

# RURAL AND REGIONAL AFFAIRS AND TRANSPORT LEGISLATION COMMITTEE

## CONSIDERATION OF ADDITIONAL ESTIMATES

2001-2002

# **REPORT TO THE SENATE**

**MARCH 2002** 

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#### **MEMBERS OF THE COMMITTEE**

#### Members

Senator Winston Crane, LP, Western Australia – Chairman Senator Geoffrey Buckland, ALP, South Australia – Deputy Chairman Senator Jeannie Ferris, LP, South Australia\* Senator Julian McGauran, NP, Victoria Senator Kerry O'Brien, ALP, Tasmania Senator John Cherry, AD, Queensland

Senator Ferris was appointed Chair of the Committee for consideration of the Additional Estimates.

#### **Participating Members**

Senator Abetz
Senator Bartlett
Senator Boswell
Senator Calvert
Senator Carr
Senator Chapman
Senator Coonan
Senator Eggleston

Senator Faulkner Senator Ferguson Senator Greig Senator Harradine Senator Hutchins Senator Knowles Senator Lightfoot Senator Mason

Senator S Macdonald Senator McKiernan Senator McLucas Senator Payne Senator Tchen Senator Tierney Senator Watson

#### **Committee Secretariat**

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## LIST OF ABBREVIATIONS

AAA	Agriculture Advancing Australia
AFFA	Department of Agriculture, Fisheries and Forestry
AFMA	Australian Fisheries Management Authority
AMSA	Australian Maritime Safety Authority
AOC	Air Operating Certificate
AQIS	Australian Quarantine Inspection Service
ATSB	Australian Transport Safety Bureau
CASA	Civil Aviation Safety Authority
DEWRSB	Department of Employment, Workplace Relations and Small Business
DFAT	Department of Foreign Affairs and Trade
DIMIA	Department of Immigration and Multicultural and Indigenous Affairs
DOFA	Department of Finance and Administration
DRAP	Dairy Regional Assistance Program
IRA	Import Risk Analysis
MAC	Management Advisory Committee
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

#### ADDITIONAL ESTIMATES 2001-2002

## **REPORT TO THE SENATE**

## **CHAPTER 1**

#### **INTRODUCTION**

1.1 On 14 February 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 additional expenditure for the service of the year ending on 30 June 2002;
- Particulars of certain proposed additional expenditure in respect of the year ending on 30 June 2002;
- Particulars of proposed additional expenditure in relation to the parliamentary departments in respect of the year ending on 30 June 2002 and
- Statement of savings expected in annual appropriations made by Act No. 64 of 2001, Act No. 65 of 2001 and Act No. 66 of 2001.

1.2 The Committee considered the Portfolio Additional Estimates Statements 2001-2002 for each portfolio at hearings on 18 and 19 February 2002. The hearings were conducted in accordance with the agreed agenda as follows:

- Monday, 18 February Agriculture, Fisheries and Forestry portfolio;
- Tuesday, 19 February Transport and Regional Services portfolio and
- Wednesday, 13 March Transport and Regional Services portfolio.

1.3 The Committee did not complete its examination of the estimates in the time allocated by the Senate. One output area from the Transport and Regional Services portfolio; Airservices Australia was not completed when the Committee adjourned on Tuesday, 19 February 2002. An additional hearing on Wednesday, 13 March 2002 was held which, allowed the Committee to complete its consideration of the 2001-2002 Additional Estimates.

1.4 The Committee heard evidence from Senator The Hon Ian Macdonald, Minister for Forestry and Conservation, representing both the Ministers for Agriculture, Fisheries and Forestry and Transport and Regional Services and Senator The Hon Judith Troeth, Parliamentary Secretary to the Minister for Agriculture, Fisheries and Forestry. It also heard evidence from Mr Bernie Wonder, Deputy Secretary of the Department of Agriculture, Fisheries and Forestry, Mr Peter Yuile and Ms Lynelle Briggs, Deputy Secretaries of the Department of Transport and Regional Services and officers representing the departments and agencies covered by the estimates before the Committee.

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

1.6 As the Committee Chairman, Senator Winston Crane was unable to attend the hearings, Senator Ferris was elected temporary Chair for the period 18 February to 19 February 2002. Senator Colbeck substituted for Senator Crane during these hearings. Senators in attendance at the hearings were: Senator Ferris (Chair), Senator Buckland (Deputy Chair), Senator Colbeck, Senator McGauran, Senator O'Brien, Senator McLucas, Senator Forshaw, Senator Conroy, Senator Bartlett, Senator Crane and Senator Crossin.

#### **Questions on Notice**

1.7 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, 5 April 2002. For the additional hearing on 13 March 2002, the Committee determined that written answers and additional information should be Friday, 19 April 2002.

#### Administration of written answers or additional information

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

1.9 Answers to questions taken on notice at the Additional 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 additional estimates 2001-2002*. Documents not suitable for inclusion in the additional information volumes will be available on request from the Committee secretariat.

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

**Senator Jeannie Ferris Chair (18 and 19 February 2002)** Senate Rural and Regional Affairs and Transport Legislation Committee Senator Winston Crane Chair (13 March 2002) Senate Rural and Regional Affairs and Transport Legislation Committee

21 March 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, 18 February 2002. The hearing was conducted in the following order:

- Management Services and Corporate Governance
- Industry Development
- Rural Support and Adjustment
- Agricultural Industries
- Food
- Market Access and Biosecurity
- Product Integrity, Animal and Plant Health
- Australian Quarantine Inspection Service
- Innovation and Operating Environment
- Natural Resource Management
- Industry Development
- Fisheries and Forestry.

2.2 Before commencing the Committee's examination, the Deputy Secretary of the Department of Agriculture, Fisheries and Forestry, Mr Bernie Wonder, commented on the Department's quarterly report sent to the Committee in the previous week. Mr Wonder also advised that the Department Secretary, Mr Michael Taylor was unexpectedly detained on the morning of the hearing and that it was not known whether or not Mr Taylor would be attending. The Committee notes that Mr Taylor was unable to appear during proceedings.

