

## Chapter 2

### Infrastructure and Regional Development portfolio

2.1 This chapter outlines the key issues considered during the 2017–18 Budget Estimates hearings for the Infrastructure and Regional Development portfolio.

2.2 The committee heard evidence from the Department of Infrastructure and Regional Development and agencies on 22 and 23 May 2017, meeting for a total of 20 hours and 19 minutes.

2.3 On 22 May 2017, the committee heard from the divisions and agencies of the portfolio in the following order:

- Executive;
- Corporate Services Division;
- Infrastructure Australia;
- Australian Rail Track Corporation (ARTC);
- Infrastructure Investment Division; and
- Policy and Research Division.

2.4 On 23 May 2017, the committee heard further from the divisions and agencies of the portfolio in the following order:

- Australian Maritime Safety Authority (AMSA);
- Aviation and Airports Division;
- Australian National Audit Office (ANAO);
- Airservices Australia;
- Civil Aviation Safety Authority (CASA);
- Australian Transport Safety Bureau (ATSB);
- Office of Transport Security;
- Surface Transport Policy Division; and
- Western Sydney Unit.

#### Infrastructure Australia

2.5 The committee inquired into the progress of Infrastructure Australia's assessments and, how value capture is evaluated, for the following projects:

- East-West Link in Melbourne;
- WestConnex in Sydney;
- NorthConnex in Sydney;
- Brisbane Gateway;
- Perth Freight Link; and

- Western Sydney Airport.<sup>1</sup>

2.6 The committee also requested information on the progress of the following Infrastructure Priority List projects and whether Infrastructure Australia had received business cases for them:

- Victoria—West Gate Tunnel, North East Link, East West Link, Melbourne Metro rail, Tullamarine Melbourne rail link;<sup>2</sup>
- Northern Territory—the Tanami Road upgrade;<sup>3</sup>
- South Australia—Oaklands crossing, North-South corridor;<sup>4</sup>
- New South Wales—Sydney Metro;<sup>5</sup>
- Western Australia—Perth Freight Link; and<sup>6</sup>
- Queensland—Cross River Rail.<sup>7</sup>

2.7 The committee sought information about the assessment process for business cases conducted by Infrastructure Australia.<sup>8</sup>

2.8 The committee questioned how Infrastructure Australia would utilise the additional funding of \$11.9 million, as outlined in Budget Paper No. 2.<sup>9</sup>

### **Australian Rail Track Corporation**

2.9 The committee requested details of the \$8.4 billion in funding for the Melbourne to Brisbane Inland Rail project. ARTC replied that the funds would be realised on an as-needs basis dependent on the construction schedule.<sup>10</sup>

2.10 The committee was also interested in the purchase of steel from Arrium Steel for the manufacturing of rails. ARTC advised they will purchase 72,000 tonnes of rail.<sup>11</sup>

### **Infrastructure Investment Division**

2.11 The committee sought clarification of the \$75 billion for infrastructure funding and finance for the next 10 years as outlined in the budget, specifically:

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1 *Proof Hansard*, 22 May 2017, pp. 5–8.

2 *Proof Hansard*, 22 May 2017, pp. 9–12, 21, 28–29.

3 *Proof Hansard*, 22 May 2017, pp. 13–16.

4 *Proof Hansard*, 22 May 2017, pp. 17–19.

5 *Proof Hansard*, 22 May 2017, pp. 20, 29–31.

6 *Proof Hansard*, 22 May 2017, pp. 18–23.

7 *Proof Hansard*, 22 May 2017, pp. 29–31.

8 *Proof Hansard*, 22 May 2017, pp. 24–28.

9 *Proof Hansard*, 22 May 2017, pp. 34–35.

10 *Proof Hansard*, 22 May 2017, p. 35.

11 *Proof Hansard*, 22 May 2017, pp. 36–37.

