



**RURAL AND REGIONAL AFFAIRS AND TRANSPORT
LEGISLATION COMMITTEE**

REPORT ON BUDGET ESTIMATES 2002-2003

JUNE 2002

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Committee Secretariat

Mr Andrew Snedden (Secretary to the Committee)
 Ms Lyn Fairweather (Estimates Officer)

The Senate
 Parliament House
 CANBERRA ACT 2600
 Tel: (02) 6277 3510
 Fax: (02) 6277 5811
Internet: www.aph.gov.au/senate
Email: rrat.sen@aph.gov.au

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LIST OF ABBREVIATIONS

AAA	Agriculture Advancing Australia
ABARE	Australian Bureau of Agriculture and Resource Economics
AFMA	Australian Fisheries Management Authority
AMSA	Australian Maritime Safety Authority
AOC	Air Operating Certificate
AQIS	Australian Quarantine Inspection Service
ATSB	Australian Transport Safety Bureau
BRS	Bureau of Rural Sciences
CASA	Civil Aviation Safety Authority
DAA	Dairy Adjustment Authority
DIMIA	Department of Immigration and Multicultural and Indigenous Affairs
DRAP	Dairy Regional Assistance Program
DSAP	Dairy Structural Adjustment Program
ERAP	Eden Region Adjustment Package
FISAP	Forest Industry Development Assistance Program
FMD	Food and Mouth Disease
IRA	Import Risk Analysis
MAC	Management Advisory Committee
NRA	National Registration Authority
PAES	Portfolio Additional Estimates Statements
PBS	Portfolio Budget Statements
RFA	Regional Forests Agreement
RTC	Rural Transaction Centre
T&RS	Transport and Regional Services
WEA	Wheat Export Authority

SENATE RURAL AND REGIONAL AFFAIRS AND TRANSPORT LEGISLATION COMMITTEE

BUDGET ESTIMATES 2002-2003

REPORT TO THE SENATE

CHAPTER 1

INTRODUCTION

1.1 On 14 May 2002, the Senate referred to the Committee the following documents for examination and report in relation to the Transport and Regional Services and Agriculture, Fisheries and Forestry portfolios:

- Particulars of proposed expenditure for the service of the year ending 30 June 2003;
- Particulars of certain proposed expenditure in respect of the year ending on 30 June 2003 and
- Particulars of proposed expenditure in relation to the parliamentary departments in respect of the year ending on 30 June 2003.

1.2 The Committee considered the Portfolio Budget Estimates Statements 2002-2003 for each portfolio at hearings on 27, 28, 29 and 30 June 2002. The hearings were conducted in accordance with the agreed agenda as follows:

- Monday, 27 May – Agriculture, Fisheries and Forestry portfolio;
- Tuesday, 28 May – Agriculture, Fisheries and Forestry portfolio;
- Wednesday, 29 May – Transport and Regional Services portfolio;
- Thursday, 30 May – Transport and Regional Services portfolio.

1.3 The Committee heard evidence from Senator The Hon Ian Macdonald, Minister for Forestry and Conservation, representing the Minister for Agriculture, Fisheries and Forestry and the Minister for Transport and Regional Services. The Committee also heard evidence from Senator The Hon Judith Troeth, Parliamentary Secretary to the Minister for Agriculture, Fisheries and Forestry. Evidence was also provided by Mr Michael Taylor, Secretary of the Department of Agriculture, Fisheries and Forestry, Mr Ken Matthews, Secretary of the Department of Transport and Regional Services and officers representing the departments and agencies covered by the estimates before the Committee.

1.4 The Committee thanks both the Minister and Parliamentary Secretary and officers for their assistance and cooperation during the hearings.

Questions on Notice

1.5 In accordance with Standing Order 26, the Committee is required to set a date for the lodgement of any written answers or additional information. The Committee agreed that written answers and additional information should be submitted by Friday, 12 July 2002.

1.6 The Senate has determined that consideration of supplementary hearings on budget estimates will be on Wednesday, 20 November 2002 and if required, Friday, 22 November 2002.

Administration of written answers or additional information

1.7 Attached as an appendix to this report is the *Hansard* record of evidence taken during each of the hearings.

1.8 Answers to questions taken on notice at the Budget Estimates hearings will be tabled in the Senate in separate volumes entitled *Additional Information provided during the Rural and Regional Affairs and Transport Legislation Committee's examination of budget estimates 2002-2003*. Documents not suitable for inclusion in the additional information volumes will be available on request from the Committee secretariat.

1.9 Additionally, answers to questions on notice received from the departments will be posted onto the Committee's website at a later date.

Senator Winston Crane
Chair
Senate Rural and Regional Affairs
and Transport Legislation Committee

19 June 2002

CHAPTER 2

AGRICULTURE, FISHERIES AND FORESTRY PORTFOLIO

Department of Agriculture, Fisheries and Forestry

2.1 The Committee heard evidence from the department on Monday, 27 May and Tuesday, 28 May 2002. The hearing was conducted in the following order:

- Management Services and Corporate Governance
- Industry Development
 - Agricultural Industries
 - Food
- Market Access and Biosecurity
- Product Integrity, Animal (including aquatic animal) and Plant Health
- Australian Quarantine Inspection Service (AQIS)
- Innovation and Rural Policy and Programs
- Australian Bureau of Agriculture and Resource Economics (ABARE)
- Bureau of Rural Sciences (BRS)
- Industry Development
 - Fisheries and Forestry
- Natural Resources and Access Management

2.2 Before commencing the Committee's examination, the Secretary of the Department of Agriculture, Fisheries and Forestry, Mr Michael Taylor provided the Committee with a brief overview of budget issues in terms of the portfolio. Specifically, Mr Taylor highlighted a number of particular issues catered for in the Portfolio Budget Statements (PBS). These issues included: implementation of the National Action Plan for Salinity and Water Quality; environmental management systems; programs in natural resources and sustainable management around weeds; the Great Artesian Basin; the Wimmera-Mallee pipeline and a program for a stronger Tasmania.¹

2.3 A number of important developments regarding water, quarantine and emergency management, particularly in relation to disease response were outlined. Other developments relate to southern blue tuna research and the National Food Industry Strategy.²

2.4 Mr Taylor informed the Committee of organisational changes as the result of a brief review. These changes come into effect on 1 July 2002 and will result in some modifications in reporting strategies in the PBS. Changes are primarily concerned with emphasising Government priorities and involve combining the food industry and agricultural industry development groups. There is now added emphasis on natural resource management policy

1 RRAT Evidence, 27 May 2002, p. 3.

2 Ibid.

and water areas; trade and market access and biosecurity.³ Other changes relate to outcomes and outputs with Rural Support and Adjustment; Women in Rural Industries/Industry Leadership moving into output 2, Innovation and Rural Policy and Programs. Food policy, Horticulture and Wine have moved to output 3, Industry Development.⁴

2.5 The Department also informed the Committee that revenue from government in 2002-2003 had increased to \$250.6 million, thereby, increasing total government funding. This includes a portfolio funding increase of \$12.5 million from 2001-2002 figures. Major funding increases relate to the National Action Plan for Salinity and Water Quality and the National Food Industry Strategy. The Department also outlined a number of programs that ceased in 2001-2002.⁵

General Issues

Management Services and Corporate Governance

2.6 The Committee sought clarification on the likelihood of underspends on the additional funding provided as part of additional estimates. The Department acknowledged underspends in relation to the National Action Plan for Salinity and Water Quality and the Forest Industry Structural Adjustment Package (FISAP). The Committee was informed that underspends were carried forward or rephased in the 2002-2003 PBS. There was also discussion on revised estimates.⁶

2.7 The Committee requested information on the difference between average and actual staffing levels contained in the previous years PBS. The Department informed the Committee that they had overestimated the extent of staffing increases from the previous year in 2000-2001 and undertook to provide a more detailed response on notice.⁷

2.8 Finally, the Committee initiated discussion on the defective administration claim by the Hewett family. This issue had also been raised during the 2001-2002 Budget Estimates and 2001-2002 Additional Estimates hearings. Specifically, the Committee sought information on when the Department received the Hewitt's final submission in December 2001. The Committee also requested advice as to whom, in the Department was working on the issue and what amount of time was being spent on the claim. The Department stated that three staff members had been working on the claim since May 2001 with an estimated time of three to four months of work. The Department also noted that work on the claim had increased since receipt of the final submission in December 2001.