#### **General Issues**

#### Management Services and Corporate Governance

2.3 The Committee sought clarification on how the department administers program underspends or rephasings during the budget cycle. Specifically, the Committee was interested in the rephasing process for the Agricultural Development Partnerships Program, which had experienced a delay in commencing and the role of the Department of Finance and Administration (DOFA). The Department informed the Committee that rephasings would normally be discussed and renegotiated with DOFA as part of the overall budget portfolio arrangements for the following financial year.<sup>1</sup>

2.4 During this discussion, the Committee ascertained that due to Government reassignment of some program priorities, the department returned \$26.5 million to DOFA. However, the Committee also notes that the department received an additional \$130 million

<sup>1</sup> RRAT *Evidence*, 18 February 2002, p. 3.

across its administered and departmental appropriations as part of additional estimates.<sup>2</sup> The Committee sought, on notice, details of the program areas or agencies affected by the return of \$26.5 million to DOFA and any impact this had on operations, including service delivery and implementation of programs.

2.5 The Committee also requested information on the budget expenditure for programs scheduled to conclude on 30 June 2002. There was also discussion on additional funding and the extension of a number of programs. The programs or areas targeted include, the National Action Plan for Salinity, Natural Heritage Trust, disease preparedness, Nairn funding, Agricultural Development Partnerships, flood relief in New South Wales and Queensland, rural financial counselling, New Industries Development Program and National Food Industry Strategy.<sup>3</sup>

2.6 Finally, the Committee initiated discussion on the defective administration claim by the Hewitt family, previously discussed at the Budget Estimates in May 2001. Specifically, the Committee requested an update on what progress had been made in resolving the Hewitt's claim. The Department stated that they had requested further information from the applicants, with a final submission received by the Department in December 2001. The Department advised that the submission was extensive, but that they expected to complete their review by the end of February. The process would include a recommendation to the Minister that he appoint a decision maker to review the claim material and reach a decision in accordance with the scheme for defective administration.

2.7 The Committee also sought clarification as to whether an additional claim by the Hewitt's for administration costs were part of the original claim or subject to a separate investigation. The Department advised that the additional claim is not included as part of the original because the final submission was received prior to correspondence to the Australian Government Solicitor requesting reimbursement.<sup>4</sup>

#### Industry Development - Rural Support and Adjustment

2.8 The Committee discussed a number of issues pertaining to Rural Support and Adjustment. Firstly, the Committee sought clarification on departmental costs, particularly in relation to industry development and adjustment, appropriation and administration expenditure. The Committee requested information on the differences between these figures, contained in Portfolio Additional Estimates Statements (PAES) and amounts previously detailed in the 2001-02 Portfolio Budget Statements (PBS).

2.9 The Committee also raised a number of issues relating to rural counsellors as part of the Rural Financial Counselling Service. These issues included, an update on negotiations with rural counsellors regarding flexibility in their contracts (pp 10-12); departmental discussions with States and stakeholders (p 12) and outcomes from the program review conducted by the Bureau of Rural Sciences (BRS) and discussed during the 2001 Budget Estimates (pp 12-13).

<sup>2</sup> RRAT *Evidence*, 18 February 2002, p. 3-5.

<sup>3</sup> RRAT *Evidence*, 18 February 2002, p. 8.

<sup>4</sup> RRAT *Evidence*, 18 February 2002, pp. 9-10.

2.10 Specifically, the Committee sought information about future funding and service delivery impacts as a result of the BRS review. The Department advised that the counselling service is no longer part of the Rural Communities Program and now operates as an independent program. Funding for the Rural Financial Counselling Service is \$17.4 million over three years, which includes departmental administration costs. Commonwealth funding is approximately matched by the States and sponsoring organisations. The Department also informed the Committee that the counsellors are employed by community groups and not by the department.<sup>5</sup>

2.11 There was also significant discussion on the Agriculture Advancing Australia Package (AAA). Specifically, the Committee raised concerns with the marketing and promotion of the package in the lead up to the November 10 election, particularly in light of department advice that participation in the program was static, despite significant expenditure. The Committee sought information on several issues including, marketing expenditure since launch (pp 13-14); expenditure on promotion since inception (pp 14-15); the form of promotion and associated expenditure for television, radio and mailouts (p 14, 16-20); market research and focus testing (pp 15-16, 20) and the consultancies employed to conduct case studies, awareness campaigns and seminars (pp 21-22).

2.12 Other matters discussed included:

- Update on the AAA Farm Help Program including number of recipients (p 23)
- Reasons why aquaculture farmers do not qualify for assistance under Farm Help (p 23)
- Update on guidelines and funding for the Agricultural Development Partnerships Program (pp 24-27)
- Update on the projects operating under the Rural Partnership Program including evaluation (pp 27-28)
- Number of drought exceptional circumstances declarations and update on reform process (pp 28-30)
- Update on expenditure for the Commonwealth Flood Assistance Package (pp 30-31)
- Funding for the Douglas Shire Ethanol Project (pp 31-33)
- Status of Multi-Peril Crop Insurance (p 34).

#### Industry Development - Agricultural Industries

2.13 The Committee raised a number of significant issues with officers representing Agricultural Industries. Firstly, discussions focussed on the report, which considered revised export consent arrangements in relation to the single desk, with the Wheat Export Authority (WEA). The WEA informed the Committee that the report contained recommendations relating to the implementation of amended arrangements catering for long term export consents, increased flexibility for exporters and greater alignment between tonnages

<sup>5</sup> RRAT *Evidence*, 18 February 2002, pp12-13.

consented by the WEA and actual exports undertaken by exporters. Further to this, the WEA advised that there had been informal consultation with AWB International, Grains Council of Australia, the National Agricultural Commodities Marketing Association, the Durum Growers Association and Flour Millers Council. <sup>6</sup> Another matter raised with the WEA related to the development of performance indicators for the 2004 review of the AWB (p 35).

