



**Australian Government**

**Department of Infrastructure,  
Regional Development and Cities**



# Annual Report 2017–18





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**Department of Infrastructure,  
Regional Development and Cities**

# **Annual Report 2017–18**

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**Australian Government**

**Department of Infrastructure, Regional Development and Cities**

**Dr Steven Kennedy PSM  
Secretary**

PDR ID: MS18-002316

The Hon Michael McCormack MP  
Deputy Prime Minister  
Minister for Infrastructure, Transport and Regional Development  
Parliament House  
CANBERRA ACT 2600

Dear Deputy Prime Minister

I am pleased to present the Annual Report for the Department of Infrastructure, Regional Development and Cities for the year ended 30 June 2018.

The Department's report has been prepared in accordance with section 46 of the Public Governance, Performance and Accountability Act 2013 (PGPA Act) which also requires that you present this report to the Parliament.

In accordance with sections 39(1)(b) and 43(4) of the PGPA Act, this report includes the Department's annual performance statements and audited financial statements.

I certify:

- in accordance with sections 17AG and 17BE of the Public Governance, Performance and Accountability Rule 2014 (PGPA Rule), there were no significant issues of non-compliance notified during the reporting period; and
- in accordance with sections 10 and 17AG of the PGPA Rule, the Department has prepared a fraud risk assessment and a fraud control plan, and has in place appropriate fraud prevention, detection, investigation and reporting mechanisms to meet the specific needs of the department.

This report also includes information required by:

- paragraph 11.1(ba) of the Legal Services Directions 2017;
- paragraph 5.15(2) of the Airports (Environment Protection) Regulations 1997;
- section 29 of the Air Navigation Act 1920;
- section 20 of the Aircraft Noise Levy Collection Act 1995;
- section 94 of the National Land Transport Act 2014;
- section 311A of the Commonwealth Electoral Act 1918;
- schedule 2, part 4 of the Work Health and Safety Act 2011; and
- section 516A of the Environment Protection and Biodiversity Conservation Act 1999.

I have copied this letter to Senator the Hon Bridget McKenzie, Minister for Regional Services, Sport, Local Government and Decentralisation, the Hon Alan Tudge MP, Minister for Cities, Urban Infrastructure and Population, the Hon Sussan Ley MP, Assistant Minister for Regional Development and Territories, the Hon Andrew Broad MP, Assistant Minister to the Deputy Prime Minister and the Hon Scott Buchholz MP, Assistant Minister for Roads and Transport.

Yours sincerely

Steven Kennedy

18 September 2018

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# Guide to this report

## What this report covers

This annual report explains how the resources entrusted to the Department of Infrastructure, Regional Development and Cities have been used during the year. It considers the Department of Finance's Resource Management Guide No. 135: Annual reports for non-corporate Commonwealth entities, issued in May 2018; and Resource Management Guide No. 134: Annual performance statements for Commonwealth entities, issued in July 2017.

## How information is presented

Key terms and acronyms are explained as they are introduced and are listed at the back of this report.

Tables throughout the report use notations as follows:

- ▶ \$m means million dollars
- ▶ – means either zero or nil
- ▶ n/a means not applicable

## How to obtain copies

Reports are available in printed form from libraries around Australia under the Commonwealth Library Deposit and Free Issue Scheme. For a list of these libraries, visit the Department of Finance website <[www.finance.gov.au/librarydeposit](http://www.finance.gov.au/librarydeposit)>.

This report is also available at <[infrastructure.gov.au/department/annual\\_report/index.aspx](http://infrastructure.gov.au/department/annual_report/index.aspx)>. It is published in a variety of digital formats to make it more accessible, including to people in regional areas and people with disability. It is available online the day after it is tabled in Parliament.

## More information

Before making decisions or acting on information in this report, you are advised to contact the department. This report was up-to-date when it was tabled, but details change over time due to legislative, policy and other developments.

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# PART 1

Year in review

# Performance Snapshot

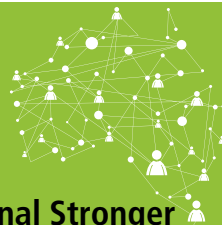


**18,236**  
vehicle import  
applications

assessed under the  
concessional arrangements  
of the **Motor Vehicle  
Standards Act 1989**



**31** Round 5 projects  
funded through the  
**Remote Airstrip  
Upgrade Program**



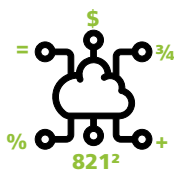
**National Stronger  
Regions Fund**

**\$243.4 million**  
towards **184** projects  
that support regional  
development



**National Water  
Infrastructure  
Development Fund**

co-funded **five water  
infrastructure projects**,  
including two in northern  
Australia



Department led  
development of the  
**National Infrastructure  
Data Collection and  
Dissemination Plan**  
released in June 2018



An **airport lease**  
was granted to  
**WSA Co**  
for the **Western  
Sydney Airport  
site** on 17 May 2018



**Western Sydney,  
Launceston  
and Townsville  
city deals** now  
being implemented



**Transport and Infrastructure Council**  
**endorsed 12 projects** under the  
**National Heavy Vehicle Safety Initiative**



The department  
**funded upgrades** to  
the **wastewater  
treatment plant** on the  
Cocos (Keeling) Islands,  
the **Cascade Pier** and  
capital works at the  
**school and health  
facility** on Norfolk Island

**WSA Co**

was established  
in **August 2017**



**Successful election**  
to **Category B (from Category C)** of the  
**International Maritime  
Organization**

Release of BITRE's  
**Progress in  
Australian  
Regions  
Yearbook 2017**



**3,425**  
vehicle certification  
type approvals and  
amendments,  
**7,356**  
Registered Automotive  
Workshop Scheme  
(RAWS) import  
approvals and  
**7,135**  
RAWS used vehicle  
plate approvals

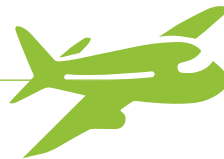


**COMMUNITY  
DEVELOPMENT  
GRANTS**

**110 projects**  
completed, a further  
**130 projects**  
commenced



**\$18.3 million**  
to operate  
**52 Regional  
Development  
Australia Committees**  
which **support the  
development of their  
regions**



**Supported ICAO's assessment  
of Australia's safety oversight  
arrangements resulting in our  
implementation score increasing from  
85.05% to 94.98%**

# Part 1:

## Year in review

### Secretary's review

I am pleased to deliver my first annual report as Secretary of the Department of Infrastructure, Regional Development and Cities. I have enjoyed my first year leading the department and I am proud of the contributions we make across infrastructure, transport and regional development.

I would like to acknowledge the contribution of the department's former secretary, Mr Mike Mrdak AO. Mike led the department for many years and made significant contributions to many areas of policy. I look forward to building on this legacy in the coming years.

### Machinery of government changes

2017–18 has been a year of change for the department. In December 2017, machinery of government changes saw transport security responsibilities (Program 2.1) move to the new Department of Home Affairs. At the same time, the department gained responsibility for cities from the Department of the Prime Minister and Cabinet, as well as responsibility for water infrastructure policy from the Department of Agriculture and Water Resources.

The cities and water infrastructure functions complement the department's work on urban infrastructure and regional development. An example of how this work comes together is the Western Sydney City Deal agreed by all three levels of government in March 2018. Cities staff advised on the deal to build on the Australian Government's \$5.3 billion investment in the Western Sydney Airport. This city deal has a strong focus on land use planning, with governments working together to plan the Badgerys Creek 'Aerotropolis' precinct surrounding the airport.

The machinery of government changes mean that the programs in this report differ from the Portfolio Budget Statement prepared for the department. Unlike the Portfolio Budget Statement, this report omits the Transport Security Program 2.1, and includes information about administered items relating to cities and water infrastructure. To reflect the new cities responsibilities, the 2018–19 Portfolio Budget Statement includes an updated purpose and outcome, and a new program has been added—Program 3.3, Cities—to Outcome 3, Regional Development, Cities and Local Government.

I would like to thank transport security staff for their contributions and wish them well as they continue their important work keeping Australia's transport system secure. For information about transport security activities undertaken in 2017–18, I refer readers to the Department of Home Affairs 2017–18 Annual Report.

## Organisational restructure

The department implemented several changes in 2017–18 including an organisational restructure and new governance framework. The new structure includes a third deputy secretary, and a transition to a three group structure: the Transport Group, the Regional and Territories Group, and the Infrastructure Group.

- ▶ Within the **Transport Group**, led by Pip Spence PSM, we have established the Portfolio Coordination and Research Division, which brings together some of the work previously undertaken by Policy and Research Division and other areas of the department. This is the new home for cross-cutting initiatives which are managed through temporary taskforces—this year there has been the Transport Technology Futures Taskforce, and the Freight and Supply Chain Inquiry Taskforce. The Aviation and Airports, and Surface Transport Policy divisions complete this group.
- ▶ In the **Regional and Territories Group**, led by Judith Zielke PSM, the Regional Development and Local Government Division has been established. This division is responsible for regional and dams policy, regional programs and local government. The Corporate Division and the new Territories Division—where our work supports Indian Ocean Territories, Norfolk Island and the Jervis Bay Territory—are also located in this group.
- ▶ The **Infrastructure Group**, led by Luke Yeaman, is made up of the Infrastructure Investment Division, the Western Sydney Unit, and the new Inland Rail and Rail Policy and Cities divisions. As part of the new structure, the Rail Policy and Planning Branch joined the Rail Policy Division and the Land Transport Market Reform Branch joined the Infrastructure Investment Division.

The new governance framework is comprised of three new departmental committees—chaired by our deputy secretaries—to provide strategic oversight and governance for the department. The People Committee is chaired by Luke Yeaman, the Finance and Operations Committee by Pip Spence PSM, and the Performance and Reporting Committee by Judith Zielke PSM. The aim of this framework is to improve performance, sharpen the focus on accountability and transparency, share more ideas and create greater collaboration, and encourage flexibility and openness to innovation.

These structural changes are now fully implemented and helping to ensure the department is best placed to pursue its purposes in the years ahead.

## Our performance

While readers will find more detailed information and analysis in the Activities and Annual Performance Statements sections of this report, I would like to highlight some of our key achievements in 2017–18.

### Road and rail investment

The department is working with the Australian Rail Track Corporation Limited (ARTC) to deliver the Inland Rail project following the Australian Government's commitment in 2017–18 to fund full delivery of this initiative.

The Victorian and New South Wales governments have signed bilateral agreements with the Commonwealth, laying out the shared objectives, roles and responsibilities of all jurisdictions. The department has opened regional offices in Dubbo, Toowoomba and Wodonga, which provide on-ground community and stakeholder engagement along the Inland Rail corridor. In January 2018 a major project milestone was reached with the first delivery of steel for the Parkes to Narromine project. The Inland Rail project requires 262,000 tonnes of steel to accommodate double-stack trains up to 1,800 metres long, travelling at 115 kilometres an hour with a 21 tonne axle load.

The government's \$75 billion pipeline of investment in road and rail continued in every state and territory, including through programs such as Bridges Renewal, Black Spot, Heavy Vehicle Safety and Productivity, and Roads to Recovery. The investment in road and rail will improve the efficiency and safety

of our freight and commuter routes. Major projects that received funding this year include the:

- ▶ Pacific Highway upgrade – \$876.8 million
- ▶ Bruce Highway upgrade – \$533.6 million
- ▶ Western Sydney Infrastructure Plan – \$310 million

### Road safety

Improving road safety remained a focus for the department's activities this year. The launch of the Australasian New Car Assessment Program (ANCAP) safety app in May 2018 was an exciting development. This enables consumers to access ANCAP safety rating information before they purchase a vehicle. The app is the first platform with a 'compare' function that includes a side-by-side visual comparison of the key safety features of up to three vehicle models. This is part of a broader strategy to improve communication and education on new vehicle safety features and safer vehicle choices that the road safety program funded.

The department continued its work developing road vehicle standards, including international standards. In March 2018, our contribution to the United Nations World Forum for the Harmonization of Vehicle Regulations (the peak forum for development of international road vehicle standards) helped establish a new Global Technical Regulation on electric vehicle safety,



as well as changes to 24 United Nations Regulations, 18 of which are relevant to our local vehicle standards.

The government introduced the Road Vehicle Standards Bill and related bills to Parliament in February 2018, a package of legislation that will modernise and strengthen the laws governing road vehicles when they enter the Australian market. This provides the framework for effective and efficient regulation of vehicle standards for years to come.

To progress a national best practice model for roadside drug testing, the department cochairs the National Drug Driving Working Group, which had its first meeting in March 2018. Eradicating drug driving is a strong focus of governments, with data released by the Victorian Government showing that in the last five years about 41% of drivers and motorcyclists killed in the state who were tested, had drugs in their system. Cannabis and stimulants were the most common substances detected.<sup>1</sup>

## Maritime and aviation priorities

The department and the Australian Maritime Safety Authority (AMSA) had a successful year promoting the Australian Government's maritime priorities. This culminated in Australia's re-election to the International Maritime Organization (IMO) council after successfully campaigning to move from membership of Category C to Category B. Category B consists of 10 IMO members with the largest interest in global seaborne trade. This is an excellent result, as category B has never before been successfully contested, and ensures Australia's interests are represented at the highest levels of international maritime policy making. It reaffirms Australia's significant contribution to developing international standards on maritime safety, security and pollution prevention.

International and domestic aviation connects Australians with each other and the rest of the world. Under the Airports Act 1996, the department administers the Australian Government's interests in privatised airports nationwide including Western Sydney Airport. Construction of the Western Sydney Airport is on track. WSA Co opened its doors in Liverpool at the beginning of 2017–18. It is progressing site works, including the relocation of the major transmission line. In addition to the joint announcement on the new rail link to the airport by the Prime Minister, Hon Malcolm Turnbull MP, and the New South Wales Premier, Hon Gladys Berejiklian MP in March 2018, WSA Co also recently shortlisted the early earthworks tender, which is integral to preparing the site for construction. The early earthworks project will start later in 2018 and includes levelling 1.8 million cubic metres of earth, in addition to road and drainage works.

The department has been working closely with our global neighbours and aviation partners, including the International Civil Aviation Organization (ICAO), to enhance aviation outcomes worldwide. We are involved in more than 55 ICAO panels, working groups, committees and study groups. In April for example, we attended the Asia and Pacific and Middle East Regions Symposium, which concentrated on the challenges for states, regulators, airlines and other players in the global aviation industry. It has a particular focus on aviation safety management issues.

<sup>1</sup> <https://www.tac.vic.gov.au/road-safety/tac-campaigns/drug-driving>

To improve regional aviation access, the Australian Government announced \$7 million for 31 projects through the fifth round of the Remote Airstrip Upgrade program in March. The program is a sister to the Remote Air Services Subsidy Scheme, which subsidises flights to improve access for residents of about 266 remote communities, including Indigenous communities and cattle stations.

## Regional development, local government and territories

The government's regional grants programs are key to delivering Australian regional development outcomes—in particular, creating jobs and stimulating local economies. The Building Better Regions Fund, National Stronger Regions Fund and Community Development Grants Programme are the major administered initiatives through which, in partnership with local stakeholders, important infrastructure and community investment projects are delivered.

The Regional Development Australia (RDA) network of committees continued in 2017–18. Following careful consideration of a 2016 independent review of the RDA program, the department is implementing several program reforms. These were announced in August 2017 and include a new charter focused on growing strong and confident regions which harness their competitive advantages and drive economic growth.

The Australian Government allocated \$2.4 billion to local governments across Australia through the Financial Assistance Grants program. These funds support local priorities, and councils determine how they are spent. Local governments were also commended through another successful National Awards for Local Government. The awards are an annual celebration of Australian local government achievements, highlighting innovative and resourceful solutions that local governments have implemented to make a difference within their communities. I'd like to extend my congratulations to the 2018 category winners and in particular Wujal Wujal Aboriginal Shire Council in Queensland, the winner of this year's National Award for Excellence in Local Government. The awards are sponsored by the department, as well as LG Professionals Australia, Woodside Energy Ltd, the Department of Social Services, and Department of Communications and the Arts.

More than 4,500 citizens in the external territories and the Jervis Bay Territory maintain access to local and state government-type services through the department's program delivering services, legislation and infrastructure. Work to extend remaining Commonwealth legislation to Norfolk Island will continue into the foreseeable future to ensure its laws are consistent and contemporary.

## Cities

Moving the cities policy functions into the department recognises the important and growing role urban cities and regional centres play in Australia's economic success. Well-planned and well-functioning cities boost productivity, attract talent and investment, encourage innovation and create jobs. I am proud of the achievements in 2017–18 to establish city deals—a new approach in Australia—which brings together the three levels of government, the community and private enterprise to create place-based partnerships. Three city deals are now being implemented: Western Sydney, Launceston and Townsville.

## The year ahead

National freight volumes continue to grow at a rapid rate. Freight rates are a key factor influencing freight mode choice and the costs of freight-reliant business sectors, such as mining, construction, and retail and wholesale trades. As such, the department has a strong focus on improving freight outcomes. The government's new Roads of Strategic Importance initiative will complement major projects already underway, such as the Inland Rail, Bruce Highway upgrade and Pacific Highway upgrade. Through the Roads of Strategic Importance initiative, the Australian Government will provide \$3.5 billion over the next decade to address pinch points and last mile access to ports, airports and freight hubs.

The government is also working with state and territory governments to develop the negotiating strategy for the new National Partnership Agreement on Land Transport Infrastructure Projects, support the strategic work program of the Transport and Infrastructure Council to implement the National Policy Framework for Land Transport Technology, coordinate delivery arrangements for the National Road Safety Strategy 2011–2020 and the National Road Safety Action Plan 2018–2020, and develop a national freight and supply chain strategy.

For cities policy, the Australian Government's Smart Cities Plan will remain the guiding policy framework. The department is looking forward to brokering and implementing more city deals, and to continuing to support delivery of innovative smart city projects through the Smart Cities and Suburbs Program. Successful Round 2 projects are anticipated to be announced in the coming months.

As in our cities, the department will continue to create value by partnering with community stakeholders in Australia's regions and territories. The grant programs that we administer support projects identified by communities that create jobs, improve the liveability of regions and drive economic growth.

For further details on our plan for the year ahead, I encourage you to view our 2018–19 Corporate Plan, which is available at [infrastructure.gov.au/department/about/corporate-plan.aspx](http://infrastructure.gov.au/department/about/corporate-plan.aspx).

# Financial performance for 2017–18

Departmental activities involve the use of assets, liabilities, revenue and expenses controlled or incurred by the department in its own right. Administered activities involve management or oversight by the department—on behalf of the Australian Government—of items controlled or incurred by the Australian Government.

This section should be read in conjunction with our audited financial statements for 2017–18 in Part 6 of this report, titled 'Financial statements'.

## Departmental finances

In 2017–18, the department reported a deficit on continuing operations of \$2.2 million. This equates to a surplus of \$5.9 million after allowing for net cash appropriation arrangements.<sup>2</sup>

Revenue from Government reduced by \$6.8 million from 2016–17 mainly due to the part-year effect of Machinery of Government changes. Other revenue and gains increased by \$3.6 million from the previous year mainly due to the recovery of costs incurred on behalf of WSA Co during its establishment.

Departmental expenses were \$5.5 million lower than 2016–17 mainly due to the part-year effect of Machinery of Government changes, partially offset by the write-down of office fitout assets that were replaced or sub-let to other entities.

<sup>2</sup> Under net cash appropriation arrangements, the Department does not receive an appropriation for depreciation and amortisation expenses. Separate capital funding is provided through equity appropriations

**TABLE 1.1** Summary of departmental financial performance and position (\$m)

	2013–14	2014–15	2015–16	2016–17	2017–18	Change last year
Revenue from government	231.1	250.2	261.7	248.5	241.7	(6.8)
Other revenue	5.8	6.7	4.7	4.3	8.1	3.8
Gains	8.2	26.3	10.4	1.1	0.9	(0.2)
<b>Total income</b>	<b>245.1</b>	<b>283.1</b>	<b>276.8</b>	<b>253.9</b>	<b>250.7</b>	<b>(3.2)</b>
Employee and supplier expenses	230.4	252.6	253.7	248.2	240.3	(7.9)
Depreciation and amortisation	11.6	12.5	12.2	9.3	8.1	(1.2)
Other expenses	1.1	8.1	2.0	0.8	4.4	3.6
<b>Total expenses</b>	<b>243.0</b>	<b>273.2</b>	<b>268.0</b>	<b>258.3</b>	<b>252.8</b>	<b>(5.5)</b>
Surplus (deficit) attributable to the Australian Government	2.1	9.9	8.9	(4.4)	(2.2)	2.2
Plus non-appropriated depreciation and amortisation expenses	11.6	12.5	12.2	9.3	8.1	(1.2)
Operating result (loss) attributable to the agency	13.7	22.4	21.1	4.9	5.9	1.0
Financial assets <b>A</b>	136.0	130.8	133.5	147.0	144.9	(2.1)
Non-financial assets <b>B</b>	50.4	35.9	43.5	40.6	37.9	(2.7)
Liabilities <b>C</b>	106.8	85.9	68.7	73.5	63.6	(9.9)
Net assets – A + B – C	79.6	80.8	108.3	114.1	119.2	5.1

## Administered finances

Total administered expenditure in 2017–18 was \$10.4 billion. Of this, \$4.9 billion was appropriated directly to the department for grants, subsidies and other administered expenses. The Treasury is appropriated directly for payments to and through states and territories for national partnership agreements.

Major expense items in 2017–18 were:

- ▶ Infrastructure Investment Program (\$4,642.7 million)
- ▶ Local Government Financial Assistance Grant payments (\$2,412.3 million)
- ▶ Infrastructure Growth Package (\$709.2 million)
- ▶ Roads to Recovery (\$700.0 million)
- ▶ Western Sydney Airport (\$348.8 million)
- ▶ National Stronger Regions Fund (\$243.4 million)
- ▶ Community Development Grants (\$131.2 million)
- ▶ payments to corporate Commonwealth entities (\$126.0 million)
- ▶ Services to Indian Ocean Territories (\$114.8 million)

Total administered programs were \$449.8 million (4.2 per cent) lower than the latest budgets published in the department's and the Treasury's 2018–19 Portfolio Budget Statements, the variance was largely due to:

- ▶ changes to the accounting treatment for concessional loans (\$113.7 million)
- ▶ delays in project milestones for Infrastructure programs (\$177.2 million)
- ▶ delays in project milestones for Treasury programs (\$173.4 million)

Combined expenses in 2017–18 were \$1.0 billion lower than the previous year largely due to:

- ▶ determinations by the Treasurer to bring forward Financial Assistance Grant payments in both years (the equivalent of six quarterly payments were made in 2016–17 against four in 2017–18) (\$1.2 billion)
- ▶ land with a carrying value of \$341.0 million was written down in 2017–18 after being leased to WSA Co and the operators of Melbourne Airport for no consideration. A similar write-down of \$361.5 million occurred in 2016–17 associated with the Moorebank Intermodal Terminal and Melbourne Airport

The department also made loan advances totalling \$721.8 million from the WestConnex concessional loan facility bringing the total amount advanced since July 2016 to \$1.3 billion.

In 2017–18, the department changed its accounting policy for recognition of a commitment to provide a loan at a below-market interest rate. This required the restatement of concessional loan expenses and liabilities reported for the 2015–16 and 2016–17 financial years, mainly for the WestConnex loan commitments. Further details are disclosed in the Overview section of the financial statements.

Administered revenue increased by \$188.6 million mainly due to the recovery of preparatory costs at the Western Sydney Airport site from WSA Co and accrual of interest on the WestConnex concessional loan facility. Administered financial assets increased by \$1.2 billion mainly due to additional advances paid from the WestConnex concessional loan facility and equity payments to corporate portfolio entities.

Administered non-financial assets reduced by \$366.1 million mainly due to the write-down of land leased to WSA Co.

The reduction in administered liabilities of \$100.1 million reflects fewer commitments remaining under the WestConnex concessional loan facility as advances were made during the financial year.

**TABLE 1.2** Summary of administered financial performance and position (\$m)

	2013–14	2014–15	2015–16 <sup>1</sup>	2016–17 <sup>1</sup>	2017–18	Change last year
Taxation revenue	34.4	36.3	39.4	41.7	47.2	5.5
Non-taxation revenue	1,520.0	536.7	408.9	360.7	547.9	187.2
Gains	0.1	65.7	11.2	11.8	7.7	(4.1)
<b>Total income</b>	<b>1,554.5</b>	<b>638.7</b>	<b>459.4</b>	<b>414.2</b>	<b>602.8</b>	<b>188.6</b>
Employee and supplier expenses	100.4	124.2	137.2	157.5	174.5	17.0
Depreciation and amortisation	29.1	43.8	39.9	53.9	36.6	(17.3)
Grants	3,431.6	4,799.6	2,908.4	5,005.0	4,034.0	(971.0)
Subsidies	164.9	187.6	195.7	206.2	219.7	13.5
Other expenses	0.8	54.0	314.0	566.9	480.7	(86.2)
<b>Total expenses</b>	<b>3,726.9</b>	<b>5,209.2</b>	<b>3,595.2</b>	<b>5,989.5</b>	<b>4,945.5</b>	<b>(1,044.0)</b>
Financial assets	<b>A</b> 4,727.8	5,391.2	5,387.6	6,422.5	7,573.0	1,150.5
Non-financial assets	<b>B</b> 700.3	647.5	881.3	1,029.5	663.4	(366.1)
Liabilities	<b>C</b> 66.5	71.6	367.6	270.2	170.1	(100.1)
Net assets – A + B – C	5,361.6	5,967.1	5,901.3	7,181.8	8,066.3	884.5

Note: 1. Amounts associated with concessional loan expenses and liabilities have been restated (refer Overview section of financial statements)

## Grants

Information on the grants awarded from 1 July 2017 to 30 June 2018 is available at <[www.infrastructure.gov.au/departments/grants](http://www.infrastructure.gov.au/departments/grants)>. Information on the grants awarded from 1 January 2018 to 30 June 2018 is available at <[www.grants.gov.au](http://www.grants.gov.au)>.







# PART 2

Departmental overview

# Part 2:

## Department overview

### Role and functions

The department is responsible for designing and implementing the Australian Government's infrastructure, transport, regional development and cities policies, programs and regulations. This supports the government in achieving a strong economy and thriving communities, now and for the future.

The department delivers against five purposes through eight Budget programs:

- ▶ Supporting economic growth through transport
- ▶ Making travel safer
- ▶ Increasing transport access
- ▶ Supporting regional development, local communities and cities
- ▶ Providing good governance in the territories

# Purposes

In 2017–18 the department worked to achieve the five purposes outlined in Table 2.1.

**TABLE 2.1** Departmental purposes and outcomes

Purpose	Related Outcome, set out in the 2017–18 Portfolio Budget Statements	
<b>Supporting economic growth through transport</b> Improving transport efficiency and sustainability to facilitate the movement of people and freight	Outcomes 1 and 2	<b>Outcome 1:</b> Improved infrastructure across Australia through investment in and coordination of transport and other infrastructure <b>Outcome 2:</b> An efficient, sustainable, competitive, safe and secure transport system for all transport users through regulation, financial assistance and safety investigations
<b>Making travel safer</b> Minimising the number and severity of transport safety incidents	Outcomes 1 and 2	<b>Outcome 3:</b> Strengthening the sustainability, capacity and diversity of our cities and regional economies including through facilitating local partnerships between all levels of government and local communities; through reforms that stimulate economic growth; and providing grants and financial assistance
<b>Increasing transport access</b> Connecting people, communities, businesses and markets	Outcomes 1 and 2	<b>Outcome 4:</b> Good governance in the Australian territories through the maintenance and improvement of the overarching legislative framework for self-governing territories, and laws and services for non-self-governing territories
<b>Supporting regional development and local communities</b> Delivering jobs and economic growth for regional Australia and improving standards of living through influencing policy, investing in infrastructure and building community capability	Outcomes 1 and 3	
<b>Providing good governance in the territories</b> Delivering services, legislative frameworks and infrastructure	Outcome 4	

# Mapping our purposes, programs and outcomes

**FIGURE 2.1** Departmental purpose, programs and outcomes at 30 June 2018



# Organisational structure

At 30 June 2018 the department comprised nine business divisions supported by the Corporate Services Division, which provided essential services and advice to all divisions.

FIGURE 2.2      Organisational structure at 30 June 2018



# Ministers

From 1 July 2017 to 27 October 2017 the department was accountable to:

- ▶ Senator the Hon Fiona Nash, Minister for Regional Development and Minister for Local Government and Territories
- ▶ the Hon Darren Chester MP, Minister for Infrastructure and Transport
- ▶ the Hon Paul Fletcher MP, Minister for Urban Infrastructure

When Minister Nash left Parliament on 27 October 2017, Minister Chester took over her portfolio responsibilities. Minister Chester's official title remained Minister for Infrastructure and Transport.

A reshuffle of ministerial responsibilities on 20 December 2017 made the department accountable to the following ministers:

- ▶ the Hon Barnaby Joyce MP, Deputy Prime Minister and Minister for Infrastructure and Transport
- ▶ the Hon Dr John McVeigh MP, Minister for Regional Development, Territories and Local Government
- ▶ the Hon Paul Fletcher MP, Minister for Urban Infrastructure and Cities
- ▶ the Hon Damian Drum MP, Assistant Minister to the Deputy Prime Minister

On 26 February 2018 a further reshuffle occurred; the Hon Barnaby Joyce MP was replaced by the Hon Michael McCormack MP, and the Hon Damian Drum MP was replaced by the Hon Keith Pitt MP. At 30 June 2018 therefore, the department was accountable to:

- ▶ the Hon Michael McCormack MP, Deputy Prime Minister and Minister for Infrastructure and Transport
- ▶ the Hon Dr John McVeigh MP, Minister for Regional Development, Territories and Local Government
- ▶ the Hon Paul Fletcher MP, Minister for Urban Infrastructure and Cities
- ▶ the Hon Keith Pitt MP, Assistant Minister to the Deputy Prime Minister

# Executive team



## Dr Steven Kennedy PSM: Secretary

Dr Steven Kennedy is the Secretary of the Department of Infrastructure, Regional Development and Cities, a position he has held since 18 September 2017.

