

The Senate

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Rural and Regional  
Affairs and Transport  
Legislation Committee

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Budget estimates 2010-11

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## List of Abbreviations

ABARE	Australian Bureau of Agricultural and Resource Economics
AFMA	Australian Fisheries Management Authority
AMSA	Australian Maritime Safety Authority
ANAO	Australian National Audit Office
APVMA	Australian Pesticides and Veterinary Medicines Authority
AQIS	Australian Quarantine and Inspection Service
ARTC	Australian Rail Track Corporation
ATSB	Australian Transport Safety Bureau
AWI	Australian Wool Innovation
BRS	Bureau of Rural Sciences
CASA	Civil Aviation Safety Authority
CBD	Central business district
CEO	Chief Executive Officer
CCAMLR	Convention for the Conservation of Antarctic Marine Living Resources
CCSBT	Commission for the Conservation of Southern Bluefin Tuna
CITES	Convention on International Trade in Endangered Species of Wild Fauna and Flora
COAG	Council of Australian Governments
CSIRO	Commonwealth Scientific and Industrial Research Organisation
DAFF	Department of Agriculture, Fisheries and Forestry
DEWHA	Department of the Environment, Water, Heritage and the Arts
DITRD LG	Department of Infrastructure, Transport, Regional Development and Local Government
EC	Exceptional Circumstances
EPBC Act	<i>Environment Protection and Biodiversity Conservation Act 1999</i>
ETS	Emissions Trading Scheme
FSANZ	Food Standards Australia New Zealand
FTA	Free trade agreement
GDP	Gross domestic product

GVP	Gross value of product
IOTC	Indian Ocean Tuna Commission
IRA	Import Risk Analysis
IVA	Independent Viability Assessment
LGRD	Local Government and Regional Development
MERI	Monitoring, evaluation, reporting and improvement
MOU	Memorandum of Understanding
MSIC	Maritime Safety Identification Card
NHT	National Heritage Trust
NRM	Natural resource management
OTS	Office of Transport Security
PAES	Portfolio Additional Estimates Statements
PBS	Portfolio Budget Statements
PIAPH	Product Integrity, Animal and Plant Health
PIMC	Primary Industries Ministerial Council
R&D	Research and development
RDA	Regional Development Australia
RIRDC	Rural Industries Research and Development Corporation
RLCIP	Regional and Local Community Infrastructure program
RPT	Regular public transport
SRM	Sustainable resource management
TFES	Tasmanian Freight Equalisation Scheme
US/USA	United States/United States of America
WEA	Wheat Exports Australia
WTO	World Trade Organization



# Chapter 1

## Introduction

1.1 On 11 May 2010, the Senate referred the following documents to the Rural and Regional Affairs and Transport Legislation Committee (the committee) for examination and report in relation to the Agriculture, Fisheries and Forestry portfolio and the Infrastructure, Transport, Regional Development and Local Government portfolio:

- Particulars of proposed expenditure in respect of the year ending on 30 June 2011;
- Particulars of certain proposed expenditure in respect of the year ending on 30 June 2011; and
- Particulars of proposed expenditure in relation to the parliamentary departments in respect of the year ending on 30 June 2011.<sup>1</sup>

1.2 The committee was required to report to the Senate on its consideration of 2010-2011 budget estimates on 22 June 2010.

1.3 The committee considered the Portfolio Budget Statements 2010-2011 for both portfolios at hearings on 24, 25, 26 and 27 May 2010. The hearings were conducted in accordance with the agreed agenda as follows:

- Monday 24 May 2010 – Agriculture, Fisheries and Forestry portfolio.
- Tuesday 25 May 2010– Agriculture, Fisheries and Forestry portfolio.
- Wednesday 26 May 2010 – Infrastructure, Transport, Regional Development and Local Government portfolio.
- Thursday 27 May 2010 – Infrastructure, Transport, Regional Development and Local Government portfolio.

1.4 The committee heard evidence from Senator the Hon Nick Sherry, Assistant Treasurer, representing the Minister for Agriculture, Fisheries and Forestry,<sup>2</sup> and Senator the Hon Stephen Conroy, Minister for Broadband, Communications and the Digital Economy, representing the Minister for Infrastructure, Transport, Regional Development and Local Government. Evidence was also provided by Dr Conall O'Connell, Secretary of the Department of Agriculture, Fisheries and Forestry, Mr Mike Mrdak, Secretary of the Department of Infrastructure, Transport, Regional

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1 *Journals of the Senate*, No. 120, 11 May 2010, p. 3444.

2 Senator the Hon John Faulkner, Minister for Defence, and Senator the Hon Ursula Stephens, Parliamentary Secretary for Social Inclusion and Parliamentary Secretary for the Voluntary Sector, also represented the Minister for Agriculture, Fisheries and Forestry for short periods.

Development and Local Government, and officers representing the departments and agencies covered by the estimates before the committee.

1.5 The committee thanks the ministers, departmental secretaries and officers for their assistance and cooperation during the hearings.

### **Changes to departmental structures**

1.6 The committee notes that a change has been made to the departmental structure of the Department of Infrastructure, Transport, Regional Development and Local Government since the 2009-10 Additional Estimates in February 2010. As at 15 February 2010, the Bureau of Infrastructure, Transport and Regional Economics was incorporated into a new Policy and Research division.

1.7 The committee notes that no changes have been made to the departmental structure for the Department of Agriculture, Fisheries and Forestry since the 2009-10 Additional Estimates.

### **Questions on Notice**

1.8 In accordance with Standing Order 26, the committee is required to set a date for the lodgement of written answers and additional information. The committee requested that written answers and additional information be submitted by Wednesday 21 July 2010.

### **Additional information**

1.9 Answers to questions taken on notice at the committee's budget estimates hearings will be tabled in the Senate in separate volumes entitled 'Additional information relating to the examination of budget estimates 2010-2011, May 2010, Senate Rural and Regional Affairs and Transport Legislation Committee'. Documents not suitable for inclusion in the additional information volumes will be available on request from the committee secretariat.

1.10 Answers to questions on notice received from the departments will also be posted on the committee's website at a later date.

### **Note on references**

1.11 References to the Hansard transcript are to the proof Hansard; page numbers may vary between the proof and the official Hansard transcript.

## Chapter 2

### Agriculture, Fisheries and Forestry portfolio

#### Department of Agriculture, Fisheries and Forestry

2.1 This chapter contains the key issues discussed during the 2010-2011 budget estimates hearings for the Agriculture, Fisheries and Forestry portfolio. A complete list of all the topics discussed, and relevant page numbers, can be found at appendix 3.

2.2 The committee heard evidence from the department on Monday 24 May and Tuesday 25 May 2010. The hearing was conducted in the following order:

- Corporate Services/Corporate Finance/Corporate Policy
- Climate Change
- Australian Bureau of Agricultural and Resource Economics & Bureau of Rural Sciences
- Sustainable Resource Management
- Australian Fisheries Management Authority
- Australian Pesticides and Veterinary Medicines Authority
- Trade and Market Access
- Biosecurity Services Group
- Rural Industries Research and Development Corporation
- Wheat Exports Australia
- Agricultural Productivity
- Australian Wool Innovation

#### Corporate Services/Corporate Finance/Corporate Policy

2.3 Once again, the committee raised concerns about the impact of the efficiency dividend on the department. The Secretary indicated that the budget is distributed across the department and the efficiency dividend is managed as part of the normal planning process coming into the new financial year. Last year, in addition to freezing the graduate program, the department gained efficiencies in travel and use of contractors and consultants. A number of corporate activities, including human resources, finance and media were restructured to provide centralised services. In the human resources area, this led to a reduction in the number of staff by 12 to 13.<sup>1</sup>

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1 *Proof Estimates Hansard*, 24 May 2010, pp 4–5 and 6–7.