2.14 Another issue discussed was that of dairy deregulation and assistance. Discussion focussed on the state of the dairy industry in each State including the number of dairy farmer exits (p 36-37). The Committee also sought information on the number of applications seeking a review of Dairy Adjustment Authority decisions on eligibility for assistance under the Dairy Structural Adjustment Package (DSAP) (p 37). The Department advised that 34 appeals remained outstanding.<sup>7</sup> Details on the legal costs associated with the administration of the scheme and appeals by farmers, was also sought (p 37).

2.15 Other issues raised included information on discretionary payments made to farmers denied the initial entitlement due to personal or health issues (p 37). This discussion also included advice on the number of lessors eligible for discretionary payments under DSAP and number of lessor applications ineligible. Information was sought on the extent of farmer knowledge about DSAP. The Department indicated that the Dairy Adjustment Authority (DAA) managed the promotion of DSAP with comprehensive arrangements in place including newsletters, industry meetings and their website.<sup>8</sup>

2.16 The Committee requested an update on the funding for the Dairy Regional Assistance Program (DRAP). The Department indicated that funds had not yet been spent but that the information was available on the website of the Department of Employment, Workplace Relations and Small Business (DEWRSB). A document was tabled detailing State funding and distribution.<sup>9</sup>

2.17 The Committee raised some concerns with the winding up of the International Wool Secretariat (IWS) in regard to the privatisation of the Australian Wool Research and Promotion Organisation (AWRAP). Specifically, the Committee sought clarification about current litigation between Cape Wools and the international valuer, KPMG and whether that litigation has implications for the potential liability of the Commonwealth (p 41-42). The Department indicated that it had received legal advice to not comment on the case, but that the Commonwealth is defending itself through the Australian Government Solicitor.<sup>10</sup>

2.18 In a follow on from the Budget Estimates, the Committee requested an update on the South Johnstone Sugar Mill. Specifically, the Committee requested information on whether the Commonwealth had been repaid on its loan to the mill. The Department advised that tenders for the sale of land owned by the mill had closed, but that the receiver had not yet publicly announced whether the tender process was successful. Therefore, while it is not yet

<sup>6</sup> RRAT *Evidence*, 18 February 2002, p. 35

<sup>7</sup> RRAT *Evidence*, 18 February 2002, p. 37

<sup>8</sup> RRAT *Evidence*, 18 February 2002, p. 40

<sup>9</sup> RRAT *Evidence*, 18 February 2002, p. 39

<sup>10</sup> RRAT *Evidence*, 18 February 2002, p. 42

known whether the outstanding debt has been cleared, the Department indicated that the announcement should occur shortly.<sup>11</sup>

2.19 Another issue related to assistance for Namoi cotton growers for ground water usage in New South Wales. In particular, the Committee sought information on where the stated \$40 million funding for the project would be drawn from. The Department stated that there was no indication that funding would come from existing programs and was not currently explicitly estimated for. It was suggested that funding from the National Action Plan for Salinity and Water Quality could be an option.<sup>12</sup>

2.20 Other matters raised were:

- Grant for construction of a UHT milk processing and packaging plant on King Island and difficulty for farmers to supply milk due to contractural arrangements with King Island Dairies (p 44)
- Update on third review of fellmongered wool tax exemption (pp 44-45)
- Update on EU high quality beef quota (pp 45-46)
- Review of the Sugar Industry Infrastructure Program including outcomes (pp 46-47)
- North Queensland tobacco industry assistance and impact of British-American Tobacco Australia (BATA) decision to decrease investment in North Queensland (pp 52-56).

#### Food

2.21 The Committee requested an explanation as to why estimated figures for the food price, department and administration costs varied between the PBS and PAES. The Department stated that the variation occurred because the Horticulture and Wine Branch had moved from Industry Development into the Food Group on 1 July.<sup>13</sup>

2.22 There was discussion on new initiatives, which included, funding for the Food Market Development Program of Australian anticipation in international food standardssetting bodies (pp 58-59) and development of the National Food Industry Strategy including commencement, funding and role of Austrade in the new strategy (pp57-58).

2.23 There was also discussion on the disbandment of the Supermarket to Asia Program and Council. With the Supermarket to Asia program being replaced with the National Food Industry Strategy, the Committee was interested in how Austrade would fit into the new approach and the roles that AQIS and the Department of Foreign Affairs and Trade (DFAT) would adopt (pp 59-60).

<sup>11</sup> RRAT *Evidence*, 18 February 2002, p. 47

<sup>12</sup> RRAT *Evidence*, 18 February 2002, p. 48-49

<sup>13</sup> RRAT Evidence, 18 February 2002, pp 56-57

#### Market Access and Biosecurity

2.24 A number of issues were raised with officers from Market Access and Biosecurity. Firstly, the Committee sought information on the expansion of the Technical Market Access Program including the location of AFFA councillors and how allocated monies were to be used. The Department advised that one additional post would be established in Beijing, China along with continued funding for posts in Tokyo, Japan and Seoul in Korea.<sup>14</sup>

2.25 The Committee also inquired into the status of the US Farm Bill in relation to trade policy and quarantine and export services. Specifically, the Committee pursued information on which Australian commodities would be affected by the additional measures proposed by the US Farm Bill. The Department commented:

There are a number that I could mention, but the two that stand out most are sugar and dairy. We could also mention cotton and to a lesser extend soya bean. Dairy and sugar are very much the focus, but by no means the only ones. It is a very wide-ranging bill, particularly in the area of cropping, across the range of the cropping sectors.<sup>15</sup>

2.26 Other issues raised included an update on import risk assessments for fresh chicken meat (pp 65-66); an update on the assessment process with New Zealand apples (pp 66-67) and an update on the import risk assessment for Philippine bananas (p 67).

