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HON WARREN TRUSS MP
Minister for Transport and Regional Services
Deputy Leader of The Nationals

Reference: 03662-2006

Mr Tony Smith
Chair
Joint Committee of Public Accounts and Audit
Parliament House
CANBERRA ACT 2600

- 5 MAY 2006

Dear Mr Smith

I refer to the Committee's Report Number 404 which was tabled in the Parliament on 7 November 2005. In particular, I refer to the Committee's Recommendations 15, 16 and 17 which relate to lease management and oversight of the federal leased airports.

I understand that Recommendation 15 which relates the need for future privatisation programs to include a contractual requirement for the Commonwealth's cost recovery of administrative expenses, will be responded to by the Department of Finance and Administration as it is the lead agency in relation to asset sales.

In relation to Recommendations 16 and 17, I attach my Department's responses which, in accordance with the Committee's Guidelines, have been signed by the Secretary.

I have provided a copy of this letter to the Minister for Finance and Administration for his information.

Yours sincerely

WARREN TRUSS



Australian Government

Department of Transport and Regional Services

EXECUTIVE MINUTE

on

JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT

REPORT [No. 404]

**Review of Auditor General's Reports 2003-2004 Third & Fourth Quarters; and
First and Second Quarters of 2004-2005**

Response to the Recommendation

Recommendation 16

The Committee recommends that the Department of Transport and Regional Services adopts a procedure which ensures that follow up administration on all insurance reports from the audit contractor are finalised within a three month timeframe.

The Department of Transport and Regional Services endeavours to finalise all leased Federal airport annual insurance reports within as short a period as possible. To ensure effective administration of the sale and lease provisions, insurance matters are now handled within the Department by an identified desk officer who acts as the central contact point on insurance matters and is responsible for day-to-day contact between the Department's contracted insurance adviser and the airports. The responsibilities of this officer include the follow-up of any matters identified in insurance reports as a matter of priority following their receipt in the Department. There has also been the development and implementation of a tracking system which is regularly updated to record progress on each insurance review. This record is regularly monitored and action taken where appropriate.


While many of the matters raised in insurance reports by the insurance adviser can be clarified or remedied by the Department relatively quickly (and reports finalised within a three month timeframe), some issues may take considerable longer to be resolved. This is largely a function of how the international insurance industry operates, especially in relation to airport liability policy wording or amendments to policies, where documentation is often not available for a number of months following issuance of insurance cover.

Resolution by the Department of some matters can also be delayed because of the need for cross referral of information and requests between the Department, its insurance adviser, airport management and each airport's insurance broker and their insurers.

The Department continues to review its practices and procedures in relation to the oversight of leased Federal airports in order to ensure that its practices and procedures are as effective and efficient as possible. In this context, the Department will continue to make changes to its oversight of airport insurance obligations as and when the need arises.

The Department's annual report should include a report on the status of all insurance reports from the audit contractor, including the date of the report, and date of any departmental actions arising from the report.

The Department of Transport and Regional Services will provide details of the status of its annual airport insurance reviews from its 2005-2006 Annual Report onwards. This will include key dates and timeframes.

A handwritten signature in black ink, appearing to read "Michael J. Taylor". The signature is fluid and cursive, with the first name "Michael" and last name "Taylor" clearly distinguishable.

Michael J. Taylor
SECRETARY
Department of Transport and Regional Services

24 April 2006



Australian Government

Department of Transport and Regional Services

EXECUTIVE MINUTE

on

**JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT
REPORT [No.404]**

**Review of Auditor General's Reports 2003-2004 Third & Fourth Quarters; and
First and Second Quarters of 2004-2005**

Response to the Recommendation

Recommendation 17

The Committee recommends that the annual report of the Department of Transport and Regional Services include a matrix reporting on each airport lease – including the status of annual lease reviews, insurance reports, development obligations, letters of comfort and cost recovery of administrative expenses.

Where time extensions for development obligations have been granted, DOTARS must provide a comprehensive explanation detailing why the extension has been approved.

The Department of Transport and Regional Services reports on its performance in the oversight of Federal airport leases through its Annual Reports. Reporting in the 2004-2005 Annual Report was enhanced in relation to the status of annual lease reviews, development obligations and cost recovery of administrative expenses. It is proposed to increase the scope of performance reporting in the 2005-2006 Annual Report and the Committee's recommendation will be carefully considered in this context.

A handwritten signature in black ink, appearing to read 'Michael J. Taylor'.

Michael J. Taylor
SECRETARY
Department of Transport and Regional Services

24 April 2006