



HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON ENVIRONMENT, RECREATION AND THE ARTS

Reference: Environmental management of Commonwealth land

CANBERRA

Monday, 2 December 1996

OFFICIAL HANSARD REPORT

CANBERRA

HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON THE ENVIRONMENT,
RECREATION AND THE ARTS

Members

Mr Truss (Chair)

Mr Anthony
Mr Billson
Mr Eoin Cameron
Mrs Crosio
Mr Entsch
Mr Hockey

Mr Harry Jenkins
Mr Langmore
Dr Lawrence
Mr McDougall
Mr Martin
Dr Southcott

The committee is to inquire into:

Review of Audit Report No. 31 of 1995-96, Environmental Management of Commonwealth Land: Site Contamination and Pollution Prevention.

WITNESSES

GREENSLADE, Mr Alan, Acting Group Director, Performance Audit Business Unit, Australian National Audit Office, GPO Box 707, Canberra, Australian Capital Territory 2601	91
KORTE, Mr Harald Eberhard, Manager, Risk and Environment, Australia Post (Headquarters), 321 Exhibition Street, Melbourne, Victoria 3000	75
LEWIS, Mr Michael, Executive Director, Performance Audit Business Unit, Australian National Audit Office, GPO Box 707, Canberra, Australian Capital Territory 2601	91
McADOO, Mr Gregory, Assistant General Manager, National Transmission Agency, Level 6—Blue, Benjamin Offices, Belconnen, Australian Capital Territory 2617	75
McCLOSKEY, Mr Michael Gerard, Manager, Board and Liaison, Australia Post, GPO Box 1777Q, Melbourne, Victoria 3001	75
McVAY, Mr Peter Ian, Senior Director, Performance Audit Business Unit, Australian National Audit Office, GPO Box 707, Canberra, Australian Capital Territory 2601	91
NEIL, Mr John Brian, Assistant Secretary, Enterprise and Radiocommunications Branch, Department of Communications and the Arts, GPO Box 2127, Canberra, Australian Capital Territory 2601	75

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Present

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Mr Billson

Dr Lawrence

Mr Entsch

Mr McDougall

Mr Jenkins

Dr Southcott

The committee met at 10.08 a.m.

Mr Truss took the chair.

CHAIR—I declare the public hearing open. This is the third hearing of the committee in its inquiry into the environmental management of Commonwealth land. Today we will be hearing from the Department of Communications and the Arts, which has land management responsibilities through its communications responsibilities. The committee will be considering the environmental management practices used by the department to prevent pollution and contamination and its oversight role in relation to government business enterprises.

Later this morning, the committee will also hear from representatives of the Australian National Audit Office who will be asked to comment on the responses by the audited departments to the recommendations in the audit report. The committee proceedings are recognised as proceedings of the parliament and warrant the same respect that proceedings in the House of Representatives demand.

Witnesses are protected by parliamentary privilege in respect of the evidence they give before the committee. They will not be asked to take an oath or to make an affirmation; however, witnesses are reminded that false evidence given to a parliamentary committee may be regarded as a contempt of the parliament. The committee prefers that all evidence be given in public, but should you at any stage wish to give evidence in private, you may ask to do so and the committee will give consideration to your request.

KORTE, Mr Harald Eberhard, Manager, Risk and Environment, Australia Post (Headquarters), 321 Exhibition Street, Melbourne, Victoria 3000

McADOO, Mr Gregory, Assistant General Manager, National Transmission Agency, Level 6—Blue, Benjamin Offices, Belconnen, Australian Capital Territory 2617

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CHAIR—Welcome. We have received a submission from you and have authorised its publication. Would anyone like to make some introductory comments, or are there any changes to the submission which you would like to bring to the committee's attention?

Mr Neil—No, but I would like to apologise at this stage. One of our listed witnesses, Mr Paul Baulch from Telstra, has been delayed on a plane out of Melbourne, but he is on his way and, hopefully, he will be here within a few minutes.

CHAIR—Are there any introductory comments that you would like to make?

Mr Neil—No.

CHAIR—We will proceed straight to questioning. In your submission you indicated that there was merit in clarifying the Commonwealth's policy on contaminated sites. In evidence to the committee, the EPA has indicated that they do not have the resources to undertake that program and, in addition, they did not regard it as a high priority. Who do you see as fulfilling that role, or does each organisation intend to undertake that function itself?

Mr Neil—Generally speaking, the agencies that are here—and in particular the government business enterprises, Australia Post and Telstra—are both covered in different ways by legislation. Australia Post in particular is subject to all state, Commonwealth and local government laws on environmental protection and is responsible for ensuring that it abides by those laws. Telstra is covered to a very large extent, except where it has exemptions under the carrier exemptions and then they are also covered by the national code.

Mr McAdoo can speak for the NTA. The department itself has undertaken an environmental risk assessment and it is having the various agencies that respond to the core department address the issues raised by that. That would all be done within the legislative and any administrative guidelines that are available. But to the extent of setting a policy for government business enterprises or government agencies, we would still look to the environmental portfolio to provide guidelines. I would not see the core department, for example, necessarily taking on its own but the developing of environmental guidelines for the agencies within the portfolio, other than in terms of internal processes to meet the responsibilities already set down in legislation.

CHAIR—Except that the EPA now have said they do not regard that as a priority issue for them. So who is going to do it?

Mr Neil—It is a question, I guess, of what you are asking people to do. In terms of their people actually having environmental strategies and taking heed of their responsibilities, the individual agencies clearly have methods to address these. Each have environmental management plans and the gentlemen here can address the rest of those individually if you want more detail on those.

CHAIR—Will there not be any coordinated approach then? You had indicated there was merit in that.

Mr Neil—I think we were saying there was merit from the point of view of the government as a whole having a coordinated approach for all agencies. But it does not necessarily follow that we would, in the absence of the environmental agencies putting a high priority on doing that. Presumably, that is based on a judgment by them that the risks are low and that the arrangements already in place within individual portfolios are generally satisfactory. It does not seem to me to suggest the necessity for some particular initiative by the central department on the issue.

CHAIR—Perhaps some of those with responsibility to particular agencies might like to comment on how they propose to address the issue.

Mr McAdoo—From the NTA's perspective, if there are particular environmental issues that need managing, we are prepared to do it within the limit of our resources. The single biggest issue, which is mentioned in the report, is that of polychlorinated biphenyls. We do everything we can to get rid of the stuff we have and carefully store the stuff we cannot immediately get rid of. So we have measures in place to manage that sort of environmental issue.

Dr SOUTHCOTT—In your submission, you said that the PCBs were essentially being stored rather than destroyed. I think the audit report suggested that it might be better to look at a situation where you could look at destroying the PCBs. I understand you no longer use the PCBs as conductors and transformers.

Mr McAdoo—There may be one or two sites where they are still in equipment being used, but mostly it is in the form of components which contained PCBs, or are contaminated by PCBs, which are stored.

Dr SOUTHCOTT—How far have you gone in finding a permanent solution to the storage of the PCBs?

Mr McAdoo—The PCBs that are stored are stored in accordance with guidelines—they have to be in certain types of containers and whatever. It is very difficult to get rid of them because other environmental policies prevent you from doing that. For example, one of the ways of getting rid of it is high temperature incineration but it is very difficult to build a high temperature incinerator anywhere because of other environmental issues.