#### Product Integrity, Animal and Plant Health

2.27 The Committee sought an update on an outbreak of red-banded mango caterpillar on Cape York Peninsula and inquired into the potential for the outbreak to spread to main mango growing areas around the Atherton Tablelands. The Department advised that they were developing a research program and conducting evaluation into possible eradication methods. In terms of spread, the Department commented that the insect would need to move from fruit to fruit, rather than by flight or wind. They considered that there would be a lengthy time frame before natural spread via fruit would affect other regions, as there are tight controls on the movement of mangos from affected areas.<sup>16</sup>

2.28 Also discussed was a possible review of the National Residue Survey. Committee concerns centred on a review aiming to reduce monitoring levels of products destined for the domestic market. The Department commented that a review would not do, but would examine program objectives and how the program can be re-positioned due to other activities occurring.<sup>17</sup>

2.29 The Committee asked a number of questions relating to exotic disease preparedness. The Department commented that the global problems associated with Foot and Mouth Disease (FMD) and Mad Cow Disease (BSE) had prompted detailed examination of the prevention and management of a major FMD outbreak and that a number of procedures had been enhanced. A number of committees have provided advice to Ministers to enhance

<sup>14</sup> RRAT *Evidence*, 18 February 2002, pp 61-64.

<sup>15</sup> RRAT Evidence, 18 February 2002, p. 65

<sup>16</sup> RRAT *Evidence*, 18 February 2002, pp. 68-69

<sup>17</sup> RRAT Evidence, 18 February 2002, p. 69

9

preparedness procedures. In relation to BSE, all states have introduced legislation prohibiting the feeding of bone and meat meal and other at risk products to farm animals. The Department also noted that they had revised their emergency plan and allocated \$10,000 to the Cattle Council and Australian Veterinary Association to organise a workshop.<sup>18</sup>

#### Australian Quarantine and Inspection Service (AQIS)

2.30 The Committee began their examination of AQIS by requesting an update on the Meat Safety Enhancement Program. The Department noted that the program had not progressed significantly to date, but that the take-up of the program would be driven by what export markets consider appropriated in meeting their individual levels of protection.<sup>19</sup> Other questions relating to this program included US acceptance of a modified version of the program and negotiations with Japan, Taiwan and Korea through forums (pp 72-73).

2.31 Another issue concerned enhanced barrier arrangements at Australian airports and seaports regarding foot and mouth disease. There was extensive discussion focussing on resources required to enhance current quarantine arrangements, including increased staffing and detector dogs, infrastructure developments and commercial ramifications for airport franchisees. Also discussed was funding for additional infrastructure developments for Australia Post, including new x-ray machines (pp 73-77).

2.32 There were also a number of questions relating to the importation of Dilmah Tea. Specifically, the Committee sought information on whether AQIS prevented imported shipments of Dilmah tea from being distributed in 2000 because the packaging contained health claim statements deemed not to comply with the Australia and New Zealand Food Standards Code. In response, the Department stated that the issue was referred to the Australia and New Zealand Food Authority (ANZFA). ANZFA subsequently verified AQIS' concerns that the packaging claims were consistent with health claims and not permitted under the food standards code.<sup>20</sup> Subsequent discussion focussed on the meaning of health claims and comparisons with competitors claims including local packaging considerations.

2.33 The final issue dealt with related to marine pests and ballast water checking. The Committee sought clarification as to who is responsible for inspecting shipping hulls. The Department advised that local State authorities were responsible.<sup>21</sup> Subsequent discussion centred on the entry of the FV *Wing Sang* into Cairns Harbour and the discovery of Caribbean tube worm and Asian Green Mussel organisms. The Committee sought information on which authority conducted the hull inspection and the role of the Consultative Committee on Introduced Marine Pest Emergencies (CCIMPE) (pp82-84).

#### Natural Resource Management

2.34 The Committee asked a number of questions relating to water and the rice industry. Specifically, information was requested on discussions between the Deputy Prime Minister and Mr John Elliott relating to the release of water from the Murray-Darling Basin

<sup>18</sup> RRAT *Evidence*, 18 February 2002, pp. 70-72

<sup>19</sup> RRAT Evidence, 18 February 2002, p. 72

<sup>20</sup> RRAT *Evidence*, 18 February 2002, p. 78

<sup>21</sup> RRAT *Evidence*, 18 February 2002, p. 81

Commission (pp84-86). Other questions related to funding for the Murray-Darling Basin Commission (p 86).

2.35 There was discussion on the National Action Plan for Salinity and Water Quality. The Committee asked a number of questions relating to the structure of the program and its progress. Specifically, information was sought on the national salinity action plan, including funding and its commencement. The Department advised that the action plan as a strategic framework on salinity and water quality was released at the end of 2000. The action plan has built on earlier work completed by the Murray-Darling Basin Commission. There has been an agreement between States and Territories and the Commonwealth to implement the plan and commit funding. The Department also advised that a further intergovernmental agreement to provide the overarching framework for implementing the action plan has been signed by all States and Territories, except Western Australia.<sup>22</sup>

2.36 Other matters raised included an update on a report on agricultural productivity as part of the National Land and Water Resource Audit (p 86) and funding for the Natural Heritage Trust and Landcare. The Department advised that the National Heritage Trust (NHT) is actually two programs, with the original NHT (NHT1) receiving \$1.5 billion in funding and an additional \$1 billion over five years recently announced. There has also been an additional \$1.4 billion for the national action plan. The Department also noted that Landcare is contained within funding for NHT2. <sup>23</sup> There was also discussion on the regions that attract Landcare funding for salinity problems (p 92, 96-97) and the role of the States in negotiating boundary and funding decisions in accordance with the intergovernmental agreements (pp 92-95).

2.37 The Committee also asked a number of specific questions about salinity in South Australia including funding, community projects contained within the South Australian agreement and land management issues relating to the reclamation of land affected by salinity (pp97-100).