2.4 The committee was particularly interested in the department's graduate program and the costs associated with its resumption. The department explained that the additional cost of restarting the program is approximately \$1.7 million this financial year. This is a part-year cost as the graduates do not commence until the end of January 2011. The program will resume at its previous level, which includes around 60 graduates, plus trainees and Indigenous graduates. The department is looking at a total of 70 to 72, depending on how many suitable candidates it can attract.<sup>2</sup>

2.5 The committee raised the issue of answers to questions on notice from Additional Estimates in February 2010, as 15 answers remain outstanding. The committee noted that 'it makes it very difficult for us to follow things along when three months later we do not have the material' and asked about the source of the delay. The department advised that it has provided drafts for the Minister's consideration in relation to all of these answers.<sup>3</sup> The secretary added that:

It is a question, I think, of whether or not the minister has found that information sufficient for him to be able to provide an answer, and that is a question for the minister.<sup>4</sup>

## Climate Change

2.6 The committee expressed interest in the government's recent announcement of plans to conduct a pilot of drought reform measures in Western Australia, in partnership with the West Australian government. The department informed the committee that the pilot will run from 1 July 2010 to 30 June 2011, with payments under one component, Building Farm Businesses, to continue until June 2013. The department explained further:

The pilot will be testing seven measures in response to the national drought policy review, and the measures are designed to move from a crisis management approach to risk management. The total cost of the pilot is \$22.9 million. The Australian government has allocated \$17.9 million and the West Australian government is contributing \$5 million. The pilot will not—and I think is an important point—affect regions in other parts of Australia that are currently exceptional circumstance declared, and the intention is that the pilot will inform ongoing work on drought policy reform. It will be reviewed in 2011 and will provide the basis for future consideration of a new national drought policy, including measures, implementation and discussion with state and territory governments.<sup>5</sup>

2.7 The committee heard that one of the measures in the pilot, Farm Planning, will provide state funding of up to \$7,500 each for farmers to undertake training to

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2 *Proof Estimates Hansard*, 24 May 2010, p. 5.

3 *Proof Estimates Hansard*, 24 May 2010, pp 11–12.

4 *Proof Estimates Hansard*, 24 May 2010, p. 12.

5 *Proof Estimates Hansard*, 24 May 2010, p. 23.

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develop or update a strategic plan for their farm business. The plan will identify priority activities to help improve the management and preparedness of their farm business to respond to future challenges. Farmers who have completed this step can then apply for a grant of up to \$60,000 under the Building Farm Businesses program, subject to meeting eligibility criteria.<sup>6</sup>

2.8 The committee expressed concern about the department's estimate of around 140 to 150 farmers taking up the Farm Planning option and moving on to apply for Building Farm Businesses, given that there are some 6,000 farmers in the region. The department explained that:

There is no expectation that all 6,000 of those will undertake planning processes during this period or that they will get to the stage where they are applying for grants...The expectation is that probably there will be a few hundred farmers who will produce strategic plans during this 12-month trial period—and it is a trial, obviously—and then the expectation is that perhaps 150 of those might get to the level of applying for grants. That is the basis, I guess, on which these numbers are in front of us. This is just obviously a trial of a future approach and what we want to make sure of is that this can work through. The minister has been quite clear that he wants to see this happen in a measured way so that we do not inadvertently create new problems having come out of a system which people have agreed is not adequate.<sup>7</sup>

2.9 The department added that it will be monitoring the program and keeping the government informed about the uptake.<sup>8</sup>

2.10 The committee raised concerns about the Tasmanian Community Forest Agreement grants, in view of a number of grant recipients going into administration or facing other financial difficulties. The committee was particularly interested in the following issues:

- due diligence exercised by the government in disbursing the grants, including legal advice sought;
- current advice about legal mechanisms available to the Commonwealth to recover grant monies from recipient companies in administration;
- the asset retention period;
- oversight, including field visits and milestone reporting;
- the evaluation process;
- current problems facing the forestry industry in Tasmania; and

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6 *Proof Estimates Hansard*, 24 May 2010, pp 24–25.

7 *Proof Estimates Hansard*, 24 May 2010, p. 31.

8 *Proof Estimates Hansard*, 24 May 2010, p. 31.

- recent requests from the Tasmanian forest industry for assistance from the Commonwealth government.<sup>9</sup>

2.11 One member of the committee observed that:

The reason it becomes critical now, apart from verifying how Commonwealth money was spent, is that we have a situation where there is a discussion about another round of compensation in the Tasmanian forest industry. I think it is important that we find out that the money was spent as it was supposed to have been spent and, if companies have been onsold, that the asset value is returned to the Commonwealth before we go into another round.<sup>10</sup>

2.12 The department indicated that in order to provide the committee with comprehensive answers, it would have to take most of the questions on notice.<sup>11</sup>

### **Australian Bureau of Agricultural and Resource Economics (ABARE); and Bureau of Rural Sciences (BRS)**

2.13 The committee sought information about ABARE's report on the Murray-Darling Basin which assessed the future impact of the Australian government's environmental water purchase program. ABARE advised that the report was commissioned by the Department of the Environment, Water, Heritage and the Arts (DEWHA) at a cost of \$300,000.<sup>12</sup>

2.14 Some members of the committee were critical of a number of aspects of the report, including the limited number of field visits made to the area by ABARE officers and the type of modelling used which does not reflect what actually happens at the town and farm level. In response, ABARE officers indicated that they have done detailed surveys of irrigators throughout the Murray-Darling Basin over the last three years and have built up a good picture of the industry.<sup>13</sup> ABARE explained that the modelling was not designed to look at the impacts on particular towns:

That was not the job we were asked to do. We were asked to look at what the basin level and catchment level impacts would be—and when I say ‘catchment’ I am talking about the CSIRO sustainable yield region impacts—of the first part of the water buyback program. Looking at what the impacts are on a particular town is a separate exercise and I would suggest that we would not have approached it using a general equilibrium model.<sup>14</sup>

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9 *Proof Estimates Hansard*, 24 May 2010, pp 48–56.

10 *Proof Estimates Hansard*, 24 May 2010, p. 50.

11 *Proof Estimates Hansard*, 24 May 2010, pp 48–56.

12 *Proof Estimates Hansard*, 24 May 2010, pp 63 and 71.

13 *Proof Estimates Hansard*, 24 May 2010, pp 63–65.

14 *Proof Estimates Hansard*, 24 May 2010, p. 65.

2.15 In conclusion, the secretary emphasised that:

We stand by the report. The report had a certain purpose and was within certain limitations. We have provided that report and we stand by that report. The report did not pretend to be a report that would give you highly localised impact assessment of buybacks at the level that you have been talking about.<sup>15</sup>

## **Sustainable Resource Management**

2.16 The committee sought detailed information on budget cuts to the Caring for our Country program. The department advised that funding for Landcare has been reduced by \$10.9 million over four years. This is made up of \$6.4 million from indexation costs and \$4.4 million from administration costs, to reduce duplication. The number of staff administering the program will be reduced by around seven.<sup>16</sup> The department explained further:

...in the early years of any program it takes more resources to set a program up, put in place assessment processes, establish communications with and get information from people about what sorts of projects should be funded and those sorts of things. Landcare projects and Caring for our Country projects are being rolled out together. What we are planning to do is make more effective use of our staff in terms of things like monitoring projects, visiting projects, undertaking audits of compliance, making better use of automated contracting systems and automated acquittal systems and those sorts of things to reduce the administrative overhead on the program.<sup>17</sup>

2.17 Some members of the committee expressed concern about reduced funding for the National Heritage Trust (NHT), another component of Caring for our Country program. The department indicated that NHT funding has been cut by \$70 million over four years. Savings are being phased in so that they are smallest in the first year and larger in latter years, when there is more uncommitted money. The department continued:

In the first year of the program, they were obtained largely by efficiencies in implementation costs, costs associated with monitoring and evaluation, project management and communications. In the latter years, they will have some effects on programs. The areas where it is currently estimated that there will be some reduction are areas like national reserves, World Heritage, Coastcare—excluding the Barrier Reef, as I mentioned—and some of the implementation costs associated with facilitators, largely looking at savings in travel and overhead costs.<sup>18</sup>

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15 *Proof Estimates Hansard*, 24 May 2010, p. 69.

16 *Proof Estimates Hansard*, 24 May 2010, p. 78.

17 *Proof Estimates Hansard*, 24 May 2010, p. 78.

18 *Proof Estimates Hansard*, 24 May 2010, pp 86–87.

2.18 The committee was particularly concerned about \$5 million in reduced funding for NHT monitoring and evaluation, given recurring criticism from the Auditor-General about the department's monitoring and evaluation processes for natural resource management projects. The department observed that \$8 million per year will be spent on monitoring and evaluation, 'which is still a significant amount of money'. The department was unable to provide further information about reductions in specific monitoring and evaluation activities as the details are still being finalised.<sup>19</sup>

2.19 Continuing its interest from Additional Estimates, the committee sought an update on the department's involvement in the marine bioregional planning process. The department explained that its portfolio is involved in three areas:

- the Bureau of Rural Sciences (BRS) is conducting an analysis of fisheries data for each bioregion, aimed at estimating the gross value of product (GVP) of commercial fishing displaced by proposed reserve networks. The BRS will also undertake a limited qualitative assessment of the impacts on recreational, Indigenous and charter fishers and fishing communities. Opportunities will be provided for industry and public consultation;
- the department is part of a displaced activities working group at the Commonwealth level, which includes representatives from the fishing industry. This is developing a draft policy on the government's approach to activities displaced as a result of bioregional marine planning; and
- the Australian Fisheries Management Authority (AFMA) attends stakeholder consultation workshops held by DEWHA. AFMA also discusses marine bioregional planning at its management advisory committees and provides regular updates on the marine bioregional planning process through its circulars to industry.<sup>20</sup>

2.20 The committee was interested in the feedback received on the consultation process. The department indicated that the process has been extended a number of times in order to provide for additional consultation with industry and to allow industry time to consider and develop its advice back to government. The department added that:

It would probably be fair to say that the process, from an industry perspective, was too tight earlier in the process, but additional time has been granted in response to those concerns that industry has raised and the consultation periods that have been talked about have been extended beyond the statutory period, as provided under the environmental legislation.<sup>21</sup>

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19 *Proof Estimates Hansard*, 24 May 2010, pp 91–92.

