

The Senate

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Rural and Regional Affairs and  
Transport Legislation Committee

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Budget estimates 2003–04

June 2003

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Senator John Cherry	AD, Queensland	
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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



# CHAPTER ONE

## INTRODUCTION

1.1 On 13 May 2003, 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 June 30 2004;
- Particulars of certain proposed expenditure in respect of the year ending 30 June 2004; and
- Particulars of proposed expenditure related to the parliamentary departments in respect of the year ending on 30 June 2004.

1.2 The Committee considered the Portfolio Budget Estimate Statements 2003-2004 (PBS) for each portfolio at hearings on 26, 27, 28, 29 and 30 May 2003. The hearings were conducted in accordance with the agreed agenda as follows:

- Monday 26 May - Agriculture, Fisheries and Forestry portfolio;
- Tuesday 27 May - Agriculture, Fisheries and Forestry portfolio;
- Wednesday 28 May - Agriculture, Fisheries and Forestry portfolio and Transport and Regional Services portfolio;
- Thursday 29 May - Transport and Regional Services portfolio; and
- Friday 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 Bernie Wonder, Deputy Secretary of the Department of Agriculture, Fisheries and Forestry, Mr Peter Yuile, Acting 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 lodgment of any written answers or additional information. The Committee agreed that written answers and additional information should be submitted by 11 July 2003

1.6 The Senate has determined that consideration of supplementary hearings on budget estimates will be held on 5 November and 6 November 2003.

### **Administration of written answers or additional information**

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

1.8 Answers to questions 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 2003-2004. 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.

# CHAPTER TWO

## AGRICULTURE, FISHERIES AND FORESTRY PORTFOLIO

### Department of Agriculture Fisheries and Forestry

1.1 The Committee heard evidence from the Department on Monday 26 May and Tuesday 27 May 2003. The hearing was conducted in the following order:

- Management Services and Corporate Governance
- Food and Agriculture
- Market Access and Biosecurity
- Product Integrity, Animal and Plant Health
- Australian Quarantine and Inspection Service
- Australian Bureau of Agriculture and Resource Economics
- Bureau of Rural Resources
- Rural Policy and Innovation
- Fisheries and Forestry
- Natural Resource Management

1.2 Before commencing the Committee's examination, the Deputy Secretary of the Department of Agriculture, Fisheries and Forestry, Mr Bernie Wonder provided the Committee with a brief overview of budget issues in terms of the portfolio. Specifically, Mr Wonder highlighted a number of subjects catered for in the Portfolio Budget Statements (PBS). These topics include: continuing Landcare activities, addressing the action agenda for Australian Aquaculture, addressing the fire ant challenge, extension to the closing date for Farmhelp applications, addressing illegal fishing activity in the Southern Ocean, continuing the Tuberculosis Freedom Assurance Program, and the continuation of the Tasmanian Wheat Freight Subsidy Scheme. (p 4)

1.3 Mr Wonder also touched on existing and ongoing commitments to drought related issues, the National Action Plan for Salinity and Water Quality, the NHT, and the Murray Darling Basin Initiative. The successor package to

the Agriculture Advancing Australia program is expected to be brought forward for consideration. (p 4)

1.4 Mr Wonder invited questions relating to the ABARE-BRS review to be asked early in the hearing process.

## **General Services and Corporate Management**

1.5 The Committee sought clarification regarding the decision not to seek advice on the requirement or otherwise for a corrigendum to fix the underreporting of the Departmental Secretary's salary. Mr Pahl advised the Committee that his decision not to seek advice was based on: the fact that the aggregate numbers from the Department were correct and thus not misleading; the relatively small amount involved; and the fact that the reporting error occurred a number of financial years before. The Committee sought assurance that measures were in place to prevent repeat errors. (pp 5-6)

1.6 The Committee voiced its concern that Mr Taylor, Departmental Secretary was not available for the estimates hearings, and requested that Mr Taylor make himself available. (pp 6-8)

### *Australian Wool Innovation*

1.7 The Committee sought details regarding the statutory funding arrangements with the Australian Wool Innovation (AWI), and the contractual relationship between the company and the Department. In particular, the Committee sought assurance that the funding agreement in place meets the necessary legislative requirements for Categories A and B payments. The Department advised that they were satisfied that funding has been spent in accordance with the requirements. (pp 8-10, 26-27)

1.8 However, the Committee was still concerned that reporting mechanisms were not adequate to determine that the funds were being spent appropriately. The Committee made clear their view that the AWI must operate consistently with the funding agreement with the Commonwealth as well as the Corporations Law requirements. The Committee was concerned that payments towards internal election campaigns and alleged payments to journalists to initiate hostile questioning of certain board members prior to elections were in breach of the restriction on agri-political activity in the agreement with the Commonwealth. The Department advised that they had sought and received legal advice that the monies spent met with the requirements of both the statutory funding arrangement and the Corporations Law. (pp 10-12, 13-14)

1.9 The Committee was very concerned that the Department had accepted an apparently inappropriate definition of "political" as activities related to a political party, upon which the legal advice was based. The Department argued that they accepted the advice, as they understood the funding arrangement

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contract to mean that AWI was not to be involved in political campaigns, and that the conduct of board elections was an integral part of company activities. The Committee pointed out that the legal advice received did not appear to cover items such as telephone polling, public relations, advertisements, and legal fees, which are activities pertaining to “fighting an election”, not “running and election”, and thus are activities directed to affect the outcome of the board elections. (pp 12-14, 15-16, 28-35)

1.10 The Committee was also concerned that the use of statutory funds for internal politics has implications for all other industry bodies with funding arrangements with the Commonwealth. The Department advised that they are undertaking revisions to the funding arrangement. (p 30)

1.11 In addition, the Committee raised the issue of around \$20 million allocated to projects for which there were no formal contracts. The Committee was advised that AWI have instigated an investigation of this issue. The Department responses to further questions from the Committee indicated that they need to wait for the results of the investigation before knowing the full extent of the issue. This raised further questions regarding the Department’s actions in seeking copies of other independent reviews undertaken during 2002. (pp 11, 27, 35)

1.12 The Committee established that if the AWI was found to be in breach of the agreement in relation to the use of funds, that the company would be required to repay such funds, and that this repayment would be ultimately derived from growers’ levies. (p 36)

1.13 Committee contended that the previous board had been put in place by Mr Price and that growers had had no chance to approve their appointments before the elections at which the board was ousted. The Department advised that in fact there had been opportunity to ratify membership prior to the election. (p 38). The Committee also established that the current board is not aware of any action taken to recover prepaid board fees to the members of the previous board. (p 37)

1.14 Committee asked for clarification on the discrepancy in directors’ fees between 2001 and 2002, as reported in the AWI annual reports. The Department advised the Committee that a chief Executive was not appointed until 2002, and the 2001 figures reflect the absence of a Chief Executive, with the monies being used for an acting role. (p 39)

1.15 The Committee concluded that they were satisfied with the answers proffered during the hearing, however it was not clear to the Committee that woolgrower and taxpayer funds had not been misused and sought to refer the matter of administration of AWI to the Committee for further inquiry. (p 39)

*ABARE and BRS*

1.16 There were concerns raised by the Committee over the review of research activities undertaken within ABARE and BRS, whether a restructure was pledged in the coalition's electoral platform and the possible impacts of a restructure to the delivery of program. The Department advised the Committee that since ABARE and BRS are not embodied in legislation, the structure of these agencies is an administrative matter for the Department. The Department stressed that at no decision had been made in terms of a restructure, and that their aim was to ensure the continued delivery of high quality advice. The Department assured the Committee that key stakeholders had been consulted during the review process, and their comments had been accepted. The Department agreed to provide a list of parties consulted, and to provide costings for the review. (pp 21-26)