#### Industry Development – Fisheries and Forestry

2.38 A number of issues were raised with officers from Fisheries and Forestry. Firstly, the Committee requested an update on responses made to each of the 31 recommendations contained in the ACIL Consulting review of Management Advisory Committees (MACs). The Department informed the Committee that the AFMA Board had accepted most of the recommendations and arrangements were being made to implement the recommendations.<sup>24</sup>

2.39 The Committee requested an update on AFMA's strategic assessment of all fisheries, being conducted over the next three years. AFMA advised that they had forwarded two assessments (Heard and McDonald Island and Bass Strait scallop fisheries) to the Minister and were currently undertaking assessments on the three tuna fisheries this year and a combined southern fishery.<sup>25</sup>

<sup>22</sup> RRAT *Evidence*, 18 February 2002, pp 87-90

<sup>23</sup> RRAT *Evidence*, 18 February 2002, pp. 91-92

<sup>24</sup> RRAT *Evidence*, 18 February 2002, p. 102

<sup>25</sup> RRAT Evidence, 18 February 2002, p. 102

- 2.40 Other fisheries issues discussed were:
- Update on review of Commonwealth fisheries policy (pp 103-104)
- Outcome of the special audit of the Fisheries Resource Research Fund (p 104)
- Policing of the Heard Island fishery (p 104-105) and
- Consultative process for the development of a management strategy for the Southern Shark fishery (pp 105-106).

2.41 The Committee also raised two significant issues with departmental officers relating to forestry. Firstly, a number of questions were asked in relation to the Eden Regional Adjustment Package. Specifically, the Committee requested information on why estimated expenditure had been revised upwards in the PAES from projected budget figures. The Department advised that the revision was a result of delays in funding payments carried over from the previous financial year 2000-2001.<sup>26</sup>

2.42 Other discussion relating to the Eden Regional Adjustment Package included, the process of assessment and approval of grants (pp 107-108); number of applications received (p 108) and job creation measurements (p 108). The Committee asked a number of questions on specific grants for particular projects. Questions related to funding, employment forecasts and approval processes (p 109).

2.43 The other forestry matter raised related to operations of Regional Forest Agreements (RFAs). Specifically, the Committee sought information on the status of the five year review for the East Gippsland RFA (p 110); allegations of breaches of RFAs (pp 110-111) and a report released by the Australian Conservation Foundation (ACF) on forestry and national competition policy (pp 111-113).

<sup>26</sup> RRAT *Evidence*, 18 February 2002, p. 106

## CHAPTER 3

## TRANSPORT AND REGIONAL SERVICES PORTFOLIO

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

3.1 The Committee heard evidence from the department on Tuesday, 19 February 2002. As reported in Chapter 1, not all elements of this portfolio were completed in the time scheduled by the Senate. An additional hearing on Wednesday, 13 March 2002 completed the Committee's consideration of Additional Estimates. The hearing agenda was completed as follows:

#### **Tuesday 19 February 2002**

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

3.2 Before commencing the Committee's examination, the Acting Secretary of the Department of Transport and Regional Services, Mr Peter Yuile provided the Committee with an overview of the recent restructure of the Department. Mr Yuile noted that the structural changes are a result of machinery of government changes following the outcomes of the November election. They place greater emphasis and focus on strategic policy work, enhances regulatory reform and safety investigation roles and management capability. The changes also more clearly align the organisational structure with the budget and outputs framework.<sup>1</sup>

3.3 The restructure has divided the Department into three organisation groups. The transport group concentrates on policy, safety regulation and program functions. The divisions bring those functions together for all modes of transport except for aviation and

<sup>1</sup> RRAT *Evidence*, 19 February 2002, p. 117

airports, which have been kept together to form one division. The regional development group consists of three divisions; policy, program management and territories and local government. Corporate governance administers corporate functions, economic research and portfolio policy.<sup>2</sup> Mr Yuile tabled a framework of the new organisational structure.

#### **General Issues**

#### Corporate Governance Group

3.4 Following on from the acting Secretaries comments, the Committee asked a number of questions relating to the reasons for restructuring the Department. The Committee was interested in how the groups and divisions would maintain links and foster communication. The Department commented:

...we are very conscious of the need for close integration and close communication and discussion right through our processes, which is why we have established what we have called group executive teams on the transport side and on the regional side. That brings together the division heads, branch heads and some other officers at other levels across the divisions to work through particular major issues, but there is always ongoing discussion between divisions as there has been in the past.<sup>3</sup>

3.5 The Committee also sought clarification as to how other agencies, specifically CASA and Airservices had been incorporated into the new structure (pp 120-121).

3.6 In relation to this, the Committee requested information on the staffing for each of the divisions and units and how financial management would be administered. The Department advised that the divisions would each have a business manager responsible for overseeing their division's budget in relation to staffing and resources. The Department also noted that these operational reporting requirements and management information had not changed from the previous structure.<sup>4</sup> Information regarding current operating budgets for each division was provided to the Committee (p 123).

3.7 There was discussion on current certified agreement negotiations, specifically, the pay increase offer, timeframe for pay increases and how the Department intends to manage budgetary costs in relation to this (pp 124-125).

3.8 Other matters raised were rephasing of funding for administered programs (pp 125-126); update on the output pricing review (p 126); funding for the ATSB (pp 126-127) and airline travel by departmental officers following the collapse of Ansett (pp 127-129). In relation to airline travel the Committee sought information on the breakdown of travel with each of the airlines, including class and cost and current contractural arrangements with American Express.

#### Regional Development Group - Regional Policy Division

3.9 The Committee sought information on when a proposed committee representing regional business development interests as part of the Stronger Regions Program would be

<sup>2</sup> RRAT *Evidence*, 19 February 2002, p. 117

<sup>3</sup> RRAT *Evidence*, 19 February 2002, p. 120

<sup>4</sup> RRAT *Evidence*, 19 February 2002, p. 122

appointed and report after completing an analysis on the issues that relate to investment in regional Australia. Further discussion centred on the action plan, process of information collection, estimated budget (pp 130-132).

3.10 Another matter raised related to the Department's involvement regarding national competition policy in terms of regional development policy. The Department informed the Committee that an objective of the organisational restructure was strengthen the Department's capacity to be more involved in whole of government policy developments that could impact on the portfolio, including national competition policy.<sup>5</sup> Further discussion focussed on the future work program and staffing resources in the regional policy unit (pp 133-134).

