

Chapter 3

Infrastructure, Transport, Regional Development and Local Government portfolio

Department of Infrastructure, Transport, Regional Development and Local Government

3.1 The committee heard evidence from the department on Tuesday 24 February 2009. The hearing was conducted in the following order:

- Corporate Services
- Infrastructure Australia
- Nation Building—Infrastructure Investment
- Australian Rail Track Corporation Ltd
- Aviation and Airports
- Airservices Australia
- Civil Aviation Safety Authority
- Australian Transport Safety Bureau
- Office of Transport Security
- Bureau of Infrastructure, Transport and Regional Economics
- Infrastructure and Surface Transport Policy
- National Transport Strategy
- Local Government and Regional Development
- Office of Northern Australia
- Australian Maritime Safety Authority

Secretary's overview

3.2 In his opening remarks to the committee, the secretary, Mr Michael Taylor, gave an overview of developments within the department. He also outlined changes to senior management within the organisation, including the appointment of two new deputy secretaries, Ms Lyn O'Connell and Ms Stephanie Foster. He gave details of adjustments to the organisational structure in response to recent initiatives by the government and their priorities in relation to nation building, infrastructure, Northern Australia, and local government and regional development. These changes are detailed at Appendix 4.¹

1 *Proof Estimates Hansard*, 24 February 2009, pp 3–5.

Corporate Services

3.3 The committee began by asking about the application of the efficiency dividend. The secretary informed the committee that the department has continued to address this issue through its implementation of technology. It also considers improvements to the delivery of programs and operations, and makes choices in relation to priorities.

3.4 During the organisational changes that took place in December 2007, the department reassigned resources to meet the new government's program priorities. Some natural attrition has occurred, but it has been carried out efficiently and seamlessly. The only area where specific reductions were made was under the Regional Partnerships Program (RPP). The secretary indicated that, apart from the RPP, there has been no reduction in core activities.²

3.5 The committee also sought information about:

- measurement of service standards (*Proof Estimates Hansard*, 24 February 2009, p. 6);
- current departmental staffing (pp 6–7);
- graduate recruitment (p. 7);
- expenditure on consultancies; media monitoring; advertising and communications; hospitality (pp 8 and 9–10);
- department's appropriations to be transferred to the Treasury department under the Federal Financial Relations Bill (p. 8);
- depreciation funding for recurrent expenditure (pp 8–9);
- department's input into the stimulus package (p. 9);
- compliance with the Senate order in relation to notification of board appointments (p. 9);
- FOI requests (p. 11);
- whole-of-agency approach to incorporating the reduction of greenhouse gas emissions into policies and programs of the department (p. 11); and
- ministerial and departmental costs of community cabinet meetings (pp 11–13).

Infrastructure Australia

3.6 The committee asked Infrastructure Australia about the effect of the budget deficit on its funding. Mr Michael Deegan, Infrastructure Coordinator, responded that:

2 *Proof Estimates Hansard*, 24 February 2009, p. 6.

Our role is to provide advice on infrastructure projects suitable for funding from the Building Australia Fund, but we have been clear all along that it is up to government to make the decisions as to the allocation of funds on whatever advice they might receive.³

3.7 The committee sought confirmation that the Building Australia Fund (BAF) still has the same level of funding as it did before the budget went into deficit, that is, \$20 billion. The Minister indicated that \$12.6 billion has already been allocated to the BAF and further allocations are subject to budget circumstances. Of the \$12.6 billion, \$4.7 billion is for the National Broadband Network. The Minister stated that the government announced an intention to allocate \$20 billion depending on budget surpluses, so there was no actual allocation of \$20 billion.⁴

3.8 The committee was interested in the impact of the reduced funding on Infrastructure Australia's development of its list of priorities for the government. Mr Deegan explained that Infrastructure Australia hopes to provide a long-term plan for the country's future in terms of its infrastructure; short-term or medium-term funding are issues for the government. Infrastructure Australia will provide advice about the type and nature of projects that might be considered, including by other funding opportunities either within government or the private sector.⁵

