

## Chapter 2

### Review of departments and selected agencies

2.1 The Committee provides the following comments on the annual reports of the two portfolio departments referred to it as well as reports from four agencies within the portfolios as follows:

- Department of Broadband, Communications and the Digital Economy;
- Department of Sustainability, Environment, Water, Population and Communities;
- Australian Broadcasting Corporation (ABC);
- NBN Co Limited;
- Bureau of Meteorology (BOM); and
- Director of National Parks.

#### Communications portfolio

##### *Department of Broadband, Communications and the Digital Economy*

2.2 The Department of Broadband, Communications and the Digital Economy Annual Report 2012–13 was received on 6 September 2013 and tabled in the Senate on 18 October 2013.

2.3 This is the first report presented by the new Secretary of the Department, Mr Drew Clarke. In the Secretary's review, Mr Clarke acknowledged the contribution of the former Secretary, Mr Peter Harris. Mr Clarke particularly acknowledged Mr Harris's contribution to micro-economic reform and congratulated him on his appointment to Chair of the Productivity Commission.<sup>1</sup>

2.4 The Secretary's review outlined the completion of a number of programs including the switchover to digital television. As a consequence of the completion of these programs, structural changes were required to the department. Mr Clarke thanked staff for their professional approach to the proposed changes:

In April 2013, I announced the need to rebalance our staff profile to prepare us for a future where we are smaller but need to maintain the skills required for a stronger focus on policy work. The need to reduce the size of the Department is due to two factors: the impending completion of the digital switchover program, which has been a major program and focus for us for the past five years, and the winding down of some other digital services

---

1 Department of Broadband, Communications and the Digital Economy, *Annual Report 2012–13*, p. 2.

programs. To manage these changes we have taken an approach I believe will align skills and experience with priorities, and allow us to effectively manage our staffing into the future. I know these processes are not easy for staff and I thank everyone who has been involved or affected for their patience and professionalism.<sup>2</sup>

2.5 The report provides information on the activities undertaken during the reporting period across its three program areas:

- Program 1.1 – Broadband and Communications Infrastructure;
- Program 1.2 – Telecommunications, Online and Postal services; and
- Program 1.3 – Broadcasting and Digital Television.

2.6 In relation to program 1.1, the report canvassed matters related to the National Broadband Network including the rollout, the activities of the Joint Committee on the National Broadband Network and policy and regulatory issues. The discussion on program 1.2 highlighted the department's efforts to promote the digital economy. In particular, the committee notes that the department has been working with other Australian Government agencies to provide technical advice and project support to implement pilot programs designed to stimulate and drive digital activity.<sup>3</sup> Other programs discussed in the report include improving services in regional, rural and remote Australia.

2.7 Program 1.3 covers the switchover to digital television and to 'support access to high-quality, innovative and diverse broadcasting services that deliver content consistent with Australia's diverse community expectations'.<sup>4</sup> The committee notes that community awareness of the digital switchover remained high in 2012–13 and that the negative attitude towards the switchover has steadily declined to five per cent. At the November 2013 supplementary estimates hearings, the former minister and the minister representing the Minister for Communications both congratulated departmental officials for the successful completion of the program.<sup>5</sup>

### *Performance reporting*

2.8 Performance reporting on the department's three outcomes is clearly presented and provides adequate assessment of how the department has progressed in meeting the Key Performance Indicators and Deliverables.

---

2 Department of Broadband, Communications and the Digital Economy, *Annual Report 2012–13*, p. 4.

3 Department of Broadband, Communications and the Digital Economy, *Annual Report 2012–13*, p. 19.

4 Department of Broadband, Communications and the Digital Economy, *Annual Report 2012–13*, p. 44.

5 Senate Environment and Communications Legislation Committee, Supplementary Estimates 2013–14, *Committee Hansard*, 19 November 2014, p. 154.

---

*Financial reporting*

2.9 In the Secretary's review it was noted that:

...the Department reported an operating surplus of \$1.5 million (excluding depreciation) in 2012–13, up from \$1.4 million (excluding depreciation) in 2011–12, with a net cost of services of \$118.8 million.<sup>6</sup>

2.10 However, in the discussion on departmental finances an operating deficit of \$5.6 million was reported.<sup>7</sup> The committee considers that further clarification on the use of financial performance information which includes or excludes depreciation would have been helpful.

*Spatial report*

2.11 As required, the report includes a spatial reporting table. The table presents the spatial accounting information that has been captured, and presented in the required format as outlined under the *Spatial Reporting Framework*.<sup>8</sup>

***Australian Broadcasting Corporation (ABC)***

2.12 The Australian Broadcasting Corporation Annual Report 2012–13 was received on 18 October 2013 and tabled in the Senate on 12 November 2013.

