

Senate Rural and Regional Affairs and Transport Legislation Committee

**Questions on Notice – Tuesday, 11 November 2014
Canberra, ACT**

Inquiry into the Rural Research and Development Legislation Amendment Bill 2014

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**SENATE RURAL AND REGIONAL AFFAIRS AND TRANSPORT
LEGISLATION COMMITTEE**

**Inquiry into Rural Research and Development Legislation Amendment Bill
2014**

Public Hearing Tuesday, 11 November 2014

Questions Taken on notice – Department of Agriculture

1. HANSARD, PG 3

CHAIR: If there were, say, half a dozen meetings a year, how many people would be flying, how many airfares would there be? There would be two people going to each conference?

Mr Koval: It does depend on the body. For grains, for example, normally we would use representatives based in the country. They are based in London so it would be an internal airfare. It is similar with sugar. With wine, I do not record the number of meetings, but it might be a couple of people travelling two or three times a year. For fisheries, I am not aware of the frequency of meetings. I will have to take that on notice and provide you some information. For many of these meetings, members of industry already attend. Cotton, for example, was just held in Greece.

2. HANSARD, PG 4

Senator STERLE: What I have picked up from the submissions is that there is a serious lack of consultation. Can you tell us about the consultation process?

Mr Koval: For the decision, or just for the ongoing—

Senator STERLE: For the decision, when the decision was made. The government are saying they want to cut red tape. I do not know how that cuts red tape, but I will ask you that as we go along. How does it cut red tape when you make a decision that the department will no longer fund the RDC to be members of these important international groups to improve the RDC and opportunity for our growers, even though it is a government body?

Mr Ryan: The bill, in addition to the savings measure, contains a number of measures to reduce red tape. There are some measures to reduce the need for the tabling of documents. There are a few RDCs that have to table specific documents whereas the vast majority of them do not. We have removed that requirement so that the RDCs all have consistent requirements with regard to the tabling of documents. There is also a measure to remove the need for a coordination meeting. Currently the requirement for a coordination meeting only applies to the statutory RDCs—which is five of the 15 bodies—so it is a little bit pointless to have that coordination meeting. And there are other mechanisms for coordination without having to rely on the requirements of the act. So the red tape reduction measures are the other measures in the bill in addition to the savings measure.

Senator STERLE: The saving is \$1.7 million a year, over four years. How much money will be saved by not having to table documents?

Mr Ryan: I do not believe we have made a savings estimate.

Senator STERLE: Do I have a blank look on my face? Do I look completely confused? You have just said that you are going to save by cutting red tape by not having to table documents. How much does it cost to table a document? Seriously! Have a rough guess. You have just told me you are going to save money. How much?

Mr Ryan: We have not made an estimate. I could take it on notice.

3. HANSARD, PG 10

CHAIR: We are talking about savings. I know a little more than I am letting on, because I live this in my real world. Wouldn't it be possible that some of the grants for research that are distributed to the various bodies by the various bodies do not actually have an end phase—they just disappear into the ether? That is what happened with the MLA. I can think of a particular organisation, a 120 miles west of here, that has recently got into serious financial trouble, that received a lot of research money—from a research body—that just disappeared through its books. Wouldn't it be in the interest of the government and your department to have each research body specify? Rather than making savings by not putting the annual report in printed form into the system at the tabling office, would it perhaps be more important to have each research body specify what happened to every cent that was distributed for research—whether it finished up in the local poker machines or in a new variety of wheat?

Mr Koval: One of the requirements—we tie them up on these requirements—is that there should be a program evaluation framework and the evaluation framework should look at the outcomes of these grants. These should be documented and made available to—

CHAIR: Are they documented—every cent that is spent by the RDC? To whoever it is, can you say, 'Give me that report,' and it is there and available, or is it a messy business? We will search for the answer. You can go and find the answer. You may not know the answer, but I think it is worth knowing the answer.

4. HANSARD, PG 10

Senator STERLE: What was that period of time, from the time that you first contacted them to the time that the decision was made that this was the way you were going to go.

Mr Koval: They would have seen a copy of the draft bill and had an opportunity to comment on it.

Senator STERLE: How long did they have?

Mr Koval: I do not recall. It was a pretty quick turnaround, from memory. It was a matter of a couple of days.

Senator STERLE: Does someone know?