3.9 The committee questioned Infrastructure Australia about its evaluation of projects based on assumptions about the future price of carbon. Mr Deegan indicated that part of their work has been looking at short-term carbon and oil price assumptions. They have been considering carbon costs in cost-benefit ratios and evaluating projects on their merits based on how well they might help position Australia for a robust economy within long-term carbon and oil futures. Mr Deegan outlined two processes they undertake: firstly, a profile in terms of treatment of carbon and oil price issues and, secondly, a more detailed appraisal of issues that applicants have dealt with in calculating direct and indirect emissions of their proposal and assigning a value, if at all, to carbon emissions. In addition, they also consider whether those estimates were based on robust and reasonable sources. Mr Deegan explained further:

Part of our process is to try and address that broader issue of how these climate change impacts are considered. It would be only fair to say that a number of the proponents—indeed, a great majority—are struggling with working through how to deal with that. To be fair, I think it is a work in progress.⁶

3.10 Mr Deegan advised the committee that while the better developed submissions have considered a whole host of issues including greenhouse gas

3 *Proof Estimates Hansard*, 24 February 2009, p. 14.

4 *Proof Estimates Hansard*, 24 February 2009, p. 14.

5 *Proof Estimates Hansard*, 24 February 2009, p. 14.

6 *Proof Estimates Hansard*, 24 February 2009, p. 15.

emissions, there are a number of projects where Infrastructure Australia has sought further information.⁷ He emphasised that this is a new approach in terms of assessment of infrastructure requirements:

We are seeking to work with the proponents—the states, the private sector and others—to work on the infrastructure for the nation in a way that not only minimises these risks but also renders them least vulnerable to the risks of climate change and energy into the future. The process is still underway.⁸

3.11 The committee also discussed the following issues:

- how Infrastructure Australia informs itself of the needs of rural and regional Australia (*Proof Estimates Hansard*, 24 February 2009, p. 13);
- Infrastructure Australia's budget (p. 13);
- development of priorities for the first tranche of infrastructure spending; timing of priorities list to government (p. 14);
- evaluation of the greenhouse gas ramifications of each project (p. 16);
- meetings between Infrastructure Australia and the BITRE Climate Change Taskforce within the department (p. 17);
- gaps between priority areas identified by Infrastructure Australia and those raised in project submissions (pp 17–18);
- coordination of Infrastructure Australia's work with development of planning for the national electricity grid and water infrastructure (pp 17–18);
- Infrastructure Australia's funding for infrastructure projects and staffing (pp 18–21 and 22–23);
- work of the Major Cities Unit (pp 21–22);
- letter from Sir Rod Eddington, outlining Infrastructure Australia's work to date, that was inadvertently put on the departmental website (pp 23–24, 33–36 and 37–38);
- whether the Cooroy to Curra section upgrade of the Bruce Highway has attracted the attention of Infrastructure Australia (pp 36–37);
- whether Infrastructure Australia has been asked to spread expenditure across the states (p. 37);
- development of a national people-moving strategy for Australia (pp 38–39); and

7 *Proof Estimates Hansard*, 24 February 2009, p. 16.

8 *Proof Estimates Hansard*, 24 February 2009, p. 17.

- whether Infrastructure Australia is aware of press reports that the Prime Minister has promised a significant amount of infrastructure funding for Victoria (pp 39–40).

Nation Building—Infrastructure Investment

3.12 The committee sought an update from the department on the following projects:

- funding for the Bunbury port access road and outer ring-road stage 1 (*Proof Estimates Hansard*, 24 February 2009, p. 24);
- extension of Tasmania's national network to include the Brooker Highway from Granton to the Port of Hobart and the Tasman Highway from Hobart to the Hobart airport (pp 25–26);
- funding and delivery time for a range of transport initiatives in Tasmania, including rail and major roads (p. 27);
- Tully flood plain highway (p. 31);
- port access road in Townsville (pp 31–32);
- duplication of the Burdekin Bridge (p. 32);
- Cooroy to Curra section upgrade of the Bruce Highway and the proposed Traveston Crossing Dam (p. 32);
- Northern Link tunnel project in Brisbane (pp 40 and 41); and
- Hann Highway (p. 41).