2.9 The Committee also sought details on the Department's legal costs and assessment. They were informed that legal costs had reached approximately \$136,000 and an independent assessor had been engaged to provide an analysis of the submission. Although the independent assessor was appointed on 7 May 2002, a timeframe indication could not be

3 RRAT Evidence, 27 May 2002, p. 4.

4 RRAT Evidence, 27 May 2002, p. 4; AFFA Portfolio Budget Statements 2002-2003, p. 23.

5 RRAT Evidence, 27 May 2002, p. 4.

6 Ibid, pp. 5-9.

7 RRAT Evidence, 27 May 2002, p. 9.

provided. In relation to this issue, the Committee tabled a number of letters from Mr Hewitt and departmental responses to that correspondence.⁸

Industry Development – Agricultural Industries

2.10 The Committee raised a number of significant issues with officers representing Agricultural Industries. Firstly, there was extensive discussion on a number of issues concerning the Wheat Export Authority (WEA). The Committee asked a number of questions in relation to the importance of the WEAs functions and operations in regard to single desk arrangements and reporting arrangements to Government. The WEA informed the Committee that ‘the function of the authority is to monitor the arrangements as prescribed under the Wheat Marketing Act.....It is to monitor and report....’⁹

2.11 In relation to this, the Committee raised, as an issue, the publication of the WEA Growers Report. Specifically, the Committee initiated discussion on the timing of the reports and drew comparison with the report provided to the Minister in 2001. The Committee was informed that the report was viewed as a means of communication with growers and stakeholders on the activities and issues, which confront the WEA and would be published annually. The difference between the growers report and the report provided to the Minister is that the Minister receives detailed confidential information and the growers receive a more general statement.

2.12 Within the growers report, the Committee noted the WEAs comments regarding scrutiny of the Australian Wheat Boards (AWB) performance and previous problems with the service agreement between AWBI and AWB Limited. There was also discussion on the new service agreement, including areas of change relating to fixed costings and payable fees. The Committee expressed concern with a perceived lack of sufficient information to effectively assess performance of AWB in terms of the reporting arrangements to growers.¹⁰

2.13 There was also discussion on new arrangements in administering a system of issuing permits for wheat exports following the review of the single desk. Discussion focussed on the two types of applications now available, the number of applications approved and export arrangements (pp 23-26).

2.14 Other matters raised with the WEA included funding arrangements (p 28-30), concerns of supporters of the single desk had about importers/exporters operating under non-single desk arrangements, thereby, undermining developing markets (p. 16); pricing benchmarks (p. 17); how the WEA deals with export consent arrangements and marketing (p 18-19) and difficulties in assessing supply chain cost savings (p 19-20).

2.15 Another matter discussed related to dairy deregulation. Firstly, the Committee requested an update on the outlook for the dairy industry. The Department stated that the next formal outlook update would be released in the June issue of *Australian Commodities*. It is expected that exchange rate assumptions will need to be revised following the appreciation of the Australian dollar against the US dollar. Due to this it is also expected that there will be

8 RRAT Evidence, 27 May 2002, pp. 9-11.

9 RRAT Evidence, 27 May 2002, p. 11.

10 RRAT Evidence, 27 May 2002, pp 11-14.

reductions in returns and demand for manufactured products and subsequently farm cash incomes for 2002-2003.¹¹

2.16 The Committee requested updated figures on exits from the dairy industry and sought information on industry development and adjustment matters. Discussion focussed on applicants seeking a review of Dairy Structural Adjustment Program (DSAP) decisions. The Committee were informed that DSAP has almost concluded with 99.98 percent of eligible farmers issued notice, 97 percent paid and the remaining 2-3 percent awaiting the outcome of either a review by the Dairy Adjustment Authority (DAA) or AAT appeal.¹²

2.17 There was also discussion on a scheduled review of DSAP by the DAA on the adequacy of the levy stream to service the package (p 35). The Committee also sought information on how lessors in quota states had been treated under DSAP compared to lessors in non-quota states. The Department indicated that lessors in quota states received higher payments on average because of the production patterns in quota states. However, in general, lessors were treated the same as those in non-quota states.¹³

2.18 Other issues pertaining to dairy included: applicants seeking a review of Supplementary Dairy Assistance Program decisions (pp 32-33); legal costs associated with DSAP appeals (p 33) and discretionary payment rights under the Extraordinary Circumstances program (pp. 33-34). The final issue dealt with in relation to dairy was flood assistance to dairy farmers in Northern New South Wales. Information was sought on the estimates for funding allocations, the formula used to calculate income assistance, eligibility criteria and reasons for the lower than expected take up rate.¹⁴

2.19 There was also significant discussion of beef industry issues. Specifically, the Committee requested an overview of the beef industry. They were advised that there has been a fall in demand for Australian beef in Japan. At the same time, production has increased thereby, increasing supply. This means that there is pressure on prices compounded by the effect of the exchange rate. Therefore, it is expected that prices will be similar to that in 2000-2001.¹⁵

2.20 Noting that the Committee is about to commence an inquiry into US beef, other beef issues raised related to this and included discussion on the promulgation of regulation on US beef and quota allocations (p 39-41). The Committee also requested an update on the Department's computer program upgrade to manage the US beef quota (pp 41-43).

2.21 There were also questions asked in relation to the European Union (EU) beef quota. The Committee was interested in the Department's response on quota arrangements. The Department advised that there is a shortfall of 600 tonnes. The reasons for this are based on the extent of subsidisation within the EU market, resulting in lower meat and cattle prices.¹⁶

11 RRAT Evidence, 27 May 2002, p. 31.

12 RRAT Evidence, 27 May 2002, p. 32.

13 RRAT Evidence, 27 May 2002, p. 35.

14 RRAT Evidence, 27 May 2002, pp. 36-37.

15 RRAT Evidence, 27 May 2002, p. 38.

16 RRAT Evidence, 27 May 2002, pp 44-45.

There was discussion on the Red Meat Advisory Council (RMAC) advice to the Minister on new entrant arrangements (p 47). The Committee expressed concerns regarding the EU quota shortfall and the administration of quota arrangements (p 47).

2.22 Other issues discussed included:

- Governments role in assisting the beef industry regarding BSE and the Japanese market (pp 47-48)
- Update on the legal action by Cape Wools against KPMG (p 49)
- Update on fellmongered wool levy arrangements (pp 49)
- Update on the review of the Sugar Industry Infrastructure Program (pp 50)
- Update on the financial arrangements for the South Johnstone Sugar Mill (p 51)
- North Queensland tobacco industry – discussion on impact of British-American Tobacco Australia (BATA) decision to decrease investment in North Queensland industry (pp51-53).

Food

2.23 The Committee asked a number of questions in relation to the disbandment of the Supermarket to Asia (STA) Program and Council. Specifically, information was sought on the timing of the last formal meeting, the number of meetings the Prime Minister attended over the past 12 months and whether or not there were ongoing projects. The Department advised that the National Food Industry Council will need to decide whether to continue any ongoing projects.¹⁷ There was also discussion on the outcomes of the 1999 Action Plan and the proposed evaluation of STA, including funding (p 55).