2.13 The ABC Annual Report provides a detailed record of the ABC's activities which included:

- receipt of additional funding from the Government to support its activities;
- announcement of the triennial funding agreement for 2013–16 in May;
- approval of a \$90 million loan to enable the ABC to collocate its Melbourne operations in a new building consolidated with the existing ABC Centre at Southbank; and
- amendment of the ABC's Charter to include digital media services as a core function, and to prohibit advertising on those services.<sup>9</sup>

2.14 The report also provides details of programs to be undertaken in the coming year which include:

- translating funds into new and improved services for Australians;

---

6 Department of Broadband, Communications and the Digital Economy, *Annual Report 2012–13*, p. 4.

7 Department of Broadband, Communications and the Digital Economy, *Annual Report 2012–13*, p. 58.

8 Department of Broadband, Communications and the Digital Economy, *Annual Report 2012–13*, p. 156.

9 Australian Broadcasting Corporation, *Annual Report 2012–13*, p. 16.

- completion of the second stage of its Newsgathering initiative;
- completion of the recruiting and training process in July 2014, as well as open new offices in Parramatta, Geelong and Ipswich;
- increasing the level of original local journalism from each region, including delivering stories for hourly state and national radio news bulletins, radio current affairs programs, television news and ABC News Online;
- applying the additional news funding provided in the Budget to deliver more state-based current affairs, extend the seasons of its flagship current affairs programs and create more cross-platform news content for audiences;
- focusing on projects that appeal to younger audiences aged 25–49 as part of the Newsgathering project;
- extending the benefits of its digital services, running projects to explore new streaming options and to improve the quality of iView;
- finalising the detailed design of the new premises in Southbank in 2013, allowing demolition of the adjacent building and construction to commence early in the first quarter of 2014;
- undertaking several pilot projects to explore and respond to the porous nature of online news media and the ways in which audiences use it;
- developing a linking service for its websites; and
- trialling a locally-focused smartphone application that showcases ABC local, national and international content.<sup>10</sup>

### *Performance reporting*

2.15 The ABC is required by the Australian Broadcasting Corporation Act to prepare corporate plans which outline the overall strategies and policies that the Corporation will follow to achieve its objectives and fulfil its functions.<sup>11</sup> The annual report provides details of performance against the *ABC Strategic Plan 2010–13*. The committee notes that the report provides this at two levels: what is described as a 'dash-board' summary of the ABC's performance in relation to its six strategic objectives; and results against specific measures.

2.16 In the first level of reporting, the performance against all six major objectives was reported as being 'achieves or exceeds' or 'within acceptable range'. The second level performance reporting is through a table providing a comprehensive indication of performance against specific measures with details of the 2012–13 results. The table is easy to use and laid out in a manner that identifies clearly the measures where performance was achieved or exceeded or fell within the acceptable range. Two areas were identified as requiring improvement:

---

10 Australian Broadcasting Corporation, *Annual Report 2012–13*, p. 22.

11 Australian Broadcasting Corporation, *Annual Report 2012–13*, p. 135.

- 
- Achieve the target set in the ABC's *Reconciliation Action Plan* for the indigenous employment; and
  - Increase the contribution ABC Commercial makes to ABC net revenue.<sup>12</sup>

2.17 The committee notes that the annual report provides an adequate discussion of the two measures requiring improvement and the action taken by the ABC to improve performance.

#### *Financial reporting*

2.18 The annual report provides a comprehensive financial summary including the budget strategy for the coming financial year. This includes information on the change in the performance of ABC Commercial which has continued to decline – the net result for 2012–13 was \$1.1 million, down from \$5.5 million in 2011–12.<sup>13</sup> The report notes that as a consequence, further pressure has been placed on the ABC's financial resources.<sup>14</sup>

#### *NBN Co Limited (NBN Co)*

2.19 The NBN Co Limited Annual Report 2012–13 was received on 29 October 2013 and tabled in the Senate on 12 November 2013.

