industry develop the right policies for the changing environment. DPI's Animal and Plant Health Service is to be congratulated in taking the initiative to help establish the QAHC and facilitate early priority setting within the Council. Immediate priorities include the development of recommendations for a funding base to provide compensation for animal disease surveillance and control in Queensland. A major effort will be expended on consultation with industry sectors in developing and implementing animal health policy.'

Lex Carroll, Chairman,
Queensland Animal Health
Council

PROGRAMS



A/Director-General Warren Hoey inspects papayas in the farm outside Cairns where the first papaya fruit fly was discovered.

The efficiency and skill of departmental officers have meant a quick response to any incursions and rapid introduction of control and/or eradication strategies. The confidence of industry in the work of DPI's Animal and Plant Health Service has grown immeasurably since the introduction of the PFF eradication program and has been further emphasised by the effective 'Northwatch' initiative.

Your rapid response to the PFF crisis has led directly to the restoration of vital yet sensitive export and interstate markets. Early detection of other pest and disease outbreaks has allowed isolation and even eradication, plus protection of other production areas.

Our organisation congratulates the Service for its commitment and preparedness in helping the fruit and vegetable industry maintain its international competitiveness. By minimising the risk of exotic pest and disease incursions, raising community awareness of the importance of quarantine measures and taking a lead role in grower education and training, you can properly be said to be rendering a very real community service.

Richard Armstrong, Chairman, Queensland Fruit and Vegetable Growers

- Market access for horticultural products was improved by the implementation of a comprehensive fruit fly trapping surveillance program involving more than 1500 sites in major growing areas and around ports.
- A new protocol for the export of live cattle from northern Australia to the People's Republic of China was signed in April 1998 as a direct result of data from surveillance systems employed in Queensland. This trade has a potential economic benefit to Queensland of at least \$10m per annum and allows for exports of cattle to China through the ports of Townsville and Karumba as well as Darwin. The data and protocol helped overcome the impediment of bluetongue virus status by establishment of a bluetongue-free zone in northern Australia.
- Queensland, through APHS, has developed and begun to implement its component of a national program to prove that Australia is free from transmissible spongiform encephalopathies (such as so-called 'mad cow disease' and scrapie). This program, involving examination of brains from animals displaying certain symptoms, is a requirement for the export of livestock products to the European Union.
- A surveillance and monitoring system has been developed to help Queensland Health respond to cases of the mosquito-borne viral disease Japanese encephalitis in Torres Strait and northern Cape York peninsula. The virus was confirmed in humans and pigs on the mainland for the first time during 1998.

Early detection, rapid response, back to business

- International and interstate market confidence in Queensland's ability to diagnose, report and control pests and diseases was maintained as a result of rapid and effective responses to a number of exotic pests and diseases. Production areas within Queensland have been protected through early detection and appropriate responses.
- Black sigatoka in bananas was detected in the Daintree area in June 1997 and subsequently eradicated. A separate detection in the Pascoe River area of remote Cape York was made in June 1998 and eradication measures implemented.
- Spiraling whitefly, a pest of many horticultural crops, was detected near Weipa in July 1997 and also in Cairns in March 1998. No commercial production areas are known to be infested.

Appropriate response strategies have been implemented, including release of the *Encarsia* wasp, a biological control.

- Mango leafhopper was detected at Weipa in September 1997. Subsequent surveys identified its presence at a number of locations in Cape York. A quarantine area has been established that includes all of Cape York peninsula north of Coen.
- Stage 1 of the new initiative 'Northwatch' began with the establishment of a traffic inspection and control point at Coen. 'Northwatch' involves strategies within the remote areas of Cape York and Torres Strait designed to increase surveillance and monitoring for pests and diseases, enhancing response capabilities.
- Government and community response to pest and disease emergencies was enhanced through the finalisation of QLDVETPLAN, which was sent to the 18 State Government CEOs for endorsement of their roles and responsibilities as part of the State Disaster Plan. Five staff training workshops reaching 80% of the permanent staff of APHS, and a workshop for veterinary practitioners, were conducted to enhance disease recognition and response actions.
- In November 1997 Queensland's commitment to national pest and disease response was fulfilled by the rapid mobilisation of staff to combat an outbreak of virulent avian influenza detected at Tamworth and an outbreak of the PFF-related pest *Bactrocera philippinensis* detected at Darwin.

Contained pests and diseases, competitive industries

The impact of pests and diseases on industry was reduced by success in a number of areas:

- The Standing Committee on Agriculture and Resource Management endorsed the declaration that as at 31 December 1997 Australia became a Free Area for bovine tuberculosis, an achievement culminating more than 20 years of effort.
- Under the Cattle Tick Eradication Scheme the Camooweal, Pentland, and Cheshire areas were upgraded to Protected Area status and the Wondai-Kingaroy area prepared for Protected Area status—a combined area of more than 3.2m hectares. In addition 200 properties in the Taroom-Wandoan area are ready for inclusion in the Cattle Tick Free Area of the State. A Tick Eradication Implementation Committee was established to oversee tick eradication in Queensland and to ensure that any future schemes are well planned and supported before being approved.
- Implementation of a new leisure horse movement scheme, reducing the regulatory requirements for cattle tick control, freed up the movement of horses reducing direct costs and inconvenience to clients. The project team was the winner of the Regulatory Reform category of the prestigious State Red Tape Reduction Award in 1998.
- Following the success of Interstate Certification Assurance (ICA) for papaya fruit fly in north Queensland, ICA was extended to include five additional horticultural commodities.
- Consultation took place with stakeholders in preparation for establishment of the National Livestock Identification System (NLIS), which will provide improved animal identification and trace-back and thus enhance food safety, product integrity and quality assurance in the meat industry. It is planned to introduce legislation later in 1998-99 to support the scheme.

Wholesome agricultural products, more markets

The risk of disruption to markets due to chemical residues was reduced and the profile of agricultural products enhanced through a range of activities:

- Auditing was completed of 290 high risk properties under the joint industry-government national organochlorine residue management (NORM) program. The number of high risk properties declined significantly in 1998.
- As a natural extension of the NORM program, an innovative new method was initiated to help industry manage chemical residues by using trained sniffer dogs. This is believed to be the first time

dogs have been used anywhere for this task. Detection and geographic delineation of environmentally persistent organochlorines in contaminated land are considered first steps towards developing industry-driven risk minimisation plans on-farm.

- The use of Hormonal Growth Promotant was audited within the beef industry so that it does not exceed a level necessary for Queensland producers and processors to retain access to the European Union market, estimated to be worth nationally in excess of \$80m.
- Producer awareness of responsible use of chemicals and of the benefits of quality assurance programs was raised by DPI participation in 40 workshops.
- Client access to information on agvet chemical registration and use protocols for more than 6000 registered chemicals was improved by the release of the INFOPEST database as a CD-ROM. INFOPEST is likely to become the nationally recognised information kit.
- Improved plans were developed to minimise residues of the endosulfans and of antimicrobials in beef.
- Research was carried out into the zoonotic diseases Australian bat lyssavirus (ABL) and equine morbillivirus (EMV). EMV research identified flying foxes as a natural host of the virus and improved understanding of its epidemiology. Two areas were researched for ABL: the distribution pattern and the species of bats susceptible to infection. ABL has been isolated from all four common species of fruit bat and from one species of insectivorous bat. This work continues to contribute significant to reducing public concern and developing appropriate public health policy.

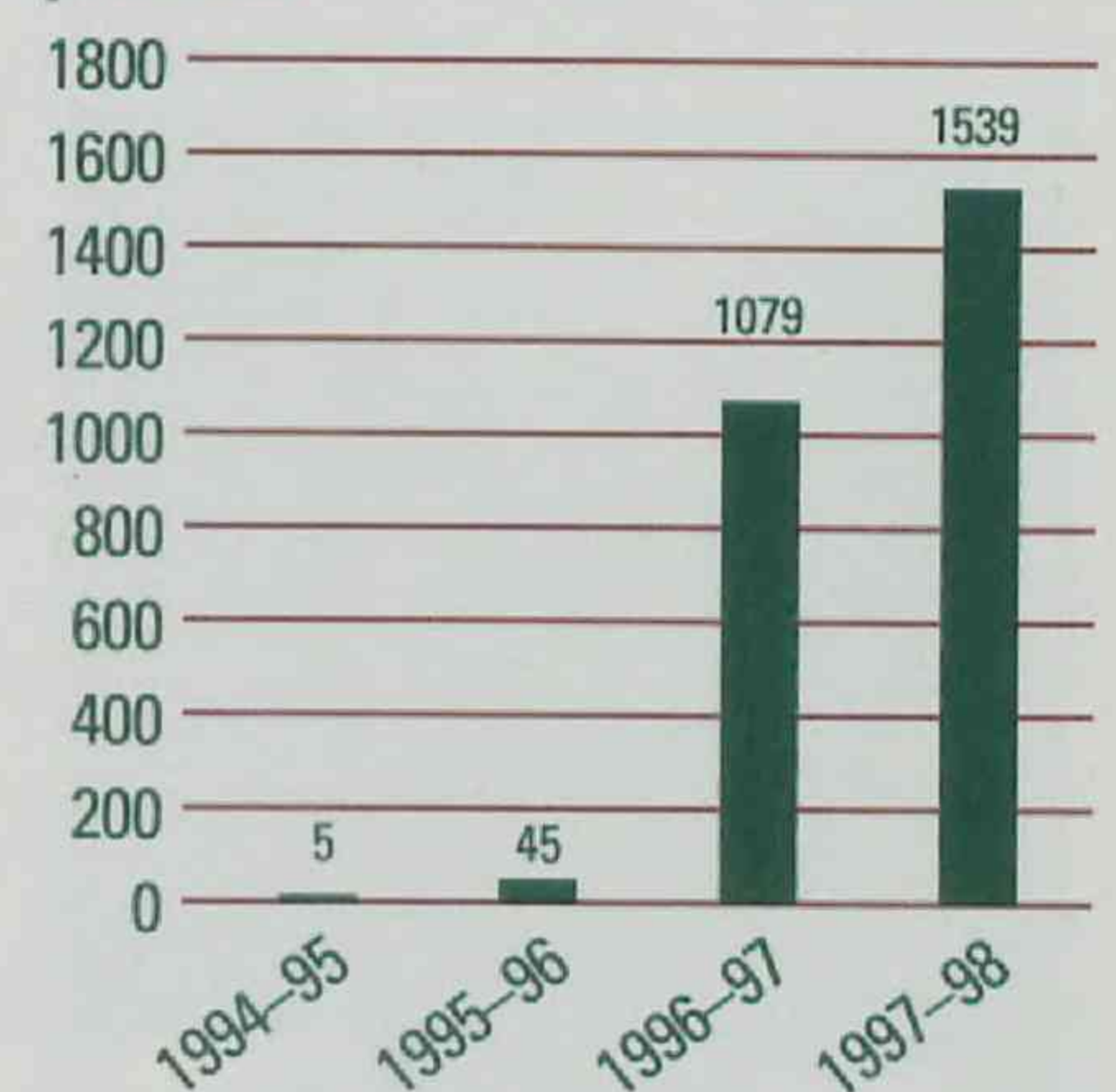
Animal welfare, community and market acceptance

DPI is the lead agency for animal welfare in Queensland and administers the *Animals Protection Act 1925*. Importantly, contemporary community and consumer attitudes expect that animals be treated humanely. This applies to livestock, to animals used for scientific, educational and entertainment purposes, and to companion, wild, feral and pest animals. Moreover, a positive welfare reputation is increasingly becoming a factor in ensuring market access for Queensland's livestock industries. These issues were addressed in 1997-98 by:

- widespread consultation with animal industries and the RSPCA to help draw up a new legislative proposal.
- A major education and extension program got underway to raise awareness of animal welfare and to promote animal welfare standards within the livestock industries.

PROGRAMS

Interstate Certification Assurance accreditations for horticultural products



Sniffer dog Norm with trainer Greg Horrocks.

PROGRAMS

FISHERIES

Overview

Managing Queensland's diverse fisheries resources is a challenging task that needs to strike a balance between the interests of commercial, indigenous and recreational fishers, who use those resources, and protection of fisheries habitat. It also requires a great deal of industry and community consultation and the generation of considerable information and expertise about the status of the resources.

The Department and the Queensland Fisheries Management Authority (QFMA) work jointly with industry and the community to sustain the State's fisheries resources, derive economic and social benefits from their use and ensure fairness in access. This is in line with the Department's responsibilities under the *Fisheries Act 1994*.

The State's commercial fishery maintains a landed product value of some \$286m annually. For its part aquaculture, which in 1996-97 produced fresh product valued at some \$37m, continues to grow. The Department's aquaculture subprogram has an enviable reputation both inside and outside Queensland for its development of leading edge technology and its expertise in research, development and extension, and is supporting increased investment in the industry. The Department recently completed the development of world class freshwater research ponds at Walkamin and is planning a major reef fish research facility at Cairns.

Queensland's freshwater, estuarine and marine fisheries provide a recreational pursuit for more than 800 000 amateur fishers, and are the basis for charter operations, bait and tackle enterprises, tourism and diverse traditional interests. There is strong community and industry support to enhance recreational fishing opportunities. The Department recognises the benefits that fish stocking offers in many regional communities and in 1997-98 allocated more than \$250 000 to purchase and produce fingerlings for stocking.

The Queensland Boating and Fisheries Patrol continued to play a major role in educating fishers and maintaining high levels of compliance with fisheries and boating safety laws.

Habitat is important to fisheries, providing the basis of the food chain as well as shelter and spawning and nursery areas. In 1997-98 the Fisheries Group initiated the

joint development of guidelines for the construction and maintenance of infrastructure in fisheries habitats. The Fisheries Group placed considerable emphasis on helping industry and enterprises increase their net worth, and on protecting fisheries resources. This is evident through (a) the successful introduction of an industry restructuring scheme, which complemented fisheries management planning and business viability; (b) a major bycatch research and extension project, which has resulted in rapid adoption by the commercial trawl sector of bycatch reduction devices to improve the already high standards of resource care; and (c) a substantial project initiated in 1997-98 to introduce vessel monitoring systems into the scallop fishery—a technology with considerable enforcement and management benefits for government as well as opportunities for industry in the areas of communication, business management and marketing.

A new board was appointed to the QFMA for a three year term. The board has endorsed continuation of the fisheries management planning process through Management Advisory Committees and Zonal Advisory Committees, noting especially the expert and local advice provided on issues relating to fisheries and fish habitat.

Collaboration among all sectors of Queensland fisheries, and specifically between the recreational and commercial sectors, was further strengthened by the establishment of the Fishing Industry Development Council. This council brings together the leading stakeholders in the fishing industry and comprises representatives from commercial fisheries, aquaculture, and recreational and indigenous fisheries, as well as marketing and the recreational fishing gear industry. The council is proving to be a good forum for developing long-term plans and strategies for the development of the seafood and recreational fishing industries. One of its first tasks is to develop an overall industry strategy.

John Pollock, Executive Director

Program

DPI's Fisheries Group provides an extensive array of services in partnership with both industry and the community to ensure the sustainable use, management and protection of fisheries resources. These services include:



John Saunders Pollock
M. Agric. Sc., Q. Dip. Ag.

Mr Pollock joined the public service in 1985 and served in policy and management positions in central and line agencies before joining DPI in 1994. He was appointed to his current position in 1996.

PROGRAMS

- creating a suitable policy and legislative environment to support sustainable fisheries development;
- assessing, enhancing and protecting fisheries resources;
- promoting the sustainable and 'best value' use of fisheries resources;
- promoting the development of industries and businesses dependent on fisheries resources;
- promoting the benefits of fisheries resources to the community;
- ensuring compliance with fisheries laws and rules for sustainable and fair resource use;
- ensuring compliance with boating safety laws;
- ensuring protection of bathers on shark-controlled beaches.

The Fisheries Group has overall responsibility for aquaculture and fishing industry development, fisheries habitat protection and management, fisheries compliance activities, policy development and implementation, research, extension and fish health services.

Objectives

To ensure the sustainable use of Queensland's fisheries resources through development of the aquaculture industry and the commercial and recreational fishing industries, and to protect and manage the fisheries and habitats on which these industries depend.

Strategies

Key priority areas:

- development of the aquaculture industry;
- enhancement of commercial fisheries productivity and development;
- development and enhancement of recreational fisheries;
- protection of marine and freshwater fish habitats;
- effective compliance with boating and fisheries legislation and monitoring of fisheries and related resources through the provision of Queensland Boating and Fisheries Patrol services.

Achievements highlights

Development of the aquaculture industry

Queensland's aquaculture industry grew by 6% in 1996-97 and continued to expand in 1997-98. This expansion, along with a significant level of investor interest, has created strong demand for investment, production, marketing and industry advice and information. To meet this demand additional licensing officers were appointed and a marketing team established. The

Department continued its focus on sustainable development by supporting and advising prospective industry investors.

The Department is leading the way in the development of new technologies for breeding, rearing, producing and marketing existing and new aquaculture species. These technologies will have flow-on benefits to other sectors, including recreational fishing through stocking of inland impoundments. Ground-breaking research to develop technologies for breeding reef fish has started and will be significantly enhanced with the establishment of an international standard rearing facility at Cairns.

The Fisheries Group is implementing the Queensland Aquaculture Development Strategy, which is the result of consultation with industry and other stakeholders. Key components of the strategy include the strengthening of R&D capacity, and improved licensing services.

The Department continued to provide world class fish health diagnostic and extension services from its Oonoonba and Yeerongpilly laboratories. The appointment of additional veterinary staff strengthened this fish health capacity.

Commercial fisheries productivity and development

Fisheries in Queensland will be administered through management plans that are currently being produced by the QFMA through broad industry consultation. DPI played a major part in this process as a member of the QFMA's management advisory committees and by providing policy and scientific advice for the development of 12 discussion papers and draft management plans.

The management and protection of Queensland fisheries are guided by government policy. Key policies were developed on industry restructuring, biodiversity, cost recovery and fish stocking. A new adjustment policy for Queensland fisheries was the basis for the \$3m buyback of commercial licence packages and fishery symbols in 1998.

The development of fisheries management plans, a detailed report on the condition and trend of Queensland's commercial fisheries, and a stock assessment workshop have identified the importance of stock assessment in managing fisheries resources. A successful scallop stock assessment study was completed in 1997-98. It was instrumental in providing early warning for industry to prevent overfishing and to provide information for fishers on expected effort and catch levels in the fishery. Emergency closures to protect scallop brood stock were imposed after this study.

The bycatch of Queensland's trawl fisheries is a major issue. Research into turtle excluder and bycatch reduction devices

The introduction by DPI of 15 year transferable licences for the aquaculture industry widens the outlook for the industry in Queensland.

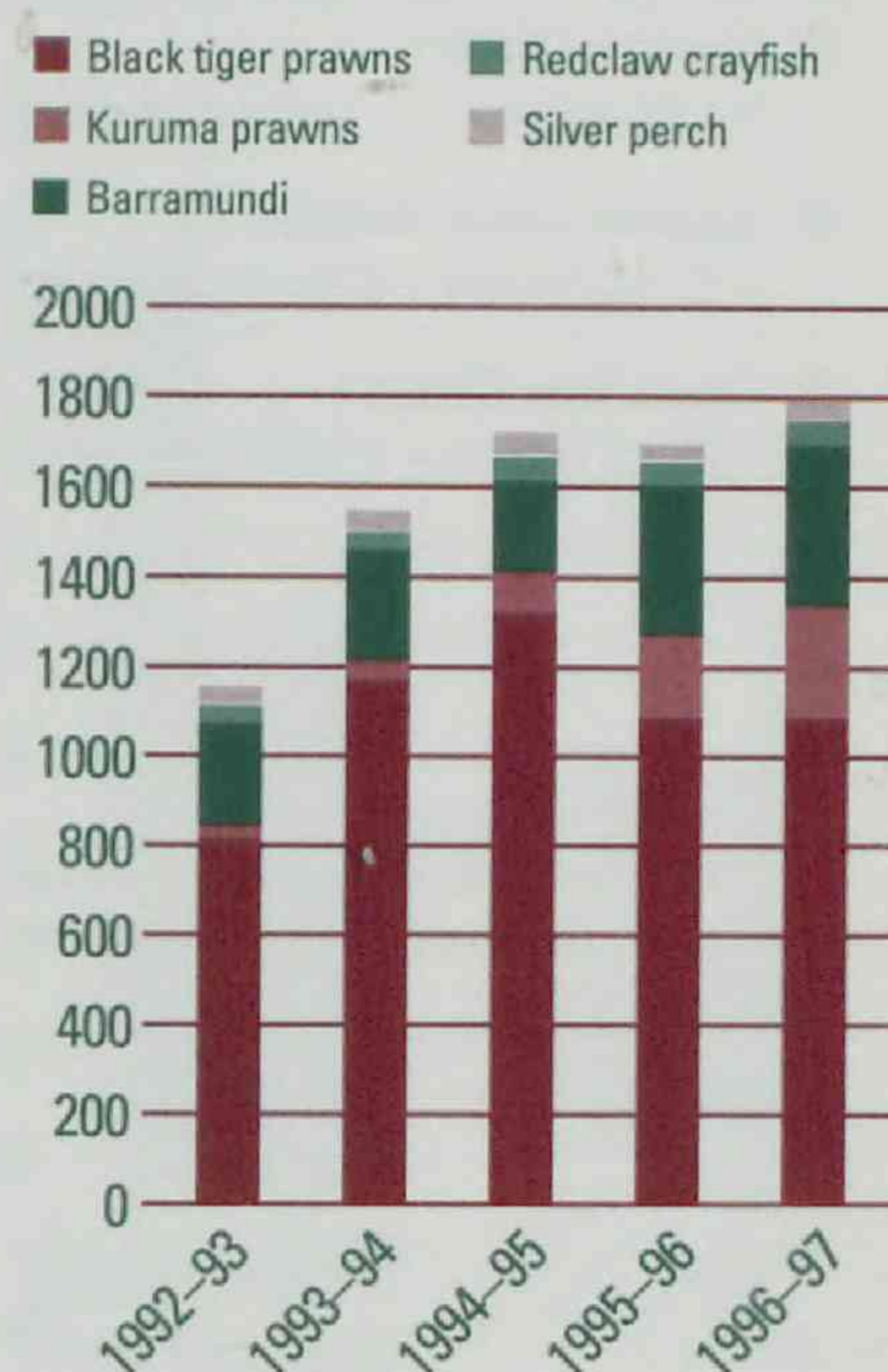
The addition by DPI of staff in the fish health area is welcomed by industry and illustrates the Department's commitment to providing support for aquaculture investment.

The success of DPI's FARMFAX market information service has been resounding as it provides aquaculturists with weekly information on sales of aquaculture species in Sydney. The series of Aquaculture Queensland promotional posters also strengthens industry's position in the market place.

1997-98 has been a year of achievements by DPI in partnership with the aquaculture industry. These achievements provide a sound basis for further expansion of the industry, with new investment creating job opportunities and generating wealth in regional Queensland.

Liz Evans, Aquaculture Industry Executive Officer

Aquaculture production (t)



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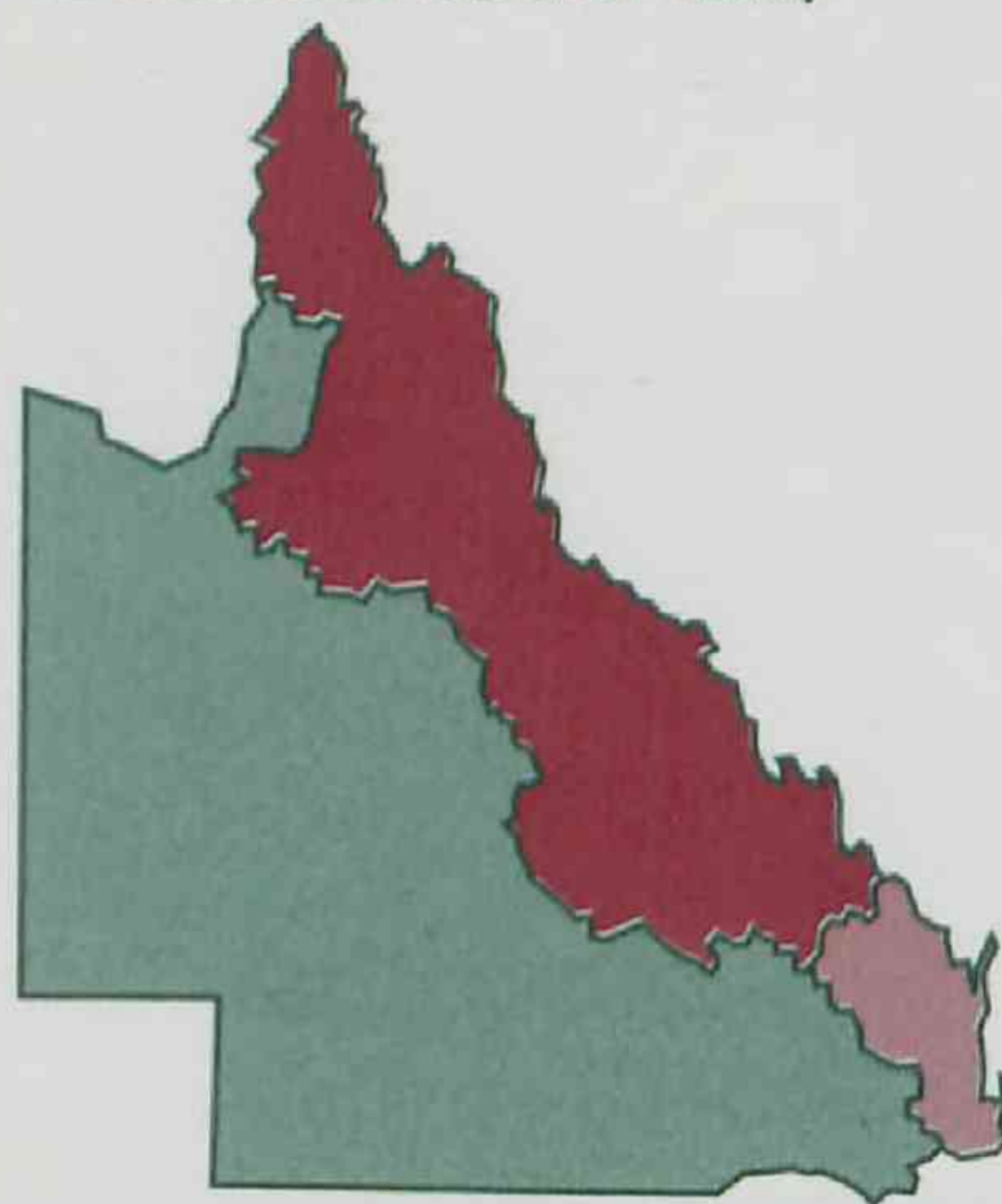
The Queensland Commercial Fishermen's Organisation (QCFO) looks forward to the support of DPI's Fisheries Group and other agencies of the Government to re-instil certainty and investor confidence in the commercial fishing industry. In partnership we work toward resolving complex industry issues from tariff reduction and export market development to disease control and stock assessment. This is no easy task and requires dedication and skill.

QCFO will continue to work with the Department to:

- send clear and positive messages to potential investors in the industry;
- identify and implement world class environmental standards;
- enhance job security for 20 000 people employed by commercial fishing and related industries;
- stimulate new and innovative jobs, particularly in regional areas.

Ted Loveday, President QCFO

Recreational fishing: participation rate by district (residents 15 years and older who fished in the 12 months to October 1996)

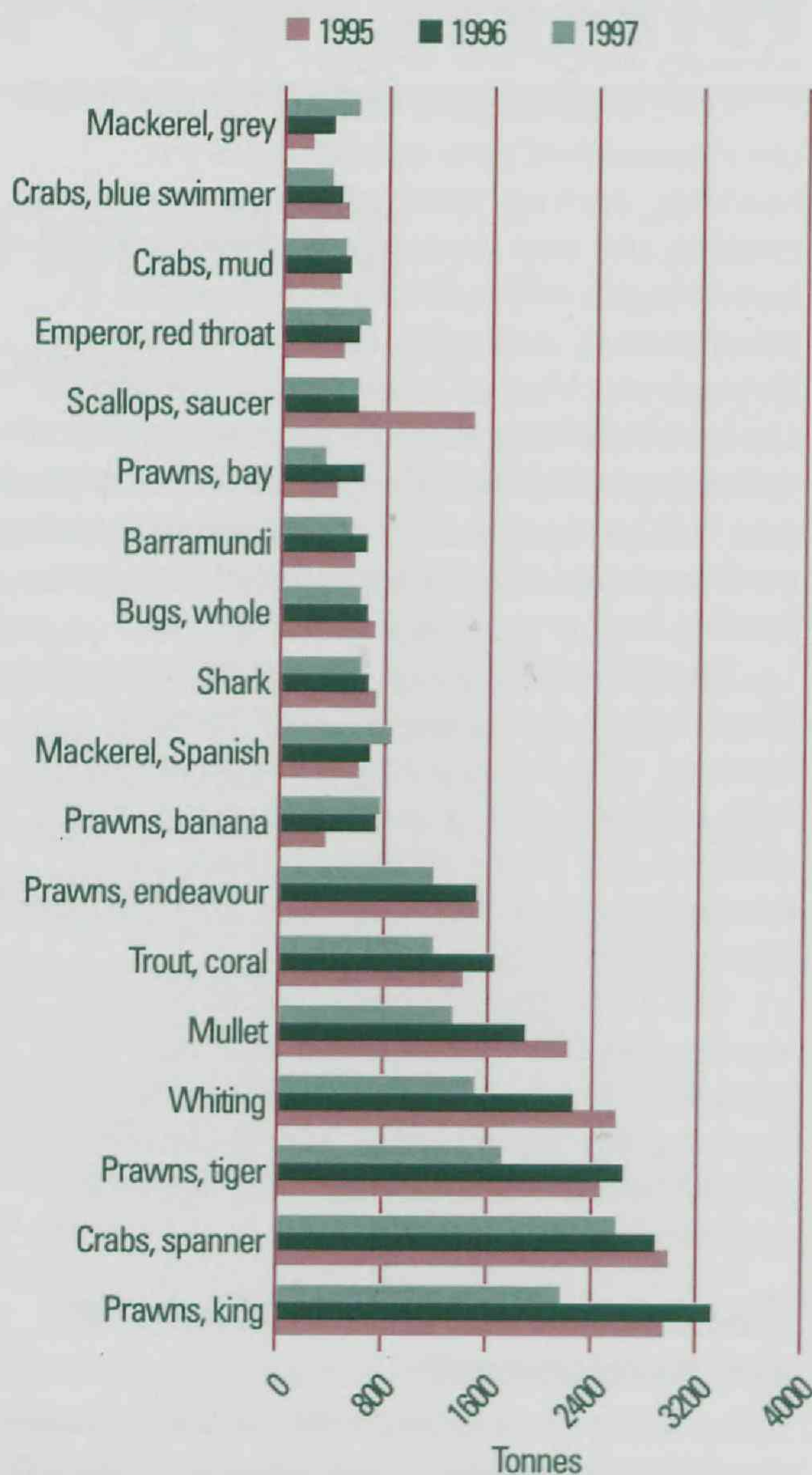


- **Western District**
(44 900 fishers—21% of population)
- **Tropical Coast District**
(177 100 fishers—32% of population)
- **South East District**
(445 800 fishers—24% of population)

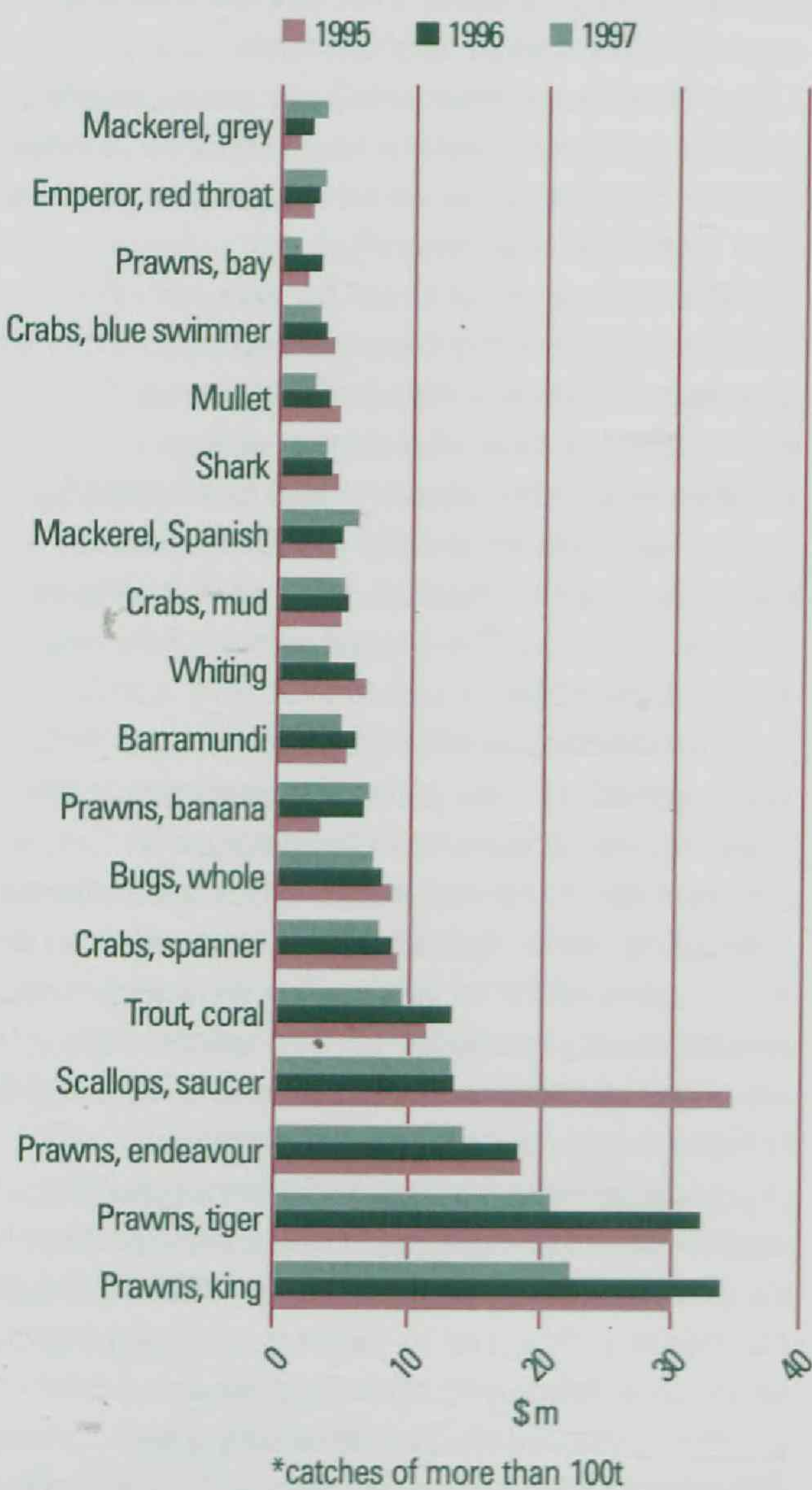
Recreational catch—major species recorded during logbook period 1 January to 31 December 1997:

Marine	Freshwater
Whiting	Yellowbelly
Bream	Australian bass
Crabs	Spangled perch

Total commercial catch — more than 100t



Commercial catch — gross value of production*



*catches of more than 100t

showed how bycatch can be significantly reduced. The required technology is rapidly being adopted by the trawl fleet through a statewide education and awareness program undertaken by staff at the Southern Fisheries Centre (Deception Bay).

Fisheries research priorities are set in consultation with national, State, and community groups. Fisheries research staff manage a suite of large fisheries research projects throughout the State, both freshwater and marine. Major subjects studied include bycatch reduction, habitat, fish ladders, ponded pastures, stock assessments and fish stocking. For the first time ever in Queensland, flathead and whiting fingerlings were successfully released in 1997-98 into an open marine river system—the Maroochy River.

Recreational fisheries development and enhancement

Management of Queensland's freshwater fisheries resources was enhanced through the inclusion of translocation principles in the QFMA's draft Freshwater Fisheries Management plan, development of a strategy for freshwater fisheries, and an operational policy aimed at streamlining approval of waterway barrier works.

Sixty-seven stocking groups have been formed in rural and coastal Queensland to develop management plans and support stocking activities in 35 designated impoundments/areas stocked with fish. More than 710 000 fingerlings were released in 1997-98. Further support for freshwater fisheries development was provided through funding and technical advice to stocking groups and hatcheries, and funding for freshwater fisheries promotion and workshops.

The Department continued to work in close partnership with the recreational fishing body Sunfish to enhance its ability to represent the interests of recreational fishers in dealings with government, and to provide services to the recreational fishing industry. In 1997-98 these services included fisher training, codes of practice, promotional material for the development of Queensland's recreational fisheries, communication, and a focus on the protection of fisheries habitat.

A capacity to promote recreational fishing tourism, commercial charter, guiding and aspects of marketing is being established in the Fisheries Group.

Coastal development, habitat loss, barriers to fish movement and fishing pressure are all imposing strains on marine recreational fisheries. Major research projects aimed at rearing and stocking recreational species in order to enhance marine systems were successful. Flathead and whiting were

PROGRAMS

successfully raised and released into the Maroochy River system. Monitoring of barramundi fingerlings released several years ago into the Johnstone River in north Queensland showed that some of these fish are now entering the fishery. Fishing opportunities were also enhanced by continuing work on artificial reefs.

Protection of marine and freshwater fisheries

Development activities of various kinds are increasing in both coastal and inland areas of Queensland, especially in highly populated coastal areas. Fisheries staff strive to ensure minimal impacts to fisheries habitats by direct negotiation with developers and by maintaining input into environmental impact assessments. Staff also provide advice to developers and to community groups.

The identification and protection of fisheries habitats continued. Key fisheries habitats are protected under the Fisheries Act. Fish Habitat Areas were declared over parts of Trinity Inlet, Cairns and Kinkuna, Woodgate in 1997-98. Identification of further areas is continuing through an integrated geographic information system to aid in planning and monitoring.

Freshwater fish stocks are being affected by infrastructure projects such as dams and weirs. Evaluation of fishway designs continued, and improved designs were integrated into the State's new and existing river impoundments. Current research shows that modified fishway designs can generate dramatic improvements in fish movements. Consultation with stakeholders is a high priority in all planning processes.

Queensland Boating and Fisheries Patrol services

The Queensland Boating and Fisheries Patrol (QBFP) works in association with recreational, commercial and indigenous fishers, as well as aquaculturists, to ensure compliance with boating and fisheries legislation. Current education and deterrence programs achieved more than 86% and 94% compliance with fisheries laws by commercial and recreational fishers respectively and more than 83% compliance with boating safety laws.

In 1997-98, QBFP officers made contact with 23% more recreational and 25% more commercial fishers than in the previous year. Boating safety contacts increased by 25% to



Brenda Stevenson, QBFP Rockhampton, with seized illegal fishing nets.

71 936. Officers detected 2289 fishing offences (primarily the taking of undersized fish and improper marking or use of crab pots) and 5514 small craft offences.

The Government provided \$1.14m in 1997-98 to enable vessel monitoring systems to be introduced into the Queensland scallop trawl fishery. Such systems have so far been installed on 350 vessels, providing major enforcement benefits to government and communication opportunities to industry.

The protection and sustainability of Queensland's fisheries resources were supported through the provision of extension and information services including major fisheries displays, mass media television promotion and a focus on increasing educational activities.