2.24 Further, there was also discussion on the National Food Industry Council. The Committee was interested in the role of the Prime Minister in the new strategy and the administrative framework of the strategy. The Department stated that the Prime Minister would not have as much input into the new strategy, although some issues may require a whole-of-government approach. In terms of the framework, the Council will provide advice to government on industry strategy and implementation. Secretariat services and administration of a number of programs will be done by an independent secretariat supporting the Council. Funding for programs will be provided by government, through a contractual arrangement between the portfolio and secretariat.¹⁸

2.25 Also discussed was funding for the National Food Industry Strategy (p 57-58) and funding arrangements for Supermarket to Asia Limited (p 59). The Committee also requested an update on the inquiry into the citrus industry by the Productivity Commission. Issues discussed were the timetable for the government response to the report and funding for the citrus industry market diversification program (p 60).

17 RRAT Evidence, 27 May 2002, p. 55.

18 RRAT Evidence, 27 May 2002, p. 56.

Market Access and Biosecurity

2.26 A number of issues were raised with officers from Market Access and Biosecurity. Firstly, the Committee sought clarification on the additional funding for technical market access over the next five years (p. 60). The Committee also sought information on the status and proposed expenditure for the new position Beijing and existing positions in Tokyo and Seoul (p 60-61).

2.27 The Committee inquired into the establishment of priorities for the development of export protocols with China. The Department advised that there had been ongoing work with China, particularly in relation to improving access for wheat, barley, bananas, mangoes, citrus and apples. There had also been a number of technical exchanges, whereby, some Chinese officers have come to Australia to gain more understanding, a better backgrounding and exchanges.¹⁹

2.28 With the recent ratification of the US farm bill, there was significant discussion on the role of the department and Minister in pressuring the US to modify the US farm bill. Discussion focussed on efforts taken to ensure the US understood Australia's position in relation to trade policy issues. The Department commented:

It was certainly known that the previous bill would end in September 2002 which is when it will end and the new bill will come in – the one that has now been signed by the President.....In addition to the actions that were taken by Minister Truss, Minister Vaile has also been very closely involved in this matter. There would also be a long itinerary of exchanges between Minister Vaile and his counterparts, including Secretary Veneman and also Secretary Zoellick, the Trade USTR Secretary. So in the totality, there has been further action than just the list that you have here at ministerial level.²⁰

...I think it would be fair to say that, over several years now, the House of Representatives and the whole Congress – indeed, the US administration – would be very knowledgeable and clear about what Australia's position is on domestic support and trade protectionism. It was difficult to comment on the farm bill until such time as some drafts were put forward which could then be picked up. That was on 5 October in the case of presenting a preliminary bill in the House of Representatives which could then be homed in on, analysed and worked on. Prior to that, it was all hearsay rather than concrete evidence but, in my judgement, the Americans could have had no misunderstanding about what Australia's general position has been of all these subject matters over several years now, let alone most recently....We then commented very precisely on individual items once we saw something in print.²¹

2.29 The Department also provided information on a recent Australian delegation visit to Washington in December 2001. Discussion centred on the level of discussions held in meetings with key US representatives about the farm bill and other commodity matters.

19 RRAt Evidence, 27 May 2002, p. 62.

20 RRAT Evidence, 27 May 2002, p. 64.

21 RRAT Evidence, 27 May 2002, p. 65.

2.30 Also discussed was the issue of beef exports to Japan, particularly in relation to BSE concerns in Japan. Discussion focussed on the level of meetings held with Japanese representatives regarding the safety of Australian beef and the amount of expenditure in promoting Australian beef (pp 68-70).

2.31 There was significant discussion on the importation of Philippine bananas. Specifically, the Committee sought details on a response to a request for scientific data from the Philippines National Quarantine Service on the distribution records of pests and disease in relation to bananas. The Department indicated that there was sufficient information to initiate an Import Risk Analysis (IRA).²² The Department also noted that it was intending to produce a draft IRA by 30 June 2002 (p 72). Other issues raised in relation to this matter included, a visit and report by the Risk Analysis Panel (RAP) to the Philippines (p 73-76); publishing of the technical information paper as part of the IRA process and stakeholder consultation (p 76-77) and funding and consultation regarding Philippine quarantine standards upgrades (p 82).

2.32 Other matters raised were:

- Government response to Committee's report on Salmon import risk assessment (p 80-81)
- Update on the IRA process for pineapples (p 83)
- Update on IRA process for New Zealand apples (p 84-85)
- Update on the IRA for uncooked chicken meat (p 86-87)
- Discussion on a viral disease found in pilchards and mackerel off California and implications for Australia's importation standards (p 87-88)
- Update on IRA for California table grapes and consultation with stakeholders (p 88-90).

Product Integrity, Animal and Plant Health

2.33 The Committee initiated discussion on recent media reports that imported toxic waste was being used as an ingredient by some fertiliser manufacturers and sold to farmers in Western Australia and Queensland. Clarification was sought on when the department became aware of the issue. The Department informed the Committee that they first became aware when the media reports were released, but that they had been in close consultation with Environment Australia, in seeking further information on the extent of the problem. They also advised that a working group had been established to ensure that toxic waste does not penetrate agricultural systems through fertiliser.²³

2.34 An update on the review of the National Residue Survey (NRS) was requested. The Committee were advised that the review was being conducted internally with a primary objective of examining the objectives of the NRS and whether they were still being met in terms of its primary purpose of providing residue data for market access. The review has not yet been finalised (p 90).

22 RRAT Evidence, 27 May 2002, p. 71.

23 RRAT Evidence, 27 May 2002, p. 90.

2.35 Following on from the additional estimates hearing in February 2002, the Committee asked a number of questions relating to the rural veterinary crisis and implications should an outbreak of disease such as, foot and mouth, occur in Australia. Committee concerns focussed on a shortage of vets in rural areas. The Department indicated that there would be a staged approach addressing manpower implications integrated within a review of response options should an event occur.²⁴ Following this response, there was significant discussion on the number of available veterinarians during a foot and mouth outbreak and the need to require overseas veterinary assistance (p 92). There was also discussion on strategies to ensure that veterinarians have the skills to deal with FMD (p 92-93).

2.36 The Committee also sought information on a workshop to establish themes for a review of rural veterinary services. The Department advised that terms of reference and the reviewer would be announced shortly and should be completed in October. The workshop would analyse the current situation and the various supply and demand issues associated with veterinarians, including how vets are streamed through educational institutions and whether this needs to be changed.²⁵ There was also further discussion on improvements to Australia's diagnostic capacity on FMD including, timing, funding and rural veterinary service scholarships (pp 93-99).

2.37 Other issues raised included an update on the revision of the AusVet plan for FMD (p 100); details on expenditure for enhancements to animal health infrastructure (p 101-102); the availability of the Gudair vaccine for Ovine Johne's Disease (OJD) in sheep (p 102-104); management of Newcastle Disease in Victoria, including the potential for vaccination (pp 104-106) and marine pest incursions in Trinity Inlet (p 106-108).

National Registration Authority (NRA)

2.38 The Committee also raised a number of issues with officers representing the National Registration Authority. There were questions relating to the decision to remove a chemical known as Bayticol from sale from 31 August (p 124). Another issue was the recycling of industrial waste in fertilisers. Discussion focussed on when the NRA became aware of the issue and what action was taken. The NRA informed the Committee that they had not been aware of the problem and that the Authority has not jurisdiction over the control of industrial waste.²⁶

2.39 There was also discussion on the NRA review on the use of a poison known as 1080 in eradicating pest animals. Discussion focussed on the terms of reference and environmental issues relating to its use. Further discussion was on the use of Pindone as an alternative to 1080 and the management of risk regarding environmental and non-target animal damage (p 125-128).