3.13 The committee also discussed:

- due diligence process to ensure that state governments do not shift the cost of projects to the federal government (pp 25–27);
- funding for local roads contained in the recent stimulus package (pp 27–28);
- request for department to investigate a black spot on the New England Highway at Bolivia Hill (p. 28);
- trials of a national digital train management system (pp 28–29);
- consideration of an education campaign in conjunction with spending on boom gates and active controls at level crossings (p. 29);
- funding for boom gates (pp 29–31 and 40);
- whether there are any projects for upgrading the Townsville to Mount Isa railway line (pp 41 and 42–43);
- proposal to open a new phosphate mine in the Northern Territory (p. 43); and
- intermodal transport planning (p. 43).

Australian Rail Track Corporation Ltd (ARTC)

3.14 The Chief Executive Officer of the ARTC, Mr David Marchant, made an opening statement highlighting funding for the ARTC in the government's recent nation-building and economic stimulus package. Mr Marchant informed the committee that the package included an investment of \$1.26 billion in ARTC in the form of equity, as the ARTC is a corporation under the Corporations Act and does not receive funding from consolidated revenue.

3.15 The government's equity investment is primarily directed at two areas: the first part is to assist in the delivery of a major capital program to enhance the capacity of the Hunter Valley coal mines, enabling the rail infrastructure to manage the planned increase in export coal over the next three to four years. The second part of the package is \$563 million for a number of projects outside the Hunter Valley, split into projects to commence before May 2009 and projects for commencement after 2009.⁹

3.16 The committee also sought information about:

- Queensland border to Acacia Ridge track upgrade (*Proof Estimates Hansard*, 24 February 2009, p. 45);
- ARTC's charter (p. 46);
- ARTC's role in the New South Wales Grain Freight Task Force (p. 47); and
- upgrade of the Ardglen Tunnel in the Hunter Valley (pp 48–49).

Aviation and Airports

3.17 The committee sought information about the role of the Aviation and Airports Division. Divisional officers advised that their key role is to 'look at how the whole system coordinates and administers the broad legislation'. They participate in the processes of the International Civil Aviation Organisation, which sets the global structure. They also have interests in industry policy, in the overall framework for safety administration, with the detail carried out by CASA and ATSB, and in the overall framework for services, which is Airservices Australia's area. A significant amount of the division's work is related to airports, where they have a specific role as the regulator of the federal airports under the provisions of the Airports Act and as representatives of the Commonwealth for the leases granted to those sites.¹⁰

3.18 The committee raised concerns about:

- Sydney airport capacity (*Proof Estimates Hansard*, 24 February 2009, p. 49);

9 *Proof Estimates Hansard*, 24 February 2009, pp 44–45. See also discussion at pp 46–47.

10 *Proof Estimates Hansard*, 24 February 2009, p. 50.

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- proposals in relation to resealing and extending of Karumba airstrip under the Remote Aerodrome Safety Program (pp 49–50);
 - noise insulation of Fort Street High School; noise insulation programs in Adelaide and Sydney (pp 50–51 and 55–59);
 - status of Essendon airport (pp 51–53);
 - parking regulations at Canberra airport (pp 53–55); and
 - development of Canberra airport as a hub (p. 59).