1.17 Other matters discussed:

- Increased costings for Ministerial support services over a period of 4 years are as a result of reclassifications within the compared line items. (pp 18-20)
- Increased estimate of revenue from the milk levy resulting from inherent difficulties in estimating impact of drought on production levels and in estimating late payments. (pp 17-18)
- An update on the status of the Hewitt matter indicated that the facts are still to be agreed upon and that the external costs of the matter to date total \$166, 443. (pp 16-17 and 19)
- The closure of the toll free customer service help line is slated for September 2003. (p 21)

**Food and Agriculture**

1.18 The Committee asked for a breakdown of the estimated expenses for the sugar industry reform package. The Department reported that: the income support package has attracted 1437 successful application from 1840, with expenditure of \$9,252,980; the interest rate subsidy program has expended \$1,000,223,499 on 844 successful applications of 938. No expenditure has occurred to date on the exit program, as this has only just started up, and is expected to cost \$30 million by end of 2005. Estimated expenditure on sugar enterprise viability assessments (SEVA) is \$2.5 million. (pp 40-44)

1.19 The Department confirmed that membership of the RGGs have not been finalised, as agreement between parties is yet to be reached. The Minister advised the Committee that the delay in finalising RGGs was due to the passage or otherwise of state legislation currently before the Queensland parliament. The Minister added that Queensland is not prepared to sign off on

the RGGs until the legislation is resolved. (pp 44-46) The Committee clarified with the Minister whether the availability of the reform package was dependant upon the passing of the legislation and the provision by the Queensland government of \$30 million as part of the joint agreement. The Department confirmed that approximately 50% of the funding would be affected if the Queensland Government backed away from the agreement. The remaining 50% of funding would remain available for items including income support. The Committee sought confirmation that the Commonwealth will be pursuing further discussions. (pp 46-50)

1.20 The Committee ascertained that the IGG appear well advanced in their work and that an important role for the IGG and the RGGs was to ensure environmental sustainability of the sugar industry, including protection of the Great Barrier Reef. The Department advised that the IGG will undertake an environmental audit, and is currently assessing tenders for the audit work. The Department also advised that this will allow a number of environmental plans (e.g. reef water quality plan) to be coordinated from a grower's perspective. (p 50)

1.21 The Committee raised a question on the outcome of the settlement reached between South Johnstone Mill and cane farmers and claimants in relation to claims over a \$2.58 million loan, which the Commonwealth agreed to underwrite. The Department informed the Committee that the settlement is yet to be agreed to by the Minister, and that this agreement was due by mid June 2003. Details on due diligence were requested, but the Department deferred a response until confidentiality periods have passed. (pp 55-57)

1.22 The Committee asked questions relating to refunds on US beef quotas, whereby exporter were invited to apply for refunds on quota levies. The Department was asked why it had warned that not all applications might be accepted by US Customs, and it responded:

1.23 Mr Williamson-As I understand, the department looked at the difference between what the Australian government statistics were saying in terms of entry into the US and what the US Customs statistics were telling us, and there was a 5,500 tonne difference. We had then to allocate this. We sought the agreement of US Customs to provide for 2002 entry certificates, in effect post-entry claims after 1 January 2003. Us Customs agreed to that. We then looked at how we would allocate those post-entry certificates to exporters, and it was agreed with industry that it would be allocated on a pro rata basis, with essentially the post-entry claim at 5,500 tonnes pro rataed against the over-quota of shipments at the time of 7,900 tonnes. Post –entry claim certificates were issued to exporters on that basis. They were issued to exporters on the basis that US Customs had agreed to honour those post-entry claims – that was essentially based on US Customs data and it was a matter for US Customs, not the Australian Government to honour those certificates. (p 57)

1.24 The Department could not confirm that Australia would meet its quota, based on a range of factors. However, the Committee was assured that quota management was not an issue since quota trading was an available option. Applications for current discretionary quota are under consideration by the Department. (pp 58-59)

1.25 The Committee confirmed that the Japanese snap-back tariffs are calculated on total beef exports (from all sources), and that these will apply from August this year through to March 2004. The Department explained that these tariffs were triggered when imports into Japan exceed 117% of the previous quarter. At present, the tariff trigger is sensitive to the increase resulting from rebuilding following the BSE outbreak. The Department expects that this sensitivity will diminish as previous total levels of imports are reached. The Committee was concerned that the Japanese trigger system was flawed since it was emplaced prior to the BSE outbreak and was perceived to be designed to apply to pre-BSE import levels. (pp 68-70)

1.26 Continuing the issue of BSE outbreaks, the Department was asked whether it was developing contingency plans to offer assistance to the Australian beef industry to protect its US market in light of the Canadian BSE scare. The Department felt it was a little early for this action, until market reactions were observed. They are closely monitoring market activity. The Committee was also interested in how the Department is undertaking Mr Truss' instructions to market Australia's image without "taking advantage of another country's misfortunes". The Department responded that they have provided all posts with a set of talking points outlining the situation with respect to Australia's situation. (pp 70-71)

1.27 Other matters discussed:

- The Department confirmed Mr Barry Kelly's appointment as food industry representative on the IGG. (p 46)
- The Committee was advised that a document on risk assessment of uncooked chicken meat imports was due in several months (p66).
- unresolved claims by dairy farmers for assistance (pp 58-59)
- \$1.2 million underspend for the National Food Industry Strategy (p 59)
- Californian table grapes import conditions (p 63-64)
- Impacts of glassy winged sharpshooters (pp 65-66)
- Departments' role in free trade agreement discussions (pp 66-67)
- Status of contracts under the Iraq Oil for Food Program (pp 67-68)



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## **Product Integrity, Animal (including aquatic animal) and Plant Health**

1.28 The Committee asked the Department for details relating to the containment and eradication of the wheat streak mosaic virus. The Department advised that they had undertaken some preliminary work in conjunction with ABARE on a cost benefit analysis of a decision on possible eradication of the virus. The analysis is expected to cost only a few thousand dollars. The Department advised that current eradication activities have been subject to a cost sharing arrangement between the Commonwealth and the states. If the virus is determined to be non-eradicable, the subsequent containment and management strategies will be at the cost of the individual states. (pp 71-72)

1.29 In addressing the Committees question on possible methods of eradication, the Department advised that the national management group felt that eradication was unlikely to be successful due to the widespread nature of the hosts, in both cereals and range of grasses. (p 72)

1.30 The Department confirmed chronological details of the CSIRO virus infection. They stated that CSIRO advised the Department of a suspected virus on 27 March, and confirmation from CSIRO was received 3 April. The Minister was initially advised of a suspected disease on 1 April, and subsequently advised of the confirmed virus by departmental minute on 4 April. The Department pointed out that there is an established process for disease outbreaks whereby state and federal governments, as well as industry are notified. Industry was notified via email of a necrotic disease on 31 March, and as late as 2 April when a teleconference with industry and state stakeholders occurred, the virus had not been confirmed. (pp 72-73).

1.31 The Committee sought information on the implications to Australia's grain exports. The Department was of the opinion that the sensitivity lay in the impact on production volumes as opposed to the impact on quality. (p 72)

1.32 The Department was not sure how the virus arrived in Australia, although they suggested that maize imports at an earlier time might have been the host. They believe that the virus has been in the country for some considerable time (perhaps up to 20 years), given the widespread extent and anecdotal evidence of suspicious symptoms noted in the late 1980s and 1990s. It was noted that symptoms are often not apparent, or may be mistaken for other causes. (pp 74-75)

1.33 The Committee was interested in how this virus might be managed if found to be in-eradicable. The Department believes that management is best achieved by providing a host-free period, of perhaps 1-2 months, along with good crop-hygiene. The virus is spread by a mite feeding on an infected plant moving to an uninfected plant. The mite that carries the virus does not pass the virus to its progeny, and so a break between crops long enough to allow the

infected generation to die out will enable the virus to disappear from that locality. In answer to a question about control by pesticides, the Department advised that the mites appear susceptible to only systemic insecticides, which tend to have high human toxicity, which is not the preferred option at this point. (pp 74-75)

1.34 The Committee was concerned with the source of the introduction of the virus to the CSIRO, the status of the infected material, the impact on the research program, and the implications of legal liability to the Commonwealth. The Department has traced all seed movements in and out of the CSIRO laboratories, but cannot be sure exactly how the virus was introduced. The plant material has all been destroyed and the sites with the virus are under quarantine. They point out that facilities that have not been found to have the virus cannot be said to be free of the virus, rather that it has not been found at that site. The Department advised that there has been an impact on research programs, however not all research programs have been affected. Future impacts depend on how quickly the question of eradication can be resolved. The Department felt they would require legal advice in regard to the legal liability aspect of the situation. (pp 74-76).

