



Photo: Paul Foley, Tourism NSW

## 5 SOIL CONSERVATION SERVICE DIVISION REPORT

### EXPERIENCED PEOPLE PROTECTING YOUR RESOURCES

#### KEY ACHIEVEMENTS

- ✓ Consult income at \$14.5m exceeded our business plan target income of \$13.8m by 5%.
- ✓ To progress development of the NSW Soils Strategy three communication workshops were undertaken in June 2009 with targeted bodies, groups and individuals seeking views on the NSW Soils Framework.

#### AIMS AND OBJECTIVES FOR 2008/09

- Working with NSW natural resource agencies, lead and co-ordinate the development of the NSW Soils Strategy following consultation with targeted groups and individuals.
- Provision of a range of practical environmental services to work with agencies in the implementation of the NSW Government's State Plan, in particular Environment for Living priorities:
  - E4: Better outcomes for native vegetation, biodiversity, land, rivers and coastal waterways
  - E2: A reliable electricity supply with increased use of renewable energy (working with power utilities)
  - E8: More people using parks, sporting and recreation facilities, and participating in the arts and cultural activity (Great North Walk and working with local government).
- To develop a broader commercial recognition of the SCS through contract and partnering agreements with government agencies.

The Soil Conservation Service division (SCS) is a soil conservation and environmental consulting business within Lands specialising in environmental protection, rehabilitation and land management services to both rural and urban clients.

- Develop strong working relationships with catchment management authorities (CMAs) to assist in their catchment plans, particularly in the area of degraded land management and rehabilitation.
- Work closely with Crown Lands division in the program areas of fire trail maintenance, bushfire hazard reduction, minor ports and minor dams project management.
- Through the business planning process demonstrate to Treasury the viability and need of an ongoing plant replacement program. Decrease operational costs and increase revenues to improve financial viability and demonstrate SCS's commitment to stated business plan financial targets.
- Monitor customer satisfaction and continue ongoing review of SCS's quality management system to ISO9001:2000. Increase the number of external accredited offices.
- Develop an integrated management system adding OHS (AS4801:2001) and Environmental Management (AS/NZL ISO14001:2004) to the current system and seek accreditation.
- In recognition of SCS's age profile, identify and fill key staff positions ensuring mentoring to retain workforce knowledge. Recruit additional Consult staff to meet an increasing work demand.

#### PERFORMANCE HIGHLIGHTS

- In April 2009, the Cabinet Budget Committee signed off on the SCS business plan as submitted to Treasury. This was a significant achievement for

the division which has been negotiating with Treasury for many years over future operations. Approval provides a clear mandate for the SCS to now progress a number of business plan objectives to improve the division's financial performance.

- With completion of the NSW soils framework 'Looking Forward, Acting Now' report, following sign off by the NSW Natural Resources Cluster Group, the NSW State Plan was amended to acknowledge the report and set a timeframe of 30 June 2009 for the development of a NSW soil strategy. A public consultation process was undertaken and a draft strategy document prepared for further review.
- Field days at Mudgee, Orange and Agquipp (Gunnedah) were attended to promote Lands services and local operations. New SCS fact sheets were prepared on a range of topics promoting the SCS and our positioning statement 'Experienced people protecting your resources'.
- Service agreements with government agencies with preferred supplier status won through public tender or direct negotiations with SCS clients continue to provide substantial consult income. Agreements during the year included work for RTA, SCA, Transgrid, Spotless and DDM (Defence) and several CMAs.
- CMA continue to be a major client for professional services and environmental works with projects totalling \$1.49m. A large number of CMA joint-funded projects were also directly undertaken for landholders.
- Completion of fire trail maintenance, bushfire hazard reduction, minor dams project works and miscellaneous projects to the value of \$1.34m for the Crown Lands division.

- In November 2008, SCS achieved external accreditation for its integrated management system adding OHS (AS4801:2001) and Environmental Management (AS/NZL ISO14001:2004) to its quality management system, ISO9001:2000. This was a major project task and will assist the division's ability to compete for commercial work.

- Consult activities during the year were strong assisted by significant project work carried over from 2007/08. Consult income at \$14.5m exceeded our business plan target income of \$13.8m by 5%. The major international/national economic downturn during the year impacted consult contract sales which fell by \$4.13m on the previous year and may impact adversely on 2009/10 income.

Caterpillar D6Ns and two Komatsu D51-22s were leased and added to the fleet during the year allowing return of four older leased dozers and the disposal of two old SCS owned dozers.