In his previous role as Deputy Secretary in the Department of the Prime Minister and Cabinet, he led work on the cities agenda, regulatory reform, public data and digital innovation. Steven was previously a deputy secretary at the:

- ▶ Department of Industry, Innovation and Science
- ▶ Department of the Environment
- ▶ former Department of Industry, Innovation, Climate Change, Science, Research and Tertiary Education
- ▶ former Department of Climate Change and Energy Efficiency

He was also Head of Secretariat of the Garnaut Climate Change Review.

Steven was seconded twice to the Prime Minister's Office from the Department of the Treasury, working as the Director of Cabinet and Government Business and a senior economic adviser. He held a number of positions at the Treasury, including General Manager of the Infrastructure, Competition and Consumer Division and the Domestic Economy Division. Steven began his career in the public service as a cadet at the Australian Bureau of Statistics. Before joining the public service, Steven trained and worked as a nurse.

Steven holds a PhD and a Masters in Economics from the Australian National University and a Bachelor of Economics (First Class Honours) from the University of Sydney. In 2016 he was awarded the PSM for outstanding public service in the area of climate change policy.

## Mr Mike Mrdak AO: Secretary (to 17 September 2017)

Until his transfer to the Department of Communications and the Arts in September 2017, Mike Mrdak was the department's Secretary, and served in that role from June 2009.



## Ms Judith Zielke PSM: Deputy Secretary

Judith Zielke is responsible for Regional Development and Local Government, Territories and Corporate Services.

Since it was established in March 2014, Judith has also been Chief Coordinator of the Joint Agency Coordination Centre, coordinating the Australian Government's support for the search into missing flight MH370. In 2015 Judith was awarded the PSM for outstanding public service in leading the Joint Agency Coordination Centre.

Judith has had a lengthy public sector career encompassing a range of policy advice and implementation positions in the areas of trade, Attorney-General's, industry and innovation and, most recently, infrastructure.

Judith is a board member of the Australian New Car Assessment Program, the Queensland Reconstruction Authority and the Australian Maritime Safety Authority. She was previously a member of the National Association of Testing Authorities board, and the board of the Joint Accreditation System of Australia and New Zealand. She also chairs the department's performance and reporting committee, and is the department's Indigenous champion and privacy champion.



## Ms Pip Spence PSM: Deputy Secretary

Pip Spence's responsibilities include Aviation and Airports, Surface Transport Policy and Portfolio Coordination and Research.

Before being appointed Deputy Secretary, she was Executive Director of the Aviation and Airports Division. She has also held a number of senior leadership roles in the Department of the Prime Minister and Cabinet and the Department of Broadband, Communications and the Digital Economy. In 2013 Pip was awarded the PSM for outstanding public service and contribution to the Australian community through the telecommunications regulations reform associated with implementation of the National Broadband Network.

Pip is chair of the department's finance and operations committee and is the department's disability and gender equality champion. Pip has a Bachelor of Economics from the University of Tasmania and a Graduate Diploma in Economics from the Australian National University.





## Mr Luke Yeaman: Deputy Secretary

Luke Yeaman oversees the department's Infrastructure Group. His responsibilities include cities, infrastructure investment, Western Sydney Airport, and inland rail and rail policy.

Before joining the department, Luke was First Assistant Secretary, Industry, Infrastructure and Environment with the Department of the Prime Minister and Cabinet. During his time there, he was an Assistant Secretary working in areas including fiscal policy, taxation policy, incoming government briefs, Northern Australia White Paper and global economic policy. Before this, Luke worked at the Office of National Assessments and the Department of the Treasury.

Luke is the chair of people committee and commenced his career in Treasury's Graduate Program after studying economics at Monash University.

## The portfolio

This report focuses on the Department of Infrastructure, Regional Development and Cities. Information on portfolio entities can be obtained from their annual reports and websites. The entities in the portfolio at 30 June 2018 were:

- ▶ Airservices Australia <[www.airservicesaustralia.com](http://www.airservicesaustralia.com)>
- ▶ Australian Maritime Safety Authority <[www.amsa.gov.au](http://www.amsa.gov.au)>
- ▶ Australian Transport Safety Bureau <[www.atsb.gov.au](http://www.atsb.gov.au)>
- ▶ Civil Aviation Safety Authority <[www.casa.gov.au](http://www.casa.gov.au)>
- ▶ Infrastructure Australia <[infrastructureaustralia.gov.au](http://infrastructureaustralia.gov.au)>
- ▶ Infrastructure and Project Financing Agency <[www.ipfa.gov.au](http://www.ipfa.gov.au)>
- ▶ National Capital Authority <[www.nca.gov.au](http://www.nca.gov.au)>
- ▶ National Transport Commission <[www.ntc.gov.au](http://www.ntc.gov.au)>

Commonwealth companies in the portfolio at 30 June 2018 were:

- ▶ Australian Rail Track Corporation Limited <[www.artc.com.au](http://www.artc.com.au)>
- ▶ Moorebank Intermodal Company Limited <[www.micl.com.au](http://www.micl.com.au)>
- ▶ WSA Co Limited <[www.wsaco.com.au](http://www.wsaco.com.au)>

Eight portfolio entities, and the department, belong to the general government sector. Table 2.2 details each entity's purposes.

TABLE 2.2 Information on portfolio entities in the general government sector at 30 June 2018

<b>Deputy Prime Minister and Minister for Infrastructure and Transport</b> , the Hon Michael McCormack MP	
<b>Minister for Regional Development, Territories and Local Government</b> , the Hon Dr John McVeigh MP	
<b>Minister for Urban Infrastructure and Cities</b> , the Hon Paul Fletcher MP	
<b>Assistant Minister to the Deputy Prime Minister</b> , the Hon Keith Pitt MP	
<b>Department of Infrastructure, Regional Development and Cities</b>	
Secretary	Dr Steven Kennedy PSM
Purposes	<b>Supporting economic growth through transport</b> Improving transport efficiency and sustainability to facilitate the movement of people and freight <b>Making travel safer</b> Minimising the number and severity of transport safety incidents <b>Increasing transport access</b> Connecting people, communities, businesses and markets <b>Keeping transport secure</b> Preventing security incidents in aviation, maritime and offshore oil and gas sectors <b>Supporting regional development and local communities</b> Delivering jobs and economic growth for regional Australia and improving standards of living through influencing policy, investing in infrastructure and building community capability <b>Providing good governance in the territories</b> Delivering services, legislative frameworks and infrastructure
<b>Australian Maritime Safety Authority</b>	
Chair	Mr Stuart Richey AM
Chief Executive Officer	Mr Mick Kinley
Purpose	The Australian Maritime Safety Authority reflects its purpose through a vision and mission Vision: Safe and clean seas, saving lives Mission: Ensuring safe vessel operations, combatting marine pollution, and rescuing people in distress
<b>Australian Transport Safety Bureau</b>	
Chief Commissioner	Mr Greg Hood
Purpose	Improve the safety of, and public confidence in, aviation, rail and marine transport through: <ul style="list-style-type: none"><li>▶ the independent investigation of transport accidents and other safety occurrences</li><li>▶ safety data recording, analysis and research</li><li>▶ fostering safety awareness, knowledge and action</li></ul>
<b>Civil Aviation Safety Authority</b>	
Chair	Mr Jeffrey Boyd
Chief Executive Officer and Director of Aviation Safety	Mr Shane Carmody
Purpose	Maintaining, enhancing and promoting the safety of civil aviation, with particular emphasis on preventing aviation accidents and incidents

Infrastructure Australia	
Chair	Ms Julieanne Alroe
Chief Executive Officer	Mr Philip Davies
Purpose	<p>Improve decision-making on matters relating to infrastructure</p> <p>Advise governments and others on infrastructure matters including the better assessment of infrastructure needs and prioritisation of infrastructure projects</p> <p>Promote best practice in infrastructure planning, delivery and operation</p>
Infrastructure and Project Financing Agency	
CEO	Ms Leilani Frew
Purpose	<p>Provide independent commercial and financial advice to support the delivery of Australian Government infrastructure projects</p> <p>Build the Australian Government's capability to deliver infrastructure priorities</p> <p>Strengthen confidence in the Australian Government's investment through better informed investment decisions and investment management</p>
National Capital Authority	
Chair	Mr Terry Weber
Chief Executive Officer	Ms Sally Barnes
Purpose	To fulfil the NCA's statutory functions and purposes, and better inform and educate the community about the importance of Canberra as the National Capital
National Transport Commission	
Chair	Ms Carolyn Walsh
Chief Executive Officer and Commissioner	Mr Paul Retter AM
Purpose	<p>Develop and propose changes to national law, model law and other related instruments and guidelines to improve transport productivity, efficiency, safety, environmental performance and regulatory efficiency</p> <p>Maintain and monitor those reforms agreed by the Transport and Infrastructure Council</p>





# PART 3

Management and accountability

# Part 3:

## Management and accountability

### Corporate governance

Staff in the Corporate Services Division provide high-quality services, systems, support and advice to the executive and business divisions. This enables the activities which achieve the department purposes. Corporate responsibilities include financial management, workforce management and planning, information and communication technology, ministerial and parliamentary services, legal services, property and office services management, governance, business planning, audits, risk management and evaluation, and communication services.

### Governance framework

The department's governance framework promotes the principles of good governance. It is applied in ways that encourage all employees to be accountable for their actions, focus on high standards of performance, strive for excellence, and ensure the efficient, effective and ethical management of resources. This framework includes committees focused on particular areas of organisational management, business planning and reporting activities, performance management, risk management, audit and evaluation activities, and activities which promote awareness of ethical standards.

### High-level groups

The department implemented several changes to the high-level groups that helped the secretary and senior management with decision-making in 2017–18.

Before this, there were three high-level departmental governance groups—the Secretary's Business Meeting, Executive Management Team and Senior Executive Service Management Team. The most senior was the Secretary's Business Meeting, comprising the secretary, deputy secretaries and chief operating officer. It met weekly to consider departmental business priorities, ministerial and parliamentary business, corporate policy, departmental resourcing and operational matters, including risk management.

The executive management team, which also met weekly, was the main executive communication and coordination forum. The team consisted of the secretary, deputy secretaries, chief operating officer and executive directors (heads of the department's divisions). Other employees, including the chief financial officer, general counsel, chief information officer and other general managers within the Corporate Services Division, attended meetings in an advisory capacity.

In April 2018 an Executive Board replaced the Secretary's Business Meeting. The Executive Board meets each week and consists of the secretary, deputy secretaries, the chief operating officer, the chief financial officer and two other executive directors on a rotating basis. The first week of each month is an executive strategy discussion, consisting only of the secretary and deputy secretaries.

The Executive Board:

- ▶ provides strategic guidance on infrastructure, transport and regional development issues to the Australian Government
- ▶ manages ministerial support matters
- ▶ oversees corporate policy matters
- ▶ is responsible for high level policy
- ▶ oversees departmental resourcing, including divisional budget allocation
- ▶ is responsible for operational matters
- ▶ notes and endorses governance committee updates and decisions
- ▶ is responsible for departmental inclusion and diversity policy (departmental champions)

## Executive communications forums

### Executive Management Meeting

The Executive Management Meeting is a continuation of the previous executive management team and provides executive directors with the opportunity to workshop cross-cutting strategic policy and organisational issues, as well as keeping the secretary apprised of key issues.

## Specific organisational management committees

### Audit Committee

The Audit Committee provides independent advice and assurance to the secretary and executive on the appropriateness of our financial reporting, performance reporting, system of risk oversight and management, and system of internal control.

In accordance with its charter, the Audit Committee:

- ▶ monitors and provides advice on our risk management framework
- ▶ reviews the appropriateness of our systems and procedures for assessing and reporting performance
- ▶ considers and endorses the internal audit work program and monitors its implementation
- ▶ assesses whether management has taken steps to embed a culture that promotes the proper use and management of public resources, and is committed to ethical and lawful conduct
- ▶ provides a forum for ourselves and the Australian National Audit Office to exchange views on external audit findings and associated recommendations
- ▶ oversees preparation of our financial statements in conjunction with the Financial Statements sub-committee

The Audit Committee meets at least four times a year in accordance with the requirements of the Public Governance, Performance and Accountability Act 2013. Membership consists of two department officials and three independent members. Mr Geoff Knuckey is the Audit Committee's independent chair.

### Departmental Consultative Committee

The Departmental Consultative Committee operates on matters relating to our Enterprise Agreement, general employment matters and for employee representatives to raise workplace issues. It is consulted on matters including:

- ▶ operation and implementation of the agreement
- ▶ impact of any legislative change affecting employment conditions
- ▶ machinery of government changes

The committee meets quarterly and comprises the chief operating officer (chair), employee-elected representatives for each division, and two SES officers. The committee chair also determines whether other matters related to the workplace, such as accommodation, are discussed.



## Work Health and Safety Committee

The Work Health and Safety Committee considers work health and safety (WHS) strategy, policy and performance matters to improve our health and safety environment.

The committee meets quarterly and comprises a general manager, management representatives and employee representatives.

## Governance committees

Up until April 2018, the Finance, Reporting and Program Committee, and Strategic Information Technology and Security Committee focused on specific areas of organisational management and decision-making.

In April 2018, three committees were formed, each chaired by a deputy secretary and responsible to the Executive Board:

- ▶ People Committee
- ▶ Finance and Operations Committee
- ▶ Performance and Reporting Committee

## People Committee

The People Committee meets each month. It is responsible for people planning and strategy. Matters for consultation and decision may include:

- ▶ monthly human resources and workforce reports
- ▶ performance management policy
- ▶ people planning and strategy
- ▶ learning and development
- ▶ recruitment and retention strategies
- ▶ developing departmental policies
- ▶ managing and developing the Graduate Program
- ▶ the department's enterprise agreement
- ▶ reports from the Workplace Health and Safety Committee
- ▶ reports from the Departmental Consultative Committee
- ▶ managing SES forums
- ▶ inclusion and diversity policy

## Finance and Operations Committee

The Finance and Operations Committee was established in April 2018 and meets each month. It is responsible for financial management, IT, accommodation, security and program management. The committee:

- ▶ recommends information technology, information governance and security funding priorities to Executive Board
- ▶ oversees the department's budget process
- ▶ considers the department's monthly financial reports
- ▶ recommends budget priorities to the executive board
- ▶ oversees strategic management and delivery of the department's administered programs
- ▶ considers and recommends capital investment proposals
- ▶ oversees the department's property strategy
- ▶ provides a forum for finance, reporting and program management matters
- ▶ provides a forum for consideration of departmental implications for whole-of-government initiatives

## Performance and Reporting Committee

The Performance and Reporting Committee was established in April 2018 and meets each month. It is responsible for business and corporate planning, including the performance framework.

The committee:

- ▶ oversees the department's data requirements and determines data collection priorities
- ▶ manages the department's information storage policy in accordance with risk, including risks associated with security, access, privacy, continuity and cost
- ▶ recommends appropriate information and protective security policies to the Executive Board
- ▶ oversees internal information reviews to identify information assets and their value
- ▶ manages risk and compliance and improves business processes
- ▶ oversees the department's corporate plan and annual report
- ▶ is responsible for risk management processes, including making decisions informed by portfolio risk assessments
- ▶ is responsible for the evaluation framework
- ▶ considers and notes updates on internal audits from the secretariat of the Audit Committee
- ▶ drives the departmental innovation agenda

## Planning and reporting framework

The corporate plan is the department's primary planning document and is updated each year. The 2017–18 Corporate Plan was published in August 2017, covering the four years from 2017–18 to 2020–21. The plan includes information about our purposes, operational environment, strategy, key priorities and performance targets, as well the approach to departmental capability building and risk management. The 2017–18 Portfolio Budget Statements, published in May 2017, included financial information and details about our outcomes, programs, administered items and performance targets for 2017–18.

Both the corporate plan and the portfolio budget statements inform the strategic annual business plans for each division. Twice a year, meetings are held between divisional senior executive service staff and the executive to discuss progress against divisional business plans. This informs the executive of achievements and any emerging areas of concern in delivering agreed activities and outcomes.

Results against the performance measures as outlined in the 2017–18 Corporate Plan and Portfolio Budget Statements are included in the Annual Performance Statement's part of this report.

## Risk management

The department takes a proactive approach to managing risk at the agency, division and program levels, and encourages staff to make risk based decisions. Enterprise and high-level program risks are revised quarterly with ongoing monitoring and oversight by the Executive and Audit Committee. Divisions and the Executive engaged in regular discussions on division level risks that were identified and reviewed with business plans.

## Fraud control

The department continued implementing its Fraud Control Plan 2016–18 during the year, which outlines strategies to prevent, detect and investigate potential fraud.

We managed issues of potential fraud under section 10 of the Public Governance, Performance and Accountability Rule 2014 and reported these quarterly to the Audit Committee.

## Business continuity management

Business continuity management is an important part of the department's overall approach to effective risk management. Our business continuity response aims to:

- ▶ ensure the uninterrupted availability of key resources necessary to support critical business functions, so these can be delivered before, during and after the event
- ▶ provide a coordinated response to minimise disruption to the department
- ▶ ensure the safety and wellbeing of staff

## Protective security

The department reviewed internal and external risk factors during 2017–18 and strengthened processes and controls to meet the Australian Government's protective security requirements. We are evolving our security practice to a more risk based approach consistent with upcoming changes to the Protective Security Policy Framework. The department will continue these reforms in 2018–19 is introduced.

## Internal audit

In 2017–18 the department developed the annual internal audit work program through a risk-based approach. This was endorsed by the Audit Committee and approved by the secretary. The Audit Committee monitored progress of the work program and completed internal audits.

The Audit Committee received regular reports on the agency and high level program risks to provide insight into the department's key risks and to ensure alignment with the internal audit work program.

## Evaluation

The department's Monitoring and Evaluation Capability Strategy 2017–2020 aligns with the PGPA Act. It measures and assesses the department's performance and progress in achieving its purposes. It also sets out the skills and knowledge that underpin the department's overall operational capability, as outlined in the corporate plan. The monitoring and evaluation resource booklet provides an overview of key monitoring and evaluation concepts and is a guide for staff on practical application.

The department developed an evaluation work program for 2017–18. Mentoring was provided to help employees evaluate activities.

## Ethical standards

The department is committed to maintaining high standards of integrity, good governance and ethics. All employees are required to uphold the Australian Public Service Values, Employment Principles and Code of Conduct.

In 2017–18 the department undertook a range of activities as part of its Ethics in the Workplace communication strategy. This emphasises our commitment to a high standard of ethical behaviour. The activities aimed to:

- ▶ raise awareness and understanding about what ethical behaviour means
- ▶ improve staff's understanding of their responsibilities
- ▶ increase participation in the department's internally developed Fraud and Ethical Awareness online training module
- ▶ increase awareness of the information and resources available to employees

In March 2018 we conducted our annual employee declaration of personal interests for SES employees. In addition a number of identified Executive Level staff were required to complete the declarations due to the nature and sensitivity of their work. Throughout the year, staff were regularly reminded to consider their personal arrangements and complete a declaration if necessary. The department's key management personnel also submitted their related parties' disclosure as required by the Australian Accounting Standard AASB 124 – Related Party Disclosures.

## Information Publication Scheme

Entities subject to the Freedom of Information Act 1982 must publish information as part of the Information Publication Scheme. This requirement in Part II of the Act has replaced the former section 8 requirement to publish a statement in an annual report. Our department's plan shows the information that is published in accordance with the requirements at [infrastructure.gov.au/department/ips/index.aspx](http://infrastructure.gov.au/department/ips/index.aspx).

## Legal services expenditure

Paragraph 11.1(ba) of the Legal Services Directions 2017 requires the department to appropriately record and monitor our legal services purchasing, including expenditure. It also requires that each year we make our records of legal services expenditure for the previous financial year publicly available by 30 October.

For 2017–18, our legal expenditure was:

- ▶ \$7,627,148.09 for total external legal services expenditure
- ▶ \$1,372,295.00 for total internal legal services expenditure

## External scrutiny

### Decisions of courts and tribunals

The department was involved in some matters before Australian courts and tribunals during the year. These related to issues such as motor vehicle imports and a dispute with an airport company regarding payments under its lease with the Commonwealth. Some matters were ongoing at 30 June 2018.

### Decisions by the Office of the Australian Information Commissioner

The Office of the Australian Information Commissioner reviewed nine of our freedom of information decisions. Two reviews were finalised and one was closed. Six reviews remain on hand.

### Australian National Audit Office and parliamentary scrutiny

The Australian National Audit Office, parliamentary committees and other public bodies release reports on matters relating to the department's work.

The department formally responded to the Australian National Audit Office's reports in writing, and these responses are included in the Auditor-General's reports, available at <[www.anao.gov.au/Publications/Audit-Reports](http://www.anao.gov.au/Publications/Audit-Reports)>.


Details of the reports of parliamentary committee inquiries are available at <[www.aph.gov.au](http://www.aph.gov.au)>. The Australian Government tables its responses to parliamentary inquiries and other reports in Parliament.

**TABLE 3.1** Australian National Audit Office, parliamentary committees and Commonwealth Ombudsman reports relating to the department tabled in Parliament during 2017–18

Inquiry type	Title	Tabled
Australian National Audit Office		
Performance audit across entities	Management of the Preconstruction Phase of the Inland Rail Programme	27 September 2017
Performance audit across entities	Delivery of the Moorebank Intermodal Terminal	19 December 2017
Performance audit across entities	Design and Governance of the National Water Infrastructure Fund	28 February 2018
Performance audit across entities	Effectiveness of monitoring and payment arrangements under National Partnership Agreements	24 May 2018
Performance audit across entities	Senate Order for Departmental and Entity Contracts (Financial Year 2016–17 Compliance)	25 June 2018
Parliamentary committees		
Rural and Regional Affairs and Transport References Committee	Increasing use of so-called Flag of Convenience shipping in Australia	19 July 2017
Standing Committee on Industry, Innovation, Science and Resources	Social issues relating to land-based automated vehicles in Australia	11 September 2017
Joint Standing Committee on the National Capital and External Territories	The strategic importance of Australia's Indian Ocean Territories	11 September 2017
Economics References Committee	Toll roads: issues of building, financing and charging	14 September 2017
Rural and Regional Affairs and Transport References Committee	Australia's rail industry	18 October 2017
Rural and Regional Affairs and Transport References Committee	Aspects of road safety in Australia	26 October 2017
Rural and Regional Affairs and Transport Legislation Committee	Coastal Trading (Revitalising Australian Shipping) Amendment Bill 2017 [Provisions]	4 December 2017
Rural and Regional Affairs and Transport Legislation Committee	Airports Amendment Bill 2016 [Provisions]	19 March 2018
Rural and Regional Affairs and Transport Legislation Committee	Road Vehicle Standards Bill 2018 and related bills	7 May 2018
Commonwealth Ombudsman		
Nil		

As well as attending specific parliamentary inquiries, the department’s SES employees attend Senate Estimates Committee hearings to respond to questions on our activities.

**TABLE 3.2** Summary of parliamentary questions on notice received in 2017–18

Source of questions	Department	Agencies	<div>The department received  371 parliamentary questions on notice</div>
House of Representatives	17	0	
Senate	12	2	
Senate Estimates Committee hearings	342	151	
Total	371	153	

## Management of human resources

Throughout 2017–18 there was a continued focus on the right people, in the right roles at the right time. The department leveraged the Workforce Strategy 2016–2019 to build and sustain a highly capable and engaged workforce.

The People and Performance Branch is responsible for managing human resources. Its primary objective is to enable the organisation to deliver on its purpose through modern and innovative people strategies. It plays a key role in building and sustaining a workplace culture of inclusivity, integrity and professionalism, which reflects a modern and responsive public service.

Through its professional teams the branch focuses on meeting the department’s needs and expectations, including through a broad range of innovative human resource services and practices to ensure staff are equipped to meet immediate and emerging challenges.

### Key highlights

- ▶ The department achieved an 89% response rate for the 2018 APS Employee Census, the highest departmental participation rate recorded since the Census commenced in 2012, and 11% higher than the previous year. Staff responded well to the department’s new Census branding campaign, which encouraged them to respond and help build a ‘Census City’. Labour hire contractors were also invited to provide feedback through the Census for the first time
- ▶ In 2017–18 a new dynamic workforce analytics dashboard was implemented. This enables SES and business management units to access key metrics to improve workforce planning functionality
- ▶ A review was conducted of current workforce planning processes, which identified a number of actions to improve the department’s strategic use of workforce planning data
- ▶ The People Committee established new governance arrangements, which allow senior management to oversee, discuss and provide input into people strategies and initiatives
- ▶ The department’s Workforce Capability Framework was fully integrated with recruitment and selection processes



## Inclusion and diversity

The department continued work towards its goal of building and sustaining a culture of inclusion and diversity. An inclusion events series was established to:

- ▶ acknowledge milestones of inclusion and diversity significance
- ▶ encourage staff to share their stories
- ▶ celebrate the diversity people bring to the workplace

The Reconciliation Action Plan Working Group advanced its goals and finalised two key actions under the department's Reconciliation Action Plan 2016–2018:

- ▶ developing the department's first Aboriginal and Torres Strait Islander Employment Strategy
- ▶ producing an Aboriginal and Torres Strait Islander consultation and engagement toolkit

Implementation continued on the Gender Equality Action Plan with a focus on supporting women:

- ▶ to develop their leadership confidence and capability
- ▶ returning to the workplace after maternity and carers leave

The department acknowledged and celebrated dates of significance in relation to workforce diversity including:

- ▶ the anniversary of the Apology
- ▶ International Women's Day
- ▶ Harmony Day
- ▶ Trans Day of Visibility
- ▶ International Day Against Homophobia, Biphobia and Transphobia
- ▶ National Sorry Day
- ▶ National Reconciliation Week
- ▶ National Aborigines and Islanders Day Observance Committee (NAIDOC) Week
- ▶ Wear it Purple Day
- ▶ Transgender Day of Remembrance
- ▶ International Day of People with Disability

The department also maintained memberships of key diversity organisations including the Australian Network on Disability, the Diversity Council of Australia, and Pride in Diversity.

## Recruitment and talent management programs

The department has a contemporary approach to attracting, recruiting and retaining staff, and is working to become an employer of choice within the public sector. Our approach to advertising positions was refreshed during the year to focus on what our people do and the capabilities needed for success.

The department welcomed 22 new employees as part of the Graduate Development Program. Graduates are exposed to a broad range of opportunities through three diverse rotations. They also have an opportunity to help manage the department's social club, and join an SES-sponsored industry tour.

Graduates can access a range of formal learning and development opportunities, including a choice of a Graduate Certificate in Public Policy, support to undertake a Master's degree, or help to complete a Graduate Diploma of Legal practice.

We welcomed University Vacation Employment Program participants and Stepping Into program participants to give graduates and people with disability a taste of life in the department.

The department broadened opportunities for Aboriginal and Torres Strait Islander employment by:

- ▶ piloting an Aboriginal and Torres Strait Islander Mobility Placement within the Western Sydney Unit
- ▶ developing a department specific Affirmative Measures Program in partnership with the Regional Programs Branch to offer employment opportunities in our regional office
- ▶ registering to participate in new, whole-of-government Aboriginal and Torres Strait Islander employment opportunities to attract and retain Aboriginal and Torres Strait Islander people. This is a shift from our previous entry level opportunities
- ▶ participating in the Indigenous Australian Government Development Program
- ▶ participating in the Australian Public Service Commission Pathways Graduate Program



## Employment relations

The department revised and developed new employment procedures during the year to support its Enterprise Agreement 2016. Extensive consultation was undertaken to develop the procedures, which provide greater clarity and include case studies to help apply employment conditions in the workplace.

The department successfully negotiated and implemented a new enterprise agreement for the Indian Ocean Territories Administration. It was approved through an all-staff ballot in February 2018 and came into effect on 25 June 2017. The new agreement nominally expires on 25 June 2021.

Creating and maintaining a workplace where everyone is treated with respect and courtesy is a key priority. During the year we reviewed and updated our bullying and harassment guidelines with consultation and input from staff. Our new Workplace Respect and Courtesy Guidelines were implemented in December.

## Learning and development

The department continued developing a high performing workplace and organisational culture during the year by providing opportunities for staff to build their skills and competencies in-line with the department's Workforce Capability Framework.

This resulted in relevant, practical and contemporary learning which is developing staff with the right skills and knowledge to perform their duties now, and prepare for the future.

In 2017–18 staff engaged in a total of 2,215 learning opportunities. A total of 34% of these occurred through formal classroom training, 62% via online learning and 4% through other learning events including conferences and public sector related events. The focus was on developing core capabilities to help staff be:

- ▶ accountable (75%)
- ▶ outcomes driven (16%)
- ▶ future focused (4%)

Key highlights included new initiatives to:

- ▶ build data skills and literacy across all APS levels
- ▶ extend writing and communication skills through programs specifically customised to the department's diverse range of stakeholders
- ▶ build and foster managerial and leadership skills through the department's Emerging Managers Program for APS 5 and 6 officers, and the Executive Level Mastery Program for EL1 officers

Developing professional policy skills was a key priority, and was achieved through a new policy learning suite tailored to the department's specialist policy capability requirements.

During the year 86 new staff participated in the department's induction program. About a third of these also took the opportunity to meet with and hear from the secretary as part of the program's formal classroom component.

A number of staff accessed the department's Study Assistance Scheme during the year, and 82 engaged in higher education to build their professional development. Forty-two staff accessed the department's professional coaching scheme to plan their career and professional development.

A new adaptive learning platform, Percipio by Skillsoft, was procured during the year to provide staff with a greater range of real-time development options through a variety of delivery mechanisms.

## Remuneration

Remuneration for SES staff is provided for under subsection 24(1) of the Public Service Act 1999, while remuneration for non-SES staff is subject to the provisions of the department's enterprise agreement. The enterprise agreement provided a one per cent increase to base salary and allowances for all non-SES employees on 28 March 2018. SES employees also received an equivalent increase to base salary on the same date.

## Non-salary benefits

In addition to salary, the department provides its employees with a range of non-salary benefits, including activities targeting employee health and wellbeing, support for professional and personal development, access to flexible working arrangements and a range of paid leave entitlements.

## Performance pay

The department made no performance payments to employees, including SES employees, during the reporting period.