Through the growth of the Fishcare Volunteer scheme, community involvement in fisheries education was enhanced. The scheme is operating in 11 centres including coastal and inland areas. There are currently 101 volunteers making an average of 500 contacts per month with recreational fishers.

The QBFP continued to work with the QFMA's Management Advisory Committees and Zonal Advisory Committees to develop fisheries enforcement priorities.

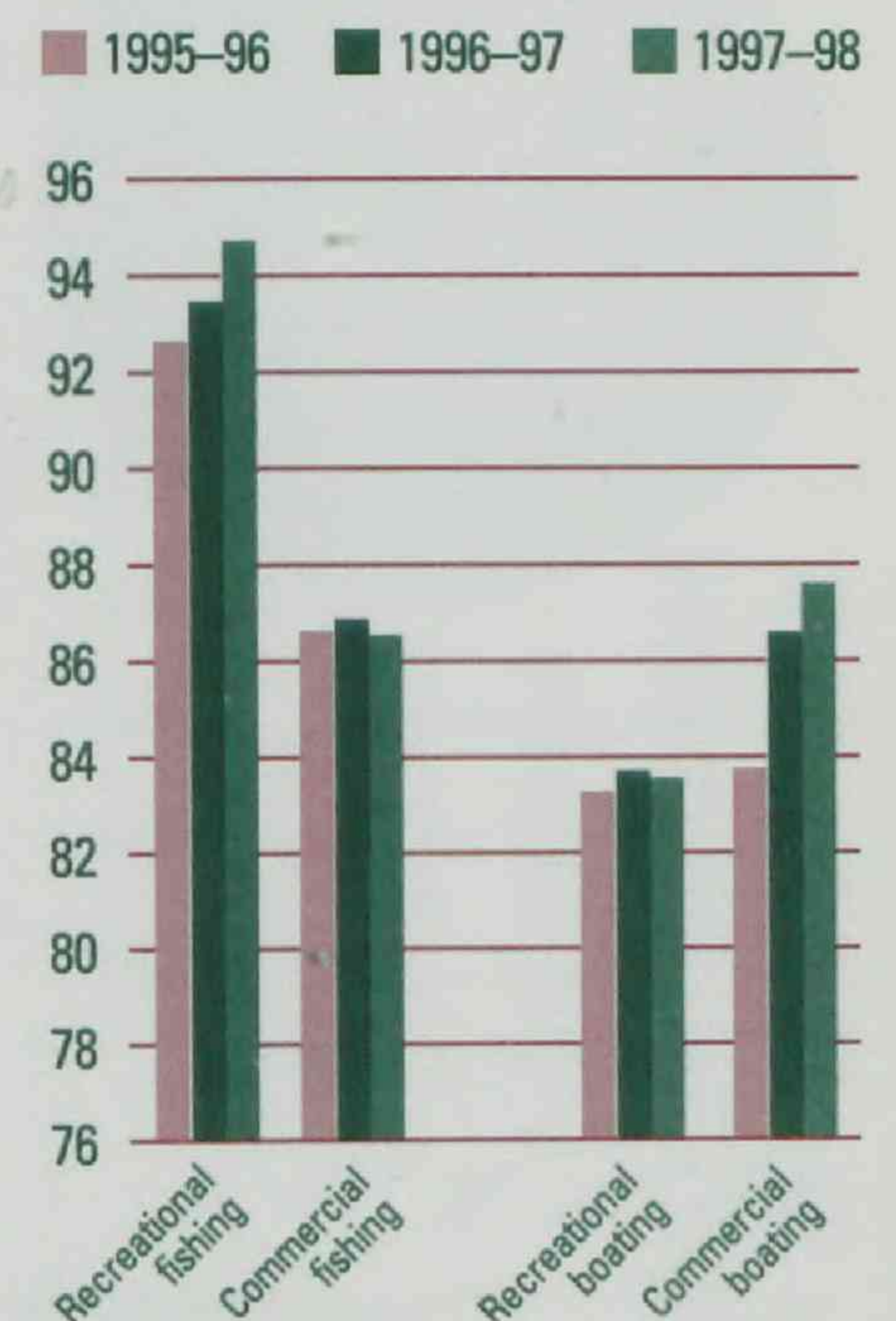
In 1997-98 there were no shark attacks on beaches under the protection of the Shark Control Program. A high priority was given to reducing the already low levels of non-target catch, by trialling initiatives such as acoustic alarms and barbless hooks.

In 1997-98 Sunfish Queensland and DPI entered into a contractual services agreement that resulted in a joint industry-departmental working arrangement beneficial to both recreational fishers and the State Government. Achievements from this working arrangement include a major involvement in fisheries management through management advisory committees (MACs) and zonal advisory committees (ZACs), increased input into environmental matters, and improved education and training.

Sunfish aims to strengthen cooperation with government, identify critical angling areas and expand angler education activities, concentrating on schools.

David Bateman, Executive Officer, Sunfish

QBFP compliance trends (%) (compliance with laws and regulations)



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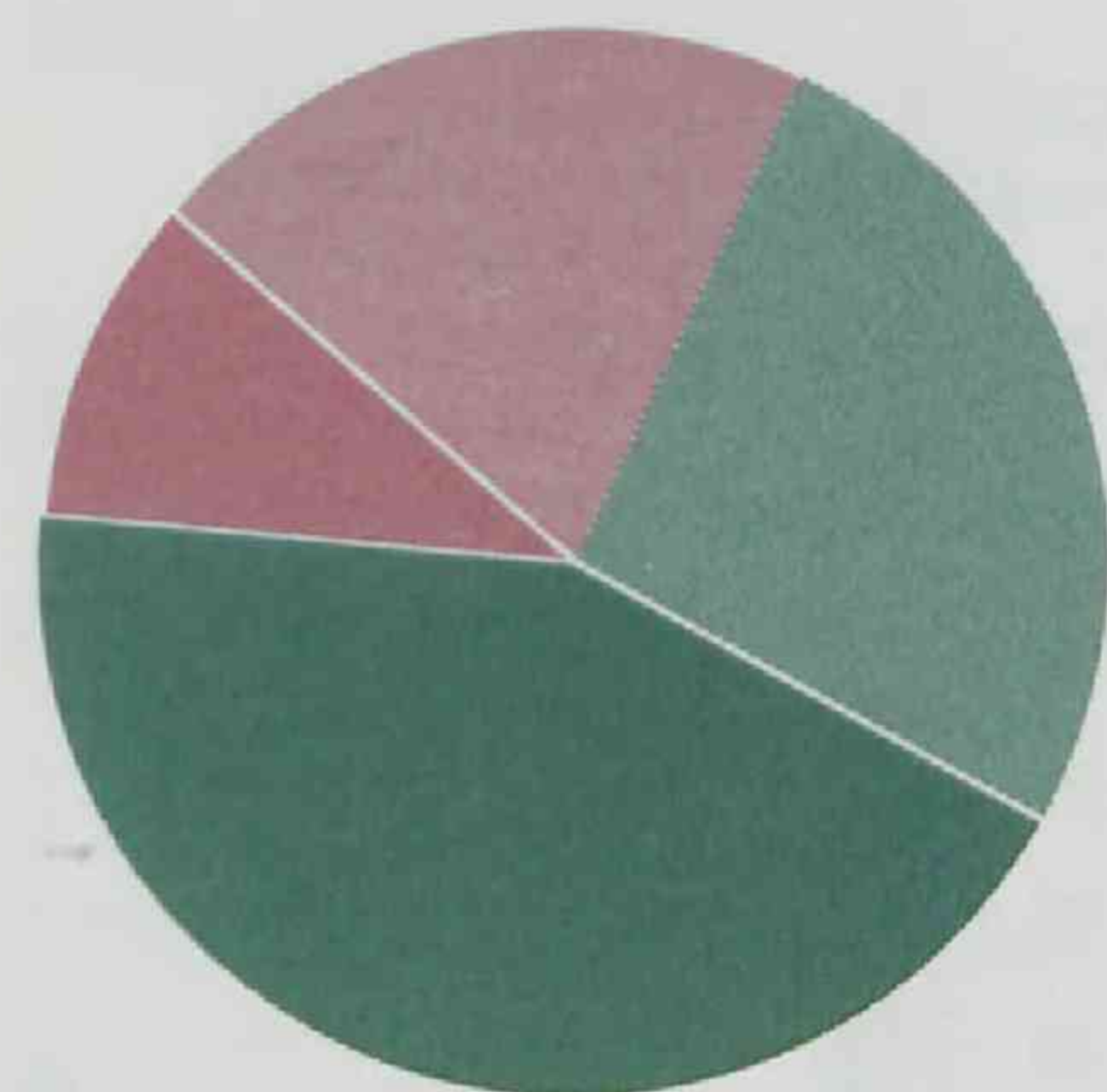
FOREST PRODUCTION



Gary John Bacon
B.Sc.(For.)(Hons), Ph.D., FIFIA

Dr Bacon joined the Department of Forestry in 1970. He served in research, management and marketing positions before taking up the position of Assistant Commissioner with the NSW Forestry Commission in 1990. He rejoined DPI as General Manager of Land and Drought Management in 1992 and transferred to DPI Forestry in 1995. He was appointed Executive Director in 1996.

Returns to the State from Commercial Operations



Loan repayment
\$5m

Interest
\$8.2m

Tax and Tax Equivalents
\$1.9m

Dividend
\$3.9m

Total \$19m

Overview

Under the Forest Production Program, DPI Forestry supplies over 80% of the log timber used each year by Queensland's forest and timber industry—an industry which contributes more than \$1.7 billion annually to the State's economy and plays a major role in sustaining local businesses and communities in many regional centres. During 1997–98 DPI Forestry continued to work closely with industry and other community stakeholders to foster the sustainable development and increased competitiveness of the industry, and to enhance DPI Forestry's efficiency and environmental integrity as Queensland's principal forest grower.

Future directions for the Forest Industry were a key focus of activity during the year with the launch in Queensland of 'Plantations for Australia: The 2020 Vision', an agreement of the Commonwealth Government and the State and Territory Governments to treble Australia's plantation area by the year 2020. DPI Forestry continued to work towards this goal during the year through joint venture plantation establishment projects with private landholders, and further progress in establishing secure harvest rights and tradable timber titles for private forest growers (see Agriculture Program).

DPI Forestry also worked with other forest and timber industry players during the year in developing a draft forest industry strategy aimed at providing a clear, long-term vision for the industry. In addition, in collaboration with industry it published a comprehensive report, *An Overview of the Queensland Forest Industry*, to foster community awareness of the structure, scope and economic significance of Queensland's forest industry.

DPI Forestry's operating profit (earnings before interest, tax and timber revaluation) for the year was down 18% to \$13.8m, representing a profit margin on sales of just over 16%. Notwithstanding this, DPI Forestry expects to return a healthy \$19m to the State in dividend, interest, loan repayment, tax and tax equivalents from the year's trading.

This profit result followed lower-than-expected sales revenue, mainly in the plantations and quarries business segments. Plantation timber sales, which generate more than 70% of business revenues, were down

\$2m from the level of the previous year. Effective cost control measures helped limit the effects of the revenue shortfall: costs for the year were \$2.2m under budget.

The financial result for the year reflected difficult market conditions and stiffer competition in a number of industry sectors, despite some improvement in dwelling construction and demand for timber from the low levels of the previous two years. The recovery in Queensland's building industry has been significantly slower than for Australia as a whole due to a lingering oversupply of dwellings from the 1994 boom and lower migration into the State. Increased competitive pressures have also been experienced in Queensland's timber market as a result of the Asian economic crisis, which has dramatically reduced demand in that region for some timber products and exports from Pacific Rim countries.

Increased competition from imported radiata pine in traditional hoop pine markets for mouldings, furniture timber and boards has presented a significant challenge for Queensland's hoop pine processing industry. To help restore industry competitiveness, DPI Forestry agreed during the year to substantial short-term price discounts and changed utilisation standards for its plantation hoop pine resource. In addition it will be undertaking a joint marketing and R&D program with industry to restore and enhance the position of hoop pine at the premium end of the market.

These hoop pine discounts resulted in a net reduction of \$160m in the value of the Crown plantation estate. At year end the estate was valued at \$931m.

During the year State Cabinet endorsed a conditional offer to sell about 700 000m³ of timber from plantations in the Ingham–Cardwell area to a local timber processing company. Subject to the company meeting all performance milestones, the venture will result in construction of a \$15m softwood sawmill in Ingham and will generate significant economic and social benefits to regional communities.

To enhance its future commercial performance, DPI Forestry is pursuing a range of marketing and efficiency initiatives. Many of these initiatives will be implemented through its new Enterprise Agreement, negotiated during the year with unions and staff.



Gympie Forestry Training Centre Manager Tony Willett and lecturer Jack Baynes prepare plants as part of a farm forestry course.

The agreement sets in place consultative processes with staff, based on benchmarking and continuous improvement and aimed at implementing more commercially oriented employment conditions and achieving productivity improvements in all functional areas worth up to \$10.6m. Under the agreement, DPI Forestry will also foster a commercial customer service culture and develop its Environmental Management System to a stage suitable for independent certification to ISO 14001 standard, enabling DPI Forestry's customers to seek eco-labelling of their timber products.

To improve the quality and competitiveness of Queensland timber products, DPI Forestry pursued a wide range of cooperative scientific research and development projects during 1997-98 through its Queensland Forestry Research Institute (QFRI), a world leader in tropical and subtropical forestry. One project being undertaken with the Forest and Wood Products Research and Development Corporation, the energy industry and the University of Technology Sydney is generating comprehensive structural design data for wood poles through the use of a specially developed portable rig capable of testing the strength of timber poles up to 12m long. This information is expected to reduce the whole-of-life costs of timber poles for users such as the electricity industry, and help increase the product's competitiveness against steel and concrete substitutes and expand export markets.

DPI Forestry is also on track to improve productivity in its south-east Queensland exotic pine plantations, through a stock planting program that by 2002 will be fully clonal. Results from clonal test sites managed by QFRI, as well as operational plantings, have shown good growth and excellent form from the cloned trees. This promises significantly improved profitability for timber processors and DPI Forestry.

DPI Forestry continued to pursue initiatives under the National Competition Policy and the National Forest Policy Statement, to which Queensland is a

signatory. Following a joint review with industry it implemented a new cypress sawlog pricing system in December 1997 which re-establishes market-related regional relativities in log prices and sets base prices which better reflect the value of the resource and the costs to DPI Forestry of its sustainable management.

Continued trials of a market-linked plantation price indexing system, principally for large final crop exotic pine sales, proceeded successfully during the year. The system replaces the Consumer Price Index as the index applied to timber prices with an index linked to actual market prices and related market factors for timber products. An assessment began of the potential to apply this system to native forest sawlog sales.

DPI Forestry also contributed, as a stakeholder, to continuing DNR-managed processes to develop a 20-year regional forest agreement (RFA) between the Queensland and Commonwealth Governments on how Crown native forests in the south east Queensland region can best be managed. An Interim Forest Management Agreement was signed by the two Governments in February 1998 to ensure that options for a nature conservation system are protected pending the development of the RFA.

In line with a State Government commitment to ensure no job losses or forced mill closures, DPI Forestry maintained timber supplies to affected sawmills within the south east Queensland RFA region consistent with the interim agreement. It also participated actively in related consultations with the timber industry and other stakeholders about future timber resource supply options and scenarios.

It is pleasing to note that DPI Forestry's sustained good employee safety record has been recognised by a 47% reduction in its assessed workers compensation premium for 1998-99. Work will continue to further enhance employee safety and well-being, including trialling of a staff 'wellness program' under DPI Forestry's Enterprise Agreement.

In 1998-99 and beyond, DPI Forestry will continue to work closely with its customers and other stakeholders to improve industry competitiveness and position Queensland's forest industry for increased profitability and growth into the next millennium.

Gary Bacon, Executive Director

Program

The Forest Production program encompasses the management and marketing of Crown plantation and native forest timber, quarry materials and other forest products on a

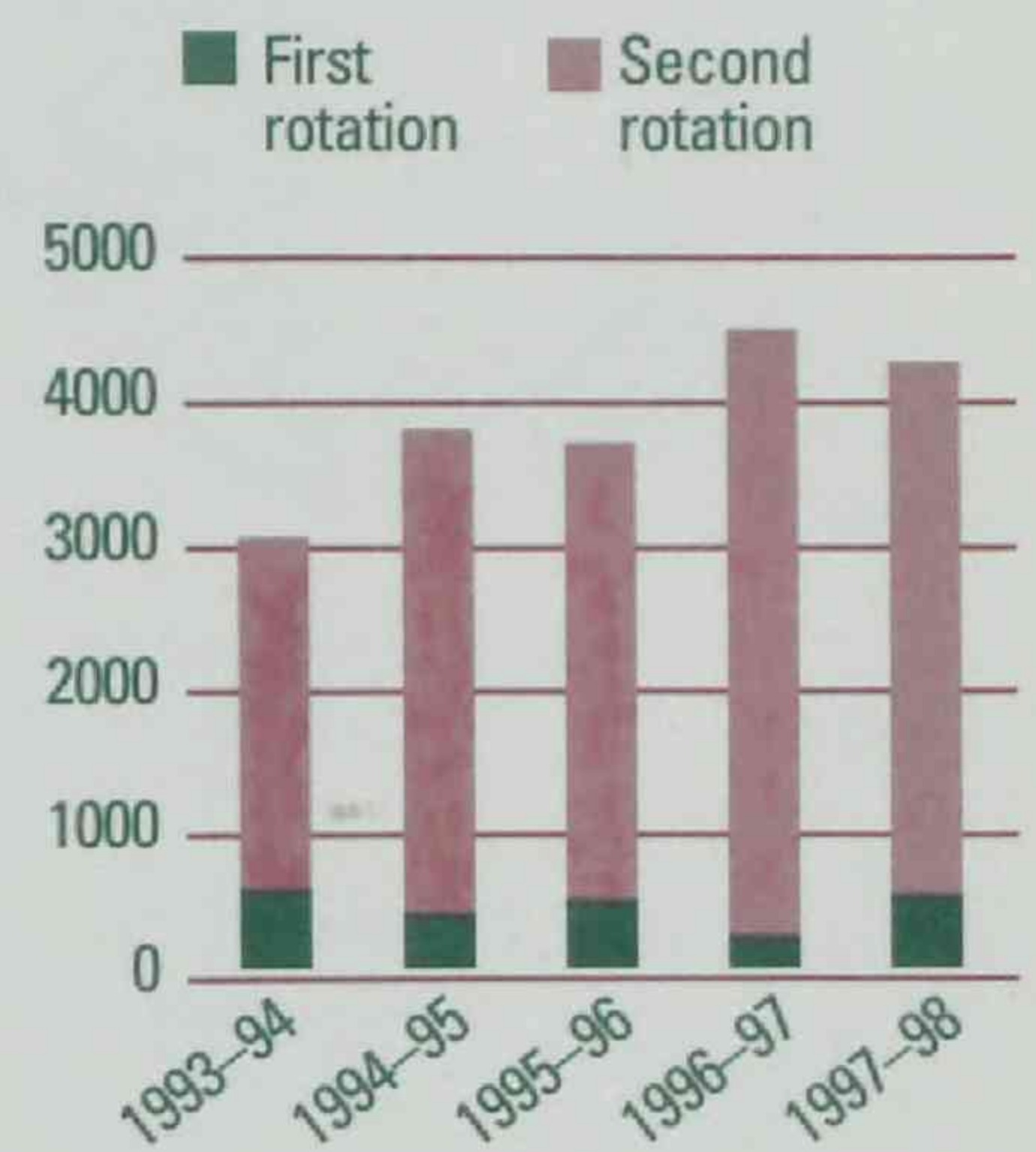
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DPI Forestry financial summary, 1997-98

Operating revenue	\$84.5m
Earnings before interest, tax and timber revaluation (EBITR)	\$13.8m
Profit after tax	\$5.5m
Profit after tax and timber revaluation*	(\$10.1m)
Profit (EBITR) margin on sales	16.3%
Return on assets*	(12.3%)
Dividend	\$3.9m
Interest on borrowings	\$8.2m
Interest cover ratio	1.7
Current ratio	1.2
Revenue per employee (full-time equivalents)	\$89 262

*Reflects a drop in the value of plantation growing timber due to temporary price discounts on hoop pine sales introduced during the year to enhance industry competitiveness.

DPI Forestry—annual plantation establishment (ha)

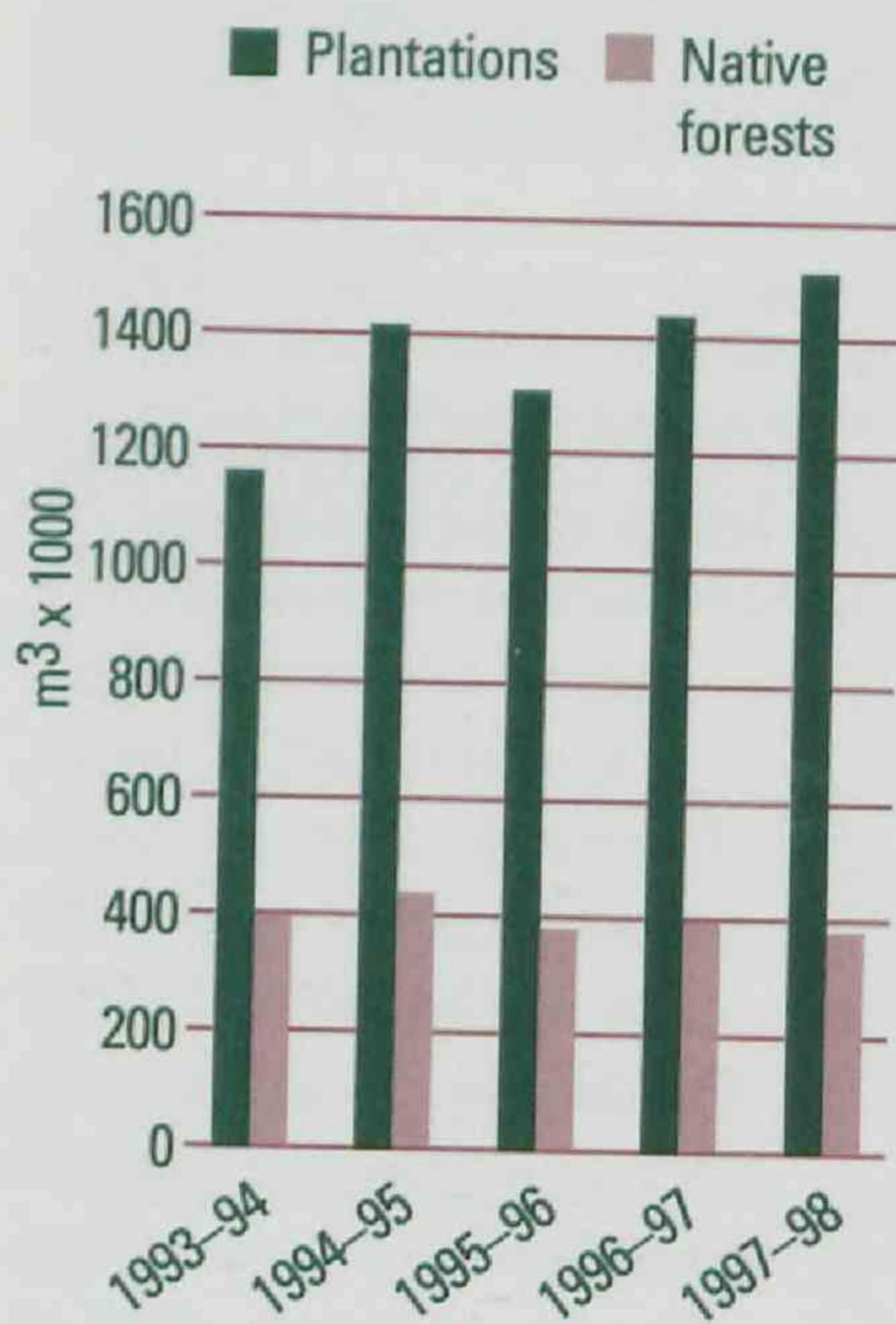


Includes joint venture plantings

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commercial basis. Other products and services of the program include tropical and subtropical forestry expertise and R&D services. DPI Forestry is the commercialised departmental business group responsible for the Forest Production program. It also provides private forestry and industry development services to the forest industry and the wider community, and delivers a range of non-commercial services associated with Crown forest management under service agreements with DPI Agriculture Industry Development and DNR. Customers include the timber processing industry, quarry operators, graziers and pastoralists, apiarists, research organisations, aid agencies, other Government agencies and the general community.

Crown timber removals



Objective

- Manage state-owned forest and quarry material resources to earn commercial returns while observing the Government's environmental and other relevant policies.

Priority areas

- Profitability
- Business growth
- Environmental integrity
- Customer and community relations
- Best practice business management

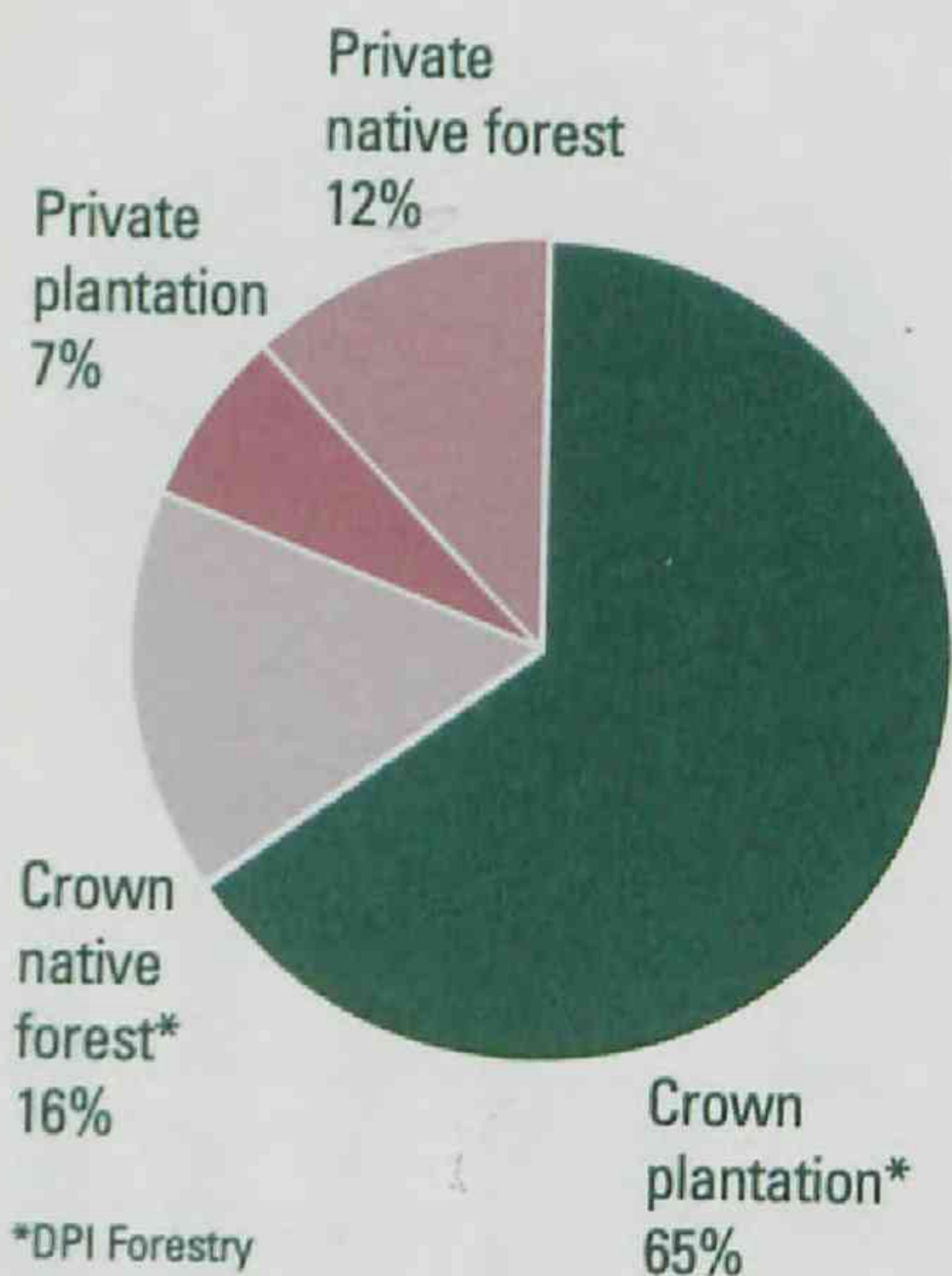
Achievement highlights

- Though its operating profit of \$13.8m was down 18%, DPI Forestry should return approximately \$19m to the State from its commercial operations (see 'Overview').
- DPI Forestry continued to supply more than 80% of the log timber used by Queensland's timber processing industry. Sales in 1997-98 comprised:
 - plantations—removals from Crown forests were up 5% on 1996-97 to 1.52 million m³;
 - native forests—removals were 381 000 m³, down 3% on the previous year.
- In addition to sales under long-term commitments, DPI Forestry sold access to extra quantities of log timber under short-term spot sale arrangements: 190 000 m³ of exotic pine, 117 000 m³ of hoop pine, 2000 m³ of cypress pine and 10 000 m³ of hardwood poles.
- Quarry material removals were 2 million m³, down 21% on the previous year's figure as result of reduced demand, particularly in north Queensland, following finalisation of a number of

major private sector road construction projects.

- To replace harvested plantation trees and provide for future timber supplies, DPI Forestry planted 4237 ha of plantation, predominantly of exotic and native hoop pine species.
- To help ensure the long-term stability and sustainability of Crown plantations, DPI Forestry implemented broad scale on-site retention of tree residues for second rotation planting in recently harvested hoop and exotic pine plantation areas.
- DPI Forestry maintained timber supplies to affected native forest sawmills in south-east Queensland affected by the Interim Forest Management Agreement (see 'Overview').
- Progress continued to ensure that DPI Forestry's Environmental Management System is of a standard suitable for independent ISO 14001 certification by 2000 (see 'Overview'). This will help timber processors maintain competitive advantage, particularly in export markets. A brochure explaining DPI Forestry's environmental management policy was published.
- The Enterprise Agreement finalised with unions and staff for the period from July 1997 to June 2000 (see 'Overview') targets productivity improvements saving almost \$10.6m. These savings are expected to offset the cost of pay increases as well as generate financial benefits for DPI Forestry.
- A joint venture agreement with Tarong Energy Corporation for the establishment of a 74 ha hoop pine plantation was finalised. The proposed plantation will secure additional supplies of plantation timber while helping the corporation offset greenhouse gas emissions. The total plantation area established on a joint venture basis with private landholders during the year was 335 ha.
- Extensions to DPI Forestry's new mechanised nursery at Beerburrum were finalised at a cost of \$1 million, completing redevelopment of the nursery at a total cost of \$3.2 million. This highly efficient facility now produces all the hoop pine and eucalypt seedlings used in DPI Forestry's south-east region plantations, as well as seedlings for exotic plantations and private forestry plantings.
- QFRI improved processing technology and value adding through cooperative research with innovations such as a portable pole testing rig, (see 'Overview') moisture meter, distortion detector and novel anti-termite treatment.

Queensland Forest Production



State total - 2.3 m cubic metres

*DPI Forestry

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- QFRI released *Hardwood Plantations Research and Development: A Strategy to Support a Hardwood Plantations Industry* outlining achievements and directions in research and development to support private forestry in Queensland.
- DPI Forestry's employee safety record was recognised by a big reduction in its workers compensation premium (see 'Overview').

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RURAL INDUSTRIES BUSINESS SERVICES

Overview

Rural Industry Business Services (RIBS) works in partnership with industry to create a future in which Queensland's primary industries successfully compete in global markets by responding to changing demand for food and fibre products brought about by trends in factors such as convenience, quality, safety, variety and value.

RIBS recognises the ambition inherent in this statement: the complex and shifting relationship between aspects of the operating environment, from climatic risk and business skills, through to the global marketplace and commercial realities. However, it is not enough for our clients to know their farm, their business or their industry. To sell their product at a profit in a sustainable way requires an understanding of the global environment, including world markets, social trends and macroeconomic forces.

RIBS works toward its goals by providing a range of services designed to maximise access to accurate market, business and technical intelligence, and to skills development in leadership, in financial, business, risk and change management, and in information technology and strategic planning. These services target long-term outcomes—the development of people's skills and relationships, and their ability to make and take opportunities. They focus on giving clients the skills to move themselves along the survival–self reliance–success continuum. Self reliance, not dependency, and vigorous partnerships rather than paternalism, are the cornerstone of RIBS' service delivery to rural clients and industry. These priorities are reflected in the thrust toward rural development for rural

prosperity, and the promotion of effective change management to enable the rural sector to cope with an increasingly dynamic, global industry arena.

Rural development

RIBS' rural development role is two-fold: to promote the value of rural development to rural sector stakeholders; and to partner communities and industries in investigating and developing effective pathways to rural prosperity through rural development activities.

The Positive Rural Futures Conference in Biloela in May 1998, and the lecture series by international rural development expert Agnes Gannon, exemplify RIBS' successful contribution to a better understanding of the value of rural development.

Current programs with agribusiness groups demonstrate how effective a partnership role can be as a vehicle for tackling problems and responding to opportunities at the 'grass-roots' level and—importantly—for engaging rural clients as active participants in the process of rural recovery and rejuvenation. The Atherton Tableland's 'Directions' project illustrates how RIBS and industry groups can work together to improve profitability and prosperity in terms of economic, environmental and social outcomes.

The growing acceptance of rural development as a model for government involvement in the rural sector, the high levels of satisfaction articulated in client/industry surveys, and the sheer volume of client demand for partnership-based services all support RIBS' focus.

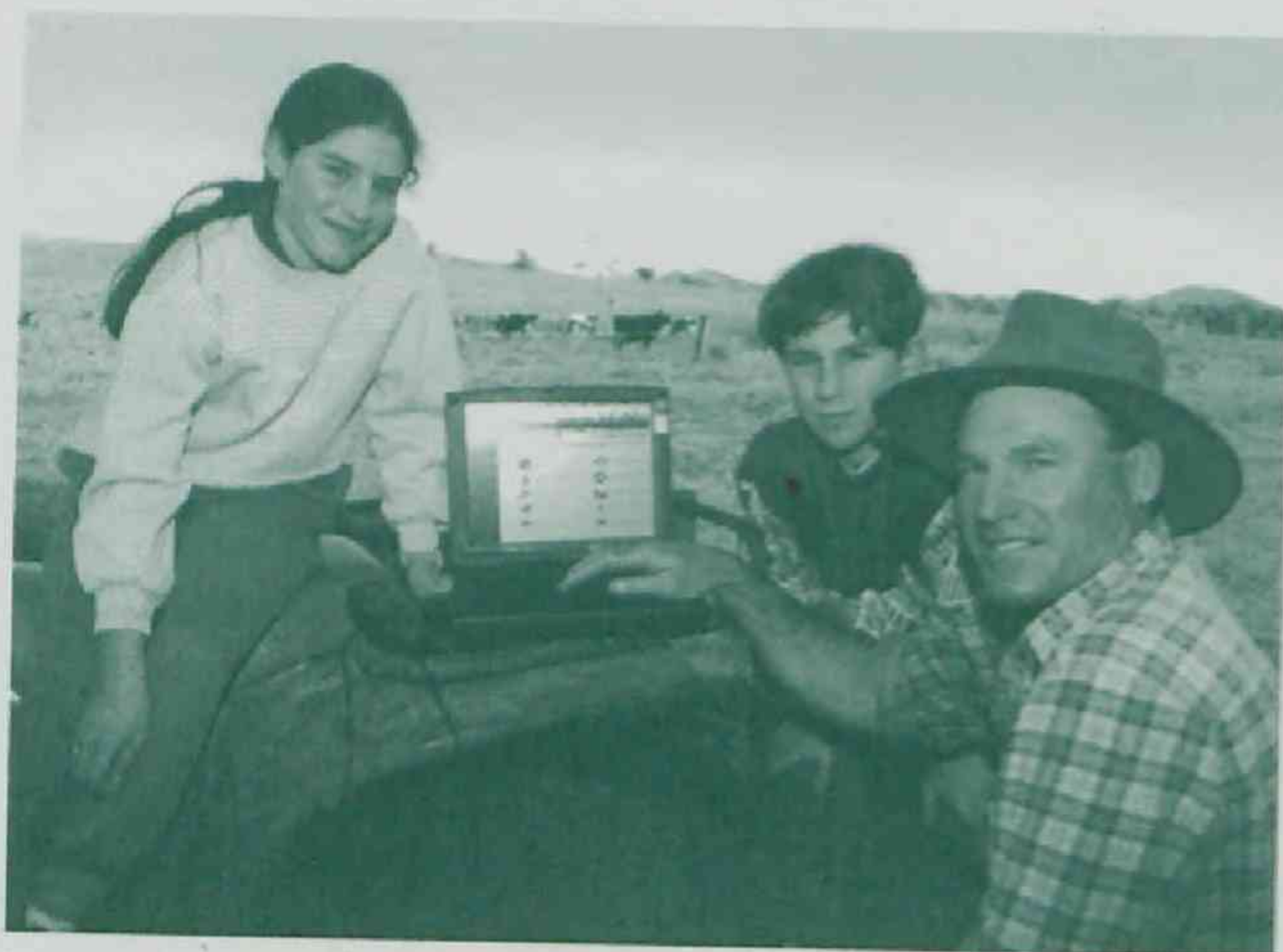
One of the primary reasons for the success of the rural development approach is its promotion of rural clients as agents, rather than victims, of change. While global trends, deregulation, prolonged drought, and the Asian economic crisis may challenge the sustainability of current rural activities and skills, popular rural development programs such as Building Rural Leaders and Futureprofit inspire our clients to meet these challenges by 'changing attitudes to change'. Training rural clients to *manage* change, and partnering them through the change process, focus attention on the opportunities, rather than the dead ends.

Dr Peter White, Executive Director



Peter Joseph White
BA, B.Agr.Sc., M.Agr.Sc., MBA, Ph.D.

Dr White joined DPI as an agronomist in 1972. His first significant management position was General Manager, International Food Institute of Queensland. Since then he has held Executive Director responsibility for Agribusiness, Drought & Rural Development, Rural Industries Export Development and now Rural Industry Business Services.



DPI training and information services are helping tackle the information technology 'black hole' in rural Queensland.

Surviving adversity, managing change — building self-reliance

The first priority in the survival–self reliance–success continuum is to help rural producers recover from adversity (such as prolonged drought), re-build their skills base, and identify their opportunities, strengths and weaknesses.

Queensland primary producers have struggled with extended drought and low commodity prices. They are looking for strategies to rebuild their businesses and communities. A key strategy in moving beyond survival is gaining self-reliance through *active participation* in developing essential personal and professional skills, investigating new roles, attitudes and industry opportunities (such as diversification), developing local partnerships and alliances, and making structural adjustments. Participation by all rural sector groups, regardless of gender or generation, is imperative.

Achievement highlights

More than six times the expected number of Futureprofit workshops were delivered in 1997–98. Within six months of their inception these workshops helped more than 65 groups to establish a self-directed, 'whole systems' planning approach to financial, natural resource and production aspects of

farm management. Demand continues to grow. Strong industry support for the program is demonstrated by the appointment of new industry-based Futureprofit staff by AgForce and Queensland Fruit and Vegetable Growers. The program was also selected from more than 200 entrants to win the Outstanding Program Award for Queensland as part of Adult Learners' Week 1997.