2.40 The Committee also sought information of the process by which cropping chemicals are phased out when replaced. Specifically, a copy of the guidelines was requested (p 129).

24 RRAT Evidence, 27 May 2002, p. 92

25 RRAT Evidence, 27 May 2002, p. 93

26 RRAT Evidence, 28 May 2002, p. 125.

A final issue related to the Gudair vaccine for OJD in sheep. Discussion was on whether the NRA had placed any limitations on its use (p 129).

Australian Quarantine and Inspection Service (AQIS)

2.41 The Committee requested information on the Northern Australian Quarantine Service and North Australian Quarantine Strategy (NAQS). Specifically, the Committee asked how the program supported indigenous Australians and requested total employment numbers. The Department advised that the NAQS contributes to indigenous communities by employing about 60 indigenous people as quarantine officers and by working with indigenous communities on quarantine issues to prevent the introduction of pests and diseases in northern Australia.²⁷ Subsequent discussion focussed on funding for an Aboriginal communications strategy, expenditure under the NAQS program and performance indicators for the program (p 109-110).

2.42 An update on the Meat Safety Enhancement Program was requested. The Department indicated that consultations were continuing with the US, but that there were not further developments since discussing this issue at the previous estimates hearing in February (p 111).

2.43 Another issue concerned enhanced quarantine arrangements at airports. The Department advised that the program was progressing well with a target 81 percent intervention at airports nationally being achieved. Infrastructure developments at international airports had been completed at Sydney and Brisbane, with further work required in Melbourne and Adelaide. Also discussed was the additional work required in Melbourne including a scoping study and additional funding to complete the work. There were also a number of questions relating to additional infrastructure developments at airports for Australia Post to ensure quarantine mail intervention. (pp 111-115).

2.44 The final issue dealt with additional quarantine precautions to ensure Australians returning from the World Cup Soccer in Korea do not carry FMD. The Department assured the Committee that there would be 100 percent intervention on those returning from Korea through the increase in intervention levels and by targeting specific flights.²⁸

Innovation and Rural Policy and Programs

2.45 A number of issues were raised with officers from Innovation and Rural Policy and Programs, particularly in relation to the Advancing Agriculture Australia (AAA) package and industry leadership. Firstly, the Committee sought information on funding for the Women's Industry Network Seafood Community. The Department stated that it was a FarmBis project and aimed to identify skill gaps and address barriers to the full participation of women in the seafood industry through a number of workshops.²⁹

2.46 There was also discussion on the Government's role in the delegation to the International Rural Women's Conference in Spain, including attendees and funding (pp 117-118). The Committee requested an update on the review of the Rural Financial Counselling

27 RRAT Evidence, 28 May 2002, p. 108.

28 RRAT Evidence, 28 May 2002, p. 115.

29 RRAT Evidence, 28 May 2002, p. 116.

Service. Discussion focussed on proposed reforms to create more flexibility in the delivery of services. The Department advised that the new program would comprise three components including, a community based component, short-term industry projects and a relief and remote component. A new resource manual is under development to provide guidelines to communities and counsellors and a new administrative database was activated in December. There was further discussion on actual expenditure on counselling services and proposed budgets.³⁰

2.47 A number of issues relating to the AAA package were raised. These issues included a request for up to date information on the usage of programs and their effectiveness in terms of advertising expenditure (p 120-121); the cessation of the AAA FarmBis indigenous consultancy and communication campaign (pp 121-122); reasons for the decline in expenditure on the Farm Help Program (pp 122-123) and expenditure details on the Agricultural Development Partnerships Program (p 123). There was further discussion on the Agricultural Development Partnerships Program in relation to the circulation of the draft guidelines to the States (p 130-132).

2.48 Other issues were:

- Expenditure shortfall for the Skilling Farmers for the Future Program (pp 133-134)
- Funding transfers to the National Food Industry Strategy (p 135-136)
- Update on regions in receipt of exceptional circumstances declarations (p 137-138)
- Role of the project manager for economic and tax policy (p 139-140)
- Grants and funding for the Farm Innovation Program (p 142).

Australian Bureau of Agriculture and Resource Economics (ABARE)

2.49 A significant issue raised with ABARE related to the impact of the US farm bill on the Westpac National Farmers Federation Rural Commodity Index, which registered its third monthly fall in May. The Committee cited concerns that the bill was responsible for declining global prices for cotton and sugar. ABARE commented:

...emergency packages under the current farm bill are part of what has been doing damage in the cotton and sugar industries up to date. Basically, what the new farm bill does is to institutionalise those current arrangements and also add some counter-cyclical measures such that farmers in the United States are even more insulated in future from world prices. So the new bill will be much worse, potentially, than the current bill. But there was also some rather unfortunate policy imbedded in the current bill which has been having some implications for those commodities.³¹

2.50 ABARE also noted that they would publish their assessment of the farm bill's implications in the June issue of *Australian Commodities*.

30 RRAT Evidence, 28 May 2002, p. 119.

31 RRAT Evidence, 28 May 2002, p. 143.

2.51 Another issue was the US beef quota. Discussion focussed on the expected export trend of Australian beef to the US (p 144). The final issue raised related to the March Woolmark survey, which presented a pessimistic outlook for Australian cotton farmers. ABARE confirmed that pessimism with expectations of less than 50 cents per pound of cotton in 2002-2003, due to the slow global economic recovery and appreciation of the Australian dollar.³²

Bureau of Rural Sciences (BRS)

2.52 The Committee requested clarification on the difference between the 2002-01 and 2002-03 estimated actual outcome figures for scientific advice. The Department advised that a decrease of \$1.1 million was a change in the Portfolio Additional Estimates Statement (PAES) due to a redistribution of corporate overheads.³³

2.53 Another issue raised with BRS was the National Action Plan for Salinity and Water Quality. The Committee was interested in the type of information BRS had compiled for the program. BRS noted that their involvement ranged across a number of areas including, salinity risk mapping and compilation of social and other biophysical information, primarily, forest and vegetation databases, soil, ground and surface water (p 146). Other issues raised were the Bureau's role in National Oceans Policy and Regional Forest Agreements (RFAs) (p 147).

Industry Development – Fisheries and Forestry

2.54 A large number of issues were raised with officers from Fisheries and Forestry. Firstly, there was extensive discussion on the Forest Industry Development Assistance Program (FISAP), particularly in relation to south-western Western Australia. Specifically, the Committee was concerned with why there was a difference of \$2.5 million between expected expenditure and funding allocations for 2001-02. The Department advised that the program could not be progressed until the receipt of jarrah allocation details from the State government.³⁴ Further discussion related to the number of expressions of interest for assistance received. It was ascertained that due to the resource issue, there had been no FISAP expenditure (p 150).

2.55 There was also discussion on the estimated FISAP expenditure for New South Wales, Victoria and Western Australia (pp 150-151). Further questions on FISAP related to expected expenditure on the overall program including State allocations, rephasings and performance indicator testing against benchmarks (pp 170-171).

2.56 Another forestry issue related to the Eden Regional Adjustment Package (ERAP). The Committee requested an update on the progress of grants and projects discussed at the Additional Estimates hearing in February. There was discussion on the receipt of final reports from enterprises in receipt of ERAP grants (p 167). A number of questions were asked about specific grants for particular projects. Questions related to employment forecasts and job creation, funding and approval processes (pp 167-170).

32 RRAT Evidence, 28 May 2002, p. 145.

33 RRAT Evidence, 28 May 2002, p. 145.

34 RRAT Evidence, 28 May 2002, p. 148.

2.57 The Committee also raised a number of issues with departmental officers relating to fisheries. Firstly, a number of questions were asked about the checking of hulls of shipping vessels for marine pests, particularly in relation to Commonwealth and State responsibilities in making checks, cost sharing arrangements and the National Task Force Report on marine pest policy (p 151-154). Further discussion related to cost analysis for marine pest incursions in Trinity Inlet (p 155).