3.11 Finally, the Committee asked questions on the Regional Programs Reform Task Force including, terms of reference, allocation of resources and staffing (p 134).

#### Regional Development Group - Regional Programs Division

3.12 A number of issues were raised with officers from Regional Programs Division. The Committee sought clarification on how Area Consultative Committees (ACCs) interrelate with Regional Development Boards. In particular, concerns were raised with duplication of funding administration from the States, local councils and Federal funding. The Department commented that there is a close relationship between local councils, the State Government and ACCs. The Department also noted that they were reviewing current arrangements to minimise any risk of duplication, such as standardising grant applications and contracts.<sup>6</sup> Other questions in relation to ACCs focussed on the cost of administration and funding (pp 135-136).

3.13 There was discussion on the Sustainable Regions Program as part of the Stronger Regions Program. Issues raised included the allocation of funding and additional funding for program awareness, including advertising and consultancies (p 137-139). Another issue related to unemployment as a criterion for activities under the Stronger Regions Program (p 140). Also discussed were the differences between the structural adjustment programs for Wide Bay- Burnett and Atherton Tablelands and the sustainable regions programs announced for the Kimberley, Campbelltown, far north-east New South Wales, Gippsland, the north-west and west coast of Tasmania and Playford-Salisbury (pp 140-141).

3.14 The Committee also asked a number of questions on the Sustainable Regions Program. Specifically, information was sought on whether there were any plans to extend the program beyond the eight prototype regions, when a mid-term review would be initiated and project assessment criteria communities are required to follow (pp 141-142). At the request of the Committee, project assessment criteria was incorporated in Hansard.<sup>7</sup> Further discussion focussed on staffing in the regions, including their role in coordinating projects (p 142). The Committee also requested information on the Socio-economic Index for Australia (SEIFA) in relation to this program. This information was tabled during the hearing (p 143).

<sup>5</sup> RRAT *Evidence*, 19 February 2002, p. 133

<sup>6</sup> RRAT *Evidence*, 19 February 2002, p. 135

<sup>7</sup> RRAT *Evidence*, 19 February 2002, p. 142

3.15 The Committee also asked questions about the Wide Bay-Burnett Structural Adjustment Program. The questions related to projected employment figures in specific projects. The projects are Neptune's Reefworld aquarium development, TSG Pacific, a software engineering and development centre and a pineapple-packing house operated by DG and KL Harris (pp 143-144).

3.16 There was significant discussion on Rural Transaction Centres (RTCs). The Committee requested information on why \$17.6 million was underspent during 2000-01. The Department commented:

I think the basic reason was a fairly slow take-up in the program......One of the difficulties was that it was a new program and it was driven by communities. Very often they were not really in a position to put together the kinds of programs and the financial business plans needed to sustain funding....We have put in place the field officer network.<sup>8</sup>

3.17 Further discussion was on the number of RTCs approved, the number operational and how many opened during 2000-2001 (p 144-145). The Committee also sought details on proposed expenditure for 2001-2002 (p 145) and funding for Licensed Post Offices (LPOs) (pp 145-147).

3.18 Issues pertaining to the Regional Solutions Program were also raised. The Committee requested details on why there was a underspend on this program during 2000-2001. The Department noted that some of the underspend was rephased into this financial year with \$4 million being re-allocated to the Wide Bay-Burnett Structural Adjustment Program. Rephasings will be expended this financial year.<sup>9</sup> Additional discussion focussed on how rephasing occurs based on the revised budget figure (pp 147). The Committee also requested a breakdown of the number of approved projects (p 148) and an update on the program evaluation strategy (p 148).

3.19 Finally, the Committee also sought information on staffing and funding for the Regional Assistance Program. Specifically, questions were asked about the number of staffing positions transferred from the Department of Workplace Relations and Small Business (DEWRSB) to the department and funding grant amounts allocated to projects in specified regions (p 149).

#### Regional Development Group - Territories and Local Government Division

3.20 Discussions with Territories and Local Government Division officers mainly focussed on the asylum seekers and funding and infrastructure provisions on Christmas and Cocos Islands. The Committee sought information on additional funding expenditure in meeting additional administrative and project management requirements (p 150, 152). Details on community consultations on Christmas Island, particularly in relation to the siting of a processing centre were also requested (p 150-152).

3.21 A participating committee member also asked a number of questions on this issue relating to accommodation and educational provisions. The Department advised that these

<sup>8</sup> RRAT *Evidence*, 19 February 2002, p. 144

<sup>9</sup> RRAT *Evidence*, 19 February 2002, p. 147

questions were best referred to the Department of immigration and Multicultural and Indigenous Affairs (DIMIA) (pp 153-154). Other questions related to the extent of community consultations on Cocos Island and employment opportunities that have arisen as a result of the situation (pp 154-155).

3.22 Another issue raised concerned media reports that doubted government claims that asylum seekers had thrown children into the sea. The Committee sought clarification as to whether any officials had confirmed this. The Department indicated that there was no advice provided to them that this had occurred. However, they undertook to check their records (pp 155-156).

3.23 Other issues raised related to entitlements for former Casino workers on Christmas Island (pp 156-157) and the unavailability of certain types of insurance to residents on Christmas Island (p 157).

#### Transport Group – Australian Transport Safety Bureau (ATSB)

3.24 Several issues were raised with the ATSB. The Committee sought details on the collection of motor vehicle crash test data. Information on funding, the role of the States in collecting data and the extent of the Commonwealth's role in road safety campaigns were also discussed (p 159). There was also discussion on the proportion of ATSB's budget allocated to road safety measures including ATSB research on road safety and management of statistical databases (p 160).

3.25 Other issues raised included an update on a recommendation to install audible pressure alarms in aircraft following an investigation into the cause of an aircraft accident (p 161) and an update on the Whyalla Airlines investigation (pp 163-164).