There are some companies which have started to spring up with chemical methods. Only in the last couple of weeks we were advised of a company in Brisbane, for example, which is prepared to not only

destroy it but is offering a package which collects the PCBs, transports it to their plant, processes it and destroys any residue. We are looking very hard at that. We will get rid of it as soon as we possibly can by any method which is approved.

CHAIR—You said that you will act on environmental issues within your capacity: are there any limits on your capacity which have prevented you from acting in the way that you consider is appropriate on environmental issues?

Mr McAdoo—So far, the biggest issue is to find some means of disposal.

CHAIR—Of PCBs?

Mr McAdoo—Yes.

CHAIR—And there are no other significant contaminated sites issues?

Mr McAdoo—No.

CHAIR—Some people would consider your towers to be a contamination of the view, I suppose.

Mr McAdoo—Visual impact is a very hard thing to judge.

Dr LAWRENCE—How satisfied are you with the stability of storage of PCBs? I have been through this issue with my home state of Western Australia. I know one of the real problems was the volatility of the material and the difficulty of arranging for satisfactory long-term storage. How confident are you that it is being stored in a way that prevents leakage and possible contamination—for instance, from movement.

Mr McAdoo—In the case of Western Australia, there was a plant operating and we managed to get rid of all the PCBs we had stored in Western Australia. So in that case it is not bad. It is not a volatile material. Indeed, it is used because it is such a stable product.

Dr LAWRENCE—I was referring to leaks.

Mr McAdoo—Oh well, if it leaks, yes, it causes problems. Mostly it is in drums within a bund, so even if it leaks out of the containers it is still contained within a bund.

Dr LAWRENCE—Do you supervise that storage very closely?

Mr McAdoo—All our sites are managed by contractors and it is a condition of contract that they comply with all the regulations and acts which pertain to it. To my knowledge, they are all stored. We have about 50 sites which have contaminated components stored.

CHAIR—And they are all managed by contractors?

Mr McAdoo—Yes.

CHAIR—It is not just the storage of these products that is managed by the contractors; it is the entire site that is managed?

Mr McAdoo—Correct.

CHAIR—Are you talking about the major contracts that you let to the New Zealand company, or are you talking about a smaller firm?

Mr McAdoo—No, there are only two. Telstra has about 60 per cent of it in Australia and 40 per cent is with BCL.

CHAIR—Yes.

Dr SOUTHCOTT—The audit mentioned there was one site contaminated with PCBs: which one was that?

Mr McAdoo—In the past? A site called 2KP Kempsey which, I think, is a known contaminated site. We learned of it because cattle were grazed on the property and when they were taken to abattoir the PCB was detected in the meat. We arranged for all the cattle on the site to be destroyed and the products were processed in a way covered I think by the New South Wales environmental guidelines for disposal.

Dr SOUTHCOTT—Is that property still held by NTA?

Mr McAdoo—It is still ours. It is an operating AM radio station at Smithton, just out of Kempsey.

Dr SOUTHCOTT—What proposals do you have to clean up the site? Are you satisfied there is no more PCB contamination?

Mr McAdoo—No, the PCB is still in the soil in spots. It has been roped off. We no longer graze cattle on that area and the known contaminated areas are fenced.

Dr SOUTHCOTT—There are no plans to sell that site then?

Mr McAdoo—No.

Dr SOUTHCOTT—What has the NTA's environmental survey shown so far? How far along are you?

Mr McAdoo—We operate about 550 sites. Of them, about 50 have PCB contaminated components stored—and we know the amount and where they are.

CHAIR—What strategy do you have in mind for the future of the Kempsey site?

Mr McAdoo—It is still an operating radio station. So—

CHAIR—But are you going to try and clean up it permanently in some way?

Mr McAdoo—We have looked at how you might do that. It is very expensive to do it and we would be careful about how to do it. The soil itself has some residue. You cannot just dig it up and dump it somewhere else because you are only, if you like, spreading the problem. So we are trying to contain it at this stage.

Mr ENTSCH—You cannot leach it out of the soil in any way, can you?

Mr McAdoo—Another problem is that it leaches into the watertable.

CHAIR—Are you taking any actions to contain any leaching into the watertable at Kempsey?

Mr McAdoo—We have not done anything that can stop it leaching.

Dr SOUTHCOTT—Is there nothing that can stop it?

Mr McAdoo—Not to my knowledge.

Dr SOUTHCOTT—What sort of cost was involved in cleaning up the site?

Mr McAdoo—To remove the cattle, we had to purchase the cattle and pay for a special run at an abattoir. I think it was something like \$50,000 just for about 30 head of cattle.

Dr SOUTHCOTT—What sort of cost would be involved to clean up the site, because you said you had looked at that before?

Mr McAdoo—Only in terms of how you might go about it. We have no cost estimates of how you might do it.

Mr ENTSCH—What about just putting the soil through that heat treatment?

Mr McAdoo—There are no high temperature incinerators operating.

CHAIR—But have you assessed the risk of leaching occurring and the PCB getting into the ground water at that site?

Mr McAdoo—Yes, this was a few years ago. I cannot recall precisely but the site was sampled by taking core samples. It is contained in very small areas of the site and so it is not a huge problem over a large area.

CHAIR—Yes, but it could leach from a very small part of the site, if the concentrations are high, and cause damage, if it got into the watertable, miles away.

Mr McAdoo—It could, but it is in very small quantities and, even in cattle, as they breed the concentration reduces. So we do not think it is a serious problem.

CHAIR—But if it is there in a small concentrated area, why are you not picking it up and putting it in a place where it can be contained?

Mr McAdoo—I do not suppose I have an easy answer for that, except to say that you are looking at, say, 40 acres in total. Storing a whole lot of contaminated soil is not a simple issue.

CHAIR—But you said it was only a small part.

Mr McAdoo—Certainly, the high concentrations are only in certain parts, but I suppose you could create a lined part of the earth—dig a very large hole, line it, whatever. We just have not looked at that because at this stage the risk is small.

CHAIR—Is there any local community concern about it?

Mr McAdoo—Not to my knowledge.

Mr BILLSON—Is that where the issue of clarifying the Commonwealth's position comes in? My impression is that you have carried out that work, you have conducted some evaluations, you appear to know of the risk that is there. Is the clarity you are looking for one of priority as to what is acceptable to the Commonwealth by way of risk and some signals on resource allocation questions? Is that what I am to read into the comments made in the submission? You seem to be across the issue without a great deal of cajoling perhaps. I do not know, you would be best placed to explain that, and—

Mr McAdoo—I am not sure that our particular issue is really related to that.

Mr BILLSON—Would that go to the question you are talking about—how much of a priority is it and what expenses seem to be acceptable? Is that the sort of—

Mr McAdoo—The amount of money you have to spend to dispose of it is an issue. It is not as simple as saying, 'Whatever it takes.' But we think the problem that we have is manageable, provided that companies or plants which process and dispose of the PCBs remain. There have been times when it is available and then it is not available.

At one stage, for example, PCBs were being shipped out of Australia to France for incineration. That avenue disappeared. I am not commenting on whether it was a good idea or a bad idea; I am just saying that avenue disappeared. Whilst ever plants operate, like the one we have just become aware of in Brisbane, we all try to process everything we have and get rid of it.