2.58 Another issue was the ACIL review of Management Advisory Committees (MACS). In particular, following on from the previous estimates hearing, the Committee was interested in an update on the recommendations. The Department advised that the major recommendations had been implemented and work was currently being undertaken on trainee induction programs for members, interpretation of legislative objectives, corporate governance statements and consistency in fees provided to MAC chairs and members.³⁵

2.59 The Committee requested an update on strategic assessments undertaken in accordance with the Environment Protection and Biodiversity Conservation (EPBC) Act on the Heard and McDonald Island fisheries and Bass Strait scallop fishery. AFMA advised that the two fisheries had been accredited under the Act with an outcome on the scallop fishery expected shortly. AFMA also advised that they were reviewing and implementing new management plans for the southern bluefin tuna fishery and the eastern, southern and western tuna fisheries as a step prior to accreditation.³⁶

2.60 Other fisheries issues discussed were:

- Potential for CITES listing the Patagonian Antarctic Tooth fish (p 156)
- Funding for implementation of by-catch action plans and reduction technologies and methods (pp 157-161)
- Funding for the National Action Plan for Sharks (NAPS) (pp 161-162)
- Update on the Commonwealth fisheries policy review (p 164)
- Update on bluefin tuna fishery in terms of additional funding for scientific research (p 165)
- Role of AFMA in the apprehension and detention of illegal fishermen (p 166).

Natural Resources and Access Management

2.61 A number of issues, particularly in relation to salinity and water were raised with officers from Natural Resources and Access Management. Firstly, the Committee sought specific information on the Douglas Shire Ethanol Project. The Department was unable to answer concerns regarding the implementation of the project, because it is administered by the Australian Greenhouse Office and not AFFA. The Department noted that their role was to provide some funding towards milestones two and three. These milestones relate to

35 RRAT Evidence, 28 May 2002, p. 162.

36 RRAT Evidence, 28 May 2002, p. 163.

integrated projects and environmental management plan aspects and the farm forestry project.³⁷

2.62 There was discussion on funding allocations and estimated expenditure on salinity mitigation (p 173) and the Great Artesian Basin sustainability initiative (p 174). The Committee also requested details on a mid-term review of the Great Artesian Basin initiative, including terms of reference and when the review is scheduled to commence (p 175).

2.63 A significant matter was the National Action Plan for Salinity and Water Quality. Specifically, the Committee asked a number of questions regarding the underspend in estimated expenditure compared to actual expenditure (pp 175-176). The Department stated that reasons for the underspend included difficulties in finalising State negotiations and that original estimates were in place before they had an opportunity to ascertain likely cash flows from the States. The Department also indicated that the 2002-03 estimates are now closer to expenditure reality.³⁸ Further discussion concentrated on funding transfers to the States (p 176-177) and total funding for the action plan (p 177, 185-186).

2.64 The Committee also asked questions relating the National Action Plan (NAP) catchment areas (p 179) and the proposed national marketing campaign, including funding allocations and advertising arrangements (p 180-182). There was also discussion on compensation for farmers where water property rights are diminished under the plan (pp 183-184) and the development of national standards for salinity, water quality and resource management including biodiversity (p 187-189).

2.65 Another issue raised included the Government's response to the Namoi Valley Groundwater Task Force funding recommendation towards restructuring for the retirement of Namoi Valley groundwater. In particular, the Committee was interested in how the Commonwealth intended to fund the stated \$40 million contribution, had the New South Wales Government been able to match this contribution (pp 178-179).

2.66 Other issues included the establishment of a working group to consider water property rights (p 183), extension and fund matching for the Natural Heritage Trust (p 189), funding for farming incentives for environmental management systems in agriculture (pp 189-190) and the planned evaluation review of the Natural Heritage Trust (p 191).

37 RRAT Evidence, 28 May 2002, p. 173.

38 RRAT Evidence, 28 May 2002, p. 176.

CHAPTER 3

TRANSPORT AND REGIONAL SERVICES PORTFOLIO

Department of Transport and Regional Services

3.1 Due to the early conclusion of the Agriculture, Fisheries and Forestry Portfolio, the Committee commenced hearing evidence from the Department of Transport and Regional Services on Tuesday, 28 May. The hearings continued on Wednesday, 29 and Thursday, 30 May 2002. The hearing agenda was completed in the following order:

- Corporate Governance Group
 - Information Services and Executive Services
 - Economic Research and Policy Co-ordination
 - Business Services
- Transport Group
 - Australian Transport Safety Bureau
 - Transport and Infrastructure Policy Division
 - Transport Regulation Division
 - Australian Maritime Safety Authority
 - Transport Programmes Division
 - Aviation and Airports Policy Division
 - Civil Aviation Safety Authority
 - Airservices Australia
- Regional Development Group
 - Regional Policy Division
 - Regional Programmes Division
 - Territories and Local Government Division
 - National Capital Authority

General Issues

Corporate Governance Group

3.2 The Committee commenced their examination of the Transport and Regional Services Portfolio by querying an increase in departmental expenses contained in the budget papers. The Department advised that the increase was due to a number of new measures, including strengthening air safety, extension of the road safety black spot program and stronger regions program.¹

3.3 The Committee also questioned a 10 percent reduction under Operating expenses administered programs in relation to the National Highway and Roads of National

1 RRAT Evidence, 28 May 2002, p. 194.

Importance when the budget papers indicated that there had been a funding increase. The Department commented:

The figure of page 24 deals specifically with the budget measure – that is, the \$137.6 million – is an announced budget measure as an increase in funding for particular projects for National Highways and Roads of National Importance pursuant to the government's election commitments. The figures on page 40 take account of that adjustment, notwithstanding there appears to be a decline, but there is also a reprofiling of funding under that program which is impacting on those figures of \$100 million from 2002-03 to later years, which is impacting on those figures.²

3.4 There was discussion on a new program called AusLink. Specifically, the Committee requested information on the budget for its green paper. The Department advised that because AusLink was a very new measure, there had as yet been no funding allocations. The Department indicated that the concept of AusLink is to develop a more strategic approach to land transport, but that no formal decisions had been made.³

3.5 Other issues raised included an update on how the new organisational structure was performing (p 200), current certified agreement negotiations and salary costs (pp 200-201), update on market testing of departmental functions for outsourcing (p 205) and status of energy grants credit scheme (pp 205-206).

Australian Transport Safety Bureau (ATSB)

3.6 A large number of issues were raised with ATSB officers. Firstly, the Committee asked questions relating to staffing numbers as a result of departmental restructuring (p 206). The update of the OASIS database was another issue raised. The ATSB advised that the upgrade is on time and is currently undergoing testing with roll out expected to be at the end of June.⁴

3.7 The Committee requested an update on a safety study of engines similar to that of the Whyalla Airlines aircraft involved in a fatal accident (p 207). Also discussed was the status of the response to the ATSBs report recommendations into the Whyalla Air accident (pp 207-208).