20 *Proof Estimates Hansard*, 24 May 2010, p. 100.

21 *Proof Estimates Hansard*, 24 May 2010, p. 102.

2.21 The department advised that the draft plans for the south-west, north-west and north bioregions are estimated to be released in the second half of 2010, with the east bioregion to follow in early 2011.<sup>22</sup>

### **Australian Fisheries Management Authority (AFMA)**

2.22 The committee asked about the impact on the fishing community of the reduced quotas set by the Commission for the Conservation of Southern Bluefin Tuna (CCSBT), down from 5,265 tonnes to 4,015 tonnes per year. AFMA advised that while it has not conducted any analysis of the impact, its officers are in regular contact with the industry in Port Lincoln through their management group. AFMA informed the committee that:

There was initially some reduction in staffing numbers that were needed, but how that has transpired through the season, I am unsure. The message we are getting from them is that the fish are good, they have caught them quite quickly out in the Bight and there is some potential for the price to be up a bit. So the market might move reasonably well, but they are still doing it reasonably tough.<sup>23</sup>

2.23 The committee requested an update on patrols by the *Oceanic Viking* in the Southern Ocean. AFMA indicated that three patrols were conducted this financial year, instead of the four scheduled patrols in the budget. The final patrol was rescheduled for use in northern waters as a matter of priority. AFMA officers were also deployed as observers on three patrols conducted by French authorities. The French rescheduled a fourth patrol to work on piracy in the Indian Ocean.<sup>24</sup>

2.24 The committee was interested in AFMA's view on the impact of the reduced patrols. AFMA observed that 'there has been little impact on the deterrent effect', adding that 'we have not had a vessel sighted in Australian jurisdiction since June 2005'. However, there are a number of vessels of concern that operate outside Australian waters in Convention for the Conservation of Antarctic Marine Living Resources (CCAMLR) waters. These unregulated vessels run flags of convenience and are not party to the CCAMLR convention.<sup>25</sup> AFMA indicated that:

Over the last probably 10 years we have had a significant impact on the number of vessels that are operating illegally down there. Both we and the French have arrested a number and we have both destroyed quite a number of vessels. Us patrolling down there on a fairly regular basis I think keeps the process reasonably honest.<sup>26</sup>

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22 *Proof Estimates Hansard*, 24 May 2010, p. 100.

23 *Proof Estimates Hansard*, 24 May 2010, p. 117.

24 *Proof Estimates Hansard*, 24 May 2010, pp 118–119.

25 *Proof Estimates Hansard*, 24 May 2010, pp 119–120.

26 *Proof Estimates Hansard*, 24 May 2010, p. 120.

## **Australian Pesticides and Veterinary Medicines Authority (APVMA)**

2.25 The committee sought an update on the investigation into two-headed fish at a Queensland hatchery. The APVMA advised that the Noosa Fish Health Investigation Taskforce, established by the Queensland government, is about to publish its final report into the fish, fingerling and larval deaths and larval deformities at a single hatchery. To date, interim reports have indicated that, while it is plausible that chemicals could have been a cause, they have not been able to establish a direct link. The APVMA is awaiting the final report to see if any regulatory action is needed in terms of chemicals. The APVMA emphasised that 'we are in a difficult situation to take regulatory action unless there is a proven link'.<sup>27</sup>

2.26 The committee discussed significant reform processes that are underway, including the new single national regulatory framework for agricultural and veterinary chemicals, an initiative of the Council of Australian Governments (COAG). Officers advised that a framework document has been produced and endorsed by the Primary Industries Ministerial Council (PIMC):

What has to be developed then is a development and implementation plan. That will look at a series of options about how the single national framework can be implemented. We are due to go back to COAG by about the middle of June 2011 for COAG's acceptance or otherwise of that implementation plan and it will not be until that plan is implemented, sometime in 2012-13, depending upon the legislative requirements, that you will see any changes on the ground.<sup>28</sup>

2.27 The committee asked about the Minister's decision to increase cost recovery fees by 10 per cent. Officers explained:

That is an interim decision pending the significant reform processes that are happening—we have mentioned two of them here—with a view that there will be another review of costs once the functions, format and structure of the APVMA are better clarified, around this time next year.<sup>29</sup>

2.28 The committee heard that the regulations to give effect to this decision are currently being finalised. The additional revenue from the increase is around \$600,000 per year.<sup>30</sup>

## **Trade and Market Access**

2.29 The committee sought an update on the World Trade Organization (WTO) dispute with New Zealand in relation to apples. The department indicated that the draft report of the WTO panel has been released in confidence to the parties. The final

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27 *Proof Estimates Hansard*, 24 May 2010, pp 129–130.

28 *Proof Estimates Hansard*, 24 May 2010, p. 129.

29 *Proof Estimates Hansard*, 24 May 2010, p. 132.

30 *Proof Estimates Hansard*, 24 May 2010, p. 132.

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report is expected to be released in confidence on 27 May 2010, with public release to follow in early July. Officers explained that the government will have a right of appeal against the WTO decision and 'there is still the avenue open to us to try and reach a bilateral solution with New Zealand, should we choose to do that'.<sup>31</sup>

2.30 The committee requested an update on negotiations with the Russian Federation to resolve suspensions of red meat exports from Australia. The department indicated that of the 19 plants suspended at various times, 16 have now been relisted, with one remaining suspended. Another two have decided not to reapply, as they are unlikely to meet the requirements.<sup>32</sup>

2.31 In relation to kangaroo meat exports, the department advised that since the trade was suspended in August 2009, officers have been working with 'Australian industry and state regulatory authorities to develop a comprehensive submission back to Russia, addressing their concerns more holistically'.<sup>33</sup> This submission was lodged in April 2010 and the next step is for a Russian audit team to come to Australia to review the systems operating within the establishments seeking relisting.<sup>34</sup>

2.32 The committee raised concerns about the quality of documentation for Australian exports into international markets. Specifically, the committee referred to the recent seizure of a shipment of seahorses from Tasmania by US authorities due to poor quality documentation. The department advised that it is an issue for the Australian Customs Service and DEWHA, as Customs certifies Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) permitted exports on behalf of DEWHA. The committee was interested to know why DAFF officers do not play a role in the final certification process at the border, given their expertise in plant and animal matters. The department informed the committee that it is an issue between the US authorities and Customs in Tasmania, who are seeking to resolve the matter with assistance from the Australian embassy in the US. The committee heard that the seahorses will be donated to zoological schools.<sup>35</sup>

## **Biosecurity Services Group**

2.33 The committee expressed concern about the increase in charges for providing quarantine clearance services to Australia Post. The committee was interested to know whether there was any consultation between the department and Australia Post in determining the \$5 million increase. The Secretary indicated that he was not aware of any consultation between the department and Australia Post:<sup>36</sup>

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31 *Proof Estimates Hansard*, 25 May 2010, pp 8–9.

32 *Proof Estimates Hansard*, 25 May 2010, p. 16.

33 *Proof Estimates Hansard*, 25 May 2010, p. 15.

34 *Proof Estimates Hansard*, 25 May 2010, pp 15 and 16–17.

35 *Proof Estimates Hansard*, 25 May 2010, pp 6–8 and 24.

36 *Proof Estimates Hansard*, 25 May 2010, p. 28.