The Building Rural Leaders (BRL) Foundation Program helped more than 350 people in 1997–98 to develop skills in leadership, personal and interpersonal effectiveness, team building, strategic business management and media presentation. These skills enable local industry and community members to work toward the effective achievement of business and community goals, thereby creating more profitable and sustainable businesses and fostering community viability. Graduates have initiated successful diversification and value-adding activities such as the Callide–Dawson Herb Cooperative. Strong client demand for this program indicates growing interest in the skills and information that enable groups and individuals be more self-reliant, to tackle issues within communities, such as the 'youth drain', and to lead their industries and communities to long-term viability.

The Action Plan for Rural Women in Queensland, developed in parallel with a national plan, offers low cost, effective strategies to encourage more representational participation of rural producers in industry and community organisations. Extensive consultation with all sectors of the rural community, including banking, industry and community groups, indicates significant enthusiasm for change in this area.

For those still struggling at the survival end of the spectrum, RIBS continued to provide exceptional circumstance support throughout 1997–98:

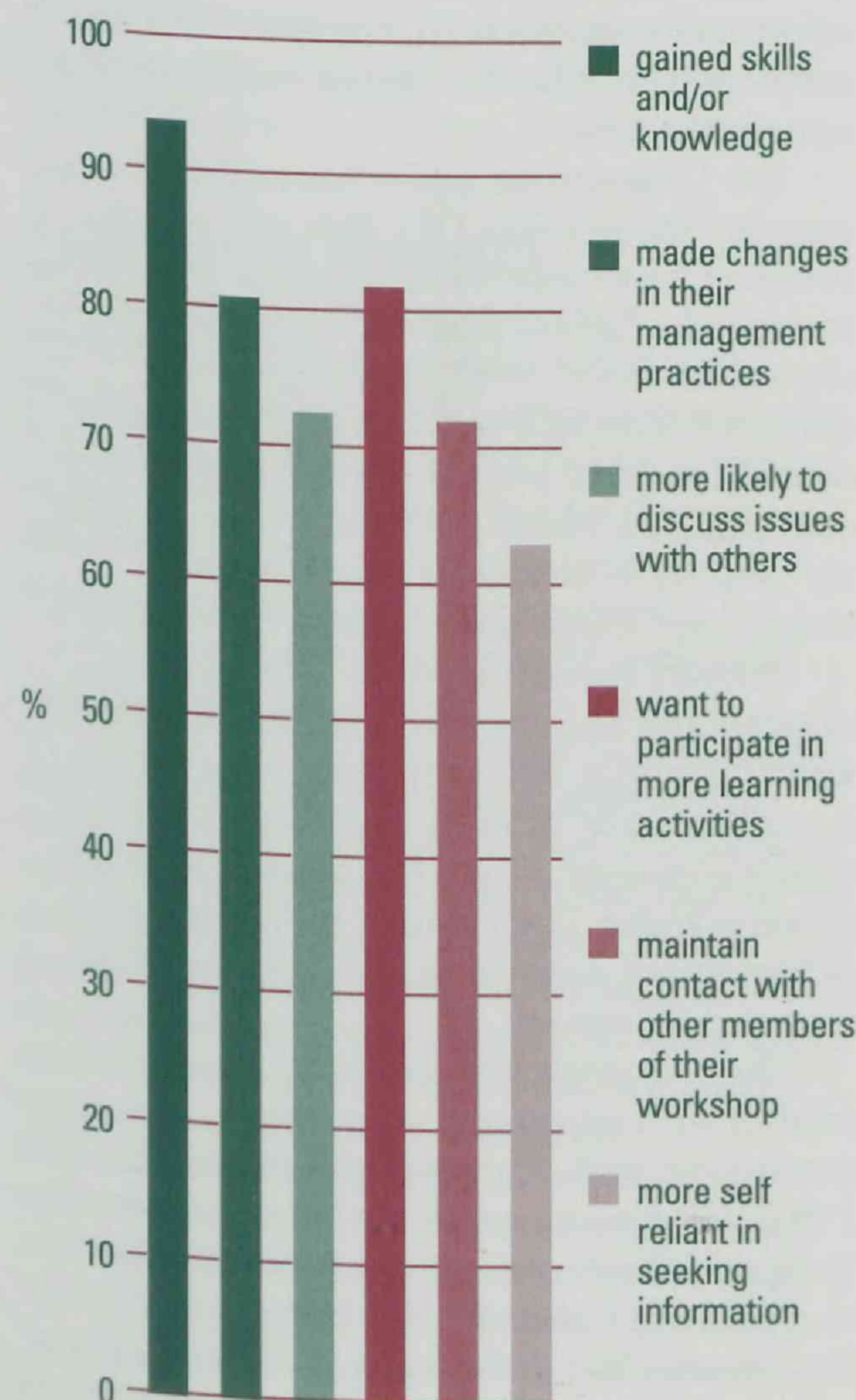
- Five Drought Exceptional Circumstances (DEC) submissions were prepared, in conjunction with industry, for the Commonwealth Government. These submissions contributed to the maintenance of DEC declarations protecting those in Queensland destabilised by drought.
- Crucial input was provided to the Commonwealth's 'Agriculture, Advancing Australia' package to ensure that Federal policies are appropriate for Queensland producers.
- More than \$3 million in freight subsidy assistance was provided for Queensland's drought-affected primary producers.
- Demand for the Farm Financial Counselling Service (FFC), offering

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Building Rural Leaders Program: participant satisfaction

Very satisfied	78%
Satisfied	21%
Somewhat dissatisfied	1%

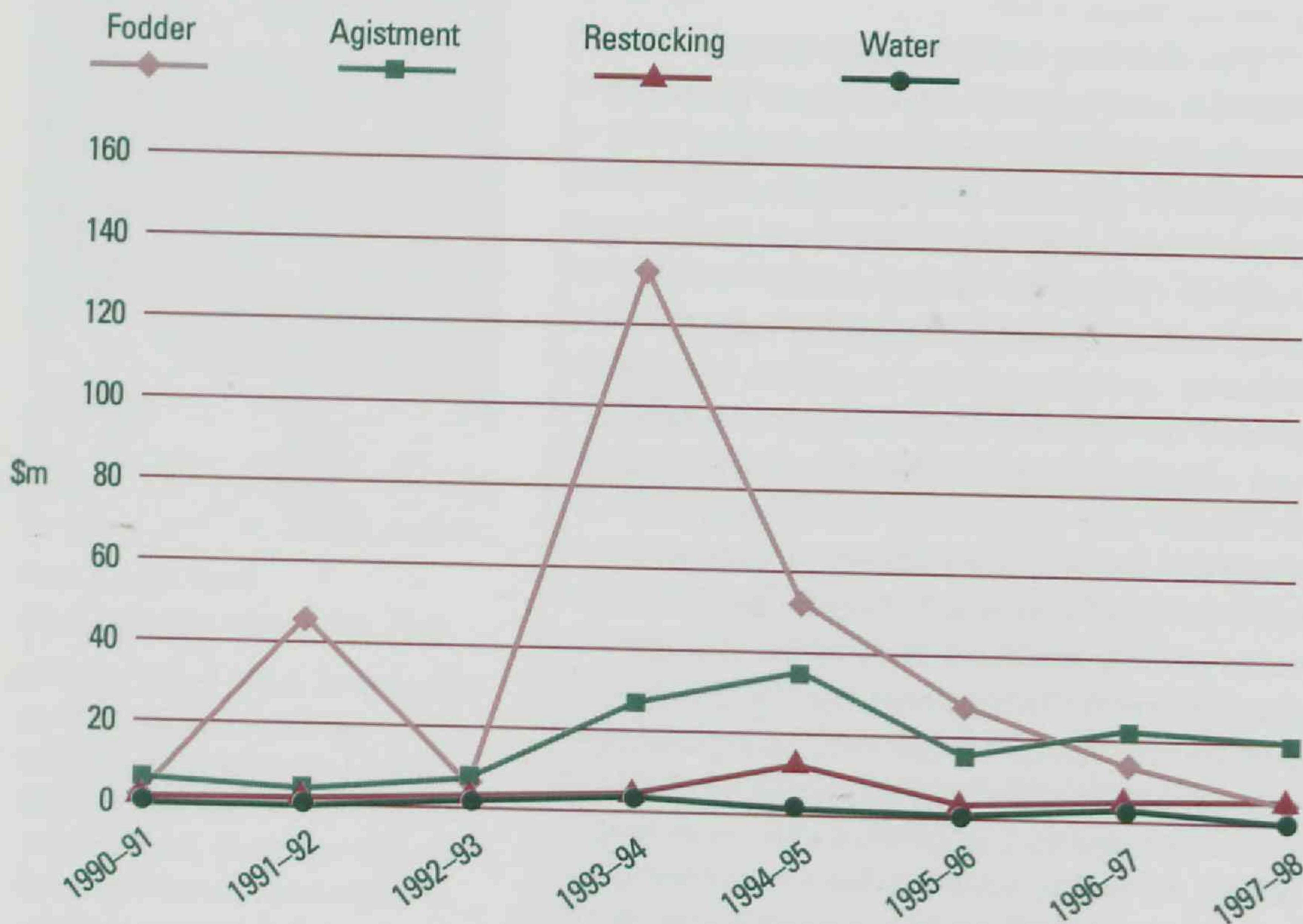
Futureprofit workshops: outcomes for Queensland participants



PROGRAMS

financial and structural adjustment advice to family farm units, has proven higher than expected. In keeping with rural development principles DPI, with the support of the Financial Advisory Counselling Committee is currently moving the FFC toward community-based management.

Drought subsidies



Intelligible, timely, accessible information — smarter decisions

The second key priority in the survival-self reliance-success continuum is to maximise access to the information required to improve business viability and competitiveness.

Ease of access to timely, intelligible, accurate information is the key to gathering business intelligence, investigating market opportunities, creating appropriate environments, locating the tools and

DPI Call Centre: total calls per month July 1997-July 1998



resources to implement strategies, and discovering valuable allies. In the information age, it is the pathway to profitability.

RIBS provides a selection of information services, structures and training programs designed to maximise access to business, marketing, economic, technical and financial information and analysis.

Achievement highlights

Leading edge research in climate forecasting and applications conducted by the Queensland Centre for Climate Applications (QCCA), launched in March 1997, ensures that Queensland is at the forefront of advances in climate intelligence. These data enable better climate risk management and sharpen the competitive edge of rural producers in international markets. In 1997-98, QCCA held 18 Managing for Climate workshops to help primary producers make informed climate-based business decisions and launched Version 3 of RAINMAN, a home computer climate risk management package. (One client cotton farmer has indicated that these services alone earned him an additional \$300 000 net profit in 1997-98, with an additional \$400 000 forecast for the next financial year).

In 1997-98 the Department also formally launched the DPI Call Centre, a 'single entry point' service providing direct access to all DPI's public electronic information (including its Prime Notes containing 2150 technical, marketing and business notes) from anywhere in the State for the price of a local call. The Call Centre estimates that it can deal with 70% of information requests 'on the spot', and has developed an effective referral service for the remaining 30%.

The Department has continued to improve the popular DPI Web site, which uses low band width technologies to increase the speed of access to the Internet for remote clients. Its mobile Web training room delivered info-tech and Internet training to more than 2000 people in rural and remote communities across the State. These services are helping to tackle the information technology 'black hole' in rural Queensland.

Primary Industries Week 1998 was an outstanding success, involving more than 40 events focusing attention State-wide on the contribution of primary industries to the State's economy and to the lifestyle of every Queenslanders. The Primary Industries Week Achievement Awards, held for the first time, attracted 70 entries.

The Department's first entry into relationship marketing, a tray-liner promotion with Hungry Jack's in March 1998, was also an unparalleled success and indicated the enormous marketing power that primary industries can harness by establishing links with major wholesale/retail food market distributors.

DPI Call Centre: user satisfaction

Would use the service again	97%
Would not use the service again	1%
No response	2%

(based on client surveys)

New markets, new products, new trade — viable business

The third key priority in the survival-self reliance-success continuum is the availability of sophisticated business management and marketing advice, an innovative business environment based on strategic visioning, and strategic partnerships along the food and fibre chain, from production to consumer.

While huge market opportunities exist, particularly in the export sector, success depends on:

- value adding to gain a bigger share of the consumer dollar;
- ready access to intelligible market and business information;
- assistance to establish overseas trade relationships;
- access to product development expertise, including processing and packaging technologies, product analysis for safety and quality, and new technologies to generate products for future global demand;
- adoption of internationally recognised quality assurance (QA) standards.

Consequently DPI consolidated a range of innovative strategic visioning, investigative and technical services aimed at positioning Queensland's rural industries in the forefront of domestic and international markets at every step in the food/fibre supply chain. The Department targeted rural industry sectors at the producer and corporate level to increase awareness of new product, value-adding and market development opportunities.

Achievement highlights

The potential of the Department's AgriInfonet program to help individual producers develop export links and networks led to its adoption as a national joint venture in late 1997. AgriInfonet is a fee-for-service database of contacts and commercial intelligence for export development.

A range of risk management services in market, export and investment was developed in 1997-98 to help Queensland's agribusiness entrepreneurs maximise the long-term profitability of export involvement while reducing the risks and costs. Export/investment plans were developed in partnership with industry to identify and manage risks affecting export and investment capabilities in beef, seafood and fruit and vegetables. Workshops to provide information on opportunities, risks and options for trade and investment were held in the horticulture, aquaculture and forestry industries. Surveys of participants showed very high levels of satisfaction with these workshops.

Market access analyses were undertaken to identify niche market opportunities for Queensland products in the Asia-Pacific region and the European Union. Rural clients were provided with business contacts in international markets and with information on trade and investment opportunities and on impediments to trade in target countries.

The Department encouraged re-assessment of current quarantine restrictions in certain overseas markets. As a result, DPI and AQIS recently negotiated successfully for the export of live cattle to China.

In 1997-98 DPI established a Business Strategy Unit to provide strategic trend analysis to industry development councils (IDCs), institute boards, advisory committees and DPI senior management. The unit interprets essential strategic business information, identifies expert business decision-making systems, facilitates business strategy partnerships and undertakes economic evaluation projects. It has helped several industry development councils identify future issues relating to long-term viability and performance of industry sectors, and has contributed to the development of an industry scenario-simulation computer model.

The Centre for Food Technology (CFT) provides commercial services to the postharvest sector of the food industry. Client demand for fee-for-service training and technical R&D consultancies in 1997-98 surpassed predicted revenue and client activity targets. The Centre, which is recognised nationally as a leader in food technology innovation, enhanced food industry efficiency and quality in 1997-98 through:

- the development and national launch of new prepared foodstuffs for food manufacturers;
- 25 training courses, for more than 300 food industry participants in food safety, food hygiene and sanitation, quality assurance and hazard analysis critical control point (HACCP) techniques;
- 36 third party audits of quality assurance and HACCP systems for food industry customers and risk assessment tools for waste minimisation;
- development of an innovative packaging system, in conjunction with a packaging industry partner, to improve the survival of live prawns shipped by air freight;
- non-invasive near infra-red (NIR) spectroscopy techniques for application to foodstuffs to determine eating quality in real time.

It is predicted that four out of five food and fibre products on the market in ten years time have not even been invented. The future holds unimaginable potential; the element of change is the only certainty. The survival and success of rural industries in the future demands that DPI and its industry partners rise to the challenges and opportunities that lie ahead.

PROGRAMS

Researching the anti-microbial properties of Australian honey (photo courtesy The Courier-Mail).

PROGRAMS

AGRICULTURE INDUSTRY DEVELOPMENT



Rosemary Clarkson
B.Sc, Ph.D, Grad. Dip. Manage.
Dip. Teach, MASM, MAICD

Dr Clarkson began her current period of employment with DPI in 1980 as a microbiologist in the Brucellosis and Tuberculosis Eradication campaign. After her work as a scientist, her career has covered appointments as General Manager, Planning and Evaluation 1992; General Manager, Centre for Food Technology 1993; Executive Director, Rural Industry Business Services 1996; and Executive Director, Agriculture Industry Development 1998.

Overview

Agriculture continues to be a leading contributor to the State's economy, accounting for 36% of the value of Queensland's overseas exports and 21% of Australia's rural exports. While the Asian currency crisis caused some instability and concern in late 1997, the agriculture sector has responded positively by seeking alternative markets and products. Generally, Queensland's agriculture industries were favoured by good rains in many areas in 1997-98, although some areas are still experiencing water shortages.

If one aspect stands out in 1997-98, it is awareness of the growing complexity of the interdependencies of all parts of the food and fibre chains and their influence on the environment within which producers, processors and marketers make their business decisions.

In this climate it is more important than ever for government and industry to jointly look forward, to define opportunities and likely impediments for Queensland industries and then to move forward, planning for contingencies. In the past year eleven industry development councils continued or began this process (beef, dairy, horticulture, winegrape, fish, emu, pig, grains, cotton, nursery and allied industries, and flowers).

Features of these councils are their commitment and frankness, and their willingness to accept and work with all available information and to experiment with new planning processes. Working with them is an exciting and challenging role.

An important component of the program has been the research and development provided by the seven related institutes, three of them joint ventures with industry and The University of Queensland and the other four overseen by boards which are predominantly composed of industry representatives.

It is rewarding to see the enthusiasm with which industry has taken the opportunity to become directly involved in the design and delivery of research, development and extension (RD & E). This mutual growth in understanding of industry's medium- and long-term needs and the art of managing 'research and extension' services has the potential to create eminent agricultural and postharvest institutes in Queensland.

Queensland agriculture has always been somewhat of a roller coaster ride with fluctuations in commodity prices in world

markets, booming or failing economies, disease threats and unpredictable climatic conditions. Yet its strength, as indicated by its place in the Queensland and Australian economies and its ability to survive setbacks, reflects the richness of the State's natural resources and the skills, resilience and far-sightedness of its people.

I see the partnerships formed between government and industry as a stimulus for continued growth for Queensland industries and development of new rural enterprises in our rural communities.

Dr Rosemary Clarkson, Executive Director



Vineyard principal Tony Williams (centre) discusses the production of a premium Thomson Seedless table grape with DPI's Dr Rosemary Clarkson and Nick Macleod.

Program description

The program fosters the growth and development of Queensland's primary industries by working in partnership with primary producers, their organisations and other key industry sectors. It does this by providing an effective policy and legislative framework for the operation of primary production enterprises, and by positioning the agriculture industries for market success. It also provides an effective RD & E service to primary producers and industry which is delivered by institutes and overseen by boards with strong industry representation. Industry development councils complement this RD & E by providing direction and advice to government on industry development issues.

Objectives

In partnership with industry to:

- improve the capacity of the primary production enterprises to operate profitably and sustainably;

- increase the performance and competitiveness of primary industries;
- enhance the capacity of industry to meet marketing requirements;
- accelerate the adoption of good industry practices and informed decision making.

Strategies

- ensuring effective whole-of-industry planning;
- providing effective policy and legislative frameworks to improve competitiveness;
- using RD & E to help managers make better decisions to improve the profitability of their enterprises;
- helping primary producers to be responsible users of natural resources;
- improving information delivery and exchange with the primary industries sector.

Achievement highlights

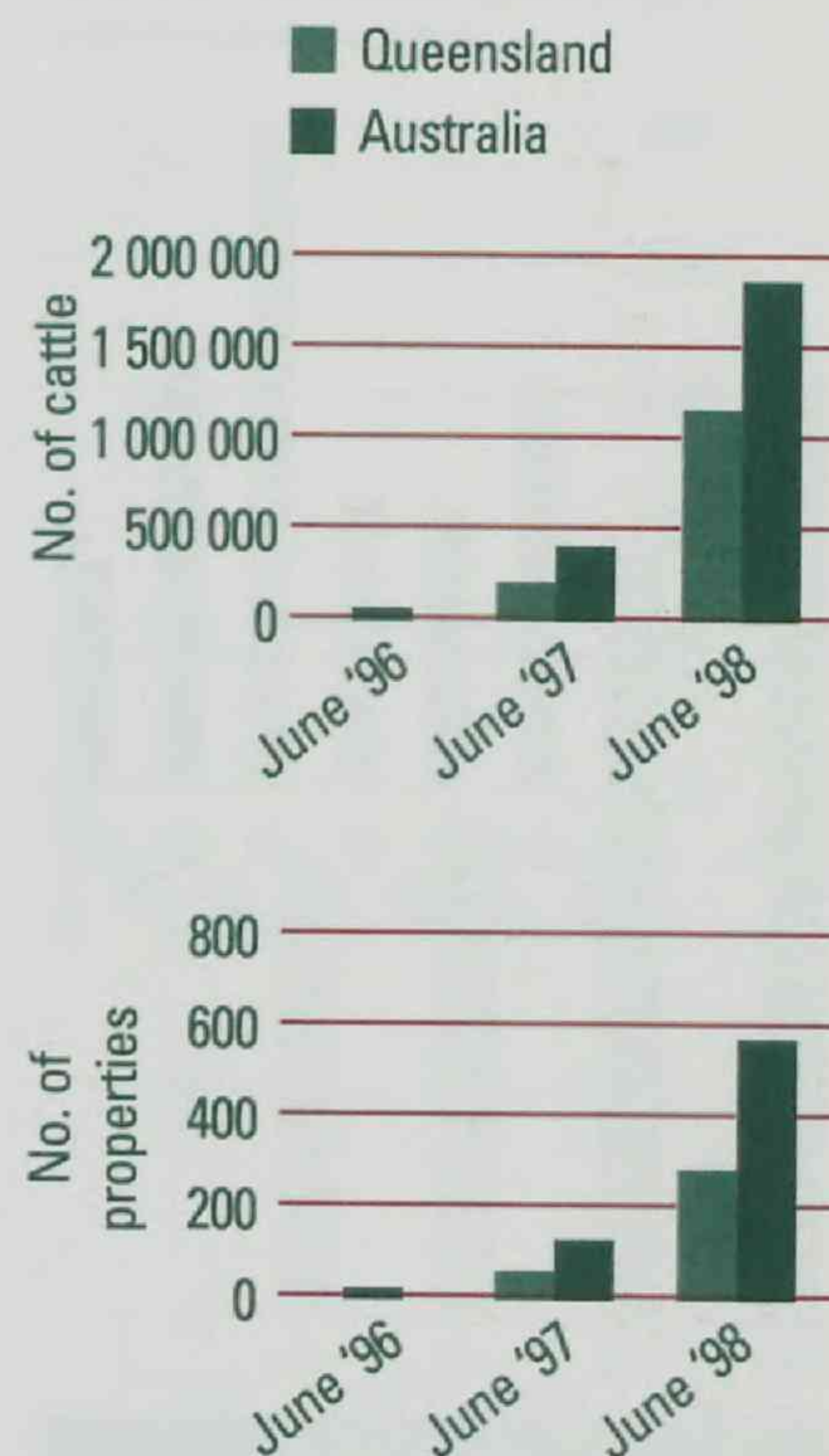
Beef

- The Beef Industry Development and Advisory Council (BIDAC), which comprises representatives of all the major sectors of the industry, developed an industry plan. This plan strongly endorses the national Meat Industry Strategic Plan and identifies strategic directions for the Queensland beef industry in seven areas: leadership and communication, food safety, animal health and welfare, product quality and consistency, best practice and skills enhancement, operational efficiencies, and marketing.
- The Queensland Beef Industry Institute, established as a partnership with the beef industry in Queensland, provided leadership to ensure that research and extension across the breadth of the industry are relevant and efficient. The Board of the institute held an outlook workshop to help set its strategic direction for the contribution of research and development to a sustainable and profitable industry.
- Queensland is achieving the fastest uptake of the national on-farm quality assurance program Cattlecare. In April 1997 more than 230 accredited properties—half the total—were located in Queensland, and their cattle numbered almost 750 000. The benefits of this quality assurance (QA) program are minimal risk of chemical contamination, minimised bruising and hide damage, and more effective management and herd improvement through better record keeping. There are now independently audited QA systems for processors, livestock transporters, lotfeeders, saleyards, live exporters and producers.

- Twenty-one local best practice groups in north Queensland have documented whole farm management strategies recommended by experienced graziers for a range of land types. This initiative identified a significant gap between average and leading producers and is providing a structured framework for improving property management.
- More than 100 vegetation monitoring sites have been established in Queensland's grazed woodlands to understand the vegetation dynamics and help identify optimal tree-grass balance for sustainable production. The 'Woody Weed Adviser' software and CD-ROM, an easy-to-use decision support package providing information on the control of more than 100 problem woody weeds, was revised and is enjoying buoyant sales and receiving excellent user feedback.
- A whole property economics package to advance the sustainable management of southern black speargrass pastures showed that wiregrass infestations can be managed profitably in the Burnett using reduced stocking rates and fire.
- Ways to reduce the cost of bulls in extensive breeding herds were identified. By using young bulls selected for key physical and reproductive traits, the mating ratio can be reduced from 6% to 2.5% without affecting conception rates or patterns.
- Requirements for phosphorus supplements and the importance of wet season supplementation for breeder herds in Queensland's extensive dry tropics were defined, leading to a reduction in phosphorus deficiencies and improved reproductive performance in these herds.
- A review of newsletters, including *Beefstalk*, *Northern Muster*, *Insufferabulletin*, *Beef 'n' Bull*, *Talking Point* and *Northern Live Export News*, and client feedback indicated that the newsletters are key information sources for industry. In particular, reaction to *Beefstalk* continues to be extremely positive: more than 400 feedback forms are returned per edition, commending the newsletter and providing suggestions for future editions. Advertising support remains strong.

PROGRAMS

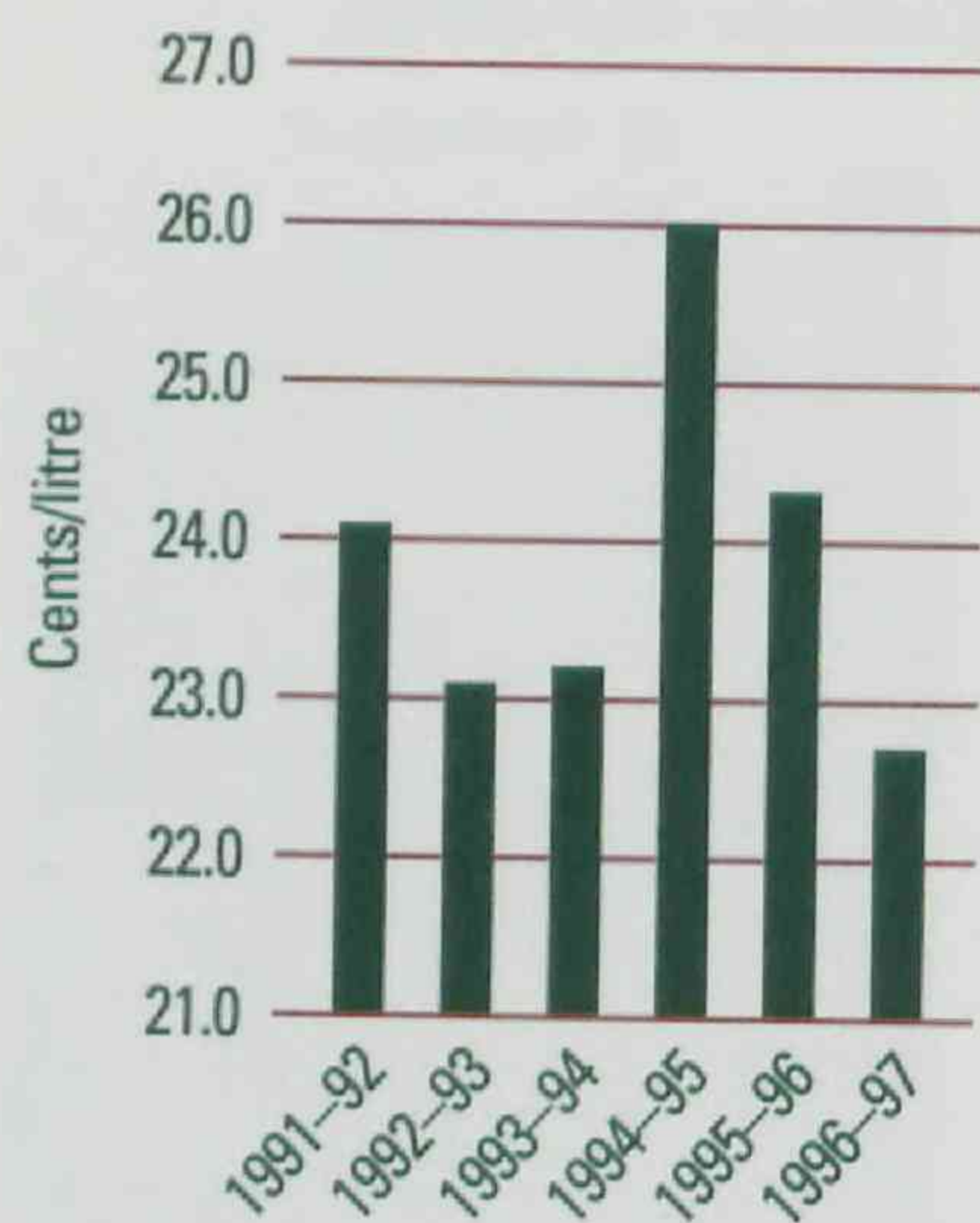
Cattlecare accreditation



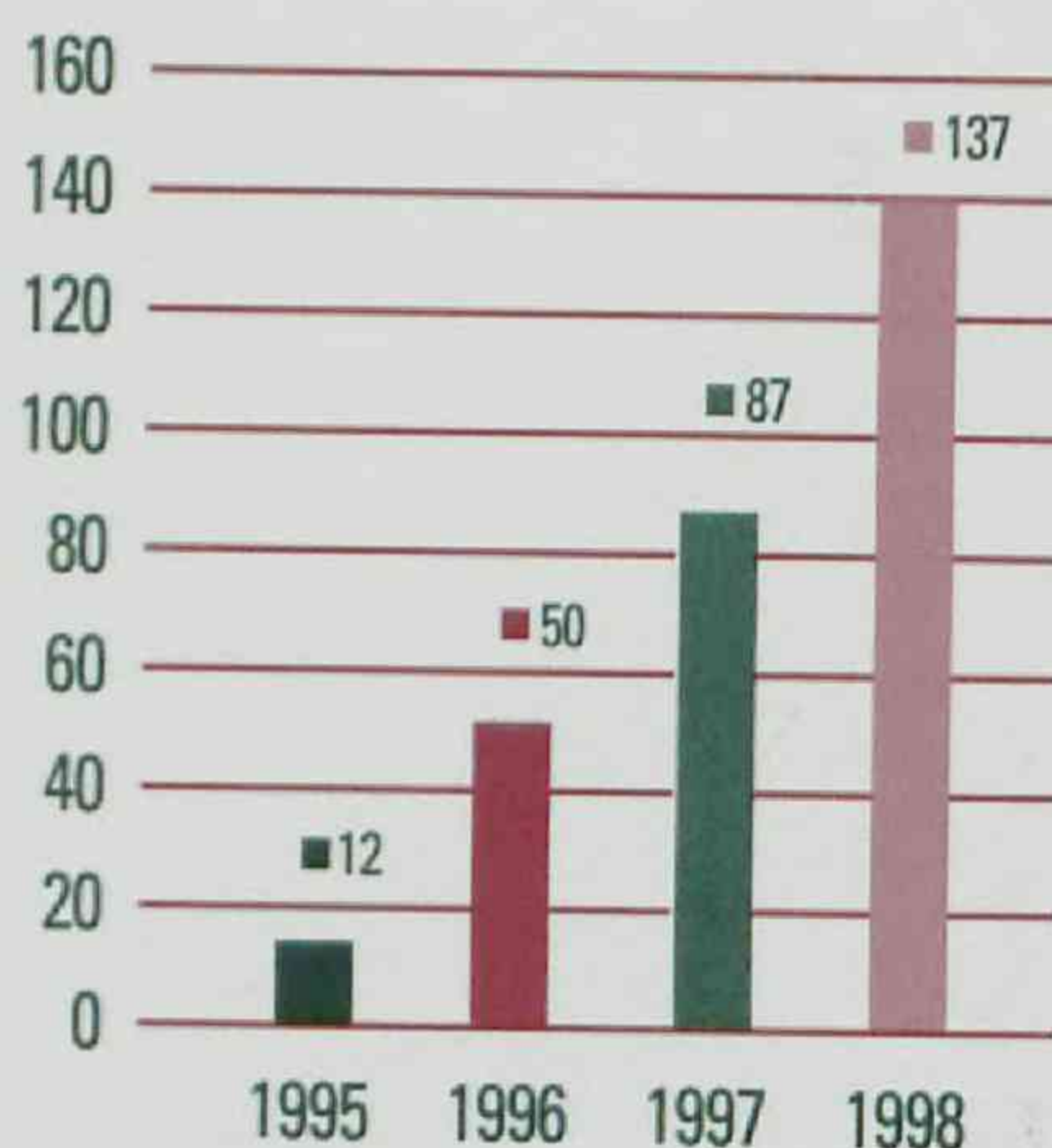
DPI A/Director-General Warren Hoey addresses the convention of the Cattlemen's Union.

PROGRAMS

Milk: total variable cost of production



DPI Program Leader, honey bee microbiologist Wendy Ward counting microbial colonies in honey at the Honey Bee Research and Diagnostic Laboratory.



Number of properties assessed by Sheep and Wool Institute staff for safe carrying capacity (progressive totals)

- The Livestock Export Advisory Committee (LEAC), in conjunction with the Australian Quarantine Inspection Service, China Animal and Plant Quarantine, and DPI's Rural Export Industry Development Unit and Animal and Plant Health Service negotiated protocols to allow export of live cattle to China from the tick-free areas of Queensland outside the bluetongue vector zones. This trade has the potential to reach 20 000 head annually, a valuable alternative market for producers.

Intensive livestock

- The Australian Tropical Dairy Institute (ATDI), a joint venture comprising DPI, The University of Queensland and industry, is on target with activities to help dairy farmers manage their future while major structural and marketing changes are occurring within their industry. Its activities include a project to have 300 dairy farmers trained and developing their own business plans by December 1999 through the Smartmove-Futureprofit workshops, and an Internet-based information system with up-to-the-minute information for dairy farmers.
- A business audit service supported by the Pork Industry Development Council and the Australasian Pig Institute began operation and several series of workshops provided help for pig producers to manage the current industry crisis, improve their technical skills and become more self-reliant.
- An enhanced commercial blood test service for diagnosis of porcine pleuropneumonia became available and further work is on track for extending the range of this test and providing a similar service with respect to Glasser's disease. These services help pig producers manage these production-limiting diseases and thus reduce production costs.
- DPI's work through the Queensland Poultry Research and Development Centre has improved poultry production efficiency and disease management through preparation of a coccidiosis vaccine (now ready for commercial production) and the development of an improved diagnostic technique for infectious coryza, an upper respiratory disease of chickens. The identification of alternative poultry feed ingredients and the development of guidelines for their inclusion in poultry diets give producers greater choices and flexibility when the price of traditional feeds is fluctuating, and so can reduce production costs.
- On-farm monitoring by the Environmental Management Group of current industry practices will provide

more scientifically supportable guidance to industry, to researchers and to regulators for achieving environmentally sustainable production practices. This expanded service is also providing valuable guidance for the Department's regulation of industries required to be licensed under the *Environmental Protection Act 1994*.

- Two years after the start of an American foulbrood control program in Queensland apiaries, 72% of beekeepers have had honey tested on at least one occasion. The overall prevalence of infection is low, but one in four of the larger apiaries (>200 hives) has returned a positive test. No infected apiaries have been detected in north Queensland. An industry survey revealed strong support for the program and a desire for a national control policy.
- The crocodile industry is becoming actively involved in on-farm research. A questionnaire revealed that farmers have been changing their rearing methods as a result of research, including husbandry and nutritional research to determine ideal conditions for rearing juvenile crocodiles. A pelleted diet acceptable to young crocodiles was also developed, in collaboration with industry.

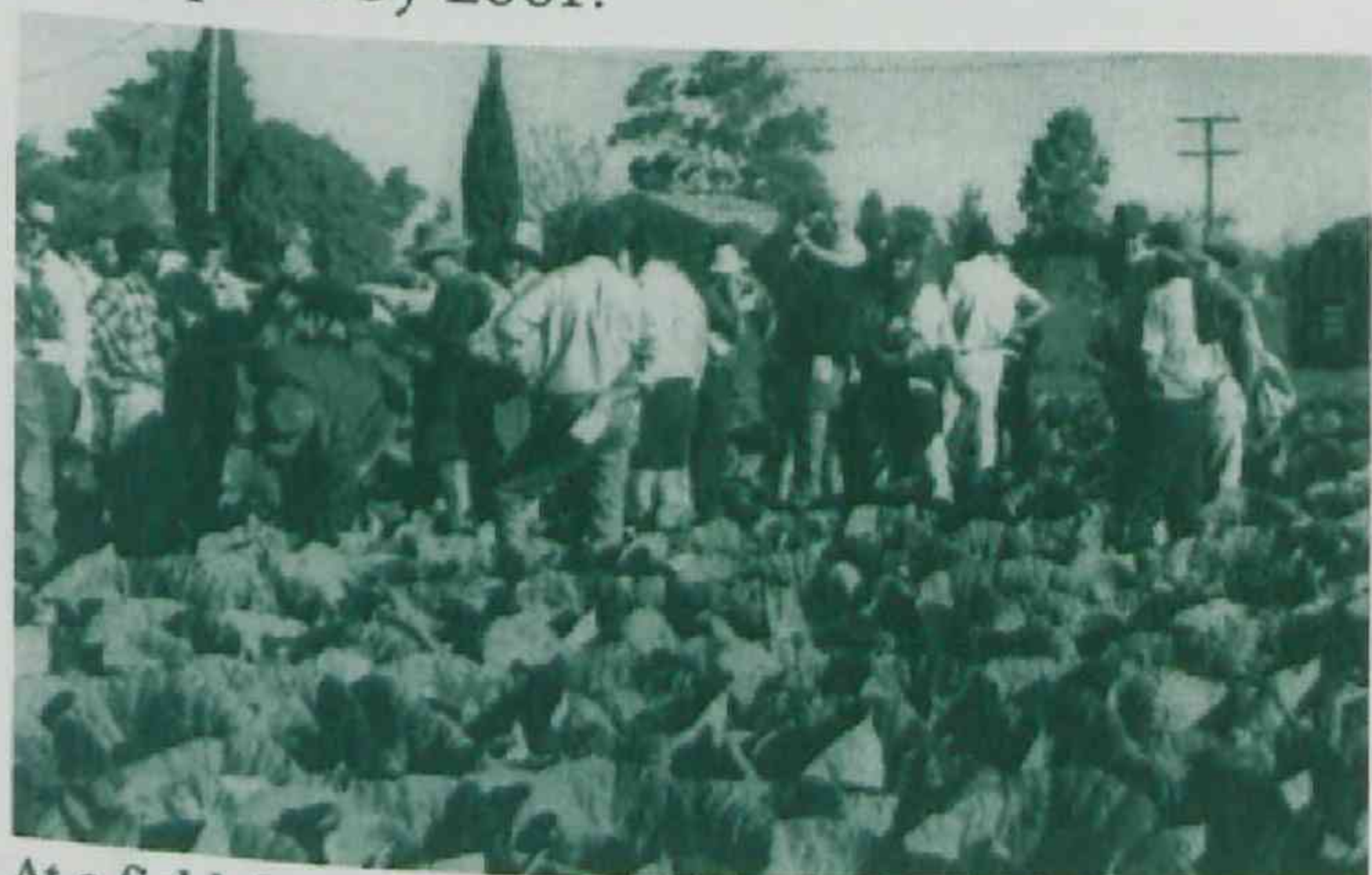
Sheep and grazing game

- The Sheep and Wool Institute (SWI), under the guidance of its Board, had a successful first year of operations which included a strategic review of DPI services to the industry.
- The success of five pilot Bestprac producer groups facilitated by SWI staff was demonstrated by the enthusiasm and commitment of the participants and their progress towards self-defined goals, as well as by the acceptance of Bestprac as a national model for wool producer benchmarking groups. The Woolmark company (previously the International Wool Secretariat) will partly fund 14 such groups in Queensland with project leadership and State coordination from the SWI.
- Industry leaders and the SWI organised 23 field days attended by 257 producers in a vigorous campaign to reduce chemical residues in Queensland wool. The objective is to meet the low residue standards likely to be set for Australia by a current industry review being carried out by the National Registration Authority for Agriculture and Veterinary Chemicals. Queensland is on target to meet these standards.
- Export of goats and goat meat is emerging as a growth industry in Queensland. It is a welcome opportunity

for many producers to diversify into a profitable industry. The high level of interest is evident from the 235 people who attended workshops recently held by the SWI at Roma, Charters Towers and Mareeba.