3.8 Other matters raised included:

- Update on Qantas Flight 1 Bangkok incident report recommendations (p 208)
- Coronial/media criticisms of aspects of ATSBs investigation into Beech King Air incident (p 209)
- CASA responses to recommendations on cleaning helicopter components and painting of engine cooling authority (pp 209-211)

2 RRAT Evidence, 28 May 2002, p. 195.

3 RRAT Evidence, 28 May 2002, p. 199.

4 RRAT Evidence, 29 May 2002, p. 206.

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- Impact of new certified agreement on Bureau's operations (pp 211-212)
 - National Strategy on Australian Cycling – statistics and fatalities (pp 212-215)
 - Statistics on motorcycle fatalities, licence renewals and communications (pp217-220)
 - Discussion on heavy vehicle road accident national database and public communications (pp220-222)
 - Discussion on the use of mobile phones in cars (pp 222-224)
 - Discussion on National Road Safety Strategy – motor industry draft advertising code (pp 225-227)
 - Role of the National Road Safety Strategy panel in monitoring and reporting (pp 227-229)
 - Compilation of the National Road Safety Action Plan 2001-2002 (pp 229-231)
 - Update on the AusRoads National Action Plan for Youth Road Safety and older road users (pp 232-233)
 - Update on evaluation on safety plan to improve motorcycle training and licensing schemes (pp 233-234).

Transport and Infrastructure Policy Division

3.9 Matters raised with officers from Transport and Infrastructure Policy Division included the Department's role in relation to the Australian Inland Expressway (p 235). There was also significant discussion on the Government's decision to abolish the Very Fast Train Project. Specifically, the Committee sought information on the process of events leading up to the decision, costs associated with the preliminary study report, staffing costs, total costs and expenditure associated with the project and details of the tendering process (pp 236-241).

3.10 Other issues discussed were the status of negotiations with the New South Wales government on rail access arrangements (pp 241-242); an update on issues related to the Hunter region coalfield rail tracks (pp 242-243) and the sale of the national Rail Corporation and FreightCorp to the Corrigan Little consortium (pp 244-245). The principal issue discussed in relation to this was the commitment by the consortium to provide \$50 million towards infrastructure works.

3.11 There were also a number of questions asked regarding infrastructure investment issues. The Committee sought information on funding for the new section within the Division. The Department advised that the Division now had responsibility for non-aviation related infrastructure, with the Airports and Aviation Policy Division maintaining responsibility for aviation infrastructure issues.⁵ Discussion also focussed on infrastructure funding models, consultancies and method of liaison with other government departments in developing policies. Also discussed was the Infrastructure Borrowings Tax Offset Scheme including projects as part of the arrangements (p 250).

5 RRAT Evidence, 29 May 2002, p. 247

3.12 Other matters raised were the upgrade of the mainline interstate railway track (p 245), Road Safety Strategy strategic objectives, particularly consultation and Commonwealth/State responsibilities (pp 250-252).

Transport Regulation Division

3.13 The Committee requested an update on the progress of the introduction of Australian design rules for rear and side under-run protection on heavy vehicles including Commonwealth responsibilities regarding occupant protection (p 253). Another issue was the Austroads National Action Plan for Youth Road Safety. The Committee was interested in the effectiveness of the plan and the review of road rules applying to scooter riders (pp 253-254).

3.14 There was discussion on the placement of identification plates on the front of motorcycles. The Department noted that it was at State initiation whether or not identification plates were placed on the front of motorbikes. The requirement to have metallic plates on the front was removed because of safety hazards to both the rider and pedestrians.⁶

3.15 Another issue raised related to the number of single and continuing voyage permits issued to vessels. The Committee sought details on freight volumes, particularly in relation to a vessel named the *Tauranga Chief*. Discussion focussed on the number of voyages the vessel was licensed for, its freight volumes, when the permit was issued, whether or not the vessel was subsidised by another nation and departmental responsibilities and ministerial powers.⁷

3.16 A final issue related to the trucking code of conduct. The Committee sought details on a meeting conducted in February whereby, the code was discussed among trucking industry representatives. The Department advised that the meeting established broad in principle support from customer representatives for a code.⁸

Australian Maritime Safety Authority (AMSA)

3.17 Issues discussed with AMSA were the new safety radio communications system (SOLAS) including tender results, the scope of the service, value of the contract and protocols in responding to distress calls (pp 262-263); funding for search and rescue including aircraft charter arrangements (p 264); discussion on a proposed audit of AusSAR in 1997 (p 265) and the status of legal proceedings arising from the *Red Baron* incident (p 265-266).

Transport Programmes Division

3.18 The Committee initiated significant discussion on a number of issues with Transport Programmes Division officers. There were questions regarding a 35 percent reduction in funding for the Tamworth Australasian-Pacific Aeronautical College. The Department indicated that total grant funding is \$3.6 million over four years to provide infrastructure,

6 RRAT Evidence, 29 May 2002, p. 254.

7 RRAT Evidence, 29 May 2002, pp 256-261.

8 RRAT Evidence, 29 May 2002, pp 261-262.

aircraft and equipment to the college. The reduction this year is associated with the college's establishment phase and funding is for needed facilities.⁹

3.19 There was extensive discussion on the Roads to Recovery Program. Specifically, the Committee sought information on tendering arrangements and conduct of capital works projects and how funds are paid to local authorities for projects. Discussion here focussed on auditing and monitoring processes associated with the use of funds by local authorities. Further discussion was on key inter-regional roads and the role of the Department in monitoring council expenditure including key outcome measurement (pp 267-276).

3.20 A number of issues related to Roads of National Importance (RONI). The Committee was interested in the process in assessing a road for RONI status (pp 276-277). In particular, details on analysis of the Peninsula Development Road as a RONI was requested (pp 277-281). A further issue related to funding for the National Highway and RONIs. Specifically, the Committee requested details of projects that had been abolished to effect a funding reduction of 10 percent. Also discussed was funding rescheduling and whether there would be any impact on projects and councils (pp 281-284).

3.21 Another issue was the Federal Road Safety Black Spot Program. The Committee was interested in the transition of the management of the program from the ATSB to the Roads Programmes Division (p 288). The Committee requested information on consultative panels including the number of member organisations, how organisations were chosen, the process in assessing applications and the process followed in assessing individual applications (pp 288-289). Further discussion was on the Bureau of Transport Economic (BTE) evaluation report of the program (pp 290-291) and funding allocations (p 291).

3.22 Other matters raised were:

- The business case for the Victorian share of funding for the Scoresby Freeway (pp 284-285)
- Funding allocations for the Pakenham Bypass Project (p 285)
- Discussion on Prime Ministers attendance at meetings on the Albury-Wodonga road bypass (p 286)
- Expenditure on the RASS scheme (p 287)
- Funding and expenditure on the Tasmanian Freight Equalisation Scheme (pp 287-288)
- Ansett ticket levy – rate of collection and timeframe for collection (pp 292-294)
- Final expenditure for the Rapid Route Recovery Scheme (pp 294-295)
- Purchase of land at Sydney West airport (p 296)
- Purpose of compensation payment to SACL for sale of Sydney airport land (p 296)

9 RRAT Evidence, 29 May 2002, p. 266.

- Expenditure on upgrading Canberra airport to international standard (pp 296-297)
- Noise amelioration expenditure at Adelaide and Sydney airports (p 297)
- Payments to Tasmanian government for the ABT Railway Federation Fund project (p 298).

Aviation and Airports Policy Division

3.23 The Committee raised a number of issues with officers from Aviation and Airports Policy Division. Firstly, the Committee inquired into the current situation for Ansett employees in regards to superannuation payments (p 299). Information on the development of the aviation security policy on air marshals and industry contributions to this was sought (p 299).

3.24 The Committee requested an update on the work of the Aviation Policy Task Force. The Department advised that the task force had provided policy advice to the government on matters subsequent to the September 11 events, the Ansett collapse and matters concerning economic regulation. There had been focus on regional airlines, particularly the administration of Hazelton and Kendall, airport pricing issues and the economic regulatory regime for airports.¹⁰

3.25 Another matter was the proposed corporatisation of Airservices Australia. The Committee was interested in the purpose of corporatisation, the process and proposed timeframe and impact on the operations of Airservices Australia (pp 300-301). There were also questions on the draft regulations relating to the future responsibility for rescue and fire fighting services, terminal navigation and air traffic control services (p 301).