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- how that amount would be broken down into financial years;
  - which projects would be funded; and
  - which states, territories and local governments would receive funding.<sup>12</sup>

2.12 The committee inquired into the progress and funding of a number of infrastructure projects. Detailed evidence was sought about projects including the:

- rail link between Mount Isa, Queensland and Tennant Creek, Northern Territory;<sup>13</sup>
- Northern Road relocation in Western Sydney;<sup>14</sup>
- WestConnex in New South Wales;<sup>15</sup>
- Northern Australia Roads Program;<sup>16</sup>
- Faster Rail connecting capital cities and major regional centres;<sup>17</sup>
- Bruce Highway in Queensland;<sup>18</sup>
- Midland Highway in Tasmania;<sup>19</sup>
- Western Sydney Airport;<sup>20</sup>
- Oaklands rail crossing upgrade in South Australia;<sup>21</sup>
- North-South Corridor in Adelaide, South Australia;<sup>22</sup>
- Appin Road upgrade in New South Wales;<sup>23</sup>
- National Rail Program;<sup>24</sup> and
- Melbourne Metro.<sup>25</sup>

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12 *Proof Hansard*, 22 May 2016, pp. 61–65.

13 *Proof Hansard*, 22 May 2017, pp. 59–61.

14 *Proof Hansard*, 22 May 2017, p. 66.

15 *Proof Hansard*, 22 May 2017, pp. 66–67.

16 *Proof Hansard*, 22 May 2017, pp. 76–78.

17 *Proof Hansard*, 22 May 2017, pp. 79–82.

18 *Proof Hansard*, 22 May 2017, pp. 82–83, 87, 93–95.

19 *Proof Hansard*, 22 May 2017, p. 85–87

20 *Proof Hansard*, 22 May 2017, p. 87.

21 *Proof Hansard*, 22 May 2017, pp. 89–90.

22 *Proof Hansard*, 22 May 2017, p. 91.

23 *Proof Hansard*, 22 May 2017, p. 92.

24 *Proof Hansard*, 22 May 2017, p. 100.

25 *Proof Hansard*, 22 May 2017, p. 100.

## **Policy and Research Division**

2.13 The committee sought information of the impact of the growing number of electric vehicles on fuel excise in Australia. Officials explained that while CSIRO has modelled the impact of electric vehicles on fuel excise, that research is still ongoing. It was noted there would be a gradual decline in fuel excise as electric vehicles become a more viable alternative.<sup>26</sup>

2.14 The committee inquired into the funding and allocation arrangements for the Regional Jobs and Investment Package program and Building Better Regions program.<sup>27</sup>

2.15 The committee was interested to hear about the National Cycling Participation Survey. Officials advised that the survey would be conducted by the Australian Bicycle Council and that results should be publicly available by end of June. The committee sought information on how much federal funding is spent on cycling infrastructure.<sup>28</sup>

2.16 The committee sought information on the Stronger Communities Program and whether there would be changes to the administration of the program. Officials advised that the guidelines were still being reviewed.<sup>29</sup>

2.17 The committee inquired into the progress of the decentralisation program. Detailed evidence was sought about:

- what funding has been allocated to the program;
- which departmental officers and resources have been assigned;
- what criteria is used to assess suitability for decentralisation;
- whether an analysis has been undertaken of jobs cut in regional areas;
- expressions of interests from regional areas; and
- whether there has been modelling done on potential locations for decentralisation.<sup>30</sup>

## **Australian Maritime Safety Authority**

2.18 The committee pursued questions regarding the fatality on board the *Maeve Anne* operated by shipping company Brady Marine and Civil. This included questions regarding the inspections of the barge carried out by AMSA in the lead up to and in the aftermath of the fatality, sanctions and legal action taken against the operator under the National Law Act.<sup>31</sup>

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26 *Proof Hansard*, 22 May 2017, pp. 106–107.

27 *Proof Hansard*, 22 May 2017, pp. 108–112.

28 *Proof Hansard*, 22 May 2017, pp. 113–115.

29 *Proof Hansard*, 22 May 2017, p. 118

30 *Proof Hansard*, 22 May 2017, pp. 119–123

31 *Proof Hansard*, 23 May 2017, pp. 5–11.