The reduction in the subsidy to Australia Post was something that took place in the normal budgetary processes. The normal budgetary processes, as you know, often do not involve prior notice of budgetary decisions.<sup>37</sup>

2.34 The department informed the committee that the current estimate for providing quarantine clearance services to Australia Post is approximately \$22 million per year.<sup>38</sup>

2.35 The committee was interested in the work of the Expert Review Panel on Equine Influenza, which proposed four primary scenarios in relation to a national eradication response, for the consideration of the PIMC. The committee noted that following on from the panel's work, the department had put a fifth scenario to the horse industry, a limited form of voluntary vaccination against equine influenza. The department explained that:

...it was just to test a scenario which had not really been fleshed out in the work by the panel but which was quite relevant because we did not have a national response agreement in place.<sup>39</sup>

2.36 The committee asked about industry support for a voluntary vaccination. The department indicated that there were a range of views on the issue, with the standardbred industry and the harness-racing industry opposed, while the Australian Racing Board was more positive. The PIMC is waiting to see whether an agreement can be reached across the different horse sectors by December, to accept a funding mechanism for an emergency response to eradicate the disease. If there is no agreement by that date, the PIMC has decided that steps should be taken to allow voluntary vaccination.<sup>40</sup>

2.37 The committee discussed the export certification reform process in some detail, seeking an update on the ministerial taskforces for each of the six industry sectors. The department advised that each taskforce has completed a detailed project plan which has gone to the Minister. The Minister has responded and asked them to proceed. The committee heard that a cost recovery impact statement has been done as part of the planning process for each sector.<sup>41</sup>

2.38 Once again, the committee was interested in the import risk analysis (IRA) for the importation of apples from China. The committee asked whether *Drosophila suzukii*, a soft fruit crop pest, is being considered as part of the current IRA, given its recent identification as a newly occurring pest in the United States. The department indicated that while *Drosophila suzukii* exists in China, it has never been shown to be

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37 *Proof Estimates Hansard*, 25 May 2010, p. 29.

38 *Proof Estimates Hansard*, 25 May 2010, p. 29.

39 *Proof Estimates Hansard*, 25 May 2010, p. 35.

40 *Proof Estimates Hansard*, 25 May 2010, pp 36 and 37.

41 *Proof Estimates Hansard*, 25 May 2010, pp 42–49.

on the pathway for harvest-ready apples. It is a pest that affects soft fruits such as strawberries, not hard skinned fruits such as apples and pears, unless they are rotten. In view of this, it is not being taken into account as part of the current IRA process.<sup>42</sup>

2.39 The committee sought details of the process for ensuring that rotting fruit is not contained in a consignment. The department advised that:

We expect and make sure that the regimes that we implement are only for harvest-ready and export quality fruit...

There is going to be a preinspection before the fruit leaves. There is going to be competent authority certification of the quality of the fruit, and at this end there will be an inspection as well on the arrival of the fruit. This is a risk-based system. It is not an absolute certainty, but under those circumstances we have put in place a complete system to ensure that the apples will arrive here in good condition. The fact is that these pests are not known to attack to the fruit unless there is severely damaged or rotting fruit.<sup>43</sup>

2.40 The committee requested an update on the IRA for beef. The department indicated that the IRA process for Canada and the United States started on 8 April, but the clock has stopped on Japan because of the recent foot and mouth disease outbreak. An expert panel to undertake the IRA has been announced, however, planning for in-country inspections has not yet been determined, as they are awaiting details of specific export locations within the two countries.<sup>44</sup>

### **Rural Industries Research and Development Corporation (RIRDC)**

2.41 The committee followed up on the impact of the RIRDC's reduced funding announced in last year's budget. The RIRDC confirmed that its budget was reduced by \$3 million per year over four years from 2009-10. The committee heard that the Minister had provided some guidance for the process:

The areas where we were asked to avoid cutbacks were in the areas of farm health and safety, emerging rural issues and the programs for which we receive a matched levy. During the year the board took the decision to try to build revenue by looking for other sources of revenue, for instance, the possibility of voluntary levies from some of the emerging industries and other sources. Over the course of the year, although we had the three million cut, which was met, we did secure additional income of \$3.2 million, which built our budget up.<sup>45</sup>

2.42 The committee was interested in the origin of the additional income. The RIRDC explained that it came from a range of sources, including the DAFF portfolio,

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42 *Proof Estimates Hansard*, 25 May 2010, pp 52–53.

43 *Proof Estimates Hansard*, 25 May 2010, p. 53.

44 *Proof Estimates Hansard*, 25 May 2010, pp 67–68.

45 *Proof Estimates Hansard*, 25 May 2010, p. 71.

some programs from Land and Water Australia, and a pastures program. The committee asked the RIRDC to provide, on notice, more detail about the individual projects and a breakdown of the funding.<sup>46</sup>

2.43 The committee discussed a number of the RIRDC's research projects, including initiatives to help farmers reduce their carbon footprint. The RIRDC advised that the new Rural Industries portfolio will be focussed on developing alternative crops, such as native foods, wildflowers, olives and quinoa, which are more suitable for growing in areas of lower rainfall.<sup>47</sup>

### **Wheat Exports Australia (WEA)**

2.44 The committee was interested in the Productivity Commission review of wheat export marketing arrangements. In particular, the committee asked about WEA's reaction to the recommendation in the Productivity Commission's draft report that WEA should be dismantled. WEA stated:

Our position is: it is business as usual; it is business as usual until and if the government makes changes to the act and to our responsibilities.<sup>48</sup>

2.45 WEA indicated that it has lodged a public submission in response to the draft report to clarify issues relating to the accreditation scheme and suggest areas for further investigation.<sup>49</sup> WEA tabled a copy of this submission during the hearing.<sup>50</sup>

2.46 The committee raised concerns about access arrangements at ports, including complaints about the providers of export port terminal services and lack of fairness and transparency. WEA told the committee that:

I think it is fair to say that this issue is probably the biggest issue that the industry is discussing at the present time...There have been a number of articles about these issues. The Productivity Commission themselves have indicated that they believe that is the biggest issue that they are addressing in their review. Clearly these sorts of issues are subject to their review, as it was in the draft report, and I am sure they will be coming out with a little bit more information in their final report.<sup>51</sup>

2.47 At the same time, WEA indicated that there has been a significant change since access undertakings were put in place on 1 October 2009, with general industry acknowledgment that there is greater transparency.<sup>52</sup>

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46 *Proof Estimates Hansard*, 25 May 2010, pp 71 and 77.

47 *Proof Estimates Hansard*, 25 May 2010, p. 71.

48 *Proof Estimates Hansard*, 25 May 2010, p. 78.

49 *Proof Estimates Hansard*, 25 May 2010, pp 78–79.

50 Tabled document no. 2: available on the committee's budget estimates 2010-11 web page

51 *Proof Estimates Hansard*, 25 May 2010, p. 83.

52 *Proof Estimates Hansard*, 25 May 2010, p. 83.

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## Agricultural Productivity

2.48 The committee sought information about reduced funding for the Regional Food Producers Innovation and Productivity Program. The department advised that the savings will be made over two years: \$1.5 million in 2010-11 and \$4 million in 2011-12. The savings have been redirected into two other initiatives, namely, Pacific Islands fisheries planning and a streamlined dispute resolution service for industry.<sup>53</sup>

2.49 The department is currently considering:

whether a third round of grants is the best option to deliver the program or whether the remaining funds could be delivered in some other way that might equally benefit the industry, but would be in a different sort of format.<sup>54</sup>

2.50 The committee asked about the consultation process with industry. The department advised that initial consultations have been held with the Australian Food and Grocery Council, a major industry representative. No further formal consultations have been planned until a decision is taken about the delivery of the program.<sup>55</sup>

2.51 The committee was interested in the department's involvement in the intergovernmental review of food labelling law and policy. The department indicated that it is funding half of the Commonwealth share of the review, which amounts to \$250,000. While the Department of Health and Ageing is the lead department with responsibility for formal oversight of the process, DAFF is part of the Food Regulation Standing Committee which set the terms of reference for the review, provides guidance to the review panel and will receive the review report.<sup>56</sup>

2.52 The committee heard that over 6,000 submissions were received in the first round, followed by a second round of consultations and submissions. The department outlined the timetable for the review panel:

They will prepare a draft report that they plan, as I understand it, to road test with a small focus group. They will discuss their draft report with the Food Regulation Standing Committee and then present the final report to the Food Regulation Ministerial Council in December this year.<sup>57</sup>

2.53 The review panel is due to report to COAG in early 2011.<sup>58</sup>

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53 *Proof Estimates Hansard*, 25 May 2010, p. 87.

54 *Proof Estimates Hansard*, 25 May 2010, p. 89.

55 *Proof Estimates Hansard*, 25 May 2010, p. 89.

56 *Proof Estimates Hansard*, 25 May 2010, pp 90–91.

57 *Proof Estimates Hansard*, 25 May 2010, p. 91.

58 *Proof Estimates Hansard*, 25 May 2010, p. 91.