1.35 The Committee also asked about the review of the existing system of processes and protocols as mentioned in Mr Truss' media release of 14 May. The Department clarified that they will conduct a risk assessment of practices on the ground. The review is expected to cost no more than \$50,000 and will come out of existing funding arrangements, although from exactly which program within the Department is yet to be determined. The basic terms of reference for the review are a "high level strategic look at the biosecurity protocols, including biosafety protocols and processes at research and related institutions, accreditation of research facilities; surveillance, awareness and diagnostic; and any other issues the review panel consider relevant". The report on the outcome will go to the CEOs of the primary industry standing committee that commissioned the review, however, the results will be made more widely available and will be reported to the appropriate Ministers. (pp 76-78)

1.36 Additionally, the Committee sought information on the rust fungus quarantine breach at CSIRO. They were advised that CSIRO provided written notification on 8 May and that the Minister was notified by minute on 9 May. It was noted that it was pure coincidence that the rust fungus issue was reported in the media on the same day that the review was announced, and that the review had been in the planning for around 4 weeks at that point. (pp 77-78)

1.37 The Department advised the Committee that the live animal export numbers were not as high as in the record breaking preceding year. There was no indication that the political stability in the Middle East (including the Iraq war) had any impact on the figures. The Department confirmed that a performance indicator for risk analysis in the action plan (LEAP) was sheep

mortality rates. The Department advised the Committee that there were no incidences of sheep mortality in the previous 6 months, and only 1 incidence of cattle mortality, occurring in January. This incident was not considered significant. The LEAP is currently undergoing review by industry, and thus the Department was not in a position to advise on schedule of changes being made to the plan. They did advise that the review was scheduled for completion in around 6 months and that any changes would come into effect next year. (pp 79-80)

1.38 In relation to emergency and incident management, the Department advised that a frame work for incident investigations is being developed in conjunction with stakeholders and that a more appropriate model is also being devised, also with stakeholder input. (pp 82-83). The framework will include incident reporting guidelines, which will include internet availability.

1.39 The Committee asked about the recall by Therapeutic Goods Administration (TGA) of veterinary products manufactured by Pan Pharmaceuticals. Department advised that the validity of Pan's license for veterinary products was contingent upon them maintaining a therapeutic goods license. Department added that when this was cancelled, the flow on effect was that the veterinary products license was invalidated. Four products were subject to recall. Department noted that the products have been tested, and no defects were detected. (pp 86-87)

1.40 Committee also asked about the recall of products containing diazinon. Department advised that diazinon may degrade to toxic byproducts in the presence of water. Although there have been no adverse experience reports, the risks need to be more effectively communicated (p 89).

1.41 Other matters discussed:

- The Department confirmed that the heat stress predictive model is completed and will come into effect June 1 2003. The cost of the model development was around \$500,000, and was developed by industry. (p 80)
- The Department also confirmed that there has been progress made on addressing the difficulties associated with exporting live goats, with the completion of 3 trials of large consignments to Haj. (p 80)
- In regard to the progress against the matter of pregnant cattle exports, the Department advised that there has been an industry consultative committee formed for the purposes of this matter, and the formation and resulting actions of this committee are in keeping with the recommendations of the independent reference group. (p 81)
- The Department reports that there is consultation and discussion with stakeholders into a framework for validation of preparation for of

animals for export. This is envisaged to go some way towards improvements to the position of third party veterinarians, particularly where there are conflicts of interest due to a lack of independence and lack of legislative powers. (pp 82-83).

- The review of the legislative and administrative framework for the meat livestock industry commenced in December 2002 and is scheduled for completion in September 2003 (p 84)
- RETWA's suspension status has remained the same (p 85)

## **Australian Quarantine and Inspection Service**

1.42 The Committee was concerned with the potential risk of imported products being affected by Canadian BSE. AQIS confirmed that they are compiling a list of items (available on the web site) that may be affected and are amending import conditions. Discussion also centred on the tracking and life-time quarantining of breeder cattle imported from Canada. The Committee established that since the cattle did not appear infected to date, risk was low provided the imported cattle were kept from the food chain. AQIS advised they will undertake further investigations on the provenance of cattle imported from the US. (pp 89-93).

1.43 Discussion around the quarantine infrastructure charges at Melbourne airport confirmed that these were to supplement Commonwealth funding for upgrades nationally. Work on the infrastructure upgrades is expected to be completed at the end of the year (pp 93-94).

1.44 AQIS advised the Committee that they were aware of an incident in which honey was imported into Australia and relabelled as Australian product, and that this was considered in breach of legislation. AQIS further advised that honey entering Australia and honey from the domestic market undergo testing against the same standards, albeit for different purposes (one for primary health reasons, the other for quality purposes). Further questions from the Committee ascertained that different international markets require different levels of documentation for the importation of honey, and since it is not a prescribed product, may require no documentation at all. The Committee raised concern that with no failsafe on the product, our reputation may be at risk. AQIS advise that there are discussions currently with trading partners and industry. (pp 96-103).

1.45 The Committee asked about AQIS role in inspecting military personnel and equipment returning from overseas, for instance, Iraq. AQIS advise they are given full and unfettered access to all equipment and personnel and undertake a pre-clearance role, whereby the checks are undertaken before the equipment and personnel reach Australia, in an effort to contain contamination

at source. AQIS advise that checks on equipment and personnel involved in Iraq are being undertaken in the Middle East. (pp 106-107).

1.46 AQIS confirmed that the major costs for the ad campaign for “Quarantine Matters” starring Steve Irwin was taken up with placement costs. Results for measures of success will not be available until end of September 2003, but preliminary results indicate a greater awareness of quarantine issues in the 18-24 year bracket. The next phase of the program, scheduled for December 2003 has yet to be scoped.

### **Australian Bureau of Agriculture and Resource Economics**

1.47 ABARE were pleased to advise the Committee that despite earlier estimates reports, they expected to conclude 2002-03 with a small surplus. They also advised that 2003-04 projections such as the farm production net value were based on the assumption of the drought breaking, and that at with current rate of rainfall, these estimates would need to be revised downwards. (pp 108- 109).

1.48 Committee ascertained that the impact of a rising dollar, SARS, and slow international growth would have negative impacts on markets for wool, cotton, specialty seafood, and sugar, and to a minor extent, dairy products. Wheat was expected to recover on world markets, and outlook for wine remains strong, particularly for the high quality bottled wines. ABARE added that beef prices are dependant on the ability of producers to rebuild herds through a break in the drought. If rebuilding occurs, prices are expected to rise as cattle are held back from the market. Additionally, markets in Japan are impacted by the snap-back tariff situation. ABARE advised that sheep markets are looking positive due to effective marketing by industry in both Australia and New Zealand. (pp 110-116).

### **Bureau of Resource Sciences**

1.49 In discussions relating to estimated appropriations, the Committee sought assurances that the \$2 million reduction expected in 2004-05, which is based on a conservative estimate, would not impact on staffing numbers. (p 116). BRS advised the Committee that they pay the Department for payroll, HR, executive, IT and legal services (p118). They confirmed that 35% of staff were non-ongoing, across a mix of science, technical and administrative functions. (p119)

1.50 BRS confirmed evidence given by ABARE that a number of regions in Australia will remain affected by drought and this would have a detrimental impact on pastoralists and irrigators, particularly through decreased water access. (p117)

## **Rural Policy and Innovation.**

1.51 Committee raised concerns that proposed guidelines for the Agricultural Development Partnership Program (ADP) were not provided to all states at the same time. Department advised that guidelines had been developed cooperatively with the states, but since matching funding arrangements were not progressing in some states, the guidelines were not able to be progressed. The Committee was also curious to know how, if the guidelines had not been distributed, how potential applicants would be made aware of the program. Department advised that this was being undertaken through word of mouth and via the internet, but the Committee remained concerned at the effectiveness or otherwise of the situation since officials in states which had received no guidelines would not be in a position to market the program. (pp 123-128).