Airservices Australia

3.19 The committee sought an update on the air traffic controllers' dispute. The Chief Executive Officer, Mr Greg Russell, advised that they have been in intense negotiations with the air traffic union, Civil Air, for the last couple of weeks and have made quite good progress. He indicated that the negotiations are at a delicate stage, with further meetings of the negotiating committees the following day. He expressed hope that they 'might see an agreement soon'.¹¹

3.20 The committee raised concerns about the possible impact of any industrial action on the broader economy and whether the government has developed any contingency plans if things go wrong. The Minister agreed to take this question on notice and refer it to the Minister for Infrastructure for a response. The Minister and the CEO also took on notice a series of questions relating to the detail of the ongoing negotiations, given that the negotiations are at a delicate stage and they did not want to say anything that might jeopardise them.¹²

3.21 The committee also raised the following issues:

- update on measures to address the shortage of air traffic controllers, including recruitment and training (*Proof Estimates Hansard*, 24 February 2009, pp 64–65);
- provision of air traffic control services at Launceston Airport (p. 65); and
- effect of navigation charges based on aircraft weight on regional services using smaller aircraft (p. 66).

Civil Aviation Safety Authority (CASA)

3.22 In his opening statement, the Chief Executive Officer, Mr Bruce Byron, advised the committee that his successor, Mr John McCormick, will take over the organisation from 1 March 2009. Mr Byron's term was due to expire at the end of

11 *Proof Estimates Hansard*, 24 February 2009, p. 60.

12 *Proof Estimates Hansard*, 24 February 2009, pp 60–64 and 65.

November 2008 but he agreed to work with the Minister to assist with the induction process of the new CEO.¹³

3.23 The committee raised concerns about Qantas outsourcing its aircraft maintenance overseas. CASA indicated that the outsourcing of maintenance is a long-term practice in the aviation industry. The key factor is that the organisation conducting the maintenance has appropriate approvals. CASA takes an active interest to ensure that the organisation, wherever it is located, operates to an appropriate standard. In addition, the operator has a duty of care and specific obligations under the Civil Aviation Act to ensure that maintenance conducted on their aircraft is managed and carried out by appropriately qualified people approved by CASA. In relation to Qantas' use of outsourcing in particular, the CEO stated that 'certainly I have no significant concerns about the practice'.¹⁴

3.24 CASA explained that the majority of Qantas' maintenance is conducted in Australia, with about 10 percent outsourced, when the capacity of these facilities are exceeded. During industrial problems last year, the percentage increased to about 20 percent. As a result, CASA has increased surveillance of the half-a-dozen organisations throughout Asia used by Qantas, with audits showing no significant problems. At the same time, recognising that human error does occur, CASA indicated that there is a solid international process for rectifying errors, the maintenance error decision aid (MEDA) process.¹⁵

3.25 The committee also asked about:

- Australia's overall air safety record (*Proof Estimates Hansard*, 24 February 2009, pp 67–68);
- new English language standards for student pilots (p. 68); and
- CASA directive issued to Qantas to ensure that only properly licensed engineers and maintenance personnel perform and certify maintenance; whether there was a flaw in CASA's risk management system (pp 68–71).

Australian Transport Safety Bureau (ATSB)

3.26 The committee sought a response from ATSB on the findings of the coronial inquiry into the sinking of the *Malu Sara* in the Torres Strait, given the strong criticisms of the ATSB by the coroner. ATSB officers informed the committee that they carried out an investigation into the search and rescue operation based on the best available evidence at the time. However, during the subsequent coronial inquiry, new

13 *Proof Estimates Hansard*, 24 February 2009, p. 66.

14 *Proof Estimates Hansard*, 24 February 2009, pp 66–67.

15 *Proof Estimates Hansard*, 24 February 2009, p. 67.

evidence was presented which had not been available to ATSB. ATSB has now reopened their investigation to review the new information, with an updated investigation report expected to be released shortly.¹⁶ ATSB emphasised:

accepting that we were not provided with that information originally, it is incumbent upon us to correct the public record in that respect.¹⁷

3.27 ATSB officers indicated that, while they understood the essence of the coroner's criticisms, concurring with some aspects and taking them on board, they considered the coroner's criticisms to be reasonably muted. ATSB pointed out that the coroner commented favourably on the work ATSB had done in testing the seaworthiness of the vessel, so, on balance, they were reasonably happy with his findings.¹⁸

3.28 The committee also discussed the use of mobile telephones on aircraft.¹⁹

Office of Transport Security

3.29 The committee discussed the following matters:

- ability of persons with a criminal history to obtain a maritime security identification card (MSIC) provided it is not a maritime security related offence and they have not been imprisoned (*Proof Estimates Hansard*, 24 February 2009, pp 74–75); and
- auditing of the screening authorities at airports; inconsistencies in screening procedures (pp 75–77).