## Disability reporting

Since 1994 non-corporate entities have reported on their performance as policy adviser, purchaser, employer, regulator and provider under the National Disability Strategy. In 2007–08 reporting on the employer role was transferred to the Australian Public Service Commission's State of the Service Report and the APS Statistical Bulletin. These reports are available at <[www.apsc.gov.au](http://www.apsc.gov.au)>. Since 2010–11, departments and agencies have no longer been required to report on these functions.

The National Disability Strategy has now been replaced by the National Disability Strategy 2010–2020, which sets out a 10-year national policy framework to improve the lives of people with disability, promote participation and create a more inclusive society. A high-level bi-annual report will track progress against each of the six strategy outcome areas and present a picture of how people with disability are faring. The first of these progress reports was published in 2014. Reports are available at <[www.dss.gov.au](http://www.dss.gov.au)>.

## Human resources statistics

**TABLE 3.3** Workforce location and profile, including holders of public office by classification

	APS 1–4 and equivalent		APS 5–6 and equivalent		EL1 and equivalent		EL2 and equivalent		SES/ Secretary and equivalent		Holder of Public Office		Total	
	16–17	17–18	16–17	17–18	16–17	17–18	16–17	17–18	16–17	17–18	16–17	17–18	16–17	17–18
Employees and public office holders														
ACT	111	82	378	308	291	266	141	122	45	44	3	3	969	825
NSW	2	1	19	10	4	2	3	1	-	-	-	-	28	14
Vic.	-	-	18	2	3	1	1	-	-	-	-	-	22	3
Qld	1	-	22	3	5	2	2	-	-	-	-	-	30	5
SA	-	-	13	1	4	-	-	-	-	-	-	-	17	1
WA	3	1	17	5	9	5	2	1	-	-	-	-	31	12
Tas.	-	-	1	1	1	1	-	1	-	-	-	-	2	3
NT	-	-	4	1	1	-	-	-	-	-	-	-	5	1
Overseas	-	-	-	-	3	-	6	5	-	2	-	-	9	7
Indian Ocean Territories	-	1	-	-	-	-	1	1	-	-	-	-	1	2
Pacific Ocean Territories	-	-	1	1	2	1	1	-	-	-	-	-	4	2
<b>Total</b>	<b>117</b>	<b>85</b>	<b>473</b>	<b>332</b>	<b>323</b>	<b>278</b>	<b>157</b>	<b>131</b>	<b>45</b>	<b>46</b>	<b>3</b>	<b>3</b>	<b>1,118</b>	<b>875</b>

Note: Excludes inoperative employees on long term leave. Indian Ocean Territories reporting is departmental only and excludes employees under the employment authorities of Indian Ocean Territories Administration

**TABLE 3.4** Workforce gender profile, including holders of public office

	Female		Male		Total	
	2016–17	2017–18	2016–17	2017–18	2016–17	2017–18
Holder of public office	1	2	2	1	3	3
Ongoing full-time	464 (9)	374 (5)	512 (12)	375 (9)	976 (21)	749 (14)
Ongoing part-time	96	83	18	18	114	101
Nonongoing full-time	12	10	9	9	21	19
Nonongoing part-time	2	2	2	1	4	3
<b>Total</b>	<b>575 (9)</b>	<b>471 (5)</b>	<b>543 (12)</b>	<b>404 (9)</b>	<b>1,118 (21)</b>	<b>875 (14)</b>

Note: Employees who identified as Aboriginal or Torres Strait Islander are shown in brackets. Excludes inoperative employees on long term leave and employees under the employment authorities of Indian Ocean Territories Administration

**TABLE 3.5** Salary ranges for departmental employees by classification

	30 June 2017 (\$)	30 June 2018 (\$)
APS1	44,459–48,970	44,904–49,460
APS2	50,351–55,586	50,855–56,142
Graduate	57,445–57,445	58,019–58,019
APS3	57,445–62,028	58,019–62,648
APS4	63,648–72,247	64,284–71,004
APS5	71,057–77,574 <sup>a</sup>	71,768–82,662 <sup>a</sup>
APS6	78,640–98,752 <sup>a</sup>	79,426–105,070 <sup>a</sup>
EL1	101,010–123,548 <sup>a</sup>	102,020–134,067 <sup>a</sup>
EL2	119,166–193,800 <sup>a</sup>	120,358–167,300 <sup>a</sup>
SES1	193,800–252,144	195,650–253,142
SES2	246,891–283,662	237,350–277,750
SES3	344,076–344,076	347,517–347,517
Secretary	The secretary's remuneration is determined by the Prime Minister after taking into account the recommendations of the Remuneration Tribunal.	

Note: <sup>a</sup> Individual flexibility arrangements, salary maintenance and annualised shift allowance have been reflected in the maximum salary figures above for these classifications

**TABLE 3.6** Number of employees, by type of Employment Agreement at 30 June 2018

	Section 24(1) determination under the Public Service Act 1999	Enterprise Agreement	Total Employees
SES	46	-	46
Non-SES	-	826 (50)	826 (50)

Note: Employees with Individual Flexibility Arrangements are shown in brackets. Excludes inoperative employees and Holders of Public Office

**TABLE 3.7** Employee recruitment, retention and separations in 2017–18

Recruitment	
Graduates recruited externally	23 (1)
Other external recruits	129
Total external recruits	152
Note: Employees who commenced in the Indigenous Australian Government Development Program are shown in brackets.	
Retention	
Retention rate (%)	87.3%
Separations	
Transfers/promotions to another Australian Public Service entity	67
Resignations and retirements	61
Retrenchments	33
Other	2
Total separations	163

Note: Non-ongoing employees are excluded from recruitment numbers and retention and separation data

**TABLE 3.8** Workforce diversity at 30 June 2018

People from non-English speaking backgrounds	123
People with disability	33
Aboriginal or Torres Strait Islander peoples	16
All employees	909

Notes: Includes ongoing and non-ongoing employees and inoperative employees on long term leave; excludes Holders of Public Office  
Information (except gender data sourced from payroll records) has been sourced from an equity and diversity report where individuals have volunteered to provide diversity information to the department

**TABLE 3.9** Indian Ocean Territories by Employment Group

Employment Group	30 June 2017	30 June 2018
Ongoing	76	74
Non-ongoing	29	34
Casual	44	45
Total	149	153

Note: includes employees engaged under the employment authorities of Indian Ocean Territories Administration

## Assets management

The department manages \$37.9 million of non-financial assets, comprising leasehold improvements (\$17.4 million), computers, furniture and other equipment (\$7.8 million) and in-house developed and purchased software (\$9.0 million). The remaining non-financial assets relate to prepayments and leases. During the year the department upgraded leasehold improvements in its Canberra premises in conjunction with base building works by the building owner and refreshed its desktop computers and laptops, along with enhancements to internally developed software.

Assets with a carrying value of \$6.0 million that supported the Office of Transport Security were transferred to the Department of Home Affairs as a result of the machinery of government changes.

The department is responsible for administering \$0.7 billion in non-financial assets on behalf of the Australian Government (recognised in the Administered Schedule of Assets and Liabilities). These assets are mainly used to provide infrastructure and services to the external territories and the Jervis Bay Territory. The assets classes comprise land and buildings (\$205.4 million), infrastructure, plant and equipment (\$334.7 million), assets of heritage and cultural significance (\$115.0 million) and intangible assets (\$3.8 million).

Major asset transactions during 2017–18 included:

- ▶ write-down of land at Badgerys Creek NSW which was leased to WSA Co for no consideration
- ▶ acquisition of land from the operators of Melbourne Airport for no consideration and subsequent incorporation into the Melbourne Airport lease
- ▶ upgrades to the Cascade Pier, Hospital and School on Norfolk Island
- ▶ purchases and upgrades of assets in the Indian Ocean Territories and Jervis Bay Territory



We ensure effective management of these assets by:

- ▶ establishing annual capital budgets that require proposals for the acquisition or construction of assets to be approved by the Executive
- ▶ considering IT related projects through the department's Finance and Operations Committee
- ▶ applying Accountable Authority Instructions on asset management issued by the secretary
- ▶ maintaining departmental and administered asset registers supported by annual stocktake and impairment reviews to verify their accuracy
- ▶ engaging external expertise to help manage and maintain infrastructure assets used to provide services to external territories and the Jervis Bay Territory
- ▶ implementing heritage and conservation plans and arrangements to manage assets of heritage and cultural significance





# PART 4

Activities

# Part 4:

## Activities

### Infrastructure Investment Program

Through the Infrastructure Investment Program (Program 1.1) the department:

- ▶ provided policy advice to support government investment decisions, including on potential projects and infrastructure delivery
- ▶ managed delivery of infrastructure projects and programs, including working with state, territory and local governments
- ▶ worked with state, territory and local governments, and industry to reform land transport investment and charging arrangements

The program contributed to four of our purposes:

- ▶ supporting economic growth through transport
- ▶ making travel safer
- ▶ increasing transport access
- ▶ supporting regional development and local communities



Our work on road and rail infrastructure was highlighted in the Voluntary National Review of the Implementation of Sustainability Development Goals released by the Australian Government on 15 June 2018. This describes how Australia is addressing the 2030 Agenda for Sustainable Development.

### Influencing policy and program development

The government is committed to being an informed infrastructure investor by ensuring the impact of its investment is optimised and that projects support government policy objectives. During 2017–18 the department helped achieve this by:

- ▶ advising our ministers to support informed decision-making on future priorities for investment
- ▶ developing a robust evidence base which draws on our analysis of transport network modelling, Infrastructure Australia's Infrastructure Priority List, state and territory government infrastructure planning strategies, and consultation with state and territory governments

- ▶ undertaking in-depth business case assessments and cost estimate reviews to ensure value for money
- ▶ exploring alternative funding and financing approaches to optimise the impact of public investment in infrastructure, including working with the Infrastructure and Project Financing Agency to identify major projects for innovative funding and financing mechanisms
- ▶ working with state and territory governments to ensure the Infrastructure Investment Program is delivered efficiently through activities such as assurance and compliance reviews

## Management of funds

Funding for land transport infrastructure projects aims to improve Australia's transport network efficiency, safety, capacity, productivity and accessibility. It also supports the economic growth, viability and liveability of regions.

Once a project is formally approved by the responsible Minister, funding is released as agreed project milestones are achieved. The released funding is sufficient to achieve the next milestone, with an element of cash flow to ensure works continue to progress.

Throughout the delivery phase of a project, the funding recipient reports regularly on progress. When a project runs ahead of schedule or is delayed, milestone arrangements are varied accordingly.

If a project is completed under budget, the savings are held as unallocated pending an agreement between the relevant state and the Australian Government on the reallocation of funding to the next priority project.

In addition to overseeing delivery of major land transport projects, the department manages the government's infrastructure investment sub-programs. These support targeted road upgrades and include annual payments to help local governments maintain and upgrade roads, as well as funding for smaller projects to improve road safety and enable safer and more productive heavy vehicle use.

## Land transport market reform

The department is focused on building a rigorous and objective evidence base to inform transport reform options. In 2017–18 we:

- ▶ investigated potential future impacts of technological disruption in the transport sector and developed a range of scenarios for road-related revenue and expenditure
- ▶ developed the capability to analyse the impacts of potential road funding reform options

The department is committed to ensuring that any reform in these areas considers the provision of roads as a community and economic service to all parts of Australia. This includes the needs of regional and remote communities.

## Heavy vehicle road reform

Heavy vehicle road reform aims to turn the provision of heavy vehicle road infrastructure into an economic service where feasible. This means linking heavy vehicle user needs with the level of service they receive, the charges users pay and the investment of those charges back into heavy vehicle road services. Reforming heavy vehicle charging and investment arrangements will better enable road managers to deliver the level of road services necessary to meet the growing national freight task and improve access for industry.

Throughout 2017–18 work continued with state and territory governments to advise the Council of Australian Government's Transport and Infrastructure Council on accelerating heavy vehicle road reform. This work is being delivered in line with the road map agreed by the council in May 2015.

Over 2017–18 the department worked with stakeholders to:

- ▶ begin the first two stages of the National Heavy Vehicle Charging Pilot, which involves working with heavy vehicle operators to test a potential national direct user charge to replace current fuel charges and registration fees
- ▶ initiate the Trials Business Case Program
- ▶ analyse stakeholder comments received following the release of the May 2017 public discussion paper on independent price regulation of heavy vehicle charges
- ▶ work with the National Transport Commission to develop a model for a cost base upon which heavy vehicle charges could be based
- ▶ publish a second version of the heavy vehicle asset registers and expenditure plans to improve transparency around road expenditure, investment and service delivery for heavy vehicles on key freight routes

### Did you know?

Australia's road network is valued at **\$470 billion**

*S Alchin, Establishing a regulated asset base and applying a corporatised delivery model to the Australian road network – opportunities and challenges, ITF Discussion Paper, 2018.*



### Did you know?

Australia's 589,600 freight vehicles move a combined **214 billion tonne kilometres** each year

*2017 BITRE Infrastructure Yearbook*



## Transport and Infrastructure Council asset registers

To foster an efficient, sustainable, competitive, safe and secure transport system, we need underpinning data. Without data on the standard of our roads (including condition and usage) the department can't drive reforms that will foster these outcomes. Data needs to be collected and shared among not only road managers, but among road users. The Council Asset Register helps to improve efficiency of road investment by using nationally consistent data to inform life-cycle asset management. It shares this data with the public.

# Project and program delivery

## Infrastructure Investment Program

The Australian Government provided \$4.6 billion through the Infrastructure Investment Program in 2017–18 toward around 600 major road and rail projects across Australia. During the year, 247 investment projects were completed and 349 were underway to deliver major transport projects to improve efficiency, productivity and connectivity.

Information about some of the key projects funded through the program is included in this chapter.

## Road network initiatives

### WestConnex

The \$16.8 billion WestConnex project will provide 33 kilometres of motorway to link western and south-western Sydney with the city, Kingsford Smith Airport and Port Botany precincts. It is largely being constructed in the M4 and M5 corridors and will comprise approximately 14 kilometres of road above ground and approximately 19 kilometres of tunnels, including a new tunnel linking the two corridors.

The Australian Government provided payments totalling \$1.5 billion towards the estimated \$16.8 billion cost of the project, and has also entered into a \$2 billion concessional loan arrangement to accelerate delivery of the new M5. Details on the concessional loan are included below.

Economic growth	Expected to deliver more than \$20 billion dollars in economic benefits for New South Wales
Travel time savings	Time savings of 40 minutes are predicted travelling from Parramatta to the airport
Jobs	Approximately 10,000 jobs will be supported during delivery of this project
Project timing	Start date: March 2015 Anticipated completion: 2023



## NorthConnex

The \$3 billion NorthConnex project in Sydney includes building dual road tunnels approximately nine kilometres in length. The tunnels, beneath Pennant Hills Road and the Northern Railway Line, will link the M1 and M2 Motorways.

Including the \$45 million provided in 2017–18, the Australian Government is providing \$412.3 million towards this project.

Economic growth	Expected to inject around \$4 billion into the Australian economy
Travel time savings	Time savings up to 15 minutes in 2019 are predicted, compared to using Pennant Hills Road
Jobs	Approximately 8,700 jobs will be supported during delivery of this project
Project timing	Start date: February 2015 Anticipated completion: 2019

## Pacific Highway

The 790km Pacific Highway connects Sydney and Brisbane, and is a major contributor to Australia's economic activity. Works have been underway since 1996 to upgrade the highway and provide a four-lane divided road from Hexham, near Newcastle, to the Queensland border. At 30 June 2018, 80% of the Pacific Highway between Hexham and the Queensland border is now a four-lane divided road. All remaining sections of the upgrade are under construction.

Including the \$876.8 million provided in 2017–18, the Australian Government is providing \$5.64 billion towards the program from 2013–14 to 2020–21. A further \$971 million towards the Coffs Harbour Bypass was announced in the 2018–19 Budget.

Economic growth	The highway carries more than three-quarters of all freight traffic between Brisbane and Sydney, making the artery vital to improving the economic performance of our nation
Travel time savings	Time savings of 2.5 hours are expected over the length of the highway when the entire upgrade is completed
Jobs	Approximately 3,600 direct and 10,800 indirect jobs will be supported during peak construction
Project timing	Start date: 1996 Anticipated completion: 2020



## Toowoomba Second Range Crossing

The \$1.6 billion Toowoomba Second Range Crossing project involves building a bypass route to the north of Toowoomba—approximately 41km in length—running from the Warrego Highway at Helidon in the east, to the Gore Highway at Athol in the west.

Including the \$247.6 million provided in 2017–18, the Australian Government is providing \$1.1 billion towards the project.

Economic growth	\$2.4 billion over 30 years in economic and productivity gains for business and industry
Travel time savings	Time savings of up to 40 minutes are expected across the Toowoomba Range when the upgrade is completed
Jobs	Approximately 1,800 jobs will be supported during the design and construction phases
Project timing	Start date: December 2015 Anticipated completion: 2019

## Bruce Highway

The 1,700km Bruce Highway is Queensland's major north-south road corridor, connecting coastal population centres from Brisbane to Cairns, and supporting around 58% of Queensland's population. The Bruce Highway Upgrade Program includes major upgrades and realignments, strengthening and widening works, plus a range of safety and efficiency measures to target poor crash sites and to provide additional overtaking lanes and rest areas.

Including the \$533.6 million provided in 2017–18, the Australian Government is providing \$10 billion towards the program from 2013–14 to 2027–28.

Economic growth	The project is expected to generate substantial economic benefits through more efficient transport of goods from regional producers to the rest of Australia and the world
Travel time savings	Expected travel time savings vary throughout the route
Jobs	Approximately 3,600 jobs will be supported during the delivery of this program
Project timing	Start date: July 2013 Anticipated completion: 2028

## Victorian Infrastructure Package

More than 40 key road projects are receiving funding under the \$3 billion Victorian Infrastructure Package, including the \$1 billion upgrades of the Monash Freeway and M80 Ring Road, a new crossing of the Murray River between Echuca and Moama, and targeted road upgrades in the Green Triangle.

The \$440 million Murray Basin Freight Rail project, also funded under the package, aims to better connect primary producers to the state's major ports, reduce transportation costs by allowing larger trains to move more product with each trip, and boost export opportunities. Upgrades to 1,000km of freight rail infrastructure across the Murray Basin will be delivered through the project.

Economic growth	Through a broad focus on road and rail upgrades across both urban and regional Victoria, the package will boost productivity, increase competitiveness for export industries, and improve access for communities to jobs and services
Travel time savings	The package is made up of projects that are expected to improve safety, reduce congestion and reduce travel times by improving network capacity, reliability and resilience. The expected improvements vary from project to project
Jobs	The overall package is expected to support more than 1,500 jobs, including 600 on the Monash Freeway upgrade
Project timing	Start date: May 2017 Anticipated completion: 2022

## NorthLink WA

The \$1 billion NorthLink WA project is providing a new transport link between Morley (Perth Airport area) and Muchea, north of Perth. Including the \$236.7 million provided in 2017–18, the Australian Government is providing \$682.1 million towards the project.

Economic growth	The project is expected to boost productivity and create strong connections, with economic and social benefits
Travel time savings	NorthLink WA is expected to result in a better flow of traffic in the region, saving time and costs for users
Jobs	Approximately 5,600 jobs are expected to be supported during the delivery of this project.
Project timing	Start date: June 2016 Anticipated completion: 2019

## North–South Corridor in South Australia

The North–South Corridor project is creating a free flowing link connecting the Port of Adelaide, Adelaide Airport, the Islington intermodal terminal and other freight terminals. Including the \$457.5 million provided in 2017–18, the Australian Government is funding \$3.0 billion towards the project.

Economic growth	The project will enhance productivity and increase competitiveness for export industries
Travel time savings	Travel time will decrease and congestion will be reduced
Jobs	Over 1,330 jobs are expected to be supported during the project's delivery
Project timing	Start date: August 2015 Anticipated completion: 2027

## Midland Highway in Tasmania

The \$500 million Midland Highway Upgrade is supported by a 10 year action plan to provide a safer road with more overtaking opportunities. The project will deliver a minimum 3-star rating for the highway's entire length. Including the \$81.2 million provided in 2017–18, the Australian Government is providing \$400 million towards the Midland Highway.

Economic growth	The Midland Highway is the primary north-south corridor in the state. The upgrade is expected to boost freight productivity and improve access for communities to jobs and services
Travel time savings	Travel times are expected to reduce as reliability and safety improves across the length of the corridor
Jobs	More than 1,050 jobs will be supported during delivery of this project
Project timing	Start date: 2015 Anticipated completion: 2024

## Cape York Region Package in Queensland

The \$260.5 million Cape York Region Package involves a range of transport and community infrastructure projects. This includes upgrading priority sections of the Peninsula Developmental Road, which is the main access road into Cape York from the south. Including the \$56.1 million provided in 2017–18, the Australian Government is providing \$208.4 million towards the project.

Economic growth	The package is expected to support economic growth by improving community access to areas of economic opportunity and essential services. The package will also support growth in the tourism, hospitality and mining industries and reduce freight costs
Travel time savings	Reduced travel times will be achieved by improving the reliability of the Peninsula Development Road and other key roads across the Cape York region
Jobs	Over 160 jobs are expected to be supported over the life of the package
Project timing	Start date: Mid 2014 Anticipated completion: 2019

## Echuca Moama Bridge in Victoria

The \$280 million Echuca–Moama Bridge project will construct a new road crossing over the Campaspe River and Murray River at Echuca–Moama. Including the \$97 million provided in 2017–18, the Australian Government is providing \$97 million towards the project.

Economic growth	The project will support economic growth by improving transport network efficiency, facilitating greater commercial and industrial activity, and improving connections to employment and services
Travel time savings	Travel time savings will be achieved by reducing congestion and enabling heavier and larger vehicles to make shorter, more direct river crossings at this location
Jobs	Approximately 400 jobs are expected to be supported during the delivery of this project
Project timing	Anticipated start date: October 2017 Anticipated completion: 2020

## Western Sydney Infrastructure Plan

The \$3.6 billion Western Sydney Infrastructure Plan is providing better road linkages within the Western Sydney region. This includes upgrades to The Northern Road, Bringelly Road, Werrington Arterial Road, and the Great Western Highway and Ross Street intersection at Glenbrook. The project includes construction of the M12 Motorway and a \$200 million competitive rounds-based Local Roads Package.

Including the \$310.0 million provided in 2017–18, the Australian Government is providing \$2.9 billion towards the project.

Economic growth	The plan will relieve pressure on existing infrastructure and unlock the economic capacity of the region by easing congestion and reducing travel times. It will deliver a quality surface transport network, ensuring efficient movement of passengers, employees and freight when Western Sydney Airport opens in 2026
Travel time savings	The plan is expected to reduce travel time through improved road transport capacity ahead of future traffic demand. This is especially the case as planned residential and employment development comes online in western Sydney growth areas and the Western Sydney Employment Area
Jobs	Approximately 4,000 jobs will be supported during the delivery of this project
Plan timing	Start date: Mid 2014 Anticipated completion: 2025

## Rail network initiatives

### Australian Rail Track Corporation Limited and Moorebank Intermodal Company project oversight

The department oversees government projects funded through the Australian Rail Track Corporation Limited (ARTC) and the Moorebank Intermodal Company Limited – a multi modal interstate and import/export freight hub being constructed in Sydney's South West.

The department also provides shareholder oversight of the ARTC and Moorebank Intermodal Company. This includes advising the shareholder minister on financial and operational performance, as well as governance of the businesses.

## Melbourne–Brisbane Inland Rail project

Inland Rail will provide a high-capacity freight link between Melbourne and Brisbane through regional Australia, to better connect our cities, farms and mines via ports to domestic and international markets. The 1,700km rail line is the largest freight rail infrastructure project in Australia.

The Australian Government has committed \$9.3 billion in equity and grant funding to develop and build Inland Rail through the ARTC.

In 2017–18 the department finalised governance arrangements, which included reporting, monitoring and financial arrangements for the project. The department also finalised bilateral agreements with NSW and Victoria to facilitate delivery of Inland Rail, including property acquisition and corridor protection arrangements.

Inland Rail is divided into 13 projects, one project in Victoria, seven in NSW and five in Queensland. Of the 13 projects, all have completed the concept assessment stage (the first of six stages in the project delivery plan) and two have advanced to the third stage, project assessment. Construction on the Parkes to Narromine section is scheduled to commence in 2018.

Economic growth	Improved travel times for produce to markets, decreased costs for producers and freight operators, less heavy vehicles on the road network, potential for intermodal hubs
Travel time savings	Inland Rail will allow double-stacked trains 1,800 metres long to transit between Melbourne and Brisbane within 24 hours and with 98 per cent reliability. This is a significant saving on the current rail transit time of at least 48 hours
Jobs	Up to 16,000 direct and indirect jobs, and 700 jobs once operational
Project timing	Construction start date: 2018 Anticipated completion: 2025

## Urban rail plans

In 2017–18 the department continued work with state governments to develop urban rail plans for Australia’s five largest cities—Sydney, Melbourne, Brisbane, Perth and Adelaide—and their surrounding regions.

This work addresses several of the recommendations made by Infrastructure Australia in its 2016–17 Australian Infrastructure Plan.

Work to date has included examining each city’s urban rail network, investigating global trends and drivers of urban rail (including technology developments and changing demographic patterns) and reviewing state rail and land use plans. A review has also been undertaken of the relationships between rail infrastructure and housing access and affordability.

The detailed urban rail plans, which will be launched successively for each city from late 2018, will position the Australian Government to better engage in rail planning and investment decisions as an informed investor.

## National Rail Program

In the 2017–18 Budget, the Australian Government announced a major, long-term commitment to invest in passenger rail networks in our big cities, and between our cities and their surrounding regional centres.

The \$10 billion National Rail Program is designed to make our cities more liveable and efficient as they grow, reduce the burden on our roads, provide more reliable transport networks, and support efforts to decentralise our economy and grow regional Australia.

Following the announcement, the department developed program criteria to ensure projects considered for funding meet key objectives and desired outcomes, governance, eligibility and funding and financing arrangements. The Australian Government announced \$4.9 billion of National Rail Program funding commitments in the 2018–19 Budget in May 2018.

## Regional rail network upgrades in Victoria

The \$1.75 billion Victorian Regional Rail Revival program will upgrade every regional passenger train line in Victoria. The \$1.6 billion Australian Government contribution to the program includes upgrades to the Ballarat, Gippsland (including the Avon River Bridge), North East, Geelong, Warrnambool and Bendigo/Echuca rail lines as well as Shepparton Freight Network Planning. During the year, the department worked with Victorian Government officials to progress implementation arrangements for the upgrades and construction commenced on the Ballarat Rail Line upgrade.

## METRONET

The METRONET in Perth is an integrated transport and land use project that is expected to support growth of the city’s metropolitan region over the next 50 to 100 years. METRONET Stage One includes approximately 72km of new heavy passenger rail and up to 18 new rail stations.

Including the \$513.3 million provided in 2017–18, \$1.8 billion is being provided under the Infrastructure Investment Program and the National Rail Program with a total Australian Government commitment towards the project of \$2.3 billion.

Economic growth	The project is the cornerstone of a Perth City Deal, a long-term partnership between Australian, state and local governments that will align planning, investment and reforms to manage growth and secure Perth’s future prosperity and liveability
Travel time savings	METRONET is expected to deliver travel time savings across metropolitan Perth. It will improve connectivity and accessibility by reducing congestion on the existing road network and providing public transport options
Jobs	Approximately 17,000 jobs are expected to be supported during the delivery of this project
Project timing	Construction is expected to commence from 2019 (Thornlie-Cockburn Link and Yanchep Rail Extension)

## Faster rail proposals

In the 2017–18 Budget, the Australian Government committed \$20 million through the Infrastructure Investment Program to support up to three faster rail business cases for faster passenger rail services between cities and major regional centres.

In September 2017 the government released the Faster Rail Prospectus, which outlined a three-stage process for proponents to submit proposals for consideration. The department received 26 project proposals, which were assessed against the assessment criteria published in the prospectus.

In March 2018 the government announced that three proposals had been selected to receive matching funding for business case development. These were:

- ▶ Consolidated Land and Rail Australia (CLARA): Melbourne to Greater Shepparton  
CLARA has indicated that travel times over the full length of the line could be reduced from approximately three hours to 32 minutes
- ▶ NSW Government (Transport for NSW): Sydney to Newcastle  
The NSW Government has indicated time savings of approximately one hour could be achieved through both minor and major service improvements on the existing rail corridor
- ▶ North Coast Connect Consortium: Brisbane and the regions of Moreton Bay and Sunshine Coast  
The consortium has indicated that travel times could be reduced from approximately two hours to 45 minutes between Nambour and Brisbane

Business cases are expected to be completed during 2019–20. Financial support to develop a business case does not indicate Australian Government support for a construction project

## Road programs

### Black Spot Program

The Australian Government provided \$100 million for Black Spot projects in 2017–18 to improve road safety at identified crash sites around Australia. The Black Spot Program reduces the risk of crashes at these locations through measures such as traffic lights, roundabouts, signage and edge sealing. During the year, 144 Black Spot projects were completed and 158 were underway.

Estimated expenditure for the Black Spot Program in 2017–18 was \$85 million. A variance of \$15 million was due to funding being brought forward to meet higher than expected claims as a result of better than anticipated delivery of works by project proponents.



**144**  
**Black Spot**  
**projects**  
completed  
**158**  
underway

## Bridges Renewal Program

The Australian Government provided \$46.5 million through the Bridges Renewal Program in 2017–18 to upgrade and repair bridges for enhanced access and safety. During the year 44 Bridges Renewal projects were completed and 36 were underway.

Estimated expenditure for the Bridges Renewal Program in 2017–18 was \$90 million. A variance of \$43.5 million was determined in consultation with funding recipients to better match the project construction delivery schedules and milestone completion dates.

## Heavy Vehicle Safety and Productivity Program

The Australian Government provided \$46.4 million through the Heavy Vehicle Safety and Productivity Program in 2017–18 to projects that improve productivity and reduce the number of road accidents involving heavy vehicles. During the year, 33 projects were completed and 42 were underway.

Estimated expenditure for the program in 2017–18 was \$60 million. A variance of \$13.6 million was determined in consultation with funding recipients to better match the project construction delivery schedules and milestone completion dates.