1.52 The Committee further ascertained that funding for the ADP program had been reallocated from the FarmBis program. The Committee raised concerns that funding had been diverted from an effective program to a program which was not currently achieving the envisaged benefits. (p 131).

1.53 Committee asked for a summary of the findings of the review on the Agriculture Advancing Australia package (AAA). Department attribute farmers preparedness for the current drought to the success of programs within the AAA. The Department advise that potential areas for improvement outlined in the review report include enhanced alignment of programs to needs. The Committee established that with the exception of FarmHelp, funding for the package would cease after 2003-04. (pp 133-134) The Department advised the Committee that the application closing dates for FarmHelp program were being extended to June 2004. (p 152)

1.54 In relation to Mr Taylor's inability to attend the opening session of the Estimates hearings, the Committee discussed with Mr Taylor the program and nature of meetings with the New Zealand Director General of the Department of Agriculture. The Committee then discussed the review of ABARE and BRS with Mr Taylor, determining that any decision in response to review recommendations was Mr Taylor's responsibility. Mr Taylor advised that lengthy and close consultation had occurred with staff, industry, states, and Ministers over the recommendations, and had received positive responses. (pp 139-146). Mr Taylor was later invited to amend his evidence relating to the extent of consultation based on the Committee's inquiries to stakeholders (p 160), however, Mr Taylor affirmed his statements as to the extent of consultation undertaken. (p.168)

1.55 Committee asked about the methods used to estimate final costs of drought assistance, and sought explanation for apparent discrepancies in reporting of figures. The Department advised the current figure stood at \$953 million. The Committee also sought information regarding methods of

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estimation of Exceptional Circumstances funding ( pp 156-161). The Committee confirmed that farmers who have not been eligible for Exceptional Circumstances (EC) relief, and who are on the ad-hoc relief arrangements under ADP will have funding cease on June 8 2003. (pp 162-166).

1.56 Other matters discussed:

- Reaping the Rewards Innovation Conference (p132)
- Farm Growth through Export Initiative (p 135)
- Progress of international agreements and working groups (pp 135-136)
- Murrumbidgee Irrigation Area Rural Partnership Program (pp 136-137)
- Costings and progress of rural counselling services (pp 154-155)
- Nature of CWA drought fund (p 167)

## **Fisheries and Forestry**

1.57 Committee sought information about the change in AFMA's estimates from a surplus at additional estimates to a deficit of \$1.39 million. AFMA advise the loss has been approved and will be funded out of accumulated reserves. (p 170).

1.58 AFMA advise that the perceived jump in industry contribution to revenue from 40% to 47% is due to a reduction in appropriations as opposed to an increase in revenue, which results in a shift in the ratio. This reduction in appropriations (for the Southern Ocean Patrol program) is as a result of the money going straight to Customs as the Service provider. AFMA will remain as managers of the program. (pp 170-171).

1.59 Committee also discussed issues relating to illegal fishing. AFMA advise that a review will be undertaken on the surveillance and enforcement program. They also advise that there were 65 apprehensions under the Operation Rushcutter. The predominance of illegal fishing in northern waters was reported by AFMA to be in part a spill over from the problem in Indonesian waters. The Commonwealth is working with Indonesia to address the problem. (pp 171-172).

1.60 Committee asked about the apparent 25% increase in the forestry levy revenues this current financial year. AFMA attribute this to increased production in the timber industry, but expect that sales will fall in 2003-04. (pp 176-177).

1.61 Other matters discussed:

- Status of the Volga crew (p 173)
- Outstanding projects on the Eden regional Adjustment plan (p 174)
- Extension to FISAP to allow WA to utilise program (p 175)
- Funding for review of sawlogging licences in Victoria (p 175)

## **Natural Resource Management**

1.62 Committee ascertained that a second normal EnviroFund round had been called. The Drought Envirofund round was determined to be a one off, allocated from the NHT appropriation. Discussion centred on how eligibility for funding was ascribed, and concern was raised that Tasmania was not being allocated an equitable share. The Department noted that in relation to the Drought Envirofund round, Tasmania was not as affected by drought than other states (p 182), however, for the normal rounds, Tasmania received \$1.3 million for 80 projects (p 198).

1.63 Committee asked for details relating to the moratorium on clear felling in Queensland. The Department advised that the decision was made by Queensland government as a result of a significant and sudden increase in applications for clear felling permits. (pp 182-184). The Department confirmed that Commonwealth would contribute 50% of a \$150,000 million compensation package to farmers impacted by permanent changes to clear felling regulations in Queensland. This program would result in an estimated reduction of 20-30 megatonnes of greenhouse gases. (p 184).

1.64 Committee also sought information on the Zeachem ethanol generation process. The Department advised that funding is available for trialling the process which takes excess carbon from existing ethanol processes and combines it with excess hydrogen from other sources to produce more ethanol. Issues like commercialisation are too distant to hazard guesses. (pp 186-187).

1.65 Discussion moved to the use of feed stocks for ethanol generation. The Committee asked whether sugar cane and by-products had been investigated as viable feed stocks to ethanol production, and if so, what the impacts for the sugar industry might be. In addition, the Committee were concerned about the impact on prices as a result of the increase in competition for feed stocks. The Department advised they envisaged no significant detrimental impact. The Committee noted the approval for a new ethanol plant to be established in Gunnedah, NSW. (pp 187-188).

1.66 Committee sought information on the National Action Plan on salinity and water quality. The Department advised that the current underspend is attributed to cumulative underspends earlier in the program as it ramped up.



They envisage acceleration in spending from April 2003. The Department also advise that bilateral agreements are in place with all but WA and ACT, and that some states are well progressed in development of regional plans. Eight of 21 plans remain outstanding. (pp 189-190).

1.67 Committee also sought a report on progress in the Great Australian basin Sustainability Initiative. The Department report the capping of 130 bores and the replacement by piping of 3580 km of bore drains. Early underspends were due to inability of some states to match funding, however this has been rectified, and the program is back on financial track. (pp 191-192).

1.68 Committee wanted details on the reduction of funding to LandCare programs over the last couple of estimates. The Department advise that this was due to the temporary reallocation of funding to other programs in earlier periods, however this is being reappropriated back to LandCare, and the Department confirmed that apart from \$1.5 million, the total expenditure for LandCare program over the life of the initiative remains to same. (pp 193-196).



# **CHAPTER THREE**

## **DEPARTMENT OF TRANSPORT AND REGIONAL SERVICES PORTFOLIO**

### **Department of Transport and Regional Services**

1.1 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 27 May through to Friday 30 May 2003. The hearing was conducted in the following order:

- Corporate Governance Group
- Australian Maritime Safety Authority
- Australian Transport Safety Bureau
- Transport Security
- Transport and Infrastructure Policy Division
- Transport Regulations Division
- Transport Programs Division
- Aviations and Airports Policy Division
- Civil Aviation Safety Authority
- AirServices Australia
- Regional Policy Division
- Regional Programs Division
- Territories and Local Government Division
- National Capital Authority

1.2 Before commencing the Committee's examination, the Deputy Secretary of the Department of Transport and Regional Services, Mr Yuile sent apologies for the absence of Departmental Secretary, Mr Ken Matthews.

## **Corporate and Corporate Governance Group**

1.3 After lengthy discussion, the Committee established that Mr Fisher had recently spoken with insolvency accountants regarding the Department's financial position of liabilities exceeding assets. The Committee also noted that assets appeared to remain static, whereas liabilities continued to grow as a result of increasing employee entitlements. (pp 200-208).