3.26 There was discussion on the establishment of an Air Standards Task Force. The Department indicated that the task force was remote from the Aviation Reform Group established to facilitate low level airspace reform. The Task Force will assist CASA to proceed with its regulatory reform agenda and details are still undergoing consideration.¹¹

3.27 Following this information, there was extensive discussion on the Aviation Reform Group including its membership and the basis for member's appointments. The Department informed the Committee that the Minister had now commissioned the group to manage the implementation of the NAS system for low-level airspace.¹² The Committee requested details on the characteristics of the NAS system compared to existing arrangements and the development of the Low Level Airspace Reform Plan (LAMP) model (pp 303-306).

3.28 Other issues raised included:

- Timeline for the sale of Kingsford Smith airport (pp 311-312)
- Update on sale of Bankstown, Hoxton Park and Camden Airports (pp 312-313)

10 RRAT Evidence, 29 May 2002, p. 300

11 RRAT Evidence, 29 May 2002, pp. 301-302.

12 RRAT Evidence, 29 May 2002, p. 304

- Operating plan and air traffic arrangements for Bankstown airport (p 314)
- Departments role in aviation security issues (pp 314-316).

Civil Aviation Safety Authority

3.29 The Committee raised a number of issues with CASA. The Committee sought reasons for increases in expense trends for CASA until 2004-05 and then a decrease following that year. CASA advised that CASA had funding of \$36 million over four years to increase staffing in the international cell, to establish the regulatory services centre and to fund the CASA improvement program. The figures show the draw down for these activities over the first three years but not in the fourth year.¹³

3.30 Questions were also asked on CASA plans and targets to ensure Qantas and Virgin Blue comply with aviation safety legislation (p 317) and amendments to CAR 206 relating to sports aviation (p 317).

3.31 There was extensive discussion on CASA's inquiry into the operations of Vee H Aviation. CASA stated that investigations into allegations of negligent maintenance practices determined that there was not sufficient evidence to send a brief to the DPP seeking prosecution, but that there was evidence supporting the issuance of an administrative fine, resulting in two infringement notices being issued to the operator.¹⁴ Further discussion on this matter focussed on the process involved in issuing infringement notices, the resources put into the investigation and the level of surveillance and audit activities on the operator (pp 318-319). There was also discussion on an amendment to Vee H Aviation's existing AOC authorising the operation of a new aircraft and the process followed by CASA. The Committee was concerned that the AOC authorisation may have been backdated and sought information on the process followed and staff involved in the investigation (pp 320-324).

3.32 Another significant matter related to a company known as GOANA Australian Air Safaris or Fly Hire Pty Ltd. Specifically, the Committee sought information on audits and surveillance activities undertaken by CASA on the company from January 1999 to March 2000. Further discussion focussed on litigation action taken by CASA against the company including the reasons why the litigation was unsuccessful and the process followed by the DPP (pp 325-326).

3.33 Other issues included CASA's response to ATSB recommendations in relation to Qantas F1 Bangkok airport accident (p 327, 335-336); cost of work completed to rewrite manuals in relation to the Tesna bid for Ansett (pp 327-328); CASA reports on previous Ansett groundings (pp 328-329) and an update on the status of the CASA Improvement Program (p 329).

3.34 Further discussion included:

- Pilot licence suspension following an accident at Palm Beach in December 2001 (p 330)
- Process for individuals in making a complaint against an operator (p 330)

13 RRAT Evidence, 30 May 2002, p. 316.

14 RRAT Evidence, 30 May 2002, p. 318.

- Discussion relating to allegations against an operator at Bankstown airport – CASA investigation (pp 330-331)
- Internal investigation of suspended CASA officer (pp 331-332)
- CASA appointment of Bruce Byron as special adviser on regulatory reform (pp 332-333)
- CASA response to ATSB recommendations regarding 1998 Sydney to Hobart Yacht race (pp 333-334).

Airservices Australia

3.35 Due to projections that Airservices was forecasting a loss for the current financial year, the Committee requested an update on current forecasts. Airservices advised that they had originally forecast a revenue loss based on September 11 and the collapse of Ansett and initiated activities to reduce costs. As a result, current forecasts are that there will be a profit at the end of the year.¹⁵ The Committee expressed concern with the unavailability of the profit forecast figures.

3.36 The Committee asked questions on average price increases for Airservices charges including charges negotiated for provision of services to the military (p 337) and current staffing numbers (pp 337-338).

3.37 There was also discussion on the plan to corporatise Airservices. Issues discussed concerned changes to the operations of Airservices Australia. Airservices commented:

...we are trying to inculcate a culture in the organisation that is customer focussed, that is commercial and that is safe. And very clearly all those things are easier when you have a clear fence around the organisation and people know where they are heading and how they are getting there.....So we will become a corporation under companies law rather than a corporation under the Air Services Act if this all goes ahead....So there will not be much change physically, but a lot of change mentally.¹⁶

3.38 Another issue concerned additional contracts for the former CEO, Mr Pollard. Specifically, the Committee sought details on the contract including the period of contract, payment details and travel arrangements. Further discussion focussed on when the contract was negotiated and approved by the Airservices Australia Board. The Committee also inquired into the reasons why Mr Pollard was employed on contract (pp 340-344).

3.39 Other matters raised related to work Airservices is conducting in foreign countries (p 344); an update on certified agreement negotiations (p 344) and airspace arrangements regarding the CHOGM meeting in Brisbane, including cost and payment of revised air space arrangements and air space infringement incidents (pp 345-346).

3.40 Other issues were:

15 RRAT Evidence, 30 May 2002, p. 336.

16 RRAT Evidence, 30 May 2002, p. 339.

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- Use of Bankstown airport as an overflow airport – implications for air space in Sydney (pp 346-348)
 - Future of the AusFIC Air Services including types of pre-flight information services provided and staffing levels (p 348)
 - Aviation Reform Group – experience of Airservices Chairman in airspace management (p 349)
 - Consideration in implementing a SAP computer system including selection process and role (pp 349-350)
 - Update on the TAAATS system including performance and system upgrades (p 350)
 - Airservices work on electronic access to aeronautical information (p 351)
 - Cost of the HF rationalisation and modernisation program (pp 351-352)
 - Recent aircraft incident on Cairns airport runway (p 352).

Regional Development Group – Regional Policy Division

3.41 A number of issues were raised with officers from Regional Policy Division. The Committee sought clarification on current staffing allocations. The Department commented that the Division's budget arrangements are driven by dollars rather than staff numbers. The staff allocation is currently 65.¹⁷ Further discussion related to staff and research functions.

3.42 There was discussion on budget allocations for both Regional Policy and Regional Programmes Divisions. Specifically, the Committee requested a breakdown on how allocations were administered (p 354). Further discussion focussed on the functions and output responsibilities of the Division. In particular, issues raised concerned contribution to regional research and data and the level of communications with the broader community, particularly through Area Consultative Committees (ACCs) (pp 355-356).

3.43 The Committee asked a number of questions on regional development. Specifically, information was sought on the impact of infrastructure on regional development. The Department advised that regional development is one of their broad policy issues where they seek to contribute through the work of group executive teams, ACCs, the Regional Development Council and SCORD.¹⁸ Other questions and discussion focussed on inter-departmental interactions regarding taxation and private sector investment in infrastructure (pp 357-358); the level of immigration to regional areas (pp 358-359) and international trends in regional development (pp 359-361).