## Roads to Recovery Program

The Australian Government provided \$700 million through the Roads to Recovery Program in 2017–18 for road construction and maintenance projects at a local level. On 7 November 2017, a statement of expectations for the program was issued asking councils to give greater priority to road safety projects. It also asked councils to provide additional information on the benefits and outcomes of each project to help us assess the effectiveness of the program.

During the year 2,707 Roads to Recovery projects were completed and 2,472 were underway.

## Initiatives from the White Paper on Developing Northern Australia

### Northern Australia Roads Program

The Australian Government provided \$86.5 million through the Northern Australia Roads Program in 2017–18 to enable upgrades to high priority roads in the region and to support local economic development. During the year, six projects were underway and one completed.

Estimated expenditure for the Northern Australia Roads Program in 2017–18 was \$188.5 million. A variance of \$102 million was determined in consultation with funding recipients to reflect revised project construction delivery schedules and milestone completion dates.



## Northern Australia Beef Roads Program

The government provided \$5.6 million through the Beef Roads Program in 2017–18 for targeted upgrades to key cattle transport roads. This will improve the reliability, productivity and resilience of cattle supply chains in northern Australia. During the year, five projects were underway.

Estimated expenditure for the Beef Roads Program in 2017–18 was \$45.4 million. A variance of \$39.8 million was determined in consultation with funding recipients to reflect revised project construction delivery schedules and milestone completion dates.

## Concessional loans

### WestConnex Stage 2 – concessional loan

The government entered into a \$2 billion concessional loan arrangement for the WestConnex project in 2015–16.

The concessional loan is facilitating both stages one and two of the project to be delivered together, bringing forward the delivery of Stage 2 by around 18 months.

Up to \$2 billion dollars will be available to be drawn down to fund construction costs for the new M5, with the loan expected to be repaid in full by 2029.

Further details about the WestConnex project are within this chapter.

### University of the Sunshine Coast, Moreton Bay Campus – concessional loan

The government's low-interest loan to the University of the Sunshine Coast will enable the university to begin foundation work for the Moreton Bay Campus. The campus is expected to open in time for the start of the first semester in 2020. The loan amount of up to \$121 million will be provided over a 12-year term. These terms provide particular assistance to the university during construction and the early years of operation, as student numbers ramp up.

### Sunshine Coast Airport – concessional loan

The upgrade to the Sunshine Coast Airport will transform it into an international air passenger and freight hub. The loan will help build a new runway and associated extensions of the aircraft aprons. The loan amount of \$181 million will be provided over six-years.

## Summary of expenses

For a summary of expenses please refer to Infrastructure Investment Program (Program 1.1) at Appendix A.

# Surface Transport Program

Through the Surface Transport Program (Program 2.2), the department:

- ▶ progressed coastal shipping regulatory changes
- ▶ promoted integrated road and rail market reforms for a more consistent regulatory environment
- ▶ supported the strategic work program of the Transport and Infrastructure Council to sustain national transport reform momentum
- ▶ worked with state and territory governments to encourage the trial and adoption of emerging transport technologies
- ▶ worked with the national transport regulators
- ▶ administered the two Tasmanian shipping schemes, Part X of the Competition and Consumer Act 2010 and the Shipping Reform (Tax Incentives) Act 2012
- ▶ administered national disability standards for accessible public transport
- ▶ worked with state and territory governments to progress development of a freight and supply chain strategy
- ▶ worked in partnership with state and territory governments and industry to progress heavy vehicle road reform

The program contributed to three of our purposes:

- ▶ supporting economic growth through transport
- ▶ making travel safer
- ▶ increasing transport access



## Coastal shipping reform

In 2017–18 work to progress coastal shipping reform continued to ensure a safe, secure and efficient coastal shipping system as an integral part of Australia's national transport system.

Building on consultation conducted in 2016–17, the department prepared the Coastal Trading (Revitalising Australian Shipping) Amendment Bill 2017, which was introduced into Parliament in September 2017. In December, the Senate Rural and Regional Affairs Legislation Committee held an inquiry into the provisions of the Bill and recommended it be passed.



Continued work on coastal shipping reform

## Heavy vehicle road reform

See the Infrastructure Investment section of this report.

## Strategic work of the Transport and Infrastructure Council

The Transport and Infrastructure Council brings together:

- ▶ Commonwealth, state and territory transport and infrastructure ministers
- ▶ Australian Local Government Association
- ▶ New Zealand's transport and infrastructure minister

The council, which met twice in 2017–18, progresses longer-term reforms to support sustainable transport funding and improve transport access, safety and productivity.

The department supported the council and the Transport and Infrastructure Senior Officials' Committee by providing secretariat services, and through the delivery of activities under the council's strategic work program. In 2017–18 the department led work on a number of council priorities including land transport reform and heavy vehicle road reform, implementation of initiatives under the National Road Safety Strategy and the National Policy Framework for Land Transport Technology, and provided support for the Inquiry into National Freight and Supply Chain Priorities.

## Encouraging new transport technologies

The government worked with states and territories during the year to encourage emerging transport technologies trials and adoption. This included automated and connected vehicles, which could improve safety and efficiency outcomes. Through the Land Transport Technology Working Group, the department worked with all states and territories on a prioritised schedule of proposed trials, and liaised closely with the Queensland Government and industry. It also worked with the iMOVE Cooperative Research Centre on an agreement to trial a new security system that will help vehicles communicate safely and securely with infrastructure and other vehicles.

## Agenda setting on vehicle environmental performance

The department continued work with the Department of the Environment and Energy to support the Ministerial Forum on Vehicle Emissions. Stakeholders were consulted on options to reduce vehicle emissions, including a light vehicle fuel efficiency standard, more stringent noxious emissions standards, and improved fuel quality standards. In January 2018 the Ministerial Forum released a draft regulation impact statement on better fuel for cleaner air, which was led by the Department of the Environment and Energy.

## National freight and supply chain strategy

In November 2016 the Australian Government announced it would develop a national freight and supply chain strategy in response to Infrastructure Australia's Australian Infrastructure Plan. In 2017–18 the government established an independent panel to inquire into national freight and supply chain priorities to inform the strategy's development.

The four member expert panel comprised:

- ▶ Marika Calfas, Chief Executive Officer, NSW Ports
- ▶ Maurice James, Managing Director, Qube Holdings Ltd
- ▶ Nicole Lockwood, Board Member, Infrastructure Australia
- ▶ David Simon, Executive Chairman, Simon National Carriers

The government released the report in May 2018. It identifies 54 priority actions and highlights that:

- ▶ freight is essential to Australia's continued wellbeing and national prosperity
- ▶ a national approach from all tiers of government and industry is needed to address the proposed priorities

The Transport and Infrastructure Council agreed a framework for developing a 20-year national freight and supply chain strategy which will build on the priorities identified by the inquiry. The strategy will be developed by the Australian Government, state, territory and local governments, and industry. It is expected to be finalised for implementation from 2019.

## National data collection and dissemination plan

In 2017–18 the department led development of the National Infrastructure Data Collection and Dissemination Plan, which was released in June 2018.

The plan contains priority projects to improve the way infrastructure data is collected, shared and used to guide decision making. One example is a Bureau of Infrastructure, Transport and Regional Economics (BITRE) project using GPS data shared by freight operators to better understand where congestion is affecting freight movements. Another is BITRE's interactive freight performance dashboard which covers all transport modes (sea, air, road and rail) and metrics for activity, cost and time.

## Improved public transport access for people with disability

The department is facilitating better access to public transport for people with disability through our administration of the Disability Standards for Accessible Public Transport 2002 (Transport Standards), made under the Disability Discrimination Act 1992.

In 2017–18 the department worked with the National Accessible Public Transport Advisory Committee to modernise the Transport Standards, as supported by the Australian Government in its response to the second Transport Standards review. The modernised standards are expected to be released in 2019. The department also conducted national consultations to develop guidelines for a 'whole of journey' approach to public transport to better facilitate the needs of people with disability. The accessibility guidelines were released on 1 December 2017.

## Surface transport regulation

One of the department's key roles is to maintain an effective regulatory framework for surface transport to ensure a safe, efficient and environmentally sustainable transport system. As part of this, there is regular consultation with government, industry and community stakeholders to ensure Commonwealth regulation is fit for purpose, proportionate to the risks being managed, and regulatory systems are continuously improved. In 2017–18 reforms were progressed to regulate the importation and first provision of vehicles in Australia through the Road Vehicle Standards Bills. These were introduced to Parliament in February 2018. These reforms are discussed in detail below.

The Federal Interstate Registration scheme was closed, with legislation passed by Parliament on 10 May 2018. This reform provides a more consistent registration operating environment, fulfils a long standing Australian Government commitment to heavy vehicle reform, and provides for the introduction of new heavy vehicle registration arrangements commencing from 1 July 2018.

## Work with the national transport regulators

Under the auspices of the Transport and Infrastructure Council, the department collaborated with jurisdictional and regulatory partners during the year to progress transport reforms. These include more seamless heavy vehicle registration arrangements, more consistent safety regulations concerning major rail safety projects, and transitioning the national service delivery of maritime safety regulation to the Australian Maritime Safety Authority (AMSA) on 1 July 2018.

## National Heavy Vehicle Regulator

The department administered \$3.9 million to the National Heavy Vehicle Regulator (NHVR) in 2017–18, for its Heavy Vehicle Safety Initiative. The initiative improves safety outcomes for drivers and the communities they operate in.

The Heavy Vehicle Safety Initiative is a competitive, rounds-based program to which the NHVR has invited submissions for funding annually since 2016–17. Round 2 of the program was implemented in 2017–18 and the Transport and Infrastructure Council agreed to fund 12 projects.

## National Maritime Safety Regulator

During the year the department worked with AMSA—the National Maritime Safety Regulator—to progress implementation of national regulator arrangements. The department also worked with AMSA to encourage improved safety outcomes through streamlined and consistent regulatory services for Australia's domestic commercial vessel industries. Through the Transport and Infrastructure Council, a transition funding package of \$112 million was committed by the states, Northern Territory and the Australian Government to help industry transition to full cost recovery when AMSA assumes service delivery responsibility from 1 July 2018.

## Office of the National Rail Safety Regulator

The Office of the National Rail Safety Regulator (ONRSR) is responsible for regulatory oversight of rail safety in every Australian state and territory. The department worked with the regulator to improve oversight for major rail projects, and deliver more harmonised approaches to drug and alcohol regimes for drivers and workers. In 2017–18 we worked with the regulator and state and territory governments to:

- ▶ secure more harmonised national arrangements on testing and detecting drug use among rail safety workers
- ▶ achieve ongoing regulatory efficiencies for regulated rail entities
- ▶ implement a consistent rail safety regulatory framework for major rail projects

## International Maritime Organization

The department continued to develop Australia's international maritime safety and transport policy agenda during the year and engaged through the International Maritime Organization (IMO) to protect Australia's interests.

At the 2017 IMO council elections, Australia's interest in international seaborne trade was recognised with its successful election to Category B (from Category C) of the council.

The department continued work with other agencies and consulted industry stakeholders on IMO issues related to maritime safety and environment, trade facilitation and international maritime law.

### International maritime agreements, treaties and conventions

The department is responsible for implementing international maritime agreements, treaties and conventions on safety, the environment and trade facilitation. Through Australia's involvement in the IMO Maritime Environment Protection Committee, the department supported adoption of an initial strategy to reduce greenhouse gas emissions from shipping. The strategy sets a pathway to emissions reduction for the international shipping sector that is consistent with international climate change obligations, including a target to reduce emissions from international shipping by at least 50 per cent by 2050 compared to 2008 levels.

Through the IMO Facilitation Committee, the department engaged on matters related to the application of the 'single window' concept, and implementation of the Convention on Facilitation of International Maritime Traffic (FAL Convention). The department also worked with other government agencies to notify Australia's differences to the FAL Convention following significant amendments to the convention that commenced on 1 January 2018.

The department released a discussion paper, *Carriage of Passengers and their Luggage by Sea*, for public consultation in November 2017. Submissions will inform advice to government on whether to accede to the Athens Convention relating to the Carriage of Passengers and their Luggage by Sea 1974, as amended by the 2002 Protocol.

## Contribution

The department administered \$327,000 as Australia's contribution to the IMO in 2017–18 to help support a viable maritime sector.

Estimated expenditure for the Australian Government's contribution was \$266,000. A variance of \$61,000 was due to a 7.7 per cent increase in member state contributions agreed by the IMO assembly in 2017, with the remaining amount due to increases in Australia's tonnage contributions for 2018.

## Protection of the Sea (Oil Pollution Compensation Funds) Act 1993

Compensation for pollution damage caused by spills from oil tankers is governed by an international regime established under the auspices of the IMO. The International Oil Pollution Compensation Funds (IOPC funds) provide financial compensation for damage resulting from spills of persistent oil from tankers.

IOPC funds are financed by contributions levied on member countries. Levies are based on the volume of particular types of oil being imported and the proportionate scale of certain oil pollution events occurring. Five Australian oil importing companies contributed to the fund for 2017. The department is responsible for transferring levies from oil companies to the IOPC Funds.

IMO collects contributions to the IOPC Funds retrospectively each year. For 2017–18, the department administered payments of \$676,000 collected from Australian oil companies for the purposes of the scheme.

## Tasmanian shipping schemes

### Bass Strait Passenger Vehicle Equalisation Scheme

The department administers the Bass Strait Passenger Vehicle Equalisation Scheme. The scheme reduces the cost of sea travel between mainland Australia and Tasmania by assisting with the cost of transporting eligible passenger vehicles across Bass Strait. The rebate payable for each crossing depends on the vehicle type. In 2017–18, rebates ranged from \$33 each way for a bicycle to \$449 each way for a motor home or a vehicle towing a caravan. Up to \$224 each way was payable for cars and buses.

Estimated expenditure for this program was \$48.7 million. The actual cost in 2017–18 was \$49.7 million. The scheme is demand-driven and costs vary with the number and mix of eligible passenger vehicles shipped across Bass Strait.



## Tasmanian Freight Equalisation Scheme

The department administers the Tasmanian Freight Equalisation Scheme which provides financial assistance for costs incurred by shippers of eligible non-bulk goods moved by sea between Tasmania and mainland Australia, the main island of Tasmania and King Island and the main island of Tasmania and the Furneaux Group. The objective of the scheme is to provide Tasmanian industries with equal opportunities to compete, recognising that, unlike their mainland counterparts, Tasmanian shippers do not have the option of transporting goods interstate by road or rail.

In administering the scheme in 2017–18, we paid 7,028 claims. Estimated expenditure for this program was \$171.6 million. The actual cost in 2017–18 was \$147.3 million. The scheme is demand-driven and costs vary with the number of claims made.

## A regulatory framework for shipping that promotes access

The department supports the government to maintain an effective regulatory framework for shipping, including coastal freight, and transport schemes to ensure a maritime transport system that is accessible for Australian business.

In 2017–18, the department regulated international liner cargo shipping travelling to and from Australia under Part X of the Competition and Consumer Act 2010. Our regulatory activities include registration of conference agreements and ensuring exporters and importers have continued access to shipping services that are internationally competitive.

During 2017–18, a total of 27 provisional registrations and 23 final registrations of shipping agreements were approved by the Registrar of Liner Shipping under Part X. All shipping agreements were registered within the legislated timeframe.

The department worked with the Australian Competition and Consumer Commission (ACCC) to progress implementation of the Harper (Competition Policy) Review Recommendation 4 – international liner shipping.

The Competition and Consumer Amendment (Competition Policy Review) Act 2017 commenced on 6 November 2017. This provides for the ACCC to issue class exemptions. The ACCC—in consultation with the Treasury—is considering classes of conduct for which it might be appropriate to issue exemptions. As part of this process the ACCC will consult the liner shipping industry. It will be important that the application of a class exemption to liner shipping conference agreements ensures that liner shipping services to Australia remain reliable and competitive, and that costs are not a burden.

## Tax incentives scheme

The Stronger Shipping for a Stronger Economy reforms commenced on 1 July 2012 and include the Shipping Reform (Tax Incentives) Act 2012. The Act provides a mechanism for shipping operators to gain access to a range of taxation concessions. This encourages ship ownership and ship operations in Australia as well as the employment of Australian seafarers.



The Act provides for certificates to be granted after the end of a financial year to applicants who meet the regime's requirements. For companies applying for these concessions for the first time, the scheme provides an opportunity to obtain a 'notice' during the first year of entry. This means applicants can be sure that the arrangements they propose will likely meet the requirements of the Act, and reduce pressure on them when compiling their tax returns.

During 2017–18 the department approved one application for a tax notice and 16 applications for a tax certificate.

## Organisation for Economic Co-operation and Development (OECD) Road Transport contribution

The department administered an annual contribution of \$50,000 to the OECD during the year towards the transport research activities of the International Transport Forum (ITF). Membership of the ITF enables Australia to influence the forum's forward research work program and to promote successful Australian transport policy initiatives. The Assistant Minister to the Deputy Prime Minister, the Hon Keith Pitt MP, attended the Annual Summit of the International Transport Forum in Leipzig, Germany in May 2018.

The OECD assesses contribution levels for all member countries based on an annual formula. Australia's contribution for 2017–18 was \$50,000 and below the budget estimate of \$61,000.

## Federal Interstate Registration Scheme (Interstate Road Transport Act 1985)

The Interstate Road Transport Act 1985 establishes the Federal Interstate Registration Scheme, an alternative to state-based registration for heavy vehicles weighing more than 4.5 tonnes. At 30 June 2018, there were 13,399 vehicles registered under the scheme.

During the year, \$69.3 million in heavy vehicle registration charges was collected by the Australian Government from the state and territory governments. The Australian Government redistributes all revenue collected from the scheme to the states and territories for road maintenance. The scheme closed to new entrants on 1 July 2018.

## Summary of expenses

For a summary of expenses please refer to Surface Transport Program (Program 2.2) at Appendix A.

# Road Safety Program

Through the Road Safety Program (Program 2.3) the department:

- ▶ progressed implementation of reforms to the Motor Vehicle Standards Act 1989
- ▶ developed and implemented vehicle standards, and undertook compliance and enforcement activities
- ▶ coordinated ongoing delivery arrangements for the National Road Safety Strategy 2011–2020 and National Road Safety Action Plan 2015–2017
- ▶ developed a new National Road Safety Action Plan for 2018–2020
- ▶ improved road safety outcomes through government spending on infrastructure

The program contributed to one of our purposes: making travel safer.



## Vehicle standards

### Reforms to the Motor Vehicle Standards Act 1989

Under the Motor Vehicle Standards Act 1989, all vehicles—either newly manufactured in Australia or imported as new or used vehicles—are required to comply with the national vehicle standards (the Australian Design Rules (ADRs)) or concessional requirements before they can be supplied to the market for use in transport.

In 2017–18 the department continued implementing reforms to the Act to reduce regulatory costs and provide consumers with a choice of road vehicles that meet the community's safety, environmental, energy saving and anti-theft expectations. The Australian Government released an exposure draft of the Road Vehicle Standards package of legislation in December 2017, and a draft Cost Recovery Implementation Statement in early 2018. The Road Vehicle Standards package of Bills was introduced into Parliament in February 2018. If passed, reforms introduced in the legislation are expected to save businesses more than \$20 million a year in regulatory compliance costs.

### Standards development and implementation

The department continued developing and implementing the ADRs during the year, including to harmonise the delivery of both safety and environmental outcomes to international approaches. Regulation that is based on internationally agreed standards provides consumers with access to the safest vehicles from the global market, at the lowest possible cost. As such, it is important that we help develop international vehicle standards and assess them for implementation in Australia consistent with international timetables. The vehicle safety actions under the National Road Safety Action Plan 2015–2017 were completed with the introduction of new ADRs for advanced braking systems on motorcycles, and stability control systems on heavy trucks, buses

and trailers. A number of other standards were further harmonized in anticipation of new international arrangements for approving vehicles come into effect in 2019.

To implement the standards, the department issues approvals and licences for new vehicles. In 2017–18 this included 3,425 vehicle certification type approvals and amendments. We also issued 7,356 Registered Automotive Workshop Scheme (RAWS) import approvals and 7,135 RAWS used vehicle plate approvals. We also assessed 18,236 vehicle import applications under the concessional arrangements of the Motor Vehicle Standards Act 1989.

## Compliance and enforcement activities

To promote vehicle safety outcomes, the department undertakes a risk-based program of activities to monitor, identify and address non-compliance. The department works with industry, including manufacturers and suppliers, to raise awareness and encourage higher levels of voluntary compliance.

Our approach to compliance and enforcement was published in the Motor Vehicle Standards Act 1989: Compliance and Enforcement Strategy in December 2017.

Our 2017–18 compliance and enforcement program included a focus on areas such as manufacturers' quality management systems, vehicles converted from left to right hand drive, and compliance with bus emergency exit requirements. The department implemented an education and outreach program designed to educate entities and help them with their compliance obligations under the Act. This included a regular industry publication to promote compliance messages. In 2017–18 the department received 432 vehicle safety and non-compliance reports, which further informed our compliance activities.

## Coordinating a national approach

The department coordinates the ongoing delivery arrangements for the National Road Safety Strategy 2011–2020 and its supporting action plans. This includes road safety data collection and progress reporting to inform and improve road safety for all road users. While completing delivery of the National Road Safety Action Plan 2015–2017, the department worked with state and territory agencies to develop a new plan for 2018–2020, which was endorsed by the Transport and Infrastructure Council on 18 May 2018. We also managed an Austroads project to develop a national source of injury data that is planned for the end of 2019 to support development of the next National Road Safety Strategy.

Administrative support was provided for an inquiry into the National Road Safety Strategy 2011–2020, initiated by the Australian Government with help from the Transport and Infrastructure Council. Two independent co-chairs are looking closely at the evidence and will advise how to prevent future road trauma.

The department convened a National Drug Driving Working Group with police, government road authorities and key policy makers. The group is developing a national best practice model for roadside drug testing, which will be provided to the Transport and Infrastructure Council in November 2018.

## keys2drive

In 2017–18 the department administered \$4 million through the Australian Automobile Association (AAA) to fund the keys2drive program. This provides learner drivers and their supervisor with one free driving lesson with an accredited instructor. It also supports learners and supervisors with educational material and practical guidance. A new funding agreement was put in place during the year, which includes measures to increase the number of keys2drive lessons delivered in regional areas and—for the first time—cash and in-kind contributions from AAA.



### keys2drive

learner driver program  
provided

**39,831 drivers**

with free lessons and  
resources

## Summary of expenses

For a summary of expenses please refer to Road Safety Program (Program 2.3) at Appendix A.



Keys2drive delivers a free lesson to learner drivers

# Air Transport Program

Through the Air Transport Program (Program 2.4), the department:

- ▶ regulated to support ongoing infrastructure investment at federally leased airports
- ▶ progressed the International Civil Aviation Organization's (ICAO) Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA)
- ▶ progressed key elements of the National Airport Safeguarding Framework
- ▶ progressed consideration of future airspace protection arrangements
- ▶ provided policy advice to support aviation safety
- ▶ maintained legislative governance and reporting requirements for Australian Government aviation safety agencies
- ▶ provided aviation policy advice
- ▶ managed regional and remote aviation access programs
- ▶ engaged in international air services negotiations
- ▶ worked towards implementing the Western Sydney Airport project

The program contributed to four of our purposes:

- ▶ supporting economic growth through transport
- ▶ making travel safer
- ▶ increasing transport access
- ▶ supporting regional development and local communities



## Support for aviation infrastructure investment

The department continued work in 2017–18 to ensure airports meet projected growth and operate within a clear and robust regulatory framework. It also ensured aviation regulation supported ongoing infrastructure investment at federally leased airports.

During the year the department facilitated approximately \$1 billion of on-airport infrastructure development across the federally leased airports. This included both aviation related infrastructure and a diverse range of non-aviation developments.

The department implements aviation regulation, policies and programs to support future investment in safe, efficient, and environmentally responsible aviation infrastructure. In 2017–18 this involved overseeing:

- ▶ major aviation infrastructure developments
- ▶ airport planning
- ▶ non-aviation development and land use
- ▶ airport insurance compliance
- ▶ airport environment
- ▶ building control regulation

During 2017–18 the department helped grow effective operation of the federally leased airports by:

- ▶ facilitating the approval of masterplans for Archerfield, Darwin, Gold Coast and Parafield airports
- ▶ facilitating approval of major development plans for Bankstown (PolAir Facility), Darwin (Air Traffic Control Tower) and Jandakot (Western Power Depot) airports
- ▶ participating in planning coordination forums with airports, state and local governments at all major capital city airports
- ▶ participating in community aviation consultation groups facilitated by 19 federally leased airports
- ▶ ensuring all airports complied with the airport insurance requirements of their lease
- ▶ ensuring airport sites complied with their environmental obligations in accordance with the Airport Environmental Regulations and the airport lease requirements
- ▶ ensuring there were no major breaches of the Airport (Building Control) Regulations 1996

## Melbourne Airport Third Runway Project

The department is progressing the necessary land acquisitions and managing the broader implications of the Third Runway Project at Melbourne Airport. With the exception of state and council owned road parcels, the department finalised some of the acquisition processes and lease backs to the airport as part of an additional airport lease. Finalisation of the land acquisition process is underway in consultation with Department of Finance.

Melbourne Airport submitted an exposure draft major development plan for the department's consideration, which was reviewed and returned to the airport with feedback ahead of public consultation in December 2018.

We administered \$0.5 million in special account expenses for Melbourne Airport's new runway land acquisition in 2017–18. Estimated expenditure was \$9.8 million. A variance of \$9.3 million was due to the acquisition of land from Melbourne Airport for no payment, with remaining acquisitions expected to occur in 2018–19.

## Airspace protection arrangements

The department progressed a number of future airspace protection policy proposals through government and industry stakeholder consultations in 2017–18. These are designed to improve the safety and efficiency of airport operations at Australia's major airports, and provide better on-and-off airport planning.

The timing for progressing potential regulatory changes was deferred until 2018–19 for:

- ▶ major airport communications
- ▶ navigation and surveillance facilities
- ▶ aircraft operations beyond aerodromes airspace protection

This is to allow regulatory changes to be synchronised with possible amendments to other airports' regulations. It is part of the sunset review and other Civil Aviation Safety Authority regulatory reform priorities.

## International Civil Aviation Organization – contribution

The department makes a significant technical and leadership contribution to the International Civil Aviation Organization's (ICAO) major work and meetings. In 2017–18 our officials were involved in more than 55 committees, panels and study groups, including those dealing with:

- ▶ air transport regulation
- ▶ aerodromes
- ▶ air traffic requirements and performance
- ▶ dangerous goods
- ▶ flight operations
- ▶ separation and safety
- ▶ security and facilitation
- ▶ remotely piloted aircraft systems
- ▶ aircraft accident investigation
- ▶ environmental issues

ICAO assessed Australia's safety oversight arrangements and increased our effective implementation score from 85.05% to 94.98%. This ranking increases our influence as a member state within ICAO and as a member of the council, ICAO's governing body. It allows us to continue guiding and influencing activities to improve international civil aviation standards and practices.

The department administered \$2.2 million as the Australian Government's contribution to ICAO in 2017–18. Estimated expenditure was \$2.1 million. The variance of \$100,000 was due to fluctuations in the international exchange rate.

## Carbon Offsetting and Reduction Scheme for International Aviation

The department worked through a cross-agency and industry working group to progress the technical elements of ICAO's Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA).

The group met four times during the year. The department ensured that Australia's international aviation operators were able to meet their commitments to reduce CO<sub>2</sub> emissions under CORSIA, while not being disadvantaged by international competitors.

We are working with the Department of the Environment and Energy, the Department of Foreign Affairs and Trade, and the Clean Energy Regulator to implement the scheme in Australia. These agencies are also collaborating on Australia's approach to managing carbon emissions from international aviation.

Australia seeks to reduce emissions from domestic aviation through the Emission Reduction Fund and its safeguard mechanism administered by the Department of the Environment and Energy. We also advise on measures to reduce carbon emissions in domestic aviation. The outcomes of these were reported in an update to Australia’s State Action Plan, which was published in October 2017.

## Driving growth-Western Sydney Airport

Set to open in 2026, Western Sydney Airport is a transformational infrastructure project that will:

- ▶ generate economic activity
- ▶ provide employment opportunities closer to home for people in the Western Sydney region
- ▶ meet Sydney's growing aviation needs

Economic growth	The business case shows that the project would deliver in excess of \$11 billion to the national economy
Jobs	The airport is expected to support almost 28,000 direct and indirect jobs by 2031, five years after the facility opens
Project timing	Anticipated start date: 2018–19 Anticipated completion: 2026

## WSA Co establishment

In August 2017 the government established WSA Co as its business enterprise to design, construct and operate Western Sydney Airport. This included establishing the business name and trademark registrations, setting-up an office, developing corporate governance documentation, and facilitating appointment of WSA Co’s board.

WSA Co’s project deed was executed in October 2017 and requires the entity to construct the airport in accordance with the government’s requirements. WSA Co is now progressing project planning and development in line with the terms of its agreement with the Australian Government. WSA Co has taken forward planning work completed by the department, and has submitted to the Commonwealth for approval a site layout and its plan for the airport. WSA Co has also submitted a range of other deliverables required by the project deed.



WSA Co developed its first corporate plan in 2017–18 which sets out its:

- ▶ key objectives and priorities for the project
- ▶ planning activities that are underway
- ▶ progress made since its establishment in August 2017

## Preparatory and enabling activities

An airport lease was granted to WSA Co for the Western Sydney Airport site on 17 May 2018. From this date WSA Co has been responsible for managing the airport site.

Throughout 2017–18 the department carried out preparatory and enabling activities at the site, including:

- ▶ demolishing vacant structures
- ▶ work to relocate the cemetery
- ▶ preparing a bushfire risk management plan
- ▶ undertaking further geotechnical investigations
- ▶ completing various site surveys

A TransGrid Relocation Plan (TRP) was approved on 15 December 2017. Under the TRP, TransGrid is relocating 3.2 kilometres of high-voltage above-ground 330kV transmission line from its current route through the Western Sydney Airport site, to an underground cable route along the perimeter. The works include underground transition points, access roads and watercourse crossing structures. The relocation has a planned completion date of mid-2019.