1.4 The Department advised that they have been undertaking a number of cost savings measures and that they were planning to implement changes to the Department to consolidate 11 Divisions into 5 groups that would reflect the 5 key Departmental outcomes. The Department could not confirm as yet the savings target proposed. The Department advised that these changes would be consistent with the January 2001 restructure with a focus towards continuous improvement. The Department confirmed that there would be impacts to staffing numbers, including in the SES ranks. (pp 210-220). The Committee raised concerns that estimated increases in average staffing levels associated with new budget measures were not in keeping with the Department's view that existing staffing levels were unsustainable. (pp 231-232)

1.5 The Committee enquired about the status of the IT outsourcing contract. The Department advised it was due for completion in June 2004, and that they have started working on new arrangements and seeking funding. The Department clarified that the outsourcer was successfully meeting 23 of 24 service levels and penalty clauses were invoked as appropriate for the remaining intermittently unmet service indicator.(pp 223-225)

## **Australian Maritime Safety Authority**

1.6 AMSA confirmed that there are no new measures in the budget for the agency. AMSA explained the reduction in the estimated marine navigation levy as due to an increased shipping forecast and a reduction in costs for the navigation aid system. (pp 232-233).

1.7 In relation to questions about management of the shipping register, AMSA advised The Committee that there are 2500 ships in the register, all of them Australian. AMSA further added that they register only crews with Australian certificates. AMSA explained to the Committee that they ascertain that foreign crews hold appropriate certificates listed in the IMO for the positions that they hold, but do not manage a register of international crew. AMSA further advised the Committee that should a vessel be found to have an improperly certified crew, the vessel is detained until a properly certified crew are appointed. In response to questions about inspections, AMSA advised that Australian vessels are inspected 6 monthly, and foreign vessels are inspected randomly, with a 50% likelihood of an inspection based on AMSA's targeting regime. (pp 233-236).

1.8 The Committee asked questions in relation to the process for prosecutions. AMSA advise that there are different jurisdictions for marine/coastal pilots and port pilots and there are international guidelines for how the 2 jurisdictions work together. Port pilots come under the jurisdiction of the states. AMSA confirmed that in cases of marine or coastal pilot incidents, they forward a recommendation for prosecution to the DPP. (pp 237-238).

1.9 AMSA advised the Committee that they are introducing regulatory improvements in the area of coastal piloting, including fatigue management, overall conduct, and introduction of new technology. The Committee clarified aspects of the system with AMSA including costs of training, demand for qualified pilots, and points of inspection for different classes of vessels. (pp 239-243).

## **Australian Transport Safety Bureau**

1.10 The Committee requested information on the usage of the \$13.9 million increased funding for ATSB over 4 years. ATSB advise this funding is to be used for accident investigations, and will equate to an average of 10 investigations per year. (pp 244-247)

3.11 In relation to the accident in the Whitsundays, October 2002, the Committee established that ATSB commenced an investigation 2 days after the incident, which was initially reported as minor. They advised the Committee that as more information came to hand they revised their opinion of the seriousness of the accident and decided to send staff to the site to investigate. ATSB confirmed that in all cases, they don't rely only on initial reports, and as more information is gathered, they make further decisions as to whether to investigate. (pp 247-249). ATSB also provided a status report on the fatal accident on Hamilton Island, stating that they are instigating further toxicological reports as the original ones just received from the laboratories are inconclusive. (p 250).

3.12 The Committee asked for information relating to the installation of depressurisation alarms in certain aircraft types. ATSB advise that CASA see the installation could have potential benefit, but at this stage have determined that the benefit is not sufficient to warrant compulsory fitting. ATSB will monitor the uptake of such devices (pp 250-254).

3.13 Other matters discussed:

- The likelihood of ATSB involvement in road accident investigation (pp 254-256)
- Heavy vehicle safety strategy (p 256)
- Status of national young driver education program (pp 257-258)

## **Transport Security Bureau**

3.14 The Committee established that the TSB, established January 2003, are currently developing a strategy around their functions of counter terrorism and intelligence. (pp 259-261) TSB advise they are currently undertaking threat assessments pertinent to ports in conjunction with states and intelligence communities. TSB also advise they are involved in the Critical Infrastructure Taskforce, which is currently establishing a trusted information sharing network. (pp 261-264)

3.15 TSB confirmed that they were aware of issues raised by Prof. Anthony Bergin in relation to the vulnerability of road transport to terrorism. TSB advise they are working very closely with the states, as the legislation covering this area is state based. (pp 264-266)

3.16 The Committee sought information on the implementation of the Port Facility Security Code. TSB advised that they are currently developing legislation to empower themselves as the regulator. They added that they are working closely with industry to begin security assessments towards implementation for July 2004.

3.17 Other matters discussed:

- Involvement in air marshal program ( p 268)
- Involvement in x-ray machine installation at ports (p 268)
- Review of passenger screening protocols (p 272)

## **Transport and Infrastructure Policy Division**

3.18 TIPD confirmed that they are involved in the broad policy areas of Auslink, rail issues, ATRC shipping issues, and logistics of international transport activities. They confirmed that they are starting to develop a transport infrastructure investment framework. (pp 274-276).

3.19 The Committee sought information on the role and activities of the Australian Logistics Council. TIPD advised that the Council was implementing an industry strategy of 36 actions over 3 years. A review of achievements against these actions is slated for July 2003. Areas of action include OH&S, education and training, skill shortages, business capability improvements and innovation and technology. (pp 276-280).

3.20 The Committee asked about the progress of NSW rail access negotiations. TIPS confirmed that a number of meetings had been held with unions and other stakeholders. The Committee were interested in whether the Commonwealth had made any undertaking to NSW Ministers, either in the form of finance or regional job security. TIPD advise that once negotiations

are completed, the Commonwealth investment would be around \$143 million for track maintenance and upgrade. (pp 280-283).

3.21 Other matters discussed:

- AusLink white paper (p 273)
- Status of the IBTOS scheme (p 280)

## **Transport Regulations Division**

3.22 The Committee sought information on work being done on Australian Design Rules (ADR). TRD advised that they are in the final stages of the 4 year review of ADRs. They advised that intrusive seatbelt warning devices issue is being drafted into a regulation impact statement. The report for the heavy vehicle underrun ADR is also at draft regulation impact stage. TRD are also undertaking work on lapsash seatbelts, and pedestrian protection from bullbars. (pp 284-286).

3.23 The Committee asked about submissions to the review of the Airports Act. TRD advised that 60 submissions had been received. Names of submitters will be published, but submission content will not be made available on the web due to the potentially defamatory nature of some material (p 290).

3.24 Other matters discussed:

- Uptake of intelligent speed adaptation and variable speed limits (p 286-289)
- Processes used to identify a safety concern (p 286)
- Revenue and costings of single and continuing voyage permits (p 289).

## **Transport Programs Division**

3.25 The Committee ascertained that TPD were involved in the preparation of the ALGA review of the Roads to Recovery program. TPD confirmed that this program is not linked to the AusLink program. (pp 291-295) Projects in the Roads to Recovery program have been focussed on maintenance. In response to the Committee's question on allocations of the funding in the program, the Committee was advised that each local council in Australia had an allocation legislated and that within broad guidelines, it is each council's decision on how to use the funding. (pp 304-306). There has been no consideration to extending the Roads to Recovery program after 2004-05. (p 291).

3.26 In response to questions on the FAGs grants, the Minister advised the Committee that FAGs grants for roads in each state are calculated differently to general FAGs grants. This calculation was found to treat SA inequitably, so some modifications of the historical formulas have occurred. It is not clear whether these modifications are being considered for the general FAGs system. (pp 292-297)

3.27 The Committee confirmed that the allocation of funding for the Roads to Recovery program was not calculated using the historic FAGs formula, but was based on “a modification of the current relativities between states on the roads financial assistance grants”. When the Committee sought information on how the calculations differed, the Minister refused to allow the Department to provide the requested information on the basis that the allocations had been calculated several years before and were considered by the Minister to be irrelevant to the *current* estimates process. In light of the Minister’s refusal, the Committee put the question on notice. (pp 295-296) This and another matter are referred to in Chapter Four of this report.