Horticulture

- Formal high level partnerships between DPI and the horticulture industry were established through the initiation of three industry development councils covering the fruit and vegetable, nursery and winegrape industries. Each council began preparation of a strategic vision for industry growth and development to guide the Department's investment decisions affecting the horticulture industry.
- The Queensland Horticulture Institute (QHI), under the guidance of its expert and industry-focused Board, completed its first full year as a major provider of research, development and extension services to the horticulture industry, overseeing expenditure of approximately \$20.9m.
- Producers and exporters were involved in identifying a range of opportunities for the Horticulture Export Program (HEP), an initiative launched to boost Queensland horticulture exports. Five new projects were selected, including quality management of export vegetables, sweet onion selection for Japan and Europe, grafting of Geraldton waxflowers, feasibility of sea freight for mangoes, and 'clean, green' bananas to Japan. The investment of \$1.07m in these five projects is projected to generate \$12m in additional Queensland horticultural exports by 2001.



At a field day in the Lockyer Valley, growers and industry staff inspect a cabbage crop grown using integrated pest management.

- A range of alternative integrated pest, disease and weed management techniques was developed to provide more sustainable pest management and reduce chemical use. By monitoring pest levels, nematicide use in bananas has been reduced by up to 40%. More than 200 vegetable and pomefruit producers are now using new pest and disease warning and forecasting systems, and chemical use in deciduous fruit production is being

reduced by 40-70%, saving this industry up to \$2m a year as well as improving food and environmental safety.

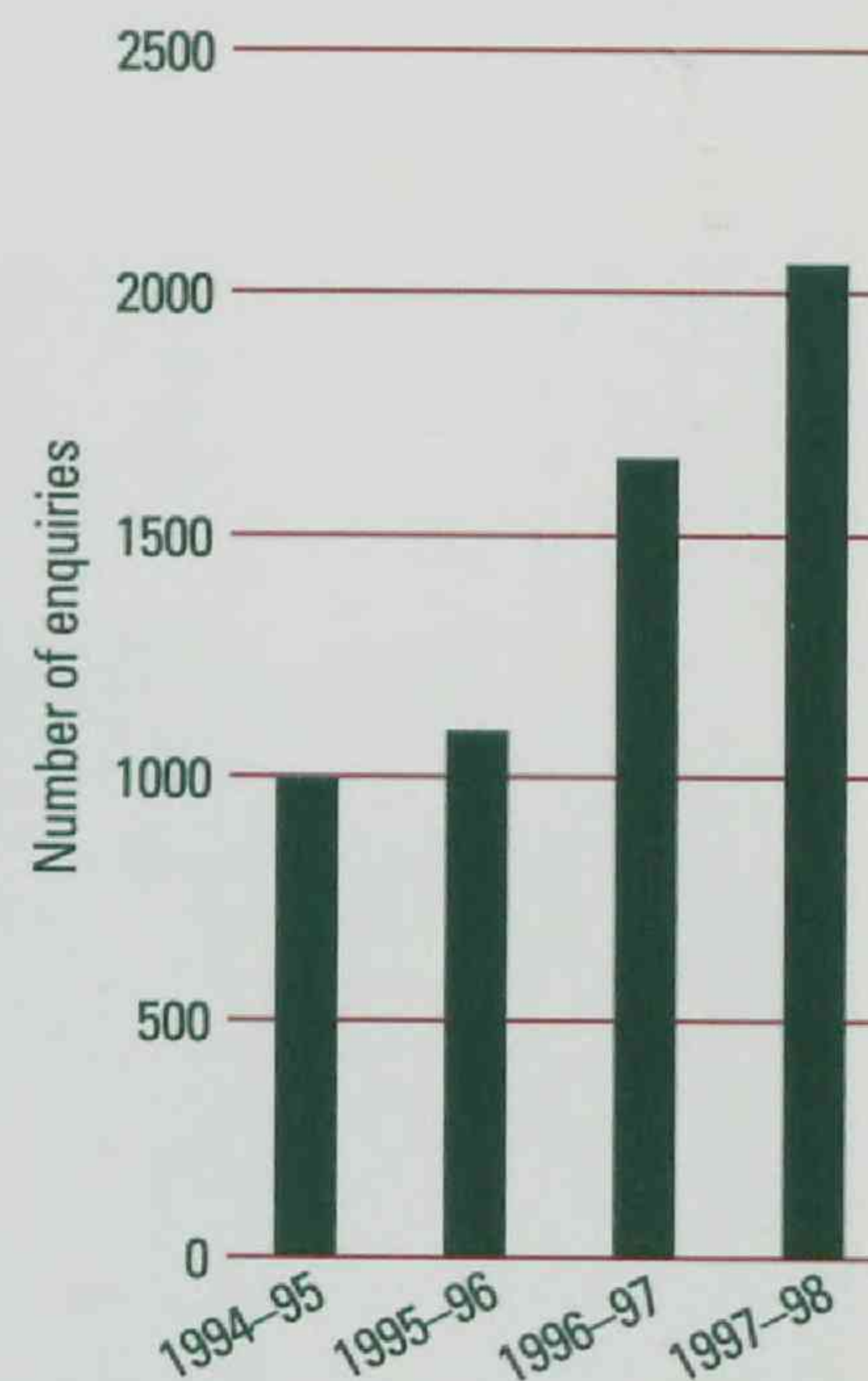


DPI's Bob Nissen (left) and producer Pat Wibaux discuss advances in the production of quality low-chill stone fruit.

- The Choices project, established by DPI to help tobacco growers in the Mareeba-Dimbulah Irrigation Area to diversify, was expanded to the four shires of the Atherton Tablelands with additional Commonwealth Government funding and community backing. The project has supported rapid development of new industries (tea tree, native flower, grape and citrus) and expansion of existing horticultural production, along with the development of business and marketing skills to strengthen emerging industries. In the four years of the project tobacco production has declined from \$45m to \$26m per annum, but the value of other crops has risen from \$31m to \$76m.
- Quality management systems were widely promoted to a wide range of horticultural producers throughout Queensland. Two hundred and forty horticultural businesses began a comprehensive two year training program in quality management, emphasising product quality and food safety and designed to help them meet future domestic and export market requirements.
- The QHI implemented a revised information strategy to satisfy the continuing high demand for horticultural information in Queensland. A comprehensive information service for amenity horticulture, GrowSearch, was expanded to include a larger range of minor horticultural crops. The innovative Agrilink information system, designed to provide comprehensive and tailored information on specific horticultural crops in a form readily assimilable by horticultural producers, was well received by industry and continued its development in both printed and electronic formats; ten Agrilink manuals and the first CD-ROM and Internet prototype were completed.

PROGRAMS

Enquiries for information from the amenity horticulture GROWSEARCH information service



PROGRAMS

Field crops

- In 1997–98 the Board of the Farming Systems Institute (FSI) commissioned a review of service delivery in the FSI to ensure that services meet industry needs.
- In an innovative approach to research and development, graingrowers and agribusiness personnel worked with FSI staff to jointly discuss issues, set the research agenda and conduct experiments for the development of more sustainable cropping systems. A recent industry review showed the success of this approach in increasing the uptake of new technology and more efficient farm practices.
- To foster a whole-of-industry partnership approach to industry development, the framework for industry development councils was established with the grains and cotton industries. The councils will play a key role in facilitating growth and development of these industries in Queensland.
- An alliance of industry, agribusiness and DPI ensured a quick response to the heliothis insect pest threatening Queensland crops during the past season. The Grains Research and Development Corporation and the Cotton Research and Development Corporation provided funding to assess the severity of the problem and to tackle specific end-of-season heliothis management issues. This work augmented projects being conducted at Emerald and Kingaroy. A three year project got underway to implement region-wide management and evaluate its effectiveness.
- FSI plant breeders have successfully implemented new 'gene technology' approaches to improve the efficiency of their programs and increase disease resistance of crops. Developments included the following:

- Useful molecular markers linked to the resistance genes for barley leaf rust and stem rust were identified. Two of the markers were tested, leading to development of germplasm, and similar processes have been adopted with other crops.
- Four new sorghum germplasm lines were sold to industry. This material has the potential to produce grain sorghum hybrids with extremely high levels of midge resistance and stay-green characteristics.
- The Queensland-wide cotton variety testing program conducted from the DPI Biloela complex by the FSI ensured that the 'best' cotton varieties continued to be available to Queensland cotton growers. Maize research led to the release of new maize hybrids with 2% higher yields.
- Two new high yielding wheat varieties were approved by the Australian Wheat Board for the export premium grade Australian Prime Hard. One of these varieties is resistant to all three rusts, highly tolerant to root lesion nematodes and less susceptible to yellow spot than the Hartog variety.
- To ensure that Queensland's crop growers are competitive and have access to the most efficient breeding lines, the FSI completed negotiations on a five year agreement with Heritage Seeds for research on forage oats, and is currently finalising agreements with Grainco for the licensing of wheat and barley varieties bred by the FSI.
- Information services for Queensland's field crop producers were considerably enhanced by a major project to update and restyle information products under the Croplink brand, which were assessed locally for relevance to producers.

DPI extension agronomist Rod Collins (Biloela) in a stand of Cunningham wheat.



Forest industry*

- Hundreds of enquiries were received from landholders about the Private Forestry Plantation Initiative Joint Venture Scheme. Twenty-three landholders established 335 ha of plantations throughout the State on a joint venture basis with DPI Forestry—77 ha in north Queensland and 258 ha in south-east Queensland. In addition 32 ha of demonstration plantations were established on four sites in the Mackay-Proserpine area. Expressions of interest for joint venture plantation establishment of 400 ha during 1998–99 were also advertised and prospects of achieving this target look bright.

*These activities are executed by DPI Forestry (see Forest Production program) on behalf of DPI's Agriculture Industry Development program.

PROGRAMS

1997-98 forestry joint ventures

Species	North Qld	SE Qld	Total
Hoop pine	38	136	174
Gympie forestry messmate		93	93
Red mahogany	39		39
Blackbutt		7	7
Spotted gum		19	19
Other species		3	3
Total	77	258	335

- Following success with legislative changes to register 'profit a prendre' (a type of crop sharing) agreements on land titles to provide security for investment in joint venture plantation forestry, DPI Forestry is working with industry to ensure that these agreements can be registered in a cost-efficient manner.
- DPI actively participated in development of the *Integrated Planning Act 1997*, which provides for much improved security of harvest and a streamlined approval process for timber growers. Reducing the uncertainty about industry's rights to harvest timber is likely to have a significant impact on decisions to invest in plantation developments.
- Feedback on the public report *An Overview of the Queensland Forest Industry* has been very positive and there have been numerous requests for copies. The report provides a comprehensive factual overview of the economics and operations of the Queensland forest industry.
- Industry and government are working together on a Queensland Forest and Timber Industries Strategy to provide a 'road map' showing how the industry can achieve commercially, ecologically and socially sustainable development.

Sugar

- The Queensland sugar industry continues to perform competitively in the global market place. The value of exports for 1997-98 was \$1.74 billion, up from \$1.5 billion in 1996-97, and is estimated to reach \$1.86 billion in 1998-99.
- Industry and government continued to work together in 1997-98 to implement the 74 recommendations for reforms arising from a review of the *Sugar Industry Act 1991* and the *Sugar Milling Rationalisation Act 1991*, which will contribute to the efficiency and competitiveness of the sugar industry. The industry was granted security of tenure over bulk sugar terminals (BSTs) by the Government; it is in the process of establishing an industry-owned company to which the BST assets of \$350m are to be transferred.

- The Commonwealth Government and the State Government implemented amending legislation under the Trade Practices Act ensuring the continuation of single desk selling of sugar in Queensland. This is a critical element in Queensland's ability to maintain its position as a major international competitor.



Queensland's first new super mill in 70 years fires up at Arriga on the Atherton Tablelands.

Research and extension

- The eight institutes had a successful year under the guidance of their boards, and as an ongoing improvement strategy The University of Queensland's Graduate School of Management and DPI's Research and Extension Unit began a three-year project to monitor and support the institute partnership concept. The project is supported by a grant from the Australian Research Council (ARC).
- The Rural Extension Centre (REC) increased its graduate enrolments and offered a Master's degree in Rural Systems Management (Rural Extension) for the first time. In conjunction with The University of Queensland's School of Natural and Rural Systems Management, it is developing a Master's degree in strategic research leadership and innovation to enhance staff skills.
- DPI, CSIRO, and NSW Agriculture were involved in a program funded by the Rural Industries Research and Development Corporation (RIRDC) to understand how creativity can be nurtured and guided in a government-managed agricultural RD & E environment.
- A review was undertaken of DPI's investment in biotechnology, particularly through its Queensland Agricultural Biotechnology Centre. This will help achieve greater industry impact from the funds allocated to biotechnology by industry and government.

PROGRAMS



John David Skinner
BA (Govt), CAHRI

Mr Skinner joined DPI in 1991 as General Manager (Human Resource Management). He was appointed Executive Director, Corporate Performance in 1996. Before joining DPI he was an Assistant Director (Corporate Services) in the Commonwealth Public Service.

CORPORATE PERFORMANCE AND STRATEGIES (CORPORATE PERFORMANCE; POLICY AND LEGAL SERVICES)

DPI's Corporate Performance and Strategies Program provides services in the areas of strategic planning, finance, workforce planning and development, policy and legal affairs, performance management, information management and information technology to help the Department deliver on its commitments to government and the community.

Corporate Performance

Overview

To successfully lead and be a partner in enhancing organisational performance I consider it essential to have integrated planning and strategy development, performance frameworks, workforce planning, and financial development and information systems.

DPI Corporate Performance has achieved a great deal in this regard through a collaborative multi-disciplinary approach to the development of strategies and solutions. In 1997-98 priority continued to be placed on building and maintaining sound relationships with clients, including consultative forums on output budgeting and the introduction of integrated finance and human resource systems.

The DPI Board of Governance process has made possible a higher level of sophistication in financial and non-financial management as DPI seeks to successfully blend innovation and business excellence. Committees on finance, audit, risk management, workplace health and safety and legislation report regularly to the Board on issues affecting the Department's corporate direction. The Board and the Senior Management Team are currently developing a Department-wide performance framework.

During 1997-98 the client satisfaction and staff satisfaction surveys provided a high level of positive feedback and identified areas for improvement (see also 'Our clients' and 'Our people'). Importantly, they provided an across-the-board assessment of organisational performance, with clients reporting that staff response to their special

needs was excellent and staff indicating a willingness to go out of their way for clients. Results of the staff survey have been incorporated into the Department's Leadership and Development framework. In 1998-99 DPI will continue to develop strategies based upon the interrelationship between these key areas.

DPI's human resource management practices received two Equal Employment Opportunity Best Practice Awards and the Australian Human Resource Institute (Queensland) Corporate Award.

As the year 2000 approaches, the Department has recognised the importance of ensuring that current technology will continue to support departmental and client activities beyond that date. A project team has been addressing compliance issues across the Department; however, responsibility for ensuring business continuity rests with individual business groups. The Department plans to address these issues in a cost-effective way in 1998-99.

Corporate Performance has supported effective decision making on performance improvement by investing in flexible and adaptable organisational processes and policies to eliminate excessive regulation. During 1997-98 this included reviewing and streamlining organisational policies, and a risk management approach to performance management covering discipline and grievances, with decision making moved to a lower level of management.

Evaluation confirmed this process as a more streamlined approach incorporating collaborative problem solving, risk assessment and effectiveness in case management.

PROGRAMS

Corporate Performance will continue to work with other business groups to develop an environment that enhances the Department's capacity to meet the challenges ahead through the basic principle of right strategy, right people, right information—right results.

John Skinner, Executive Director

Objectives

- Enhance client knowledge and decision-making capability through the generation, development and delivery of information products and services.
- Improve organisational financial and non-financial performance through the development of appropriate policies, systems and operations.
- Improve the capability and flexibility of the Department's workforce through the development of effective policies and strategies.

Strategies

Leadership

- Implement a leadership and management development framework.
- Establish clarity of direction for DPI's business.

Community, industry and clients

- Conduct a further DPI client satisfaction survey and implement action based on the results.
- Clearly articulate, monitor and report on targeted achievements for industry and across-industry clients and stakeholders.

Information and analysis

- Implement new integrated human resource and financial computer systems.
- Review the performance reporting framework.

Business processes

- Implement the Board of Corporate Governance Framework.
- Further streamline operational services for human resources, finance and administration through the Corporate Services Agency.

People

- Conduct a further DPI staff survey and implement action based on the results.
- Develop professional and technical development modules linked to progression schemes.

Achievement highlights

- A DPI Learning Framework was developed and is being piloted as a 'leadership through learning' strategy.
- The Department's business direction was clarified and communicated to clients,

staff and other stakeholders through a variety of media and face-to-face contact.

- The Senior Management Team completed a program of four visits to regions—to the Roma, Bowen/Ayr, Emerald and Gympie districts.
- The Department trialled two satellite telephone conferences in which the Director-General and other senior managers talked with staff around the State.
- DPI's Corporate Governance processes are being used as a model across the Queensland public sector.

Community, industry and clients

- The client satisfaction survey was completed and strategies developed in consequence. Analysis of some of the data from the survey is continuing (see 'Our clients').

Information and analysis

- The Department achieved an increase of 30% compared with 1996–97 in compliance with requirements to report quarterly through the LINKX system (Linked INformation and Knowledge eXchange).
- A review of performance reporting and evaluation processes and culture was completed. A new performance framework is to be developed in 1998–99.
- Output Groups were established for 1999–2000 which reflect the Department's industry and across-industry service dimensions.
- An integrated human resource and financial system complying with year 2000 requirements was chosen and a business configuration identified, taking account of user needs.
- DPI's information technology infrastructure was upgraded to improve access to Web services technology.

Queensland Centre for Climate Applications—enhancing decision making capability for risk and change management through active learning workshops.



PROGRAMS

Business processes

- A corporate management cycle was developed and released to inform managers and staff of planning, budgeting and reporting requirements and timelines.
- The Department's risk management framework was further enhanced by completion of its Information Technology Business Continuity framework.
- Inventory and risk assessments were completed to ensure not only compliance but also business continuity in the context of year 2000 requirements (see Appendix 8). For example, the Department's computer network was upgraded to ensure year 2000 compliance.
- Corporate policies and standards were streamlined: procedures were simplified and accountabilities adjusted.

- The Department established and implemented a system of self-assessment audits across regional locations.
- The Corporate Services Agency streamlined regional client service delivery.
- A client survey of information technology services was completed.
- Progressive process reviews were undertaken by the Corporate Services Agency to improve service delivery and productivity.

People

- The quality of the Department's staff policies and procedures was recognised through a number of awards (for details see 'Our people').

Business excellence

- A corporate model for risk management was developed and implemented.



Peter John Neville
B.Econ.(Hons)

Mr Neville joined DPI in 1996 and worked in research and policy development and on a wide range of industries and rural economic issues. He specialised in international trade and structural adjustment of rural industries. In 1989 he was appointed Director, Marketing Services and the following year General Manager, Division of Fisheries. He was appointed to his current position in 1995.

Policy and Legal Services

Overview

Policy and Legal Services deals with a diverse range of strategic, policy and legal issues with an impact on all areas of the Department and industry

Good policy and effective legislation provide the framework for the Department to carry out its responsibilities and ultimately for the growth and development of industry.

Policy and Legal Services also aims, where possible, to streamline the governmental processes so that clients have an efficient interface with government rather than one characterised by bureaucracy. In order for it to achieve its aims extensive consultation and good communication are essential.

The role of the unit will become more important in the areas of strategic coordination of issues and policy development across a very broad spectrum of industry and natural resource areas, particularly as the Department develops its new partnership arrangements.

Peter Neville, Executive Director, Policy and Legal Services

Priority areas

- Reviews of legislation
- Industry restructuring initiatives
- Strategic policy development and coordination
- Legal advice

- Contract development
- Natural resource management initiatives.

Achievement highlights

- Support for a number of National Competition Policy reviews: Policy and Legal Services assisted with and conducted the Sugar Industry Review, the Grain Industry Review, the Dairy Industry Review and the Chicken Meat Industry Review.
- Assistance with industry reviews in the horticulture, forestry and fishing industries.
- Implementation of procedures for coordinating native title claims as they interest the Department.
- Coordination of Regulatory Impact Statements concerning legislative amendments.
- Legal risk management assessments undertaken and training commenced;
- Development of a range of legislation to give effect to industry restructuring in the sugar, fisheries and grain industries.
- Development of contractual arrangements to support research and development grants and intellectual property issues.
- Assistance to producer or representative bodies with strategic policy planning, survey-based research on policy issues, and policy skills development.

FINANCIAL INFORMATION

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FINANCIAL STATEMENTS 53

EXPENDITURE
1997 \$'000

Total 361,589

(1,591)

used (77)
(42)
variation (12)

266,095
95,494

(1,591)

Department of Primary Industries Financial Summary for the Year Ended 30 June 1998

	1998 \$'000	1997 \$'000	Change (%)
Financial Position as at 30 June 1998			
Total Assets	1,226,849	1,406,851	-12.8%
Current Assets	45,055	55,762	-19.2%
Total Liabilities	160,827	169,428	-5.1%
Current Liabilities	49,762	55,720	-10.7%
Total Equity	1,066,022	1,237,423	-13.9%
Operating Result for the Year Ended 30 June 1998			
Total Operating Revenues	161,476	155,616	3.8%
Total Operating Expenses	346,132	327,737	5.6%
Net Cost of Services	184,656	172,121	7.3%
Total Revenues from Government	180,843	178,509	1.3%
Cash Flows for the Year Ended 30 June 1998			
Cash Inflows	366,592	347,746	5.4%
Cash Outflows	(370,376)	(350,857)	5.6%
Cash at Beginning of the Financial Year	25,536	28,647	-10.9%
Cash at End of the Financial Year	21,752	25,536	-14.8%

Operating expenses

DPI continued its support of research and development in primary industries with grants and subsidies totalling \$13.2 million during the year (1997 \$12.6 million).

Employee expenses remained at an acceptable level, representing 54.6% of total operating expenses (1997 54.7%).

Although supplies and services increased marginally, the proportion to total operating expenses was 28.3% (1997 28.8%).

Operating revenues

Royalties and other territorial revenue are the largest source of revenue for the Department at 44.2% of total operating revenue (1997 47.9%).

Grants and other contributions continue to be the second largest source of revenue at 27.5% of total operating revenue (1997 24.5%).

Also significant are User charges, taxes, fees, and fines, which amount to 20.6% of total operating revenue (1997 20.3%).

Capital works

The construction of office complexes at a total cost of \$9.4 million at Gatton, Cairns, Biloela, Charleville, and Mareeba were either completed as at 30 June 1998, or nearing completion. This has reinforced DPI's commitment to provide a better service to Queensland's rural industries by bringing DPI "back to the bush".

DPI programs

A new program 'Animal and Plant Health' was established on 1 July 1997. This program works with Queensland's livestock and plant industries to improve their competitiveness by meeting national and international standards for health, welfare and quality.

The Department's Agriculture program and DPI Forestry continue to be the Department's largest programs in terms of financial significance, between them accounting for 97.6% of total assets (1997 95.1%).

Note 4 of the Financial Statements provides information on the identity and purpose of the Department's major programs.

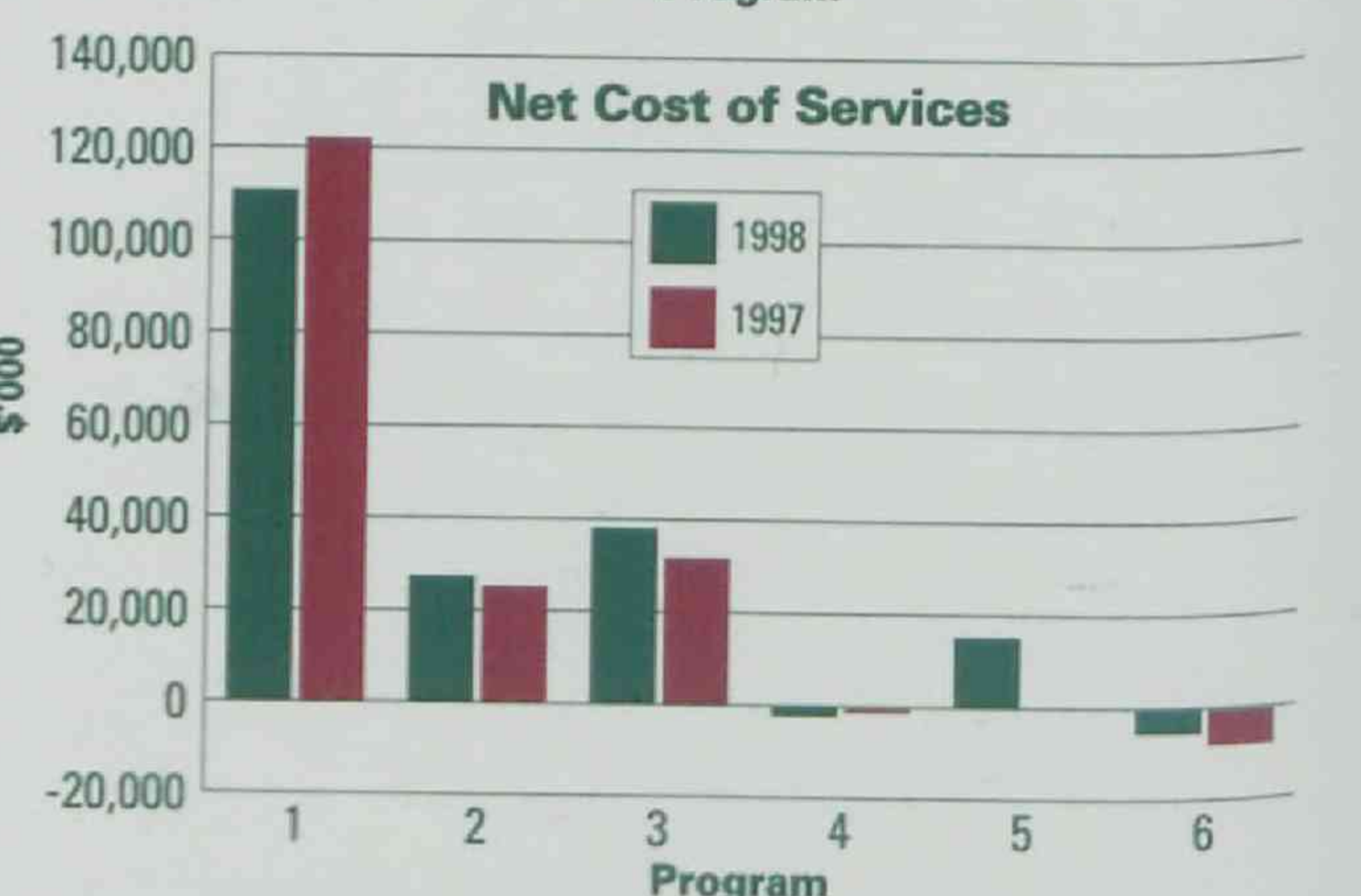
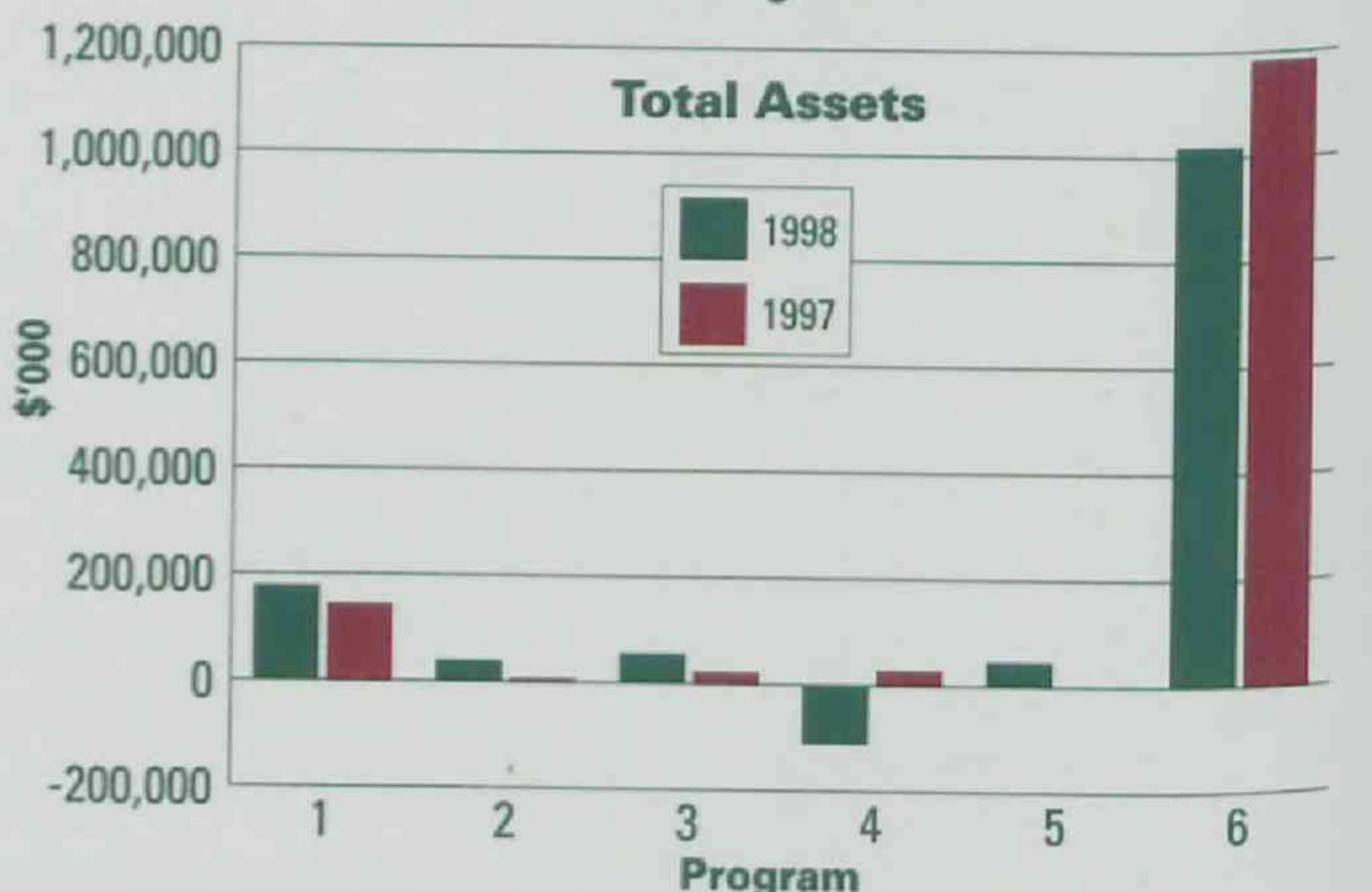
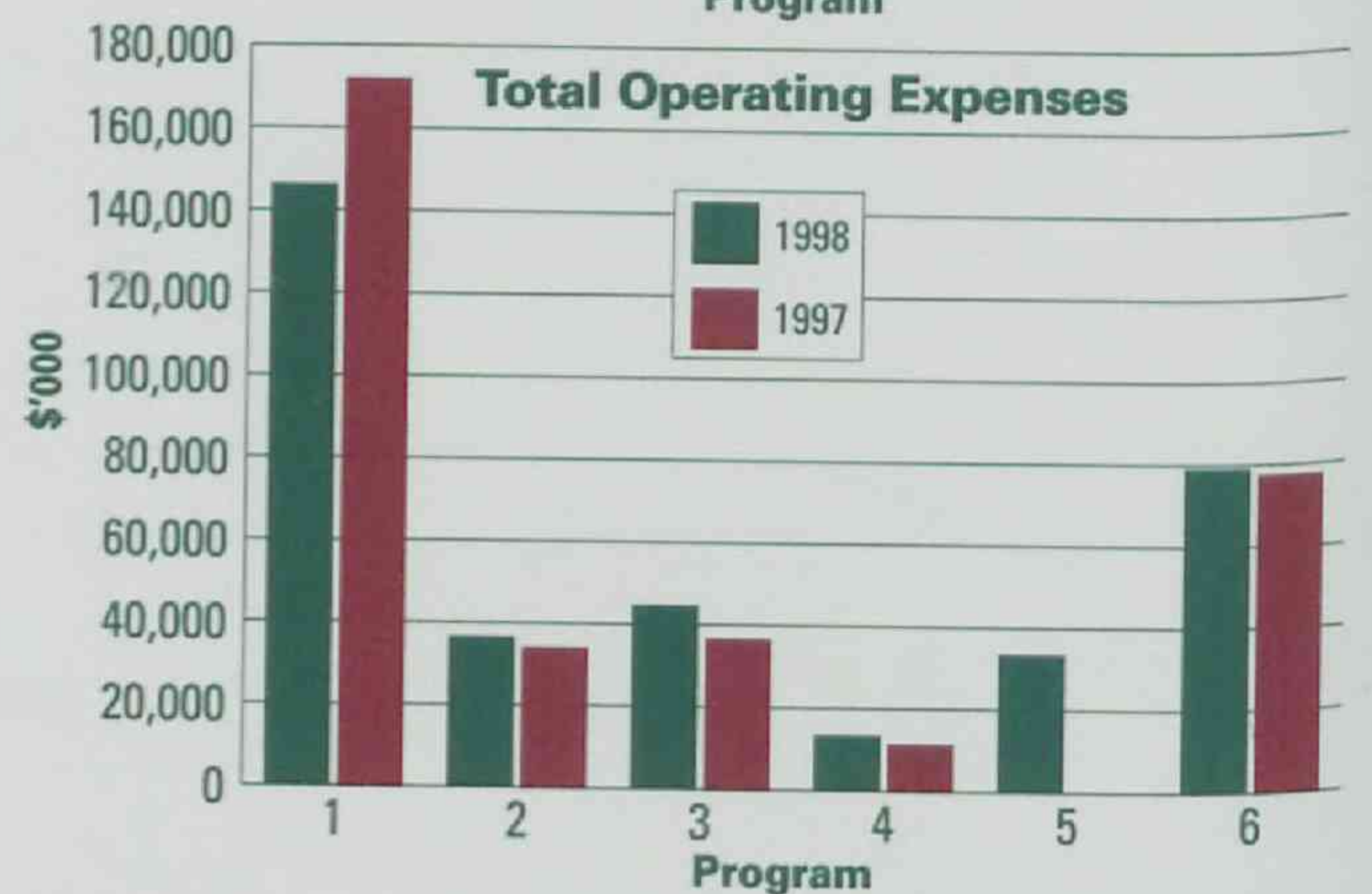
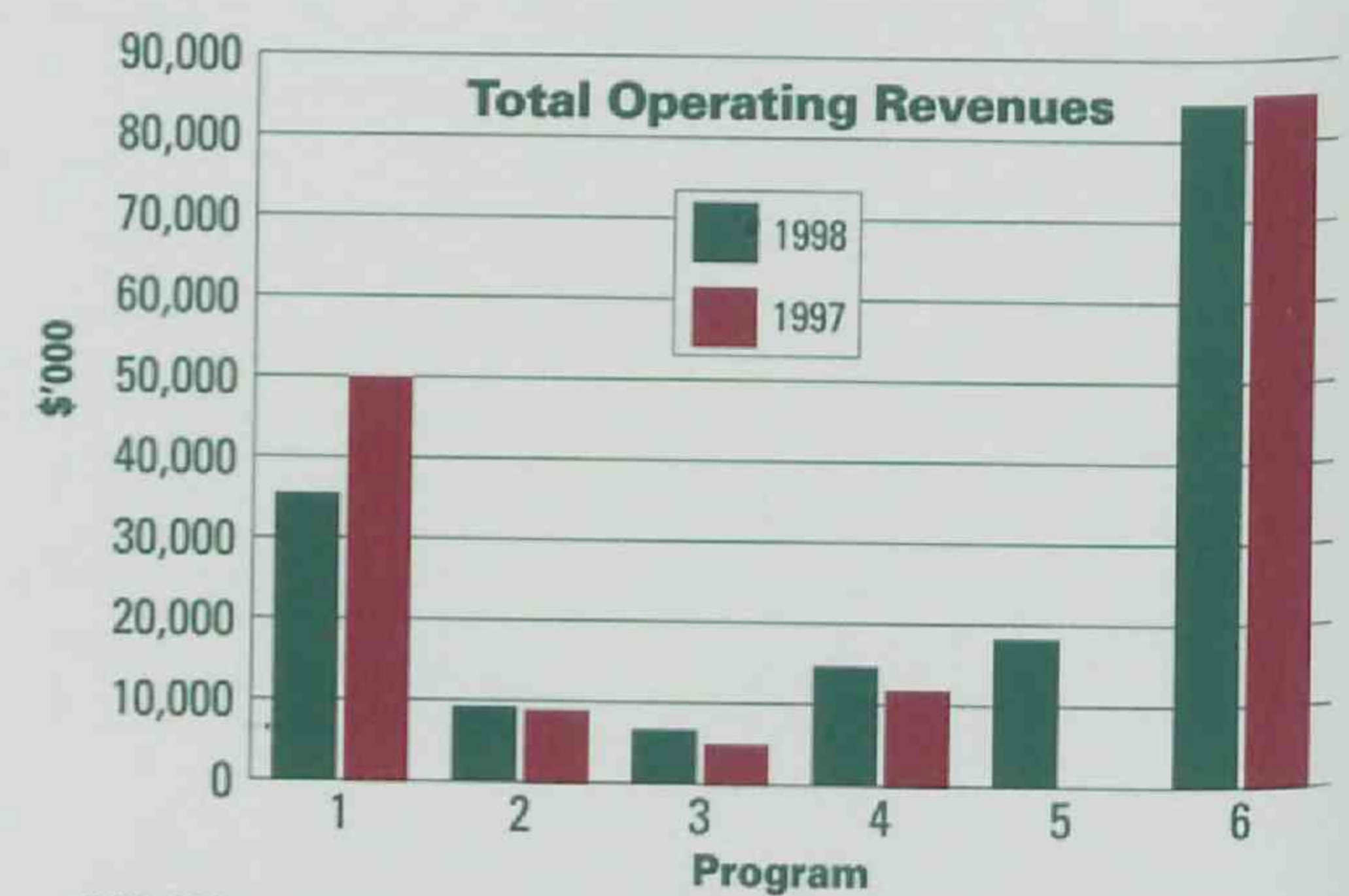
Basis of accounting

The financial statements have been prepared in accordance with the historical cost convention, except where otherwise stated. The accounting policies adopted are consistent with those of the previous financial year. The accrual basis of accounting has been adopted for both departmental transactions and balances and those administered by the Department. This provides stakeholders with more relevant information on which to base their decisions.