The department is also collaborating with Airservices Australia to develop a detailed forward work program. This includes preparing project management documents, clarifying resourcing requirements and identifying key works required to supplement the technical design of airspace arrangements, flight paths and relevant aircraft operational procedures.

## Planning for surface transport connections

The department is working to ensure surface transport connections to the airport site are based on well informed advice, and deliver the right outcomes. Good road and rail links will allow the airport to realise its full economic potential.

The Australian and NSW governments are well on the way to constructing new and upgraded roads around the airport under the \$3.6 billion Western Sydney Infrastructure Plan. A key focus for 2017–18 was ensuring all necessary planning and governance structures were established across all levels of government for the delivery of infrastructure in and around the airport site.

Option assessments and feasibility designs for a long-term rail network to support Western Sydney were undertaken throughout 2017–18. This culminated in the joint Western Sydney Rail Needs Scoping Study that contributed to the Australian and NSW governments' joint commitment to a North South Rail Link from Schofields to Macarthur. Our work with NSW Government officials was a good example of collaboration across jurisdictions to understand infrastructure needs that will deliver improved transport outcomes. The first stage of this network will connect

St Marys to the Western Sydney Aerotropolis via the Western Sydney Airport. The aim is to have rail operational when the airport opens in 2026.

The Australian and NSW governments, together with eight local governments of Western Sydney, signed the Western Sydney City Deal on 4 March 2018. This is a 20 year agreement between the three levels of government to deliver a once-in-a-generation transformation of Sydney's outer west and to create the 'Western Parkland City'. Improving connectivity through innovative public transport and digital infrastructure is a focus of the Western Sydney City Deal.

## Managing environmental obligations and Airport Plan conditions

To manage environmental obligations for the airport in 2017–18, both the airport-lessee company, WSA Co, and the department are implementing more than 40 conditions placed on the Western Sydney Airport's construction and operation. The department is investing around \$180 million in conservation and biodiversity activities. This includes protecting a 117-hectare environmental conservation zone along the airport's boundary with Badgerys Creek.

Some outcomes, like the Western Sydney Airport Aviation Fuel Supply Corridor Options Report and moving cemeteries from the airport site, are now complete. Progress on other conditions includes:

- ▶ developing a Biodiversity Offset Delivery Plan to balance the loss of biodiversity for the Stage 1 development of Western Sydney Airport. This will set the framework for the Australian Government's investment in biodiversity offset activities to conserve threatened species and ecological communities in Western Sydney. A biodiversity experts group, with qualified and experienced biodiversity and ecology experts, has informed development of the plan
- ▶ delivering a Threatened Flora Propagation Program. Mount Annan Botanic Garden has started collecting seed and propagating threatened species found on the airport site
- ▶ contributing a further \$1 million in May 2018 towards a \$10 million agreement with Greening Australia. This will support the region's Native Seed Production Area Program that focuses on the Cumberland Plain. The program aims to future-proof seed supply to support conservation replanting programs. Our funding contributions will enhance Greening Australia's seed-processing facility and the infrastructure and machinery required to manage an increased footprint for the supply of seed
- ▶ establishing an Aboriginal cultural heritage program to facilitate early consultation with Aboriginal stakeholders, including on an initial survey and salvage program under an approved plan
- ▶ advancing planning for the airspace design process for Stage 1 airport operations. Forum On Western Sydney Airport (FOWSA) and an aviation expert steering group have been established. Planning has also been progressed to confirm Sydney basin airspace requirements and constraints

## Community engagement

The department continued engaging with key stakeholders across all levels of government, the community and industry during the year to:

- ▶ build wider confidence in the Australian Government's decisions
- ▶ ensure stakeholders and the community were kept up to date on the Western Sydney Airport project's progress
- ▶ keep stakeholders informed of opportunities that will result from the airport

Our information platforms include:

- ▶ quarterly community update newsletters
- ▶ a project website
- ▶ an information hotline and email inbox
- ▶ an email subscription service for receiving project updates
- ▶ an online noise modelling tool and Obstacle Limitation Surface (OLS) tool
- ▶ information sessions
- ▶ a rolling program of pop-up stalls at community events and local venues

Throughout 2017–18 we:

- ▶ talked to more than 3,100 people at 23 pop-up stalls and information sessions across Western Sydney and the Blue Mountains
- ▶ met with Western Sydney and Blue Mountains councils
- ▶ updated key stakeholders at numerous meetings
- ▶ delivered a quarterly community update newsletter to households near the airport site. In August 2017, distribution was expanded from 10,000 to approximately 40,000 households. Hardcopies of the newsletter were also sent to Western Sydney councils and libraries
- ▶ facilitated four FOWSA meetings (the key community consultation group for Western Sydney Airport), including a public meeting and a series of drop-in information sessions to promote informed and responsive engagement on issues relating to the airport

## Western Sydney City Deal

The landmark Western Sydney City Deal was signed on 4 March 2018. This is a 20-year agreement between the Australian, New South Wales and eight local governments in Western Sydney. It is designed to stimulate new jobs and a new level of education and services for the region. It builds on the Australian Government's \$5.3 billion commitment to Western Sydney Airport.

The Western Sydney City Deal was developed through regular collaboration during 2017–18 between the three levels of government. Delivery will be overseen through a formal, long-term governance structure that includes representatives from the City Deal partners, including the eight local governments: Blue Mountains, Camden, Campbelltown, Fairfield, Hawkesbury, Liverpool, Penrith and Wollondilly.

The City Deal will deliver:

- ▶ a centrepiece commitment from the Australian and NSW governments to deliver the first stage of Western Sydney Rail, a North–South Rail Link from St Marys to Badgerys Creek Aerotropolis via Western Sydney Airport
- ▶ new science, technology, engineering and mathematics-focused education facilities
- ▶ a Western Sydney investment attraction office and a Western Sydney Development Authority
- ▶ a \$30 million Western Parkland City housing package
- ▶ a \$150 million liveability program to deliver better community facilities and urban amenity

## Western Sydney Airport – site management

In 2017–18 the department administered \$1.3 million for Western Sydney Airport site management (administered expense item in the Portfolio Budget Statements 2017–18 referred to as the Sydney West Airport – site management program). These funds were used for site support costs and expenses related to demolishing vacant structures, removing rubbish, implementing bushfire mitigation measures, relocating cemeteries, providing utilities, and security patrols. A key step was relocating the Badgerys Creek Anglican and Uniting Church cemeteries to the Badgerys Creek Memorial Cemetery at Forest Lawn Memorial Park in late 2017. Together the site management activities enabled the department to provide the airport site to WSA Co in May 2018.

## Driving growth in international airline activity

The department engaged strategically throughout 2017–18 with important markets to drive growth in international airline activity.

In December 2017 the department participated in the Air Services Negotiations Conference (ICAN 2017) in Colombo, organised by the ICAO. This included formal air services negotiations and informal discussions with 20 economies.

## General Aviation

In May the General Aviation (GA) Advisory Group—an industry-led initiative that advises the Minister for Infrastructure and Transport on issues related to general aviation—finalised its GA Flight Plan, the group’s 2018–19 work plan for the sector. The plan takes into account the challenges and opportunities for the sector highlighted in the BITRE General Aviation study released in December 2017. Both the plan and the BITRE study are available on the department’s website, as is the Minister’s response to the plan’s release.

The plan's three major priorities are:

- ▶ articulating a long-term strategic outlook for general aviation in Australia
- ▶ considering stakeholder views on how air safety regulation can support general aviation through consistent and proportionally responsive administration
- ▶ enhancing general aviation industry capability through better workforce planning and access to airspace and infrastructure

The department will help facilitate the group's consideration of these priorities during 2018–19.

## National Airports Safeguarding Advisory Group

The National Airports Safeguarding Advisory Group (NASAG) includes representatives of:

- ▶ Australian, state and territory government planning and transport officials
- ▶ the Department of Defence
- ▶ the Civil Aviation Safety Authority (CASA)
- ▶ Airservices Australia
- ▶ the Australian Local Government Association (ALGA)

The group developed the National Airports Safeguarding Framework as a national land use planning initiative to:

- ▶ minimise aircraft noise-sensitive developments near airports and improve community amenity
- ▶ improve safety by ensuring aviation safety requirements are recognised in land use planning decisions. This includes guidelines on various safety-related issues to be adopted by jurisdictions

In 2017–18 the department worked with NASAG to progress key elements of the framework, and to develop and implement a nationally consistent risk-based approach to public safety zone guidance for airports. The draft new Guideline 1 (Managing the Risk in Public Safety Zones at the Ends of Runways) underwent targeted industry consultation in October 2017 followed by public consultation from May until July 2018.

We also worked with NASAG members to develop guidance on protecting strategically important Helicopter Landing Sites (Guideline H) and to update Guideline B (Managing the Risk of Building Generated Windshear and Turbulence at Airports) to better reflect world's best practice.

Public consultation on these guidelines was conducted in September and October 2017.

Transport and Infrastructure Council ministers endorsed the guidelines on 18 May 2018. This will help improve protection of strategic helicopter landing sites from inappropriate development and address the impacts of building induced windshear and turbulence at airports.

## Policy advice to enhance aviation safety and technology

The department provided policy advice on a range of safety-related issues during the year. This included:

- ▶ progressing CASA implementation of agreed outcomes from the policy review of aviation rescue and firefighting services. The department provided instructions to develop draft regulations for industry and public consultation in 2017–18
- ▶ establishing a Remotely Piloted Aircraft Systems (RPAS) network with other government agencies to develop a coordinated approach and advice to government on RPAS issues, and to share information and ideas related to RPAS operations
- ▶ civil and military air traffic management harmonisation
- ▶ the potential application of Satellite Based Augmentation Systems (SBAS) to aviation and other modes of transport

In 2017–18 the department worked with CASA on the passage of Civil Aviation Safety Regulations, which relate to fuel and oil requirements for aircraft. Proposed regulatory amendments to self-administered organisations, flight operations and aerodrome safety regulations were considered.

## Effective governance of aviation safety agencies

During the year the department provided governance advice on:

- ▶ CASA
- ▶ Airservices
- ▶ appointments to the Australian Transport Safety Bureau board and commission
- ▶ corporate plans
- ▶ operational and financial performance reporting, including dividend recommendations related to Airservices Australia

## Policy advice to enhance industry competitiveness

Informed and considered policy advice was provided to the Australian Government on access to the Australian domestic and international aviation markets, and options to increase transport connectivity in this context.

In providing this advice, the department ensures businesses and consumers have access to competitive, sustainable international and domestic air services, in line with market requirements.

This included advice on a range of issues impacting regional aviation and the commercial challenges associated with the sector, as well as options and opportunities to further refine the government's policy approach when negotiating air service arrangements.

## International aviation agreements

The department aims to ensure businesses and consumers have access to competitive international air services in line with market requirements. During the year work continued with Australia's bilateral partners to negotiate new—and liberalise existing—air services agreements.

In 2017–18 the department also settled new or updated air services arrangements with 10 countries. New air services arrangements were established with Morocco, the Bahamas, Kazakhstan and Namibia. Revised air services arrangements were settled with India, Chile, Malaysia, Italy, Greece, Finland, Azerbaijan and Seychelles. The arrangements will provide opportunities for both Australian and foreign airlines and improve air connectivity with these countries.



**Secured 12 new and updated air services arrangements**, including Morocco, Kazakhstan and Greece.

## A regulatory framework that promotes aviation competitiveness

A key priority in 2017–18 was managing the sunset of aviation related legislative instruments. This ensures the industry operates within a clear and robust regulatory framework that promotes competition and balances the interests of relevant stakeholders. Work was progressed to remake legislative instruments associated with carriers' liability and insurance, and other sunset parts of the broader aviation economic regulatory framework were reviewed.

An effective regulatory framework for carriers' liability and insurance is important to ensure the interests of passengers and airlines are balanced in the context of compensation payments for accidents.

The department undertook several extensive rounds of stakeholder consultation to seek feedback on the current regulations, and how these could be improved. The aim is to provide an efficient and effective framework for industry to operate within: this feedback will help inform revisions to the regulations.

## Support for regional and remote aviation

The department provides targeted support for aerodrome infrastructure and air services to remote areas where they are not commercially viable. This is achieved through government programs that support regional and remote aviation access.

## Payment scheme for Airservices Australia's en route charges

Eligible aeromedical providers and commercial airlines that provide services to regional communities can be reimbursed for en route air traffic control charges. Airservices Australia's Enroute Charges Payment Scheme makes it possible for small regional airlines to fly to more destinations and makes regional airfares more affordable.

In 2017–18 the department administered \$1.6 million through the scheme. Estimated expenditure for the program was \$2.0 million. The scheme is demand-driven and the value of payments reflects the level of claims.

## Regional Aviation Access

The Regional Aviation Access Program (RAAP) funds remote airstrip upgrades, remote aerodrome inspections and subsidises essential weekly air services to remote communities.

In 2017–18, the department administered \$23.0 million through the scheme. Estimated expenditure for the program was \$23.1 million. The variation of approximately \$50,000 was due to a significant wet season in northern Australia which delayed infrastructure upgrade works.

## Airport Lessee Companies – reimbursement of parking fines

In 2017–18 the department administered partial reimbursement of parking fines to airport lessee companies under the Parking Infringement Notices Scheme. A total of \$1.0 million was administered through the scheme: estimated expenditure for the program was \$1.0 million. The value of the reimbursements and the cost of the program is driven by the number and dollar amount of fines collected by participating airports.

## Hobart Airport runway extensions – contribution

The Australian Government committed \$38 million to Hobart Airport in 2014 to extend the runway by up to 500 metres. The extension is part of a package of assistance from the Australian Government to support Tasmania's economy. Major project works were completed in February 2018.

In 2017–18 the department administered \$13.2 million for the project, which was completed in June. Estimated expenditure for the contribution was \$13.2 million.

## Summary of expenses

For a summary of expenses please refer to Air Transport Program (Program 2.4) at Appendix A.



# Regional Development Program

Through the Regional Development Program (Program 3.1) the department:

- ▶ influenced policy and program outcomes
- ▶ delivered a whole-of-government agenda for regional Australia
- ▶ maintained a regional evidence base
- ▶ delivered a regional ministerial budget statement
- ▶ managed regional and local government grants programs
- ▶ led the redesign and implementation of a revised Regional Development Australia program

The program contributed to one of our purposes: supporting regional development and local communities.



## Influencing policy and program development

The department influences policy and programs to ensure evidence-based support for regional Australia. Our aim is to build more resilient local economies and enable regional communities to drive their own futures.

The Regions 2030: Unlocking Opportunity policy statement was released at the end of 2016–17. It delivered a whole-of-government agenda outlining the Australian Government's focus for regional Australia as well as relevant current and future government activity in regional communities. The Regions 2030 agenda is driven by a commitment to position Australia's regions to unlock economic opportunities and ensure the benefits of Australia's growing economy are felt right across the nation.

The Regional Australia Ministerial Taskforce, chaired by the Prime Minister, the Hon Malcolm Turnbull MP led delivery of Regions 2030 and met in March and October 2017. The taskforce ensures the challenges and opportunities facing regional Australia are at the heart of government decision-making by bringing together key ministers from across government.

Building on Regions 2030, the department has explored policy solutions to help regions maximise their strengths and enhance resilience. This includes:

- ▶ examining ways to adapt the City Deal model for regional Australia
- ▶ helping mobilise action across all tiers of government to address the specific challenges
- ▶ capitalising on regional opportunities

The department worked closely with other portfolios to ensure the interests of regional Australians are well represented. During the year we:

- ▶ contributed to whole-of-government responses to major policy reviews, including the Independent Review of Regional, Rural and Remote Education

- ▶ worked closely with the Department of Jobs and Small Business and the Department of Industry, Innovation and Science to analyse issues facing vulnerable regions, and to ensure that adequate support is in place
- ▶ hosted the Trailblazers program in February in partnership with the Australian Broadcasting Corporation and the Foundation for Rural and Regional Renewal. This involved welcoming dozens of young leaders from across regional Australia to Canberra for a week of events and meetings with senior ministers and parliamentarians. The Trailblazer program provides young people in regional Australia an opportunity to share their experiences and highlight the positive changes they are making in their community

## Regional evidence base

One of our key focuses is maintaining a regional evidence base to track trends and issues relevant to the development of Australia's regions. This is done through the annual updates of the Progress in Australian Regions series, which inform communities and influence regional policy decisions.

The department released the Progress in Australian Regions Yearbook 2017 in December, the fourth annual edition in the series. This edition updated information from previous yearbooks and incorporated newly released data from the 2016 Census.

The department continues to focus on building the evidence base around best practice regional development policy and has commissioned a number of major research and evaluation projects to inform our policy work, including:

- ▶ research from the Commonwealth Scientific and Industrial Research Organisation (CSIRO) on the mega trends affecting regional Australia and likely future scenarios
- ▶ an evaluation of regional infrastructure grant programs to explore the economic and social outcomes of government funding. The evaluation includes an in-depth analysis of five case study projects across regional Australia. It found government funding for regional areas delivers a range of benefits, including local jobs and flow-on employment in the wider economy

The government supports the Regional Australia Institute (RAI) to deliver high quality research for policy makers. In the 2018–19 Budget the government committed \$1.2 million to the RAI over three years to deliver a national program that will inform public debate on issues that affect regional Australia.

The department participated in international forums during the year to share best practice and learn from the experience of other countries. This included attending the 38th and 39th meetings of the Regional Development Policy Committee of the OECD in Paris in December 2017 and April 2018.

## Regional Development Australia Committees

The independent review of the Regional Development Australia (RDA) program was released in August, together with the government's response. The review, prepared by the Hon Warwick Smith AM, provided a framework to reform and refocus the Regional Development Australia program and to facilitate economic growth in the regions. Key program reforms were:

- ▶ a new charter for RDA committees which focuses their work on facilitating economic development by creating local jobs, attracting investment and driving innovation
- ▶ consolidating the four Melbourne RDA committees into one, which is consistent with other capital city RDA committees
- ▶ expanding geographic coverage of the RDA network to include external territories of Christmas, Cocos (Keeling) and Norfolk Islands and the Jervis Bay Territory
- ▶ implementing a rigorous merit-based appointment process for the RDA chair, deputy chair and committee members
- ▶ establishing new performance measures to ensure the outcomes of RDA committee activities are properly monitored and measured

The new role of RDA coordinator was also established to work with all levels of government and the RDA committees. This will ensure regional development efforts are effectively coordinated, and facilitate discussions with and between government agencies to help committees achieve their regional development objectives.

The Australian Government recognises the important role of RDA committees:

- ▶ the Department of Jobs and Small Business is engaging employment facilitators as part of its \$18.4 million Regional Employment Trials program. This initiative is being introduced in 10 selected disadvantaged regions, and facilitators will work with committees to generate projects, connect with local stakeholders and promote economic opportunities



Deputy Secretary Judith Zielke PSM opening the Regional Development Australia Forum

- ▶ the Hon Dr John McVeigh MP, Minister for Regional Development, Territories and Local Government, sought the assistance of RDA committees to identify transformational projects for consideration under the Australian Government's \$272.2 million Regional Growth Fund
- ▶ the Department of Industry, Innovation and Science has sought RDA feedback on a range of policy and program initiatives. This includes the Industry Transition Framework and the \$20 million Export Hubs initiative, as well as an assessment of regional economic indicators that will inform industry policy
- ▶ in its response to the Independent Review into Regional, Rural and Remote Education (the Halsey Review), the Australian Government recognised RDA committees play an important role in promoting education programs. Where appropriate, they also act as a conduit between education providers and employers to help regions address skills gaps
- ▶ in its response to the Productivity Commission report on the telecommunications Universal Service Obligation, a taskforce was established to engage with stakeholders on the roll-out. It has consulted with more than 30 RDAs to date

In 2017–18 the department administered \$18.3 million for RDA committees.

## Regional Ministerial Budget Statement

The government delivered the Regional Ministerial Budget Statement 2018–19 to coincide with the May Budget. This outlines the Australian Government's investment in our regions across all portfolios. The 2018–19 Budget included more than 500 initiatives, including over 100 programs focused on creating jobs and supporting regional economic growth.

## Australian Government Decentralisation Agenda

The Decentralisation Agenda forms part of the government's commitment to promote economic activity in Australia's regions. It is designed to ensure every part of Australia benefits from our growing economy. Decentralisation of government jobs outside of Canberra, central Sydney and Melbourne will benefit regional communities by:

- ▶ creating local employment
- ▶ diversifying local economies
- ▶ stimulating economic growth

It also has the potential to provide long-term operational cost savings.

On 8 May 2018 the Australian Government announced that a number of positions would be relocated from Canberra, central Sydney and Melbourne from five government entities:

- ▶ 10 positions moved from the Office of the Registrar of Indigenous Corporations in Canberra to Darwin
- ▶ seven positions moved from the Department of the Prime Minister and Cabinet's Indigenous Affairs Group Regional Network in Melbourne's CBD to Shepparton. A further 25 positions moved from Sydney CBD to Parramatta

- ▶ the Unique Student Identifier Registrar moved 40 positions from Canberra to Adelaide
- ▶ the Office of the National Rural Health Commissioner will be established in Adelaide, creating four new positions
- ▶ three positions were moved from the Department of Infrastructure, Regional Development and Cities' Indian Ocean Territories unit in Canberra to Perth
- ▶ the Inland Rail Unit established nine positions in Toowoomba, Dubbo and Wodonga

## Water infrastructure policy and funding

On 19 December 2017 the Australian Government announced new portfolio arrangements that transferred responsibility for water infrastructure policy from the Department of Agriculture and Water Resources to the Department of Infrastructure, Regional Development and Cities.

The Australian Government's almost \$2.6 billion commitment to build the water infrastructure of the future is being realised through the \$580.0 million National Water Infrastructure Development Fund and the \$2.0 billion National Water Infrastructure Loan Facility.

In 2017–18 the department completed a second funding round for the National Water Infrastructure Loan Facility and the capital component of the fund. The round was over-subscribed, with 19 expressions of interest received seeking over \$376.0 million in Commonwealth funding. Five of these had received funding under the feasibility component of the fund to bring projects to the 'shovel-ready' stage.

Five projects were awarded funding between April and June 2018, including:

- ▶ \$25.3 million for the Scottsdale Irrigation Scheme in Tasmania
- ▶ \$11.6 million for the Mareeba–Dimbulah and \$3.0 million for the Nogoa–Mackenzie water supply scheme efficiency improvement projects in Queensland
- ▶ \$190.0 million for the Myalup Wellington Project in Western Australia
- ▶ \$3.0 million for the Sunraysia Modernisation project 2 in Victoria

The Australian Government also announced it would provide an additional \$46.1 million for the development of Rookwood Weir in Queensland, increasing its commitment to the project to \$176.1 million. The department is working with its Queensland counterparts to deliver the project.

These announcements saw total commitment to water infrastructure across the two programs reach \$631.0 million, including \$230.0 million for projects in northern Australia—well above the target commitment of \$200.0 million set in the White Paper on Developing Northern Australia.

During the year 22 feasibility studies were completed and the Northern Australia Water Resource Assessment—an initiative of the White Paper on Developing Northern Australia—was completed by the CSIRO.

Construction commenced on three water infrastructure projects including the Macalister Irrigation District and South West Loddon Rural Water Supply projects in Victoria, and the Northern Adelaide Irrigation Scheme in South Australia.

During the year the Australian Government committed the first concessional loan through the facility of \$50 million. This is to co-fund construction of the Myalup-Wellington Project with the Western Australian Government. Construction of this is expected to commence in 2018–19, with loan payments to be made on completion of construction milestones. The Australian Government has passed the Investment Corporation Act 2018 to establish the Regional Investment Corporation, which will administer water infrastructure loans from 1 July 2018.

## Regional program management

The government funds regional development programs to create jobs, drive economic growth and build stronger regional communities.

### Regional Growth Fund

The \$272.2 million Regional Growth Fund was established in 2017–18 and supports infrastructure projects to unlock economic opportunities across the regions. The fund provides grants of \$10 million or more for major transformational projects, which support long-term economic growth and create jobs, including in regions undergoing structural adjustment. State and territory governments, local governments, the private sector and not-for-profit organisations were invited to apply for funding. Applications opened on 2 March 2018 and closed on 27 April 2018. A total of 337 applications were received seeking funding of more than \$5.9 billion for a total project value of more than \$17.9 billion.

### Building Better Regions Fund

The Australian Government announced \$200 million to deliver a third round of the Building Better Regions Fund, bringing the total commitment for this program to \$641.6 million from 2017–18 to 2021–22. The fund is supporting regional and remote communities to partner with governments and other stakeholders and take advantage of a range of economic and regional development opportunities. A key objective of the new round will be to improve tourism-related infrastructure so more people can visit, enjoy and stay in regional Australia. Funding of \$45 million has been earmarked for these projects. Local governments and incorporated not-for-profit organisations are eligible to apply.

Round 1 resulted in 257 projects being funded across regional Australia. Round 2 opened on 7 November 2017 and closed on 19 December 2017. A total of 839 applications were received. Successful Round 2 projects are expected to be announced early in 2018–19. The department will support a review of the guidelines before the launch of Round 3.

The Department of Industry, Innovation and Science Business Grants Hub administers the grants assessment and contract management processes for the department.

## Regional Jobs and Investment Packages

The department administered the government's \$222.3 million Regional Jobs and Investment Packages. These will assist 10 pilot regions in Australia to diversify their economies, stimulate economic growth and deliver sustainable employment. The regions identified for investment are experiencing economic slowdown, but have untapped potential, which could lead to new growth and economic diversity.

The 10 pilot regions include Bowen Basin, Wide Bay Burnett, Tropical North Queensland, NSW North Coast, NSW South Coast, Geelong, Goulburn Valley, Latrobe Valley, Regional Tasmania and Upper Spencer Gulf.

During 2017–18 funding for 233 projects was approved with a total Australian Government commitment of \$220.5 million.

The Department of Industry, Innovation and Science Business Grants Hub administers the Regional Jobs and Investment Packages assessment and contract management processes.

## Community Development Grants Programme

The Community Development Grants Programme was established to support infrastructure that promotes long-term improvements in the social and economic viability of local communities.

A total of 796 projects are being delivered with a value of \$1.0 billion. During 2017–18, 110 projects were completed and a further 130 commenced.

## National Stronger Regions Fund

The department administers \$243.4 million through the National Stronger Regions Fund for infrastructure projects that deliver economic benefit and address disadvantage. Like the Building Better Regions Fund, National Stronger Regions operates as a competitive grants program. During 2017–18, 70 projects were completed and 114 were underway.

## Drought Communities Programme

The Drought Communities Programme provides employment for people whose work opportunities have been affected by drought in eligible local government areas. The Australian Government has committed \$34.5 million for the initiative over four years from 2015–16.

Funding is targeted towards local government areas that have experienced severe drought conditions. During 2017–18, 29 projects were completed and 51 were underway.

## Stronger Communities Programme

The Stronger Communities Programme (SCP) supports community organisations and local governments with small capital projects that deliver important social benefits to communities. The Australian Government has committed a further \$22.5 million to deliver a fourth round of the initiative. Like the first three rounds, round four will make funding of \$150,000 available in each

of the 150 federal electorates in 2018–19. Members of Parliament will identify suitable projects, and funding of between \$2,500 and \$20,000 is available for eligible projects. Funding must be matched in cash or in kind on at least a dollar for dollar basis.

The Department of Industry, Innovation and Science Business Grants Hub administers the grants assessment and contract management processes. During 2017–18, 2,217 Stronger Communities projects commenced under Round 3 of the program.

### Tasmanian Jobs and Growth Package

The department administered \$11.4 million through the Tasmanian Jobs and Growth Package for measures that support growth and employment, and stimulate Tasmania's economy. Three Tasmanian Jobs and Growth Package projects were completed in 2017–18 and three were underway.

### University of the Sunshine Coast, Moreton Bay Campus – concessional loan

See Infrastructure Investment section of this report.

### North Queensland Stadium

The \$250 million North Queensland Stadium project will deliver a 25,000 seat regional stadium in Townsville. The Australian Government committed \$100 million to the Queensland Government for the construction.

Preparatory works were completed and major construction works began in May 2018. The project completion remains on track for the 2020 National Rugby League season.

### Budget statements

The government delivered Regional Ministerial Budget Statements in 2017–18 to outline the Australian Government's investment in the growth of our regions.

### Summary of expenses

For a summary of expenses please refer to Regional Development Program (Program 3.1) at Appendix A.



# Local Government Program

Through the Local Government Program (Program 3.2), the department:

- ▶ delivered and managed the Financial Assistance Grant program
- ▶ administered the National Awards for Local Government

The program contributed to one of our purposes:  
supporting regional development and local communities.



## Financial Assistance Grant program

In 2017–18 the department administered \$2.4 billion through the Financial Assistance Grant program in accordance with the Local Government (Financial Assistance) Act 1995. These funds support more equitable levels of local government services delivery across Australia.

## National Awards for Local Government

The department delivered the 33rd annual National Awards for Local Government during the year, recognising, rewarding and promoting the innovative work of local governments across Australia. In May 2018, the Hon Dr John McVeigh MP announced 2018 award winners across 10 categories, showcasing local government projects that demonstrate leading practice, deliver improved outcomes, and have the potential to be rolled out across the country and make a meaningful difference for communities.

## Transport and Infrastructure Council asset registers

See the Infrastructure Investment section of this report.

## Supplementary Local Roads Funding for South Australia

The department administered \$20.0 million through the Supplementary Local Roads Funding for South Australia program. South Australia is responsible for 11.7 per cent of national local roads and currently receives 5.5 per cent of total local road funding under the Financial Assistance Grant program. Supplementary Local Roads Funding for South Australia is in addition to funding provided through the Financial Assistance Grant program and Roads to Recovery program. It aims to ensure that Australian Government funding is more appropriate to the level of local road maintenance required.

## Summary of expenses

For a summary of expenses please refer to Local Government Program (Program 3.2) at Appendix A.

# Service to Territories Program

Through the Services to Territories Program (Program 4.1), the department:

- ▶ delivered essential infrastructure, services and legal frameworks to the external territories and Jervis Bay Territory
- ▶ progressed financial and governance reform for Norfolk Island
- ▶ managed the world heritage Kingston and Arthur's Vale Historic Area on Norfolk Island
- ▶ administered a loan to the Australian Capital Territory Government to implement its Loose Fill Asbestos Insulation Eradication Scheme
- ▶ advised the Australian Government to effectively administer its interest in the Australian Capital Territory and the Northern Territory

The program contributed to one of our purposes: providing good governance in the territories.