3.28 The Committee asked for details on the Albury-Wodonga national bypass. TPD confirmed that errors in the original EIS report had been resolved, and that costs for stage 1 had been recalculated from year 2000 values to 2003 values, resulting in an increase of \$65 million. The Committee established that stage 1 excludes the Bandianna link, which will be funded by the Victorian government. TPD clarified with the Committee that no decisions relating to stage 2 have been made. (pp 292-304).

3.29 The Committee determined that Commonwealth funds for Scoresby freeway have been frozen over Victoria’s decision to make the freeway a tollway in contravention to the MOU in place over this project (pp 306-307).

3.30 The Committee discussed the implications of changes to regulations to the RASS program with TPD, and sought information on community eligibility criteria, and operator guidelines and regulations. The Committee was particularly concerned with the reduction of RASS services to communities in NT from 3-4 services per week to 2 services. TPD advised the Committee that the RASS program provided 1 service per week to eligible communities, and any services above this number were explained as separate private arrangements with Australia Post. TPD added that they were not aware of any reduced RASS services to any of the eligible communities, and suggested that the situation might be due to changes in Australia Post arrangements in services in addition to the RASS service. (pp 310-314)

3.31 The Committee sought details on the Sydney noise ameliorations program whereby the 6 month extension of the noise levy will result in an extension of the ticket levy for passengers to 2007. TPD advised that the additional levy will be spent in completion of noise insulation and seismic upgrading of eligible buildings in flight paths. TPD advised the Committee



that the levy was calculated per passenger on the noise characteristics of the differing aircraft types. They confirmed that no new applications for support had been received, but that TPD review eligibility as flight paths change. The Committee ascertained that the Adelaide noise ameliorations program worked on the same formula as the Sydney program. (pp 324-329)

3.32 Further discussion on the noise levy centred on the rejection by ACCC of the proposal by AirServices to increase charges for the technical assessment of the noise level on aircraft. (pp 334-336).

3.33 The Committee sought a progress report on the Ansett ticket tax. TPD advised that \$335.6 million had been paid to 12983 former employees. Total tax collected by April 2003 was 240.2 million. No update has been received on the value of Ansett asset sales to date. The cost of the administration is estimated as \$340 million. The Committee clarified that there is no capacity to suspend or vary the levy in the Act and the levy will continue until the end of February 2004 subject to gazettal of the cessation (pp331-334).

3.34 Other matters discussed:

- Breakdown of budget for Roads of National Importance and National Highways (pp 316-320)
- Badgerys Creek rents (pp329-330)
- Airport land exchange arrangements (p 330)
- Ansett ticket tax (p 331)
- Corporatisation of AirServices (pp 337-338)
- Review of aviation fuel excise (pp 339-340)

## **Aviation and Airports Policy Division**

3.35 The Committee raised questions on the study in relation to airspace around Bankstown Airport. Discussion touched on the Cabinet decision to sell the 3 Sydney Basin airports. The Department advised that the review establishes sufficient capacity at Sydney Airport to handle projected traffic growth to 2020. The Committee ascertained with the Department that this would negate the requirement for the Bankstown Airport purchaser to undertake development. The Department advised that there are neither development obligations nor specific development limitations attached to the sale conditions, other than existing legal frameworks. The Department confirmed that upon the sale of the airports and their subsequent return to freehold status, they would remain subject to CASA regulations. However, the Airports Act would no longer apply. (pp 344-347)

3.36 The Committee sought details on indemnity deeds related to the war risk assurance and charges for insurance cover. The Department provided a breakdown of revenues collected. The Department confirmed that no claims had been made against any of the indemnities. The Committee asked about the possibility of return of the \$4.5 million collected, since there had been no payouts. The Committee also asked for comparison with other schemes overseas, to which the Department advised that there existed a variety of schemes. The Department also advised that ICAO is developing a global program. (pp 347-348)

3.37 Lengthy discussion occurred over the National Airspace Reforms, particularly in comparison to the US model. The Committee raised concerns, identified by the Australian Federation of Air Pilots (AFAP) that the Australian model fell short of the US model (NAS). The Department advised that they do not consider these allegations a majority viewpoint. The Department identified that there are differences between the 2 systems resulting in where airspace classes are allocated, and this is a function of differences in air traffic levels. There are also differences in traffic patters such as destination density. The Department confirmed that where traffic levels are similar to the US, then the same service levels will apply. The Committee ascertained the qualifications and expertise of the Airspace Reform Group (ARG), and suggested that a broader representative group would be useful. (pp 348-355).

3.38 The Department advised the Committee that Mr Willoughby had completed his report on the cost of the NAS model, and the report had been tabled in the House of Representatives. The Minister advised he thought the savings identified in the report were to the effect of \$70 million. (pp 355-356) The Committee confirmed with the Department that Mr Willoughby's report addressed competition policy, and made comment on the structure of AirServices Australia. The Department reported on the extent of consultation in regard to the report. (p 358)

3.39 The Committee returned to the issue of adopting procedures of another country's air traffic control system. The Department agreed that if applied with no risk assessment and proper management, there would be dangers. However, the Department was clear on the fact that they are undertaking rigorous assessment through implementation safety cases. The Committee discussed the differences in design safety cases and implementation safety cases. (p 356-357)

3.40 Other matters discussed:

- Information on SES component of expenses budget (p 349)
- Reduction in revenue for "Cost recovery for Airport Building Controllers and Airport Environmental Officers at leased airports" (p 349)

- Confirmation that changes proposed in the Civil Aviation Amendment Bill 2003 have been considered in the estimates. (p 350)
- Reduction in standing contribution to ICAO (p 359)

## **Civil Aviation Safety Authority**

3.41 The Committee undertook lengthy discussion regarding audible alarms in cockpits. CASA confirmed that they had taken the view that installation of such devices should be a matter for the aircraft owner and should not be mandated. CASA also agreed that to develop compliance requirements and identify approved equipment. The Committee then determined the process that manufacturers needed to undertake to meet the necessary regulations and conditions for their product to be approved for compliance. They also discussed what factors might exclude equipment from being compliant, including the potential interference with existing aircraft systems, and how these might be tested. The Committee asked a number of questions relating to specific products, including equipment manufactured by Electronic Force Measurement. (pp 360-366)

3.42 The Committee then sought information on the perceived “ongoing struggle” between ATSB and CASA over audible alarms. CASA disputed the rationality of the description as a perceived struggle, indicating that the 2 agencies work closely together, and endeavor not to dispute issues in public. They further advised that their rationale behind the refusal to accept ATSB’s recommendation is available in a Notice of Proposed Rule Making on the web site. One of the factors in CASA’s decision was the costs involved in alarm fitouts, and consultation with industry indicated that the costs would be prohibitive, particularly to small businesses. (pp 366-369)

3.43 The Committee was curious as to the cause of an apparent increase in depressurisation incidents has increased in recent years. CASA suggested that this might be the result of a weakness in the training regime of pilots. (p 369)

3.44 The Committee then asked CASA for an outline of their views on the Willoughby report. CASA advised that they provided commentary to ARG on the report, but to the best of their recollection they did not comment on their support or otherwise of any of the recommendations. (p 369-372)

3.45 The Committee sought information relating to a number of issues around the Air Bush Charter business. The Committee noted that they had received some documentation on the situation from CASA, but that it appeared that FOI rules had not been applied in determining what documentation was released, and explaining why certain documentation had not been released. CASA responded by pointing out that they had released the information that they would normally release under an FOI application, but since no FOI application had been made, they were not constrained by the requirements of

the FOI Act. CASA agreed to supply a list of and explanation of documentation not released. (pp 372-373)