Mr Koval: I think it was two working days.

Senator STERLE: Two working days?

Mr Koval: From memory, but I will have to go back and double-check that. It was a short period of time.

Senator STERLE: All but three submissions are totally opposed to it. I just want to know if it was a case of, 'Here it is. That's it, but we'll play the game. We'll let you have a comment in two working days, but it's going to happen.' Was there an opportunity for the RDCs to go back to their members? Two working days is not a lot of time.

Mr Koval: Two working days was on the actual draft bill. Prior to that, we had a number of conversations with them. I do not recall the exact number, but I do remember personally speaking to them when the decision was made and we were looking to work out—

Senator STERLE: Over a couple of months, a couple of weeks, a couple of days?

Mr Koval: A couple of months. I can find out the length of time, if you like.

Department of Agriculture

Committee inquiry: Rural Research and Development Legislation Amendment Bill 2014

Date Held: 11 November 2014

Question Taken on Notice

The Rural and Regional Affairs and Transport Legislation Committee asked officers appearing as witnesses at the inquiry into the Rural Research and Development Legislation Amendment Bill 2014 hearing held on 11 November 2014 the following questions which were taken on notice:

Question: 1

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Senator HEFFERNAN asked:

CHAIR: If there were, say, half a dozen meetings a year, how many people would be flying, how many airfares would there be? There would be two people going to each conference?

Mr Koval: It does depend on the body. For grains, for example, normally we would use representatives based in the country. They are based in London so it would be an internal airfare. It is similar with sugar. With wine, I do not record the number of meetings, but it might be a couple of people travelling two or three times a year. For fisheries, I am not aware of the frequency of meetings. I will have to take that on notice and provide you some information. For many of these meetings, members of industry already attend. Cotton, for example, was just held in Greece.

Answer:

The table below provides information on the meetings of the international commodity organisations and regional fisheries organisations held in the 2013-14 financial year. It includes details of attendance by government representatives, and industry representatives where known. Some of the meetings were attended by Departmental staff based in the country or region where the meeting was held.

The Bill only seeks to recover the cost of the membership fees of international organisations from the relevant rural research and development corporations. The cost of Departmental staff attending the meetings will continue to be met by the Department.

International organisation	timing	Location	Government attendees	Industry attendees
International Grains Council	October 2013	London	1 Dept Agriculture (Brussels post)	0
International Grains Council	December 2013	London	1 Dept Agriculture (Brussels post)	0
International Grains Council	May 2014	London	1 Dept Agriculture (Brussels post)	0
International Grains Council	June 2014	London	1 Dept Agriculture (Brussels post)	0
International Sugar Organization	November 2013	London	1 Dept Agriculture (Brussels post)	3
International Sugar Organization	May 2014	Jamaica	1 Dept Agriculture (Washington post)	0
International Cotton Advisory Committee	September/October 2013	Colombia	1 Dept Agriculture 1 Dept Agriculture (Washington post)	2
International Cotton Advisory Committee	December 2013	Washington	1 Dept Agriculture (Washington post)	0
International Cotton Advisory Committee	December 2013	Washington	1 Dept Agriculture (Washington post)	0
International Cotton Advisory Committee	January 2014	Washington	1 Dept Agriculture (Washington post)	0
International Cotton Advisory Committee	February 2014	Washington	1 Dept Agriculture (Washington post)	0
International Cotton Advisory Committee	March 2014	Washington	1 Dept Agriculture (Washington post)	0
International Cotton Advisory Committee	April 2014	Washington	1 Dept Agriculture (Washington post)	0
International Cotton Advisory Committee	May 2014	Washington	1 Dept Agriculture (Washington post)	0
International Cotton Advisory Committee	June 2014	Washington	1 Dept Agriculture (Washington post)	0
International Organisation of Wine and Vine	October 2013	Paris	1 Dept Agriculture 1 Dept Agriculture (Brussels post)	2
International Organisation of Wine and Vine	March 2014	Paris	1 Dept Agriculture 1 Dept Agriculture (Brussels post)	4
International Organisation of	June 2014	Paris	1 Dept Agriculture	2