2.19 The committee also raised questions about the roles of Safe Work New South Wales, AMSA, and Roads and Maritime Services, including the upcoming transition to a national system administered by AMSA. This line of questioning also considered staffing and resource levels dedicated to these functions.<sup>32</sup>

2.20 The committee sought information about Marine Order 32 and the consultation process resulting in amendments to the order.<sup>33</sup> In response to questioning, the committee was informed that while Australia has not adopted the International Maritime Organisation Code of Safe Practice for Cargo Stowage and Securing (CSS) Code, it is mandated under Marine Order 42.<sup>34</sup> Further, the committee heard that the Safe Work code of practice contains a caveat that it must be read in conjunction with marine orders 32 and 42, as well as marine order 44 which relates to containers.<sup>35</sup> AMSA described the combination of the marine orders and the code of practice as a 'consolidated package'.<sup>36</sup>

### **Aviation and Airports Division**

2.21 The committee began by pursuing questions regarding pedestrian and cycling access to Brisbane Airport. Senators expressed an interest in ensuring that employees have safe access to the workplace via these lanes.<sup>37</sup>

2.22 The committee was advised that the Aviation and Airports Division is working closely with the ATSB and CASA to address any concerns about the use of drones. The committee was particularly interested in the use of drones in the vicinity of other aircraft and airports, the level of training provided to recreational drone pilots, and a prospective safety review of drones to be conducted by CASA.<sup>38</sup>

2.23 The committee inquired into the third runway being constructed at Tullamarine Airport and the extension of an existing runway. Officers of the department informed the committee that under the current master plan, 'everything will be in place around 2022' which includes the third runway running east-west and the extension of the current east-west runway.<sup>39</sup>

2.24 The committee also sought information on the construction of Western City Airport. The committee was advised of the tender process and prequalification details that would allow small companies to tender for aspects of the construction. Comparisons were drawn to the Wellcamp airport development and construction.<sup>40</sup>

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32 *Proof Hansard*, 23 May 2017, pp. 11–14.

33 *Proof Hansard*, 23 May 2017, p. 15.

34 *Proof Hansard*, 23 May 2017, pp. 19.

35 *Proof Hansard*, 23 May 2017, pp. 15–19.

36 *Proof Hansard*, 23 May 2017, p. 19.

37 *Proof Hansard*, 23 May 2017, pp. 19–20.

38 *Proof Hansard*, 23 May 2017, pp. 20–23.

39 *Proof Hansard*, 23 May 2017, pp. 24–25.

40 *Proof Hansard*, 23 May 2017, pp. 26–28.

## **Australian National Audit Office**

2.25 The committee called the ANAO to estimates assist with its inquiries into the performance of Airservices Australia (Airservices). The ANAO conducted three pieces of audit work in relation to Airservices with its most recent Audit Report No. 46 of 2016–17 concerning the Conduct of the OneSKY Tender. The audits were undertaken following correspondence from the committee in the 44<sup>th</sup> Parliament raising concerns about the performance of Airservices. Immediately following the appearance of the ANAO, the committee called Airservices. The committee then called the ANAO back to clarify evidence before returning to Airservices.

### **Airservics Australia**

2.26 The committee focused on the most recent OneSKY tender process and the ANAO's observations about Airservices' evaluation process which resulted in a higher price outcome.<sup>41</sup> In particular, the committee sought information about the ANAO's audit conclusions that the 'evaluation of tendered prices against the cost criterion was not conducted in a robust and transparent manner'.<sup>42</sup> According to the ANAO, it was 'not clearly evident that the successful tenderer offered the best value for money'.<sup>43</sup>

2.27 The committee pursued these matters with Airservices. It examined the phases of the evaluation process and the five criteria used by the tender evaluation working group to evaluate the proposals.<sup>44</sup> It considered conflict of interest issues and questioned Airservices about the role of the International Centre for Complex Project Management (ICCPM), the subject of a previous performance audit by the ANAO.<sup>45</sup>

2.28 Other matters raised with Airservices by the committee included the 38 international air traffic controllers residing in Australia who are currently on 457 or other visas. The committee sought information on the impact of recent visa arrangements on those personnel and was informed that Airservices was working with them individually.<sup>46</sup> The committee questioned Airservices about aircraft noise monitoring as well as community consultation processes undertaken regarding aircraft noise including the regular airport and noise forums.<sup>47</sup>

### **Civil Aviation Safety Authority**

2.29 The committee focused its attention on the safety of remotely piloted aircraft systems (RPAS) and amendments to part 101 of the *Civil Aviation and Safety Regulations 1998* which commenced in September 2016.<sup>48</sup> The committee was

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41 *Proof Hansard*, 23 May 2017, p. 33.

42 *Proof Hansard*, 23 May 2017, p. 34.

43 *Proof Hansard*, 23 May 2017, p. 52.

44 *Proof Hansard*, 23 May 2017, p. 38.

45 *Proof Hansard*, 23 May 2017, p. 36.