## External territories and Jervis Bay Territory

The department is responsible for delivering essential infrastructure, services and legal frameworks to the external territories and Jervis Bay Territory. While we deliver some services directly, the majority of service delivery and infrastructure tasks are negotiated and managed through agreements with service providers.

The department is also responsible for delivering legal frameworks to ensure comparable rights and protections for local citizens.

### Norfolk Island

#### Financial and governance reform

The department has continued progressing financial and governance reform for Norfolk Island through constructive community partnerships.

The department has entered into agreements with:

- ▶ the Norfolk Island Regional Council to deliver a range of services
- ▶ the Australian Federal Police for local policing
- ▶ the NSW Government to provide governance and operational support for health, education and local government

Local residents are now receiving the vast majority of federal services that mainland Australians receive. Work continues to increase the range and quality of state level services so they are consistent with those provided to similar sized communities.

In 2017–18 the department continued to progress legislative reform for Norfolk Island in accordance with the Legislation Consultation Framework. This focused on the priority areas of criminal justice reform and improvements to local government operations. Some of the key laws and legislative changes made during the year have:

- ▶ improved functioning of the criminal justice system
- ▶ introduced community title on the island to support more effective land use
- ▶ established a new legal framework for the Norfolk Island Central School

### Norfolk Island Commonwealth administration

In 2017–18 the department managed \$987,000 for Norfolk Island Commonwealth administration. These funds were used to support the Norfolk Island administrator exercise statutory and on-island community engagement duties.

### Services to Norfolk Island

In 2017–18 the department administered \$32.7 million for services to Norfolk Island. To ensure the delivery of essential services, we have agreements with service providers including with the:

- ▶ Australian Federal Police and the Commonwealth Director of Public Prosecutions, to provide policing and prosecution services
- ▶ Norfolk Island Health and Residential Aged Care Service, to deliver health and child wellbeing services
- ▶ NSW Government for the provision of teachers and the NSW curriculum at the Norfolk Island Central School, and to oversee health services and some local government support services
- ▶ Norfolk Island Regional Council for the delivery of other community services

The department also underwrites air services to Norfolk Island, to ensure reliable access for the community to the mainland, and to support tourism.

A key change to service delivery on the Island in 2017–18 was establishing a child and family wellbeing unit, which will work with the community and other service providers on Norfolk Island to improve services to families and children.

The department also worked on initiatives to improve local infrastructure, including upgrading port facilities at Cascade Pier and refurbishing health and education assets.

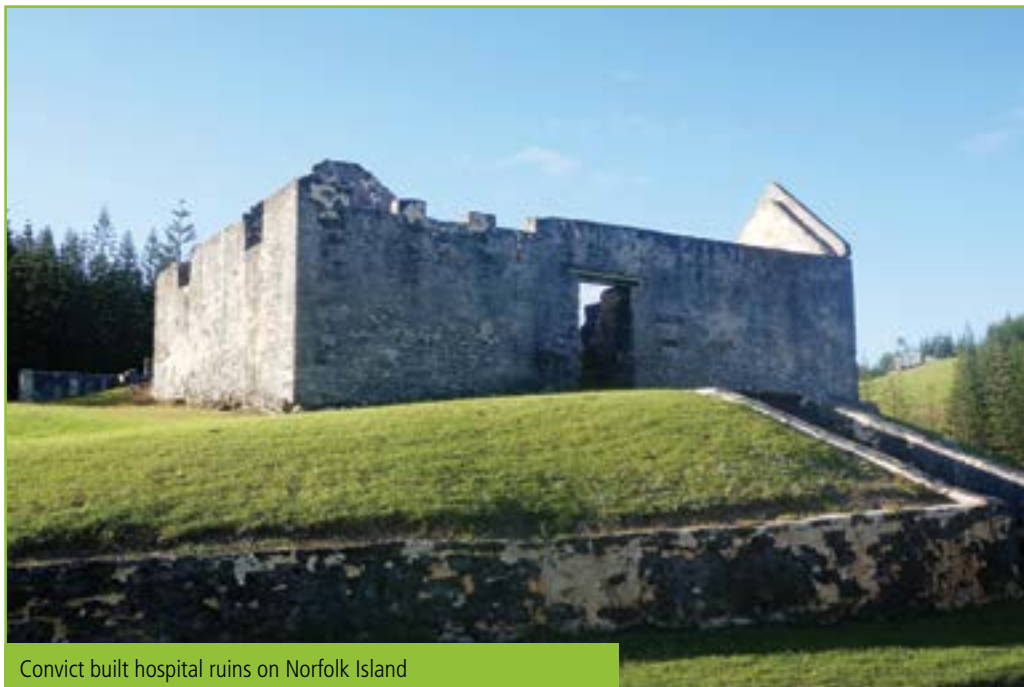
### Kingston and Arthur's Vale Historic Area

The department is responsible for the world heritage Kingston and Arthur's Vale Historic Area on Norfolk Island, including ensuring compliance with relevant legislation and agreements to sustainably protect heritage values. Our focus is on developing the site's potential to provide a positive contribution to the community's social and economic wellbeing.

In 2017–18 the department administered \$737,000 for the Kingston and Arthur's Vale Historic Area. These funds were used for essential heritage conservation works, scoping priority work,

health and public safety priorities, and to support an advisory committee with expert and local community members.

Estimated expenditure for the program was \$632,000. A variance of \$109,000 was due to scoping work, health and public safety priorities.



Convict built hospital ruins on Norfolk Island

## Indian Ocean Territories

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### Services to Indian Ocean Territories

In 2017–18 the department administered \$114.8 million for services to the Indian Ocean Territories. This was used to:

- ▶ support delivery of state-type services by the Western Australia government
- ▶ contract private sector providers to deliver services, such as port and airport management, air services, and bus and ferry services
- ▶ fund the Indian Ocean Territories Administration to provide services and maintain community infrastructure, including public housing, emergency management services, health and power services
- ▶ support the functions of the Office of the Administrator of Christmas Island and the Cocos (Keeling) Islands
- ▶ support community organisations to provide training activities and promote tourism
- ▶ fund the shires of Christmas Island and the Cocos (Keeling) Islands to provide local government services, and the Australian Federal Police to provide community policing

- upgrade and replace assets, including priority stormwater works, a crawler crane for the Christmas Island port, and upgrades to the wastewater treatment plant on the Cocos (Keeling) Islands

### Indian Ocean Territories Special Account 2014

The Australian Government provided \$21.7 million during the year through the Indian Ocean Territories Special Account 2014. The funds were used to deliver essential services (such as power, water, healthcare and medical supplies) and infrastructure (such as ports, airports and public housing).

### Christmas Island Phosphate Mining Rehabilitation Special Account 2016

In 2017–18 the Australian Government provided \$1.5 million through the Christmas Island Phosphate Mining Rehabilitation Special Account 2016. The funds were provided to Parks Australia to restore rainforest on relinquished mine sites on Christmas Island.

## Jervis Bay Territory

### Services to Jervis Bay Territory

In 2017–18 the department administered \$6.8 million for services to the Jervis Bay Territory. These were used for a range of essential services, including education, justice, welfare, emergency services, water, electricity and health services.

### Jervis Bay Territory Special Account 2014

A number of projects were undertaken during the year to improve infrastructure and service delivery in the Jervis Bay Territory. This included sewerage and stormwater works, and road maintenance. In 2017–18, the Australian Government provided \$1.1 million through the Jervis Bay Territory Special Account 2014. These funds were used for a number of projects to improve infrastructure and service delivery, including sewerage and stormwater works and road maintenance.

## Administering the Australian Government's interest in the Australian Capital Territory and Northern Territory

The department provides advice on administering the Australian Government's interests in the Australian Capital Territory and the Northern Territory.

This work has included facilitating ministerial appointments, managing the overarching legislative framework for self-government, supporting reforms to the National Capital Authority and providing policy advice on the ACT Government's proposal for Stage 2 Light Rail.

## Loan to the ACT Government for loose-fill asbestos insulation eradication

The department continued to administer a loan to the ACT Government to implement its Loose Fill Asbestos Insulation Eradication Scheme. The ACT Government has made three annual interest payments since 30 June 2015. The first principal repayment of \$50.0 million was paid by 30 June 2018.

## Australian Capital Territory Government – national capital functions

The department administered \$1.9 million to the ACT Government during the year for national capital functions. This includes services to fulfil diplomatic, treaty and other obligations.

Estimated expenditure for the program was \$1.9 million. The variance of \$40,000 was due to negotiated service agreements being less than the budgeted amount.

## Office of the Administrator, Northern Territory

A total of \$334,000 was administered by the department or the Office of the Administrator, Northern Territory, during the year. These funds were used for costs associated with the Office of the Administrator.

## Summary of expenses

For a summary of expenses please refer to Services to Territories Program (Program 4.1) at Appendix A.

# Smart Cities Plan

The Smart Cities Plan is a major policy initiative that sets the vision for productive and liveable cities that foster innovation, support growth and create jobs. It aims to harness smart investment, smart policy and smart technology to secure the economic success of Australian cities, and to make our cities great places to live and work. City Deals are the key mechanism to deliver on this vision. These bring together the three levels of government, the community and private enterprise to create long-term partnerships.

To support the Australian Government's Smart Cities Plan, the department:

- ▶ bring together three levels of government, the community and private enterprise to create place based partnerships through City Deals
- ▶ deliver the Australian Government's Smart Cities and Suburbs Program
- ▶ maintain the national cities performance framework

The program contributed to one of our purposes:  
supporting regional development and local communities.



The department updated our purpose in December 2017 to reflect the inclusion of cities (Program 3.3) in our portfolio.

## City Deals

City Deals provide a framework for collaboration between the three levels of government, community and private sector, and are designed to unlock economic potential in a city. The partnership focuses on aligning planning, investment and governance to accelerate growth and job creation, stimulate urban renewal and drive economic reforms to secure the future prosperity and liveability of our cities.

Our unique and diverse cities mean a standard approach will not work. Each City Deal is tailored to meet local needs and set out the specific investment, planning, policy or regulatory changes needed to unlock business and industry development, and to ensure community wellbeing. The department brings together decision makers and key stakeholders to identify priority issues for the city, and to develop various solutions that, once agreed, are implemented by the City Deal partners.

Our work on City Deals was highlighted in the Voluntary National Review on the Implementation of Sustainable Development Goals, released by the Australian Government on 15 June 2018. This review describes how Australia is addressing the 2030 Agenda for Sustainable Development.

## Townsville City Deal

Australia's first City Deal – Townsville – is a long term plan to achieve a shared vision for Townsville as an economic gateway to northern Australia, and a lifestyle-rich city for residents and visitors alike. The implementation plan identifies how commitments under the deal will be delivered over the next five years to boost confidence for industry and investors, create more jobs and stimulate a more diverse economy. Implementation of commitments under the City Deal are progressing well. In 2017–18 the department worked with partners through various stakeholder forums to release the first annual progress report in April.

## Launceston City Deal

The Launceston City Deal is a five-year commitment (from 2017 to 2022) between the Australian Government, the Tasmanian Government and the City of Launceston. It is a collective program of planning, reform and investment to build on the region's natural advantages and improve the lives of residents. Over the longer-term, the City Deal will help position Launceston as one of Australia's most liveable and innovative regional cities. Commitments and targeted investment under the City Deal will maximise the potential of Launceston and its region by:

- ▶ delivering growth in jobs, skills, business, industry and population
- ▶ increasing innovation and industry engagement
- ▶ promoting a healthy Tamar Estuary

In 2017–18 the department continued implementation through the Launceston City Deal Executive Board, which represents all levels of government and key investment partners to ensure coordinated and accountable delivery.

## Western Sydney City Deal

Building on the Australian Government's \$5.3 billion commitment to Western Sydney Airport, the Australian, New South Wales and eight local governments in Western Sydney signed the landmark Western Sydney City Deal on 4 March 2018.

For more information, please see the Western Sydney City Deal section of this report.



## Future City Deals

The Australian Government's approach to City Deals is evolving and improving as it learns from local and international experience, particularly in the United Kingdom. Australia's first City Deals have helped create a shared vision for each city's future and confidence for investors. They have enabled us to broker outcomes beyond the provision of funding, and have addressed some of the policy, regulatory and administrative barriers to economic growth. In 2017–18 the Australian Government announced its intention to develop City Deals in Darwin, Hobart, Geelong and Perth.

### Darwin City Deal

The Darwin City Deal is an opportunity to develop a more liveable city, create more jobs, and improve outcomes for Indigenous residents. Darwin is a unique city—Australia's only tropical capital city—and has a number of advantages including proximity to Asia. But the city is also facing challenges, including the wind down in construction of a major resource project, and slowing population growth. The department is working with the Northern Territory Government and the City of Darwin to identify areas where collaboration can build on Darwin's strengths.

### Hobart City Deal

On 16 January 2018 the Prime Minister, the Hon Malcolm Turnbull MP, and Tasmanian Premier, the Hon Will Hodgman MP, marked the start of the City Deal negotiation by signing a Heads of Agreement outlining the vision and objectives for Hobart.

The city is undergoing a period of sustained growth. It has high employment, an increasing population and thriving industry sectors such as tourism. A Hobart City Deal will support this growth, capitalising on its existing strengths in Antarctic science, logistics and STEM disciplines to create new jobs and foster innovation. The department is working with the Tasmanian Government and the Hobart, Kingborough, Glenorchy and Clarence councils to develop the City Deal in consultation with key stakeholders. Working groups have been established to progress the focus areas. These are governed by a senior officials group and Joint Ministerial Committee.

### Geelong City Deal

On 17 January the Prime Minister and Acting Victorian Premier, the Hon James Merlino MP signed a memorandum of understanding on City Deals for Victoria, with the first priority being Geelong. The Australian Government is working closely with state and local governments, business and community groups to develop the Geelong City Deal. It will support Geelong and the region to capitalise on competitive advantages, drive economic activity and generate employment growth, while maintaining liveability. Priorities include supporting tourism in the region, including along the Great Ocean Road, diversifying the economy, and ensuring transport and other infrastructure accommodates population growth.

## Perth City Deal

On 27 April 2018 the Prime Minister and the Premier of Western Australia, the Hon Mark McGowan MLA signed a City Deals memorandum of understanding, and agreed to prioritise a City Deal for Perth. This will build on the Australian Government's recent \$1.1 billion commitment to METRONET, and focus on leveraging this transformative investment to maximise Perth's growth and development as a liveable, productive, and sustainable city.

Three levels of government will work together on commitments in key areas related to METRONET. Discussions on the Perth City Deal are at an early stage, and include identifying opportunities that address local needs, challenges and priorities, and establishing governance arrangements. As part of the negotiations, local governments will be invited to present bold ideas for initiatives and reforms that will transform the future of Perth.

## Smart Cities and Suburbs Program

Smart technology is a key pillar of the Australian Government's Smart Cities Plan. Digital technologies and open data will help cities realise benefits and opportunities.

The Australian Government's \$50 million Smart Cities and Suburbs Program supports urban projects that apply smart technology, data-driven decision making and people-focused design to deliver economic, social and environmental benefits. Applications are encouraged for collaborative projects led by local governments, which apply innovative technology solutions to urban challenges, and deliver economic, social and environmental benefits.

Forty-nine Round 1 projects were announced in November 2017 from all states and territories benefiting from the \$27.7 million of Australian Government funding. In addition to this funding under Round 1, partners—including local governments, industry, research organisations and the private sector—are contributing almost \$36 million. Collaboration between local governments, industry, research organisations, tech start-ups and manufacturers in cities and towns across Australia supports the growth of emerging industries. It also helps build smart city capability at the local level. Forty per cent of projects are located in regional areas.

In 2017–18, 176 applications were assessed for funding under the program and endorsed by independent probity advisors. Successful Round 1 projects will support a strong domestic digital technology sector and a 21st century knowledge economy. For example:

- ▶ harnessing satellite surface temperature data to enable pedestrians and cyclists in Bendigo to map cooler routes on hot days
- ▶ using Wi-Fi temperature loggers and infrared drone images to collect data on the effect of roof colour on home temperature, and displaying the data in new housing estates in outer Perth
- ▶ investing in CCTV, Wi-Fi, bin sensors, electric car charging systems, renewable energy generation and LED public lighting to help digitally transform the South Australian town of Kapunda. Data analytics from this project will help market and promote the town

The Minister for Urban Infrastructure and Cities, the Hon Paul Fletcher MP, announced a second round of the program on 2 May.

## National cities performance framework

The Australian Government's Smart Cities Plan measures the success of our policies and informs Australians about the trends and changes in our cities.

The online National Cities Performance Framework delivers on that commitment by publishing indicators to help measure the progress of Australia's cities. The framework:

- ▶ supports better policies and interventions to improve outcomes in Australia's cities
- ▶ informs the public about issues and trends facing our cities
- ▶ helps governments monitor the progress of City Deals

The framework is the first of its kind for Australia and brings together critical cities information in an easily accessible online format. By regularly updating indicators of city performance, the framework increases transparency and accountability in decision-making, and links policy evaluation with measurable outcomes. The framework will help all levels of government deliver city policies that strengthen the economy and enhance our quality of life.

The first National Cities Performance Framework was launched on 8 December 2017. It measures the progress and performance of Australia's largest 21 cities plus Western Sydney. It is the first official framework of its kind in Australia and brings together critical data in an easily accessible online format. The final report has been downloaded more than 2,800 times, and the online dashboard had accrued over 58,712 page views at 30 June 2018. The framework will help all levels of government, industry and the community to better target, monitor and evaluate cities policy and investments, including through City Deals.

In 2017–18 the department undertook research to identify and secure the best available city level indicators. The robust consultation process included expert workshops, roundtables, bilateral meetings and an online forum established for the Cities Reference Group. We also released the Performance Framework Interim Report for public feedback in July 2017. The interim report was downloaded more than 3,500 times and 35 submissions were received from stakeholders including local governments and peak industry bodies. The department also partnered with the Digital Transformation Agency to deliver the online dashboard, and worked with a consultancy to develop the underpinning data.

The framework is a living resource that will be improved through annual updates and three-yearly reviews. This includes ongoing cooperation with governments, industry and the community to improve the underpinning data.





# PART 5

## Annual Performance Statements

# Part 5:


## Annual Performance Statements

### Statement

I, Dr Steven Kennedy PSM, the accountable authority for the Department of Infrastructure, Regional Development and Cities during the 2017–18 reporting period, present the 2017–18 performance statements of the department, as required under section 39(1)(a) of the Public Governance, Performance and Accountability Act 2013 (PGPA Act).

These performance statements report our performance in 2017–18, including results against the measures in our 2017–18 Corporate Plan and Portfolio Budget Statements, and broad analysis against our purposes.

In my opinion, these annual performance statements are based on properly maintained records, accurately reflect performance results against departmental purposes and comply with sub-section 39(2) of the PGPA Act.



Dr Steven Kennedy PSM  
19 September 2018

# Summary: 2017–18 performance statements




Table 5.1 provides a consolidated traffic-light summary of the department’s results against each performance measure. Subsequent tables and text provide more detailed performance results for each measure and an analysis on how these help assess our department in achieving purposes.

The majority of the department’s performance measures are effectiveness measures, set at the purpose level. The department deliberately set targets against purpose-level measures above what we could achieve alone, to recognise the contributions of other Australian Government portfolio entities, state, territory and local governments, and industry. The remaining measures detail our role and the outputs we contribute, which influence the achievement of purpose-level measures.

Consistent with the presentation of the 2017–18 Corporate Plan, the Annual Performance Statements address the department’s management of program risks through the analysis of each purpose. Additional information about the department’s risk management and capability development during 2017–18 can be found in Part 3 of this report.

We noted the Department of Finance’s direction in Resource Management Guide No. 135 that recommends descriptions of processes and activities be avoided in annual performance statements (paragraph 33). This descriptive information is not included in our 2017–18 performance statements, but is included in Part 4—Activities.

## Traffic light summary key

The 2017–18 result met the target	
Our activities are contributing to progress against the target, but performance information is still under development	
The 2017–18 result did not meet the target	

**TABLE 5.1** Traffic-light summary of results

Measure	2017–18 result
Supporting economic growth through transport	
1. Volume of freight	●
2. Percentage of major road projects funded with a benefit cost ratio above 1.0	●
3. Percentage of major airport projects funded with a benefit cost ratio above 1.0	●
4. Travel time savings arising from major road projects and programs (note same as measure 17)	●
5. Transport CO <sub>2</sub> equivalent emissions	●
6. Proportion of Australia's roads included in the Transport and Infrastructure Council Asset Register	●
7. Community understanding of road funding issues (not being measured in 2017–18)	n/a
10. Passenger movements in the aviation sector	●
Making travel safer	
11. Number of road fatalities	●
12. Serious injuries due to road crashes	●
13. Number of rail fatalities	●
14. Number of maritime fatalities	●
15. Percentage of road vehicle standards that are harmonised with international standards	●
16. Number of aviation fatalities	●
Increasing transport access	
17. Travel time savings arising from major road projects and programs (note same as measure #4)	●
18. Level of capacity for the rail network	n/a
19. Level of capacity for coastal freight	n/a
20. Level of capacity at major city airports	●
21. Level of available capacity in international aviation markets	●
22. Opportunities available to Australian airlines in international aviation markets	●
23. Level of aviation services to remote communities (note same as measure 33)	●
Supporting regional development and local communities	
28. Number of employed persons outside capital cities	●
29. Disposable household income for low and middle incomes outside capital cities	●
30. Financial assistance provided to support equitable levels of services by local government bodies	●
31. Jobs supported by infrastructure investment and regional program investments	●
32. Jobs supported by Western Sydney Airport project	●
33. Level of aviation services to remote communities (note same as measure 23)	●

*continued...*



Measure	2017–18 result
36. National Water Infrastructure Development Fund Investments provide affordable water to support the growth of regional communities	●
37. National Water Infrastructure Loans Facility established to support state and territory investment in water infrastructure that will provide affordable water to support the growth of regional economies	●
38. Number of projects receiving funding through the Smart Cities Suburbs Program	●
Providing good governance in the territories	
34. Communities in the external territories and Jervis Bay Territory have comparable services and essential infrastructure to similar communities	●
35. Legal and governance frameworks in the external territories and Jervis Bay Territory are appropriate for the protection and wellbeing of the communities	●
<p>Note: Measures 8, 9, 24, 25, 26, and 27 in the 2017–18 Corporate Plan related to the transport security function, which was transferred to the Department of Home Affairs in December 2017. The Department of Home Affairs has taken responsibility for all reporting requirements relating to the transport security function</p> <p>Measures 36, 37 and 38 did not appear in the 2017–18 Corporate Plan. These relate to cities and dam functions which were received into the department in December 2017</p>	

# Supporting economic growth through transport

## Improving transport efficiency and sustainability to facilitate the movement of people and freight

The department plays a pivotal role in ensuring Australian's transport systems are productive and able to respond to growing freight and commuter needs. It does this by providing policy advice and managing the Australian Government's infrastructure investment, surface transport and air transport programs. This is particularly important as our cities and regional centres continue to expand. In 2016–17 alone, Australia's total population was estimated to have grown by around 406,600, with 81% of that growth concentrated in our capital cities.<sup>3</sup>

External factors can have a powerful effect on transport outcomes. To improve the efficiency and sustainability of Australia's transport systems, we depend on the commitment and efforts many stakeholders. In particular the department works closely with portfolio bodies, state, territory and local government officials and freight industry participants.

In 2017–18 our contribution to economic growth through transport was through three budget programs:

- ▶ Infrastructure Investment (Program 1.1)
- ▶ Surface Transport (Program 2.2)
- ▶ Air Transport (Program 2.4)

Program activities are outlined in Part 4 of this report.

<sup>3</sup> Australian Bureau of Statistics (ABS) 2017, Australian Demographic Statistics, ABS cat. no. 3101.0, Canberra, and Australian Bureau of Statistics (ABS) 2017, Regional Population Growth, Australia, 2016–17, ABS cat. no. 3218.0, Canberra

# Performance results

TABLE 5.2 Results against performance measures

Measure		
1. Volume of freight		
Target	Increased rolling average compared to previous 10 year period	Trend 2006/07–2015/16
Previous result	10 year average to 2014–15 was 577 btkm (billion tonne kilometre)	Total freight task
2017–18 result	<p>Australian freight volumes have continued to grow with a 10 year average to 2015–16 of 603 billion tonne kilometres (btkm), up 4.5 per cent compared to the previous 10 year rolling average</p> <p>The 10 year average coastal trading volume declined from 112.9 btkm to 111.7 btkm</p> <p>The 10 year average rail freight volume increased from 274.4 btkm to 296.8 btkm</p> <p>The 10 year average road freight volume increased from 189.8 btkm to 194.3 btkm</p> <p>The 10 year average air freight volume decreased from 0.33 btkm to 0.32btkm</p>	<p>Coastal shipping</p> <p>Rail</p> <p>Road</p> <p>Air</p>
2. Percentage of major road projects funded with a benefit cost ratio above 1.0		
Target	100%	
Previous result	88% in 2016–17	
2017–18 result	89% in 2017–18	
3. Percentage of major airport projects funded with a benefit cost ratio above 1.0		
Target	100%	
Previous result	100% in 2016–17	
2017–18 result	100% in 2017–18	

continued...

## Measure

### 4. Travel time savings arising from major road projects and programs (note same as measure 17)

Target	Reduced travel times
Previous result	In 2016–17, the department prepared a case study on the Bruce Highway Cooroy to Curra (Section A) project, which reduced travel times from an average of 9.3 minutes to approximately 7.6 minutes for up to 16,000 vehicles a day
2017–18 result	The department relies on project proponents' advice regarding travel time savings. The department expects reduced travel times to be achieved on projects where travel time savings are identified as an expected benefit of a project, and this is reported to the department – see project described in the analysis below and the activities section of this report for examples of travel time savings

### 5. Transport CO<sub>2</sub> equivalent emissions

Target	Decreased rolling average compared to previous 10 year period (< 89,841 gigagrams of CO <sub>2</sub> equivalent)	Trend 2007/08–2016/17
Previous result	10 year average to 2015–16 was 89,841 gigagrams of CO <sub>2</sub> equivalent	
2017–18 result	The 10 year average to 2016–17 was 91,012 gigagrams of CO <sub>2</sub> equivalent, up 1.3 per cent compared to the previous 10 year rolling average	



### 6. Proportion of Australia's roads included in the Transport and Infrastructure Council Asset Register

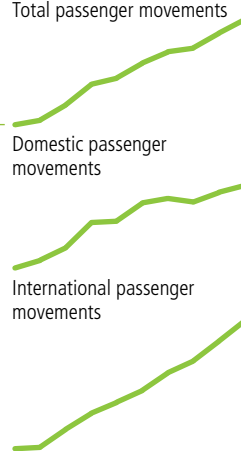
Target	Increased proportion compared to previous year (> 8%)
Previous result	In 2016–17, 8% of roads were included
2017–18 result	In 2017–18, 11% of roads were included, up compared to 2016–17

### n/a 7. Community understanding of road funding issues

Target	Increased, demonstrated through community surveys (to be measured in 2018–19 and 2020–21)
Previous result	Baseline established in 2016–17 indicating that 80% of respondents had very little awareness of how roads are funded
2017–18 result	Not being measured in 2017–18

### 10. Passenger movements in the aviation sector

Target	Increased rolling average compared to previous 10 year period	Trend 2007/08–2016/17
Previous result	10 year average to 2016–17 was 85.1 million total passenger movements 10 year average to 2016–17 was 55.1 million domestic passenger movements 10 year average to 2016–17 was 30.0 million international passenger movements	Total passenger movements
2017–18 result	10 year average to 2017–18 was 88.0 million total passenger movements, up 3.4 per cent. 10 year average to 2017–18 was 56.2 million domestic passenger movements up 2.1 per cent 10 year average to 2017–18 was 31.8 million international passenger movements up 5.8 per cent	Domestic passenger movements International passenger movements



Note: Measures 8 and 9 in the 2017–18 Corporate Plan related to the transport security function, which was transferred to the Department of Home Affairs in December 2017. The Department of Home Affairs has taken responsibility for all reporting requirements relating to the transport security function

# Analysis

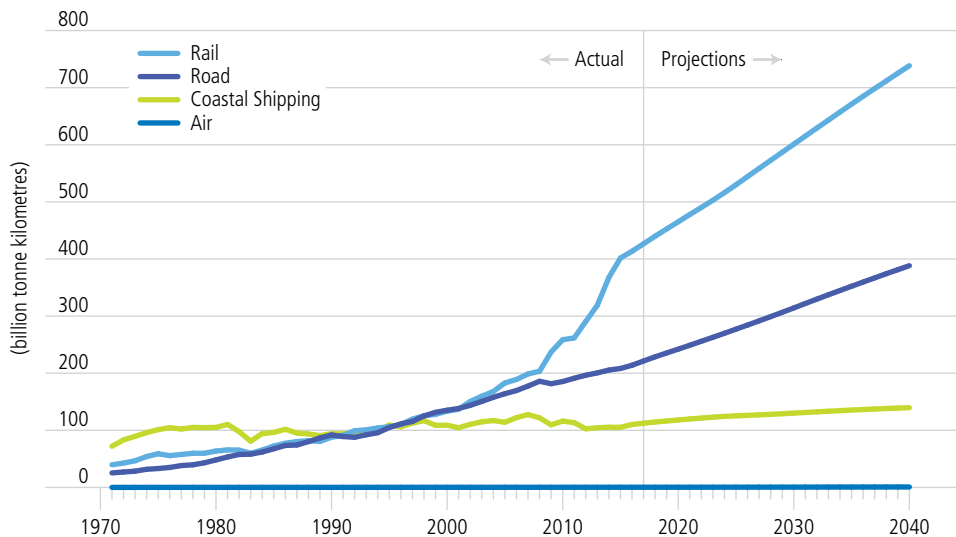
By providing policy advice and managing the Australian Government’s infrastructure investment, surface transport and air transport programs, the department plays a pivotal role in ensuring our transport systems are productive and able to respond to growing freight and commuter needs. This is particularly important as our cities and regional centres continue to expand. In 2016–17 alone, Australia’s total population is estimated to have grown by around 406,600, with 81% of that growth concentrated in our capital cities.<sup>4</sup>

Freight occupies a key place in the Australian economy. Australia’s transport industry accounted for 4.7 per cent of gross domestic product in 2016–17.<sup>5</sup> Improvements in the productivity and efficiency of this sector have flow on impacts for the economy as a whole, lowering costs for businesses, growing international market share and raising living standards.