2.20 NBN Co was established on 9 April 2009 to design, build and operate the NBN. NBN Co is a Government Business Enterprise (GBE) and operates as a commercial entity with the long term objective of earning a commercial return for its shareholder, the Commonwealth of Australia.<sup>15</sup>

2.21 The Chairman, Ms Siobhan McKenna, noted that NBN Co made significant progress over the past year towards satisfying its main objectives of establishing a national wholesale-only, open access communications network. These objectives propose to foster competition in retail telecommunications and deliver high speed broadband connectivity to all Australians by 2021.<sup>16</sup>

2.22 The Chief Executive Officer's message outlines some of the key activities that NBN Co has achieved over the past year. A significant accomplishment was the signing of a \$300 million contract with Arianespace to deliver NBN Co's two purpose-built communications satellites into orbit in 2015.<sup>17</sup>

---

12 Australian Broadcasting Corporation, *Annual Report 2012–13*, pp 140, 141.

13 Australian Broadcasting Corporation, *Annual Report 2012–13*, p. 69.

14 Australian Broadcasting Corporation, *Annual Report 2012–13*, p. 160.

15 NBN Co Limited, *Annual Report 2012–13*, p. 4.

16 NBN Co Limited, *Annual Report 2012–13*, p. 8.

17 NBN Co Limited, *Annual Report 2012–13*, p. 10.

2.23 NBN Co announced a doubling of wholesale speeds of up to 25 Mbps and upload speeds of up to 5 Mbps. These speeds became available in Fixed Wireless coverage areas in June 2013 and will be available to users of the long-term satellite service after its launch in 2015.<sup>18</sup>

2.24 During the reporting period NBN Co also:

- submitted operational and financial metrics to the Joint Committee on the National Broadband Network which set out detailed information about the cost of the rollout per premise;
- submitted a draft 2013–16 Corporate Plan to Shareholder Ministers;
- executed additional contracts for the design and construction of the Fibre Access, Fixed Wireless, Satellite and Transit Networks;
- signed a contract with ViaStat worth up to \$280 million, for delivery of Satellite ground systems equipment;
- put in place measures to address challenges in construction, including the training and employment of additional specialist telecom workers;
- assumed direct management of the fibre rollout in the Northern Territory;
- continued to engage constructively with the Australian Competition and Consumer Commission and access seekers in relation to its proposed Special Access Undertaking (SAU); and
- transferred the task of handling and removing asbestos in pit and pipe from its major contractors to specialist asbestos removal firms.<sup>19</sup>

2.25 The Chief Executive Officer also stated in the report that the number of premises/lots being connected per day by Fibre to the Transit Network was 290 in the June quarter of 2012. In addition, the CEO stated that:

This rose to more than 1000 premises in the June 2013 quarter. NBN Co plans to lift this rate to more than 4000 premises per day over the following 12 months on the way to maintaining a rate of more than 6000 premises per day at the peak of the rollout.<sup>20</sup>

2.26 The Chief Executive Officer went on to note:

At the end of the fiscal year 2013, 1,115,000 premises had reached construction commenced or completed and the number of Fibre premises passed in the period was 207,500.<sup>21</sup>

---

18 NBN Co Limited, *Annual Report 2012–13*, p. 10.

19 NBN Co Limited, *Annual Report 2012–13*, pp 10–11.

20 NBN Co Limited, *Annual Report 2012–13*, p. 11.

21 NBN Co Limited, *Annual Report 2012–13*, p. 11.

---

2.27 The total number of families and businesses with NBN services rose to 70,100. Of these, 33,600 were connected to the Fibre Access Network across brownfields and greenfield locations.<sup>22</sup>

2.28 In relation to funding, the Directors' Report noted that:

Consistent with the 2012–2015 Corporate Plan, the Commonwealth has committed to providing total funding of \$30.4 billion. Under the Equity Funding Agreement, the Commonwealth has also committed to meet the termination and other costs of NBN Co in the event the project is terminated or significantly reduced in scope.<sup>23</sup>

2.29 The committee notes that the annual report includes a discussion of business risks faced by NBN Co.<sup>24</sup> This is a helpful inclusion in the report.

## **Environment portfolio**

### *Department of Sustainability, Environment, Water, Population, and Communities*

2.30 The Department of Sustainability, Environment, Water, Population and Communities Annual Report 2012–13 was received on 28 October 2013 and tabled in the Senate on 12 December 2013.