Mr BILLSON—So that is a call that is being made within the NTA without reference to, say, a Commonwealth position on cleaning up contaminated sites as a priority for the Commonwealth.

Mr McAdoo—Yes, certainly. We try to get rid of the problem. It is not a nice problem to have.

CHAIR—Your new contractors that have taken over this day to day management and maintenance role: is there anything specifically written into the contracts about environmental management issues?

Mr McAdoo—Yes, there is.

CHAIR—So what is their responsibility?

Mr McAdoo—I can't think of the precise words, but basically they have to meet all relevant legislation.

CHAIR—And in relation to existing storages of PCBs, they just have to maintain those in a safe condition?

Mr McAdoo—Correct. Yes, they do. And if we wish to dispose of them, if we find somewhere or they find some means of disposing of them, then we would let a contractor have that done separately.

CHAIR—What functions do they actually perform to ensure that they are keeping those products safely?

Mr McAdoo—Currently, as I said earlier, they are stored usually in drums, in areas which have a bund to contain any leakage, should it occur.

CHAIR—Which you have built previously?

Mr McAdoo—Yes, they are there, they exist. But there have been no PCBs manufactured, I think, since about 1977 throughout the world. Most of the problem was contained in electrical capacitors or the PCB oil was used in transformers because it is such a stable insulator. But none of it has been used since the mid-1970s.

CHAIR—So they have to merely maintain the facilities you have already put in place, but presumably every so often one of the containers may deteriorate. Is it their responsibility then to replace that?

Mr McAdoo—Yes. They have to keep it in a safe way.

CHAIR—So maybe supply a new container or something?

Mr McAdoo—Yes, whatever it takes.

Mr BILLSON—Do they have some expertise in the subject that would be helpful for their contract

arrangements?

Mr McAdoo—Yes, in the past all of our sites were managed by Telstra. Telstra, as a corporation, had its own internal management plan for storage and handling of PCBs. Most of the facilities were established and run by Telstra which had a very large—

Mr BILLSON—Is there a requirement or an expectation that, given that expertise, they inform NTA of improved management methods or disposal options? Is that part of the care?

Mr McAdoo—Yes. If they became aware of any means by which we could reduce the holding or dispose of it, then they would advise us and then we would negotiate with them about actually doing it, as we are currently doing in Queensland. Since we have become aware of the plant, we will ask the contractor to give us a proposal for disposal.

CHAIR—We do not actually have Telstra with us yet, but presumably they have their own problem to deal with in this same regard, so they would have some expertise in the field.

Mr McAdoo—Yes.

CHAIR—BCL is a New Zealand company, but my understanding is that it has subcontracted a lot of the work to Australian operations.

Mr McAdoo—That is correct. There are only about 10 or a dozen management and higher level technical people from New Zealand. The rest are local Queensland contractors.

CHAIR—Do they have expertise?

Mr McAdoo—They are mostly out of the broadcasting industry and are aware of this sort of problem. They certainly are aware of it.

Dr LAWRENCE—Can I just backtrack a little, because I think there may be some instructive lessons in the Kempsey example. What was the source of that material contamination? If you had not had this incident with the cattle, was there any sort of regular checking that would have enabled you to detect the contamination?

Mr McAdoo—No, I understand that it resulted from a failure of a component—a capacitor—which had PCBs in it some 40 years ago, or more.

Dr LAWRENCE—A long time ago.

Mr McAdoo—When the station was first installed. The component exploded and it was in a small area that the original contamination occurred.

Dr LAWRENCE—So it was not a failure of storage; it was in fact an accident.

Mr McAdoo—Yes. And the contamination then, I guess, spread in a small way because the cattle ate grass in the area. I do not consider myself an expert in processing PCBs, but the PCB resides in the fat in the animal.

Dr LAWRENCE—So for 40 years they probably have been processed and eaten quite happily by various citizens.

Mr McAdoo—Probably.

Dr SOUTHCOTT—If they trimmed the fat, they did not get PCBs.

Mr McAdoo—It is fairly low level.

Dr LAWRENCE—Sure. But the other question of regular monitoring: how else you would become aware of—

Mr McAdoo—You would not have detected it. It is just a small area that is contaminated in the soil. You cannot see it. Short of doing drill holes over the whole property, and we have got some very large properties, you just would not detect it.

Dr SOUTHCOTT—Who has the responsibility for the storage and disposal of the PCBs? Do you think that is something that the NTA should be looking after or should that be a role for the Commonwealth and state EPAs?

Mr McAdoo—I think the EPA should look after the policy regarding, if you like, transport, storage and whatever. But I would not expect the EPA to pick up the problem of disposing of the residues which we hold.

Dr SOUTHCOTT—The Commonwealth EPA have said they are not going to look at contaminated sites. And the other thing is: how far have you got in the development of your environmental management system?

Mr McAdoo—We have an outline, if you like, in general. You need to look at each and every site, I suppose. In a sense we have done that to some extent. We know that there are 50 of our 550 sites where they are stored. We know what is stored there and how much. The biggest issue is really finding someone to dispose of it, a method of disposing of it. That is really the issue.

Dr SOUTHCOTT—Is the PCBs your only environmental problem, or are there any other problems that you have identified in your survey?

Mr McAdoo—Mr Truss has already alluded to the visual impact. Some people do not like—

Dr SOUTHCOTT—Yes.

Dr LAWRENCE—Frankly, I would regard that as a serious environmental problem. Visual pollution is not something to be underestimated, and a lot of citizens think so too.

Mr McAdoo—Yes.

Dr LAWRENCE—Do you have a clear policy on the establishment and positioning of towers? You would have to say from the outside it does not look as if there is one.

Mr McAdoo—Certainly not all, but most of our facilities were built a long time ago, particularly the larger towers and masts that you see around the place. There are exceptions, but most of them have been there quite a while, and if people still want to watch television and listen to radio then I am afraid it is a trade-off. You can't have both whilst the current technology is in use.

CHAIR—You were reported in the Queensland press, or your agency, as being critical of a proposal to build a gigantic structure on Mount Coot-tha in Brisbane.

Mr McAdoo—Correct.

CHAIR—Was that based on environmental grounds, visual pollution grounds, or the fact that you feel your existing facilities are adequate for the purpose?

Mr McAdoo—It is the latter. We are not making a comment, really, on the architecture of the new proposal. I might have a personal view. No, in a sense, the Commonwealth, the taxpayer, has already sunk a considerable amount of money into a facility on Mount Coot-tha. It is technically fine, it will operate for a number of years, and we do not want to be put into the position of having to pay ongoing operational costs to somebody else. Why should we? We are there. It works fine. Why spend anything more?

CHAIR—What about Hobart though? In Hobart's case, were your facilities no longer adequate? Why did you agree to the proposal there?

Mr McAdoo—In Hobart it was us that proposed it because the existing structure there, on a very tough site, is subject to high winds and ice—whatever. The structure had had it. We had to build something else to maintain the service. That is why we did it. In that case, we went through an environmental process. The guidelines were issued by the Hobart City Council, on whose land the tower resides, and we went through a very public process for two years to establish that.

That is a case of the visual impact of that particular structure being probably more significant than just about anywhere else in Australia because it is on a very large rock, very close to the city. So, again, it is a trade-off. If you want to maintain radio and television services to southern Tasmania, we felt it was the best, if not the only way, to do it economically, and made that proposal.