Year 2000

The year 2000 contingency is the risk that computerised information services may fail at the turn of the century because of their inability to recognise the dating of the new millennium. The Department has taken positive steps to ensure a smooth transition into the year 2000. It is currently converting all financial systems to SAP R/3, which is a completely integrated Year 2000 compliant financial system.

A SAP project team was formed to implement the various systems. The property, plant and equipment registers were transferred to SAP during the year. The current QGFMS general ledger system will be replaced by SAP on 1 November 1998.



Legend for Programs

Agriculture	1
Drought and Rural Development	2
Fisheries	3
Corporate Performance and Strategies	4
Animal and Plant Health	5
Forest Production	6

Department of Primary Industries Financial Statements for the Year Ended 30 June 1998

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OPERATING STATEMENT
for the Year Ended 30 June 1998

	Notes*	1998 \$'000	1997 \$'000
OPERATING EXPENSES			
Employee Expenses	5	189,104	179,211
Supplies and Services	6	98,107	94,515
Depreciation and Amortisation	7	19,273	18,549
Grants and Subsidies	8	13,216	12,597
Other	9	26,432	22,865
Total Operating Expenses		346,132	327,737
OPERATING REVENUES			
User Charges, Taxes, Fees and Fines	10	33,206	31,569
Grants and Other Contributions	11	44,355	38,083
Royalties and Other Territorial Revenue	12	71,305	74,569
Property Income	13	760	1,882
Other	14	11,850	9,513
Total Operating Revenues		161,476	155,616
NET COST OF SERVICES	29	184,656	172,121
Revenues from Government			
Appropriation Revenue	15	185,471	180,456
Liabilities Transferred / (Assumed)	15	275	(801)
Assets Transferred	15	(4,903)	(1,146)
Total Revenues from Government		180,843	178,509
(Decrease) / Increase in Net Assets before Abnormal Items and Dividends		(3,813)	6,388
Abnormal Items	16	(15,667)	-
Dividend Provided for		(3,868)	(5,060)
(Decrease) / Increase in Net Assets After Abnormal Items and Dividends	28	(23,348)	1,328

* The accompanying Notes on Pages 65 - 97 form an integral part of the Financial Statements.

OPERATING STATEMENT (Continued)
for the Year Ended 30 June 1998

EXPENSES AND REVENUES ADMINISTERED ON BEHALF OF THE STATE GOVERNMENT			
	Notes*	1998 \$'000	1997 \$'000
EXPENSES			
Employee Expenses	5	170	179
Supplies and Services	6	10	87
Grants and Subsidies	8	3,517	4,349
Other	9	1,104	1,310
Total Expenses		4,801	5,925
REVENUES			
User Charges, Taxes, Fees and Fines	10	1,670	3,084
Grants and Other Contributions	11	45	-
Royalties and Other Territorial Revenue	12	136	539
Property Income	13	908	1,129
Interest		6	10
Other	14	851	216
Total Revenues		3,616	4,978
NET COST OF ADMINISTERED SERVICES		1,185	947
Revenues from Government			
Appropriation Revenue		2,963	5,444
Assets Transferred		(2,460)	(3,936)
Other		-	45
Total Revenue from Government		503	1,553
(Decrease) / Increase in Administered Net Assets		(682)	606

* The accompanying Notes on Pages 65 - 97 form an integral part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION
as at 30 June 1998

	Notes*	1998 \$'000	1997 \$'000
CURRENT ASSETS			
Cash	17	21,752	25,536
Receivables	18	14,528	23,477
Investments	19	-	2
Inventories	20	5,547	5,335
Other	21	3,228	1,412
Total Current Assets		45,055	55,762
NON-CURRENT ASSETS			
Receivables	18	803	1,255
Investments	19	55	48
Inventories	20	99	133
Property, Plant and Equipment	22	247,492	256,572
Other	21	83	-
Total Non-Current Assets		248,532	258,008
SELF-GENERATING AND REGENERATING ASSETS			
Plantation Growing Timber		930,826	1,090,873
Livestock		2,436	2,208
Total Self-Generating and Regenerating Assets		933,262	1,093,081
TOTAL ASSETS		1,226,849	1,406,851
CURRENT LIABILITIES			
Creditors	24	12,308	17,550
Borrowings	25	4,692	6,631
Provisions	26	24,113	23,757
Other	27	8,649	7,782
Total Current Liabilities		49,762	55,720
NON-CURRENT LIABILITIES			
Creditors	24	284	700
Borrowings	25	77,667	81,588
Provisions	26	33,114	31,420
Total Non-Current Liabilities		111,065	113,708
TOTAL LIABILITIES		160,827	169,428
NET ASSETS		1,066,022	1,237,423
EQUITY			
Accumulated Surplus		1,062,574	1,087,249
Reserves:			
- Asset Revaluation Reserve		3,448	5,794
- Plantation Growing Timber Revaluation Reserve		-	144,380
TOTAL EQUITY	28	1,066,022	1,237,423

* The accompanying Notes on Pages 65 - 97 form an integral part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION (Continued)
as at 30 June 1998

ASSETS AND LIABILITIES ADMINISTERED ON BEHALF OF THE STATE GOVERNMENT			
	Notes*	1998 \$'000	1997 \$'000
CURRENT ASSETS			
Cash	17	155	130
Receivables	18	212	1,395
Total Current Assets		<u>367</u>	<u>1,525</u>
NON-CURRENT ASSETS			
Receivables	18	-	75
TOTAL ASSETS		<u>367</u>	<u>1,600</u>
CURRENT LIABILITIES			
Creditors	24	340	484
Provisions	26	20	9
Total Current Liabilities		<u>360</u>	<u>493</u>
NON-CURRENT LIABILITIES			
Provisions	26	65	38
TOTAL LIABILITIES		<u>425</u>	<u>531</u>
ADMINISTERED NET (LIABILITIES) / ASSETS		<u>(58)</u>	<u>1,069</u>
EQUITY			
Accumulated (Deficit) / Surplus		(58)	1,069
TOTAL EQUITY	28	<u>(58)</u>	<u>1,069</u>

* The accompanying Notes on Pages 65 - 97 form an integral part of the Financial Statements.

STATEMENT OF CASH FLOWS
for the Year Ended 30 June 1998

	Notes*	1998 \$'000	1997 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Inflows:</i>			
User Charges, Taxes, Fees and Fines		113,284	107,045
Grants and Other Contributions		44,317	37,828
Interest		362	826
Other		1,800	1,983
<i>Outflows:</i>			
Employee Expenses		(190,962)	(169,926)
Supplies and Services		(94,978)	(87,416)
Grants and Subsidies		(13,322)	(12,516)
Interest and Other Costs of Finance		(9,040)	(8,212)
Taxation Equivalents		(307)	(349)
Other		(15,651)	(9,254)
Net Cash Used in Operating Activities	29	(164,497)	(139,991)
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Inflows:</i>			
Property, Plant and Equipment		3,905	5,348
Loans and Advances		2	-
<i>Outflows:</i>			
Property, Plant and Equipment		(26,459)	(31,173)
Investments		(7)	-
Net Cash Used in Investing Activities		(22,559)	(25,825)
CASH FLOWS FROM FINANCING ACTIVITIES			
<i>Inflows:</i>			
Interest and Redemption Received		-	953
<i>Outflows:</i>			
Repayment of Borrowings		(6,723)	(7,077)
Lease Payments		(97)	-
Dividends Paid		(5,060)	(8,978)
Net Cash Used in Financing Activities		(11,880)	(15,102)
CASH FLOWS (TO) / FROM GOVERNMENT			
<i>Inflows:</i>			
Transfers from Government		202,922	193,763
<i>Outflows:</i>			
Transfers to Government		(7,770)	(15,956)
Net Cash Provided by Government	15	195,152	177,807
Net Decrease in Cash Held		(3,784)	(3,111)
Cash at the Beginning of the Financial Year		25,536	28,647
Cash at the End of the Financial Year	17	21,752	25,536

* The accompanying Notes on Pages 65 - 97 form an integral part of the Financial Statements.

STATEMENT OF CASH FLOWS
for the Year Ended 30 June 1998

CASH FLOWS ADMINISTERED ON BEHALF OF THE STATE GOVERNMENT			
	Notes*	1998	1997
Inflows:		\$'000	\$'000
User Charges, Taxes, Fees and Fines		1,553	1,653
Royalties and Other Territorial Revenue		1,144	2,346
Property Income		915	1,132
Administered Appropriations		5,380	6,805
Unrequited Transfers		-	45
Total Cash Inflows		8,992	11,981
Outflows:			
Grants and Other Contributions		(3,633)	(4,341)
Supplies and Services		(1,138)	-
Transfers to Government		(4,046)	(6,127)
Other		(150)	(1,512)
Total Cash Outflows		(8,967)	(11,980)
Net Increase in Administered Cash Held		25	1
Administered Cash at the Beginning of the Financial Year		130	129
Administered Cash at the End of the Financial Year	17	155	130

* The accompanying Notes on Pages 65 - 97 form an integral part of the Financial Statements.

OPERATING STATEMENT BY PROGRAM
for the Year Ended 30 June 1998

	Agriculture		Drought and Rural Development		Fisheries		Corporate Performance and Strategies (2)		Animal and Plant Health		Forest Production		Restructuring Adjustments (1)		Inter-Program Eliminations		Total		
	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
OPERATING EXPENSES																			
Employee Expenses	57,348	-	20,009	15,865	16,358	15,297	27,242	31,528	27,601	-	40,568	38,127	78,398	(22)	(4)	189,104	179,211		
Supplies and Services	20,358	-	7,314	6,055	7,853	7,584	32,687	33,626	9,669	-	22,417	24,256	25,450	(2,191)	(2,456)	98,107	94,515		
Depreciation and Amortisation	6,987	-	1,129	860	1,718	1,684	3,672	3,384	343	-	5,424	5,717	6,904	-	-	19,273	18,549		
Grants and Subsidies	8,330	-	908	2,122	2,911	1,627	22	59	859	-	262	500	8,587	(76)	(298)	13,216	12,597		
Other	31,812	-	1,875	1,299	9,336	1,885	(12,020)	3,872	(9,859)	-	10,425	9,569	10,831	(5,137)	(4,591)	26,432	22,865		
Corporate Services Allocation	21,384	-	5,348	8,585	6,537	9,199	(38,168)	(60,443)	4,899	-	-	-	42,659	-	-	-	-		
Total Operating Expenses	146,219	-	36,583	34,786	44,713	37,276	13,435	12,026	33,512	-	79,096	78,169	172,829	(7,426)	(7,349)	346,132	327,737		
OPERATING REVENUES																			
User Charges, Taxes, Fees and Fines	7,544	-	3,360	1,570	1,574	759	13,742	13,381	3,557	-	3,577	4,815	11,158	(148)	(114)	33,206	31,569		
Grants and Other Contributions	22,828	-	4,556	5,936	4,301	3,589	-	-	12,427	-	243	372	28,186	-	-	44,355	38,083		
Royalties and Other Territorial Revenue	582	-	3	-	5	-	40	44	-	-	70,675	73,975	550	-	-	71,305	74,569		
Property Income	112	-	-	(48)	30	27	352	1,008	1	-	265	485	410	-	-	760	1,882		
Other	1,002	-	443	343	67	46	7,311	7,751	505	-	9,776	6,387	2,230	(7,254)	(7,244)	11,850	9,513		
Corporate Services Allocation	3,450	-	898	1,431	642	811	(6,761)	(10,051)	1,771	-	-	-	7,809	-	-	-	-		
Total Operating Revenues	35,518	-	9,260	9,232	6,619	5,232	14,684	12,133	18,261	-	84,536	86,034	50,343	(7,402)	(7,358)	161,476	155,616		
NET COST OF SERVICES	110,701	-	27,323	25,554	38,094	32,044	(1,249)	(107)	15,251	-	(5,440)	(7,865)	122,486	(24)	9	184,656	172,121		
Revenue from Government	66,846	-	21,674	16,561	27,934	22,511	44,370	56,326	24,647	-	-	-	85,058	-	-	185,471	180,456		
Appropriation Revenue	30	-	17	(32)	29	28	149	(734)	(24)	-	98	(18)	(54)	(24)	9	275	(801)		
Liabilities Transferred / (Assumed)	(6,007)	-	(215)	(53)	1,022	(347)	875	(812)	(578)	-	-	-	66	-	-	(4,903)	(1,146)		
Assets Assumed / (Transferred)	24,859	-	6,217	8,000	7,599	8,573	(44,370)	(56,326)	5,695	-	-	-	39,753	-	-	-	-		
Corporate Services Allocation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Total Revenues from Government	85,728	-	27,693	24,476	36,584	30,765	1,024	(1,546)	29,740	-	98	(18)	124,823	(24)	9	180,843	178,509		
(Decrease) / Increase in Net Assets before Abnormal Items and Dividends	(24,973)	-	370	(1,078)	(1,510)	(1,279)	2,273	(1,439)	14,489	-	5,538	7,847	2,337	-	-	(3,813)	6,388		
Abnormal Items	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Dividend Provided for	-	-	-	-	-	-	-	-	-	-	(15,667)	(5,060)	-	-	-	(15,667)	-		
(DECREASE) / INCREASE IN NET ASSETS AFTER ABNORMAL ITEMS AND DIVIDENDS	(24,973)	-	370	(1,078)	(1,510)	(1,279)	2,273	(1,439)	14,489	-	(13,997)	2,787	2,337	-	-	(23,348)	1,328		

* The accompanying Notes on pages 65 - 97 form an integral part of the Financial Statements.

OPERATING STATEMENT BY PROGRAM (Continued)
for the Year Ended 30 June 1998

	PROGRAM EXPENSES AND REVENUES ADMINISTERED ON BEHALF OF THE STATE GOVERNMENT																			
	Agriculture		Drought and Rural Development		Fisheries		Corporate Performance and Strategies		Animal and Plant Health		Forest Production		Restructuring Adjustments (1)		Inter-Program Eliminations		Total			
	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997		
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
EXPENSES																				
Employee Expenses	-	-	170	179	-	-	-	-	-	-	-	-	-	-	-	-	-	-	170	179
Supplies and Services	-	-	10	87	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10	87
Grants and Subsidies	-	-	3,517	4,349	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,517	4,349
Other	(93)	-	112	1	(4)	4	(5)	(4)	(2)	(2)	1,096	1,263	46	-	-	-	-	1,104	1,310	
Total Expenses*	(93)	-	3,809	4,616	(4)	4	(5)	(4)	(2)	(2)	1,096	1,263	46	-	-	-	-	4,801	5,925	
REVENUES																				
User Charges, Taxes, Fees and Fines	195	-	3	52	(3)	4	(37)	131	416	-	1,096	1,263	1,634	-	-	-	-	1,670	3,084	
Grants and Other Contributions	45	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	45	-	
Royalties and Other Territorial Revenue	-	-	-	-	136	539	-	-	-	-	-	-	-	-	-	-	-	136	539	
Property Income	25	-	-	-	(1)	123	814	918	70	-	-	-	88	-	-	-	-	908	1,129	
Interest	-	-	6	-	-	-	-	-	-	-	-	-	10	-	-	-	-	6	10	
Other	114	-	65	26	9	16	639	63	24	-	-	-	111	-	-	-	-	851	216	
Total Revenues	379	-	74	78	141	682	1,416	1,112	510	-	1,096	1,263	1,843	-	-	-	-	3,616	4,978	
NET COST OF ADMINISTERED SERVICES	(472)	-	3,735	4,538	(145)	(678)	(1,421)	(1,116)	(512)	-	-	-	(1,797)	-	-	-	-	1,185	947	
Revenue from Government																				
Appropriation Revenue	(2,191)	-	5,154	5,444	-	-	-	-	-	-	-	-	-	-	-	-	-	2,963	5,444	
Assets Transferred	(180)	-	(110)	(75)	(145)	(724)	(1,467)	(1,148)	(558)	-	-	-	(1,989)	-	-	-	(2,460)	(3,936)		
Other	-	-	-	-	-	45	-	-	-	-	-	-	-	-	-	-	-	-	-	45
Total Revenue from Government	(2,371)	-	5,044	5,369	(145)	(679)	(1,467)	(1,148)	(558)	-	-	-	(1,989)	-	-	-	503	1,553		
(DECREASE)/ INCREASE IN ADMINISTERED NET ASSETS	(1,899)	-	1,309	831	-	(1)	(46)	(32)	(46)	-	-	-	(192)	-	-	-	-	(682)	606	

(1) Represents amounts applicable to the 1997 Agriculture Program, which has been restructured as at 1 July 1997 to the extent that comparison with this year's Agriculture Program is not practicable.

(2) The remaining balances not allocated to other Programs primarily represent amounts relating to the Corporate Services Agency operations.

STATEMENT OF FINANCIAL POSITION BY PROGRAM
for the Year Ended 30 June 1998

	Agriculture		Drought and Rural Development		Fisheries		Corporate Performance and Strategies		Animal and Plant Health		Forest Production		Restructuring Adjustments (1)		Inter-Program Eliminations		Total		
	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
CURRENT ASSETS																			
Cash	6,036	-	1,288	2,692	1,670	835	3,576	4,281	1,479	-	7,703	9,828	7,900	-	-	-	-	-	21,752
Receivables	2,248	-	577	567	345	2,079	1,150	3,755	1,694	-	8,682	10,565	6,582	-	(168)	-	-	-	14,528
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Inventories	1,055	-	838	-	374	233	233	1,136	168	-	2,879	2,698	2	-	-	-	-	-	5,547
Other	799	-	325	-	213	-	1,345	1,297	284	-	262	76	39	-	-	-	-	-	3,228
Total Current Assets	10,138	-	3,028	3,259	2,602	3,147	6,304	10,469	3,625	-	19,526	23,167	15,791	(71)	(168)	(71)	45,055	55,762	55,762
NON-CURRENT ASSETS																			
Receivables	-	-	-	-	-	-	220	450	-	-	583	805	-	-	-	-	-	-	803
Investments	55	-	-	-	-	-	-	-	-	-	-	-	48	-	-	-	-	-	55
Inventories	99	-	-	-	-	-	-	-	-	-	-	-	133	-	-	-	-	-	99
Property, Plant and Equipment	97,914	-	6,710	7,374	21,408	22,999	36,988	21,559	15,655	-	68,817	73,806	130,834	-	-	-	-	-	247,492
Other	83	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	83
Total Non-Current Assets	98,151	-	6,710	7,374	21,408	22,999	37,208	22,009	15,655	-	69,400	74,611	131,015	-	-	-	-	248,532	258,008
SELF-GENERATING AND REGENERATING ASSETS																			
Plantation Growing Timber	-	-	-	-	-	-	-	-	-	-	930,826	1,090,873	-	-	-	-	-	-	930,826
Livestock	2,436	-	-	-	-	-	-	-	-	-	-	-	2,208	-	-	-	-	-	2,436
Total Self-Generating and Regenerating Assets	2,436	-	-	-	-	-	-	-	-	-	930,826	1,090,873	2,208	-	-	-	-	930,826	1,090,873
TOTAL ASSETS	110,725	-	9,738	10,633	24,010	26,146	43,512	32,478	19,280	-	1,019,752	1,188,651	149,014	(168)	(168)	(71)	1,226,849	1,406,851	1,406,851
CURRENT LIABILITIES																			
Creditors	1,979	-	627	1,130	537	1,255	3,575	3,840	1,579	-	4,179	5,509	5,887	-	-	-	-	-	12,308
Borrowings	-	-	-	-	-	-	764	1,760	-	-	3,928	4,871	-	-	-	-	-	-	17,550
Provisions	6,550	-	2,025	1,696	1,875	1,655	3,102	3,210	2,394	-	8,167	9,240	7,956	-	-	-	-	-	4,692
Other	5,323	-	798	2,239	703	489	1,112	5	451	-	262	766	4,283	-	-	-	-	-	6,631
Total Current Liabilities	13,852	-	3,450	5,065	3,115	3,399	8,553	8,815	4,424	-	16,536	20,386	18,126	(168)	(168)	(71)	49,762	55,720	55,720
NON-CURRENT LIABILITIES																			
Creditors	-	-	-	-	-	-	284	-	-	-	-	700	-	-	-	-	-	-	284
Borrowings	-	-	-	-	-	-	732	1,499	-	-	76,935	80,089	-	-	-	-	-	-	77,667
Provisions	11,375	-	3,219	2,726	2,615	2,465	4,460	5,023	3,515	-	7,930	7,545	13,661	-	-	-	-	-	33,114
Total Non-Current Liabilities	11,375	-	3,219	2,726	2,615	2,465	5,476	6,522	3,515	-	84,865	88,334	13,661	-	-	-	-	111,065	113,708
TOTAL LIABILITIES	25,227	-	6,669	7,791	5,730	5,864	14,029	15,337	7,939	-	101,401	108,720	31,787	(168)	(168)	(71)	160,827	169,428	169,428
NET ASSETS	85,498	-	3,069	2,842	18,280	20,282	29,483	17,141	11,341	-	918,351	1,079,931	117,227	-	-	-	1,066,022	1,237,423	1,237,423
EQUITY																			
Accumulated Surplus	83,957	-	2,897	2,711	18,084	20,177	29,164	17,017	11,249	-	917,223	931,322	116,022	-	-	-	-	-	1,062,574
Reserves:																			
- Asset Revaluation Reserve	1,541	-	172	131	196	105	319	124	92	-	1,128	4,229	1,205	-	-	-	-	-	3,448
- Plantation Growing Timber Revaluation Reserve	-	-	-	-	-	-	-	-	-	-	-	144,380	-	-	-	-	-	-	-
Total Equity	85,498	-	3,069	2,842	18,280	20,282	29,483	17,141	11,341	-	918,351	1,079,931	117,227	-	-	-	1,066,022	1,237,423	1,237,423

* The accompanying Notes on pages 65 - 97 form an integral part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION BY PROGRAM (Continued)
for the Year Ended 30 June 1998

	Agriculture		Drought and Rural Development		Fisheries		Corporate Performance and Strategies		Animal and Plant Health		Forest Production		Restructuring Adjustments (1)		Inter-Program Eliminations		Total	
	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997		1998
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
PROGRAM ASSETS AND LIABILITIES ADMINISTERED ON BEHALF OF THE STATE GOVERNMENT																		
CURRENT ASSETS																		
Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	130
Receivables	23	-	49	834	-	-	5	48	28	28	107	173	340	-	-	-	-	1,395
Total Current Assets	23	-	49	834	-	-	5	48	28	28	262	303	340	-	-	-	-	1,525
NON-CURRENT ASSETS																		
Receivables	-	-	-	-	-	-	-	-	-	-	-	-	75	-	-	-	-	75
TOTAL ASSETS	23	-	49	834	-	-	5	48	28	28	262	303	415	-	-	-	-	1,600
CURRENT LIABILITIES																		
Creditors	7	-	68	180	1	-	-	-	2	2	262	303	1	-	-	-	-	484
Provisions	2	-	18	9	-	-	-	-	-	-	-	-	-	-	-	-	-	9
Total Current Liabilities	9	-	86	189	1	-	-	-	2	2	262	303	1	-	-	-	-	493
NON-CURRENT LIABILITIES																		
Provisions	-	-	65	38	-	-	-	-	-	-	-	-	-	-	-	-	-	38
TOTAL LIABILITIES	9	-	151	227	1	-	-	-	2	2	262	303	1	-	-	-	-	531
ADMINISTERED NET (LIABILITIES) / ASSETS	14	-	(102)	607	(1)	-	5	48	26	26	-	-	414	-	-	-	-	1,069
EQUITY																		
Accumulated (Deficit) / Surplus	14	-	(102)	607	(1)	-	5	48	26	26	-	-	414	-	-	-	-	1,069
TOTAL EQUITY	14	-	(102)	607	(1)	-	5	48	26	26	-	-	414	-	-	-	-	1,069

(1) Represents amounts applicable to the 1997 Agriculture Program, which has been restructured as at 1 July 1997 to the extent that comparison with this year's Agriculture Program is not practicable.

Department of Primary Industries

**STATEMENT OF APPROPRIATIONS
for the Year Ended 30 June 1998**

	APPROPRIATIONS						EXPENDITURE		
	Original Appropriation		Transfers		Unforeseen Expenditure		Lapsed Appropriation		Total
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000	1998 \$'000
Policy Area 08 Agriculture, Forestry & Water Resources Program Areas:									
082 Industry Development									
Consolidated Fund	274,561	263,434	-	-	6,671	2,661	281,232	266,095	281,232
Forestry Fund	95,141	95,674	-	-	-	-	95,141	95,674	90,663
Fisheries Research Fund	525	675	-	-	-	-	525	675	402
Banana Industry Fund	846	736	-	-	180	-	1,026	736	1,026
Total for Program Area 082	371,073	360,519	-	-	6,851	2,661	377,924	363,180	373,323
Total Policy Area 08	371,073	360,519	-	-	6,851	2,661	377,924	363,180	361,589
Consolidated Fund	274,561	263,434	-	-	6,671	2,661	281,232	266,095	281,232
Trust and Special Funds	96,512	97,085	-	-	180	-	96,692	97,085	92,091
Total for Policy Area 08	371,073	360,519	-	-	6,851	2,661	377,924	363,180	373,323
Grand Total	371,073	360,519	-	-	6,851	2,661	377,924	363,180	361,589
Consolidated Fund	274,561	263,434	-	-	6,671	2,661	281,232	266,095	281,232
Trust and Special Funds	96,512	97,085	-	-	180	-	96,692	97,085	92,091
TOTAL APPROPRIATIONS - (Refer Note 34.)	371,073	360,519	-	-	6,851	2,661	377,924	363,180	373,323
Less: Appropriations not Recognised as Revenues									
Commonwealth Funds									21,857
Revenue Retention and Receipt Offset Funds									43,880
Trust and Special Funds									95,494
Administered Appropriations									6,805
Appropriation Carryover									15,402
Funds Transferred / (Assumed)									(1,928)
Net Cash Provided by Government - (Refer Note 15.)									195,152
Add: Other Revenues from Government									
Movement in Carryovers of Appropriation Receivable									2,305
Assets Assumed / (Transferred)									(6,831)
Liabilities Transferred / (Assumed)									275
TOTAL REVENUES FROM GOVERNMENT - (Refer Note 15.)									180,843

* The accompanying Notes on pages 65 - 97 form an integral part of the Financial Statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the Year Ended 30 June 1998

1. Change of the Name of the Department

As of 29 June 1998, the name of the reporting entity has been changed from the Department of Primary Industries, Fisheries and Forestry to the Department of Primary Industries, pursuant to the *Administrative Arrangements Order (No. 1) 1998*. The effective date of the *Administrative Arrangements Order (No. 1) 1998* is 29 June 1998, however, the Financial Statements reflect the full financial year ended 30 June 1998 in accordance with the arrangements which were in place up until the effective date of the *Administrative Arrangements Order (No. 1) 1998*.

2. Objectives of the Department

The Department of Primary Industries (DPI) is a rural economic development agency bringing together Government and Industry in partnership to increase the profitability of primary industries based enterprises on a sustainable basis.

The Department is predominantly funded by Parliamentary appropriations. It provides the following services on a fee for service basis: sale of artificial breeding products, inspections, testing, contract research and development, advisory and consultancy services covering activities of primary industries, fisheries and forestry.

3. Summary of Significant Accounting Policies

The Significant Accounting Policies, which have been adopted in the preparation of the General Purpose Departmental Financial Statements, are:

3.1 Basis of Accounting

The Financial Statements have been prepared in accordance with the *Financial Administration and Audit Act 1977*, the *Financial Management Standard 1997*, applicable Accounting Standards, Statements of Accounting Concepts, the Treasurer's *Minimum Reporting Requirements for the Preparation of General Purpose Financial Statements of Government Departments for 1997-98*, and other prescribed requirements. Except where otherwise stated, the Financial Statements have been prepared in accordance with the historical cost convention. The Accounting Policies adopted are consistent with those of the previous financial year. The accrual basis of accounting has been adopted for both Departmental and Administered transactions and balances.

Net adjustments required to the carrying amounts of assets and liabilities as at the beginning of the financial year have been made against Equity in accordance with Section 16.3 of the Australian Accounting Standard (AAS) 29 "*Financial Reporting by Government Departments*", as shown in the Note 28.

3.2 The Reporting Entity

The Financial Statements include all assets, liabilities, equities, revenues and expenses of the Department. By Cabinet Decision number 4637 dated 15 May 1995, the DPI Forest Service was restructured to operate as a Commercial Business Group (DPI Forestry) of the Department from 1 July 1995. The transactions of DPI Forestry are included in the Financial Statements of the Department. In the process of reporting on the Department as a single economic entity, all transactions and balances between DPI and DPI Forestry have been eliminated in full. Except where otherwise stated, DPI Forestry and the remainder of the Department employed consistent Accounting Policies, in the preparation and presentation of the Financial Statements.

3.2.1 Transactions and Balances Administered on Behalf of the State Government

The Department administers, but does not control, certain resources on behalf of the Queensland State Government. It is accountable for the transactions involving administered resources, but does not have the discretion to deploy these resources for the achievement of the Department's objectives. For these resources, the Department acts only on behalf of the Queensland State Government.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1998

3. Summary of Significant Accounting Policies (continued)

3.2 The Reporting Entity (continued)

3.2.1 Transactions and Balances Administered on Behalf of the State Government (continued)

Transactions and balances relating to administered resources are not recognised as Departmental revenues, expenses, assets or liabilities, but are disclosed separately in the shaded administered Statements and associated Notes.

3.2.2 Transactions and Balances Administered on Behalf of Entities Other than the State Government

The Department administers transactions and balances in a fiduciary capacity as set out in Note 32. As the Department performs only a custodial role in respect of these transactions and balances, they are not recognised as Departmental revenues, expenses, assets or liabilities, and are disclosed in the Financial Statements by way of Note only.

3.3 Grants and Other Contributions - Revenues

Grants, donations, gifts and other non-reciprocal contributions are recognised as revenues when the Department obtains control over the assets comprising the contributions. Control is normally obtained upon the receipt of these assets.

Grants and other contributions that were obtained on the condition that they be expended in a particular manner, or used over a particular period, are reported as unearned revenue, where those conditions were undischarged as at the reporting date.

Contributions are recognised at their fair value. Contributions of services are only recognised when a fair value can be reliably determined and the services would be purchased if not donated.

3.4 User Charges, Taxes, Fees and Fines

User charges, taxes, fees and fines controlled by the Department are recognised as revenues. These revenues are considered to be controlled by the Department where they can be deployed for the achievement of the Departmental objectives.

User charges, taxes, fees and fines collected by the Department, but not controlled by it, are not recognised as Departmental revenues, but are reported as revenues administered on behalf of the Queensland State Government, and disclosed separately in the shaded administered Statements and associated Notes.

3.5 Appropriations

Appropriations are recognised as revenues when the Department obtains control over the relevant underlying assets. Control in this instance is normally obtained upon expenditure against approved appropriation. Appropriation revenue is also recognised for approved carryover of appropriation in relation to obligations incurred during the reporting period, which are to be satisfied in the following accounting period.

Amounts appropriated to the Department for transfer to eligible beneficiaries in accordance with legislation, or other authoritative requirements, are not controlled by the Department. Accordingly, such amounts are not recognised as Departmental revenues, but are reported as administered revenues. Similarly, the amounts transferred, or to be transferred, are not recognised as Departmental expenses, but are reported as administered expenses.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1998

3. Summary of Significant Accounting Policies (continued)

3.6 Cash

Cash includes cash on hand comprising petty cash, postage and change imprest balances; cash at bank; Trust and Special Fund balances, and Departmental funds held by the Queensland Treasury, which are used in the day to day cash management function of the Department.

3.7 Receivables

Receivables are recognised at the amount due to the Department at the time of sale or provision of service. The collectability of receivables is assessed at balance date with adequate provision made for doubtful debts. All known bad debts are written off. Receivables are reported net of any doubtful debts.

3.8 Investments

Investments are brought to account at the lower of cost and net realisable value. Dividend income is recognised when received.

3.9 Inventories

Inventories are valued at the lower of cost and net realisable value, except for sundry crops, saleable semen, and saleable vaccine, which are valued at net realisable value.

Seedlings and certain consumable stores in respect of DPI Forestry are not recognised as inventories for the following reasons:

- Seedlings used in plantation production are produced on a seasonal basis for use in the plantation establishment process. Plantation timber is not valued until it reaches merchantable age and accordingly, seedlings produced for DPI Forestry's plantation production are not recognised as inventories.
- Minor consumable stores held at certain sites and nurseries, purchased for immediate use, are not recognised as inventories.

3.10 Self Generating and Regenerating Assets

3.10.1 Plantation Growing Timber

The net realisable value (NRV) methodology has been adopted by DPI Forestry for the valuation of plantation growing timber. NRV is the amount that could be expected to be received from the disposal of an asset in an orderly market after deducting costs expected to be incurred in realising the proceeds of such a disposal. Under this methodology, value changes arise mainly from:

- changes in timber volume associated with growth and also changes to the overall estate as a result of annual planting and harvesting activity; and
- changes in timber prices.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1998

3. Summary of Significant Accounting Policies (continued)

3.10 Self-Generating and Regenerating Assets (continued)

3.10.1 Plantation Growing Timber (continued)

Volume increments are determined both by periodic re-measurement of samples of plantations and by modelling growth from the date of the most recent measurement to the valuation date. The market valuation is prepared by appropriately qualified staff employed by DPI Forestry using advanced modelling techniques/methods accepted by the forestry industry. Current market prices have been applied in determining the plantation growing timber valuation. Realisation costs are based on weighted average costs of existing sales.

DPI Forestry revalues plantation growing timber annually. Only merchantable stands of timber have been included in the valuation and comprise stands 20 years and older for hoop pine and 15 years and older for exotic pine species. Other plantation areas considered to be unmerchantable or of problematic value, for the purposes of the valuation, include:

- plantations containing minor species;
- areas subject to experimental treatments; and
- small, fragmented plantation areas.

Costs incurred in relation to pine plantations establishment and maintenance are expensed as incurred, with the exception of access roads construction and upgrade, which are capitalised.

3.10.2 Livestock

Livestock is valued at net realisable value.

3.11 Native Forests

DPI Forestry's asset in native forests is its right to harvest forest products on certain crown owned native forests in order to further its commercial objectives. Valuation difficulties arise as a consequence of the need to assess volume and growth characteristics across an extensive range of forest types and areas. In addition, ongoing resource availability is dependent upon the finalisation of both the Regional Forest Agreement process and associated State Forest management planning. These factors raise reliability problems for any asset valuation approach and have resulted in native forest property rights not being valued in the Financial Statements for the year ended 30 June 1998. The volume of timber harvested from native forests approximates annual forest growth, i.e. the forests are managed on a sustained yield basis. Accordingly, costs are expensed on the basis that these costs are incurred to maintain the constant forest resource.

3.12 Quarries

DPI Forestry obtains royalties from quarry operators for the extraction of quarry materials located on Crown land and identified freehold land. Revenues are taken to account when received and any expenditure when incurred. The extent of quarry resources has not been quantified and accordingly, a value for these assets has not been included in the accounts.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1998

3. Summary of Significant Accounting Policies (continued)

3.13 Acquisition of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Department. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition and all other costs incurred in preparing the assets ready for use.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition.

3.14 Property, Plant and Equipment

All items of property, plant and equipment with a cost, or other value, of \$1,000 or greater, are capitalised in the year of acquisition, except for DPI Forestry, which applies an asset recognition threshold of \$500. All other items with a cost, or other value, less than the asset recognition thresholds are expensed.

Items, or components, which form an integral part of an asset, are recognised as a single asset (functional asset). The capitalisation threshold is applied to the aggregate cost, or other value, of each functional asset.

Capital works in progress represent costs incurred in respect of assets under construction.

3.15 Amortisation and Depreciation of Property, Plant and Equipment

Property, plant and equipment, other than land, are depreciated at rates based on their estimated economic lives, using the straight line method, so as to write off the cost, or other value, of each depreciable asset, less its estimated residual value, progressively over its estimated useful life.

For each class of depreciable assets, the following average estimated useful lives were applied:

Asset Class	Average Estimated Useful Life in Years
Land Improvements	36
Buildings	30
Access Roads	41
Plant and Equipment	9

3.16 Deferred Maintenance

The amount of future maintenance expenditure arising from a deferral of previously planned maintenance expenditure is disclosed as a deduction from the gross values of Property, Plant and Equipment. (Refer Note 22.)

3.17 Revaluation of Non-Current Physical Assets

Non-current physical assets are valued on the deprival basis in accordance with the *Financial Management Standard 1997* and the Queensland Treasurer's Guidelines "*Recording and Valuation of Non-Current Physical Assets in the Queensland Public Sector*". Under the deprival value concept, assets are valued at an amount that represents the entire loss that might be expected to be incurred if the Department was deprived of the future economic benefits of these assets at the reporting date.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1998

3. Summary of Significant Accounting Policies (continued)

3.17 Revaluation of Non-Current Physical Assets (continued)

For the purpose of revaluation of non-current physical assets, the Department established the following revaluation thresholds by class of assets:

Asset Class:	\$'000
Land	200
Land Improvements	700
Buildings	100
Access Roads	1,000
Plant and Equipment	1,000

Non-current physical assets having an estimated value greater than the appropriate revaluation threshold, and an estimated useful life of three years or more, are periodically revalued. Comprehensive revaluations of these assets are performed at five-year intervals on a rolling basis. Annual indexations are performed between the comprehensive revaluations.

3.18 Leases

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is recognised at an amount equal to the present value of the minimum lease payments. The liability is recognised at the same amount. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are representative of the pattern of benefits derived from the leased assets, and accordingly are charged to the Operating Statement in the period in which they are incurred. Disclosure of operating lease commitments is made in Note 30.

3.19 Library Assets

Purchases of library materials are expensed as incurred.

3.20 Leasehold Improvements

Leasehold improvements are expensed as incurred.

3.21 Computer Software

Acquisition and development costs of computer software are expensed as incurred.

3.22 Research and Development

Research and development costs are charged to the Operating Statement as incurred. Research and development costs will only be deferred to the extent that future benefits are expected, beyond any reasonable doubt, to equal or exceed those costs, any previously deferred costs, and any future costs necessary to give rise to the future benefits.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1998

3. Summary of Significant Accounting Policies (continued)

3.23 Insurance

In accordance with Government Policy, assets are not insured, and losses are treated as an expense as they are incurred. Workers' compensation insurance premiums are paid to WorkCover Queensland.

3.24 Creditors

Creditors are recognised at the amount to be paid in the future for goods and services received by the Department.

3.25 Borrowings

Loans payable are recognised at book value, with interest expense recognised when accrued.

3.26 Employee Entitlements

Employee entitlements relate to amounts expected to be paid to employees for accrued recreation leave and long service leave as well as accrued salaries and wages. In addition, associated on-costs and outstanding employer contributions to employee superannuation schemes have also been recorded.

3.26.1 Wages and Salaries, Annual Leave and Sick Leave

Liabilities for wages and salaries and annual leave are recognised, and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date, and include related on-costs.

The pattern of sick leave taken is expected to be stable in the future, and as sick leave entitlements do not vest with employees, no provision has been made for sick leave entitlements. Sick leave is charged as an expense in the period in which it is taken.

3.26.2 Long Service Leave

A liability for long service leave is recognised, and is measured by the use of a shorthand method derived by the Queensland State Actuary. The result of this method does not differ materially from that which would be arrived at should a calculation be performed estimating the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. The method used incorporates consideration of expected future wage and salary levels, experience of employee departures and periods of service. The assumed rate of salary inflation and discount rate are based on Commonwealth Government bond yields at the reporting date and the expected long term gap between salary inflation and investment return.