3.26 The Committee also sought information on how the ATSB organises its activities and resources following a reduction in budget funding. Specifically, information on the ratio of support staff to investigators was requested and if there has been any effect on the Bureau's ability to conduct investigations (pp 162-163).

#### Transport Group - Transport Policy and Infrastructure Division

3.27 Issues raised with officers from Transport Policy and Infrastructure Division included, the continued management by AMSA of safety radio services for non-SOLAS vessels until a replacement system is installed (p 164). The Department advised that the Australian Maritime Group had established a project to consider a replacement system, with an interim system intended to be in place by 1 July 2002.<sup>10</sup> Further discussion focussed on communications and potential safety issues when the current system ceases on 1 July (pp 164-165).

3.28 An update on the high speed train project was requested. Committee questions focussed on issues covered in the first phase of the project, estimated budget for 2001-2002 and expenditure on consultants (p 165).

<sup>10</sup> RRAT Evidence, 19 February 2002, p. 164

3.29 The Committee also asked a number of questions on a vessel operating in Australian waters, the CSL *Pacific*. Questioning focussed on the status of visa requirements and how this relates to the permit system and docking entitlements (pp 166-168).

#### Transport Group - Transport Regulation Division

3.30 The Committee requested an update on the development of a code of conduct for the trucking industry. The Department advised that the code of conduct is being developed by industry with support from Government. To date, industry has produced a draft code with an industry presentation scheduled for 28 February 2002 to consider the draft code's content and context.<sup>11</sup> Also discussed was the Commonwealth's involvement in the development of the code and funding.

3.31 Other matters raised were the Australian New Car Assessment Program (ANCAP) including, safety related recalls of vehicles (pp 173-175) and discussion on the Departments submission to the fuel tax inquiry (p 176).

#### Transport Group – Australian Maritime Safety Authority

3.32 A significant matter raised with AMSA concerned the vessel *Tampa*, which rescued asylum seekers in 2001. Specifically, the Committee sought information on contact members of AMSA's rescue coordination centre had with the crew of *Tampa* and other Commonwealth agencies. The Committee also asked questions about, the processes and procedures AMSA followed in relation to the incident (pp 177-180, 183, 186).

3.33 Another issue related to the People Smuggling Task Force. The Committee sought details on when the task force was established, its composition and membership and the extent of involvement of the Department and AMSA, including meetings attended. Also discussed was when the *Tampa* incident was discussed at task force meetings (pp 180-185).

3.34 Another matter was AMSA's role in the process of drafting new protocols requiring merchant ships to seek Navy approval before responding to distress calls. AMSA advised that draft protocols had been completed and circulated to industry representatives.<sup>12</sup>

3.35 There was also questions on the *Margaret J* coronial inquest. The Committee requested details on AMSA's and AusSAR's legal representation and associated legal costs and the cost of the aerial search (pp 189-191). There was also discussion on AMSA's evidence. In response to a question about AMSA concerns regarding transcripted conversations during the search and rescue, AMSA told the Committee:

There is concern on two principal fronts: firstly, the overall professionalism with which the conversations take place and the sense of seriousness and concern that needs to be engendered around any search and rescue event; and, secondly, the issue associated with the apparent lack of clear understanding surrounding the protocols and the arrangements between the state agency and us, in relation to coordination and handover procedures.

<sup>11</sup> RRAT *Evidence*, 19 February 2002, pp 169-170

<sup>12</sup> RRAT *Evidence*, 19 February 2002, pp. 188-189

We are also concerned about the accuracy of contemporaneous notes that are taken at the time a telephone call is being conducted because they are the principal record that is relied upon for the subsequent conduct of the search and so on...<sup>13</sup>

3.36 Other matters raised were AMSA's response to concerns about the safety and conditions of the vessel *Azion Number One* (pp 176-177) and the SIEV4 vessel sinking in October (p 192).

#### Transport Group - Transport Programs Division

3.37 Several issues were raised with officers from Transport Programs Division. Firstly, questions were asked about the projected freight volumes between Adelaide and Alice Springs as part of the Alice Springs to Darwin rail link (pp 192-193). Further discussion was on the employment of local labour during the construction of the rail line (pp 193-194).

3.38 Other matters raised were:

- Funding for construction and development of intermodal centres as part of the Rail Reform Transition Program (pp 194-195);
- Funding for construction of Scoresby Freeway (pp 195-196);
- Discussion on planning and funding of Hume highway upgrade at Albury-Wodonga (pp 196-197);
- Discussion on litigation costs of wharf asbestos actions and Stevedoring Industry Finance Committee (pp 198-199);
- Air passenger ticket levy for Special Employee Entitlements Scheme (p 200);
- Purpose and applications for assistance for the Rapid Route Recovery Scheme (pp 201-202) and
- Appropriation for the Mainline Interstate Rail Track Program (p 202).

#### Aviation and Airports Policy Division

3.39 The Committee asked questions on the purpose of the Aviation Policy Task Force. The Department indicated that the Task Force would review the extent that aviation policy had changed in light of the events of September 2001 and what action, if any, needs to be taken.<sup>14</sup>

3.40 Other issues covered included an update on the Airservices corporatisation process (p 204); timetable for the sale of Kingsford Smith Airport (pp 204-205); purpose of the ICAO security meeting (p 205) and details on new arrangements for security screening at regional airports (p 206).

<sup>13</sup> RRAT *Evidence*, 19 February 2002, p. 190

<sup>14</sup> RRAT *Evidence*, 19 February 2002, p. 203

#### Civil Aviation Safety Authority (CASA)

3.41 The Committee raised a number of issues with CASA. The Committee sought reasons for the reduction in distance between emergency landing areas from 50 to 25 nautical miles for single-engine aircraft performing over-water operations (pp 206-207). An update on a proposal allowing pilots an indemnity for one break of air safety regulations during a five year period was requested. CASA advised that the proposal had not been supported by the Department and would supply the reasons for non-approval on notice.<sup>15</sup>

3.42 Questions were also asked on the allocation of funding and resources to the warbird section of the aviation industry (p. 208); the administrative fines process, specifically, the details of offences (p 209) and discussion on the amount and type of material forwarded to pilots (pp 209-210).