3.44 There was also discussion on defining regional boundaries. The Department noted that some university research is being undertaken into how people see their communities or regions, but that this would not necessarily be useful because it was difficult to assess different perspectives and an overall benefit. In terms of defining regional Australia, the

17 RRAT Evidence, 30 May 2002, p. 353.

18 RRAT Evidence, 30 May 2002, p. 357.

Department indicated that the Stronger Regions statement definition was non-metropolitan Australia¹⁹ There was further discussion on what constitutes rural and remote and the impact of urban drift.

3.45 Other issues dealt with included liaison regarding Networking the Nation (pp 363-364) and status of the Mount Isa to Townsville Economic Development Zone proposal to transfer the database to a web site (p 364).

3.46 The Committee initiated discussion on regional business development analysis. Issues raised included the appointment of a committee representing regional interests and private sector, timeframe for the analysis, proposed expenditure of the budget allocation and scrutiny process for projects (pp 364-366).

3.47 Other matters raised were:

- Rephrasing of funds for the Sustainable Regions Program (p 367)
- Finalisation of terms of reference for the Regional Programs Reform Task Force (p 367)
- Role of ACCs in natural resource management and infrastructure development (pp 369-370)
- Funding and revised budgeted expenditure for the Foundation for Rural and Regional Renewal (pp 371-372)
- Discussion on the closure of applications for research and development programs (p 372).

Regional Development Group – Regional Programmes Division

3.48 Several issues were raised with the Regional Programmes Division. Firstly, the Committee requested details on a Thornton Land Company sponsored transport and distribution centre project under the Newcastle Structural Adjustment Fund. The Company was granted funding of \$1.5 million for the establishment of the centre and then sold. Information was sought on the owners of the Company, estimates in relation to job creation, the departments awareness of the sale process and whether the sale of the centre was a contravention of the Company's contract with the government.²⁰

3.49 Another issue related to Rural Transaction Centres (RTCs). Questions focussed on the number of RTCs approved, number of applications received, which applications had not been approved and an update on specific RTC applications (pp 373-375).

3.50 There was also discussion on the Regional Solutions Program. The Committee was interested in whether the Minister delegated decisions on applications for grants. The Department advised that approval decisions are made by an advisory panel and then submitted to the Minister for final approval. The exception is applications with requests

19 RRAT Evidence, 30 may 2002, p. 362.

20 RRAT Evidence, 30 May 2002, p. 373

below \$10,000 which, are sent directly to the Minister if recommended.²¹ Further questions related to rejection rates and whether the Minister had approved projects that the advisory panel had not recommended (p 375-376). Information was also sought on criteria used to measure the degree of disadvantage and socioeconomic conditions (p 376); the role of ACCs in the program (p 376); a comparison between the way RAP grants and Sustainable Regions grants are dealt with (p 377) and the application assessment process (p 377). The Committee also requested details on a number of current applications, including the Baradine Advancement Group, Ballarat Retail Project, Northern Grampian Shire Council and the White Cliffs Telecentre (p 378).

3.51 Issues relating to the Regional Assistance Program (RAP) were also raised. The Committee initiated discussion on the ANAO report, which expressed concern about aspects of the program, particularly the Projects of National Significance Program. The Committee was interested in how the Department had responded to the criticisms. The Department commented:

In terms of the department's response, what the ANAO commented upon in relation to the management of RAP in general were issues to do with the clarity of the guidelines, feedback to unsuccessful proponents, the frequency of assessment rounds and so on. They were really refinements to the program rather than, I think, a suggestion of fundamental flaws in it. The Department have responded very favourably and were putting some of those changes in place, even prior to the ANAO commencing its investigation. From that point of view, I think we have responded very favourably, and we are doing it.²²

3.52 Further discussion was on the proposed timing and design of an evaluation of the RAP program (pp 379-380) and the process in assessing and approving projects within the Projects of National Significance program (p 380).

Regional Development Group - Territories and Local Government Division

3.53 There was extensive discussion on a number of issues with officers from Territories and Local Government Division. Firstly, the Committee discussed expenditure on the \$10 million Flood Recovery Fund, which was not fully expended. The Department advised that \$3.8 million had been expended under the fund with \$4 million of the outstanding balance reallocated to an election commitment to bring forward construction of the Lismore Levee Project.²³

3.54 In another matter, the Committee referred to the Grants Commission report into financial assistance grants to local government and inquired whether the department had completed any work into the impact of cost shifting on local government. The Department noted that no work had been done beyond that reported to the inquiry through submissions and that there were no plans to complete any independent work.²⁴ Further discussion related to reasons for Commonwealth exclusion in the inquiry in terms of cost shifting and the broad intent of the inquiry (pp 382-383).

21 RRAT Evidence, 30 May 2002, p. 375.

22 RRAT Evidence, 30 May 2002, p. 379.

23 RRAT Evidence, 30 May 2002, p. 381.

24 RRAT Evidence, 30 May 2002, p. 381.

3.55 There was significant discussion on the construction of a detention centre on Christmas Island. Discussion focussed on the construction timetable as stated by the Minister. The Department noted that the construction project was the responsibility of the Department of Immigration and Multicultural and Indigenous Affairs (DIMIA) and that this portfolio was responsible for providing infrastructure to the site, including water, power and telecommunications, providing some staff housing and securing the land for the site. In addition, the Department is also providing some initial construction work on accommodation on the island.²⁵ Further discussion was on the department's role in the development of an environmental management plan for the centre and associated infrastructure (pp 385-386) and initial construction activities on infrastructure facilities, housing and an additional port (pp 387).

3.56 The Committee also requested a breakdown of capital expenditure for each component (p 387). There were additional questions on the tendering process (pp 387-388) and the environmental suitability of the detention centre site, including consultations with Environment Australia and community groups (pp 388-390). Other questions related to what opportunities the construction and operation of the detention centre will provide for local residents in relation to training and employment (pp 390-391).

3.57 Another issue raised was media reports indicating that the proposed space centre launch site on Christmas Island may be unsuitable because of limestone cavern formations beneath the site. The Department commented that while they were aware of media reports, a statement from the company indicated that the reports were inaccurate. The Department also noted that a detailed geotech report is due to for completion in June addressing this issue.²⁶ Further discussion on the space centre related to safety issues concerning liquid fuels (pp 392-393) and proposed exclusion zones for the space centre's residential complex (p 394).

3.58 Other Christmas Island issues raised focussed on proposals to re-open the Christmas Island Casino and Resort and payment of entitlements to retrenched casino and resort employees, including laundry workers (pp 394-395); the Christmas Island air service contract with National Jet (p 396); nature of phosphate operations on Christmas Island (p 396); provision of insurance for residential properties and vehicles on Christmas Island (pp 396-397) and rental charges for a youth club (p 397).

3.59 Other matters raised were:

- Reallocation of funding from other projects to provide new freight and passenger facilities on Cocos Island (pp 397-398)
- Update on sale process of Commonwealth owned houses on Cocos Islands (p 398)
- Details of a proposal to sell crown leasehold land on Norfolk Island (pp 398-399).

25 RRAT Evidence, 30 May 2002, p. 384.

26 RRAT Evidence, 30 May 2002, p. 392.

National Capital Authority (NCA)

3.60 The major issue discussed with the National Capital Authority related to the draft amendment 39 to the dual occupancy provisions in the ACT. Specifically, there was extensive discussion on consultation issues, removal of the designated area status and the NCA's motivation for the amendment (pp 400 – 409). Other issues raised included variations in funding allocations in the PBS (pp 399-400) and an update of the construction progress of Commonwealth Place (pp 414-415).

3.61 There was also discussion on amendments to the National Capital Plan on the proposed route of the Gungahlin Drive extension. Issues raised included, consultation and concerns from the Australian Institute of Sport (AIS) (pp 409-411), staffing resources (p 412) and Ministerial powers (p 412).

**RURAL AND REGIONAL AFFAIRS AND TRANSPORT
LEGISLATION COMMITTEE**

HANSARD

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