Dr LAWRENCE—I was going to ask that question. I appreciate what you said earlier about the fact that you are really dealing with an established network but where you are replacing or, indeed, in some cases, perhaps building, do you go through the environmental requirements of the home jurisdiction?

Mr McAdoo—Yes, we do; we try to abide by all the local rules.

CHAIR—Perhaps we should move on to Australia Post. You might like to comment on the development of your environmental management system.

Mr Korte—I can assure you we do not have PCBs. The only ones we had were in the fluoro starters and we had a program to get rid of them. To my knowledge, it is completed. They have been disposed of through licensed contractors.

We have an environmental policy and a vision and mission statement. Based on those two statements, we set out to develop an environmental management system which would conform to environmental managements standards. When we started, ISO 14000 was not really in existence so we used the British standard BS 7750 as a guide. We did it by doing an environmental risk survey of our major sites. You are talking about 100 or so, mainly mail centres, transport depots, that type of facility.

We contracted an expert firm to do a complete review of all relevant Commonwealth, state and territory legislation and to extract from that the provisions that are relevant to us and to our risk profile. Those extracts have now been turned into environmental procedures and management obligations. Associated with that, we developed a computer system. Because of the dispersion of our sites, we felt that a paper based manual system could easily fall into disrepair, and the gravest danger probably would have been for people conscientiously using what they thought were up-to-date provisions in the manual when, in fact, they were not up to date. So we have developed a computer system based on a commercially available package. We have a training package for our managers and supervisors in the field. All of that, as it happens, is now complete and we will start implementing after the busy Christmas period.

CHAIR—Basically, it is your view that you have very few, if any, contaminated sites?

Mr Korte—We know of one that is being dealt with. We do have some fuel in the ground and that makes me nervous when I see those sites. But we have had integrity testing done on the tanks and the fittings and, at the moment, everything seems to be all right. We are restructuring our mail network in Victoria and New South Wales and that will result in a consolidation of our mail centres into a smaller number of large operations in both Sydney and Melbourne. The end effect of that will be decommissioning most of our suburban refuelling sites.

CHAIR—Which will give you the problems then.

Mr Korte—As we said in the submission, we are subject to all the state and territory requirements. All states now have quite strict procedures for decommissioning in-ground fuel tanks and, obviously, we will follow those.

CHAIR—Can I take up that point where you said you are subject to all state and local government legislation. Is that the case? Are you subject to council town planning requirements?

Mr Korte—We accept that, yes.

CHAIR—Do you voluntarily accept it or are you subject to it?

Mr Korte—I think we voluntarily accept it.

Mr McCloskey—We are certainly subject to all state legislation and I think we voluntarily accept it at the local government level.

CHAIR—So if you want to build a new post office somewhere, do you get town planning approvals?

Mr Korte—Yes, we go through all the planning provisions of local government and state government.

CHAIR—If you install fuel tanks, do you do it according to the state legislation?

Mr Korte—Everything has got to be licensed according to the state requirements.

CHAIR—Do state and local authority inspectors then have a right of access onto your property for inspections?

Mr Korte—Yes, that is written into our environmental management system and in the instructions.

CHAIR—How long has that been the case?

Mr McCloskey—Since corporatisation in 1989. We are subject to all state legislation. It has come from that.

Dr LAWRENCE—Has that created any difficulties for you? Have there been times when you find that an irritant, if you like, or an unnecessary constraint on your activities, or has it been a cooperative—

Mr McCloskey—It has certainly imposed additional obligation on our property people but they have coped more than adequately with it.

Mr Korte—Personally, I have found in dealing with state EPAs that they are more than happy to cooperate. If they see that you are doing something, that you are putting a system in place, then they are very helpful.

Dr SOUTHCOTT—In complying with local government regulations, that is only a voluntary thing, that is not obligatory under the act. Is that correct?

Mr McCloskey—It is not mentioned in the act. I assume it is voluntary but I would need to check that and advise back.

CHAIR—Do you pay rates to council?

Mr McCloskey—Yes, we pay rates.

CHAIR—Including land rates?

Mr McCloskey—Absolutely.

CHAIR—Do you accept that as an account that you must pay or do you make it as an ex gratia payment the way the Commonwealth Bank used to do it? For a while at least, and I am not sure whether it is still the case, the Commonwealth Bank did not really accept that it had an obligation to do it but it paid it as an ex gratia payment.

Mr McCloskey—My understanding is we accept it as an obligation.

Dr LAWRENCE—I think the notion of Commonwealth oversight of environmental management is critical, obviously, in leadership particularly. One of the observations that industry often makes is that with various state regimes there are such differences between their requirements as to standards and process that for national corporations such as your own, this can become a source of unnecessary expense and difficulty for the managers.

Mr Korte—The way we have dealt with that is that our environmental vision and mission statement commits us to pursue best environmental management practice in our type of service industry, and so when we came to develop the environmental procedures based on our legal obligations, we made the conscious decision that, wherever possible, we would pick the strictest of any of the state requirements and make that our national procedure.

Dr LAWRENCE—So a highest common denominator.

Mr Korte—Yes, that is right, the highest common denominator. It is not always possible because there are a large number of requirements that are absolutely state-specific, particularly relating to communication between the entity and the EPA. But, wherever possible, we took the highest common denominator.

CHAIR—Is there any difference between the British standard that you initially set out to follow and the AS?

Mr Korte—Not a great deal. There was a little bit more prescriptiveness in some areas in the British standard. The present ISO 14000 draft standard probably also reflects that technology has moved along. BS 750 is quite old now—it is five years or so old—and possibly needs updating itself. We did not find any great difficulty in adapting to 14001.

CHAIR—And you now meet the 14000?

Mr Korte—We are within the framework. We have not sought certification. To seek certification, we would need to put a number of formalities in place, which we have not done at the moment in terms of formal objectives by level of management and that type of thing.

CHAIR—Are you intending to do that?

Mr Korte—In time I think we will move towards certification under 14001, yes.

Mr BILLSON—A question that came back to the department submission: it sounds like, from your point of view, the corporation, the board and the management structure have a fairly clear idea of what the shareholders' expectations are. The clarification that is reflected in the department's submission—that is not relevant to you guys either? I am just trying to find where that thought was coming from.

Mr Korte—Having structured our environmental management approach against the background of environmental management standards, we feel that whatever government policy may be developed will probably be around the same sort of framework—that is a reasonable expectation. In that sense, we would be happy to receive any guidelines from a central authority, but I do not think it would cause us a great deal of grief.

Mr BILLSON—You are travelling pretty well, you would have thought.

Mr Korte—Yes.

CHAIR—As there are no further questions, thank you very much for your presence here today. We have found your evidence of interest and, as we are reviewing this issue, there may well be occasions—for example, in the preparation of our report—when we want to talk to you again. We have invited the various states to make submissions. Most have indicated a desire to do so, and the first of them have arrived. It is just possible that they may also raise issues that we would want to get back to you on. We appreciate very much the fact that you have made the time available today and we thank you for giving evidence.

Mr Korte—Thank you.

CHAIR—We will now proceed with the Australian National Audit Office. If the Telstra witnesses arrive and there are questions we would like to ask them, we will give them that opportunity later.

[10.54 a.m.]