## Consult

Total Consult income (billings plus accrued less prepaid income) for the year at \$14.5m exceeded budgeted income of \$13.8m (5%). Consult contract acceptances totalled \$12.9m (24.6% down) well down on the previous year's record sales of \$17.1m, but a sound result given market conditions. The economic downturn impacted many SCS clients resulting in smaller budgets and projects not proceeding. The unit successfully bid for a number of preferred contractor and project tenders including work for Parks and Wildlife (DECC), Mineral Resources (DPI), Sydney Catchment Authority, Transgrid, RTA and Defence. Commonwealth funded environmental programs also provided a number of project opportunities through CMAs in the Murray, Murrumbidgee, Southern Rivers, Hunter and Border/Gwydir Rivers areas to undertake works for rural landholders. Following the strong consult result in the previous year new staff positions were filled in Parramatta (two), Newcastle (two), Orange and Ballina. Continued strong growth in Consult is an important component of the division's business plan 2008-2013. Further new staff positions will be very dependent on improving economic conditions and federal/state infrastructure program work opportunities.

## Operations

Hunter Valley flood mitigation works and Great North Walk (GNW) programs were completed during the year to the value of \$4m. Riverworks teams had a strong year, successfully sourcing additional projects to ensure full operational costs were met and improving revenue. Work included natural disaster relief funded projects following from the June 2007 floods (\$979,000), CMA funded projects \$650,000 in the Upper Hunter, Hunter flood mitigation maintenance and project works \$1.89m and several minor projects totalling \$197,000.

Earlier in the year GNW staff assisted Oxfam in another very successful charity walk event on the track, 1,800 walkers. In addition to annual maintenance works major erosion and sediment control works (\$30,000) were completed above Brooklyn and on the Watagan Creek access track and new steps constructed in the Jerusalem Bay area.

**Table 1 – Percentage of customers by group**

Customer group	Works (% of customers)			Consult (% of customers)			Operations (% of customers)			Total
	2006/07	2007/08	2008/09	2006/07	2007/08	2008/09	2006/07	2007/08	2008/09	
Landholders	68.6	56.6	51.9	2.9	1.1	1.5	17.7	10.9	1.4	15.2
State government	17.2	23.2	22.8	68.8	72.6	61.5	71.7	79.4	98.6	57.3
Local government	3.4	3.8	2.2	7.9	5	13.3	2.8	5.4	0.0	8.0
Corporate	9.3	15.2	20.2	20.2	20.6	22.0	7.8	4.2	0.0	17.8
Other	1.5	1.2	2.9	0.2	0.7	1.7	-	0.1	0.0	1.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

**Table 2 – Billings by customer group**

Customer group	Works (sales \$000)			Consult (sales \$000)			Operations (sales \$000)			Total
	2006/07	2007/08	2008/09	2006/07	2007/08	2008/09	2006/07	2007/08	2008/09	
Landholders	5,002	4,270	3,290	305	178	187	883	447	53	3,530
State government	1,253	1,751	1,449	7,151	11,962	7,979	3,591	3,248	3,894	13,322
Local government	252	285	140	822	833	1,727	139	221	0	1,867
Corporate	676	1,147	1,282	2,105	3,389	2,858	391	170	0	4,140
Other	107	89	184	16	113	217	2	3	1	402
Total	7,292	7,542	6,345	10,399	16,475	12,968	5,006	4,089	3,948	23,261

FIGURE 13 | SCS performance highlights

## KEY PROJECTS

### NSW soils policy

With completion and government endorsement of the NSW Soils Framework, developed as a milestone under the NSW State Plan by the NSW Soil Policy Working Group, new directions in soil management within six areas of implementation were identified. These areas are institutional arrangements, research and development, marketing and awareness raising, information exchange and capacity building, funding and incentives and direct policy tools and regulation. To progress development of the NSW Soils Strategy three communication workshops were undertaken in June 2009 with targeted bodies, groups and individuals seeking views on the NSW Soils Framework. From this input a draft soils strategy document with a qualitative summary of the benefits and costs of implementing the strategy will be compiled by the working group for further review and Cabinet approval.

## REPORT ON OPERATIONS

### Works

Works income (billings plus accrued less prepaid income) at \$6.8m was 11.6% decrease on last year's income and failed to meet the budgeted income of \$7.3m. This was a disappointing result as operational costs also came in above forecast by 8.4%.

Chargeable plant hours at 810 hours per unit, dropped on 2007/08 (951 hours) and was well below the annual target of 1,300 hours (37.7%). Plant hours were again impacted by the ongoing widespread drought conditions for the majority of the year with a significant fall in landholder income of \$1m as shown in Table 2 (above). Operational units were reduced to 35 bulldozers and one excavator. Approximately 14,860 hectares of land was treated with conservation earthworks including broadacre banks/waterways, dams and sediment detention structures. Four new





Fairy Bower Falls, NSW South Coast.

## FUTURE FOCUS

Lands, through the NSW Soils Working Group, will continue to work with the state's natural resource agencies to progress the NSW Soils Strategy through to public exhibition and adoption.