2.31 The Secretary's Review provides a detailed overview of the department's six outcomes. During the reporting period the department:

- supported the delivery of several major government policy initiatives to promote the conservation and sustainable use of Australia's natural resources;
- saw the passage into law of the Murray-Darling Basin Plan on 22 November 2012;
- finalised four marine bioregional plans under the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act);
- supported substantial government investments in Australia's unique biodiversity through the Caring for our Country and the Biodiversity Fund programs;
- worked with state government agencies, local government and industry to implement the National Waste Policy;
- hosted a conference in Darwin to establish the World Indigenous Network for land and sea managers;
- released the first Sustainable Australia Report in May 2013;

---

22 NBN Co Limited, *Annual Report 2012–13*, p. 11.

23 NBN Co Limited, *Annual Report 2012–13*, p. 68.

24 NBN Co Limited, *Annual Report 2012–13*, pp 41–43.

- coordinated the Australian Government's negotiations for the Minamata Convention on Mercury; and
- continued to lead the Southern Ocean Research Partnership and to promote non-lethal whale research in the Southern Ocean.<sup>25</sup>

### *Performance reporting*

2.32 In the detailed discussion of each outcome, key achievements are provided as well as strategies that underpin those achievements. The report also provides an evaluation and conclusion for each outcome. For each program, key performance indicators are provided with the 2012–13 results. The deliverables for each program are also listed with both the 2012–13 budget targets and results. Where the 2012–13 budget target has not been met, an explanation of reasons is included. For example, in Program 3.1 the number of international institutions collaborating in the Australian Antarctic program was less than the budget target. It was noted that 'this number represents a significant shift in emphasis for the science program towards supporting projects that have a stronger focus on relevance for end users'.<sup>26</sup>

2.33 The annual report also includes reports on seven Acts.

### *Financial reporting*

2.34 The department's annual report noted that its total liabilities exceeded total assets by \$31.5 million. The notes to the financial statements indicate that this was primarily due to the provisions for restoration obligations (make good) relating to Antarctic and sub-Antarctic Macquarie Island. It was also noted that 'the existence of total liabilities in excess of total assets of the Department in the balance sheet did not make the Department insolvent and has no bearing on whether the Department's debts will be met'.<sup>27</sup>

### *Spatial reporting*

2.35 As required, the report includes a spatial reporting table. The table presents the spatial accounting information that has been captured, and presented in the required format as outlined under the *Spatial Reporting Framework*.<sup>28</sup>

---

25 Department of Sustainability, Environment, Water, Population and Communities, *Annual Report 2012-2013*, pp 4–5.

26 Department of Sustainability, Environment, Water, Population and Communities, *Annual Report 2012-2013*, p. 68.

27 Department of Sustainability, Environment, Water, Population and Communities, *Annual Report 2012-2013*, p. 347.

28 Department of Sustainability, Environment, Water, Population and Communities, *Annual Report 2012-2013*, pp 206–07.



---

## ***Bureau of Meteorology (BOM)***

2.36 The Bureau of Meteorology Annual Report 2012–13 was received on 29 October 2013 and tabled in the Senate on 12 November 2013.

2.37 The Director's review provides a comprehensive summary of the key achievements and challenges of the BOM for 2012–13. In particular, the Director, Dr Rob Vertessy, drew attention to the record-breaking weather events for the year and the timely manner in which BOM were able to provide accurate forecasts and warnings. The Director noted that the Government has provided additional funding in the 2013–14 Budget which will allow the BOM to 'increase the number of frontline forecasting staff and modernise its storm surge and flood forecasting systems'.<sup>29</sup>

2.38 The Director noted rapid evolution of the Bureau's business and the changing requirements of its customers:

...I took the opportunity to review our high-level structure and decided it was necessary to realign the organisation to improve our overall efficiency and effectiveness. In June, I announced a new high-level structure for the Bureau, moving us from four to five divisions and placing a greater emphasis on our observing, Information Technology (IT), and information management functions. There are areas where significant modernisation has been occurring and needs to continue if we are to keep pace with emerging technologies and changing customer preferences.<sup>30</sup>

2.39 Other activities outlined in the Director's review included:

- the deployment of the Next Generation Forecast and Warning System (NexGenFWS);
- the release of MetEye;
- the progression of the Indigenous Careers Program and Indigenous Weather Knowledge project;
- improvements to the quality and accessibility of Australia's environmental information through the National Plan for Environmental Information (NPEI) initiative; and
- the establishment of a Business Development (BD) unit within the Bureau.<sup>31</sup>

### *Performance reporting*

2.40 The annual report provides a performance overview table which summarises deliverables and key performance indicators, whether the target was achieved and the

---

29 The Bureau of Meteorology, *Annual Report 2012–13*, p. 3.

30 The Bureau of Meteorology, *Annual Report 2012–13*, p. 4.

31 The Bureau of Meteorology, *Annual Report 2012–13*, pp 4–5.

details or evidence which support the achievement.<sup>32</sup> The table is clear and easy to read and includes page references to assist the reader in accessing more detailed information. The committee notes that the subsequent discussion of the elements making up the deliverables and KPIs provides information on individual elements where the target has not been met. For example, a decrease of 52 per cent in the number of drifting buoys in the ocean and sea-level observing fleet was reported. This was a result of a manufacturing fault and the BOM is now transitioning to a new model of drifting buoy.<sup>33</sup>