3.43 There was discussion on CASA's proposal to amend CAR206 to reflect that Air Operating Certificates (AOCs) are not required for flying training in relation to sports aviation and ultralight aircraft. Specifically, discussion focussed on the reasons for a reversal of CASAs previous position on this issue. CASA commented that the Board supports amendment of CAR206 exempting all sports aviation training including commercial training. CASA noted that, 'We would also review the whole of the current requirements for certification for aerial work, and it is in that context that we are including commercial sports aviation'.<sup>16</sup> CASA also stated that:

.....the Civil Aviation Act was amended to remove the word 'commercial'; however, CAR206 has never been amended. We have this anomalous position whereby the Civil Aviation Act asks that the regulations prescribe the activities that require an AOC, but it has deliberately removed any hint of commercialism because it should be risk based, and yet the word 'commercial' still stays within CAR206. Another part of that amendment, I believe, should be to remove the word 'commercial' to be consistent with the amendments that were made recently to the Act.<sup>17</sup>

3.44 Another significant issue concerned the level of maintenance, aviation maintenance firm VH Aviation is licensed to undertake. Discussion included details of scheduled and unscheduled audits conducted by CASA and concerns by a flying school regarding the performance of maintenance and the investigation process that followed (pp 212-215).

3.45 Other issues raised were:

- Update on ATSB recommendation on audible cabin pressure alarms (p 215);
- Number of ATSB recommendations responded to following investigation of Qantas flight 1 Bangkok accident (pp 215-216);
- CASA response to ATSB report Whyalla Air (p 216);
- Outcome of independent review of CASA public relations in regard to Ansett (p 216);

<sup>15</sup> RRAT *Evidence*, 19 February 2002, p. 207

<sup>16</sup> RRAT *Evidence*, 19 February 2002, p. 212

<sup>17</sup> RRAT *Evidence*, 19 February 2002, p. 212

- Process in transferring ownership of AOCs and maintenance certificates to future operators (pp 216-217);
- Update on ASRIP process following consultancy report (pp 217-220);
- CASA actual staffing levels (p 220) and
- Update on outcome of KPMG audit (pp 220-221).

#### Airservices Australia

3.46 The final hearing on the consideration of Additional Estimates was conducted on Wednesday, 13 March 2002.

3.47 There was significant discussion on Airservices Australia's financial position. Specifically, the Committee sought clarification on the status of apparent excess of liabilities over assets (pp 223-224) and asked questions on the timetable for a medium term note issue of \$100 million (pp 224-225).

3.48 The Committee also raised a number of issues pertaining to the impact September 11 and the Ansett collapse has had on Airservices' revenue. Issues discussed included cost mitigation matters, impact on operating budget and revenue and impact on international and domestic air activity. Airservices advised that there had been a reduction of \$130 million in revenue as a result of the Ansett collapse, a 7.75 percent reduction in international activity, a 9.5 percent reduction in domestic activity, averaging to about 8.5 percent overall.<sup>18</sup>

3.49 Other issues raised regarding the impact of September 11 and Ansett collapse included effect on the capital works program (pp 226-227) and the status of Airservices as an Ansett creditor. Airservices informed the Committee that it is owed approximately \$16 million and were one of the major unsecured creditors. As an unsecured creditor the forecast payment amount is expected to be in the range of zero to five cents.<sup>19</sup>

3.50 The Committee also requested information on the removal of en route air traffic control charges from certain regional airline operations (p 229); plans to close terminal control units in Perth and Adelaide (p 230); cost of firefighting services and terminal navigation charges (p 230); a proposal to change the charging regime for firefighting services (p 231) and expenditure on an advertising campaign to promote Airservices (p 231).

3.51 There was also extensive discussion on executive salaries. Specifically, the Committee requested information on total remuneration and termination payments, particularly in relation to the former CEO's contract (pp 231-234). The Committee requested clarification on whether there had been salary changes during the past twelve months. Airservices Australia indicated that many managers had voluntarily agreed to contract amendments reducing their total remuneration by five percent.<sup>20</sup>

3.52 Another matter raised was Airservices involvement in security and revised air service arrangements for the Commonwealth Heads of Government Meeting (CHOGM). The

<sup>18</sup> RRAT *Evidence*, 13 March 2002, p. 226

<sup>19</sup> RRAT *Evidence*, 13 March 2002, p. 229

<sup>20</sup> RRAT *Evidence*, 13 March 2002, p. 234

Committee was informed that special airspace arrangements were in place for the meeting, including a 24 hour service at Maroochydore Airport, new air routes accommodating a 25 mile exclusion zone around Maroochydore and provision of a fire service and associated staffing.<sup>21</sup>

3.53 There was also extensive discussion on the proposal to create a number of wholly owned Airservices subsidiaries. The committee asked a number of questions on the proposed timetable, any affect on the structure of Airservices Australia, details of the project team considering a subsidiary for airport services, safety aspects and role of the Department in relation to the process (pp 236-240). Airservices advised that while the establishment of subsidiaries was under consideration, no decision had yet been made on implementation. They also advised that Airservices Australia were working to a timetable to undertake a liability study on the establishment of an airport services subsidiary by 1 July 2002 and infrastructure support subsidiary by 1 January 2003.<sup>22</sup>

3.54 The final issue raised concerned a media release on 4 December 2000, which announced a reduction in en route air traffic control charges by twelve percent (pp 240-241).

<sup>21</sup> RRAT *Evidence*, 13 March 2002, p. 235

<sup>22</sup> RRAT *Evidence*, 13 March 2002, p. 236

## RURAL AND REGIONAL AFFAIRS AND TRANSPORT LEGISLATION COMMITTEE

## HANSARD

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General

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## WEDNESDAY, 13 MARCH 2002

## DEPARTMENT OF TRANSPORT AND REGIONAL SERVICES

General

**Hansard Page** 

In attendance

**Transport Group** 

Airservices Australia