3.46 The Committee was concerned that Mr Leonard, of Air Bush Charter had not been provided with all the information required to enable to manage the consequences of a fuel contamination problem. In addition, they were concerned that CASA issued Mr Leonard with an AOC for only 6 months and not 2 years, which had commercial consequences for the business, as this could be construed as an indication of a safety concern. CASA advised the Committee that despite discussions with Mr Leonard seeking more evidence for the allegations that their actions had caused negative commercial consequences, Mr Leonard had advised that he preferred to deal with the matter through the Senate, and has subsequently threatened legal action and has taken the matter before the Ombudsman. CASA further advised that the operator had not undergone any surveillance and the 6 month AOC had been issued as an interim measure pending surveillance. The AOC was subsequently issued for its full term. CASA noted that the original application for the AOC renewal by Mr Leonard was received with only 10 days before the AOC expired, and CASA requires up to 90 days, which did not give CASA sufficient opportunity to undertake the required surveillance. The Committee ascertained that CASA have made significant improvements to the AOC process to ensure as far as possible that the renewal of AOCs does not interfere with business continuity. (pp 373-376)

3.47 The Committee requested an update of the DVT proceedings against CASA. CASA advised that there is an appeal pending for a decision made in the Victorian courts relating to a strike-out application by Qantas and BA. Further, there have been 456 writs issued against CASA, which are awaiting the outcome of the Povey case as a test case. (pp 377-378)

3.48 Other matters discussed:

- Breakdown of budget and proposed review of funding (p 376)
- Status of IT provider contract (p 377)
- Figures on show cause, suspension and cancellation notices (p 378)
- AOC for Rex Airlines (p 378)
- Allegations of conflict of interest against an existing CASA officer (p 378-381)
- CASA's position on the AFAP report on the proposed NAS model (pp 381- 382)
- Application by Air Ngukurr for and RPT AOC (p 382)

- CASA's role in investigations of the Whitsundays accident between a seaplane and a yacht. (pp 383-384)

## **AirServices Australia**

- 3.49 The Committee sought AirServices view on the NAS model. The agency responded by agreeing they were satisfied with the model and that the first 2 stages have been implemented. AirServices advised the Committee that they have not provided a written response to the report by the AFAP on the NAS model. (p 384)
- 3.50 The Committee then sought AirServices view on the Willoughby report. Based on the draft report they had received, the agency indicated that there were some issues they felt needed to be addressed, and did not agree with the rationale and assumptions used in the costings of the model. The agency indicated that they had passed their concerns to the ARG. (pp 385-386)
- 3.51 The Committee requested details on the subsidy for the location specific pricing transition. The agency provided a breakdown of figures by airport. The Committee ascertained that the cost per tonne to land at the airports in the breakdown was capped at \$7.42 per tonne. The actual cost per tonne of providing the service can be calculated by a division of cost by throughput. The Committee established that Hobart may be subjected to unreasonably high prices with the introduction of location specific pricing. (pp 386-388)
- 3.52 The Committee addressed the issue of the deferral of an increase in AirServices charges. AirServices advised that the charges were to be used for improvements to rescue and firefighting services to comply with new CASA regulations, to minimise losses incurred at Hamilton Island, and the recovery of costs for navigation aids and telecommunications. The Committee queried why AirServices had taken a short term approach. The agency responded by stating that if they had taken a longer term approach they would not have delivered a 25% reduction in charges over the last several years. AirServices advised that they will be guided by ACCC in this matter. In response to questions on the Minister's position, AirServices advise that the Minister is concerned in general about the state of the industry. (pp 388-390)
- 3.53 The Committee pursued how AirServices would make up the lost potential revenue if the increases are not allowed. The agency advised that they will have to review the situation and see where cuts can be sustained. (p 390)
- 3.54 Other matters discussed:
- En-route charges for regional airlines (p 390)

- Corporatisation of AirServices (p 391)
- Productivity report (p 392)
- Payback of equity moneys advanced in previous years (p 392-393)
- Status of discussions with Defence on combining services (p 394)

### **Regional Policy Division**

- 3.55 The Committee requested information on the progress and perceived outcomes of the Regional Business Development Analysis report (RBDA). The Department advised that until the Minister received and approved the report, they could not comment on the outcomes of the report. The Department added that the report is yet to be completed by a panel in the next few weeks. The Department has provided secretariat support in a unit called Regional Business Development Analysis Unit. The Department also advised that the resourcing of whatever recommendations the panel produced will be matter for government to consider (pp 394-396). The Department could not advise the Committee on the future of the RDBA Unit once the report has been completed. (p 404)
- 3.56 The Committee sought information on submissions made to the RDBA inquiry. The Department advised that 197 submissions were received, and a series of meeting have been held around the country. Submissions were received from individuals, small and large businesses, industry groups, local development groups, and local governments. The Department further advised that they recognised the contribution of the submitters to the process, and would let contributors know of the progress with submissions. Should the Minister approve, the Department intends to provide contributors with a copy of the report. On being asked of any surprise issues, the Department told the Committee that the need for access to capital and finance had been a prominent theme in the submissions, more so than in previous reports. (pp 398-403).
- 3.57 The Committee sought details on relation to the Departments role in addressing issues facing regional women. The Department advised that the Women's Advisory Council is currently working on a strategic plan and has identified a range of issues, one of which is in relation to domestic violence and suicide. The Committee ascertained that the Rural Domestic Violence program has now concluded, with the exception of one element, due for completion this financial year. (pp 404-406)

### **Regional Programs Division**

- 3.58 The Committee requested updates to a number of structural adjustment programs. In particular, the Committee expressed interest in the Namoi

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Valley project, designed to assist the community to adjust to reduced access to ground water. The Committee asked for information relating to the \$20 million that NSW government had allocated, and the Department advised that the state funding was related to water sharing plans, and not related to the Commonwealth funding. The Department confirmed that no Commonwealth funding would be used to secure water rights for irrigators. (pp 410-418).

- 3.59 The Committee was also interested in the details of the Weipa structural adjustment project to assist in the transition from freely supplied electricity from Comalco to a purchased supply. The Department advised the Committee that a town committee is seeking to “normalise” community arrangements by establishing a local council, which could then address issues of electricity, sewerage and water supply. The Department added that the generation of electricity by Comalco attracts the Diesel Fuel Rebate. Should Comalco choose to divest the electricity generation to the local council, the rebate would no longer apply, and the impact of this is as yet unclear. Although any divestment is not imminent, the Department added that the funding was budgeted for over the next 4 years to facilitate discussions in this regard between residents, Comalco and the state government. (pp 412 and 420-421)
- 3.60 The Department was asked a number of questions relating to the Sustainable Regions Program (SRP). The Department were able to advise the Committee that the underspend experienced as the program ramped up was being rolled forward into 2004-05 and into an additional year 2005-06 at the end of the program, allowing communities more flexibility in the timing of their projects. (p 413) In relation to questions on the mechanisms for payments, the Department advised that payment of funds is based on the successful completion of milestones with acceptable measurements against performance indicators. (pp 417-418) The Committee heard that an evaluation of the SRP would be undertaken shortly and completed by August. The review would focus on the project management and committee work, as many of the projects are still in the early stages. The Department added that measurement of community impact would be more appropriate in the more advanced stages of the projects (p 419). The Committee ascertained that projects in the Salisbury Playford region are to be announced shortly. (p 418)
- 3.61 The Committee raised concerns about the potential regional net gain that might be achieved through SRP funding to the Beaudesert Equestrian Association. The Committee was concerned that funding had been provided for an international polocrosse centre in an area which was only 1 hours drive from an existing international polocrosse centre which recently hosted the Polocrosse World Cup. The Committee suggested that the relative proximity of 2 such centres would see significant

competition between the centres for the same business rather than bringing new business to the area. (pp 422-424).