46 *Proof Hansard*, 23 May 2017, pp. 59–60.

47 *Proof Hansard*, 23 May 2017, p. 62.

48 *Proof Hansard*, 23 May 2017, p. 67.

informed that since September 2016, the CASA received 5,428 notifications from small commercial operators intending to undertake RPAS operations.

2.30 The committee sought an update on the review of aviation safety regulations in relation to the operations of drones announced by the Minister for Infrastructure and Transport on 10 October 2016. It was informed that the review was yet to start as the terms of reference were still being developed.<sup>49</sup>

2.31 The committee pursued questions about the safety of recreational drone use and sought information on the education program undertaken by CASA to target recreational users.<sup>50</sup>

2.32 Questions were asked by the committee about public safety zones around airports. CASA informed the committee that it is engaged in the National Airports Safeguarding Framework public safety zone discussions.<sup>51</sup>

### **Australian Transport Safety Bureau**

2.33 The committee sought information on recent investigations, including in relation to the Pel-Air VH-NGA accident off Norfolk Island in 2009. The committee was informed that the investigation will be concluded and the report released at the end of September 2017.<sup>52</sup>

2.34 Other questions related to the ATSB's *A safety analysis of remotely piloted aerial systems* report and the dangers of flying drones in the vicinity of other aircraft. Inquiries were also made into the investigation of the Essendon airport crash. The committee was advised that investigations are ongoing.<sup>53</sup>

### **Office of Transport Security**

2.35 The committee sought information on the requirements needed to qualify for an Aviation Security Identification Card (ASIC) or a Maritime Security Identification Card (MSIC). The committee was informed of a number of qualifying requirements, particularly regarding previous criminal offences and the lack of discretionary powers to prevent those with a criminal record from obtaining a licence.<sup>54</sup>

2.36 The committee inquired into security designations at airports. The committee expressed concerns about the security risks posed by flags-of-convenience shipping and sought information on the lower threshold required to obtain a maritime crew visa (MCV) rather than a MSIC. It requested information and expressed concern over different agencies regulating the two qualifications.<sup>55</sup>

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49 *Proof Hansard*, 23 May 2017, p. 78.

50 *Proof Hansard*, 23 May 2017, p. 74.

51 *Proof Hansard*, 23 May 2017, p. 82.

52 *Proof Hansard*, 23 May 2017, pp. 92–93.

53 *Proof Hansard*, 23 May 2017, pp. 93–95.

54 *Proof Hansard*, 23 May 2017, pp. 101–103.

55 *Proof Hansard*, 23 May 2017, pp. 105–111.

2.37 The committee was informed about new procedures at airports regarding electronic devices in carry-on luggage and additional screening at domestic and transiting airports.<sup>56</sup>

### **Surface Transport Policy Division**

2.38 The committee sought an update on coastal shipping reforms and was informed that the most recent discussion paper considers a number of issues raised by shipping companies regarding an administrative burden in relation to the legislation.<sup>57</sup> Concerns of stakeholders went to the reporting requirements as well as the licensing requirement under the legislation regarding the five-voyage-minimum requirement.<sup>58</sup>

2.39 The committee made extensive inquiries in relation to road safety initiatives and spending in the 2016–17 and 2017–18 Budgets. In particular, the committee drew attention to the apparent underspend in the road safety budget during 2016–17, given the importance of reducing Australia's road toll.<sup>59</sup> To that end, the committee sought information about the time frame for mandating autonomous braking and lane-keep assist technology on imported vehicles,<sup>60</sup> and drew attention to the possibility of importing vehicles with ANCAP ratings as low as two stars.<sup>61</sup>

2.40 The committee asked questions about a review of the National Road Safety Strategy, and was informed that an expert panel will review Australia's progress and report back to ministers this year.<sup>62</sup>

2.41 The committee sought details about measures to encourage the uptake of electric vehicles, further to the launch of the national Electric Vehicle Council and announcement by the Minister for Environment and Energy of a grant from the Australian Renewable Energy Agency (ARENA) to the Council to support the uptake of electric vehicles.<sup>63</sup> The committee was informed that, rather than applying a target for electric vehicle uptake, the Ministerial Forum on Vehicle Emissions is looking at a range of policy initiatives, including:

- the Green Vehicle Guide;
  - ClimateWorks measures to improve consumer information;
  - Choice publications to break down consumer barriers;
  - attractive financing arrangements by the Clean Energy Finance Corporation;
- and

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56 *Proof Hansard*, 23 May 2017, pp. 114–116.