GREENSLADE, Mr Alan, Acting Group Director, Performance Audit Business Unit, Australian National Audit Office, GPO Box 707, Canberra, Australian Capital Territory 2601

LEWIS, Mr Michael, Executive Director, Performance Audit Business Unit, Australian National Audit Office, GPO Box 707, Canberra, Australian Capital Territory 2601

McVAY, Mr Peter Ian, Senior Director, Performance Audit Business Unit, Australian National Audit Office, GPO Box 707, Canberra, Australian Capital Territory 2601

CHAIR—Thank you very much for appearing before the committee. I note that there has been a representative of the Audit Office present during most of the hearings. I am wondering whether there are any opening comments you may wish to make, or perhaps responses to some of the evidence that has already been before the committee.

Mr Greenslade—If it is acceptable, Mr Chairman, I would like to make a brief opening statement. We welcome the opportunity to give evidence at the public hearing. The purpose of the audit was to examine the environmental management mechanisms in place across some of the major Commonwealth land management and oversighting entities. These included the Departments of Defence, Administrative Services, Environment, Sport and Territories, Communications and the Arts, and Transport and Regional Development.

The audit examined Commonwealth environmental management practices to identify current strengths and weaknesses, and also to provide a framework and direction for the adoption of better practice and continuous improvement. I should say the audit was not designed to judge past Commonwealth performance using current environmental standards and practices. Rather, the audit focused on encouraging the development of better practice by illustrating the implications and lessons learned from past and present practices.

With land notionally valued at some \$7.75 billion, the total number of Commonwealth contaminated sites is unknown, as are the aggregate cost implications arising from site contamination. However, with potential risk from activities involving hazardous substances, the Commonwealth has a vital interest in managing the potential risk to human health, the environment and asset values from pollution and site contamination. For example, a report from the coordination council on the release of Commonwealth land noted that the time required to decontaminate some sites is one of the main reasons for the slowing of Commonwealth property sales.

By any standards, the Commonwealth has a major land management function. However, there is no specific Commonwealth legislation or formal policy to guide Commonwealth land management entities in tackling environmental matters such as pollution prevention and site contamination. Although guidelines for the assessment and management of contaminated sites provide officials with a broad framework for addressing contamination once identified, Commonwealth land managing entities would benefit from a well-developed environmental management system to prevent pollution in the first place. This includes the need to enhance the disclosure of site contamination information consistent with public sector accountability

requirements.

A particular problem exists in relation to lands contaminated with unexploded ordnance from World War II. In this area the Commonwealth does have a policy, but as a result of the audit we were not convinced that defence resources allocated to these issues are sufficient to achieve the Commonwealth government's unexploded ordnance policy within a reasonable time frame.

Generally, environment management has not been seen by those Commonwealth land managing entities audited as an area that needs a high level of responsibility and care. However, while some agencies have been making progress towards better practice, there remain potential health, environmental and financial risks that should be taken into account. The ANAO considers that sufficient priority should be given to addressing these risks and that agencies exercise their management decisions in full recognition of the environmental impact, both short and long term.

The report makes 18 recommendations aimed at improving environmental management of Commonwealth land and at bringing the Commonwealth more into line with current international best practice. Also, to assist agencies, the report includes a comprehensive guide to better environmental land management practice.

I am pleased to say that all Commonwealth departments that were audited agreed—or agreed in principle—with all the recommendations. I believe this support for the thrust of the audit has been echoed by many of the witnesses from agencies who have already given evidence to this committee. However, some agencies have raised a number of issues which we would be happy to respond to.

In summary, Commonwealth entities can make significant cost-effective improvements in their environmental performance by adopting and adapting recent international developments in better practice and environmental risk management. However, the absence of a clear Commonwealth policy framework is a major constraint on departments and entities seeking to establish priorities and actions in line with best current practice.

The ANAO considers that, given the better practice guide contained in the report and the work undertaken by officials to date, the effort required by Environment Australia to develop a proposal to be put to ministers should be minimal. Mr Lewis and Mr McVay were responsible for the audit and we would be happy to answer any questions.

CHAIR—Thank you very much. As you mentioned, all of the departments have indicated acceptance, or acceptance in principle, of the audit recommendations. Are you satisfied with that response?

Mr Greenslade—I think, overall, it is pleasing to see there is agreement, or agreement in principle, and I think some action is under way in some areas, which is pleasing. Perhaps it would help if we ran through some of the specific responses in areas that we want to draw to your attention.

Mr Lewis—Yes, basically, the sorts of responses that we have heard have been very positive. We will not know for certain unless we go back and do a follow-up audit, but certainly the indications at this stage

are that departments are being very responsive to the audit. We notice that in the quarterly Minister for Finance follow-up reports again there seem to be positive signs. So it looks good at this stage.

CHAIR—It seems to me that the key element of your report is that the Environmental Protection Agency should take the lead in developing this proposal, and you would be aware that, in evidence before the committee, they considered that to be not of such high priority that they were going to devote any resources to it. Have you had an opportunity to consider their response to your suggestions and do you now have any alternative views?

Mr Greenslade—Essentially, our view remains the same as in the audit report. Indeed, Environment Australia did agree in principle with the relevant recommendation. Our view is that Environment Australia has responsibility for the overarching environmental policy issues and in this respect is clearly the agency we would be looking to to provide that action.

They have raised the issue of resources. It is not our role to advise secretaries on how to assign their priorities and their resources to those priorities. Nonetheless, our view is that with the work we have done in the report and the better practice guide, and indeed the work done by the relevant officials in EA, there really should not be much work involved at all to provide that framework. Mr Lewis might like to add to that.

Mr Lewis—The EPA has done quite a lot of work in the area already, and our view at this stage is that it really would not take a great deal more to actually finalise the policy. As we have said throughout the report and indicated in the attachment which covers the better practice guide, a clear Commonwealth environmental policy is the first stage to assist agencies in managing their environmental responsibilities. So it really is a key issue. And, as the committee has heard, a number of agencies have actually said that an overall environmental policy would help them.

CHAIR—So we have reached a bit of an impasse though, haven't we? Because you say they should do it and it will not be very hard, but they are saying they are not going to do it.

Mr Greenslade—In essence, yes. It is quite an interesting issue. As Mr Lewis says, there is a lot of support from other agencies that they do it. It seems to us relatively straightforward, given all the groundwork, to implement that. So, yes.

CHAIR—Do you have any suggestions as to how the impasse could be resolved?

Mr Lewis—I guess it really is a matter for the portfolio, as Alan said. It is not up to the Audit Office to tell a secretary how to allocate his resources. To us it is a pretty important thing that needs to be done.

Dr LAWRENCE—May I go on from that, Mr Chairman? I know you have indicated that it is not your responsibility to determine priorities, but it is a fact that the EPA section of Environment Australia was cut by 21 per cent in the last budget. I am sure that their response is, in part, to the fact that they are having to make some very tough decisions about what they can do in future and to the fact that the reorganisation of the department under this new name—which, incidentally, is being challenged by a private sector operator as belonging to him, which is interesting—is actually diminishing the power of the environmental protection

section, in my view anyway. It certainly looks so on paper. Recent signals from the minister that there will be a devolution of a lot of these responsibilities to the states probably mean that there is a great deal of uncertainty within the organisation about exactly how it might proceed to develop such a policy with the resources and power that it currently has. I would just be interested in your comment on that resource question.