With approval of the SCS business plan the division will implement a number of strategies to ensure business viability over the period of the current plan and on an ongoing basis. Key strategies identified include:

- expansion of the Consult business and recruitment of staff to meet demand. (Business plan target \$16m, a 16% increase on 2008/09, plus additional six Consult staff, subject to work demand)
- disposal of owned under utilised property assets. Subdivision and disposal of larger property assets. (Disposal of five surplus depots, subdivision and sale of land at Scone and Singleton, sales target \$2.3m)
- a staged major plant and equipment replacement program, moving from leased to purchase as funds permit. (Completion of Gateway Review and Treasury approval for major plant replacement program, preparation of tender document)
- reduction in excessive ongoing maintenance and repair costs associated with operating old plant. (Disposal of five old dozers and one float)
- closure of high cost works teams to reduce Works operating losses. (11% reduction in Works fleet size)
- review of motor vehicle numbers within SCS to identify any savings through changed work practices (To be determined)
- ensure that ongoing operations of the SCS are financially viable to enable plant replacement in the longer term, 2015 onwards (Meet revised business plan targets for income and expenditure).

Retirement of senior staff will provide an opportunity to restructure the SCS management team to better suit the division's current direction.

Works plant operations will be downsized and a fleet replacement program introduced to provide a sustainable conservation earthmoving service to NSW. This activity is seen as an integral part of the current and future SCS.

The current international/national economic downturn and its impacts in NSW will present further challenges for the division in improving its financial performance in 2009/10 and beyond.

## Soil Conservation Service strategic objectives

STRATEGIC INITIATIVE	KEY TARGET	PERFORMANCE OUTCOME	STATUS
<b>STRATEGIC OBJECTIVE 1: DELIVER QUALITY SERVICES</b>			
1.1 Expand quality management system to include OHS and environmental management.	Achieve integrated management system.	Integrated system implemented with external accreditation. Accredited offices increase by two, now totalling seven.	Maintain external accreditation with regular auditing to ensure continuous improvement to customer services.
1.2 Level of customer complaints as recorded under the QA framework (AS/NZS/ISO9001:2000).	Minimise, resolve in timely manner.	12 complaints relating to earthwork projects received.	Two remain open currently being negotiated.
1.3 Implement marketing strategy.	Ongoing.	Tender resources improved and available via intranet to staff. Business Development Manager position created following management restructure to focus on strategy delivery.	Position to be filled 2009/10.
<b>STRATEGIC OBJECTIVE 2: INCREASE REVENUES</b>			
2.1 Expand Consult income by (base 2007/08 - \$12.7m).	\$1.2m increase.	\$1.81m increase achieved with total income of \$14.51m.	Income target achieved despite severe economic downturn.
2.2 Additional Consult staff employed.	Six staff.	Six staff engaged, four additional, two replacement	Subject to work demand up to six per year ongoing.
2.3 Increase sales from opportunities identified in SCS marketing strategy.	17% increase on 2007/08 of \$12m.	8% increase sales fell below target \$14m by \$1.07m.	Severe economic downturn reduced client budgets.
2.4 Reduce 90+ days debtors.	< \$300k.	Introduced reduced payment terms (30 to 21 days) and new deposit policy.	At 30 June \$240k in 90+ days, representing 10% of current debtors.
<b>STRATEGIC OBJECTIVE 3: DECREASE OPERATIONAL COSTS</b>			
3.1 Implement a plant replacement program.	By September.	Did not proceed due to late approval of SCS Business Plan.	Following plan approval plant replacement program will commence 2009/10.
3.2 Negotiate tender for plant replacement.	By December 2008.	Did not proceed due to late approval of SCS Business Plan.	Following plan approval will commence 2009/10.
3.3 Replace operational units using tender.	Six units.	Six new units leased following delay in SCS Business Plan approval.	Tender document to be completed in 2009/10 with new plant expected in 2010/11.
3.4 Achieve bulldozer maintenance and repair savings.	\$196k.	Not achieved, repair costs increased with breakdown hours increasing with aged fleet.	Repair savings will not be achieved until fleet replacement is progressed.
<b>STRATEGIC OBJECTIVE 4: MAXIMISE USE OF GOVERNMENT ASSETS</b>			
4.1 Dispose of surplus: Earthmoving assets.	\$0.27m.	Plant disposal \$0.13m well below target due to delay in plant replacement program.	Approval on SCS business plan in April 2009 will allow program to now proceed.
Property assets.	\$0.3m.	\$0.09m delay in settlement of several properties, income to come in 2009/10.	Late start to program due to delay in SCS business plan approval.
4.2 Maximise fleet production hours.	1,300 hours.	810 hours, well below target hours and a further drop on last year's 952 hours.	Continuing drought conditions and plant maintenance issues.