2.54 The committee asked about the negotiation of a new statutory funding agreement between the government and Australian Wool Innovation (AWI). The department advised that the current agreement with AWI expires on 30 June 2010 and it has been in discussions with AWI for the last six to eight months since the public release of an independent three year review of AWI's performance.<sup>59</sup>

2.55 The department emphasised that while the performance review indicated a number of problems with the governance and management of AWI:

including that it did not consult well and did not plan its operations well, it concluded that AWI was not in breach of its obligations under that statutory funding agreement. From the regular six-monthly formal meetings that the department has with AWI under the provisions of the statutory funding agreement, it is our judgement as well that AWI has not formally breached the obligations under the statutory funding agreement.<sup>60</sup>

2.56 The department explained that the intent of the new statutory funding agreement with AWI is to reflect all of the recommendations made by the independent reviewer, including the recommendation that AWI undertake a 12-month review of its progress in implementing all of the other recommendations.<sup>61</sup>

2.57 The department indicated that while it is trying to make statutory funding agreements as consistent as possible across the board, given the history of AWI, the outcomes of the performance review and representations from stakeholders:

there will be a much stronger focus in the next iteration of the statutory funding agreement from AWI on accountability, governance arrangements and the ability of the government to more closely play an active role within the operations of AWI.<sup>62</sup>

### **Australian Wool Innovation (AWI)**

2.58 The committee discussed a number of governance issues with AWI. The committee was particularly interested to know whether AWI would present three reports on its performance to the Minister, if he were to request them. The Chairman of AWI indicated that he would take legal advice and advice from the board before considering their release. The committee then asked whether the Minister would agree to request these documents. The Minister agreed to take this question on notice and refer it to the Minister for Agriculture, Fisheries and Forestry for a response.<sup>63</sup>

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59 *Proof Estimates Hansard*, 25 May 2010, p. 97.

60 *Proof Estimates Hansard*, 25 May 2010, p. 98.

61 *Proof Estimates Hansard*, 25 May 2010, p. 98.

62 *Proof Estimates Hansard*, 25 May 2010, p. 99.

63 *Proof Estimates Hansard*, 25 May 2010, pp 101–102.

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2.59 The committee sought AWI's response to correspondence from a group of Italian companies to the Chairman of AWI which was leaked to the press. In the letter, they expressed disappointment about a recent visit of three AWI board members to Italy, claiming that the delegation did not express official AWI thinking. While AWI acknowledged that there was some 'in-house criticism' in this first letter, the Chairman indicated that it had been followed by a second letter in which these same Italian companies offered to do a joint marketing venture.<sup>64</sup>

2.60 The committee asked if the board knew how the letter was leaked. AWI informed the committee that:

It is fair to say that we are doing an investigation. There have been a series of leaks from the company and the information that is being leaked is biased, inaccurate and misleading.<sup>65</sup>

2.61 The committee sought an update on the development of alternatives to mulesing. AWI indicated that this is at the top of its research and development priorities, with \$3 million allocated in its operating budget. AWI observed that:

We have a commercial product in the market—the clips. We have another product, intradermals, which is getting very close, with registration at the APVMA at the moment, and towards the end of this year or early next year we might be doing some commercial trials. And, of course, the genetic work continues in the background: ultimately that is going to be our solution I think, but it takes time.<sup>66</sup>

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64 *Proof Estimates Hansard*, 25 May 2010, pp 103–104, 107–109 and 111.

65 *Proof Estimates Hansard*, 25 May 2010, p. 109.

66 *Proof Estimates Hansard*, 25 May 2010, p. 112.



## **Chapter 3**

### **Infrastructure, Transport, Regional Development and Local Government portfolio**

#### **Department of Infrastructure, Transport, Regional Development and Local Government**

3.1 This chapter contains the key issues discussed during the 2010-2011 budget estimates hearings for the Infrastructure, Transport, Regional Development and Local Government portfolio. A complete list of all the topics discussed, and relevant page numbers, can be found at appendix 4.

3.2 The committee heard evidence from the department on Wednesday 26 May and Thursday 27 May 2010. The hearing was conducted in the following order:

- Corporate Services
- Infrastructure Australia
- Nation Building—Infrastructure Investment
- Infrastructure and Surface Transport Policy
- Australian Maritime Safety Authority
- Policy and Research (incorporating the Bureau of Infrastructure, Transport and Regional Economics)
- Local Government and Regional Development
- Office of Northern Australia
- Aviation and Airports
- Airservices Australia
- Office of Transport Security
- Civil Aviation Safety Authority
- Australian Transport Safety Bureau

#### **Corporate Services**

3.3 The committee began by discussing key initiatives of the department set out in the budget. The department Secretary, Mr Mike Mrdak, outlined these initiatives in three main areas:

- infrastructure investment and long term infrastructure planning;
- regulatory reform for a single national market reform; and
- single national regulatory arrangements in transport.

These initiatives were discussed throughout budget estimates.

3.4 The Council of Australian Governments (COAG) has confirmed that the national regulators for maritime, heavy vehicles and rail safety will be fully operational by January 2013.<sup>1</sup>

3.5 New government measures were discussed, including the \$996 million additional funding provided to the Australian Rail Track Corporation (ARTC).

3.6 The late receipt of answers to questions on notice was revisited, with the committee expressing its dissatisfaction as to delays in responses from the Additional Estimates round in February this year. The Minister suggested that answers may be delayed to ensure they are as complete and up to date as possible.<sup>2</sup>

3.7 The committee was informed that funding has been brought forward on a number of projects, to facilitate and speed their completion. A majority of Nation Building Economic Stimulus Plan projects are well advanced and will be completed by the end of the next financial year.<sup>3</sup>

3.8 The committee queried the amount of funding brought forward to this financial year under the Nation Building Program and Local Government and Regional Development (LGRD) projects. The Secretary emphasised that the funding brought forward was not necessarily the full amount to complete the projects but that it simply reflects the progress of the projects.<sup>4</sup> The Secretary also detailed arrangements in place that enable the department to track the expenditure of the projects.<sup>5</sup>

### **Infrastructure Australia**

3.9 The committee revisited the cost and location of Infrastructure Australia's Major Cities Unit office in Sydney's CBD and compared this with the department's Sydney office in Rosebery. Infrastructure Australia indicated that the CBD location is an important factor in being able to deal effectively with its clients. Whereas the Secretary explained that the department's Rosebery office is an operational location that is shared with the Australian Quarantine and Inspection Service (AQIS) and other Commonwealth agencies and is convenient for Office of Transport Security (OTS) staff when required at the airport.<sup>6</sup>

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1 *Proof Estimates Hansard*, 26 May 2010, p. 4.

2 *Proof Estimates Hansard*, 26 May 2010, p. 6.

3 *Proof Estimates Hansard*, 26 May 2010, p. 4.

4 *Proof Estimates Hansard*, 26 May 2010, p. 12.

5 *Proof Estimates Hansard*, 26 May 2010, p. 12.

6 *Proof Estimates Hansard*, 26 May 2010, pp 24–25.

3.10 The committee questioned officers on projects relating to specific ports and rail networks, including their current progress, allocated funding and likely completion dates.<sup>7</sup> The draft National Ports Policy was discussed: the principal element of the draft policy, while subject to final government consideration, is to encourage long term planning around port precincts.<sup>8</sup> The Infrastructure Australia Council has also identified the development of international competitive gateways as one of its major themes. The work on these gateways is considered the first step towards the national freight network. The work on freight networks is well advanced and the ports and freight strategy will become one document.<sup>9</sup> Infrastructure Australia hopes to release a draft National Freight Strategy in two to three months for public consultation, with a view to finalising it this calendar year.<sup>10</sup>

3.11 The committee discussed the Aviation White Paper and whether or not it had achieved its original objectives. The Secretary explained that, in line with aviation industry needs, the Aviation White Paper contains, for the first time, long term objectives for the industry:

...it contains long-term objectives such as creating an investment climate for continuing aeronautical investment in aviation infrastructure. It contains long-term objectives in relation to continuing liberalisation and also long-term objectives in terms of safety regulation and the like, which are, for the first time, actually encapsulating what an Australian government objective is.<sup>11</sup>

3.12 These long term objectives apply to regional, as well as metropolitan, areas and officers noted additional funding in the budget for airport infrastructure in remote communities, stating:

...the government has clarified its position in relation to supporting in particular aviation to remote and rural areas through the way it has redesigned its program funding.<sup>12</sup>

3.13 The policy platform includes provisions to support future growth in regional aviation. The government response to growth in these areas has been to:

...provide for that through removing unnecessary economic regulation, strengthening safety regulation and, as necessary, putting funding into aerodromes which would not be supported by RPT passengers to ensure

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7 *Proof Estimates Hansard*, 26 May 2010, pp 38–42.

8 *Proof Estimates Hansard*, 26 May 2010, p. 29.

9 *Proof Estimates Hansard*, 26 May 2010, p. 40.

10 *Proof Estimates Hansard*, 26 May 2010, p. 40.