The department’s contribution to improving freight productivity and volumes transported included not only investment in infrastructure, but also ‘non-build’ solutions including regulation and governance reforms such as those set out in the Inquiry into National Freight and Supply Chain Priorities.

The results of this measure show strong growth in Australia’s freight sector, which is expected to continue.

**FIGURE 5.1** Actual and projected domestic freight task by mode 1972 to 2040



Bureau of Infrastructure, Transport and Regional Economics (BITRE) 2014, Freightline 1 – Australian freight transport overview, BITRE, Canberra.

<sup>4</sup> Australian Bureau of Statistics (ABS) 2017, Australian Demographic Statistics, ABS cat. no. 3101.0, Canberra and Australian Bureau of Statistics (ABS) 2017, Regional Population Growth, Australia, 2016–17, ABS cat. no. 3218.0, Canberra

<sup>5</sup> Bureau of Infrastructure, Transport and Regional Economics (BITRE), 2017, Yearbook 2017: Australian Infrastructure Statistics, Statistical Report, BITRE, Canberra ACT

The government is working with states and territories to develop a national freight and supply chain strategy that builds on the outcomes of the Inquiry into National Freight and Supply Chain Priorities. This strategy will provide a strong foundation to continue reform and improve the freight sector.

The department undertakes robust business case assessments of projects proposed for Commonwealth funding to ensure infrastructure investments achieve government policy objectives and value for money. The business case will generally include a benefit–cost ratio—one of a number of factors considered in our assessment of each business case. While recognising that equity objectives may also need to be considered when evaluating business cases, investing in projects with a benefit–cost ratio above 1.0 helps ensure that the economic benefits of the project to the community—and the nation—exceed the cost of delivering the project. In 2017–18, 89% of major road projects funded had a benefit–cost ratio above 1.0.

Australia’s aviation sector provides an essential service by physically connecting people and businesses to one another and to the rest of the world. This includes by transporting high-value goods quickly to markets and bringing international visitors to the country. In supporting the sector to carry out this vital role, airports are linked intrinsically to the social and economic performance of our country, cities and regions.

The need for a new airport in Western Sydney is driven by the continued growth in demand for aviation services in the Sydney basin, and physical constraints at the existing airports.

The 2016 business case for the Western Sydney Airport project shows that the project is expected to generate net benefits of approximately \$5.441 billion and a benefit–cost ratio (BCR) of over 1.8. As the BCR is greater than one, the economic cost–benefit assessment anticipates the project will deliver a net benefit to the community. The Western Sydney Airport has been planned for operational efficiency and to accommodate future growth. The business case complemented the social, environmental and economic analysis in the Environmental Impact Statement and demonstrates that it is expected to generate significant economic benefits for Western Sydney and the greater Sydney region.

Travel time savings lower costs for business by reducing travel times and improving road services reliability, as well as contributing amenity through reduced travel times for commuters and other road users. For example, when completed, the upgrade of the Pacific Highway between Hexham near Newcastle and the Queensland border will save motorists travelling the length of the upgrade around two and a half hours from when works began in 1996. Reduced travel times and increased efficiency will be enjoyed by all users, including freight transport, local and tourist traffic. The upgrade involves the full duplication of more than 600 kilometres of the Pacific Highway. The new route alignment follows a more direct path, reducing the length of the journey, with smoother grades contributing to better efficiency. As the new route has been built to a higher standard, it will also support a revised speed limit of 110 kilometres an hour along much of the route. As part of the upgrade, many towns are bypassed. This improves safety and amenity in these places while reducing travel times. Although bypasses often follow a longer route, they avoid the speed limitations and hazards common in urban environments. Further details on the Pacific Highway project are available in part 4.

The department helped reduce CO<sub>2</sub> emissions from new light vehicles through the mandatory fuel consumption labelling scheme under the Australian Design Rules. It also maintained the online Green Vehicle Guide. The label and Green Vehicle Guide allow car buyers to compare the environmental performance (such as CO<sub>2</sub> emissions) of light vehicles sold in Australia and informs their purchasing decisions.

Australia supported adoption of a strategy to reduce greenhouse gas emissions from shipping through the International Maritime Organization. The strategy sets a pathway to emissions reduction that is consistent with the Paris Agreement temperature goals, including a target to reduce greenhouse gas emissions from international shipping by at least 50 per cent by 2050 compared to 2008 levels.

The department continued work to extend the Transport and Infrastructure Council's heavy vehicle asset registers to include roads managed in selected local government areas. This involved working with the Australian Road Research Board on a pilot program in Victoria to understand the road data that a range of local councils would be able to provide. The aim of asset registers is to improve transparency and accountability to heavy vehicle road users around the levels of service they receive on freight routes. It is important that we test the feasibility of extending that to the 80% of Australia's roads managed by local government.

Communication and research activities undertaken by state and territory government agencies, the transport sector and industry bodies, academics and thought-leaders (via television, print, social media and radio) help influence community understanding of how Australian roads are funded. The department continued work during the year with these stakeholders to help shape and inform messages about road infrastructure funding.

Aviation is a key sector for Australia's economic prosperity. In 2016–17 the aviation sector is estimated to have contributed over \$9.6 billion directly to Australia's GDP.

Strong growth in demand for aviation services has been an enduring trend in the Australian economy, with passenger movements, both domestically and internationally, exhibiting strong growth over the last 20 years.

In 2017–18, passenger movements in the aviation sector increased from 98.0 million in 2016–17 to 101.4 million, a 3.5 per cent increase. Domestic passenger movements increased 2.5 per cent year on year, while for international passenger movements, the figure was 5.1 per cent.

This strong growth is driven in part by the department's commitment to an open and competitive industry with cost effective regulation which balances stakeholder needs with appropriate economic, safety and security requirements. Internationally, the department also seeks to liberalise our bilateral air services arrangements in line with market requirements.

Throughout 2017–18 the department held air services discussions with 22 economies, and settled new or updated air services arrangements with 12 countries. These open new opportunities for Australian and foreign airlines to operate to and from Australia, ensuring we have the appropriate frameworks in place to cater for future demand.

Passenger volumes can be influenced by many factors outside of the department's control, including:

- ▶ domestic economic conditions (for example, the slowing of growth in the resources sector impacting regional sectors)
- ▶ volatility in the international market fuelled by global financial and political uncertainty
- ▶ cyclical pressures on airline and airport financial performance (for instance, increased fuel prices affecting the commercial viability of sectors with smaller financial margins)

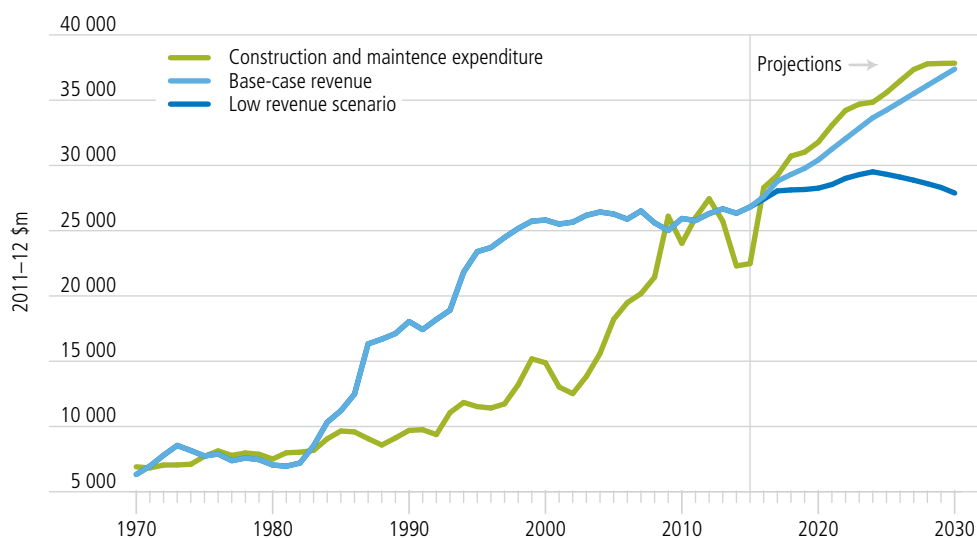
The measure results indicate that improvements in transport efficiency are making a positive contribution to economic growth with increases in freight volumes, aviation passenger movements, and reduced travel times from major road projects. All major airport projects and the vast majority of major road projects had benefit cost ratios above 1.0.

## Efficiency of departmental activities related to supporting economic growth through transport

To improve the understanding of the efficiency of road investment, the department worked with state and territory governments to benchmark the cost of road construction and procurement timeliness for a second time. The analysis, prepared by the department's Bureau of Infrastructure, Transport and Regional Economics (BITRE), looked at 2017 procurements and was published in the 2018 Road Construction Cost and Infrastructure Procurement Benchmarking Report.

With information about 32 road construction projects, BITRE found the average cost to build each lane of a kilometre of road was \$5.1 million in 2017 (\$5.4 million/lane kilometre for rural arterial roads, and \$6.8 million for urban freeways). Average costs were lower than in 2015 (\$6.5 million/lane kilometre for rural arterial roads, and \$7.8 million for urban freeways). Infrastructure procurement times had also improved slightly since 2015, shortening to an average of 89 weeks (from 91 weeks in 2015).

**FIGURE 5.2** Road-related revenue and expenditure estimates to 2030 (2011–12 prices)



Source: BITRE, 2015, Australian Infrastructure Statistics Yearbook 2015, Table 1.4, p.42 and earlier issues and BITRE estimates



## CASE STUDY 1

### OPTIMISING THE BENEFITS OF CITY SHAPING DEVELOPMENTS IN WESTERN SYDNEY

The Australian Government, together with the NSW Government and local governments of Sydney's Western City, are working to build a stronger and more prosperous Western Sydney. This once-in-a-generation transformation will meet the needs of the region's growing population by investing in major infrastructure projects, and delivering on commitments that will catalyse investment, development and job opportunities.

#### Western Sydney Airport

Western Sydney Airport is one of the most significant transport infrastructure projects underway in Australia. The Australian Government is investing up to \$5.3 billion in equity over 10 years to develop Western Sydney Airport through a Commonwealth company, WSA Co Construction. Work will start in the second half of 2018, and the airport is on track to open in 2026.

With a cost benefit ratio of over 1.8, Western Sydney Airport will deliver real benefits to the Western Sydney community and its economy. The airport will connect the growing Western Sydney region to the world and be a catalyst for investment, accelerate infrastructure development, and strengthen Western Sydney as a major economic region in its own right. It will be a major generator of long-term employment and economic activity, supporting tens of thousands of jobs closer to where people live during both construction and operation.

Employment targets will maximise jobs for locals, provide training and employment opportunities, and engage indigenous and disadvantaged people.

The airport will attract business investment in Western Sydney across a range of industries, from manufacturing and logistics to hospitality, education and other professional services. It will enable businesses to have quicker and more convenient access to overseas markets. For example, goods manufacturers and exporters of perishable items will be able to reach markets in Asia the next morning. There will also be opportunities for tourism in the region, with the airport providing better access to destinations across Western Sydney and the Blue Mountains.

#### Western Sydney Infrastructure Plan

Good road and rail links will allow the airport and surrounding growth areas to meet their full potential. The Australian and NSW governments are constructing new and upgraded roads around the airport under the \$3.6 billion Western Sydney Infrastructure Plan. These upgrades are well underway and will connect Western Sydney Airport to Sydney's motorway network, relieve pressure on existing infrastructure and unlock the economic capacity of the region by easing costly congestion, reducing travel times and creating thousands of local jobs.

## Western Sydney City Deal

The Western Sydney City Deal builds on the Western Sydney Airport development to maintain and enhance the area's unique character. It will improve community infrastructure and liveability and support a new Western Parkland City.

Delivery of the first stage of a North South Rail Link from St Marys through the airport to the Badgerys Creek Aerotropolis is a key deliverable. The first stage of North–South rail will help shape Western Sydney's growth and support new jobs and homes for the Western Parkland City. The Badgerys Creek Aerotropolis will be established as a world-class city precinct adjoining the airport, and will drive new investment and attract high value jobs to the region.

Key themes and commitments of the Western Sydney City Deal include:

- ▶ Connectivity – connecting the Western Parkland City by world-class road, rail, aviation and digital infrastructure.
- ▶ Jobs for the future – building on the unique opportunity of the Western Sydney Airport to drive business investment and employment growth.

- ▶ Skills and education – coordinating the approach to education, skills and training to ensure those who live, work and play in the Western Parkland City can take advantage of the substantial job opportunities now and into the future.
- ▶ Planning and housing – a package of reform across the planning spectrum to deliver housing targets, and ensure sustainable growth and coordination across all levels of government.
- ▶ Liveability and environment – working together to ensure the Western Parkland City is a great place to live, with inclusive and welcoming communities and celebrated natural assets.
- ▶ Governance – a shared vision and implementation plan to deliver for the future of the Western Parkland City.

## What's next?

The Western Sydney City Deal is a new way of collaborating between federal, state and local government. The department will continue working with our state and local government partners to jointly deliver City Deal commitments in 2018–19.



Penrith in Western Sydney

# Making travel safer

## Minimising the number and severity of transport safety incidents

The department works to reduce the number and severity of safety incidents across all transport modes by regulating, providing policy advice, and managing the Australian Government's infrastructure investment, surface transport, road safety and air transport programs. Key activities include:

- ▶ investing in safer infrastructure
- ▶ developing and enforcing vehicle design standards
- ▶ fostering a strong safety culture within transport industries

Through these, the department focuses on achieving long-term transport safety improvements.

Transport safety is a complex policy area, and, as with other transport outcomes, external factors can have a powerful effect. As such, the department coordinates its activities with those of a number of stakeholders. Domestically, the department works with other Australian Government transport agencies and with industry, researchers, safety specialists, unions, and state, territory and local governments. Internationally, the department is part of forums including the International Civil Aviation Organization (ICAO), the International Maritime Organization (IMO) and the Organisation for Economic Co-operation and Development (OECD).


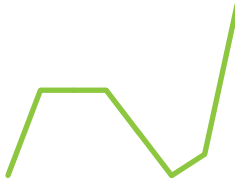
In 2017–18 the department helped make travel safer through four budget programs:

- ▶ Infrastructure Investment (Program 1.1)
- ▶ Surface Transport (Program 2.2)
- ▶ Road Safety (Program 2.3)
- ▶ Air Transport (Program 2.4)


Program activities are outlined in Part 4 of this report.

## Performance results

**TABLE 5.3** Results against performance measures

Measure		
● 11. Number of road fatalities		
Target	On track to achieve the target in the National Road Safety Strategy 2011–2020 to reduce road deaths by at least 30 per cent on 2008–2010 figures by 2020	Trend 2008–2017 
Previous result	In 2016–17 there were 1,223 fatalities: a 14.2% reduction relative to the 2008–2010 baseline of 1,426 road deaths	
2017–18 result	In 2017–18 there were 1,222 fatalities: a 14.3% reduction relative to the 2008–10 baseline, which suggests we are not yet on track to achieve the target.  To be on track to achieve the National Road Safety Strategy target*, the reduction in fatalities relative to the baseline should be closer to 25%	
● 12. Serious injuries due to road crashes		
Target	On track to have source data and establish a baseline to monitor progress and inform targets by 2019–20	
Previous result	New measure	
2017–18 result	The department is partnering with AustRoads and state and territory governments to establish nationally consistent source data on serious road crashes injuries by 2019–20. We are on track to collect and report this data in 2019–20. This will enable us to establish a baseline to monitor progress and inform targets over time	
● 13. Number of rail fatalities		
Target	Decreased rolling average compared to previous 10 year period	
Previous result	Data not available for 2016–17	
2017–18 result	In 2017 there were six fatalities reported by the Office of the National Rail Safety Regulator (excluding suicide and trespass <sup>b</sup> ). Data on a 10 year period is not currently available, and as such an assessment against the target set for this measure in 2016–17 cannot be made	
● 14. Number of maritime fatalities		
Target	Decreased rolling average compared to previous 10 year period	Trend 2010–2017 
Previous result	Data on a 10 year period are not currently available, so an assessment against the target set for this measure in 2016–17 cannot be made	
2017–18 result	Data on maritime fatalities are only available for 2017, and the previous seven years (that is, from 2010). In 2017, 10 maritime fatalities were recorded  Over the seven years to 2017, the average number of maritime fatalities was 5.3. This is an increase compared to the average of the previous seven-year period—2010 to 2016—which was 4.1 maritime fatalities  Data on a 10 year period are not currently available, so an assessment against the target set for this measure in 2016–17 can not be made	
● 15. Percentage of road vehicle standards that are harmonised with international standards		
Target	Increased compared to previous year	
Previous result	93% harmonised	
2017–18 result	94% harmonised, an increase compared to the previous year	

continued...

Measure		
● 16. Number of aviation fatalities		
Target	Decreased rolling average compared to previous 10 year period	Trend 2008–2017
Previous result	The average number of aviation fatalities for the 10 years up to 2016 was 34.0	
2017–18 result	The average number of aviation fatalities for the 10 years to end of 2017 was 33.6, which was a decrease compared to the 10 years to end of 2016	

- a While there has been long-term decline in the number of deaths from 3,798 in 1970 to a record low of 1,150 in 2014, deaths have increased over the last five years (from 1,187 in 2013 to 1,226 in 2017). It is now unlikely that the 30 per cent reduction target for deaths will be achieved by 2020
- b The statistics apply only to those railways within ONRSR's area of operation within this reporting period – South Australia, New South Wales, Tasmania, Northern Territory, Victoria, Australian Capital Territory, Western Australia (1 January 2017 to 31 December 2017) and Queensland (from 1 July 2017)

## Analysis

During 2017–18 the department continued work to reduce the social and economic impacts of safety incidents, and to improve the long-term sustainability of the road, maritime and aviation systems. In doing so, we worked closely with state and territory government officials, regulators, industry and other stakeholders.

The National Road Safety Strategy (NRSS) 2011–2020, a joint initiative of the Australian, state and territory governments, is firmly based on the Safe System approach. This involves a holistic view of the road transport system and the interactions among roads and roadsides, travel speeds, vehicles and road users. It recognises human error and requires the system to be more forgiving so that crashes are less likely, and when they do happen, the result is not death or serious injury. In 2017 the Australian Government initiated an inquiry into the NRSS with two independent co-chairs to examine evidence, consult with stakeholders, and advise what can be done better to prevent road trauma.

During the year BITRE continued to collect and publish data on road deaths and crashes that is used to track progress against the NRSS fatality targets, and to inform policy development and the community. BITRE also worked with jurisdictions on new performance indicators (for example for deaths involving drugs) and managed the Austroads' project to develop a national source of serious injury data by linking hospital and crash data.

The number of road crash deaths in Australia has declined over recent decades, from a high of 3,798 in 1970 to a low of 1,151 in 2014. Following stronger progress in the early years of the current NRSS, the number of deaths in 2017–18 represents modest progress and it is now unlikely that the 30 per cent reduction target will be met. Despite the increase in the number and size of trucks on the roads, the rate of fatal crashes per registered vehicle decreased by more than 51 per cent for articulated trucks and by eight per cent for rigid trucks between 2007 and 2017.

The Australian Design Rules specify mandatory requirements that vehicles must meet before they can be supplied to the market. These are mostly performance-based standards that deliver levels of vehicle safety, emission control and anti-theft protection that are generally expected by the Australian community. Since the mid-1980s, the department has worked to progressively harmonise the rules with internationally-based United Nations vehicle regulations. Harmonisation ensures that vehicles built and supplied to the Australian market can be fitted with the latest vehicle safety technologies.

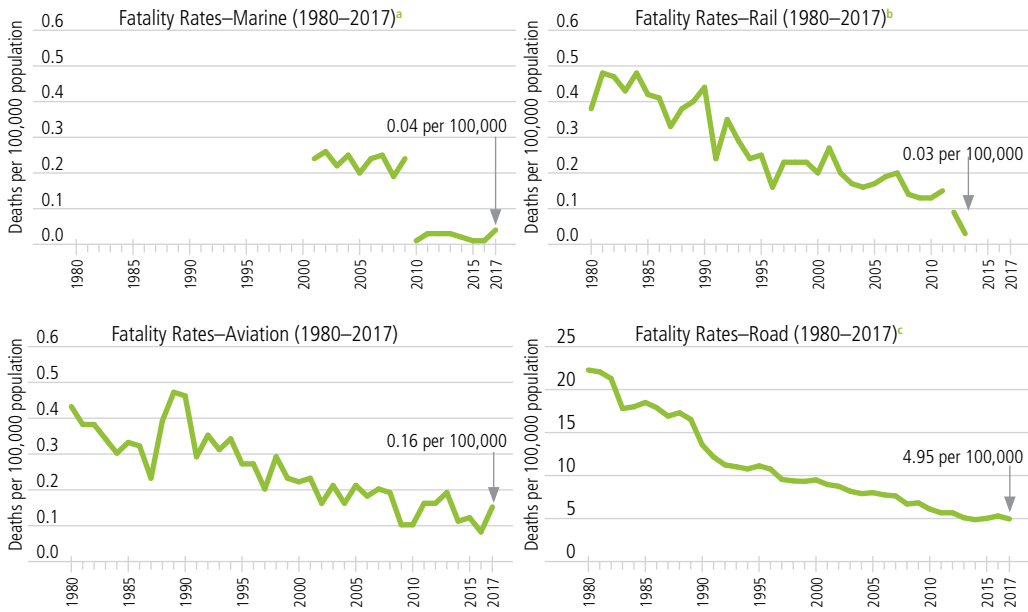
Both the Office of the National Rail Safety Regulator and the National Heavy Vehicle Regulator continued work to harmonise Australia's rail safety and heavy vehicle safety regulations respectively. By implementing more nationally consistent regulatory frameworks, the regulators are making it easier for industry to comply, particularly those businesses undertaking cross border operations. The department worked with the national rail and heavy vehicle regulators to facilitate regulatory and administrative changes that will deliver productivity improvements. Examples include:

- ▶ our leadership of the Heavy Vehicle Strategy Group to support more effective compliance and enforcement as well as permit granting arrangements
- ▶ work to promote the changes to heavy vehicle chain of responsibility laws
- ▶ support for the Office of the National Rail Safety Regulator
- ▶ work to review alcohol and drug testing arrangements

The department helped improve maritime safety outcomes by implementing the Navigation Act 2012 which gives effect to the International Convention for the Safety of Life at Sea. The Act promotes safety at sea and safe navigation, and ensures that the Australian Maritime Safety Authority (AMSA) has the powers to inspect vessels and enforce national and international standards. We also contributed to maritime safety through our governance of AMSA, and by working closely with the authority to implement maritime policy matters.

Our aviation safety role is to facilitate changes to the aviation legislative and regulatory framework, and coordinate Australia's Aviation State Safety Program. During 2017–18 an International Civil Aviation Organization (ICAO) audit of Australia's aviation safety system lifted our safety oversight score to 95% and into the world's top 10. This independent assessment of Australia's aviation safety oversight capabilities looked at our aviation legislation, licensing, operations, civil aviation organisational structures, air navigation and accident investigation. This positive outcome reflects the efforts of a range of stakeholders including the department, CASA, Airservices Australia, the Australian Transport Safety Bureau, AMSA and the Bureau of Meteorology.

FIGURE 5.3 Fatality rates by transport mode



Notes: **a** Marine fatalities data from 2010 onwards were compiled using a different methodology and should not be compared with earlier results  
**b** Rail fatality and serious injury data from 2012 onwards excludes suspected suicide and trespass occurrences. They were compiled using new methodology and should not be compared with earlier results  
**c** Y axis ranges are not the same as the other transport modes

Source: BITRE, 2017, Yearbook 2017: Australian Infrastructure Statistics, Statistical Report, Canberra ACT  
BITRE, 2018, Road Deaths Australia, June 2018, Canberra

## Efficiency of departmental activities related to ‘making travel safer’

BITRE works with jurisdictions to develop new performance indicators (for example for deaths involving drugs) and manages the Austroads’ project to develop a national source of serious injury data by linking hospital and crash data.

## CASE STUDY

### LIVES SAVED – ANTI-LOCK BRAKING SYSTEMS (ABS) FOR MOTORCYCLES

ABS is a closed-loop system that reduces wheel lock during braking, resulting in improved vehicle stability and control under heavy braking. Although established for many years on passenger cars and heavy vehicles, it is less widespread on motorcycles. Australian motorcyclists ride for various reasons including recreation, low-cost transport and ease of commuting in congested areas. In doing this they also face around 20 times the fatality risk per kilometre travelled to that of a car occupant. Over 200 deaths a year (around 18 per cent of all road deaths) are motorcyclists, despite motorcyclists representing only around 4 per cent of the Australian vehicle fleet. This costs the Australian community \$2 billion a year.

#### Real-world research

As part of the National Road Safety Action Plan 2015–2017, the Australian Government partnered with VicRoads to commission real-world research into the effectiveness of motorcycle ABS in Australian conditions. The research found ABS to be highly effective at reducing motorcyclist trauma.



#### How this helps motorcyclists

The department undertook a multi-stage consultation strategy to present the research, separate it from some of the myths and anecdotal evidence about ABS, and to better understand its use and acceptance amongst riders and manufacturers. This included Australia-wide face-to-face workshops with motorcycle groups, the release of a preliminary discussion paper, consultation and a final Regulation Impact Statement. Manufacturers were integral in working with the government to develop the proposal into a practical regulation for implementation.

#### New design rule

In November 2017, the Hon Paul Fletcher, Minister for Urban Infrastructure, signed an Australian Design Rule requiring advanced braking systems including ABS to be fitted as standard on certain new motorcycles.

#### What's next?

From November 2019 new motorcycles sold in Australia will feature the same life-saving ABS technology currently required in Europe, Japan and a number of other major markets around the world. This will save close to 600 Australian motorcyclist lives over an expected 15 year period of regulation and provide a net benefit of \$1.62 billion in road trauma savings.

All data from: Department of Infrastructure, Regional Development and Cities, "Regulation Impact Statement — Advanced Motorcycle Braking Systems for Safer Riding," 2017



# Increasing transport access

## Connecting people, communities, businesses and markets

Road, rail, maritime and air transport are critical to connect people with their jobs, communities and essential services. The department facilitates access across all transport modes by regulating, providing policy advice and managing the Australian Government's infrastructure investment, surface transport and air transport programs.

As with other transport outcomes, a diverse range of external factors can affect transport access. These include the demands of our growing population and increasing freight volumes, the spatial distribution of communities and the policies of other key infrastructure investors—including state, territory and local governments, and industry. To maximise access, we work closely with influencing stakeholders. These include, domestically, other Australian Government transport agencies as well as industry, unions, and state, territory and local governments. Internationally, the department works as part of forums including the International Civil Aviation Organization, the International Maritime Organization and the Organisation for Economic Co-operation.

In 2017–18 our contribution to this area was through three budget programs:

- ▶ Infrastructure Investment (Program 1.1)
- ▶ Surface Transport (Program 2.2)
- ▶ Air Transport (Program 2.4)

Program activities are outlined in Part 4 of this report.

## Performance results

**TABLE 5.4** Results against performance measures

Measure	
● 17. Travel time savings arising from major road projects and programs (note same as measure 4)	
Target	Reduced travel times
Previous result	In 2016–17 the department prepared a case study on the Bruce Highway Cooroy to Curra (Section A) project, which reduced travel times from an average of 9.3 minutes to approximately 7.6 minutes for up to 16,000 vehicles a day
2017–18 result	The department relies on project proponents' advice regarding travel time savings. The department expects reduced travel times to be achieved on projects where travel time savings are identified as an expected benefit of a project, and this is reported to the department – see project described in the analysis below and the activities section of this report for examples of travel time savings
n/a 18. Level of capacity for the rail network	
Target	Increased
Previous result	Not measured
2017–18 result	Data are not available for these measures  While some of the department's activities are designed to increase rail network capacity and coastal freight capacity, current resources are unable to measure it as an outcome. These measures will be removed in 2018–19 and the department's future focus for performance will be on the existing related measure, freight volumes
n/a 19. Level of capacity for coastal freight	
Target	Increased
Previous result	Not measured
2017–18 result	Data are not available for these measures  While some of the department's activities are designed to increase rail network capacity and coastal freight capacity, current resources are unable to measure it as an outcome. These measures will be removed in 2018–19 and the department's future focus for performance will be on the existing related measure, freight volumes
● 20. Level of capacity at major city airports	
Target	Increased compared to rolling strategic 20 year planning period
Previous result	Increased, achieved through updating eight air services arrangements and implementing five new air services arrangements
2017–18 result	By expanding commercial opportunities for airlines in new and existing markets, new and updated air services arrangements increase the level of capacity at major city airports and the level of available capacity in international aviation markets  New and updated arrangements also increase opportunities for Australian airlines to serve the respective market, either using their own aircraft or through cooperative commercial arrangements with foreign airlines (for example, code share)  In 2017–18 there were 107 air services arrangements in place, an increase compared to 2016–17 when there were 103 arrangements  During 2017–18 eight existing arrangements were updated, four new arrangements were made, and two air services agreements were signed. Five of the updated/new arrangements resulted in increased aviation capacity for both Australian and foreign airlines at Sydney, Melbourne, Brisbane and Perth airports

*continued...*

## Measure

### 21. Level of available capacity in international aviation markets

Target	Increased compared to previous year
Previous result	Increased, achieved through updating eight air services arrangements and implementing five new air services arrangements
2017–18 result	<p>By expanding commercial opportunities for airlines in new and existing markets, new and updated air services arrangements increase the level of capacity at major city airports and the level of available capacity in international aviation markets</p> <p>New and updated arrangements also increase opportunities for Australian airlines to serve the respective market, either using their own aircraft or through cooperative commercial arrangements with foreign airlines (for example, code share)</p> <p>In 2017–18 there were 107 air services arrangements in place, an increase compared to 2016–17 when there were 103 arrangements</p> <p>During 2017–18 eight existing arrangements were updated; four new arrangements were made; and two air services agreements were signed. Five of the updated/new arrangements resulted in increased aviation capacity for both Australian and foreign airlines at Sydney, Melbourne, Brisbane and Perth airports</p>

### 22. Opportunities available to Australian airlines in international aviation markets

Target	Increased compared to previous year
Previous result	Increased, achieved through updating eight air services arrangements and implementing five new air services arrangements
2017–18 result	<p>By expanding commercial opportunities for airlines in new and existing markets, new and updated air services arrangements increase the level of capacity at major city airports and the level of available capacity in international aviation markets</p> <p>New and updated arrangements also increase opportunities for Australian airlines to serve the respective market, either using their own aircraft or through cooperative commercial arrangements with foreign airlines (for example, code share)</p> <p>In 2017–18 there were 107 air services arrangements in place, an increase compared to 2016–17 when there were 103 arrangements</p> <p>During 2017–18 eight existing arrangements were updated, four new arrangements were made, and two air services agreements were signed. Five of the updated/new arrangements resulted in increased aviation capacity for both Australian and foreign airlines at Sydney, Melbourne, Brisbane and Perth airports</p>

### 23. Level of aviation services to remote communities (note same as measure 33)

Target	Maintained or increased compared to previous year
Previous result	In 2016–17 departmental activities guaranteed aviation services were provided to 266 remote communities
2017–18 result	In 2017–18 departmental activities guaranteed aviation services to 266 remote communities, maintaining service levels compared to 2016–17

Note: Measures 24, 25, 26 and 27 in the 2017–18 Corporate Plan related to the transport security function, which was transferred to the Department of Home Affairs in December 2017. The Department of Home Affairs has taken responsibility for all reporting requirements relating to the transport security function

## Analysis

Increasing transport access for all Australians is a key focus for our department. Through access to safe, efficient and sustainable domestic and international transport systems, the department aims to contribute to Australia's continuing prosperity and the wellbeing of all Australians. During 2017–18 the department progressed work across various activities, programs and modes including the Regional Aviation Access Program, air services agreements, coastal freight, infrastructure investment, and rail network capacity.