3.26.3 Superannuation

Employer contributions for superannuation expense are determined by the Queensland State Actuary, and are expensed as accrued. No liability is shown for superannuation benefits in the Statement of Financial Position as the liability is held by the Queensland State Government.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1998

3. Summary of Significant Accounting Policies (continued)

3.27 Taxation

The Department's activities are exempt from all forms of Commonwealth taxation except Fringe Benefits Tax. However, DPI Forestry, as a commercialised Business Unit of the Department, is subject to the payment of income tax equivalents and sales tax equivalents in accordance with the requirements of the *Queensland Tax Equivalents Regime*.

Pursuant to Australian Accounting Standard AAS 3 "*Accounting for Income Tax (Tax-effect Accounting)*", Income Tax Equivalent expense is calculated on DPI Forestry's Operating Profit after adjusting for permanent differences. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes is carried forward as a future tax equivalent benefit or a provision for deferred tax equivalent.

Future tax equivalent benefits are not brought to account unless realisation of the benefit is virtually certain.

No liability has been provided for the payment of future Capital Gains Tax Equivalents that may arise on the disposal of assets. Such liability is provided at the time of disposal of the assets. Where assets are revalued no provision for potential Capital Gains Tax Equivalents has been made.

3.28 Resources Received Free of Charge or for Nominal Value

Resources received free of charge or for nominal value that the Department would otherwise have purchased, are recognised as revenues, and as expenses or assets, as appropriate, where they can be reliably measured.

3.29 Allocation of Corporate Services Program costs to Departmental Programs

The Department has the necessary information systems to enable the allocation of revenues and expenses to Programs, and this is reflected in the Operating Statement by Program. The revenues and expenses of the Department's Corporate Performance and Strategies Program are allocated to Programs on a cost recovery basis.

3.30 Joint Ventures

The Department is involved in a number of Joint Venture arrangements, which predominantly relate to research and development activities and the establishment of commercially viable timber plantations on private land. The Department's interests in Joint Ventures are not material and are not identified in the Financial Statements.

3.31 Rounding

Amounts included in the Financial Statements have been rounded to the nearest one thousand dollars. If necessary minor rounding adjustments have been made to line item totals to ensure columns add to the correct rounded total.

3.32 Comparative Amounts

Certain figures of the prior year have been restated in order to provide a valid comparison with the current year's disclosures.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1998

4. Programs of the Department

The identity and purpose of each Program undertaken by the Department during the reporting period is summarised as follows:

4.1 Agriculture

The Program's activities are aimed at developing the agricultural industries of Queensland. Specifically, its goals are: to increase farm viability and profitability; to increase industry competitiveness through increasing economic efficiency, competitiveness and industry development; to improve information services; and to improve the capacity of primary production enterprises and industries to meet market requirements.

4.2 Animal and Plant Health

The Program's activities are primarily focussed at supporting the State's animal and plant based industries. Key initiatives are: improved responsiveness to exotic and emergency pests and diseases, including eradication of the Papaya Fruit Fly; improving the quality and access to markets of Queensland's primary produce through surveillance and control of economically significant pests and diseases; supporting responsible use of agricultural and veterinary chemicals and controlling residues in produce; reducing the impact of cattle tick on the livestock industries; and meeting community expectations regarding the welfare of animals.

4.3 Fisheries

The Program aims to enhance the sustainable development of the commercial and recreational fishing industries and the aquaculture industry, and to protect and manage the fisheries and habitats on which these industries depend.

4.4 Drought and Rural Development

The Program ensures that producers and processors have the business, technical and market information and skills they need to manage drought and climate risks, and develop products from Queensland commodities that perform well in domestic and overseas markets.

4.5 Forest Production

This Program aims to maximise the market value of DPI Forestry assets, while observing all regulatory (including environmental) requirements to which it is subject.

4.6 Corporate Performance and Strategies

This Program aims to enhance client knowledge and decision making capability through the generation, development and delivery of information products and services; to improve organisational financial and non-financial performance through the development of appropriate policies, systems and operations; and to improve the capability and flexibility of the DPI's workforce through the development of effective policies and strategies.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1998

	1998 \$'000	1997 \$'000
5. Employee Expenses		
Wages and Salaries	144,926	137,582
Superannuation	19,870	17,139
Annual Leave	10,288	10,238
Long Service Leave	3,647	4,870
Other	10,373	9,382
Total	<u>189,104</u>	<u>179,211</u>

EMPLOYEE EXPENSES ADMINISTERED ON BEHALF OF THE STATE GOVERNMENT

Wages and Salaries	104	97
Superannuation	17	15
Annual Leave	11	17
Long Service Leave	31	43
Other	7	7
Total	<u>170</u>	<u>179</u>

6. Supplies and Services

Consultants and Contractors	17,536	14,991
Motor Vehicle Expenses	10,025	11,335
Material	9,938	13,799
Travel	8,522	8,734
Repairs and Maintenance	7,821	8,067
Electricity and Telephone	7,194	8,113
Computer Expenses	6,941	6,173
Deferred Maintenance	4,110	-
Forest Maintenance	2,437	2,031
Primary Production Costs	2,192	2,708
Legal Expenses	766	2,344
Other	20,625	16,220
Total	<u>98,107</u>	<u>94,515</u>

SUPPLIES AND SERVICES ADMINISTERED ON BEHALF OF THE STATE GOVERNMENT

Travel	4	5
Material	2	1
Consultants and Contractors	1	72
Electricity and Telephone	1	-
Other	2	9
Total	<u>10</u>	<u>87</u>

7. Depreciation and Amortisation Expenses

Depreciation and Amortisation Expenses for the Financial Year were Charged in Respect of:

Land Improvements	842	1,022
Buildings	3,294	3,218
Access Roads	1,104	925
Plant and Equipment (1)	14,033	13,384
Total	<u>19,273</u>	<u>18,549</u>

(1) Included above is Amortisation of Plant and Equipment under Finance Lease of \$0.092 million. (1997 nil.)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1998

8. Grants and Subsidies

	Corporate										Total							
	Performance and Strategies		Fisheries		Agriculture		Drought and Rural Development		Animal and Plant Health			Forest Production		Restructuring Adjustments		Inter-program Eliminations		
	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997		1998	1997	1998	1997	1998	1997	1998
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Animal Welfare Organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	105
Australian Centre for International Agricultural Research Projects (ACIAR)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9
Australian Quarantine and Inspection Service (AQIS)	-	-	-	-	1,632	-	-	1,745	-	-	-	-	-	-	-	-	-	32
Brucellosis and Tuberculosis Eradication Campaign (BTEC)	-	-	-	-	-	-	-	-	-	440	-	-	-	-	-	-	-	1,181
Bureau of Sugar Experiment Stations (BSES)	-	-	-	-	3,831	-	-	-	-	-	-	-	-	-	-	-	-	4,169
Commonwealth Scientific and Industrial Research Organisation (CSIRO)	-	-	38	36	547	-	-	-	-	-	-	10	2	2	-	-	-	545
Commonwealth Bodies and Authorities	-	-	-	-	-	-	-	-	-	-	-	-	20	-	-	-	-	-
Co-operative and Joint Research Ventures	25	-	15	-	62	-	5	-	2	-	-	-	-	31	-	-	-	109
Farm and Rural Financial Counsellor's Subsidies	-	-	-	-	-	-	75	63	-	-	-	-	-	-	-	-	-	75
Fish Stocking Associations and Societies	-	-	15	14	-	-	-	-	-	-	-	-	-	-	-	-	-	15
Horticultural Research and Development	-	-	-	-	235	-	-	-	-	-	-	-	-	359	-	-	-	235
Integrated Catchment Management Project	-	12	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12
Investigation and Education Project	-	-	-	-	30	-	70	-	-	-	-	-	-	-	-	-	-	100
Land and Water Resources Research	-	-	-	-	-	-	29	64	-	-	-	-	-	6	-	-	-	29
Queensland Commercial Fishermen's Organisation	-	-	25	24	-	-	20	-	-	-	-	-	-	-	-	-	-	25
Queensland Farmers Federation	-	28	-	-	-	-	10	-	-	-	-	-	-	-	-	-	-	10
Queensland Fisheries Management Authority (QFMA)	-	-	2,253	972	-	-	-	-	-	-	-	-	-	-	-	-	-	2,253
Queensland Government Departments	-	-	10	9	286	-	85	-	-	-	-	-	-	-	-	-	-	296
Queensland Livestock and Meat Authority (QLMA)	-	-	-	-	320	-	-	-	-	-	-	-	-	350	-	-	-	320
Regional Drought Initiative	-	-	-	-	-	-	419	-	-	-	-	-	-	-	-	-	-	419
Sunfish (Qld) Inc.	-	-	160	174	-	-	-	-	-	-	-	-	-	-	-	-	-	160
Town, City and Shire Councils	-	-	40	65	-	-	50	-	2	-	-	14	34	-	-	-	-	56
Universities in Other States	-	-	101	150	137	-	103	24	-	-	-	24	-	120	-	-	-	365
Universities in Queensland	-	-	115	93	625	-	36	-	30	-	130	370	74	898	-	-	-	936
Other	(3)	18	138	90	504	-	158	71	43	-	84	74	-	594	-	-	-	924
Total Recurrent	22	58	2,910	1,627	8,209	-	905	2,122	859	-	262	500	-	8,563	(76)	(298)	-	13,091
Capital																		
Australian Centre for International Agricultural Research Projects (ACIAR)	-	-	-	-	67	-	-	-	-	-	-	-	-	-	-	-	-	67
Commonwealth Scientific and Industrial Research Organisation (CSIRO)	-	-	-	-	34	-	-	-	-	-	-	-	-	10	-	-	-	34
Other	-	1	-	-	24	-	-	-	-	-	-	-	-	14	-	-	-	24
Total Capital	-	1	-	-	125	-	-	-	-	-	-	-	-	24	-	-	-	125
TOTAL	22	59	2,910	1,627	8,334	-	905	2,122	859	-	262	500	-	8,587	(76)	(298)	-	13,216

GRANTS AND SUBSIDIES ADMINISTERED ON BEHALF OF THE STATE GOVERNMENT

Drought Relief Freight Subsidy	-	-	-	-	-	-	2,905	4,055	-	-	-	-	-	-	-	-	-	2,905	4,055
Agribusiness Export Quality Assurance Subsidy Scheme	-	-	-	-	-	-	612	289	-	-	-	-	-	-	-	-	-	612	289
Commonwealth Scientific and Industrial Research Organisation (CSIRO)	-	-	-	-	-	-	-	5	-	-	-	-	-	-	-	-	-	-	5
Total	-	-	-	-	-	-	3,517	4,349	-	-	-	-	-	-	-	-	-	3,517	4,349

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1998

	1998 \$'000	1997 \$'000
9. Other Expenses		
Interest and Other Costs of Finance	8,442	9,347
Operating Leases	7,538	8,117
Dugong Protection Scheme	5,810	-
Leasehold Improvements	384	2,029
Audit Fees (Queensland Audit Office)	350	370
Licence Fees and Permits	208	262
Loss on Sale or Disposal of Property, Plant and Equipment	75	-
Devaluation of Non-Current Assets	2	1,153
Bad and Doubtful Debts	(10)	148
Miscellaneous Expenses (1)	3,297	1,099
Losses		
- Public Monies	2	4
- Public Property	43	185
Special Payments :		
- Donations and Gifts	245	77
- Ex-gratia Payments	46	74
Total	<u><u>26,432</u></u>	<u><u>22,865</u></u>

OTHER EXPENSES ADMINISTERED ON BEHALF OF THE STATE GOVERNMENT

Stumpage Fees paid/payable to the Timber Research and Development Advisory Council of Queensland (TRADAC)	1,096	1,263
Bad and Doubtful Debts	(11)	47
Miscellaneous Expenses	19	-
Total	<u><u>1,104</u></u>	<u><u>1,310</u></u>

(1) This amount includes an amount of \$0.422 million paid to Queensland Livestock and Meat Authority (QLMA) as a contribution towards funding of redundancy payments, (1997 \$0.191 million). QLMA may require further financial assistance to meet future financial commitments.

10. User Charges, Taxes, Fees and Fines

Fee for Service	23,187	21,642
Sale of Goods	8,157	8,088
Taxes, Fees and Fines	1,862	1,839
Total (1)	<u><u>33,206</u></u>	<u><u>31,569</u></u>

USER CHARGES, TAXES, FEES AND FINES ADMINISTERED ON BEHALF OF THE STATE GOVERNMENT

User Charges, Taxes, Fees and Fines

Fee for Service	151	729
Sale of Goods	14	825
Taxes, Fees and Fines	1,505	1,530
Total	<u><u>1,670</u></u>	<u><u>3,084</u></u>

(1) Royalties and Other Territorial Revenues were previously disclosed as part of User Charges, Taxes, Fees and Fines, and are now disclosed separately in Note 12.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1998

	1998	1997
	\$'000	\$'000
11. Grants and Other Contributions Revenue		
Grants	22,307	18,094
Industry Contributions	22,048	19,989
Total	<u>44,355</u>	<u>38,083</u>

**GRANTS AND OTHER CONTRIBUTIONS REVENUE
ADMINISTERED ON BEHALF OF THE STATE GOVERNMENT**

Commonwealth Grants and Contributions - Quarantine	45	-
Total	<u>45</u>	<u>-</u>

12. Royalties and Other Territorial Revenue

Royalties	71,305	74,569
Total	<u>71,305</u>	<u>74,569</u>

**ROYALTIES AND OTHER TERRITORIAL REVENUE
ADMINISTERED ON BEHALF OF THE STATE GOVERNMENT**

Royalties	136	539
Total	<u>136</u>	<u>539</u>

13. Property Income

Gain on Sale of Property, Plant and Equipment	-	1,148
Rental Income	760	734
Total	<u>760</u>	<u>1,882</u>

PROPERTY INCOME ADMINISTERED ON BEHALF OF THE STATE GOVERNMENT

Proceeds on Sale of Property, Plant and Equipment	99	187
Rental Income	809	942
Total	<u>908</u>	<u>1,129</u>

14. Other Revenue

Resources Received Below Fair Value:

- Maintenance Services	4,714	3,972
- Legal Services	-	654
- Archiving Services	107	99
- Quarantine Services	15	14
- Other	120	11
	<u>4,956</u>	<u>4,750</u>
Increase in Value of Livestock	689	1,004
Interest	353	769
Diesel Fuel Rebate	412	462
Gain on Sale of Investments	1	78
Other	5,439	2,450
Total	<u>11,850</u>	<u>9,513</u>

OTHER REVENUES ADMINISTERED ON BEHALF OF THE STATE GOVERNMENT

Expenditure Recovered from Prior Year	198	59
Other	653	157
Total	<u>851</u>	<u>216</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1998

	1998	1997
	\$'000	\$'000
15. Revenues from Government		
Net Cash Provided by Government	195,152	177,807
Movement in Carryovers of Appropriation Receivable	(7,753)	2,305
Funds (Assumed) / Transferred	(1,928)	344
15.1 Appropriation Revenue	<u>185,471</u>	<u>180,456</u>
<i>The following liabilities have been transferred to / (assumed from) other Government Agencies during the financial year:</i>		
Leave Liabilities Transferred	915	947
Leave Liabilities Assumed	(640)	(1,748)
15.2 Liabilities Transferred / (Assumed)	<u>275</u>	<u>(801)</u>
<i>The following assets have been assumed from / (transferred to) other Government Agencies during the financial year:</i>		
Property, Plant and Equipment	(5,242)	(559)
Proceeds on Disposal of Property, Plant and Equipment	(99)	(187)
Other	438	(400)
15.3 Assets Assumed / (Transferred)	<u>(4,903)</u>	<u>(1,146)</u>
Total Revenues from Government	<u>180,843</u>	<u>178,509</u>

16. Abnormal Items

Revaluation Decrement - Plantation Growing Timber

(15,667) -

DPI Forestry established a Reserve for Plantation Growing Timber Revaluation in 1995-96 to recognise and account for movements in the value of its major plantation forest asset. This movement is brought about by changes in volume and price as a result of forest growth and market price changes.

In 1997-98 a significant reduction in price and an associated change in utilisation standards for certain premium products resulted in a substantial decrement (\$160.047 million) in the net realisable value of the forest estate.

This decrement has been offset against the Reserve Account to the extent of the amount available within the reserve. The residual decrement amounting to (\$15.667 million) has been brought to account in the Operating Statement as an Abnormal Item.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1998

	1998 \$'000	1997 \$'000
17. Cash		
Cash on Hand	182	153
Cash at Bank	(1,347)	387
Trust Fund Balances	8,746	10,596
Funds Held by Treasury (1)	14,171	14,400
Total	<u>21,752</u>	<u>25,536</u>

Administered Cash		
Cash at Bank	155	130
Total	<u>155</u>	<u>130</u>

- (1) Funds held by Treasury represent monies which have been received by the Department from sources other than the Queensland Government, such as Commonwealth Government, Industry Bodies and Other Parties. These funds are available for use by the Department in accordance with revenue retention and receipt offset arrangements with Queensland Treasury.

18. Receivables**Current**

Trade Debtors	13,437	14,462
Less: Provision for Doubtful Debts	(522)	(667)
Freehold Selection Debtors (1)	327	349
Less: Provision for Doubtful Debts	(6)	(8)
Carryovers of Appropriation	876	8,629
Interest Receivable	36	45
Other Debtors	380	667
Total (2)	<u>14,528</u>	<u>23,477</u>

Non-current

Freehold Selection Debtors (1)	583	805
Other Debtors	220	450
Total (2)	<u>803</u>	<u>1,255</u>

- (1) Freehold Selection Debtors arise where Crown Land under lease is converted to freehold. Debtors represent the value of unpaid instalments due on the timber component of the property sold. These debtors are managed by the Department of Natural Resources.
- (2) Advances were previously disclosed as part of Receivables, and are now disclosed as Other Assets in Note 21.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1998

18. Receivables (continued)

RECEIVABLES ADMINISTERED ON BEHALF OF THE STATE GOVERNMENT		
	1998	1997
	\$'000	\$'000
Current		
Trade Debtors	160	416
Less: Provision for Doubtful Debts	(9)	(15)
Loans	139	98
Less: Provision for Doubtful Debts	(93)	(74)
Other Debtors	15	166
Less: Provision for Doubtful Debts	-	(26)
Carryovers of Appropriation	-	830
Total	<u>212</u>	<u>1,395</u>
Non-Current		
Loans	-	75
Total	<u>-</u>	<u>75</u>

19. Investments (1)

Current

Shares and Units

- 2**Non-current**

Shares and Units

55 48

(1) The Net Fair Value of Investments is disclosed in Note 35.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1998

	1998 \$'000	1997 \$'000
20. Inventories		
Current		
<i>Inventory Held for Sale:</i>		
Finished Goods	2,850	2,877
Raw Materials and Stores	169	-
Work in Progress	98	124
<i>Inventory not Held for Sale:</i>		
Raw Materials and Stores	2,430	2,334
Total	<u>5,547</u>	<u>5,335</u>
Non-current		
<i>Inventory Held for Sale:</i>		
Finished Goods	99	133
Total	<u>99</u>	<u>133</u>
21. Other Assets		
Current		
Prepayments	2,353	961
Advances	440	451
Other	435	-
Total	<u>3,228</u>	<u>1,412</u>
Non-current		
Prepayments	83	-
Total	<u>83</u>	<u>-</u>

(1) The comparative amount for Other Current Assets has been restated from \$0.654 million to \$1.412 million. The increase of \$0.758 million relates to the reclassification of Advances from Receivables to Other Current Assets.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1998

	1998 \$'000	1997 \$'000
22. Property, Plant and Equipment		
Non-current		
22.1 Land		
At Cost (1)	3,409	3,209
At Independent Valuation 1996	41,143	48,558
Total Land	44,552	51,767
(1) DPI Forestry carries out its forestry establishment, management and marketing operations principally on Crown land allocated for forest production purposes by the Department of Natural Resources (DNR). While DNR retains control over this land, DPI Forestry is granted access to carry out its operations in accordance with the <i>Forestry Act 1959</i> .		
Only land controlled by the Department has been brought to account.		
22.2 Land improvements		
At Cost	2,487	1,204
At Independent Valuation 1995	2,202	2,191
At Independent Valuation 1996	10,294	10,275
At Independent Valuation 1997	4	4
At Management Valuation 1997	58	58
Accumulated Depreciation	(2,161)	(1,408)
Deferred Maintenance	(3)	-
Total Land Improvements - Net Book Value	12,881	12,324
22.3 Buildings		
At Cost	15,052	5,833
At Independent Valuation 1995	18,115	18,117
At Independent Valuation 1996	80,870	80,278
At Management Valuation 1996	18	18
Accumulated Depreciation	(8,734)	(5,411)
Deferred Maintenance	(4,107)	-
Total Buildings - Net Book Value	101,214	98,835
22.4 Access Roads		
At Cost	1,291	1,002
At Independent Valuation 1995	29,973	29,810
At Independent Valuation 1996	2,150	2,150
Accumulated Depreciation	(3,776)	(2,656)
Total Access Roads - Net Book Value	29,638	30,306
22.5 Plant and Equipment		
At Cost	87,558	80,771
At Independent Valuation 1996	908	1,551
At Independent Valuation 1997	28,850	31,758
At Management Valuation 1996	38	38
At Management Valuation 1997	276	2,828
At Management Valuation 1998	21	-
Accumulated Depreciation	(66,512)	(58,164)
Total Plant and Equipment - Net Book Value	51,139	58,782

	1998 \$'000	1997 \$'000
22. Property, Plant and Equipment (continued)		
22.6 Leased Plant and Equipment		
At cost	503	-
Accumulated Amortisation	(109)	-
Total Leased Plant and Equipment - Net Book Value	<u>394</u>	<u>-</u>
22.7 Capital Works in Progress		
At Cost	<u>7,674</u>	<u>4,558</u>
Total Property, Plant and Equipment - Net Book Value	<u>247,492</u>	<u>256,572</u>
Property, Plant and Equipment		
At Cost	117,974	96,577
At Independent Valuation 1995	50,290	50,118
At Independent Valuation 1996	135,365	142,812
At Independent Valuation 1997	28,854	31,762
At Management Valuation 1996	56	56
At Management Valuation 1997	334	2,886
At Management Valuation 1998	21	-
Accumulated Depreciation and Amortisation	(81,292)	(67,639)
Deferred Maintenance	(4,110)	-
Total Property, Plant and Equipment - Net Book Value	<u>247,492</u>	<u>256,572</u>
23. Restricted Assets		
The Department has included a number of assets in the accounts which are classified as restricted assets. These are assets, the uses of which are wholly or partially restricted, by legislation or other externally imposed requirements. These include:		
23.1 Funds Held by Treasury	<u>5,798</u>	<u>8,486</u>
(These Funds are restricted for use in specified research areas or specified building initiatives.)		
23.2 Plant and Equipment		
At Cost	1,935	2,275
At Independent Valuation 1997	164	164
At Management Valuation 1997	15	24
Accumulated Depreciation	(1,009)	(808)
Total Plant and Equipment - Net Book Value	<u>1,105</u>	<u>1,655</u>
(These assets may not be disposed of without the permission of the external funding body and may only be used to carry out the agreed purposes of the project for which funding has been provided.)		
Total	<u>6,903</u>	<u>10,141</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1998

	1998 \$'000	1997 \$'000
24. Creditors		
Current		
Trade Creditors	6,374	7,037
Accrued Salaries and Wages	1,863	4,772
Accrued Interest and Other Costs of Finance	1,378	1,925
Lease Liability (Refer Note 30.)	113	-
Other Creditors	2,580	3,816
Total	<u>12,308</u>	<u>17,550</u>
Non-Current		
Lease Liability (Refer Note 30.)	284	-
Other Creditors	-	700
Total	<u>284</u>	<u>700</u>

CREDITORS ADMINISTERED ON BEHALF OF THE STATE GOVERNMENT

Trade Creditors	339	484
Accrued Salaries and Wages	1	-
Total	<u>340</u>	<u>484</u>

25. Borrowings

Current

QTC Borrowings	3,928	3,163
Treasury Borrowings	764	3,468
Total (1)	<u>4,692</u>	<u>6,631</u>

Non-Current

QTC Borrowings	76,935	52,018
Treasury Borrowings	732	29,570
Total (1)	<u>77,667</u>	<u>81,588</u>

- (1) On 2 April 1998 the loans provided by the Commonwealth of Australia under the Softwood Forestry Agreement Acts were refinanced under an arrangement with the Queensland Treasury Corporation. The balances at 30 June 1998 represent the consolidation of the Commonwealth Softwood loans and the previously existing Queensland Treasury Corporation Loan.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1998

	1998 \$'000	1997 \$'000
26. Provisions		
Current		
Recreation Leave	17,024	15,587
Long Service Leave	3,221	3,110
Provision for Dividend	3,868	5,060
Total	<u>24,113</u>	<u>23,757</u>
Non-Current		
Long Service Leave	<u>33,114</u>	<u>31,420</u>

PROVISIONS ADMINISTERED ON BEHALF OF THE STATE GOVERNMENT		
Current		
Recreation Leave	13	6
Long Service Leave	7	3
Total	<u>20</u>	<u>9</u>
Non-Current		
Long Service Leave	<u>65</u>	<u>38</u>

Aggregate Employee Entitlements

Current		
Recreation Leave	17,024	15,587
Long Service Leave	3,221	3,110
Accrued Salaries and Wages (1)	1,863	4,772
Total	<u>22,108</u>	<u>23,469</u>
Non-Current		
Long Service Leave	<u>33,114</u>	<u>31,420</u>

PROVISIONS ADMINISTERED ON BEHALF OF THE STATE GOVERNMENT		
Current		
Recreation Leave	13	6
Long Service Leave	7	3
Accrued Salaries and Wages (1)	1	-
Total	<u>21</u>	<u>9</u>
Non-Current		
Long Service Leave	<u>65</u>	<u>38</u>

(1) Accrued Salaries and Wages, including Employer Contributions for Superannuation Payable, are disclosed in the Financial Statements as Creditors. (Refer Note 24.)

27. Other Liabilities

Unearned Revenue	8,649	7,777
Other	-	5
Total	<u>8,649</u>	<u>7,782</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1998

	Accumulated Surplus		Asset Revaluation Reserve		Plantation Growing Timber Revaluation Reserve	
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
28. Changes in Equity						
Balance at the Beginning of the Financial Year	1,087,249	1,095,921	5,794	77	144,380	87,097
Opening Balance Adjustments	(1,225)	-	-	-	-	-
Conversion Forestry Equity to QTC Borrowings (1)	-	(10,000)	-	-	-	-
(Decrease) / Increase in Net Assets	(23,348)	1,328	-	-	-	-
Prior Period Adjustments (2)	(102)	-	-	-	-	-
Increment / (Decrement) on Revaluation of:						
Land	-	-	305	-	-	-
Land Improvements	-	-	20	1,049	-	-
Buildings	-	-	735	-	-	-
Plant and Equipment (3)	-	-	(3,406)	4,668	-	-
Plantation Growing Timber (4)	-	-	-	-	(144,380)	57,283
Balance at the End of the Financial Year	1,062,574	1,087,249	3,448	5,794	-	144,380

- (1) Under the terms of DPI Forestry's debt restructuring agreement with Queensland Treasury Department an amount of \$10.000 million was to be converted from equity to debt on 1 July 1997. This conversion did not proceed as planned and any future action on this matter will depend on the outcome of a debt-equity structural review currently being undertaken.
- (2) Represents adjustments processed during 1997-98 to correct opening asset balances taken up as at 1 July 1995 when DPI Forestry commenced operations as a Commercial Business Group.
- (3) Adjustments relate to anomalies subsequently identified in the recording of asset values and related lives following the independent valuation of plant and equipment undertaken in 1996-97.
- (4) Significant reductions in price for selected premium products and a change in utilisation standards resulted in a substantial decrement in the net realisable value of the forest estate. (Refer Note 16.)

EQUITY ADMINISTERED ON BEHALF OF THE STATE GOVERNMENT

	Accumulated (Deficit) / Surplus	
	1998 \$'000	1997 \$'000
Balance at the Beginning of the Financial Year	1,069	243
Opening Balance adjustments	(445)	220
(Decrease) / Increase in Net Assets	(682)	606
Balance at the End of the Financial Year	(58)	1,069

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1998

	1998 \$'000	1997 \$'000
29. Reconciliation of Net Cash Used in Operating Activities		
Net Cost of Services	<u>(184,656)</u>	<u>(172,121)</u>
<i>Non-Cash Items:</i>		
Depreciation and Amortisation	19,273	18,549
Deferred Maintenance	4,110	-
Loss / (Gain) on Sale or Disposal of Property, Plant and Equipment	75	(1,148)
Capitalised Interest	863	771
Finance Charges	45	-
Devaluation of Non-Current Assets	2	1,153
Internal Transfer of Costs for Assets Constructed	(380)	(284)
Gain on Sale of Investments	(1)	(78)
Non-Current Assets Written Off	(1)	28
Bad and Doubtful Debts	(10)	148
Equity Adjustments	(2,821)	-
<i>Change in Assets and Liabilities</i>		
(Increase) / Decrease in Receivables	1,582	(4,190)
(Increase) / Decrease in Inventories	(179)	59
(Increase) / Decrease in Livestock	(228)	(423)
(Increase) / Decrease in Other Assets	(2,180)	-
Increase / (Decrease) in Creditors	(4,879)	9,345
Increase / (Decrease) in Employee Entitlements	3,517	8,200
Increase / (Decrease) in other Liabilities	1,371	-
	<u>20,159</u>	<u>32,130</u>
Net Cash Used in Operating Activities	<u>(164,497)</u>	<u>(139,991)</u>
30. Commitments for Expenditure		
(a) Finance Leases		
Lease liabilities recognised in the Statement of Financial Position:		
Current (Refer Note 24.)	113	-
Non-current (Refer Note 24.)	284	-
Total	<u>397</u>	<u>-</u>
<i>Commitments in Relation to Finance Leases at the Reporting Date are Payable as follows:</i>		
Not later than one year	169	-
Later than one year and not later than two years	104	-
Later than two years and not later than five years	242	-
Minimum Lease Payments	<u>515</u>	<u>-</u>
Less: Future Finance Charges	118	-
Total	<u>397</u>	<u>-</u>
(b) Non-Cancellable Operating Leases		
<i>Commitments in Relation to Non-Cancellable Operating Leases at the Reporting Date are Payable as follows:</i>		
Not later than one year	130	125
Later than one year and not later than two years	118	122
Later than two years and not later than five years	147	333
Later than five years	188	72
Total	<u>583</u>	<u>652</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1998

	1998	1997
	\$'000	\$'000
30. Commitments for Expenditure (continued)		
(c) Expenditure Commitments		
<i>Material Expenditure Commitments Contracted for but not Recognised are Payable as follows:</i>		
Buildings	5,038	8,799
Land Improvements	1	555
Plant and Equipment	2,828	1,218
Supplies and Services (1)	5,709	-
Other	16	285
Total	13,592	10,857
Not later than one year	12,282	8,024
Later than one year and not later than two years	943	2,833
Later than two years and not later than five years	340	-
Later than five years	27	-
Total	13,592	10,857

(1) Recurrent Expenditure Commitments are now required to be disclosed in addition to Capital Commitments. This item represents a new disclosure requirement. It would not be practicable for the Department to reconstruct the comparative information.

(d) Grants and Subsidies

Commitments in Relation to Grants and Subsidies are as follows:

Bureau of Sugar Experiment Stations	3,800	3,800
Other	3,997	2,618
Total (1)	7,797	6,418

Commitments in Relation to Grants and Subsidies at the reporting date are payable as follows:

Not later than one year	5,906	5,402
Later than one year and not later than two years	1,152	485
Later than two year and not later than five years	739	531
Total (1)	7,797	6,418

(1) Pursuant to a Cabinet decision made in December 1991, the Department provides funding to the Bureau of Sugar Experiment Stations to the amount of \$3.800 million per annum. The figure above includes one year's funding only for this item.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1998

31. Contingent Liabilities

(a) Litigation in Progress

The following cases were filed in the courts as at 30 June 1998:

	<i>Number of Cases</i>
Supreme Court	20
District Court	4
Total	<u><u>24</u></u>

The Department's legal advisors and management believe it would be misleading to estimate the final amounts payable, if any, in respect of the litigation filed in the Courts.

The Department has also received notifications of eleven (11) other cases, which are not yet subject to Court actions.

(b) Native Title Claims over Departmental Land

As at 30 June 1998, Native Title Claims have been made on Departmental land, but as yet, no claims have been determined by the National Native Title Tribunal.

(c) Year 2000 Compliance

The Year 2000 issue concerns the potential failure of computer systems, personal computers and the wide variety of devices utilising microprocessors due to dates being programmed in only two digits, resulting in an ambiguity at the turn of the century or at times prior.

In September 1997, a Year 2000 Project was established to facilitate and co-ordinate the Year 2000 activities including modification of existing programs and developing contingency plans to ensure continuity of critical systems operations. These activities should be completed by 30 June 1999.

The Project includes reviewing computer hardware and software applications to determine the rectification work required to ensure that computer systems are Year 2000 compliant. The contingent liability in relation to the Year 2000 activities will be able to be quantified at the end of this review.

(d) Financial Guarantees and Undertakings

The Department has not provided any Financial Guarantees or Undertakings.

(e) Other Contingent Liability

The Department anticipates a Contingent Liability relating to communication services. Due to the complex circumstances involved, the amount of the liability cannot be reliably estimated and it would be inappropriate to disclose an amount in the Financial Statements at this stage.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1998

32. Transactions and Balances Administered on Behalf of Entities Other than the State Government

ASSETS AND LIABILITIES ADMINISTERED ON BEHALF OF ENTITIES OTHER THAN THE STATE GOVERNMENT	1998 \$'000	1997 \$'000
CURRENT ASSETS		
Monies Held in Trust (Security Deposits)	729	661
Agency Collections	77	27
Total Current Assets	<u>806</u>	<u>688</u>
NON-CURRENT ASSETS		
Monies Held in Trust (Security Deposits)	13	68
Total Non-Current Assets	<u>13</u>	<u>68</u>
TOTAL ADMINISTERED ASSETS	<u>819</u>	<u>756</u>
CURRENT LIABILITIES		
Monies Held in Trust (Security Deposits)	729	661
Agency Collections	77	27
Total Current Liabilities	<u>806</u>	<u>688</u>
NON-CURRENT LIABILITIES		
Monies Held in Trust (Security Deposits)	13	68
Total Non-Current Liabilities	<u>13</u>	<u>68</u>
TOTAL ADMINISTERED LIABILITIES	<u>819</u>	<u>756</u>
ADMINISTERED NET ASSETS	<u>-</u>	<u>-</u>

**CASH FLOWS ADMINISTERED ON BEHALF OF ENTITIES
OTHER THAN THE STATE GOVERNMENT**

Inflows:

Security Deposits	256	3,234
Agency Collections	1,287	8,682

Total Inflows 1,543 11,916

Outflows:

Security Deposits	(243)	(3,404)
Agency Collections	(1,237)	(10,044)

Total Outflows (1,480) (13,448)

Net Administered Cash Inflows / (Outflows) 63 (1,532)

Administered Cash at the Beginning of the Financial Year 756 2,288

Administered Cash at the End of the Financial Year 819 756

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1998

33. Events Subsequent to Balance Date

There were no events subsequent to 30 June 1998 which would affect the financial position of the Department and would require disclosure in the Financial Statements.

34. Notes to the Statement of Appropriations

1998
\$'000

1997
\$'000

34.1 Retained Revenue and Credits to Vote

The Treasurer has given approval under sections 34A and 34B of the *Financial Administration and Audit Act 1977* for the following types of receipts to be retained by the Department. Amounts indicated have been credited against expenditure from the following Funds/Policy Area/Program Area -

34.1.1 Section 34A Approvals

Sale of Certain Motor Vehicles

Consolidated Fund/Agriculture, Forestry and Water Resources/Industry Development	24	330
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Brucellosis and Tuberculosis Eradication Campaign Sale Proceeds to Offset

Compensation Costs of De-stocking

Consolidated Fund/Agriculture, Forestry and Water Resources/Industry Development	41	426
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Payroll Apportioned to Prior Year

Consolidated Fund/Agriculture, Forestry and Water Resources/Industry Development	2,811	2,653
Banana Industry Fund/Agriculture, Forestry and Water Resources/Industry Development	-	2
Fisheries Research Fund/Agriculture, Forestry and Water Resources/Industry Development	-	5

Secondments and Employee Subsidies

Consolidated Fund/Agriculture, Forestry and Water Resources/Industry Development	715	765
Forestry Fund/Agriculture, Forestry and Water Resources/Industry Development	74	50

Employee Reimbursements

Consolidated Fund/Agriculture, Forestry and Water Resources/Industry Development	29	3
Forestry Fund/Agriculture, Forestry and Water Resources/Industry Development	-	1

Jury Fees

Consolidated Fund/Agriculture, Forestry and Water Resources/Industry Development	2	1
Forestry Fund/Agriculture, Forestry and Water Resources/Industry Development	1	1

Worker's Compensation

Consolidated Fund/Agriculture, Forestry and Water Resources/Industry Development	70	33
Banana Industry Fund/Agriculture, Forestry and Water Resources/Industry Development	7	1
Fisheries Research Fund / Agriculture, Forestry and Water Resources / Industry Development	1	-
Forestry Fund/Agriculture, Forestry and Water Resources/Industry Development	8	10

Reimbursement of Advances to the Queensland Livestock and Meat Authority

Consolidated Fund/Agriculture, Forestry and Water Resources/Industry Development	490	-
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Repayments of Overpaid Fringe Benefits Tax

Consolidated Fund/Agriculture, Forestry and Water Resources/Industry Development	5	-
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Total

4,278	4,281
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1998

34. Notes to the Statement of Appropriations (continued)

34.1 Retained Revenue and Credits to Vote (continued)

34.1.2 Section 34B Approvals	1998	1997
	\$'000	\$'000
Queensland Government Agents Program		
Consolidated Fund/Agriculture, Forestry and Water Resources/Industry Development	57	47
Revenue Retention Arrangements		
Consolidated Fund/Agriculture, Forestry and Water Resources/Industry Development	4,945	4,064
<i>Revenue Retention Arrangements comprise the following activities:</i>		
• \$1.435 million sale of artificial breeding products		
• \$1.814 million sale of vaccines		
• \$0.573 million testing and advisory services		
• \$0.758 million consulting fees		
• \$0.259 million income from training		
• \$0.106 million sale of general goods and services		
Total	5,002	4,111

34.2 Material Variances and Carryovers

34.2.1 Consolidated Fund expenditure was higher than anticipated mainly due to:

- \$4.673 million for costs associated with the monitoring, eradication and quarantine, along with the refurbishment of a building in Cairns into a laboratory in response to the Papaya Fruit Fly outbreak;
- \$3.907 million on various activities (principally research and extension activities and testing and advisory services) operating under revenue sharing arrangements where receipts were greater than expected;
- \$2.972 million for the implementation of dugong protection areas, jointly funded by the Queensland and Commonwealth governments;
- \$2.587 million for services (largely relating to the implementation of corporate systems enhancements) provided to the Department of Natural Resources by the Corporate Services Agency;
- \$1.770 million on Commonwealth funded research projects relating to the Australian Overseas Aid Program;
- \$1.653 million relating to the purchase of commercial fishing licenses under commercial fisheries restructuring arrangements;
- \$0.415 million on rural industry research funded by the Commonwealth where receipts were higher than expected;
- \$0.340 million on National Competition Policy reviews of rural industries;
- \$0.292 million for emergency responses to minor exotic pest and disease outbreaks; and
- \$0.270 million contribution to ease the transitional costs of establishing quality assurance audits facing small businesses in the meat processing industry.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1998

34. Notes to the Statement of Appropriations (continued)

34.2 Material Variances and Carryovers (continued)

34.2.1 Consolidated Fund expenditure was higher than anticipated mainly due to : (continued)

This was partially offset by expenditure which was lower than anticipated in the following areas:

- \$7.000 million due to the decision not to proceed with the construction of a sterile insect facility in North Queensland as part of the Papaya Fruit Fly outbreak response. This decision was taken due to the success of the Papaya Fruit Fly outbreak response during 1997-98;
- \$1.972 million resulting from lower than expected demand for drought relief subsidies;
- \$1.945 million due to the successful completion of the Helix litigation case; and
- \$0.359 million resulting from long service entitlements being less than expected.