Bureau of Infrastructure, Transport and Regional Economics (BITRE)

3.30 The committee held a brief discussion with officers of the BITRE about their research program and priorities.²⁰

Infrastructure and Surface Transport Policy; and National Transport Strategy

3.31 The department explained that these two divisions were appearing together to assist the committee as sometimes the committee had not found it easy to distinguish between their work at previous estimates hearings.²¹

16 *Proof Estimates Hansard*, 24 February 2009, pp 71–72.

17 *Proof Estimates Hansard*, 24 February 2009, p. 73.

18 *Proof Estimates Hansard*, 24 February 2009, p. 72.

19 *Proof Estimates Hansard*, 24 February 2009, pp 73–74.

20 *Proof Estimates Hansard*, 24 February 2009, pp 77–82.

21 *Proof Estimates Hansard*, 24 February 2009, p. 82.

3.32 The committee asked about the exact nature of the work carried out by these two areas. The department advised that the Infrastructure and Surface Transport Policy division covers four broad areas: road safety; vehicle standards; maritime policy, which oversees the Australian Maritime Safety Authority; and Transport Integration and Reform, which oversees the reform agenda for managing differential regulatory arrangements between the states. This last area overlaps with the work of the National Transport Strategy, which is a specific set of requirements arising from decisions made by the Australian Transport Council.²²

3.33 The committee was interested in the work being done to develop a single national heavy vehicle regulation system, which is being coordinated by the National Transport Strategy division. The division indicated that the Commonwealth and the states and territories have agreed and implemented a consistent approach to the charging regime for heavy vehicles, through a determination by all of the ministers in early 2008. The driver fatigue laws that were implemented at the end of September 2008 were developed as model laws under the National Transport Commission arrangements and implemented independently by each of the jurisdictions.²³

3.34 The division explained that there are a number of other areas where the National Transport Commission has developed model legislation which has been accepted by all jurisdictions, however, each jurisdiction is responsible for implementing the model in its own area. In doing so, not all of them implement the legislation exactly as it has been developed, instead, they make variations to it.²⁴

3.35 The committee also discussed:

- the Tasmania Freight Equalisation Scheme (*Proof Estimates Hansard*, 24 February 2009, pp 83–85); and
- progress in establishing a national scheme for minimum safe work practices for heavy vehicle drivers (pp 85–87).

Local Government and Regional Development

3.36 The committee sought an update on the Regional Development Australia (RDA) committees. The department advised that Area Consultative Committees (ACCs) officially became the RDA network on 1 January 2009 and were given a new role by the Minister. In August 2008, the state and territory regional development ministers and the Commonwealth ministers agreed that it would provide a better service to the community if the Commonwealth RDA network could be aligned with similar organisations in each state and territory. The Commonwealth is currently

22 *Proof Estimates Hansard*, 24 February 2009, p. 82.

23 *Proof Estimates Hansard*, 24 February 2009, pp 82–83 and 85.

24 *Proof Estimates Hansard*, 24 February 2009, pp 82–83.

negotiating with each state and territory to establish those networks and to align them with state and local council boundaries where possible.²⁵

3.37 The department informed the committee that as the transition from ACCs to RDAs is expected to take place in the middle of this year, the chairs of the ACCs have been asked to remain in place until then, to ensure continuity in the transition to RDAs.²⁶

3.38 The committee also heard evidence about:

- progress with assessment of applications under the Regional and Local Community Infrastructure Program; increased funding; eligibility criteria (*Proof Estimates Hansard*, 24 February 2009, pp 87–95 and 103–105);
- role and membership of the Australian Council of Local Governments Steering Committee (pp 101–102);
- update on the Barcaldine Tree of Knowledge project (p. 106);
- Dysart Sports Centre (p. 106); and
- rebuilding of Einasleigh River bridge (p. 107).