11 *Proof Estimates Hansard*, 26 May 2010, p. 33.

12 *Proof Estimates Hansard*, 26 May 2010, p. 33.

essential service delivery. I think that is clearly encapsulated in the policy direction.<sup>13</sup>

3.14 The committee questioned Infrastructure Australia on the issue of water supply. Officers said they are undertaking work to ensure there is a national framework for a national water plan but noted that progress was slow due to Infrastructure Australia's relatively small size. Officers were unable to give a timetable for the development of the plan but noted that community and industry consultation was planned and that officers are 'working towards producing material for the Infrastructure Australia Council this year'.<sup>14</sup> Officers highlighted a need to understand the water security, supply and quality issues associated with regional Australia.<sup>15</sup>

### **Nation Building—Infrastructure Investment**

3.15 The committee sought an update on 17 rail projects funded under the Nation Building Economic Stimulus Plan. Seven of these are now complete, and officers listed the remaining projects and likely completion dates.<sup>16</sup>

3.16 The committee questioned the viability of allocating funding toward future projects that are reliant upon the mining industry, and in some cases, are not yet established mining areas. Officers explained that in the absence of this funding, the government would not have been in a position to have discussions with the specific coal producers because the ARTC would not have been in a position to commence the preliminary work with the businesses. This funding gave ARTC the opportunity to start those negotiations, which otherwise would not have been available.<sup>17</sup>

3.17 The committee asked officers to explain how the Commonwealth monitors projects. The department indicated that the States provide Nation Building – Infrastructure Investment with monthly reports in accordance with the national partnership agreement. The reports detail the progress of projects and any difficulties encountered or risks that have been identified. States are also in weekly and sometimes daily contact with project managers and as a result officers describe the Commonwealth as being well apprised of progress.<sup>18</sup>

3.18 The committee asked about the department's response to the Australian National Audit Office's Audit report No. 31 2009-10: *Performance audit: management of the AusLink Roads to Recovery Program* which commented

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13 *Proof Estimates Hansard*, 26 May 2010, p. 33.

14 *Proof Estimates Hansard*, 26 May 2010, pp 34–35.

15 *Proof Estimates Hansard*, 26 May 2010, p. 35.

16 *Proof Estimates Hansard*, 26 May 2010, pp 50–51.

17 *Proof Estimates Hansard*, 26 May 2010, p. 55.

18 *Proof Estimates Hansard*, 26 May 2010, p. 57.

specifically on the advancement of funding for Local Government Authorities. The department advised that it has accepted all of the ANAO's recommendations. Officers emphasised that the report found:

...overall that the programs, which had funded 20,000 individual projects through Australia at a cost of \$1.537 billion, were effectively administered and there is no evidence in the report to suggest systemic problems on the part of the department or local government authorities.<sup>19</sup>

3.19 Officers clarified that the report was not critical of the advancement of funds for the national projects mentioned earlier, as they are funds based on milestones as opposed to a set quarterly payment such as the Roads to Recovery Program.<sup>20</sup>

3.20 The committee asked officers to detail the progress of particular road projects, specifically the pre-construction stages, funding allocated to sections of road and future plans for partially complete work.<sup>21</sup> Officers also provided the committee with similar information, such as studies conducted and likely completion dates, for dedicated freight rail tracks.<sup>22</sup>

3.21 Officers expressed difficulty responding to the committee's request to identify a standard cost per kilometre formula for rail and road projects. The department advised that this is because every project is different; some are completely new, others are upgrades or duplications and each project contains its own complexities.<sup>23</sup>

## **Infrastructure and Surface Transport Policy**

3.22 Officers outlined three national surface transport regulators currently in development:

- Maritime safety;
- Proposed Heavy Vehicle Regulator; and
- Rail Safety Regulator.<sup>24</sup>

3.23 Queensland will be the host jurisdiction for the Proposed Heavy Vehicle Regulator and South Australia will be the host jurisdiction for the Rail Safety Regulator.<sup>25</sup>

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19 *Proof Estimates Hansard*, 26 May 2010, p. 64.

20 *Proof Estimates Hansard*, 26 May 2010, p. 64.

21 *Proof Estimates Hansard*, 26 May 2010, pp 78–88.

22 *Proof Estimates Hansard*, 26 May 2010, pp 78–88.

23 *Proof Estimates Hansard*, 26 May 2010, p. 95.

24 *Proof Estimates Hansard*, 26 May 2010, pp 109–110.

25 *Proof Estimates Hansard*, 26 May 2010, pp 109–110.

3.24 Officers described the move towards national regulators as a move beyond harmonisation across the States. The term 'harmonisation' was used to describe the previous process where a model law was developed and each jurisdiction implemented it within the context of its own jurisdiction, which allowed the States to have variations on the same model law. The national regulator will not allow that to happen in the future, as the template law model says the host jurisdiction passes an agreed body of national law, which means the host law becomes the jurisdictions law as well. As a result, there will be no opportunities for variations to exist.<sup>26</sup> This is expected to be finalised and implemented by 2013.

3.25 The Secretary referred to a Productivity Commission report which estimated the productivity benefit to the national economy from a nationalised scheme would be approximately \$2.4 billion per annum contribution to GDP.<sup>27</sup>

3.26 The committee discussed complexities involved in heavy vehicle driver fatigue laws, noting they were designed to improve safety but do not allow for flexibility.<sup>28</sup> Officers explained the difficulty in allowing for flexibility when designing a national regulatory system:

...there is a real issue in relation to how in a regulatory system you can create flexibilities, particularly where there are compliance and enforcement issues that have to go with it. One of the things that needs to be contemplated is, if you are going to allow what might, for example, in some cases be constituted as a reasonable steps defence—that is, it was only another 45 minutes—how long is the only? Is it only another 15 minutes that you are allowed or is it another 45 minutes or is it another hour and 15 minutes? Does that mean that the limits for driving hours under that regime are now 16 hours and 15 minutes rather than 15 hours? I think there are some very real issues in compliance and enforcement regimes. Whether it is about fatigue or the loaded weight of a truck or many other dimensions, there are very real questions about how you build judgment into compliance and enforcement regimes.<sup>29</sup>

3.27 The committee revisited the Tasmanian Freight Equalisation Scheme, discussing the different bodies responsible and complexities in their differing requirements. A review of this scheme is scheduled for 2011-12. Officers advised that there has been a general improvement in the backlog of claims:

...[in] the latter part of last year the numbers were more in the order of 1,500... We are down to 200.<sup>30</sup>

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26 *Proof Estimates Hansard*, 26 May 2010, p. 110.

27 *Proof Estimates Hansard*, 26 May 2010, p. 110.

28 *Proof Estimates Hansard*, 26 May 2010, pp 115–116.

29 *Proof Estimates Hansard*, 26 May 2010, p. 116.

30 *Proof Estimates Hansard*, 26 May 2010, p. 122.

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Officers emphasised that Centrelink is responsible for the processing of this backlog.

### **Australian Maritime Safety Authority (AMSA)**

3.28 The committee questioned AMSA about new protocols that create a supplementary fund to compensate victims of oil pollution. The committee was informed that this does not replace the existing fund but makes an additional compensation fund available.<sup>31</sup>

3.29 Officers detailed the use of dispersants in oil spills. Tests are done to establish toxicity levels of dispersants, which must meet the nationally agreed standard. The type of dispersant used is an evolving science. As further research and product development is carried out, AMSA will continue to monitor toxicity limits and improvements in available products.<sup>32</sup>

3.30 The committee asked about the current staffing levels at AMSA and the possible impact of any freeze on recruitment. AMSA officers expressed a deep reliance on their staff, stating that a recruitment freeze would likely:

...severely curtail our ability to deliver national safety programs and to deliver an effective search and rescue effort.<sup>33</sup>

3.31 Officers then went on to give details of AMSA's workload over the last 12 months, including the 619 lives saved by the search and rescue team. Officers described AMSA as a

...very, very busy organisation dependent on its people to deliver high-quality but very technical activities.<sup>34</sup>

### **Policy and Research (incorporating the Bureau of Infrastructure, Transport and Regional Economics)**

3.32 The committee asked officers to provide a general overview of current research projects. Officers described the main areas of interest as:

- Infrastructure investment;
- Regulatory reform and pricing;
- Road safety; and
- City and corridor planning and forecasting.

3.33 In particular, the road safety research is currently evaluating how successful the Black Spot Program has been. The criteria for evaluating this looks at a number of

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31 *Proof Estimates Hansard*, 26 May 2010, p. 123.

32 *Proof Estimates Hansard*, 26 May 2010, pp 124–126.

33 *Proof Estimates Hansard*, 26 May 2010, p. 131.