Mr Greenslade—Generally, it is not unusual at the moment for various secretaries to be having to make, as you mentioned, tough decisions about priorities—in the context of auditors coming in and making audit recommendations. In spite of that, departmental secretaries generally see a need to action audit recommendations that they see as relevant to aiding their business.

I would see this as quite a key one. In respect to helping the other agencies meet their responsibilities, we come back to our view that it really should not take too much in the way of resources to do so. So I think I am sympathetic to the challenges of the agency. Nonetheless, we stand by our view that this is a very effective measure for the department to take.

Dr LAWRENCE—Is it your assessment that they share the view that this is a fairly simple process and that most of the work has already been done and it would not take many resources? Have you had that level of dialogue with them?

Mr McVay—We have not had a dialogue with them. May I make one comment? One of the issues that Environment Australia is progressing, anyway, is the concept of a national environment protection measure through the National Environment Protection Council. One would assume that, in any case, they are going to have to work out a Commonwealth position in the context of that. So I guess we do not see why it should not be an issue to do it as part of that.

Mr BILLSON—Is it not something more fundamental, though? I note, even in your guidelines, the lack of connection between who is making the investment and, at the end of the day, particularly at the land transaction end of it, who is perceived to be gaining the benefit. Is that not at the heart of it, though? That some of the contaminated sites, particularly ones that might fall into the land realisation program, bring benefits back to the general fund whereas the outlays to get that higher return are being made via the agencies? Is that not a dilemma that we need to probably address to provide more encouragement for the agencies to do a bit more?

Mr McVay—I think that is right. The pressing thing that came to our attention in the course of the audit was that, really, agencies are having to almost guess what standard or what level of requirements ministers were seeking. They do not really know. That resulted in a degree of inconsistency between agencies, and varying priorities across the board.

I guess the advantage of having a policy would be to specify that ministers could say, 'This is the standard that we want achieved for the Commonwealth across the board,' or, 'This is the minimum standard.' We do not want to be too prescriptive as to what should be said but, clearly, some degree of consistency and guidance would be useful to try to bring into balance the resource allocations and the risks. That is from our perspective.

CHAIR—Would it be reasonable for them to develop—as Australia Post has just told us that it has done—their own standard? Would it be possible for each agency to say, ‘We will develop our own standards on the basis of ISO 14000 even’? So, in other words, there would be a prescriptive standard around or a guide that had been prepared and maybe government agencies could just fall in line with that.

Mr McVay—My understanding of ISO 14000 is that essentially it is a management model rather than necessarily a prescriptive standard. So it gives a sense of how you should go about it and a guide to management systems. My understanding is that it is based on good management principles. It does not actually specify a degree of resource allocation. I guess a very diligent agency might decide that it is risk averse and put in an enormous amount of money; another agency might put in a lot less to address the problem. Without some sense of guidance, agencies are really flying by the seats of their pants in terms of what standards they should be aiming for.

Mr McDOUGALL—Let us just take that point a little further. I think it is generally recognised that the state EPAs are pretty good documents and the acts are pretty sound. Couldn’t we come back to the old argument: why reinvent the wheel? If the Commonwealth agencies simply complied with the state EPAs, would that be satisfactory to you and, therefore, there would not be the necessity to have to reinvent the wheel, as I said?

Mr McVay—Having some sense of how they would comply with state requirements would be very useful and probably would be a key element of any policy statement. There are a couple of issues there. There is a question also of whether it would be satisfactory to the states.

We consulted quite extensively with state EPAs. Some of them have been fairly unhappy with having to provide advice. From their perspective, they felt they were having to provide free advice to Commonwealth agencies who, at the end of the day, could agree or not agree to comply with those standards. So I guess there is an issue of whether the states will be happy with that position. Perhaps in their submissions they would be able to advise you how they feel about that.

It goes back also to the NEPC, the National Environment Protection Council, that a measure is being brought forward in any case and the Commonwealth should have a sense of exactly how it wants to fit into that, or is it simply going to just agree to comply with each of the states individually? There seems to be a move towards some degree of alignment.

I would also mention that the concept of the contaminated sites is a very difficult and protracted one. The United States and Europe have tackled it in different ways. It is fair to say that a lot of mistakes have been made overseas. It is a question of whether we want to learn from those and really try to develop an appropriate alignment so that we can cost-effectively address the problem.

I think, personally, what you are saying would be a key element. It is up to agencies and ministers to determine how they want to do it. It probably needs a little more than that to look at that sort of alignment and also resource allocation issues—whether the department should be putting in a lot or a little, or a medium amount, so that they are managing the risks appropriately.

Mr McDOUGALL—But there has been a reluctance over the years for the Commonwealth to align itself to a state policy simply because of the fact that they are a state and not a Commonwealth. I think we have to grow up a little and say, ‘If there is an adequate provision there, why don’t we just adopt it?’—whether you have to pay or not.

Frankly, if the private sector has to pay a service fee to a state EPA, why shouldn’t the Commonwealth? They are another customer. They are not some elite group who can sit themselves out and say they do not have to comply. That is the part I am trying to get to. I can understand the problem that the EPA might have in relation to funding, but why keep spending money if you do not have to spend money?

Mr Greenslade—To pick up that point: to some extent, you are finding a different solution to the problem, but to some extent it is our view that there is not a lot of work to be done. You could do it through picking up a state EPA if that was sufficient—and we are not clear on that. I think that does come back to the point that there probably is not a lot to be done to get some kind of Commonwealth policy.

There is danger of fragmentation of approach, though, if the EPA has not adopted something which is seen as the broad policy—wherever that comes from. I think this is the key issue. Also, without that overarching role, it may be seen as a low priority issue by agencies or have differing priorities across agencies, which is another risk.

Mr McDOUGALL—But, at the end of the day, if they want to dispose of land, they are going to have to comply with the state EPA anyway.

Mr Greenslade—Yes.

Mr McDOUGALL—While there is a reason to develop this principle so that you can look after existing contaminated land and at the same time avoid doing it in the future, the other one is to be able to divest of land. Therefore, they are going to have to comply, anyway.

Mr McVay—I think there is a lot of truth in what you saying. I will just mention one thing, though. Complying with state requirements is not necessarily just a prescriptive step in itself and a number of the states have already introduced this concept of reversing the onus of proof and having a standard which is sort of a floating best practice.

One of the examples we found very illustrative was in Western Australia where the department concerned—this is Dasfleet—all the way through had tried to comply with what the standard was at a particular point in time—this was over quite a lengthy period. They found that at the end of the day that did not help them when they had to dispose of the site. The fact that they complied with the standard ten years ago did not help them. When it came to disposal, they still had to then get up to the current one because they were not at best practice.

So it is not necessarily just meeting a particular benchmark but actually having a system in place to make sure of continuous improvement and management systems that will enable them to be able to say at the end of the day, ‘We have complied with best practice and we can dispose of this particular site reasonably

easily because we continually try to keep up to date.’ I think that is perhaps one of the issues that the Commonwealth has to address.

Dr LAWRENCE—As a follow-on from that, I am not sure to what extent the office was aware, when making its recommendations, of the intergovernmental agreement on the environment, which actually does set out the process by which the states and the Commonwealth agree on certain standards of environmental protection, and that includes the land management.