- 3.62 The Committee also sought information on the Ipswich wine appreciation SRP project (including on how one might join the association). The Department advised that the project was intended to increase awareness of the Ipswich area as a quality tourist and wine region. (p 424)
- 3.63 The Committee discussed the Wide Bay Burnett SRP grant to Kingaroy Council for the purchase of a private hospital which had recently closed. The Committee noted that the grant was in addition to 18 projects announced in the Wide Bay Burnett SRP in January 2003. The Committee sought clarification as to why, in a program of matched funding arrangements, \$250,000 was provided for a hospital reputed to have cost \$420,000. The Committee further noted that council resolved in a council meeting to undertake a loan contract with the Uniting Church for funds of \$450,000 for purchase of the same hospital. The Committee also sought confirmation of any sales of land from the hospital site after the purchase, and whether the Commonwealth grant facilitated such a transaction. (pp429-431)
- 3.64 A lengthy discussion centered on the scrutiny of membership of Area Consultative Committees (ACCs), funding arrangements, the accountability and transparency of ACCs, particularly with regard to the level of oversight the Department enjoys, and whether these programs duplicate well established and effective regional development boards. The Committee asked a number of questions relating to individual ACCs, as well as a series of questions on the autonomy the ACC's have in decisions about committee membership and office leasing arrangements. The Department advised that ACCs are incorporated bodies and self managed. In addition, the Department advised that development of guidelines for the ACCs is difficult given the great variety of arrangements and projects that the ACCs cover. The Committee told the Department that they were concerned with what appeared to be unusual contractual in arrangements within the New England North West ACC, whereby Moree Plains Shire Council had announced that the old shire chambers were to be let to the ACC, and the Council have agreed to purchase a building owned by Dunavant, the current employer of the Chair of the ACC. The Department undertook to look into the context of the matter and determine the extent of the Department's involvement in the issues. (pp 436-443) Additional questions relating to individual ACCs were put on notice by the Committee (p 443-447).
- 3.65 Other matters discussed:
- Departmental office leasing arrangements (pp 396-398)



- Schedule of meetings for Regional Development Council (pp 406-407)
- Study of regional university and community liaison (p 407)
- Involvement in the whole of government energy taskforce (pp 407-408)
- DRAP funding underspend (p 409)
- DRAP reputation
- Allegations of abusive behaviour from public servants
- Hervey Bay Thrill Seeker SRP project
- Gin Gin Bakery SRP project
- 78 operational Regional Transaction Centres out of 157 approved centres (p 447)

## **Territories and Local Government Section**

- 3.66 The Committee sought details on why grants from the First Home Owners Scheme had been provided to residents of Christmas Island and subsequently rescinded. The Department advised that First Home Owners Scheme is only available in states and territories which pay GST, and as Christmas Island is not subject to GST, the residents of Christmas Island are ineligible for the First Home Owners Scheme. The Department surmised that Christmas Island applications had been inadvertently approved, but made clear to the Committee that Treasury was responsible for First Home Owners Scheme, and questions might be better addressed to them. (pp 448-450)
- 3.67 The Committee sought an update on the review of health services on Christmas Island. The Department advised that as part of the continual review of processes, they are seeking to ascertain whether the Department is delivering the most effective service, and to “normalise” appropriate arrangements. The Committee asked for clarification on moves to change to St Johns Ambulance arrangements on Christmas Island. The Department told the Committee that at this point the Department owns the infrastructure and equipment, including the ambulances on the Island. Under this auspice, the Department told the Committee that they had instigated discussions (which are currently underway) with St Johns about the feasibility of transferring the assets to St John’s in line with arrangements on the mainland. (pp450-451) The Committee also sought details on the proposition of privatising health services. The Department advised that advised that again, in reviewing the options for the most

effective delivery of services, privatisation had been identified, but no decision has been reached in this regard. The Committee was advised that one of the Department's concerns was the need to place more emphasis on community health issues and preventative measures. They confirmed that at this stage no viability study has been done on providing a service for these issues. The Committee ascertained that there has also been no consideration of imposing private GP fees. (pp 458-459) Lastly, the Committee sought an update of the renegotiations with Therapeutic Goods Association on the importation of schedule 8 medications to the Island. (pp 459-460).

- 3.68 In response to the Committee's inquiry into increased stevedoring costs to Cocos Island, the Department advised that stevedoring is undertaken by the Cocos Island cooperative and the increase is a purely commercial decision by the cooperative and has no bearing on the Department's activities. (p 451)
- 3.69 The Department confirmed that all DOTARS staff currently located on Cocos Island will be offered redundancy packages within 12 months. The Department advised that Cocos Island will be serviced from Perth. They added that discussions are occurring with the Cocos Island local shire in regard to the possibility of transferring duties and services from the commonwealth to the local government. The Department confirmed that should functions be transferred, the money for that function would also be transferred. (pp 452-453).
- 3.70 The Committee raised concerns that the halt to the development of the Christmas Island detention centre has impacted local business, who invested in items such as hire cars, restaurants, and white goods in preparation for the arrival of 300 people to the Island, which has not eventuated. The Committee advised the Department that businesses appear to be struggling and sought details of what the Department might do to assist the business community. The Department firstly advised that the decision for the halt to the construction work was not in DOTAR's jurisdiction. The Minister then advised the Committee he would take the question on notice. (pp 453, 457)
- 3.71 Other matters discussed:
- Future of the Cocos Island Quarantine Centre (pp 453-455)
  - Review of rental arrangements for Christmas Island Youth Club (p 455)
  - Additional resources for the Christmas Island Economic Development Committee (pp 457-458)
  - Air services to Indian Ocean Territories (p 461)

- Provision of ferry services to Cocos Island on Anzac Day (p 461)
- Status of monies owed to redundant laundry workers in the Islands (p 462)
- Cleaning and gardening arrangements for the local shire on Christmas Island (p 462)
- Home Island sewerage (p 462-463)

## **National Capital Authority**

3.72 The Committee asked NCA about its position on the announcement of the Gungahlin Drive extension announced by the ACT Government. NCA advised the Committee that the proposal appeared consistent with the NCA guidelines, but needed to scrutinise the formal submission before making a comment. In response to questions about earlier comments issued in public interest statements in the Canberra Times, NCA advised the Committee that the comments referred to were provided in NCA's advisory capacity, not in their works approval capacity. Discussion then moved to the role NCA played during the changes in the ACT Government's position over a preferred route. NCA clarified with the Committee that they believe they had not indicated a preference for any given route, but provided advice to ACT Government on issues that needed consideration, particularly in relation to the ACT Government's preference for the western O'Connor Ridge route. NCA explained to the Committee that there was some confusion over the term "western" with the introduction of a community option further west of the original 2 alternative routes. (pp 464-469)

3.73 The Committee sought information on the impact that the Draft amendment affecting the Aranda Nature Reserve on the ACT Government's proposed route. NCA advised that the successful passage of the amendment would not impact the government's plans. (p 469)

3.74 Other matters discussed:

- Broad band blimps in capital (pp 463-464)
- Costs of report by Mr Young and Professor Black on the Gungahlin Drive Extension (pp 470-471)
- Canberra Theatre and library proposal issues (pp 471-472)
- Notification of building works in Benjamin Offices (pp 472-473)
- Extent of NCA powers in removal of structures outside tent embassy (pp 473- 475)

- Women in Black protests (p 475)
- Christmas in the Capital event (pp 475-476)
- Anzac Parade roundabout black spot (pp 476-477)

# CHAPTER FOUR

## Committee Comments

4.1 In paragraphs 3.27 and 3.3 the Committee provides details of questions asked by Senators O'Brien and Crossin which were relevant to the estimates before the Committee.

4.2 The Committee notes that the Minister, Senator the Hon. Ian McDonald, sought to prevent questioning of officials on the basis that the questions were not relevant to the current year's estimates.

4.3 In both cases, the Committee notes that the stated relevance test for questions at estimates hearings is the test adopted by the Senate in 1999, that is

“Any questions going to the operations or financial positions of the departments and agencies which are seeking funds in the estimates are relevant questions for the purpose of estimates hearings.”

4.4 The Committee notes that, in its view, the questions asked by Senators O'Brien and Crossin were demonstrably related to continuing programs of the Department of Transport and Regional Services and were therefore relevant under the test established by the Senate.

**Senator Bill Heffernan**  
**Chair**



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