34 *Proof Estimates Hansard*, 26 May 2010, p. 131.

projects to see what types of treatments have been the most successful, identifying the number of accidents and fatalities before and after.<sup>35</sup>

3.34 Officers also informed the committee of the published monthly updates they produce on road deaths in Australia. These monthly reports provide a breakdown by age, gender and the types of vehicles involved.<sup>36</sup>

### **Local Government and Regional Development**

3.35 The committee questioned officers on the assessment procedure for election commitments. Officers explained they followed '[T]he normal process for election commitments—and this is the recommendation of the ANAO officers'. This meant combining the election commitments into their own program, providing draft guidelines for approval, then undertaking an assessment of each of those projects.<sup>37</sup>

3.36 The committee asked officers to detail the projects and whether or not Independent Viability Assessments (IVAs) were performed for each of these. Officers explained that IVAs were performed on a small number but not on all 92 projects. The vast majority were undertaken by State or local government entities and as such, a decision was made early on in the program that the projects did not require an IVA. Those selected to undergo an IVA were chosen on the basis of a risk assessment, which is essentially an examination of the viability of the project, its future viability and the organisation's capacity to deliver the project. The committee was informed that all IVAs were done by an external contractor.<sup>38</sup>

3.37 Officers provided the committee with a list of specific projects by name and updated the committee on their completion dates and allocated funding.<sup>39</sup>

3.38 The committee sought information on funding arrangements for Regional Development Australia (RDA). Officers explained that while the Commonwealth and States both contribute funding, in some instances the States provide office accommodation and support as well as cash funding.<sup>40</sup>

3.39 The roles of RDA committees were discussed, with officers summarising them into five key areas:

- engaging with the local community;
- regional planning;

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35 *Proof Estimates Hansard*, 26 May 2010, p. 132.

36 *Proof Estimates Hansard*, 26 May 2010, p. 133.

37 *Proof Estimates Hansard*, 27 May 2010, p. 5.

38 *Proof Estimates Hansard*, 27 May 2010, p. 6.

39 *Proof Estimates Hansard*, 27 May 2010, pp 7–9.

40 *Proof Estimates Hansard*, 27 May 2010, pp 13–14.

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- coordination of whole of government activities;
  - promotion of government programs; and
  - community and economic development.

3.40 It was explained that while RDAs have specific requirements on which to report, their activities are not monitored on a day-to-day basis.<sup>41</sup>

3.41 The committee also asked about specific funding and organisational structures for the following:

- Better Regions Program;
- Australian Council of Local Government;
- Australian Centre of Excellence for Local Government; and
- Local Government Reform Fund.

### **Office of Northern Australia**

3.42 The committee welcomed Ms Robyn Fleming, recently appointed as the General Manager of the Office of Northern Australia. Ms Fleming updated the committee on staffing structure and funding allocations.<sup>42</sup>

3.43 The committee was informed of the 29 projects undertaken by the Office of Northern Australia, which fall broadly into four areas: education, health, housing and community services.

3.44 Officers explained in detail the East Kimberley Development Package and listed both current and completed projects:

- Wyndham Memorial Swimming Pool Upgrade
- Hostel oval in Kununurra
- Wyndham Picture Gardens
- Public accessible all-tides jetty upgrade
- Kununurra Airport Terminal upgrade
- Kununurra Airport Patient Transfer Facility
- Warmun Early Learning Centre
- Wyndham health facilities refurbishment
- Occupiable housing stock for health staff
- Kununurra Hospital Expansion Pack

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41 *Proof Estimates Hansard*, 27 May 2010, p. 15.

42 *Proof Estimates Hansard*, 27 May 2010, pp 24–27.

- Residential rehabilitation facility in Wyndham

3.45 Officers emphasised that a high level of coordination between the Western Australian Government, the Commonwealth Government and local communities was required to achieve these results.<sup>43</sup> While both the Commonwealth and State contribute funding, amounts vary from project to project.<sup>44</sup>

3.46 Officers also noted that contractors are required to demonstrate what they are doing to encourage, support and deliver Indigenous employment.<sup>45</sup>

## **Aviation and Airports**

3.47 The committee was informed of legal obligations in place for privatised airports, which include how they consult in terms of their strategic planning documents.

3.48 Officers discussed the Aviation White Paper, as the government has proposed further significant amendments, including improved planning and consultation processes with the community and local and state and territory governments. The White Paper also sets out key expectations for improving the relationship between airport operators and the community.<sup>46</sup> These proposed measures will build upon arrangements that some airports already have in place. In addition to the proposed measures, officers noted that the *Airports Act 1996* requires statutory periods of public consultation on master plans for a 60 day period.<sup>47</sup>

3.49 Officers provided the committee with information on the Remote Aviation Infrastructure Fund program, detailing funding allocated and explaining their processes. This program has allocated \$8.1 million to rectify deficiencies in facilities in aerodromes in remote Aboriginal areas. Technical reports are being assessed and funding over the next two and a half years will seek to ensure that remote airstrips meet regulatory requirements. Officers advised that 68 remote airstrips will benefit from this project.<sup>48</sup>

## **Airservices Australia**

3.50 Officers informed the committee of a new procedure being implemented at Sydney airport that allows for more precise flight paths, which then reduces fuel burn and aircraft flying time. This has the potential to reduce aircraft noise and distribute

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43 *Proof Estimates Hansard*, 27 May 2010, p. 36.

44 *Proof Estimates Hansard*, 27 May 2010, p. 35.

45 *Proof Estimates Hansard*, 27 May 2010, pp 36–37.

46 *Proof Estimates Hansard*, 27 May 2010, pp 50–51.

47 *Proof Estimates Hansard*, 27 May 2010, p. 52.

48 *Proof Estimates Hansard*, 27 May 2010, p. 54.

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noise more evenly over areas. The committee was informed that Australia is regarded as a leader in this area.<sup>49</sup>

3.51 Officers outlined the technicalities involved in implementing this new procedure, explaining that it is a satellite based system. Officers also emphasised Australia's safety record and attributed it to the extensive trialling and testing performed prior to the implementation of new procedures. The technology is described as 'still in its early days' and the implementation will occur in stages.<sup>50</sup>

3.52 The committee requested an update on the harmonisation of civil and military air traffic management. Officers informed the committee that an in-principle agreement has been reached with the Royal Australian Air Force.<sup>51</sup>

3.53 Officers also updated the committee on the use of Wide Area Multilateration in Tasmania. This technology computes aircraft positions in three dimensions, making it possible to track the position of every aircraft that is fitted with a transponder. Officers explained that this raises surveillance technology to a level Australia has not had before.<sup>52</sup>

3.54 The appointment of a Noise Ombudsman was discussed in detail, with officers highlighting the qualities and experience needed for the position but emphasising that the details of the position are currently being worked out. The committee asked about the ombudsman's specific responsibilities. Officers explained the position will oversee the handling of aircraft noise complaints, conduct independent reviews of noise complaint handling and make recommendations for improvement where necessary. Officers emphasised the need for transparency and independence within the role.<sup>53</sup>

### **Civil Aviation Safety Authority (CASA)**

3.55 The committee raised concerns about aircraft noise and safety expressed by community groups. CASA officers responded by providing pilot training statistics and preparation for future growth in this area with regards to safety.<sup>54</sup>

3.56 Officers explained that CASA understands the air safety implications of growing airports and is well equipped to make reforms now and in the future. Officers informed the committee of steps taken recently to prevent the likelihood of mid-air collisions and accidents at airfields in Australia. These steps include limiting the

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49 *Proof Estimates Hansard*, 27 May 2010, pp 64–65.

50 *Proof Estimates Hansard*, 27 May 2010, pp 64–66.

51 *Proof Estimates Hansard*, 27 May 2010, p. 66.

52 *Proof Estimates Hansard*, 27 May 2010, pp 66–67.

53 *Proof Estimates Hansard*, 27 May 2010, p. 69.

54 *Proof Estimates Hansard*, 27 May 2010, pp 76–77.

number of aircrafts under the control of a single air traffic controller and spreading the scheduled training flight times evenly throughout the day to eliminate peak periods of traffic.<sup>55</sup>

3.57 To better understand these conditions, officers explained the different classes of airspace and what each class requires of the pilot and air traffic controllers. Officers noted some training aerodromes are now located on the outer edges of cities as a result of urban encroachment and highlighted the need for future airport development and planning to work closely with the government.<sup>56</sup>

3.58 The committee asked about CASA's staffing levels and the likely effect of a recruitment freeze. Officers indicated that a recruitment freeze would make it difficult to complete the program which is currently outlined in their corporate plan.<sup>57</sup>

3.59 The committee questioned officers on the legality of charter flights operating in certain areas and what CASA deemed unsafe for these particular flights. Officers explained air operator certificates need to comply with legislative requirements. Officers outlined concerns of a specific charter flight operating out of Tasmania, stating that:

Our concern was twofold around these operations. One was whether they were conducted with the right level of safety. In other words, to operate that far over the water, were the aircraft suitably equipped with survival equipment? Were the pilots suitably qualified? Were the right sort of precautions taken around the planning of that operation and what they intended to do?