The sorts of issues that you mentioned in relation to Western Australia were ones very much on the minds of the ministers and premiers of the day to try and ensure that we did have a degree of uniformity acceptance so that you could then agree that the states’ environmental protection regime would be sufficient. But we have not reached that point yet. It has not actually got to the point where there are agreed criteria, agreed processes.

I do not know if in your view the action that Australia Post is taking is prudent in that they try to adopt what they see as the most demanding standard in developing their management systems, because in that way at least they protect themselves against the vagaries of differences between the states—which are not inconsiderable even at this stage. So I want to know the extent to which you are aware of that process, which I must say is not going anywhere much at the moment, but it is one that all the governments have signed up to, including the Commonwealth.

Mr McVay—Certainly we had an idea that that was the case. But I just go back to the concept that it seems to me that the way forward is for it to try and establish what the best practice is and how it changes over time in trying to put in place systems that will always protect, I guess, the investment, and if one can justify that then an agency is in a reasonable position to say, ‘We have taken every step we can to make sure that the Commonwealth assets are protected appropriately.’

CHAIR—But do you think an organisation like Australia Post that subjects itself, or is subjected to—I have not quite discovered which yet—state and local government ordinances in relation to all of these matters, should also then be dictated to by the EPA?

Mr Lewis—Perhaps I could respond to that, Mr Chairman. I guess our view is that agencies and particularly GBEs are responsible for their day-to-day management. I guess the role that we see for the EPA is more in setting a policy framework and sort of acting as a clearing house for best practice information for the whole of government.

CHAIR—Yes, but do you think the EPA in its best practice would say that, if an organisation is subjected to the full rigour of state and local government laws, therefore that is adequate?

Mr Lewis—I guess it really depends on what the Commonwealth policy is. I do not know that we have a view on what the Commonwealth’s policy should be—that is really up to ministers and the government. But certainly we see the EPA as having this sort of role in making recommendations or helping the government come to some policy position and not necessarily monitoring the day-to-day practice, not acting as a policeman. I do not think they have got the resources or necessarily the technical expertise to do

it, and again part of the policy could be that the monitoring is done by the state EPAs or whoever.

Mr McDOUGALL—I do not know whether you were here when we were talking about the Kempsey radio site. What would you see the role of a department or agency to be where they have a known contamination and a known product that leaches? We heard this morning they propose to do nothing about it. There seems to be the lack of a trigger. That is the message I got. I would be interested in your comment on that.

Mr Lewis—I guess it is a question of risk management. We would not necessarily say that the Commonwealth needs to clean up all of its contaminated sites at this stage. It just depends on what the risks are. If there are risks of off-site leaching, for example, then that is a serious issue and it needs to be investigated and appropriate action taken. First of all, it really does help if you have an overall policy which says this is the Commonwealth's policy to prevent the off-site leaching of contaminants. If that is then the policy framework, agencies can then do some site assessments on their high-risk sites and comply with whatever framework has been established.

Mr BILLSON—Are you saying effective containment and rectification prior to disposal, as a rule of thumb, should be stated absolutely clearly up-front for all to know rather than relying on due diligence and market forces to colour the price of a piece of land that might have some nasties on it?

Mr Lewis—I guess it is really up to the government to decide what its policy might be. As the Audit Office we do not make policy.

Mr Greenslade—We are not trying to say exactly what the policy should be but, in a sense, this discussion is putting its finger on the problem. There is a little bit of a vacuum there as to what should be happening in that sort of situation. That is the issue really. We should be trying to say there should be some clear framework whatever that framework is.

CHAIR—I wonder if we can move on to the defence department and the unexploded ordnance issue and a number of the other issues that they raise in some instances critical of the way in which the audit report was done. Perhaps we will deal with the substantive issue first about unexploded ordnances. Do you regard the defence department's approach or the policy on dealing with unexploded ordnances as reasonable?

Mr McVay—I think it would be fair to say the way they are going about it is reasonable. The level of resource allocation to achieve that perhaps does not seem to us to be compatible with the risks involved. I think we made that comment in the report: that it would take something like 20 years at current rates of progress to address the sites in Queensland. I guess it is a question of what a reasonable person would say is a reasonable level of effort and from our perspective we felt it was probably not. Given the pace of development in Queensland, in particular, the number of UXO sites would warrant perhaps ramping up the activities.

CHAIR—What about the buyer beware strategy that is basically in place—where the government takes no responsibility for the fact that they are there?

Mr McVay—We are constrained by government policy obviously. It is not our job to say whether the policies are appropriate or not.

Mr BILLSON—Don't dig your own garden: is that what you are saying?

Mr McVay—It seemed to us that the risks were fairly substantial. I suppose there are two fronts. One exposes the Commonwealth to future potential litigation and the other is almost a position of what a federal government should be doing to protect its citizens.

CHAIR—I understand you obtained some legal advice from the Attorney-General regarding UXO issues and Defence were disappointed that you did not make that available to them in the process of the audit.

Mr McVay—We felt that was a fairly extraordinary statement and they certainly did not raise it at the time.

Mr Greenslade—As I understand, this was not an issue with Defence throughout the audit, and when they asked for a copy we gave them a copy. I am not entirely clear why it was raised by them.

CHAIR—Why did you not give it to them right in the first place?

Mr Greenslade—Perhaps others can deal with the specifics, but this was a piece of advice obtained in the course of the audit to assist us in undertaking the audit. It was supporting evidence for us. Perhaps you would like to go into detail.

Mr Lewis—During the course of the audit, we saw some legal advice that Defence had, which, I think, said that the Commonwealth was not liable. As part of the clearance process, we actually ran the report past the Attorney-General's Department, and they drew our attention to the words that we had in the report where we said that the Commonwealth was not liable. They said, 'No. It really depends on a case by case basis.' We said, 'Fine.' We changed the draft report and we sent a copy of that changed report—it was part of the draft report—to Defence as part of our normal clearance processes, and we specifically said in that draft report that we had got advice from A-G's saying that there was a case by case basis. Defence did not ask for it, and I guess we did not think to automatically give it to them.

Mr Greenslade—It is not uncommon that we might obtain legal advice on a matter and inform the department that we had advice which was different from their own, and, if the department asked to see it, we would supply it to them. We could go through the precise processes of what happened when, but it was quite clear that we had that opinion and it was available if the department wished to see it in the normal process of debating our audit evidence. Just to clarify that, when we send a draft report over, we summarise our findings and evidence. We do not go into all the detail behind the evidence, but it is always available for discussion should an agency wish to raise a particular issue.

CHAIR—But, had they asked for it, you would have given it to them?

Mr Greenslade—And we did, when they asked for it.

CHAIR—I suspect that came a little bit into the context of a number of issues where the defence department felt that they perhaps had been ambushed by aspects of the report. They made particular reference to the use of certain photographs which they felt did not contribute to the report and seemed to be there for dramatic effect rather than to provide an honest assessment of the way in which the procedures normally worked.

Mr McVay—That was an absolutely extraordinary statement, given that they were Defence photographs in the first instance. One of the things that we found quite amazing was the fact that the internal audit report was done into the issue—from our perspective, a very good report—and the manager who was responsible for the coordination within the department was not even aware that the report had been done.

CHAIR—Just by way of example, there is the picture, at figure 6, of discarded medical wastes. It just appears in the report as discarded medical wastes at an air force base, giving the impression that this is the way the air force normally disposes of their medical waste, but in the report it does acknowledge that it was cleaned up the next day.