Wine and Vine				
Commission for the Conservation of Southern Bluefin Tuna	August 2013	Canberra	4 Dept Agriculture 2 AFMA	0
Commission for the Conservation of Southern Bluefin Tuna	October 2013	Adelaide	4 Dept Agriculture 3 AFMA	20 (industry and state government)
Commission for the Conservation of Southern Bluefin Tuna	April 2014	Yeosu	1 Dept Agriculture 1 AFMA	1
The Indian Ocean Tuna Commission	December 2013	Busan	1 Dept Agriculture	0
The Indian Ocean Tuna Commission	May 2014	Colombo	1 Dept Agriculture 1 AFMA	0
The Western and Central Pacific Fisheries Commission	August 2013	Pohnpei	1 Dept Agriculture 1 AAD 1 CSIRO	0
The Western and Central Pacific Fisheries Commission	August 2013	Tokyo	1 AFMA 2 Dept Agriculture (Tokyo posts)	0
The Western and Central Pacific Fisheries Commission	September/ October 2013	Pohnpei	1 Dept Agriculture 1 AFMA	0
The Western and Central Pacific Fisheries Commission	December 2013	Cairns	5 Dept Agriculture 2 AFMA 1 DFAT	2
The Western and Central Pacific Fisheries Commission	March/ April 2014	Honiara	2 AFMA	0
South Pacific Regional Fisheries Management Organisation	October 2013	California	1 Dept Agriculture	0
South Pacific Regional Fisheries Management Organisation	January 2014	Manta	1 Dept Agriculture 1 AGD (secondment) 2 AFMA	0
Southern Indian Ocean Fisheries Agreement	October 2013	Melbourne	2 Dept Agriculture 1 AGD (secondment) 1 Dept Environment	0
The Network of	November 2013	Bangkok	1 Dept Agriculture	0

Aquaculture Centres (NACA) in Asia Pacific				
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Question: 2

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Senator STERLE asked:

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Senator STERLE: For the decision, when the decision was made. The government are saying they want to cut red tape. I do not know how that cuts red tape, but I will ask you that as we go along. How does it cut red tape when you make a decision that the department will no longer fund the RDC to be members of these important international groups to improve the RDC and opportunity for our growers, even though it is a government body?

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Mr Ryan: We have not made an estimate. I could take it on notice.

Answer:

The Australian Bureau of Agricultural and Resource Economics and Sciences has estimated that the cost of publishing the annual reports for tabling to be \$5700. In addition to the financial cost, there is also an administrative burden associated with producing documents for tabling in the Parliament. Annual reports and other documents to be tabled in Parliament must be consistent with the printing standards for documents presented to the Parliament prepared by the Joint Publications Committee. In addition to these printing and publishing standards, there are delivery and distribution requirements that create a need for specific numbers of copies to be packaged, labelled and hand-delivered for distribution to the House of Representatives, Senate, press and Parliamentary Library.

As outlined in the explanatory memorandum to the Bill, the rural research and development corporations (RDCs) will still be required to produce annual reports and other documents required by legislation and statutory funding agreements, and to make these documents

available to the public and to levy payers and members as required. The proposal to remove tabling requirements for some documents for some RDCs reflects the fact that the most of the industry-owned RDCs are not required to table these documents and there are no concerns regarding availability or transparency with those documents. The amendments in the Bill will improve consistency in requirements across the industry-owned RDCs. The deregulatory measures identified in this Bill are a welcomed reduction in unnecessary regulatory burden.

Question: 3

Proof Hansard page: 10

Senator HEFFERNAN asked:

CHAIR: We are talking about savings. I know a little more than I am letting on, because I live this in my real world. Wouldn't it be possible that some of the grants for research that are distributed to the various bodies by the various bodies do not actually have an end phase—they just disappear into the ether? That is what happened with the MLA. I can think of a particular organisation, a 120 miles west of here, that has recently got into serious financial trouble, that received a lot of research money—from a research body—that just disappeared through its books. Wouldn't it be in the interest of the government and your department to have each research body specify? Rather than making savings by not putting the annual report in printed form into the system at the tabling office, would it perhaps be more important to have each research body specify what happened to every cent that was distributed for research—whether it finished up in the local poker machines or in a new variety of wheat?

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CHAIR: Are they documented—every cent that is spent by the RDC? To whoever it is, can you say, 'Give me that report,' and it is there and available, or is it a messy business? We will search for the answer. You can go and find the answer. You may not know the answer, but I think it is worth knowing the answer.