Office of Northern Australia

3.39 The committee was informed that the Office of Northern Australia, formerly part of the Regional and Local Government division, is now a stand-alone division. The department was unable to give details of the division's budget as the 'restructure has only just happened and the budgets are being finalised'.²⁷

3.40 The committee also raised the following issues:

- proposed development of rock phosphate mining near Mount Isa and Tennant Creek (*Proof Estimates Hansard*, 24 February 2009, pp 108–109);
- progress on soil typing assessment (p. 109);
- Northern Australia Land and Water Taskforce: revised terms of reference; mid-term report; role; future work plan; membership (pp 109–111 and 115);
- funding for the Ord stage 2; possible extension of the Ord scheme to the Northern Territory (pp 111–113);
- staffing and budget for regional offices in Townsville and Darwin (p. 114.); and

25 *Proof Estimates Hansard*, 24 February 2009, p. 105. See also discussion at pp 106–107.

26 *Proof Estimates Hansard*, 24 February 2009, p. 107.

27 *Proof Estimates Hansard*, 24 February 2009, pp 107–108.

- whether the departmental budget is likely to increase, given the additional workload arising from the stimulus package (pp 114–115).

Australian Maritime Safety Authority (AMSA)

3.41 The committee sought a response from AMSA on the findings of the coronial inquiry into the sinking of the *Malu Sara* in the Torres Strait. The committee was interested to know whether AMSA accepted the coroner's finding in relation to 'deficiencies in its procedures which allow defective vessels...to be brought into survey without any physical inspection or testing'.²⁸

3.42 AMSA officers advised that they have looked very carefully at the coroner's findings and have already taken a number of steps to address this issue, including:

- reminding government agencies of the relevant safety standards;
- increased monitoring of compliance with those safety standards;
- checking supporting documentation to demonstrate that vessels meet safety standards and ensuring that they have been tested for seaworthiness;
- requiring more effective communication equipment be kept on board and ensuring that navigational aids commensurate with the area of operation are also on board; and
- ensuring that people on these vessels carry 406 megahertz distress beacons and ensuring that the crew are qualified in accordance with the relevant standards on the uniform shipping laws.²⁹

3.43 The committee also expressed interest in AMSA's response to the coroner's finding in relation to training for AusSAR officers 'to ensure they recognise circumstances in which the agency should immediately assume primary responsibility for the overall coordination of a search and rescue incident'.³⁰ The committee was particularly concerned about cases where there is no direct request to take over, from the local or state police, for example, but circumstances are unfolding in such a way that there should be. AMSA officers explained that, in light of this finding, they have reviewed their training processes and reviewed the manual, in conjunction with the National Search and Rescue Council, 'to ensure that it is clear and it provides good, clear guidance for both ends of such a conversation'.³¹ AMSA undertook to provide, on notice to the committee, sections of the procedures manual and any other documentation where changes have been made in response to the coroner's findings.

28 *Proof Estimates Hansard*, 24 February 2009, p. 98.

29 *Proof Estimates Hansard*, 24 February 2009, pp 98–99.

30 *Proof Estimates Hansard*, 24 February 2009, p. 99.

31 *Proof Estimates Hansard*, 24 February 2009, p. 100.

3.44 The committee also discussed:

- search and rescue program and the availability of Dornier aircraft (*Proof Estimates Hansard*, 24 February 2009, pp 95–96);
- radar problems and other mechanical incidents (pp 96–97);
- reason why the Brisbane base is not operational (pp 97–98);
- damage to one aircraft during a night mission (p. 98); and
- review conducted by Mr Ric Smith (p. 98).



Senator Glenn Sterle
Chair