We had concerns about two parts of this operation. One was going outside of the 12-nautical mile limit. We had another concern about one particular operator where it would appear that the chief pilot, who is a named person within the air operator certificate system, had been bypassed by the directors of one of the companies and a flight had been authorised without his knowledge. That caused us to conduct an investigation in much more depth and to see what the probity was around that. We have since established that that organisation has many diverse pilot bases. The chief pilot has senior pilots at each of these bases. He does not necessarily know all of these flights.<sup>58</sup>

3.60 Officers clarified that if an operator is not authorised to conduct international operations, 12 nautical miles is the extent of the distance from the coastline they can travel lawfully.<sup>59</sup>

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55 *Proof Estimates Hansard*, 27 May 2010, pp 76–77.

56 *Proof Estimates Hansard*, 27 May 2010, pp 78–79.

57 *Proof Estimates Hansard*, 27 May 2010, p. 91.

58 *Proof Estimates Hansard*, 27 May 2010, p. 99.

59 *Proof Estimates Hansard*, 27 May 2010, p. 101.

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## Office of Transport Security

3.61 The committee began questioning the Office of Transport Security about the introduction of compulsory passenger and baggage screening for aircrafts with a maximum take-off weight of 20,000 kilos by July 2012. Officers informed the committee that they were working with regional aviation industry and individual airports affected by this decision on the operational requirements of these security measures. Officers explained the consultation process and reported that overall, the responses to these measures were positive.<sup>60</sup>

3.62 Officers explained that the cost to implement this measure varies and depends on factors such as passenger numbers and airport size and location. Officers reiterated that the government will provide budget funding for these measures in regional airports in order to minimise the cost which would otherwise be absorbed by individual travellers.<sup>61</sup>

3.63 Officers emphasised that many decisions involving price for consumers are:

...airline decisions based upon their analysis of the sensitivity of the market and the supply and demand issues that pertain to those individual airports. It is very hard to make a determination. At the moment, what costs they absorb and what costs are passed on are decisions made by airlines, and they do that in conjunction with the airports that are affected.<sup>62</sup>

3.64 The committee questioned officers on the methodology used for airport security risk assessments. It was explained that assessments are very much driven by:

...the fact that the types of aircraft being used, the distance they can travel, the weights of those aircraft and the numbers of passengers carried goes to the heart of the issue of the likelihood of them being potentially a target themselves—in other words, the aircraft is blown up in some way, shape or form—or being used as a weapon, a la 9-11.<sup>63</sup>

3.65 The committee discussed the legal regulation of access to cockpits. Officers advised that previous regulations allowed the pilot in command to control access to the cockpit. The regulations currently before parliament make it a strict liability offence for the pilot in command to ensure that the cockpit door is locked. However, the defence provisions of the legislation provide that if the pilot is protecting the safety, security and operations of the aircraft, the crew, the cargo, the passengers or an airport, the pilot is not committing an offence.<sup>64</sup> Officers explained strict liability offences:

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60 *Proof Estimates Hansard*, 27 May 2010, p. 104.

61 *Proof Estimates Hansard*, 27 May 2010, pp 105–106.

62 *Proof Estimates Hansard*, 27 May 2010, p. 106.

63 *Proof Estimates Hansard*, 27 May 2010, pp 106–107.

64 *Proof Estimates Hansard*, 27 May 2010, p. 108.

In the criminal law it is necessary to prove two things to establish an offence. One is the mental element of the offence, the intention to do so. The other element is the act of doing so. What strict liability does is take away such as the necessity to prove the mental element of defence. It is like if you get into your car and do not put your seatbelt on.<sup>65</sup>

3.66 The committee questioned officers about the Maritime Safety Identification Card (MSIC). Officers explained that 137 offences have been added to the scheme which will preclude people from holding these cards. These include:

...offences such as murder, the use of prohibited explosives, making of a bomb hoax, kidnapping, and bribing a government official.<sup>66</sup>

3.67 Officers advised that the additional offences only apply when the current MSIC holders renew their MSIC cards. The appeal process for someone who is rejected remains the same.<sup>67</sup>

3.68 The committee revisited the use of body scanners. Officers informed the committee that the department is having ongoing discussions with the Privacy Commissioner regarding the use of body scanners. Officers explained that the Privacy Commissioner will play an integral role in finalising the program guidelines and in the roll out of equipment.<sup>68</sup> Officers stated that while there are likely to be delays due to the slower facilitation rates through body scanners than through a walk-through metal detector:

The experience overseas has been that, as passengers become more used to going through body scanners, the time does actually reduce. Quite often a communications campaign is effective with that. That is something we are taking into account for the program design.<sup>69</sup>

### **Australian Transport Safety Bureau (ATSB)**

3.69 The committee questioned officers on the development of a national investigation framework for rail and maritime safety which has been allocated funding in the budget. Officers explained that the national investigation framework is part of a broader package of transport reforms, with the creation of a single regulatory regime for rail safety. There are a number of operational issues to be resolved before it can be implemented including:

- coming to an arrangement that makes the existing state jurisdictions comfortable that there is the appropriate selection of rigour and investigation;

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65 *Proof Estimates Hansard*, 27 May 2010, p. 108.

66 *Proof Estimates Hansard*, 27 May 2010, p. 114.

67 *Proof Estimates Hansard*, 27 May 2010, p. 115.

68 *Proof Estimates Hansard*, 27 May 2010, p. 117.

69 *Proof Estimates Hansard*, 27 May 2010, p. 118.

- 
- managing the transitional arrangements; and
  - getting people with appropriate skills and background to deal with the likely growth that is expected to come with this framework.

3.70 The committee questioned officers on the likely completion date, considering these challenges. The Secretary provided an insight into the progress so far:

Over the last year or so we have seen levels of cooperation and commitment to this process which I have not seen before in a reform process. I think that is a credit to all the officers, including a large number of officials in my department who I think have done an excellent job in leading this work, and Mr Dolan's organisation as well...There are some very hard issues here in terms of regulatory standardisation and performance of these functions. We meet regularly; we have working groups. We are now setting up these project officers for the rail and heavy vehicle regulators.<sup>70</sup>

3.71 The committee questioned officers on current staffing numbers and staff turnover for previous years. Officers informed the committee that once full agreement from the States on growth in surface transport is reached, the ATSB would be looking at considerable growth in staffing. A recruitment freeze would have a gradual effect on the organisation and ATSB would:

...probably find that, over time, we would either have to slow down some of our investigation work or not undertake one or two investigations we would otherwise have looked at.<sup>71</sup>

**Senator Glenn Sterle**  
**Chair**

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70 *Proof Estimates Hansard, 27 May 2010, p. 120.*

71 *Proof Estimates Hansard, 27 May 2010, p. 122.*



# **Appendix 1**

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### **Tabled Documents**

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##### ***Documents tabled at hearing on Monday, 24 May 2010***

1. Copy of email sent to Senators re Basa fish imported from Vietnam, dated 2 April 2010 – tabled by Senator the Hon Ian Macdonald
2. Wheat Exports Australia, Submission to the Productivity Commission's Draft Report on the *Wheat Export Marketing Act 2008* and the *Wheat Export Accreditation Scheme 2008* – tabled by Mr Peter Woods, CEO, Wheat Exports Australia

##### ***Documents tabled at hearing on Tuesday, 25 May 2010***

3. Answers to questions taken on notice during the hearing on 24 May 2010, in relation to Corporate Finance, Corporate Services and Climate Change Division – tabled by Dr Conall O'Connell, Secretary, DAFF
4. Correspondence to Australian Wool Innovation from Italian manufacturer, Paolo Zegna, dated 25 March 2010 – tabled by Mr Walter Merriman, Chairman, Australian Wool Innovation

#### **Infrastructure, Transport, Regional Development and Local Government portfolio**

##### ***Documents tabled at hearing on Wednesday, 26 May 2010***

1. Media release 005/2010 by the Hon Andrew Robb AO MP, 'Tanner's numbers in tatters', dated 20 May 2010 – tabled by Senator the Hon Stephen Conroy

##### ***Documents tabled at hearing on Thursday, 27 May 2010***

2. Twelve media statements by the Hon Anthony Albanese MP, dated 21 May and 26 May 2010 – tabled by Senator the Hon Stephen Conroy



## Appendix 3

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