Mr McVay—Certainly advice that was given from the air force to the internal audit was that the air force had a backlog of problems associated with the disposal of hazardous waste.

CHAIR—This whole series of pictures you have got—four or five of them are rubbish dumps and the like, which are not normally noted for being beauty spots—was obviously dramatic and perhaps unjustly reflected on the defence department's procedures.

Mr Greenslade—First of all, we did go through our normal audit processes. We do not ambush departments. In this particular instance, I find it quite an interesting debate. As Mr McVay has said, we were using Defence's own photographs. It was a report by their own internal audit branch—the management audit branch. I gather that they had a large number—being an auditor, I must be precise; so, certainly greater than six—of photographs in that vein.

Mr McVay—It was of the order of 100, I understand.

Mr Greenslade—In that vein, certainly that report should have been available to Mr Davis.

Mr McVay—Yes.

Mr Greenslade—And we saw it as a good report raising quite serious issues.

Mr McVay—Systemic issues.

Mr Greenslade—I guess Defence are trying to pick off photograph by photograph and say, 'Well, this is a bit unfair or that is a bit unfair.' We see them as representative. We are not claiming that those needles or whatever will lie there for the next five years. Again that review says when referring to some of

those photographs that similar problems were identified essentially in lots of places and we concur with that finding of the internal audit branch. I find that a bit puzzling. They certainly were not ambushed. Also they were aware and we made it quite clear that we were putting photographs in the report.

Mr Lewis—In the draft report there were spaces there for where the photographs were going to go.

CHAIR—And it identified which photographs they would be?

Mr Lewis—There was just a blank space with the title of what the photograph was.

CHAIR—However, they are the only photographs in the entire report. Many reports do not have any photographs in them at all. I can understand why some people might think audit reports are a bit dull and this would spruce them up a little bit. But do they reasonably reflect the environment management of Commonwealth land? I think the defence department are arguing that these are isolated incidents and that to be fair and balanced you should have perhaps had photographs of some of the better things that they do.

Mr McVay—Yes. There are a number of views from the defence department. I am not sure that that view is necessarily the same view of, say, internal audit or the management audit branch within the department. Certainly, when we did the QA on the MAB report itself we were convinced that the photographs were illustrative of a systemic problem and a longstanding one as well. Certainly it seemed to the management audit branch and us that, where a site had been owned by the Commonwealth, particularly by the defence department for any length of time—and some of these go back almost to 1901—there was a high likelihood of site contamination.

In some instances, these were cocktails of UXO and a variety of industrial contaminants. In some cases, the actual location of those on the site was unknown. Certainly, there was an acknowledgment by the managers on the individual sites that this was a problem and we certainly have filed references to that. I would commend the report of the management audit branch to the committee. It was certainly a worthwhile one and it was very much a warts and all examination. It is just unfortunate that Mr Davis was not able to look at those prior to the audit report being finalised. I am sorry. He did actually look at it before the report was finalised, but we drew it to his attention.

Mr Lewis—Perhaps I could just clarify something? As well as the photographs of the defence sites on page 59 of the report, we also have some other examples. There are photographs of some AEM sites. It is not just defence.

CHAIR—Fuel tanks?

Mr Greenslade—Yes, and could I just emphasise that they are headed examples. We are quite clear on that. We are not trying to spice up our audit reports in any sense to sensationalise them. It is our policy to include photographs where they actually can cast some light on contaminated sites. It helps to understand what we mean when we say there was ‘such and such pollution’. What do we mean there? So these are examples or illustrations of some of things we can be talking about.

Talking about Defence, we tabled a report last week on defence food provisioning and there we had some photographs of field kitchens just so that the reader will have some concept of what we are talking about there. It may not have been exact because every field kitchen may not have looked like that one. That was not the point.

CHAIR—Except that anybody who just made a cursory examination of this report would be struck by the photographs, which reflect very poorly on the defence department's disposal of garbage.

Mr Greenslade—I would say there are two reports—our own and their own internal audit report—which do not reflect very well on their disposal.

Mr Lewis—I think we would have to say there were some systemic problems there.

Mr Greenslade—Yes.

CHAIR—Even with the benefit of consideration and the benefit of the knowledge that the defence department is unhappy with the way this is being treated, you still believe that what you have done is reasonable?

Mr Greenslade—It is reasonable and objective, yes.

Mr BILLSON—On the issue, as I see it, there appears to be a longstanding set of examples. It is not as if you have gone out there and pushed over a medical waste tin. Some of those garbage piles there look longer than some municipal dumps in terms of age of being around.

Mr McVay—Yes.

Mr JENKINS—The thing that disturbs me about the exchange about the photographs was that it appeared that the internal audit report had not surfaced within the system. I do not know whether I am being unfair in getting that impression, but in the course of your investigations had you felt that that internal audit report had been put into the system and been acted upon?

Mr McVay—We actually got notification of the internal audit report from a report called the Hartley report which came from Mr Davis's own branch. It referred to the MAB review. We followed that up and obtained copies of the MAB reports. Certainly at least one person in Mr Davis's branch was aware of the MAB reports. He subsequently left and that may have been the problem.

CHAIR—It stood a real risk of sitting on the shelf, do you think?

Mr McVay—Perhaps so.

Mr McDOUGALL—On some of the sites that I know of on Commonwealth land the contamination that is still there that started 30 years ago is more than a systemic problem. Let me say to you: keep printing

photographic evidence. I think it is very good.

Mr BILLSON—I note that under your towards better practice process, the awareness of and acting upon audit reports would have been dealt with. There is some value in environmental management system planning even without specific performance outcomes that are expected of people—because at least you have an awareness that you have a problem in the first place. It might be worth commending that to the defence department as well.

CHAIR—I do not want this question to sound insulting, but can I ask you what expertise the Audit Office has to conduct an audit into environmental management?

Mr Lewis—It is a very valid question. In order to increase our expertise on this, we did actually employ an environmental consultant to provide a reality check on our work, to assist us with planning the audit and generally to provide that technical expertise that we as auditors do not do this. As auditors our skills lie in management and management systems, rather than technical environmental issues. That is why we employed a technical consultant to help us on that score.

Mr Greenslade—I will emphasise that that is a very clear policy of the Auditor-General. Our key know-how is knowledge of the Public Service and our independence. In probably the great majority of audits where we are going into specialist areas, we will most certainly look out and find a key expert specialist to advise us on those technical issues. That is something which underpins our auditing and we are very clear of the need to be technically competent in those areas we were addressing.

Mr Lewis—And if we do not have the technical expertise, we will buy it in.

Mr Greenslade—We will buy it in and that is simply standard policy.

CHAIR—Any other questions of the Audit Office? If not, thank you very much for the evidence that you have given to us today. Again we may need to go back to you in due course because there are a number of submissions, particularly coming from the states, that have not as yet arrived and we are not really yet aware of what issues they may choose to bring to our attention. I suspect some of them may broaden the scope of the whole issue quite substantially, even into areas where maybe you would not have felt it necessary to conduct inquiries. We thank you very much for your attendance here today and for the evidence that you have given.

Resolved (on motion by Mr Billson):

That, pursuant to the power conferred by paragraph (o) of standing order 28B, this committee authorises publication of the evidence given before it at public hearing this day.

Committee adjourned at 11.41 a.m.