Answer: Statutory and industry-owned research and development corporations (RDCs) are governed by independent boards and are accountable to both industry and government for their expenditure. The legislation governing these bodies provides the broad framework for their operations and reporting and accountability obligations.

The industry-owned RDCs are established under, and must comply with the provisions of, the *Corporations Act 2001*, which sets out the obligations of companies and their boards of directors. Accountability mechanisms for industry-owned RDCs are set out in the statutory funding agreements (SFAs) that are negotiated with the Commonwealth. The SFA requires that the RDC must establish such accounting systems, procedures and controls as are necessary to ensure:

- (a) the funding is spent only in accordance with the Agreement and the establishing legislation of the IOC; and
- (b) all dealings with the funding is properly authorised, conducted and accounted for; and
- (c) an auditor is able to readily verify that the funds have been used only in accordance with the Agreement.

The RDC must also:

- (a) keep complete and detailed accounts and records of receipt, use and expenditure of the Funds in accordance with good accounting practice including all applicable Australian accounting standards; and
- (b) keep the accounts and records separately in relation to the Marketing Payments, Research and Development Payments and Commonwealth Matching Payments; and
- (c) keep accounts and records to enable disclosure of the full costs of the Research and Development and Marketing programs for the compliance audit, certification, annual and other reports.

Statutory RDCs, as corporate Commonwealth entities, are required to adhere to the Commonwealth resource management framework, audit and reporting requirements.

Statutory RDCs will be required to enter into a funding agreement with the Commonwealth before the end of the 2014-15 financial year. This will provide an important mechanism for Statutory RDCs and the Commonwealth to agree on a range of governance and performance related matters to a level of detail that is not currently provided for in the legislation.

Like the SFAs with the IOCs, the funding agreement will specify the terms and conditions on which the funds paid to the RDC by the Commonwealth will be spent, and that the funds must not be spent by the RDC unless it is in accordance with the funding agreement.

Question: 4

Proof Hansard page: 10

Senator STERLE asked:

Senator STERLE: What was that period of time, from the time that you first contacted them to the time that the decision was made that this was the way you were going to go.

Mr Koval: They would have seen a copy of the draft bill and had an opportunity to comment on it.

Senator STERLE: How long did they have?

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Senator STERLE: Over a couple of months, a couple of weeks, a couple of days?

Mr Koval: A couple of months. I can find out the length of time, if you like.

Answer:

As outlined in the explanatory memorandum to the Bill, the Department of Agriculture consulted the relevant Australian Government agencies in developing the Budget measure and the Bill, and consulted the rural research and development corporations (RDCs) on the implementation of the measure following its announcement. The Department first notified the statutory RDCs affected by the Budget measure in April 2014. Each affected RDC was contacted individually by phone, and a teleconference between the Department and all RDCs was held on 14 May 2014 to discuss the outcomes of the Budget. The implementation of the Budget measure was subsequently discussed at meetings between the Department and individual RDCs. The Department provided an exposure draft of the Bill to RDCs on 17 September 2014.

Meetings/discussions where the Budget measure was discussed:

Date	Meeting or discussion
11 April 2014	Phone calls from the Department to each statutory RDC (GRDC, FRDC, GWRDC (now AGWA) and CRDC) affected by the Budget measure.

14 May 2014	Teleconference between the Department and all RDCs to discuss the Budget.
3-4 June 2014	Departmental staff attended the Grains RDC board meeting. Discussion included the outcomes of the Budget.
27 August 2014	Departmental staff attended the Fisheries RDC board meeting. Discussion included the implementation of the budget measure.
17 September 2014	Department released an exposure draft of the Bill to all RDCs by email.

**SENATE RURAL AND REGIONAL AFFAIRS AND TRANSPORT
LEGISLATION COMMITTEE**

**Inquiry into Rural Research and Development Legislation Amendment Bill
2014**

Public Hearing Tuesday, 11 November 2014

**Questions Taken on notice – Council of Rural Research and Development
Corporations**

1. HANSARD, PG 12 - 13

Senator STERLE: Wednesday morning—sorry. You got the phone call Tuesday afternoon; Wednesday morning you received the document but were not allowed to talk about it, except with your legal advisers; then by Thursday lunchtime—well, you did not have to make a decision; the decision was made. But the courtesy was: 'There you go; that's what you've got.' Obviously, you have to talk to your membership bodies.