34.2.2 Consolidated Fund expenditure on account of approved carryovers at 30 June 1998 are contained within the column headed "Expenditure" in the Statement of Appropriations. These carryovers include:

	1998	1997
	\$'000	\$'000
34.2.2.1 Recurrent Items		
Unspent balances in trading and research and extension activities operating under revenue sharing arrangements	428	2,926
Unspent balances from the Commonwealth and other States for the Papaya Fruit Fly outbreak	387	1,464
Funding for the development and implementation of quality assurance systems under the Agribusiness Exporters Quality Assurance Scheme	1,586	2,191
Unspent balances for Commonwealth funded landcare and research projects	-	1,862
Enhancements to corporate systems relating to financial and human resource management	878	717
Commitments relating to telecommunication services	360	-
Funding for aquaculture development projects delayed due to problems associated with securing appropriate research facilities in North Queensland	346	-
Funding for climatology activities deferred due to delays in the tendering process for new facilities in Toowoomba	153	-
Brucellosis and Tuberculosis Eradication Campaign funding commitments	-	360
Funding commitments relating to recreational fishing projects	151	342
Projects associated with the restructuring and development of primary industries in the Atherton Tablelands	-	318
Unspent balances relating to Commonwealth funded quarantine activities	-	210
Disposal of unwanted chemicals due to delays in the finalisation of agreements	-	158
Provision for legal costs associated with an outstanding litigation case	-	127
Total	4,289	10,675
34.2.2.2 Capital Items		
Vessel replacement program provision for future purchases of major replacement vessels	4,033	3,766
Provisions for the replacement of heavy vehicles	-	210
Delays in the tendering process for the Queensland Centre for Climate Applications facility in Toowoomba	245	-
Total	4,278	3,976

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1998

34. Notes to the Statement of Appropriations (continued)

34.2 Material Variances and Carryovers (continued)

34.2.3 Forestry Fund expenditure was less than anticipated mainly due to:

- \$2.496 million resulting primarily from changes to the plantation establishment and maintenance program in addition to cost reductions associated with the enterprise bargaining process and other efficiency strategies;
- \$0.884 million in reduced interest and redemption charges resulting from a debt restructure effected in 1997-98; and
- \$0.670 million in plant and equipment savings arising from the deferral of heavy plant purchases as well as reduced demand for other items of plant and equipment.

35. Financial Instruments

(a) Terms, Conditions and Accounting Policies

(i) Financial Assets

Recognised Financial Instruments	Notes	Accounting Policies	Terms and Conditions
Cash	17	Cash includes cash on hand, cash at bank, and Trust and Special Fund balances and Departmental funds held by the Queensland Treasury. Interest is only received by DPI Forestry and is included in other revenue.	Cash is held by the Queensland Treasury Department. Interest is paid on the DPI Forestry funds at the Treasury monthly benchmark rate.
Receivables - Trade Debtors	18	Trade receivables are carried at nominal amounts due, less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable.	Trade sales require payment within 30 days from end of month in which a sale is invoiced. All DPI Forestry trade debtors are secured by cash deposit or other financial guarantee.
Receivables - Seed Scheme Loans	18	Amounts for the Seed Scheme Loans are carried at nominal amounts due, less any provision for doubtful debts. Interest is taken up as income on an accrual basis.	Seed Scheme Loans are payable from the proceeds of crops when harvested.
Receivables (Other than Trade Debtors)	18	Amounts (Other than Trade Debtors) are carried at nominal amounts, less any provision for doubtful debts.	Net 30 days.
Investments - Unlisted Shares	19	Investments are brought to account at the lower of cost and net realisable value. Dividend income is recognised when received.	

(ii) Financial Liabilities

Recognised Financial Instruments	Notes	Accounting Policies	Terms and Conditions
Trade Creditors and Accruals	24	Liabilities are recognised for amounts to be paid in the future for goods and services received.	Trade Creditors are normally settled on 7, 14 or 30 day terms.
Borrowings	25	Loans are carried at book value. Interest is charged as an expense as it accrues.	All borrowings are with Queensland Treasury and the Queensland Treasury Corporation (QTC). The borrowings with Queensland Treasury are repayable quarterly with the final instalment due 31 March 2001. The borrowings with the QTC are repayable quarterly with the final instalment due 26 April 2010.
Dividend Payable	26	Dividends payable are recognised when declared by DPI Forestry.	Dividends payable are declared at a negotiated percentage (currently 75%) of DPI Forestry's operating profit after tax equivalents, less QFleet dividend allowance. Dividends are payable to the Queensland Government.
Finance Lease Liability	24, 30	The Finance Lease Liabilities are accounted for in compliance with AAS17 "Accounting for Leases". Interest is charged as an expense as it accrues.	As at balance date, DPI's finance leases have an average lease term of 4 years. The average interest rate implicit in the leases is 13.12%.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1998

35. Financial Instruments (continued)
(b) Interest Rate Risk

Financial Instruments	Floating Rate						Fixed Rate Maturing						Average Rate					
	1998		1997		1998		1997		1998		1997		1998		1997		1998	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%	%	%	%	
Financial Assets																		
Cash	7,717	-	9,411	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables - Trade Debtors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables - Other than Trade Debtors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	7,717	-	9,411	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Financial Liabilities																		
Trade Creditors and Accruals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings - Queensland Treasury	-	-	-	764	3,468	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings - Queensland Treasury Corporation	-	-	-	3,928	3,163	19,163	20,752	10,552	19,018	-	-	-	-	-	-	-	-	-
Dividends Payable	-	-	-	-	-	-	-	-	57,772	-	-	-	-	-	-	-	-	-
Finance Lease Liability	-	-	-	113	-	284	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	4,805	6,631	20,179	31,304	31,304	57,772	50,284	16,063	23,310	6.22	7.77	13.12	9.04	8.93	-
Financial Instruments Administered on Behalf of the State Government																		
Financial Assets																		
Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables - Trade Debtors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables - Seed Scheme Loans	-	-	-	46	24	-	75	-	-	-	-	-	-	-	-	-	-	-
Receivables - Other than Trade Debtors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	46	24	-	75	-	-	-	321	1,501	5.00	-	-	5.00	-	-
Financial Liabilities																		
Trade Creditors and Accruals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-	-	-	340	484	-	-	-	-	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1998

35. Financial Instruments (continued)

(c) Net Fair Values

Financial Instruments	Total Carrying Amount		Net Fair Value	
	1998 S'000	1997 S'000	1998 S'000	1997 S'000
Financial Assets				
Cash	21,752	25,536	21,752	25,536
Receivables - Trade Debtors	12,915	13,795	12,915	13,795
Receivables - Other than Trade Debtors	2,416	10,937	2,416	10,937
Investments (1)	55	50	310	292
Total	37,138	50,318	37,393	50,560
Financial Liabilities				
Trade Creditors and Accruals	12,195	18,250	12,195	18,250
Borrowings - Queensland Treasury (2)	1,496	33,038	1,496	33,038
Borrowings - Queensland Treasury Corporation (2)	80,863	55,181	86,730	59,138
Dividends Payable	3,868	5,060	3,868	5,060
Finance Lease Liability	397	-	397	-
Total	98,819	111,529	104,686	115,486
Financial Instruments Administered on Behalf of the State Government				
Financial Assets				
Cash	155	130	155	130
Receivables - Trade Debtors	151	401	151	401
Receivables - Seed Scheme Loans	46	99	46	99
Receivables - Other than Trade Debtors	15	970	15	970
Total	367	1,600	367	1,600
Financial Liabilities				
Trade Creditors and Accruals	340	484	340	484
Total	340	484	340	484

(1) The net fair value of Investments is the market value of the shares. The amount is estimated based upon advice received from market experts.

(2) Based on advice provided by the Queensland Treasury and the Queensland Treasury Corporation, the net fair value of borrowings is the market value of the loans.

(d) Credit Risk Exposure

DPI's maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the carrying amount of those assets net of any provisions for doubtful debts as indicated in the Statement of Financial Position.

Credit risk in Trade Debtors is managed in the following ways:

- Payment within 30 days from end of month in which a sale is invoiced.
- DPI Forestry Trade Debtors are secured by cash deposits or other financial guarantees.
- Reviewing Trade Debtors and identifying amounts which are doubtful.
- Writing off bad debts as they are incurred.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (Continued)
for the Year Ended 30 June 1998

36. Financing Facilities

DPI Forestry has standby arrangements with the Queensland Treasury Department to provide funds and support facilities up to an amount of \$3.000 million. This credit facility is provided by Queensland Treasury Corporation, and was unused at 30 June 1998.

37. Tax Equivalents

Information in respect of tax equivalents expense incurred by the Commercialised Business Unit of the Department subject to the substantive Tax Equivalents Regime:

	1998 \$'000	1997 \$'000
Operating Result of the Commercialised Business Unit subject to Tax Equivalents Regime	5,538	7,847
Prima facie tax equivalent expense thereon at 36%	1,994	2,825
<i>Tax effect of permanent and other differences:</i>		
Acquired timber felled - Queensland Income Tax Equivalents Ruling 95/4	(14,373)	(14,751)
Research and Development Concession	(234)	(272)
Entertainment - Non-Deductible	2	6
Depreciation - Non-Deductible	23	-
Capital Gains Tax	71	148
Other	(16)	(71)
Total Tax Equivalent Benefit not Brought to Account	<u>(12,533)</u>	<u>(12,115)</u>
<i>Total tax equivalent benefit comprises movements in:</i>		
Net Tax Equivalent Benefit	(13,800)	(13,002)
Provision for Deferred Tax Equivalent	1,485	941
Future Tax Equivalent Benefit	(218)	(54)
Total Tax Equivalent Benefit not Brought to Account	<u>(12,533)</u>	<u>(12,115)</u>

A future tax equivalent benefit has not been brought to account as an asset of DPI Forestry, as realisation of the benefit cannot be regarded as being virtually certain. Accumulated future tax equivalent benefits attributable to tax losses carried forward amount to \$31.876 million as at 30 June 1998, and will only be obtained if:

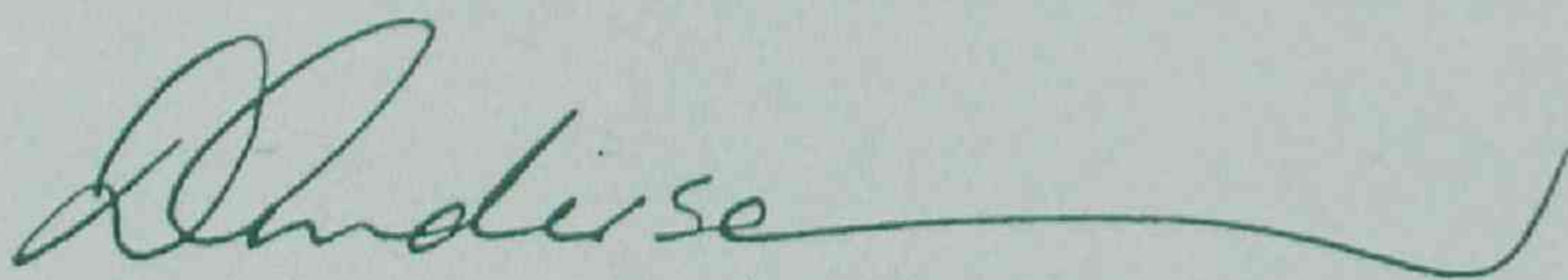
- a) DPI Forestry derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- b) DPI Forestry continues to comply with the conditions for deductibility imposed by the law; and
- c) No changes in tax legislation adversely affect DPI Forestry in realising the benefit from the deductions for the losses.

Certificate of the Department of Primary Industries

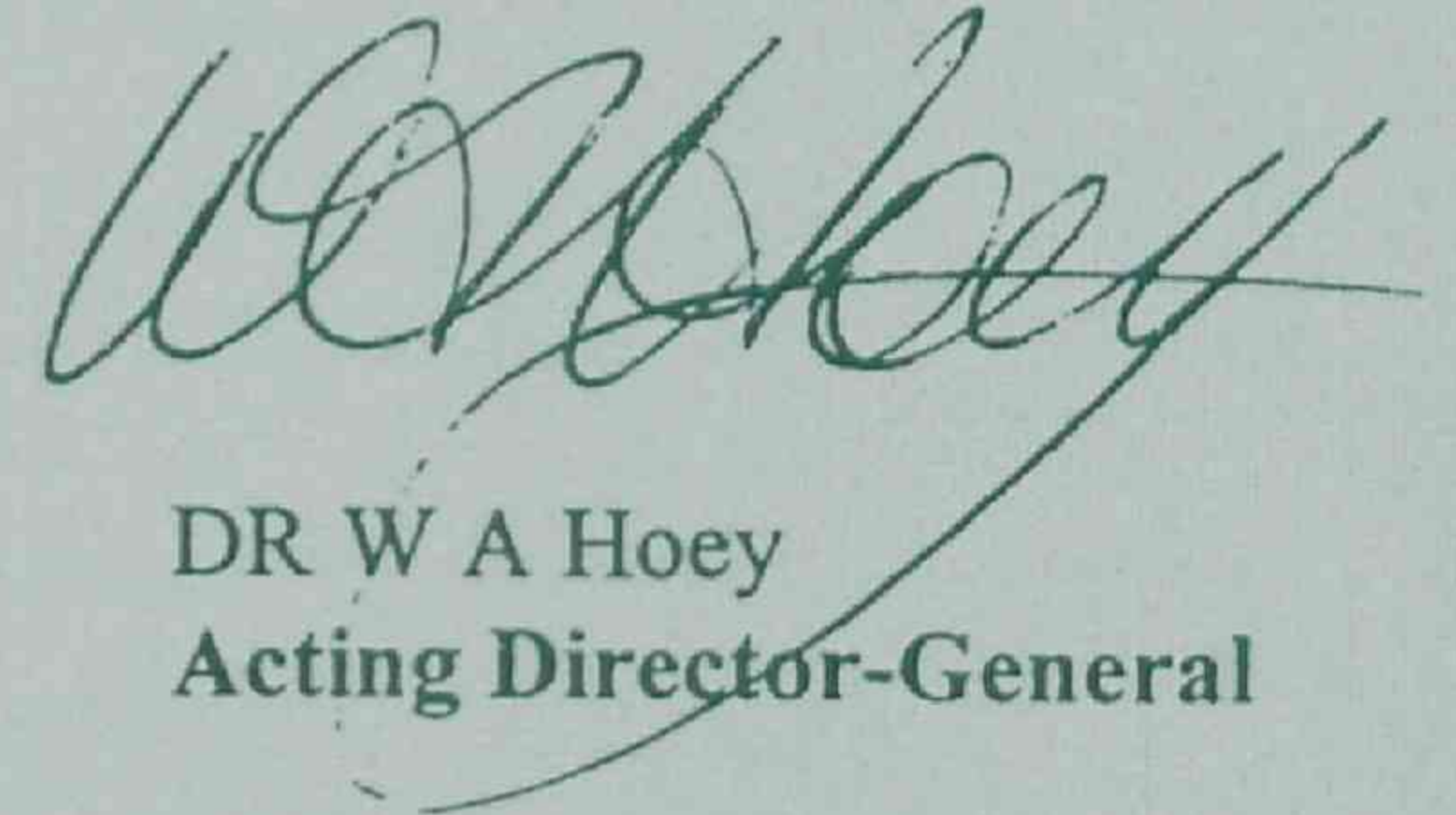
The foregoing General Purpose Financial Statements have been prepared pursuant to section 40 of the *Financial Administration and Audit Act 1977* and other prescribed requirements.

We certify that –

- (a) the Statements together with other information and Notes forming part thereof are in the form required by the Treasurer and are in agreement with the accounts of the Department of Primary Industries; and
- (b) in our opinion -
 - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the Statements have been drawn up so as to present a true and fair view of the transactions of the Department of Primary Industries for the period 1 July 1997 to 30 June 1998, and of the financial position as at 30 June 1998.



D Anderson FCPA
General Manager
(Finance and Business Development)



DR W A Hoey
Acting Director-General

21 October 1998



Certificate of the Auditor-General

Scope

I have audited the General Purpose Financial Statements prepared by the Accountable Officer for the year ended 30 June 1998 in terms of section 40 of the *Financial Administration and Audit Act 1977*.

The audit has been conducted in accordance with *QAO Auditing Standards*. Audit procedures have included examination, on a test basis, of evidence supporting the amounts and other disclosures in the Financial Statements and the evaluation of significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the General Purpose Financial Statements are presented fairly in accordance with the prescribed requirements which include the Treasurer's "Minimum Reporting Requirements for the Preparation of General Purpose Financial Statements of Government Departments" for 1997-98 and prescribed accounting standards.

The audit opinion expressed in this certificate has been formed on the above basis.

Audit Opinion

I have examined the General Purpose Financial Statements for 1997-98 of the Department of Primary Industries as required by the *Financial Administration and Audit Act 1977* and certify that –

- (a) I have received all the information and explanations which I have required;
- (b) the foregoing General Purpose Financial Statements are in conformity with the prescribed accounting standards and are in agreement with the departmental accounts; and
- (c) in my opinion –
 - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the foregoing Statements have been drawn up as to present a true and fair view of the transactions of the Department for the period 1 July 1997 to 30 June 1998 and of the financial position as at 30 June 1998.

V. P. Manera

V P Manera
Deputy Auditor-General
(Delegate of the Auditor-General)

Queensland Audit Office
Brisbane



~~APPENDIX SHEET~~

~~BALANCE SHEET~~

~~as at 30 June 1998~~

~~ENDIXES~~

Current Assets

Cash

Receivables

Inventories

Total current assets

Non-Current Assets

Receivables

Property, plant and equipment

Total non-current assets

Self Generating and Regeneration Growing Timber

APPENDIXES

APPENDIX 1

DPI FORESTRY

FINANCIAL STATEMENTS

for the financial year ended 30 June 1998

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PROFIT AND LOSS STATEMENT

for the financial year ended 30 June 1998

	* Notes	1998 \$'000	1997 \$'000
Operating Revenue			
Sale of timber	3(a)	68,429	70,453
Specialised forest industry services		8,832	6,868
Quarries		1,995	2,827
Seeds and seedlings		1,142	1,089
External workshop charges		843	907
Profit on disposals of non-current assets		65	203
Other revenue	3(b)	3,189	3,687
Total operating revenue		84,495	86,034
Operating expenses			
Salaries, wages and related costs		32,373	30,580
Interest and Loan guarantee fee		8,247	9,038
Contracted forestry, professional, technical and other services		9,117	9,534
Depreciation on property, plant and equipment		5,424	5,717
Hire of plant and equipment		2,226	2,210
Superannuation contributions		3,573	3,331
Provision for employee entitlements		3,590	3,273
Motor vehicle expenses		2,482	2,709
Occupancy costs		2,648	2,532
Forest maintenance expenses		2,437	2,031
Materials		1,787	1,505
Travel expenses		1,182	1,199
Workers' compensation costs		925	949
Postage, printing and stationery		542	641
Computer operating expenses		744	610
Auditor's remuneration		120	185
Doubtful debts expense		102	8
Bad debts written off		8	1
Other operating expenses		1,430	2,134
Total operating expenses		78,957	78,187
Income tax equivalents attributable to Operating profit	5	5,538	7,847
Operating profit after Income tax equivalents		5,538	7,847
Abnormal Items	4	(15,667)	-
Income tax equivalents attributable to Abnormal Items	5	-	-
Operating profit/(loss) after income tax equivalents and Abnormal Items		(10,129)	7,847
Retained profits at the beginning of the financial year		3,155	368
Total available for appropriation		(6,974)	8,215
Dividend provided for	13,15	(3,868)	(5,060)
Retained profit/(accumulated loss) at the end of the financial year		(10,842)	3,155

* The accompanying notes on pages 5-19 form an integral part of the Financial Statements.

BALANCE SHEET

as at 30 June 1998

	* Notes	1998 \$'000	1997 \$'000
Current Assets			
Cash	6	7,858	9,958
Receivables	7	9,052	10,814
Inventories	8	2,880	2,698
Total current assets		19,790	23,470
Non-Current Assets			
Receivables	7	583	805
Property, plant and equipment	9	68,817	73,806
Total non-current assets		69,400	74,611
Self Generating and Regenerating Assets			
Plantation Growing Timber	10	930,826	1,090,873
Total Assets		1,020,016	1,188,954
Current Liabilities			
Creditors	11	4,705	6,579
Borrowings	12	3,928	4,871
Provisions	13	8,167	9,239
Total current liabilities		16,800	20,689
Non-Current Liabilities			
Creditors	11	-	700
Borrowings	12	76,935	80,089
Provisions	13	7,930	7,545
Total non-current liabilities		84,865	88,334
Total Liabilities		101,665	109,023
Net Assets		918,351	1,079,931
Equity			
Capital	14	928,065	928,167
Retained profits/(accumulated losses)		(10,842)	3,155
Reserves			
- Asset Revaluation	14	1,128	4,229
- Plantation Growing Timber Revaluation	14	-	144,380
Total equity		918,351	1,079,931

* The accompanying notes on pages 5-19 form an integral part of the Financial Statements.

STATEMENT OF CASH FLOWS

for the financial year ended 30 June 1998

	* Notes	1998		1997	
		\$'000	\$'000	\$'000	\$'000
		Inflows (Outflows)		Inflows (Outflows)	
Cash Flows from Operating Activities					
Receipts from customers		85,748		84,304	
Payments to suppliers and employees		(64,759)		(62,688)	
Interest received		362		826	
Interest and loan guarantee fees paid on borrowings		(8,884)		(7,825)	
Sales taxation equivalents paid		(307)		(349)	
Grants and subsidies paid		(317)		(501)	
Grants and subsidies received		64		421	
Net cash provided by operating activities	16		11,907		14,188
Cash Flows from Investing Activities					
Payments for property, plant and equipment		(5,607)		(8,363)	
Proceeds from sale of property, plant and equipment		1,619		690	
Net cash used in investing activities			(3,988)		(7,673)
Cash Flows from Financing Activities					
Repayment of borrowings		(4,959)		(4,220)	
Dividends paid		(5,060)		(8,978)	
Net cash used in financing activities			(10,019)		(13,198)
Net increase/(decrease) in cash held			(2,100)		(6,683)
Cash at the beginning of the financial year			9,958		16,641
Cash at the end of the financial year	6		7,858		9,958

* The accompanying notes on pages 5-19 form an integral part of the Financial Statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. CONSTITUTION

By Cabinet Decision number 4637 dated 15 May 1995, the DPI Forest Service was restructured to operate as a commercial business group (DPI Forestry) from 1 July 1995. DPI Forestry is part of the Department of Primary Industries.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies, which have been adopted in the preparation of these financial statements, are as follows:

2.1 BASIS OF PREPARATION OF THE ACCOUNTS

The accounting policies adopted comply with the requirements of the Financial Management Standard, Statements of Accounting Concepts and applicable Australian Accounting Standards. The accounts have been prepared on an accrual basis and except where stated otherwise, in accordance with the historical cost convention.

2.2 RECEIVABLES

Receivables are reported net of any doubtful debts.

2.3 BAD DEBTS

All known bad debts are written off.

2.4 BORROWINGS

Borrowings are reported at their principal amount.

2.5 INVENTORIES

Inventories are valued at lower of cost and net realisable value.

2.6 LIBRARY ASSETS

Purchase of library materials are expensed as incurred.

2.7 LEASEHOLD IMPROVEMENTS

Leasehold improvements are expensed as incurred.

2.8 COMPUTER SOFTWARE

Acquisition and development costs of computer software are expensed as incurred.

2.9 PROPERTY, PLANT AND EQUIPMENT

RECORDING OF PROPERTY, PLANT AND EQUIPMENT

All items of property, plant and equipment with a value of \$500 or more, are capitalised and items under this threshold are recorded as an expense in the year of acquisition. Items or components, which form an integral part of an asset, are recognised as a single asset and the capitalisation threshold is applied to the aggregate cost of the asset.

DEPRECIATION ON PROPERTY, PLANT AND EQUIPMENT

Depreciation on depreciable assets is calculated on a straight-line basis so as to allocate the cost, or other value, of each depreciable asset, progressively over its estimated useful life.

For each class of depreciable asset the following depreciation periods were used:

Asset Class:	Average Estimated Useful Life in Years
Land Improvements	32
Buildings	21
Access Roads	41
Plant and Equipment	8

PROFIT AND LOSS ON DISPOSAL OF ASSETS

Any gain or loss on the disposal of property, plant and equipment has been taken into account in determining the profit for the year.

VALUATION OF PROPERTY, PLANT AND EQUIPMENT

Non-current physical assets are valued on the "deprival" basis in accordance with the Queensland Treasurer's guidelines entitled "Recording and Valuation of Non-Current Physical Assets in the Queensland Public Sector". Under the deprival value concept assets are valued at an amount that represents the entire loss that might be expected to be incurred if DPI Forestry was deprived of the future economic benefits of these assets at reporting date. Additions of non-current physical assets acquired during the year are recorded at the acquisition cost.

For the purpose of revaluation of non-current physical assets, the Department established the following revaluation thresholds by class of assets.

Asset Class:	\$
Land	200,000
Land Improvements	700,000
Buildings	100,000
Access Roads	1,000,000
Plant and Equipment	1,000,000

The carrying values of property, plant and equipment are reviewed annually.

Non-current physical assets having an estimated value greater than the appropriate revaluation threshold, and an estimated useful life of three years or more, are periodically revalued.

A comprehensive revaluation of these assets is performed at five-year intervals with annual indexation between full revaluations.

Capital works in progress represents costs incurred in respect of assets under construction.

2.10 PLANTATION GROWING TIMBER

The Net Realisable Value (NRV) methodology has been adopted by DPI Forestry for the valuation of Plantation Growing Timber. NRV is the amount that could be expected to be received from the disposal of an asset in an orderly market after deducting costs expected to be incurred in realising the proceeds of such a disposal. Under this methodology, value changes arise mainly from:

- changes in timber volume associated with growth and also changes to the overall estate as a result of annual planting and harvesting activity;
- changes in timber prices.

Volume increments are determined both by periodic re-measurement of samples of plantations and by modelling growth from the date of the most recent measurement to the valuation date. The market valuation is prepared by appropriately qualified staff employed by DPI Forestry using advanced modelling techniques/methods accepted by the forestry industry. Current market prices have been applied in determining the plantation growing timber valuation. Realisation costs are based on weighted average costs of existing sales.

Only merchantable stands of timber have been included in the valuation and comprise stands 20 years and older for hoop pine and 15 years and older for exotic pine species. Other plantation areas considered unmerchantable for the purposes of the valuation include:

- plantations containing minor species which previous marketing experience suggests are likely to be unmerchantable or of problematic value;
- areas subject to experimental treatments which previous marketing experience suggests are likely to be unmerchantable or of problematic value; and
- small, fragmented plantation areas likely to be unmerchantable or of problematic value.

Costs incurred in relation to pine plantations establishment and maintenance are expensed as incurred with the exception of access roads construction and upgrade, which are capitalised.

DPI Forestry revalues plantation growing timber annually. The change in net realisable value from the beginning to the end of the year is not recognised in the Profit and Loss Statement but is treated as an adjustment to the Plantation Growing Timber Revaluation Reserve. The only exception to this treatment is where a decrement in value exceeds the balance of the Plantation Growing Timber Revaluation Reserve. In this case the amount to be adjusted in excess of the balance is expensed in the Profit and Loss statement. This treatment of the change in net realisable value varies from that of some other forest growing agencies and needs to be borne in mind in any comparative analysis of profits.

2.11 NATIVE FORESTS

DPI Forestry's asset in native forests is its right to harvest forest products on certain crown owned native forests in order to further its commercial objectives. Valuation difficulties arise as a consequence of the need to assess volume and growth characteristics across an extensive range of forest types and areas. In addition, ongoing resource availability is dependent upon the finalisation of both the Regional Forest Agreement process and associated State Forest management planning. These factors raise reliability problems for any asset valuation approach and have resulted in native forest property rights not being valued in the financial statements for the year ended 30 June 1998. The volume of timber harvested from native forests approximates annual forest growth, i.e. the forests are managed on a sustained yield basis. Accordingly, costs are expensed on the basis that these costs are incurred to maintain the constant forest resource.

2.12 LAND

DPI Forestry carries out its forestry establishment, management and marketing operations principally on Crown land allocated for forest production purposes by the Department of Natural Resources (DNR). While DNR retains control over this land, DPI Forestry is granted access to carry out its operations in accordance with the *Forestry Act 1959*.

Only land controlled by DPI Forestry has been brought to account. This land includes specified freehold and crown land parcels held for operational purposes.

2.13 QUARRIES

DPI Forestry obtains royalties from quarry operators for the extraction of quarry materials located on Crown land and identified freehold land. Revenues are taken to account when received and any expenditure when incurred. The extent of quarry resources has not been quantified and accordingly a value for these assets has not been included in the accounts.

2.14 EMPLOYEE ENTITLEMENTS

Employee entitlements relate to amounts expected to be paid to employees for accrued recreation leave and long service leave as well as accrued salaries and wages. In addition, associated on-costs and outstanding employer contributions to employee superannuation schemes have also been recorded.

Recreation leave liability is based on each employee's statutory entitlement based on current salary and wages rates.

A liability for long service leave is recognised and is measured by the use of a shorthand method derived by the Queensland State Actuary. The result of this method does not differ materially from that which would be arrived at should a calculation be performed estimating the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. The method used incorporates consideration of expected future wage and salary levels, experience of employee departure and periods of service. The assumed rate of salary inflation and discount rate are based on Commonwealth Government bond yields at the reporting date and the expected long term gap between salary inflation and investment return.

Sick leave is charged as an expense in the period in which it is taken.

Employer contributions for employee superannuation are expensed as incurred. No liability is shown for superannuation benefits in the balance sheet as the liability is held by the Government Superannuation Office.

2.15 RESEARCH AND DEVELOPMENT

Research and development costs are charged to operating profit before income tax equivalents as incurred. Research and development costs will only be deferred to the extent that future benefits are expected, beyond any reasonable doubt, to equal or exceed those costs, any previously deferred costs, and any future costs necessary to give rise to the future benefits.

2.16 TAXATION

DPI Forestry as a commercialised business unit is subject to the payment of income tax equivalents and sales tax equivalents in accordance with the requirements of the Queensland Tax Equivalents Regime.

Pursuant to Australian Accounting Standard AAS 3 "Accounting for Income Tax (Tax-effect Accounting)", Income Tax Equivalent expense is calculated on the operating profit in the profit and loss statement after adjusting for permanent differences. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes is carried forward as a future tax equivalent benefit or a provision for deferred tax equivalent.

Future tax equivalent benefits are not brought to account unless realisation of the benefit is virtually certain.

No liability has been provided for the payment of future Capital Gains Tax Equivalents that may arise on the disposal of assets. Such liability is provided at the time of disposal of the assets. Where assets are revalued no provision for potential Capital Gains Tax Equivalents has been made.

2.17 INSURANCE

In accordance with Government policy, assets are not insured, and losses are treated as an expense as they are incurred. Workers' Compensation premiums are paid to Workcover Queensland.

2.18 FINANCIAL REPORTING BY SEGMENTS

DPI Forestry operates principally in the forestry industry within Queensland.

2.19 INTERESTS IN JOINT VENTURES

DPI Forestry is involved in establishing private forestry plantations. These are joint venture schemes designed to establish commercially viable timber plantations on private land. Contributions by DPI Forestry are expensed as incurred consistent with DPI Forestry's policy of not capitalising plantation establishment and maintenance costs (refer note 2.10). Details of DPI Forestry's interests are disclosed at note 18.

2.20 DEPOSITS HELD IN TRUST

Security, tender and other deposits administered by DPI Forestry in a trust capacity are not recognised in the financial statements but are disclosed for information purposes in note 21.

2.21 COMPARATIVE FIGURES

Where necessary, comparative figures have been restated in order to comply with the current year's presentation of the accounts.

2.22 ROUNDING

Amounts included in the financial statements have been rounded to the nearest one thousand dollars unless specifically stated to be otherwise.

3 REVENUE

	1998 \$'000	1997 \$'000
(a) Sale of Timber comprised:		
<i>Plantations - Native Pine</i>	21,612	21,756
<i>- Exotic Pine</i>	36,913	38,774
<i>- Hardwood</i>	162	258
<i>Native Forests - Cypress</i>	3,224	2,847
<i>- Hardwood</i>	6,355	6,363
<i>- Sandalwood</i>	23	338
<i>Freehold selections - timber revenue</i>	140	117
Total timber revenue	68,429	70,453
(b) Other Revenue comprised:		
<i>Fees and permits</i>	181	266
<i>Interest</i>	353	769
<i>External plant hire</i>	441	615
<i>Other sundry revenue</i>	2,214	2,037
Total other revenue	3,189	3,687

4 ABNORMAL ITEMS

	1998 \$'000	1997 \$'000
<i>Revaluation decrement - Plantation Growing Timber</i>	15,667	-

DPI Forestry established a Reserve for Plantation Growing Timber Revaluation in 1995-96 to recognise and account for movements in the value of its major plantation forest asset. This movement is brought about by changes in volume and price as a result of forest growth and market price changes.

In 1997-98 a significant reduction in price and an associated change in utilisation standards for certain premium products resulted in a substantial decrement (\$160,047,000) in the net realisable value of the forest estate.

This decrement has been offset against the Reserve Account to the extent of the amount available within the Reserve. The residual decrement amounting to \$15,667,314 has been brought to account in the Profit and Loss Statement as an abnormal item.

5 INCOME TAX EQUIVALENTS

	1998 \$'000	1997 \$'000
Operating profit	5,538	7,847
Prima facie tax equivalent expense (calculated at 36% of operating profit)	1,994	2,825
Tax effect of permanent differences:		
Acquired timber felled - Queensland Income Tax Equivalents Ruling 95/4	(14,373)	(14,751)
Research and development concession	(234)	(272)
Entertainment - non-deductible	2	6
Depreciation - non-deductible	23	-
Capital gains tax	71	148
Other	(16)	(71)
Total tax equivalent benefit	(12,533)	(12,115)

	1998 \$'000	1997 \$'000
Total income tax equivalent benefit comprises movements in:		
Net tax equivalent benefit	(13,800)	(13,002)
Provision for deferred tax equivalent	1,485	941
Future tax equivalent benefit	(218)	(54)
Total tax equivalent benefit	(12,533)	(12,115)

A future tax equivalent benefit has not been brought to account, as an asset of DPI Forestry as realisation of the benefit cannot be regarded as being virtually certain. Accumulated future tax equivalent benefits attributable to tax losses carried forward amount to \$31,875,720 as at 30 June 1998, and will only be obtained if;

- DPI Forestry derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- DPI Forestry continues to comply with the conditions for deductibility imposed by the law; and
- No changes in tax legislation adversely affect DPI Forestry in realising the benefit from the deductions for the losses.

6 CASH

	1998 \$'000	1997 \$'000
Cash on hand	31	30
Cash at bank	110	517
Cash other - Forestry Fund	7,717	9,411
Total cash	7,858	9,958

for the financial year ended 30 June 1998

7 RECEIVABLES

	1998 \$'000	1997 \$'000
Current		
Trade debtors	8,421	10,255
Freehold selection debtors (1)	327	349
	8,748	10,604
Less - Provision for doubtful debts(1)	(127)	(24)
	8,621	10,580
Interest receivable	36	45
Other debtors	395	189
	9,052	10,814
Non-Current		
Freehold selection debtors (1)	583	805
Total receivables	9,635	11,619

- 1) Freehold selection debtors arise where Crown Land under lease is converted to freehold. Debtors represent the value of unpaid instalments due on the timber component of the property sold. Included in the total doubtful debt provision is an amount of \$6,360 (\$8,075, 1996-97) for freehold selection debtors. The Department of Natural Resources manages the freehold selection debtors.

8 INVENTORIES

	1998 \$'000	1997 \$'000
Finished goods:		
Seeds and seedlings (1)	1,379	1,199
Harvested timber on hand	92	64
	1,471	1,263
Work in progress		
Seedlings (1)	98	124
Raw materials and stores:		
Fertilisers, chemicals and herbicides	391	391
Saleable publications	169	180
Fuel	68	63
Miscellaneous	683	677
	1,311	1,311
Total inventories	2,880	2,698

The basis for valuation of inventories is set out in note 2.5

- 1) Seeds and seedlings held for resale are taken up as inventory. Seedlings produced for DPI Forestry's plantation production are not recognised as inventory.

9 PROPERTY, PLANT AND EQUIPMENT

	1998 \$'000	1997 \$'000
Land		
At cost	3,209	3,209
At valuation (1)	1,085	1,088
	4,294	4,297
Buildings		
At cost	569	431
At valuation (2)	18,115	18,117
Accumulated depreciation	(2,231)	(1,601)
	16,453	16,947
Land improvements		
At cost	968	531
At valuation (2)	2,202	2,191
Accumulated depreciation	(679)	(537)
	2,491	2,185
Access roads		
At cost	1,195	908
At valuation (2)	29,973	29,810
Accumulated depreciation	(3,601)	(2,552)
	27,567	28,166
Plant and equipment (3)		
At cost	19,033	17,174
At valuation	12,879	16,570
Accumulated depreciation	(15,722)	(12,601)
	16,190	21,143
Capital works in progress		
At cost	1,822	1,068
Property, plant and equipment		
At cost	26,796	23,321
At valuation	64,254	67,776
Accumulated depreciation	(22,233)	(17,291)
Total property, plant and equipment - net book value	68,817	73,806

VALUATION OF PROPERTY, PLANT AND EQUIPMENT

All Property, Plant and Equipment has been valued at deprival value in accordance with the Queensland Treasurer's guidelines entitled "Recording and Valuation of Non-Current Physical Assets in the Queensland Public Sector"

- 1) **Land** was valued as at 1 January 1996 by the following independent expert valuers:
Australian Valuation Office
R N Mullins, FVLE (Val) LLB and A Roberts AVLE (Val)
- 2) **Buildings, Land Improvements and Access Roads** were valued as at 1 January 1995 by the following independent expert valuers:
Australian Valuation Office
J F McAuliffe, LfvLE (Val & Econ), C J Tuttle, Dip Val., FVLE (Val & Econ) and R N Mullins, FVLE (Val) LLB
- 3) **Plant and Equipment** with an historical cost or current replacement cost over \$50,000 was revalued by the following independent expert valuer as at 30 June 1997.
Edward Rushton Australia Pty. Ltd.
S Greenstock, FVLE (P & M)

DPI Forestry undertook an analysis of its other plant and equipment assets and concluded that the historical cost or management valuation assigned to these assets reasonably represents deprival value.

Interim revaluations (by indexation) of assets above the established revaluation thresholds and with an estimated useful life of three years or more (refer note 2.9) were carried out as at 1 January 1998.