2.41 The committee also notes the BOM's outstanding performance in implementing systems to improve forecasting, particularly the Next Generation Forecast and Warning Systems, and improvements to the BOM's website to allow customers to take greater advantage of easy-to-use online climate discovery tools.<sup>34</sup>

#### *Financial performance*

2.42 The BOM reported an operating deficit of \$69.4 million for the financial year 2012–13. This compared to the prior year operating deficit of \$69.1 million.<sup>35</sup>

#### *Director of National Parks (DNP)*

2.43 The Director of National Parks Annual Report 2012–13 was received on 31 October 2013 and tabled in the Senate on 12 November 2013.

2.44 The Director of National Parks is the statutory agency responsible for the Australian Government's terrestrial and marine protected area estates. The Director is assisted by Parks Australia, a division of the Department of Environment, in managing terrestrial and marine reserves. The department's Australian Antarctic Division is responsible for one marine reserve.<sup>36</sup>

2.45 The report notes a number of activities undertaken during the 2012–13 reporting period which included:

- the management of seven terrestrial reserves comprising six national parks and the Australian National Botanic Gardens;
- the management of 59 marine reserves and one conservation zone;
- the management of Calperum and Taylorville Stations through a contract with Austland Services Pty Ltd;

---

32 The Bureau of Meteorology, *Annual Report 2012–13*, pp 18–20.

33 The Bureau of Meteorology, *Annual Report 2012–13*, pp 31–32.

34 The Bureau of Meteorology, *Annual Report 2012–13*, pp 48–49, 66.

35 The Bureau of Meteorology, *Annual Report 2012–13*, p. 6.

36 Director of National Parks, *Annual Report 2012–13*, p. vi.

- the incorporation of Koongarra into Kakadu National Park in February 2013; and
- the addition of three new premier ecotourism destinations to Australia's National Landscapes collection – the Wet Tropics, Tasmania's Island Heritage and Sydney Harbour.<sup>37</sup>

2.46 In the Director's review, Mr Peter Cochrane, drew attention to the declaration of 40 new Commonwealth marine reserves in November 2012, which protects more than 2.8 million square kilometres of ocean environment.<sup>38</sup> The report foreshadowed:

- tackling the biodiversity challenges in parks and reserves;
- improving training and employment opportunities for Indigenous staff;
- helping to provide unique and sustainable nature-based visitor experiences through stronger partnerships with the tourism industry; and
- the planning and preparation for the upcoming IUCN World Parks Congress in Sydney in November 2014.

2.47 The committee notes that this will be Mr Cochrane's last annual report, as he has decided not to seek reappointment to the position he has held since 1999. Mr Cochrane stated:

I will leave with treasured memories and a great pride in our many achievements. I thank all my colleagues, traditional owners and our partners in industry, government and the non-government sector who over many years have made this position so remarkable, unique, important and rewarding.<sup>39</sup>

### *Performance report*

2.48 The performance outcomes for 2012–13 use key result areas, outcomes and indicators identified in the Parks Australia Divisional Plan and key performance indicators and deliverables identified in the 2012–13 Portfolio Budget Statements. The discussion for the seven key result areas is comprehensive and provides a useful overview of 2012–13 results.

### *Financial performance*

2.49 The annual report noted a loss for the 2012–13 financial year:

The Minister for Finance and Deregulation approved an operating loss of \$9.80 million for the 2012–13 financial year, which had arisen primarily as

---

37 Director of National Parks, *Annual Report 2012–13*, p. vi.

38 Director of National Parks, *Annual Report 2012–13*, p. 6.

39 Director of National Parks, *Annual Report 2012–13*, p. 8.

a result of our asset revaluation in 2010–11. The actual operating loss for 2012–13 was \$9.69 million.<sup>40</sup>

### **General comments**

2.50 The Auditor-General has not qualified any of the financial statements contained in the annual reports under review.

2.51 The Committee finds that the annual reports referred to it have provided an appropriately comprehensive description of the activities of the reporting bodies and were of a high standard of presentation. They appear to have met the requirements of the various guidelines that apply to them.

2.52 Accordingly, the committee reports its finding that the annual reports referred to it for examination and tabled in the period under examination were apparently satisfactory.

**Senator John Williams**  
**Chair**

---

40 Director of National Parks, *Annual Report 2012–13*, p. 6.