Mr Lester: We consulted amongst ourselves, of course. That is part of my role and function: to coordinate the response from the RDCs collectively and to represent and advocate on behalf of the system and the collective. I do not know what the consultation was that happened within the RDCs; I was not privy to that because I was operating at the coordination level.

Senator STERLE: There was no bounce-back from the RDCs talking to you?

Mr Lester: There was. From memory, we hastily pulled together a teleconference. We dealt with a lot of material via email. Material went back specifically directly from the RDCs to the department. I would have to go and check my records to see whether anything came through my office, but certainly we did provide some feedback to the department at that time.

Senator STERLE: Did you have any response? Did you get any positives from the feedback? Did it change anything?

Mr Lester: No.

Senator STERLE: So the decision was made?

Mr Lester: Again, to be specific, I would have to go back to see whether there were amendments. If there were, they would be fairly minor. There were some technical drafting issues that were spotted, and they were fixed. But in terms of the broader decision making, no, we did not have an influence there.

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LEGISLATION COMMITTEE**

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Council of Rural RDCs Response

The Department of Agriculture advised the RDCs by email on the afternoon of Tuesday 16 September 2014 that the draft bill and explanatory memorandum would be circulated on Wednesday 17 September. The materials were provided by email shortly after 10am on Wednesday 17 September. The representatives of the affected RDCs met by teleconference that afternoon at 2.30pm. Feedback from the RDCs was provided directly from the individual organisations to the department. Concerns raised included:

- how the proposed set-off provisions would work in practice
- the lack of consultation with (and opportunity to consult with) representative organisations about the changes

- the lack of detail or obligations about arrangements for consulting with industry about the memberships themselves
- potential for expansion of the policy to capture additional organisations
- governance processes that surrounded the investment decision which seemed to involve less scrutiny than other payments made by the RDCs.

On the evening of 18 September the department provided a response to the RDCs about a number of issues and concerns raised. This response provided some additional detail and interpretation, and outlined a minor amendment to the explanatory memorandum to be explicit about application of the mechanisms to withhold or seek reimbursement for the membership fees. No amendments to the draft bill were identified.

**SENATE RURAL AND REGIONAL AFFAIRS AND TRANSPORT
LEGISLATION COMMITTEE**

**Inquiry into Rural Research and Development Legislation Amendment Bill
2014**

Public Hearing Tuesday, 11 November 2014

Questions Taken on notice – National Farmers' Federation

1. HANSARD, PG 46 - 47

Senator STERLE: Goodness me. I come back to the lack of information coming from the department, because we have been told quite clearly that ABARES has identified that, for every \$1 spent on R&D, there is a \$12 benefit coming back. That is what we had asked earlier on of a number of witnesses: what is the benefit? No-one could tell us. But what came out clearly was that it is government to government; it is the department that you would think would have the information. You would think that, since someone came up with this brainwave about recovering the funding of RDC membership of these international bodies, there would be a cost against it. How many times, to your knowledge, has the NFF requested from the department information relating to the benefits of membership of international bodies?

Mr McKeon: I have been at the National Farmers' Federation approximately 2½ years now, so my depth of knowledge goes back that far. Another policy manager has responsibility for trade issues, so that is potentially something I could explore further with other managers at the NFF.

Senator STERLE: I think it would be beneficial if you could do that for us.

**SENATE RURAL AND REGIONAL AFFAIRS AND TRANSPORT
LEGISLATION COMMITTEE**

**Inquiry into Rural Research and Development Legislation Amendment Bill
2014**

Public Hearing Tuesday, 11 November 2014

Questions Taken on notice – National Farmers' Federation

Answer:

In relation to the following Question on Notice:

“How many times, to your knowledge, has the NFF requested from the department information relating to the benefits of membership of international bodies?”

The National Farmers’ Federation would like to provide the following response:

The National Farmers’ Federation (NFF) is not aware of any direct request to the Department of Agriculture in recent years regarding benefits of membership of international bodies. In relation to the international inter-governmental commodity organisations, the NFF believes it is more appropriate for individual commodity peak farm bodies to work with the Department to consider value of these organisations.

Given the lack of information currently available, as apparent in the recent hearing, the NFF has now requested information from the Department regarding all international organisations funded by the Department and the value of these.