10 PLANTATION GROWING TIMBER

	Note	1998 \$'000	1997 \$'000
Balance as at 1 July		1,090,873	1,033,590
Net increment/(decrement) for the year	4,14	(160,047)	57,283
Balance as at 30 June		930,826	1,090,873

11 CREDITORS

	1998 \$'000	1997 \$'000
Current		
Trade creditors	1,054	1,253
Accrued interest - Commonwealth Softwood Loans	-	1,482
Accrued loan guarantee fee - Queensland Treasury Corporation Loan	415	283
- Commonwealth Softwood Loans	-	150
Accrued staff related expenses	739	906
Tax payable - Payroll	130	125
- Sales	235	307
Land purchase (1)	700	700
Accrued expenses	644	303
Prepaid royalties, grants & other revenue received in advance	524	766
Miscellaneous	264	304
	4,705	6,579
Non-Current		
Land purchase (1)	-	700
Total creditors	4,705	7,279

- 1) In the 1995-96 financial year, additional plantation land was acquired at a total cost of \$3,200,000. The acquisition involved a payment of \$1,100,000 in 1995-96 with subsequent payments of \$700,000 due in each of the next three financial years. The current amount represents the final payment of \$700,000 due in March 1999.

12 BORROWINGS

	1998 \$'000	1997 \$'000
Current		
Commonwealth Softwood Loans (1)	-	1,708
Queensland Treasury Corporation Loan (2) [market value as at 30 June \$5.710M]	3,928	3,163
	3,928	4,871
Non-current		
Commonwealth Softwood Loans (1)	-	28,071
Queensland Treasury Corporation Loan (2) [market value as at 30 June \$81.020M]	76,935	52,018
	76,935	80,089
Total borrowings as at 30 June	80,863	84,960

- 1) On 2 April 1998 the loans provided by the Commonwealth of Australia under the Softwood Forestry Agreement Acts were refinanced under an arrangement with the Queensland Treasury Corporation.
2) The balances at 30 June 1998 represent the consolidation of Commonwealth Softwood loans and the previously existing Queensland Treasury Corporation loan.

13 PROVISIONS

	Notes	1998 \$'000	1997 \$'000
Current			
Provision for dividend	15	3,868	5,060
Recreation leave		3,485	3,341
Long service leave(1)		814	838
		8,167	9,239
Non-current			
Long service leave(1)		7,930	7,545
Total provisions		16,097	16,784

- 1) As explained in note 2.14 long service leave entitlement is measured by use of a shorthand method derived by the Queensland State Actuary. This method is equivalent to the calculation of the present value of payments expected to arise in the future in respect of services provided by employees up to the reporting date, assuming:
- weighted average rates of increase in annual employee entitlements to settlement of the liabilities of 4% pa;
 - weighted average discount rate of 6.5% pa; and
 - weighted average term to settlement of the liabilities at 14 years.

13(a) AGGREGATE EMPLOYEE ENTITLEMENTS

	1998 \$'000	1997 \$'000
(i)Current		
Recreation leave	3,485	3,341
Long service leave	814	838
Accrued staff related expenses(1)	739	906
Total current	5,038	5,085
(ii)Non-current		
Long service leave	7,930	7,545
Total employee entitlements	12,968	12,630

- 1) Accrued staff related expenses are disclosed in the financial statements as Current Liabilities - Creditors (Refer Note 11).

14 MOVEMENT IN CAPITAL AND RESERVES

	Capital		Asset Revaluation Reserve		Plantation Growing Timber Revaluation Reserve	
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
Balance as at 1 July	928,167	945,055	4,229	77	144,380	87,097
Increment/(Decrement) on revaluation						
- Land improvements and Buildings			104	70		
- Access Roads			201	-		
- Plant and equipment(1)			(3,406)	4,082		
- Plantation Growing Timber(2)					(144,380)	57,283
Conversion of Equity into QTC borrowing(3)	-	(10,000)				
(Prior period) Adjustment to non-current assets(4)	(102)	(6,888)				
Balance as at 30 June	928,065	928,167	1,128	4,229	-	144,380

- Adjustments relate to anomalies subsequently identified in the recording of asset values and related lives following the independent valuation of plant and equipment undertaken in 1996-97.
- Significant reductions in price for selected premium products and a change in utilisation standards resulted in a substantial decrement in the net realisable value of the forest estate (see Note 4).
- Under the terms of DPI Forestry's debt restructuring agreement with Queensland Treasury Department an amount of \$10,000,000 was to be converted from equity to debt on 1 July 1997. This conversion did not proceed as planned and any future action on this matter will depend on the outcome of a debt-equity structural review currently being undertaken.
- Represents adjustments processed during 1997-98 to correct opening asset balances taken up as at 1 July 1995 when DPI Forestry commenced operations as a Commercial Business Group.

15 DIVIDEND

The dividend of \$3,868,000 (\$5,060,000, 1996-97) provided for is payable to the Queensland Government.

16 RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES TO OPERATING PROFIT AFTER TAX EQUIVALENT

	1998 \$'000	1997 \$'000
Operating profit after income tax equivalents	5,538	7,847
Depreciation on property, plant & equipment	5,424	5,717
Non-Current assets written off/(on)	(44)	28
Inventories written down	-	372
Provision for doubtful debts	102	8
Bad debts written off	8	1
Internal transfer of costs for assets constructed	(380)	(284)
Profit on disposal of non-current assets	(65)	(203)
Capitalised interest	863	771
Increase/(decrease) in employee entitlements	505	415
(Increase)/decrease in inventories	(182)	(692)
(Increase)/decrease in receivables	1,873	(692)
Increase/(decrease) in unearned revenue & prepaid royalties	(242)	766
Increase/(decrease) in creditors	(1,493)	134
Net cash provided by operating activities	11,907	14,188

Reconciliation of cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand and deposits at call which are readily convertible to cash and which are used in the day-to-day cash management function of DPI Forestry. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as detailed in Note 6.

17 FINANCING FACILITIES

STANDBY ARRANGEMENTS TO PROVIDE FUNDS AND SUPPORT FACILITIES

	1998 \$'000	1997 \$'000
Credit facility	3,000	3,000
Amount utilised	-	-
Unused credit facility	3,000	3,000

The credit facility is arranged with the Queensland Treasury Department with the general terms and conditions being set and agreed upon from time to time. The provider of this credit facility is Queensland Treasury Corporation.

18 INTERESTS IN JOINT VENTURES

DPI Forestry holds an interest in a number of joint ventures. Refer note 2.19.

- In the year ended 30 June 1998 contributions to joint venture operations totalled \$549,721 (\$197,170, 1996-97).
- No output was derived from the joint venture operations during 1997-98.
- Total contributions to joint venture operations to 30 June 1998 amount to \$746,891.

19 CONTINGENT LIABILITIES

- a) DPI Forestry was self-insured for workers' compensation prior to 1 July 1995. Five matters relating to this period of self-insurance remain unresolved. Claims made by employees for injuries sustained on or after 1 July 1995 in the course of carrying out their employment duties are fully covered by insurance through Workcover Queensland.

There are three other matters relating to personal injury claims to non-employees currently outstanding, to which DPI Forestry is a party.

The incidents giving rise to the above matters occurred prior to the end of the financial year. The jurisdiction of all contingent liability matters is as follows:-

Supreme Court	6
District Court	2
Anticipated matters	2

DPI Forestry's legal advisers and management believe that it would be misleading to estimate the final amounts payable, if any, in respect of the litigation filed in the courts.

- b) The Year 2000 issue concerns the potential failure of computer systems, personal computers and the wide variety of devices utilising microprocessors due to dates being programmed in only two digits, resulting in an ambiguity at the turn of the century or at times prior.

In July 1997 a Year 2000 Project was established to facilitate and co-ordinate the Year 2000 activities including modification of existing programs and developing contingency plans to ensure continuity of critical systems operations. These activities should be completed by 30 June 1999.

The project includes reviewing computer hardware and software applications to determine the rectification work required to ensure that computer systems are Year 2000 compliant. The contingent liability in relation to the Year 2000 activities will be able to be quantified at the end of this review.

20 COMMITMENTS FOR CAPITAL EXPENDITURE

Commitments for capital expenditure - plant and equipment payable within 1 year: \$191,809 (\$399,200, 1996-97).

21 DEPOSITS HELD IN TRUST

Security, tender and other deposits are held by DPI Forestry in trust primarily as guarantees for performance under timber sales agreements and contracts. Deposits held as at 30 June 1998 amounted to \$751,672 (\$682,254, 30 June 1997). These deposits are not recognised in the financial statements but are reported for information purposes.

Transactions and balances relating to these deposits are subject to audit by the Auditor-General.

22 FINANCIAL INSTRUMENTS

22 (a) Terms, conditions and accounting policies.

DPI Forestry's accounting policies including terms and conditions of each class of financial asset and financial liability are as follows:

(i) Financial assets

Recognised Financial Instruments	Balance Sheet Notes	Accounting Policies	Terms and Conditions
Cash	6	Cash includes cash on hand, cash at bank and deposits at call. Interest is included in other revenue.	Cash deposited with the Queensland Treasury Department earns interest at the Treasury monthly benchmark rate.
Receivables (Trade debtors)	2.2, 2.3 & 7	Trade debtors are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable.	Trade sales require payment within 30 days from end of month in which a sale is invoiced. All trade debtors are secured by cash deposit or other financial guarantee.
Receivables (other than trade debtors)	7	Amounts (other than trade debtors) are carried at nominal amounts.	All other receivables are net 30 day terms.

(ii) Financial liabilities

Recognised Financial Instruments	Balance Sheet Notes	Accounting Policies	Terms and Conditions
Trade creditors and accruals	11	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to DPI Forestry.	Trade liabilities are normally settled on 7, 14 or 30 day terms.
Borrowings	2.4 & 12	Loans are carried at the principal amount. Interest is charged as an expense as it accrues.	All borrowings are with the Queensland Treasury Corporation (QTC). The loan is repayable quarterly with the expected final instalment due 26 April 2010. Interest is charged at a weighted average market rate.
Dividend payable	13 & 15	Dividends payable are recognised when declared by DPI Forestry.	Dividends payable are declared at a negotiated percentage (currently 75%) of operating profit after tax equivalents less QFleet dividend allowance. The dividend is payable to the Queensland Government.

for the financial year ended 30 June 1998

22 Financial Instruments continued

22 (b) Interest rate risk.

Financial Instruments	Floating Rate		Fixed Rate Maturing in:						Non Interest Bearing		Total		Average		Rate:	
			1 year or less		1 to 5 years		Greater than 5 years						Fixed	Floating		
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000	1998 %	1997 %	1998 %	1997 %
Financial Assets																
Cash	7,717	9,411	-	-	-	-	-	-	141	547	7,858	9,958	-	-	3.13	5.06
Receivables -trade debtors	-	-	-	-	-	-	-	-	8,294	10,231	8,294	10,231	-	-	-	-
Receivables (other than trade debtors)	-	-	-	-	-	-	-	-	1,341	1,388	1,341	1,388	-	-	-	-
Total Financial Assets	7,717	9,411	-	-	-	-	-	-	9,776	12,166	17,493	21,577	-	-	-	-
Financial Liabilities																
Trade creditors and accruals	-	-	-	-	-	-	-	-	4,705	7,279	4,705	7,279	-	-	-	-
Commonwealth Softwood Loans	-	-	-	1,708	-	9,053	-	19,018	-	-	-	29,779	-	11.85	-	-
Queensland Treasury Corporation Loan	-	-	3,928	3,163	19,163	20,752	57,772	31,266	-	-	80,863	55,181	7.77	8.93	-	-
Dividend payable	-	-	-	-	-	-	-	-	3,868	5,060	3,868	5,060	-	-	-	-
Total Financial Liabilities	-	-	3,928	4,871	19,163	29,805	57,772	50,284	8,573	12,339	89,436	97,299	-	-	-	-

22 (c) Net fair values.

Financial Instruments	Total carrying amount as per the balance sheet		Net fair value	
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
Financial Assets				
Cash	7,858	9,958	7,858	9,958
Receivables -trade debtors	8,294	10,231	8,294	10,231
Receivables (other than trade debtors)	1,341	1,388	1,341	1,388
Total Financial Assets	17,493	21,577	17,493	21,577
Financial Liabilities				
Trade creditors and accruals	4,705	7,279	4,705	7,279
Commonwealth Softwood Loan	-	29,779	-	29,779
Queensland Treasury Corporation Loan	80,863	55,181	86,730	59,138
Dividend payable	3,868	5,060	3,868	5,060
Total Financial Liabilities	89,436	97,299	95,303	101,256

The fair value of borrowings is the market value as advised by Queensland Treasury Corporation.

22 (d) Credit risk exposure.

DPI Forestry's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the balance sheet.

Credit risk in respect of trade debtors is managed in the following ways:

- payment within 30 days from end of month in which a sale is invoiced; and
- all trade debtors are secured by cash deposit or other financial guarantee.

CERTIFICATE OF DPI FORESTRY

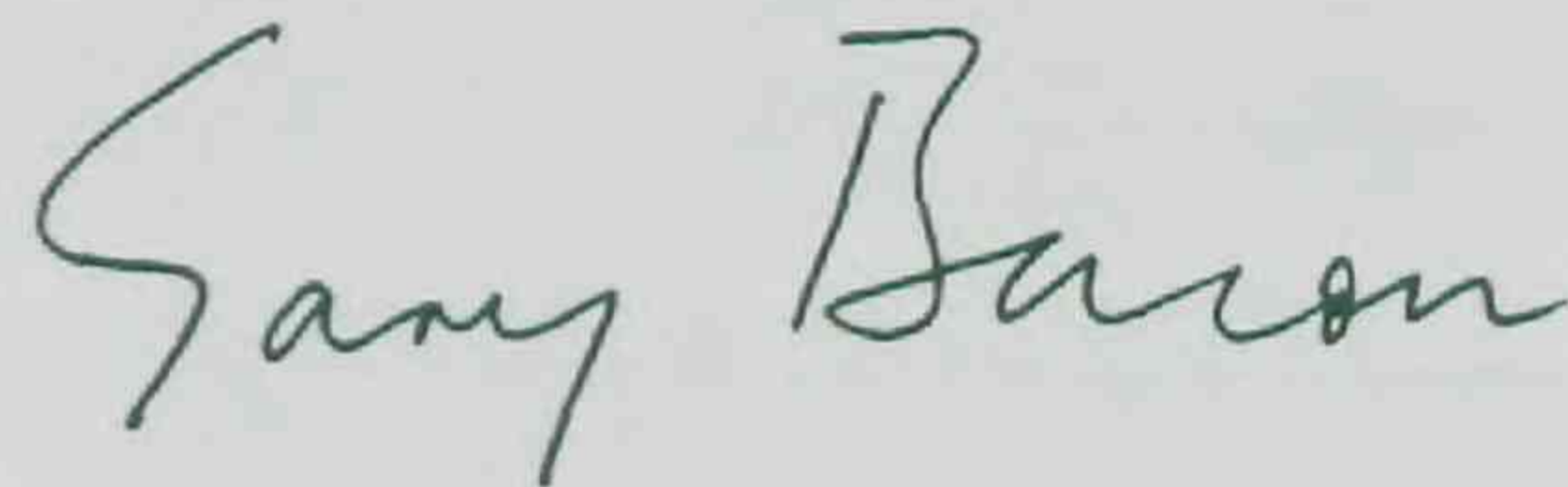
We have prepared the foregoing annual financial statements pursuant to section 40 of the *Financial Administration and Audit Act 1977* and other prescribed requirements and certify that -

In our opinion:

- the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
- the foregoing annual financial statements have been drawn up so as to present a true and fair view, in accordance with prescribed accounting standards and other prescribed requirements, of the transactions of DPI Forestry for the financial year ended 30 June 1998 and of the financial position as at the end of that year.



DR W A HOEY
Acting Director-General



G J BACON
Executive Director (DPI Forestry)

18 September 1998



AUDIT CERTIFICATE

SCOPE

I have audited the financial statements of DPI Forestry for the year ended 30 June 1998 comprising the Profit and Loss Statement, Balance Sheet, Statement of Cash Flows, Notes to and forming part of the financial statements and certificates given by the Accountable Officer and person responsible for financial administration as required by the *Financial Administration and Audit Act 1977*.

The Accountable Officer is responsible for the preparation and the form of presentation of the financial statements and the information they contain. I have audited the financial statements in order to express an opinion on them.


The audit has been conducted in accordance with *QAO Auditing Standards* to provide reasonable assurance as to whether the financial statements are free of material misstatement. Audit procedures adopted have included the examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with prescribed accounting standards and other prescribed requirements so as to present a view which is consistent with my understanding of the entity's financial position, the results of its operations and cash flows.

The audit opinion expressed in this certificate has been formed on the above basis.

AUDIT OPINION

In accordance with the provisions of the *Financial Administration and Audit Act 1977*, I certify that I have received all the information and explanations I have required in respect of the financial statements of DPI Forestry and, in my opinion-

- the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
- the statements have been drawn up so as to present a true and fair view in accordance with the prescribed accounting standards and other prescribed requirements of the transactions of DPI Forestry for the financial year ended 30 June 1998 and of the financial position as at the end of that year.


 J P BEH
 Acting Assistant Auditor-General - Audit
 (Delegate of the Auditor-General)

Queensland Audit Office
 Brisbane



APPENDIX 2

Acts, regulations, guidelines, standards and orders

Acts

- Agricultural and Veterinary Chemicals (Queensland) Act 1994*
Agricultural Chemicals Distribution Control Act 1966
Agricultural Standards Act 1994
Animals Protection Act 1925
Apiaries Act 1982
Banana Industry Protection Act 1989
Biological Control Act 1987 (except with respect to control of declared plants and animals under the Rural Lands Protection Act 1985)
Brands Act 1915
Chemical Usage (Agricultural and Veterinary) Control Act 1988
Chicken Meat Industry Committee Act 1976
City of Brisbane Market Act 1960
Dairy Adjustment Program Agreement Act 1976
Dairy Adjustment Program Agreement Act 1977
Dairy Industry Act 1993
Diseases in Timber Act 1975
Egg Industry Act 1993
Exotic Diseases in Animals Act 1981
Farm Produce Marketing Act 1964
Fisheries Act 1994
Forestry Act 1959 (as it relates to the responsibilities of the Minister for Primary Industries)
Fruit Marketing Organisation Act 1923
Grain Industry (Restructuring) Act 1991
Grain Research Foundation Act 1976
Meat Industry Act 1993
Plant Protection Act 1989
Primary Industries Corporation Act 1992 (as it relates to the responsibilities of the Minister for Primary Industries)
Primary Producers' Organisation and Marketing Act 1926
Sawmills Licensing Act 1936
Stock Act 1915
Sugar Industry Act 1991
Sugar Milling Rationalisation Act 1991
Timber Utilisation and Marketing Act 1987
Tobacco Industry (Restructuring) Act 1996
Torres Strait Fisheries Act 1984
Veterinary Surgeons Act 1936
Wheat Marketing (Facilitation) Act 1989
- Brisbane Market Trust Inscribed Stock Regulation 1962*
Cattle Feedlot Regulation 1989
Central Queensland Egg Marketing Board Regulation 1988
Chemical Usage (Agricultural and Veterinary) Control Regulation 1989
Chicken Meat Industry Committee Regulation 1989
City of Brisbane Market (Accommodation) Regulation 1993
City of Brisbane Market (Accommodation) Regulation 1994
City of Brisbane Market Regulation 1982
Commodity Marketing Board Elections Regulation 1987
Dairy Industry Regulation 1993
Dairy Industry (Milk Products) Regulation 1993
Diseases in Timber Regulation 1997
Egg Industry (Restructuring) Regulation 1993
Egg Industry (Restructuring-Poll) Regulation 1995
Egg Marketing Board (Administrative Levy) Regulation 1989
Exotic Diseases in Animals Regulation 1998
Farm Produce Marketing Regulation 1984
Fisheries Regulation 1995
Forestry Regulation 1987 (as it relates to the responsibilities of the Minister for Primary Industries)
Fruit Marketing (Committee of Direction Levies) Regulation 1992
Fruit Marketing Organisation Regulation 1964
Grain Industry Regulation 1994
Meat Industry Regulation 1994
Navy Bean Marketing Board Levy Regulation 1970
North Eton Sugar Mill Suppliers' Committee Insurance Monies Regulation 1988
Northern Pig Marketing Board Exemption Regulation 1969
Plant Protection (Bactrocera Philippinensis Introduction Prohibition) Regulation 1998
Plant Protection (Banana Black Sigatoka) Quarantine Regulation 1997
Plant Protection (Mango Leafhopper Introduction Prohibition) Regulation 1997
Plant Protection (Mango Leafhopper) Quarantine Regulation 1997
Plant Protection (Papaya Fruit Fly) Quarantine Regulation 1997
Plant Protection (Prescription of Pests) Regulation 1993
Plant Protection (Spiraling Whitefly) Regulation 1998
Plant Protection Regulation 1990
Primary Producers' (Levy on Cane Growers) Regulation 1997
Primary Producers' (Prescription of Growers) Regulation 1993
Primary Producers' Organisation and Marketing (Egg Marketing Boards Extension) Regulation 1993
Primary Producers' Organisation and Marketing (Queensland Cane Growers Organisation) Regulation 1987
Primary Producers' Organisation and Marketing (Queensland Pork Producers Organisation) Regulation 1997
Primary Producers' Organisation and Marketing (Rice Marketing Board) Regulation 1993
- #### Regulations
- Agricultural Chemicals Distribution Control Regulation 1998*
Agricultural Standards Regulation 1997
Animals Protection Regulation 1991
Apiaries Regulation 1998
Banana Industry Protection Regulation 1989
Brands Regulation 1998
Brisbane Market Trust (Appointment of Licensed Buyers Representative) Regulation

Primary Producers' Organisation and Marketing (Vesting of Property and Assumption of Liabilities—Atherton Tableland Maize Marketing Board) Regulation 1994

Queensland Commercial Fishers' Organisation Regulation 1989

Queensland Dairyfarmers' Organisation (Brucellosis Slaughter Out Loss of Income Insurance) Regulation 1989

Queensland Dairyfarmers' State Council Regulation 1947

Regulation of Sugar Cane Prices Regulation 1963

Sawmills Licensing Regulation 1965

Stock Identification Regulation 1985 (previously called Identification of Stock Regulation 1985)

Stock (Maximum Chemical Residue Limits) Regulation 1989

Stock Regulation 1988

Sugar Industry Regulation 1991

Sugar Milling Rationalisation Regulation 1995

Timber Utilisation and Marketing Regulation 1998

Tobacco Leaf Marketing Board Administrative Levy (Repeal) Regulation 1991

Veterinary Surgeons Regulation 1991

Guidelines

Sugar Industry (Assignment Grant) Guideline (No. 2) 1995

Sugar Industry (Authorised Transaction Orders) Guideline 1992

Sugar Industry (Calculation of Raw Sugar Equivalent) Guideline 1996

Sugar Industry (Local Area Negotiation and Dispute Resolution) Guideline 1996

Sugar Industry (Local Board Award Interim Minimum Price) Guideline 1992

Sugar Industry (Mill Peak Adjustments) Guideline 1996

Sugar Industry (Sugar Quality Standards) Guideline 1996

Standards

Dairy Industry Standard 1993

Meat Industry Standard 1994

Meat Industry (Construction of Premises Processing Animals for Human Consumption) Standard 1996

Meat Industry (Construction of Premises Processing Meat for Human Consumption) Standard 1996

Meat Industry (Hygienic Production of Game Meat for Human Consumption) Standard 1998

Meat Industry (Hygienic Production of Poultry Meat for Human Consumption) Standard 1998

Meat Industry (Hygienic Production of Rabbit Meat for Human Consumption) Standard 1998

Meat Industry (Hygienic Production of Meat for Human Consumption) Standard 1996

Meat Industry (Transportation of Meat for Human Consumption) Standard 1996

Orders

Dairy Industry (Market Milk Prices) Order (No.1) 1998

Dairy Industry (Scheme for Restructuring Distribution) Order 1993

APPENDIX 3

Acts repealed during 1997–98

Deer Farming Act 1985

Primary Industries Legislation Amendment Act 1997

Primary Industries Legislation Amendment Act (No. 2) 1997

APPENDIX 4

Legislation enacted during 1997-98

Primary Industries Legislation Amendment Act (No. 2) 1997*

Date of assent 1 December 1997
Date of commencement (sections 1 and 2) 1 December 1997
(remaining provisions) 19 December 1997

This Act repealed the *Deer Farming Act 1985* and amended eight other Acts in the portfolio of the Minister for Primary Industries, namely the:

Dairy Industry Act 1993
Exotic Diseases in Animals Act 1981
Fisheries Act 1994
Fruit Marketing Organisation Act 1923
Grain Industry (Restructuring) Act 1991
Primary Producers' Organisation and Marketing Act 1926
Tobacco Industry (Restructuring) Act 1996
Wheat Marketing (Facilitation) Act 1989

The amendment to the *Dairy Industry Act 1993* removed the requirement for processors of dairy produce (other than market milk) to hold a processors' licence.

The *Deer Farming Act 1985* was no longer required, following the removal of certain species of deer from the list of pests under the *Rural Lands Protection Act 1985*. All deer are now recognised as being no greater threat to the environment than any other farmed animal. The farming of deer no longer requires specific regulation.

The State will compensate owners of stock that die or are destroyed due to an exotic disease outbreak, on the basis of market value of stock at the time of death. At such times the market value is frequently below the market value at any other time. This has the potential to cause severe hardship to owners of stock, as the cost of re-establishing the herd is often significantly greater than the amount of compensation

paid. The *Exotic Diseases in Animals Act 1981* was therefore amended to provide for a second compensation payment to owners of stock that die or are destroyed as a result of an exotic disease outbreak. This second payment may be made after a quarantine period ends.

The *Fisheries Act 1994* was amended to provide opportunities for the use of enhanced electronic surveillance and monitoring in the enforcement of fisheries legislation. This also offers opportunities for electronic catch reporting, boating safety and communication.

The *Fruit Marketing Organisation Act 1923* was amended to abolish the Deciduous Group Committee of the Queensland Fruit and Vegetable Growers. Fruit and vegetables grown in the Granite Belt are now marketed along commodity lines similar to those that apply to the industry in the rest of Queensland.

The definition of the expiry date in the *Grain Industry (Restructuring) Act 1991* was amended so that it is now 30 June 1999.

Among other things, the *Primary Producers' Organisation and Marketing Act 1926* was amended to provide for a single election in circumstances where there is only one sugar mill within a district. In such a situation it is unnecessary to elect separate mill suppliers' committees and district canegrowers' executives.

The *Tobacco Industry (Restructuring) Act 1996* was amended to extend the sunset date for the Act from 31 December 1997 to 31 December 1998. This will allow more time for the share distribution scheme to be completed in a fair and reasonable way.

The *Wheat Marketing (Facilitation) Act 1989* was amended to take account of the changed marketing arrangements of the Australian Wheat Board, following amendments to the *Wheat Marketing Act 1989* (Cwlth).

*Repealed once its provisions affecting other legislation had taken effect—See Appendix 3

APPENDIX 5

Statutory bodies associated with the Department

Body ¹	(Body Corporate, Corporation, or instrumentality)	Constituting Act	Annual reporting arrangements
Agricultural Chemicals Distribution Control Board	Instrumentality	<i>Agricultural Chemicals Distribution Control Act 1966</i>	Included in this appendix under 'Notes'
Banana Industry Protection Board	Instrumentality	<i>Banana Industry Protection Act 1989</i>	Included in this appendix under 'Notes'
Brisbane Market Authority	Body corporate	<i>City of Brisbane Market Act 1960</i>	Annual report to Parliament
Bureau of Sugar Experiment Stations ²	Body corporate	<i>Sugar Industry Act 1991</i>	Annual report to Parliament
Cane protection and productivity boards (20)	Bodies corporate	<i>Sugar Industry Act 1991</i>	Annual report to Parliament
Chicken Meat Industry Committee	Instrumentality	<i>Chicken Meat Industry Committee Act 1976</i>	Annual report to Parliament
Committee of Direction of Fruit Marketing	Body corporate	<i>Fruit Marketing Organisation Act 1923</i>	Annual report to Parliament
Dairy Industry Tribunal	Instrumentality	<i>Dairy Industry Act 1993</i>	Included in annual report of the Queensland Dairy Authority
Fisheries Tribunal	Instrumentality	<i>Fisheries Act 1994</i>	Included in annual report of the Queensland Fisheries Management Authority
Grain Research Foundation	Body corporate	<i>Grain Research Foundation Act 1976</i>	Annual report to Parliament
Grainco Ltd	Corporation	<i>Corporations Law 1991; Grain Industry (Restructuring) Act 1991</i>	Annual report to Parliament
Local boards (26)	Instrumentalities	<i>Sugar Industry Act 1991</i>	Included in annual report of the Queensland Sugar Corporation
Marketing boards (2) ³	Instrumentalities	<i>Primary Producers' Organisation and Marketing Act 1926</i>	Annual report to Parliament
Meat Industry Tribunal	Instrumentality	<i>Meat Industry Act 1993</i>	Included in annual report of the Queensland Livestock and Meat Authority
Negotiating teams (26)	Instrumentalities	<i>Sugar Industry Act 1991</i>	Included in annual report of the Queensland Sugar Corporation
Primary Industries Corporation	Corporation sole ⁴	<i>Primary Industries Corporation Act 1992</i>	Included in this appendix under 'Notes'
Queensland Abattoir Corporation	Body corporate	<i>Meat Industry Act 1993</i>	Annual report to Parliament
Queensland Cane Growers' Council	Body corporate	<i>Primary Producers' Organisation and Marketing Act 1926</i>	Annual report to Parliament
Queensland Commercial Fishermen's State Council	Body corporate	<i>Primary Producers' Organisation and Marketing Act 1926</i>	Annual report to Parliament
Queensland Dairy Authority	Body corporate	<i>Dairy Industry Act 1993</i>	Annual report to Parliament
Queensland Dairyfarmers' State Council	Body corporate	<i>Primary Producers' Organisation and Marketing Act 1926</i>	Annual report to Parliament

¹ Numbers in brackets are the numbers of individual statutory bodies in a particular class.

² Name changed effective from 24 September 1997. Previously the Sugar Experiment Stations Board.

³ The Rice Marketing Board and the Tobacco Leaf Marketing Board are in the process of being wound up.

⁴ A corporation consisting of one person only, in this case the Director-General, DPI.

Body	(Body Corporate, Corporation, or instrumentality)	Constituting Act	Annual reporting arrangements
Queensland Egg Industry Management Authority	Body corporate	<i>Egg Industry Act 1993</i>	Annual report to Parliament
Queensland Fisheries Management Authority	Body corporate	<i>Fisheries Act 1994</i>	Annual report to Parliament
Queensland Livestock and Meat Authority	Body corporate	<i>Meat Industry Act 1993</i>	Annual report to Parliament
Queensland Pork Producers' State Council	Body corporate	<i>Primary Producers' Organisation and Marketing Act 1926</i>	Annual report to Parliament
Queensland Sugar Corporation	Body corporate	<i>Sugar Industry Act 1991</i>	Annual report to Parliament
Sugar Industry Tribunal	Instrumentality	<i>Sugar Industry Act 1991</i>	Included in annual report of the Queensland Sugar Corporation
Timber Research and Development Advisory Council of Queensland	Body corporate	<i>Forestry Act 1959</i>	Annual report to Parliament
Veterinary Surgeons Board of Queensland	Body corporate	<i>Veterinary Surgeons Act 1936</i>	Included in this appendix under 'Notes'
Veterinary Tribunal of Queensland	Instrumentality	<i>Veterinary Surgeons Act 1936</i>	Included in this appendix under 'Notes'

Notes

Statutory bodies that do not submit a separate annual report and are not included in the annual report of another body are briefly described below.

Agricultural Chemicals Distribution Control Board

The Board is constituted under the Agricultural Chemicals Distribution Control Act. It licenses commercial spray applicators (aerial and ground) and regulates their distribution of agricultural chemicals. The board issued 980 new commercial operator licences and 16 new pilot chemical rating licences, and renewed 3740 commercial operator licences and 91 pilot chemical rating licences. In addition it issued 8 new aerial distribution contractor licences and renewed 45. The Board also considered reports on the investigation of spray drift complaints and issued 29 statements to growers.

Banana Industry Protection Board

The Board is constituted under the Banana Industry Protection Act. Its main function is to develop policies and regulations to protect the Queensland banana industry from the introduction, spread and proliferation of serious diseases, insects or other pests. In 1997-98, the Board continued to ensure the enforcement of regulations governing the planting and movement of banana planting material, and directed \$519 111 towards research and development projects to control banana pests and diseases. This work includes the management of and surveillance for banana black sigatoka in Queensland, a three year project (estimated cost \$1m) to prevent the introduction/spread of the disease.

Primary Industries Corporation

The Corporation was established on 19 June 1992 under the Primary Industries Corporation Act. The Corporation carries out such functions as are conferred on it by the Act, the Forestry Act and any other Act; and acts as agent for the State on matters administered by the Minister. It also acts as agent for the State on matters administered by the Minister for Natural Resources.

Veterinary Surgeons Board of Queensland and Veterinary Tribunal of Queensland

The Board is constituted under the Veterinary Surgeons Act, which relates to veterinary surgeons' qualifications and registration, and to regulating and controlling the practice of veterinary surgery. In 1998, registered veterinarians recorded on the Roll of Veterinary Surgeons of Queensland numbered 1710, and registered veterinary specialists recorded on the Roll of Veterinary Specialists of Queensland numbered 36. The Board met six times to deliberate on complaints against registered veterinary surgeons and to consider the registration of veterinarians and veterinary premises. The Veterinary Tribunal of Queensland was not required to meet to consider charges of professional misconduct against any registered veterinary surgeon.

APPENDIX 6

Overseas travel

During 1997–98 the Department maintained a strong international profile that promoted Queensland's leadership in tropical agricultural technology, production systems and equipment.

Altogether 194 officers of the Department undertook 274 trips. Their time spent overseas totalled 3 684 days.

External sources were used to fund totally or partially the costs associated with 233 overseas trips (85% of the total number). Only 41 trips were wholly funded from consolidated revenue.

APPENDIX 7

Departmental consultancy expenditure

The cost of consultancy services to the Department in 1997–98 totalled \$4.137m. This figure includes \$202 000 relating to DPI Forestry activities, and \$2.29m relating to implementation of the new computerised accounting and financial management system SAP R/3.

Total by Category	\$ x 1000
Finance/accounting	2 460
Professional/technical	1 213
Information technology	267
Communications	109
Human resource management	58
Management	30
Total	4 137

APPENDIX 8

Year 2000*

The Department recognises that it must ensure business continuity throughout Year 2000 in three areas:

- **Financial:** the Department must continue to undertake all necessary financial transactions.
- **Service delivery:** the Department must continue to deliver its services.
- **Legal:** the Department must meet legislative requirements, abide by Workplace Health and Safety requirements, and carry out its contractual obligations.

To do this it must ensure:

- **Asset integrity:** all critical assets, including those with embedded microchip controllers, must continue to operate and contingency plans must be in place.
- **Systems integrity:** The departmental information technology infrastructure, together with the critical financial, human resource, management and business systems, must continue to operate.
- **Vendor integrity:** The Department must ensure that it can continue to operate regardless of the situation of those vendors and utilities on which it relies for services, supplies and equipment, and also of its clients.

Executive director, institute director, and rural service coordinators are individually responsible for the ongoing viability of their businesses, and resolution of Year 2000

issues for their businesses. They are responsible for ensuring the development of contingency plans and crisis management plans. The role of the Year 2000 Project Manager is to raise awareness, educate, provide an advice and quality role, and report back on project status to the Project Board (see also 'Corporate Governance').

Staff awareness exercises have been held, and an inventory and risk assessment to determine the extent of the problem in each business area has been undertaken. Vendors of microchip-controlled equipment have been requested to provide statements of compliance or to advise on action necessary to achieve compliance. Suppliers of essential goods and services are being asked for compliance statements and statements of continued ability to supply. Action is in hand to ensure that sufficient stocks of essential supplies are on hand to provide continuity of operation. Existing contracts for information technology equipment have been reviewed. All newly purchased microchip-controlled equipment must be compliant.

Business systems are being modified, replaced, or retired as necessary. Contingency plans are being developed for critical business areas. Contingency and crisis planning has been referred to the Risk Management Committee in accordance with a direction from the Project Board.

*The Year 2000 contingency is the risk that computerised information services may fail at the turn of the century because of their inability to recognise the dating of the new millennium. See also 'Financial summary'.

APPENDIX 9

Energy consumption and expenditure, and measures implemented to control energy use

Electrical energy is a significant budgetary item for the Department, accounting for expenditure of \$2 102 866 in 1997-98.

All areas of the Department have been encouraged to support the use of energy-efficient systems, by monitoring consumption wherever possible and by encouraging staff to implement and use energy-saving practices such as turning off lights and office and laboratory equipment when they are not required.

Whenever any new facility or refurbishment is contemplated, energy efficiency is carefully considered. The

Department has employed best practice methods including the use of more energy-efficient lighting arrangements, such as sensor lighting that automatically turns off when rooms are vacant.

Along with other Queensland Government agencies, the Department is maintaining a watching brief on the deregulation of the energy market. This should ensure that any available savings on energy expenditure will be achieved through the negotiation of contracts for the supply and delivery of energy to departmental sites.

APPENDIX 6

Overview of the...

The first part of the document discusses the importance of understanding the current market conditions and the impact of the global economic environment. It highlights the need for a comprehensive analysis of the various factors influencing the industry, including technological advancements, regulatory changes, and consumer behavior shifts.

Key findings from the research indicate that there is a significant gap in the current market, which presents a unique opportunity for innovation and growth. This gap is primarily driven by the lack of integration between different sectors, leading to inefficiencies and missed opportunities.

The second part of the document provides a detailed overview of the proposed solution, which aims to address these challenges through a multi-faceted approach. This approach involves the development of a robust framework that can adapt to changing market conditions and provide real-time insights and recommendations.

Overall, the document emphasizes the importance of a proactive and data-driven strategy to navigate the complexities of the modern market. It concludes by highlighting the potential for significant value creation through the implementation of the proposed solution.

The following section details the specific components of the proposed solution and how they will be implemented. It outlines the key milestones and the resources required to bring the solution to market, ensuring a clear and actionable plan for the future.

The implementation phase is divided into several key stages, each with its own set of objectives and deliverables. This structured approach ensures that the solution is rolled out in a controlled and effective manner, minimizing risks and maximizing the potential for success.

Finally, the document discusses the long-term vision and the ongoing support and maintenance required to ensure the solution remains relevant and effective in a rapidly changing market. It emphasizes the importance of continuous monitoring and adaptation to stay ahead of the competition and meet the evolving needs of the market.

APPENDIX 6

The final part of the document provides a summary of the key findings and recommendations, along with a list of references and a glossary of terms. This section serves as a quick reference for readers and highlights the most important aspects of the research and the proposed solution.

The research has identified several key areas for further exploration and development, which will be the focus of future research and implementation efforts. It is hoped that this document will provide a valuable resource for anyone interested in the current market conditions and the potential for innovation and growth.

The authors would like to thank the many individuals and organizations that have supported this research and provided valuable insights and feedback. Their contributions have been instrumental in the development of this document and the proposed solution.

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DPI is getting on with the business. Our array of rural services is in place and we will continue to work alongside our industry partners to anticipate and respond to the changing demands on Queensland's primary industries.

**Dr W A Hoey
A/Director-General**