57 *Proof Hansard*, 23 May 2017, p. 116.

58 *Proof Hansard*, 23 May 2017, p. 116.

59 *Proof Hansard*, 23 May 2017, pp. 118–19.

60 *Proof Hansard*, 23 May 2017, pp. 120–22.

61 *Proof Hansard*, 23 May 2017, p. 124.

62 *Proof Hansard*, 23 May 2017, p. 12.

63 *Proof Hansard*, 23 May 2017, pp. 123–4.



- concession for low-emissions vehicles in the luxury car tax.<sup>64</sup>

2.42 The committee asked whether the department had undertaken an investigation into the use of Plutus by labour hire companies, and was advised that the department would be reviewing the companies involved and any implications for contractors engaged by the portfolio.<sup>65</sup>

2.43 The committee sought the rationale for paying 50 per cent or \$1.2 billion of financial assistance to local governments in the 2016–17 financial year. In response, Mr Mike Mrdak, Secretary, of the department told the committee:

As part of the budget announcement the minister has outlined that it is designed to provide additional funding for councils to be able to utilise. As you would be aware for the 2017–18 year indexation has been returned to the Financial Assistance Grants. At the same time the government has decided to bring forward 50 per cent of the 2017–18 payment to enable local government investment to take place.<sup>66</sup>

2.44 In response to questioning about reviewing the eligibility criteria for the grants scheme, Minister for Regional Development and Minister for Local Government and Territories Senator the Hon Fiona Nash informed the committee that there are 'discussions about the current criteria' and that there 'a number of programs running where we do consistently have reviews'.<sup>67</sup>

2.45 The committee sought an update on the independent review of Regional Development Australia (RDA) conducted by the Hon Warwick L Smith including an online survey by Orima Research. The committee was informed that:

- the review commenced on 15 September 2016;
- the review concluded and reported to government in December 2016;<sup>68</sup>
- the report is being considered by the government, with a response from Minister Nash 'forthcoming very shortly'; and
- whether the review and the results of the online survey, will be made public is under consideration.<sup>69</sup>

2.46 The committee requested that information be provided on the cost of the review, including details of travel undertaken by Mr Smith and costs of the contract with Orima Research.<sup>70</sup>

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64 *Proof Hansard*, 23 May 2017, p. 123.

65 *Proof Hansard*, 23 May 2017, p. 125.

66 *Proof Hansard*, 23 May 2017, p. 126.

67 *Proof Hansard*, 23 May 2017, pp. 126–8.

68 *Proof Hansard*, 23 May 2017, pp. 129.

69 *Proof Hansard*, 23 May 2017, pp. 128–30.

70 *Proof Hansard*, 23 May 2017, pp. 129–30.

## Western Sydney Unit

2.47 The committee briefly asked about noise reduction programs at Western Sydney Airport. Noise reduction was addressed in the environmental impact statement and has found that there are no residential areas affected by the noise.<sup>71</sup>

2.48 The committee asked about off-airport hazards and wildlife hazards and consistency with International Civil Aviation Organization (ICAO) standards, and was informed that bird and bat strike reviews were conducted as part of environmental impact statements in 1985, 1997–1999 and 2014–2016 and found no significant risk.<sup>72</sup>

2.49 The committee pursued the issue of fuel being supplied to Western Sydney Airport and the possibility of a pipeline replacing current trucking arrangements. The committee heard that work is being conducted in consultation with the New South Wales Government to look at the requirements and options for fuel pipelines to supply the airport when it is needed.<sup>73</sup>

2.50 The committee was advised that on the issue of rail versus road access to the airport, a very large piece of rail planning work by the Commonwealth and New South Wales is nearing completion.<sup>74</sup>

2.51 The committee sought further information about arrangements to cater for increased traffic at the airport, including the use of head-to-head operations and curfews.<sup>75</sup>

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71 *Proof Hansard*, 23 May 2017, p. 131.

72 *Proof Hansard*, 23 May 2017, pp. 132–3

73 *Proof Hansard*, 23 May 2017, p. 133.

74 *Proof Hansard*, 23 May 2017, p. 133.

75 *Proof Hansard*, 23 May 2017, p. 135.