The department helps increase transport access for all Australian's by designing and implementing the Australian Government's infrastructure policies and investment programs, especially in remote communities. The commitment to the Kennedy Developmental Road project under the Northern Australian Roads Program is an example of how we work with states and territories to prioritise projects which improve road reliability, reduce travel times, cut costs for freight operators and enhance economic opportunities. This year work progressed on making the road safer and more reliable during significant weather events for local communities and industries. Sealing sections of the Kennedy Developmental Road between The Lynd and Hughenden is expected to reduce travel times from 37 minutes to 26 minutes. In addition to the efficiency gains for regional businesses, improving this road will benefit communities by delivering more reliable access to community services and employment opportunities.

The department provides policy advice, oversees planning and manages the Australian Government's investment through selected infrastructure programs to deliver efficiency-enhancing transport infrastructure. It does this in partnership with state, territory and local governments and other implementation bodies, such as the Australian Rail Track Corporation Limited and the Moorebank Intermodal Company Limited.

The Australian Government is working to ensure that capacity exists for coastal shipping to play an increasing role in Australia's freight transport network. The Coastal Trading (Revitalising Australian Shipping) Amendment Bill 2017 was introduced to parliament in September 2017. This is designed to reduce the regulatory burden of the current coastal trading regime and increase the capacity of coastal shipping, which will benefit Australian manufacturing, mining and agricultural industries. The amendments will introduce greater flexibility and certainty to the coastal trading market and make coastal shipping a more competitive way to move freight.

The growth in the level of available capacity at major city airports (Sydney, Melbourne, Brisbane and Perth) directly relates to the new and updated air services arrangements negotiated by the department. These show the number of new markets open for Australian and foreign airlines and indicate more liberalised market access. This results in increased passenger traffic at major Australian airports, subject to airlines taking up new and updated commercial opportunities.

The level of available capacity in international aviation markets is related to the number of new and updated air services arrangements. The department is working to negotiate new—and liberalise existing—air services arrangements, and is progressively removing a range of market access restrictions (including on routes, capacity and traffic rights).

Expanded commercial opportunities available to Australian airlines in international aviation markets could be reflected in the number of new and updated air services arrangements which open new markets or liberalise market access in existing arrangements.

Maintaining the level of aviation services to remote areas ensures that Australians living in those communities can receive goods and services more reliably, and access regional service centres. In 2017–18 under the Regional Aviation Access Program, air services continued to be subsidised to 266 designated remote communities. Communities can apply to access the subsidised flights at any time. The department works with communities to maximise the benefits from the flights.

The government announced further funding for access and safety works at 31 remote aerodromes, improving the reliability of air services to these locations, especially during the wet season when air links are especially important. These projects were undertaken with state and local governments.

Our work to increase transport access means we liaise closely with state, territory and local governments to:

- ▶ improve planning
- ▶ provide strategic policy advice
- ▶ strengthen investment decision making
- ▶ make the most of share investments

By connecting people, communities, businesses and markets, the department provides a stronger Australia and stronger Australian economy.

### Efficiency of departmental activities related to increasing transport access

The Inquiry into National Freight and Supply Chain Priorities highlighted the importance for the national economy of ensuring key intermodal hubs and ports are accessible and operate efficiently.

# Supporting regional development and local communities

## Delivering jobs and economic growth for regional Australia and improving standards of living through influencing policy, investing in infrastructure and building community capability

Australia's regional areas are home to one third of the population and are an important source of job creation and production.

The department supports regional development and local communities by providing policy advice, and managing the Australian Government's infrastructure investment, air transport, regional development and local government programs. Regional Development Australia Committees that we manage help foster local leaders who can facilitate regional growth opportunities tailored to their circumstances. Equally important is the financial assistance provided through grants programs to promote economic growth and ensure equitable levels of local government services across Australia.

The drivers of regional wellbeing are highly complex; our regions are diverse and changes to the national economy can affect individual regions in different ways. To support regional development and local communities, the department works closely with all tiers of government and local stakeholders.

In 2017–18 our contribution to this purpose was through four budget programs:

- ▶ Infrastructure Investment (Program 1.1)
- ▶ Air Transport (Program 2.4)
- ▶ Regional Development (Program 3.1)
- ▶ Local Government (Program 3.2)

Program activities are outlined in Part 4 of this report.

## Performance results

**TABLE 5.5** Results against performance measures

Measure		
●	<b>28. Number of employed persons outside capital cities</b>	Trend 2008–2017
	Target	Increased compared to previous year
	Previous result	3.81 million persons in 2016
	2017–18 result	3.88 million persons in 2017, up compared to 2016
●	<b>29. Real disposable household income for low and middle incomes outside capital cities</b>	Trend 2007/08–2015/16
	Target	Increased compared to previous year
	Previous result	In 2013–14, real disposable incomes were \$523/week (in \$15–16)
	2017–18 result	In 2015–16, real disposable incomes were \$521/week, largely unchanged
●	<b>30. Financial assistance is provided to support equitable levels of services by local government bodies</b>	
	Target	Financial assistance is provided in accordance with the Local Government (Financial Assistance) Act 1995
	Previous result	\$3.5 billion in financial assistance provided to local government bodies in accordance with the Act
	2017–18 result	\$2.4 billion in financial assistance provided to local government bodies in accordance with the Act
●	<b>31. Jobs supported by infrastructure investment and regional program investments</b>	
	Target	Demonstrated through delivery of Australian Government funded projects
	Previous result	In 2016–17 the department prepared a case study on the Werrington Arterial Road, which supported more than 80 direct and indirect jobs. Overall the Western Sydney Infrastructure Plan is expected to support approximately 4,000 direct and indirect jobs over its 10-year lifetime. The department provided information on the expected number of jobs supported by a further four projects
	2017–18 result	By delivering Australian Government funded projects, the department supported both direct and indirect jobs – see case study included in the analysis below
●	<b>32. Jobs supported by Western Sydney Airport project</b>	
	Target	Construction commenced in 2018–19
	Previous result	In 2016–17, the department focused on ensuring appropriate regulatory settings and an investment strategy for the Western Sydney Airport project. These will enable employment opportunities to be capitalised on through delivery of the project
	2017–18 result	In 2017–18, WSA Co, a government-owned company, was established to develop and operate the Western Sydney Airport. WSA Co's project schedule shows construction will commence in the second half of the 2018 calendar year. WSA Co currently has about 45 employees and expects to grow to about 75 in total. WSA Co has also engaged a delivery partner and project manager (definition) that will engage around 120 staff. Western Sydney Airport will be a major jobs generator and WSA Co has committed to a package of local employment, diversity and learning workforce targets that will be publicly reported against from 2021
●	<b>33. Level of aviation services to remote communities (note same as measure 32)</b>	
	Target	Maintained or increased compared to previous year
	Previous result	In 2016–17 our activities guaranteed aviation services were provided to 266 remote communities
	2017–18 result	In 2017–18 our activities guaranteed aviation services were provided to 266 remote communities This maintained service levels compared to 2016–17

continued...

Measure	
● 36. National Water Infrastructure Development Fund Investments provide affordable water to support the growth of regional communities	
Target	Co-fund construction of three water infrastructure projects, including one in northern Australia
Previous result	New measure
2017–18 result	In 2017–18 the department cofunded five water infrastructure projects, including two in northern Australia
● 37. National Water Infrastructure Loans Facility established to support state and territory investment in water infrastructure that will provide affordable water to support the growth of regional economies	
Target	State and territory governments have access to concessional loan funding for approved water infrastructure projects
Previous result	New measure
2017–18 result	In 2017–18, departmental activities guaranteed state and territory government access to concessional loan funding to build approved water infrastructure projects
● 38. Number of projects receiving funding through the Smart Cities Suburbs Program	
Target	49 projects funded in round 1
Previous result	New measure
2017–18 result	49 projects were funded in round 1 of the Smart Cities Suburbs Program

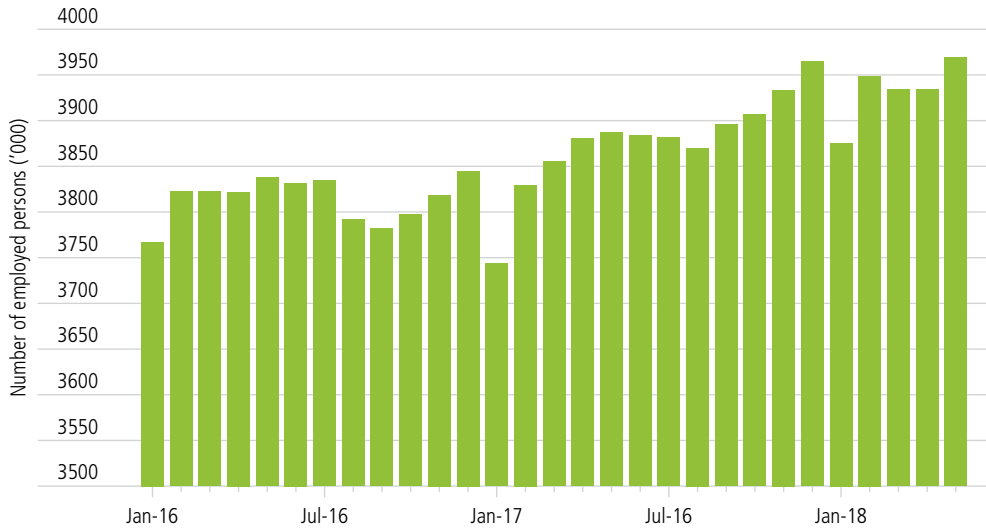
## Analysis

The number of people employed in regional Australia is measured and released to test performance against annual targets. Employment is also an indicator of sustainability and capacity of communities.

The Infrastructure, Regional Development and Cities portfolio supports this outcome by administering government investment in transport infrastructure, and delivering regional grants. These investments in regional communities build confidence, encourage private-sector investment and create jobs both during the construction phase and over the longer-term. They also improve community capability by providing a direct and indirect positive impact on employment.



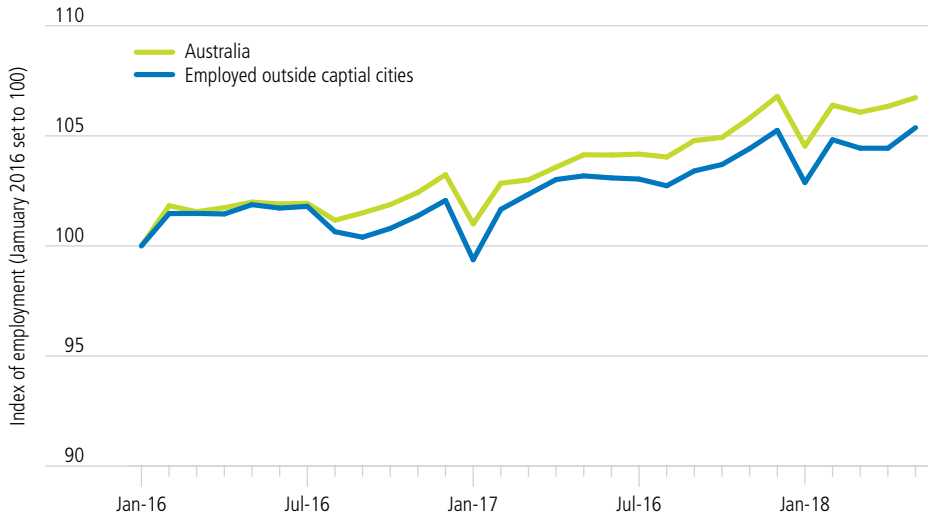
FIGURE 5.4 People employed outside capital cities



Source: 6291.0.55.001—LM1—Labour force status by Age, Greater Capital City and Rest of State (ASGS), Marital status and Sex, February 1978 onwards

Regional Australia experienced increased employment from 2016–17 to 2017–18 and has kept pace with capital city employment. Increases in the number of people employed is an indicator of improved living standards within a community.

FIGURE 5.5 Number of people employed from 2016–17 to 2017–18



Source: 6291.0.55.001—LM1—Labour force status by Age, Greater Capital City and Rest of State (ASGS), Marital status and Sex, February 1978 onwards

This measure directly tracks living standards for income earners, the majority of who are on low and middle incomes. Consistent with the national average disposable household income, regional Australian household incomes experienced a slight decline between 2013–14 and 2015–16. This measure was chosen as an indicator of living standards and identifies the social and economic wellbeing of regional Australians compared to national trends. This income decline is partially attributable to factors outside the department's control such as slow wage growth.

Disposable income reflects the health of the wider economy and its vulnerability to economic fluctuations. Areas in regional Australia are more likely to have a narrow industry base with jobs concentrated with a smaller range of employers, including factors such as a region's reliance on a single employer or industry.

In 2017–18, \$2.4 billion in financial assistance was provided to local governments.

The Local Government Financial Assistance Grants Program addresses inequality in the capacity of local governments to provide essential services to their communities. The funding is untied and comprises two components:

- ▶ a general purpose component which is distributed between the states and territories according to population
- ▶ an identified local roads component which is distributed between the states and territories according to fixed historical shares

The Australian Government provides \$2.4 billion a year under the Financial Assistance Grants program to state and territory governments. This supports equitable levels of local government services across Australia, helping councils deliver infrastructure, health, recreation, environmental and employment projects.

By delivering Australian Government funded projects, the department supports both direct and indirect jobs.

In 2018–19 the department will report the expected number of jobs supported over the life of infrastructure and regional development projects underway during the financial year (based on proponent reported data).

The portfolio contributes to the prosperity of the economy and the wellbeing of all Australians by designing and implementing the government's regional development, infrastructure and transport policies and programs. Infrastructure policy and investment helps support local communities and increase regional productivity by creating local jobs and connecting our regions.

During 2017–18 for example, Indigenous company Bama Civil was contracted to seal a stretch of the Peninsula Developmental Road at Ten Mile Creek through the Cape York Region Package. This project not only demonstrates how infrastructure investment creates jobs but also supports regional development and local communities. The Cape York Region Package will give remote Queensland communities more reliable access during the wet season and safer, quicker trips during the dry season. The infrastructure investment will open up the region to more employment and business development opportunities, and is expected to support more than 160 direct jobs over the five year package.

Western Sydney Airport will also stimulate local employment. Construction will create over 11,000 jobs through to the airport's opening in 2026. By 2031 the airport will provide almost

28,000 jobs, both onsite and within the surrounding airport precinct. Construction will commence in the second half of 2018 and the airport will open in 2026.

WSA Co has committed to strong local employment targets. When the airport is fully operational, The target is for 50 per cent of employees to be residents of Western Sydney. There will be a separate target for 30 per cent of workers to be residents of Western Sydney during the construction phase. This is significantly higher than the typical 20 per cent target set on comparable projects underway in Sydney.

These workforce aspirations form part of a comprehensive package of employment targets for Western Sydney Airport which include:

- ▶ Indigenous workers to make up 2.4 per cent of the total airport construction workforce
- ▶ three per cent of all contracts during construction to be with Indigenous firms
- ▶ 20 per cent of the workforce to be made up of learning workers, including apprentices and trainees
- ▶ WSA Co will report annually against these targets from 2021

Access to water is a key driver for growth in Australia. This is particularly so in regional and remote areas where reliable water supplies are a constraint to investment in primary industries, including agriculture, and communities.

Through the \$580 million National Water Infrastructure Development Fund and the \$2 billion National Water Infrastructure Loan Facility, the Australian Government and the states are building infrastructure to provide secure and affordable water and to support the growth of regional economies and communities.

In 2017–18 the department completed the second funding round for the National Water Infrastructure Development Fund. Five water infrastructure projects were funded, including two in northern Australia. Co-investing with the states and their project partners in the construction of these projects will provide more than 100 gigalitres in new water for these rural and regional economies.

The \$2 billion National Water Infrastructure Loan Facility complements the \$580 million National Water Infrastructure Development Fund. It co-invests in infrastructure that will provide secure and affordable water and support the growth of regional economies and communities.

In 2017–18 the department completed the second funding round for the National Water Infrastructure Loan Facility. The Myalup–Wellington Dam Project in Western Australia was awarded \$50 million in concessional loan funding from the second assessment round. The Australian Government is partnering with the Western Australian Government and its project partners to build this project, which will provide 77 gigalitres of new water by:

- ▶ rehabilitating the Wellington Dam
- ▶ modernising the water distribution system to expand irrigated agriculture and move to higher valued crops

The Australian Government provided \$27.7 million through the Smart Cities and Suburbs Program in 2017–18. Forty-nine projects from all states and territories will benefit from the

funding, with 40 per cent of successful projects located in regional areas. These projects are being co-funded by partners including local governments, industry, research organisations and the private sector. This significant investment equates to almost \$36 million. Collaboration between local governments, industry, research organisations, tech start-ups and manufacturers in cities and towns across Australia supports the growth of emerging industries and helps build smart city capability at the local level.

During the year the department assessed approximately 170 applications for funding under the program. The process ensured that successful applicants were suitable and able to deliver innovative smart city projects that improve the livability, productivity and sustainability of cities and towns across Australia, and deliver economic, social and environmental benefits.

The 2017–18 result met the target.

## CASE STUDY

### HOW THE DEPARTMENT'S ADMINISTRATION OF GOVERNMENT GRANT FUNDING IMPACTS ON AND IMPROVES THE DISPOSABLE HOUSEHOLD INCOME FOR LOW AND MIDDLE INCOMES OUTSIDE CAPITAL CITIES

In 2015 SFM Environmental Solutions Pty Ltd received a \$5 million grant under the Tasmanian Jobs and Growth Package (TJGP) for the Hydrowood Project. This included purchasing, manufacturing and modifying equipment to enable timber to be harvested underwater from Hydro Tasmania dam impoundments across the state. This project provided jobs and a new market opportunity for the local economy, and the company now supplies timber to the Oakdale Industries Retooling and Equipment Upgrade—another project funded under TJGP.

TJGP provided \$4 million to Oak Tasmania. The project was completed in February this year enabling the organisation to increase production and output, improve its training environment, and support people with disability to transition to work.

In the last decade, ageing equipment and antiquated processes resulting from a lack

of space and plant limitations had impacted Oakdale's ability to operate sustainably.

This project expanded the Oakdale site to create a safe and modern workplace for employees, complete with workshop space and new equipment, a training room and office amenities.

#### What's next?

The new facility and equipment allowed Oakdale to develop new value-added, niche timber products that meet evolving market demands (including Hydrowood). Most importantly it is creating new employment, training and development opportunities through the construction of a dedicated training centre. The project has helped retain vital jobs for Tasmanians with disability and will create an additional nine jobs over two years through improved productivity and market responsiveness.



Oak Tasmania

## CASE STUDY

### SUPPORTING VITAL REGIONAL INFRASTRUCTURE AND COMMUNITY PROJECTS THAT HAVE MAJOR SOCIAL BENEFITS

The Building Better Regions Fund (BBRF) supports infrastructure and community investment projects in regional and remote Australia. Under Round 1 of the initiative, 257 projects totalling \$226.4 million of Australian Government funding were supported. These projects are expected to create 4,000 jobs, and will allow regional and remote communities to partner with governments and other stakeholders to take full advantage of a range of economic and regional development opportunities.

Accommodation for flight crew and a multi-purpose surfing centre are just two of the projects under the program.

Construction of a base to accommodate LifeFlight Australia crew and their new helicopter fleet is underway in Toowoomba. This project will increase on-site maintenance capacity and improve training facilities. It will also provide greater service capacity to meet projected population growth in Toowoomba and surrounding regions over the coming decade. Importantly a new, better-equipped fleet helicopter—capable of travelling greater distances at lower cost—will give people in the region's rural and remote communities access to high quality clinical care that currently is not readily available. The \$4.3 million project created 350 jobs during construction and is expected to be completed in December 2018.

The expansion of a surfing centre in Casuarina, Northern NSW is creating jobs, driving economic growth and building regional communities. The project will

deliver a three level, multi-purpose, high performance training facility within easy access to the Coolangatta airport that will:

- ▶ increase business activity
- ▶ encourage surf-related tourism
- ▶ provide a one-stop-shop training facility with access to local playing fields and a nearby swimming pool
- ▶ deliver a new gym and skate ramp

The facility will appeal to a broad spectrum of the community from keen local surfers to school and business groups, as well as other sports such as skating and snow-boarding. The project will benefit the community by:

- ▶ expanding Surfing Australia's community based programs, doubling the current participation rates and providing connections and social inclusion for at-risk youth each year through local organisations
- ▶ lifting community pride and making the region a more attractive place to live through the presence of a high-profile Olympic sporting body. The region's local surfing heritage and deeply rooted surf culture will also be recognised with a Surfing Hall of Fame located within the facility

#### What's next?

The project is due to finish by July 2018. It created 147 jobs during construction and is expected to create 132 ongoing jobs.

# Providing good governance in the territories

## Delivering services, legislative frameworks and infrastructure

### Environment and risks

The department undertakes a wide variety of work across Australia's territories. This includes providing essential infrastructure and services to residents of Norfolk Island, Christmas Island, the Cocos (Keeling) Islands and the Jervis Bay Territory (JBT). We administer the Ashmore and Cartier Islands and the Coral Sea Islands territories, and manage national interests in the Australian Capital Territory (ACT) and Northern Territory (NT). The department also ensures appropriate and effective legislation is in place to allow the sound operation of the territories. The diversity of the territories we work with brings a range of relevant environmental factors and risks to consider, and requires consultation with key stakeholders including communities, state and local governments and service providers.

In 2017–18 our contribution to this purpose was through one budget program, Services to Territories (Program 4.1). Program activities are outlined in Part 4 of this report.



Christmas Island red crab



## Performance results

**TABLE 5.6** Results against performance measures

Measure	
<p>● 34. Communities in the external territories and Jervis Bay Territory have comparable services and essential infrastructure to similar communities</p>	
Target	Service delivery arrangements and contracts deliver comparable services and essential infrastructure to similar communities
2016–17 result	<p>State level services were delivered in accordance with arrangements and contracts in the territories of Christmas Island, Cocos (Keeling) Islands and Jervis Bay. Essential infrastructure continued to support delivery of services</p> <p>In 2016–17 we were only 12 months into the Norfolk Island reform program, a significant and complex task. The department worked closely with the NSW Government, the Norfolk Island Regional Council and the Norfolk Island Health and Residential Aged Care Service on service delivery arrangements for state-level services, including health, residential aged care, education and child wellbeing</p>
2017–18 result	<p>In 2017–18 state level services were delivered in accordance with service delivery arrangements and contracts in the territories of Christmas Island, Cocos (Keeling) Islands and Jervis Bay. Essential infrastructure continued to support service delivery</p> <p>The department worked closely with the ACT Government and the Wreck Bay Aboriginal Community Council to review service delivery arrangements and improve service delivery in the Jervis Bay Territory</p> <p>The department also progressed financial and governance reform for Norfolk Island. This was achieved through community partnerships and by increasing the range and quality of federal and state services to a level consistent with similar sized communities in Australia. This included seeking additional funding of \$38.7 million over four years from 2018–19 to provide a range of services and critical infrastructure. The additional funding will improve the state-level and local government services delivered on Norfolk Island, and enable critical maintenance of Commonwealth assets and the Kingston and Arthurs Vale Historic Area</p>

*continued...*



Measure	
● 35. Legal and governance frameworks in the external territories and Jervis Bay Territory are appropriate for the protection and wellbeing of the communities	
Target	Legal and governance frameworks comparable to similar communities
2016–17 result	<p>State level laws were applied and updated in the territories of Christmas Island, Cocos (Keeling) Islands and the Jervis Bay Territory to reflect arrangements in other comparable communities</p> <p>In 2016–17 we were only 12 months into the Norfolk Island reform program, and this is a significant and complex task. In May 2017 a framework to guide the Australian Government’s consultation on legislative changes was approved. Amendments to some existing Norfolk Island laws have been undertaken and the application of state-level laws, as Commonwealth law, has commenced</p>
2017–18 result	<p>In 2017–18 state level laws were applied and updated in the Territories of Christmas Island, Cocos (Keeling) Islands and the Jervis Bay Territory to reflect arrangements in other comparable communities</p> <p>Further legislation reforms were progressed using an agreed legislation consultation framework. Legislation was finalised to amend and improve a number of continuing Norfolk Island laws and NSW applied laws focusing on criminal justice reform.</p> <p>The department also reviewed the Jervis Bay Territory Rural Fire Ordinance which, among other things, will consider consistency with legislation protecting neighbouring communities</p>

## Analysis

The department plays an important role in administering Norfolk Island, Christmas Island, the Cocos (Keeling) Islands, the Ashmore and Cartier Islands, the Coral Sea Islands and the Jervis Bay Territory. To provide good governance and ensure comparable rights and protections to citizens of the external territories and Jervis Bay Territory, the department maintains appropriate legal frameworks, including preparing ordinances and determinations as required.

The department supported ongoing service delivery by maintaining essential infrastructure in external territories and the Jervis Bay Territory. For example in 2017–18 the government funded priority stormwater works and purchased a crawler crane for the Christmas Island port. Money was also provided to upgrade the wastewater treatment plant on the Cocos (Keeling) Islands, the Cascade Pier on Norfolk Island, and capital works at the school and health facility.

In 2017–18 state and territory-level laws were applied that reflected comparable legislative standards and management arrangements to those in Australia. Ordinances were made to improve the clarity and consistency of the legal frameworks of Christmas Island and the Cocos (Keeling) Islands, including on emergency management and industrial relations laws. In the Jervis Bay Territory, the Rural Fires Ordinance was reviewed to ensure currency and consistency with the legislation on which it was based. On Norfolk Island, ordinances were made implementing improvements to the criminal justice system, child welfare, education and local government.

Further contributing to good governance, state-level services in Norfolk Island were delivered under arrangements with providers including the Norfolk Island Regional Council, the NSW Government and private sector and non-government providers. Services in the Indian Ocean

Territories were delivered in accordance with 45 service delivery arrangements with Western Australia Government agencies. Services were also delivered directly by our local administration staff through contractual arrangements with private sector entities, local governments and other organisations. In the Jervis Bay Territory, a number of providers such as the ACT Government, NSW Government and Shoalhaven City Council delivered essential services.

### CASE STUDY

#### IMPROVING INFRASTRUCTURE ON NORFOLK ISLAND

The extension and refurbishment of Cascade Pier on Norfolk Island highlights the Australian Government’s role in delivering infrastructure projects in Australia’s external territories. Norfolk Island is located in the South Pacific Ocean and has a population of around 1,800. Tourism is a key contributor to its economy. In 2015 the Australian Government agreed to support more cruise ship visits to Norfolk Island by refurbishing and extending the existing Cascade Pier.

The previous pier hadn’t been upgraded since the early 20th century and was in danger of collapse. Advisian Pty Ltd was engaged to stabilise the existing pier and extend it by a further 24 metres. This has increased the operating berth, and wave deflectors allow the pier to operate in greater weather ranges. Tidal stairs have also been built to safely disembark cruise ship passengers.

In March 2016 Waterway Constructions was engaged by the department to build the pier. These works were successfully completed in April 2018 at a total cost of \$16.9 million.

#### What’s next?

The next stage of this project is to build and deliver transfer vessels to carry cruise ship passengers from ship to shore. The department has contracted Birdon Pty Ltd in Port Macquarie to construct three passenger transfer vessels at a cost of almost \$4 million, to be delivered in May 2019. These 12 metre vessels will transfer 90 passengers at a time from cruise ships to the two landing places on Norfolk Island – Cascade Pier and Kingston Pier. The vessels will reduce the risks operators currently face when disembarking their passengers using life boats.

#### Key project numbers

Materials			Labor		
Concrete	5,000	tonnes	Labour-hours	90,000	hours
Stainless steel reinforcement	200	tonnes	Local labour component	60	%
Black mesh reinforcement	8	tonnes	Local suppliers/subcontracting entities	24	#
Post-tensioned down-force	3,000	tonnes	Project duration	107	weeks
Rock fill	1,500	tonnes	Time on site	92	weeks
Grout	400,000	Litres			
In the I-units alone:	40,000	pieces of reinforcement			
In the I-units alone:	100,000	lengths of tie wire			
Time on site	92	weeks			

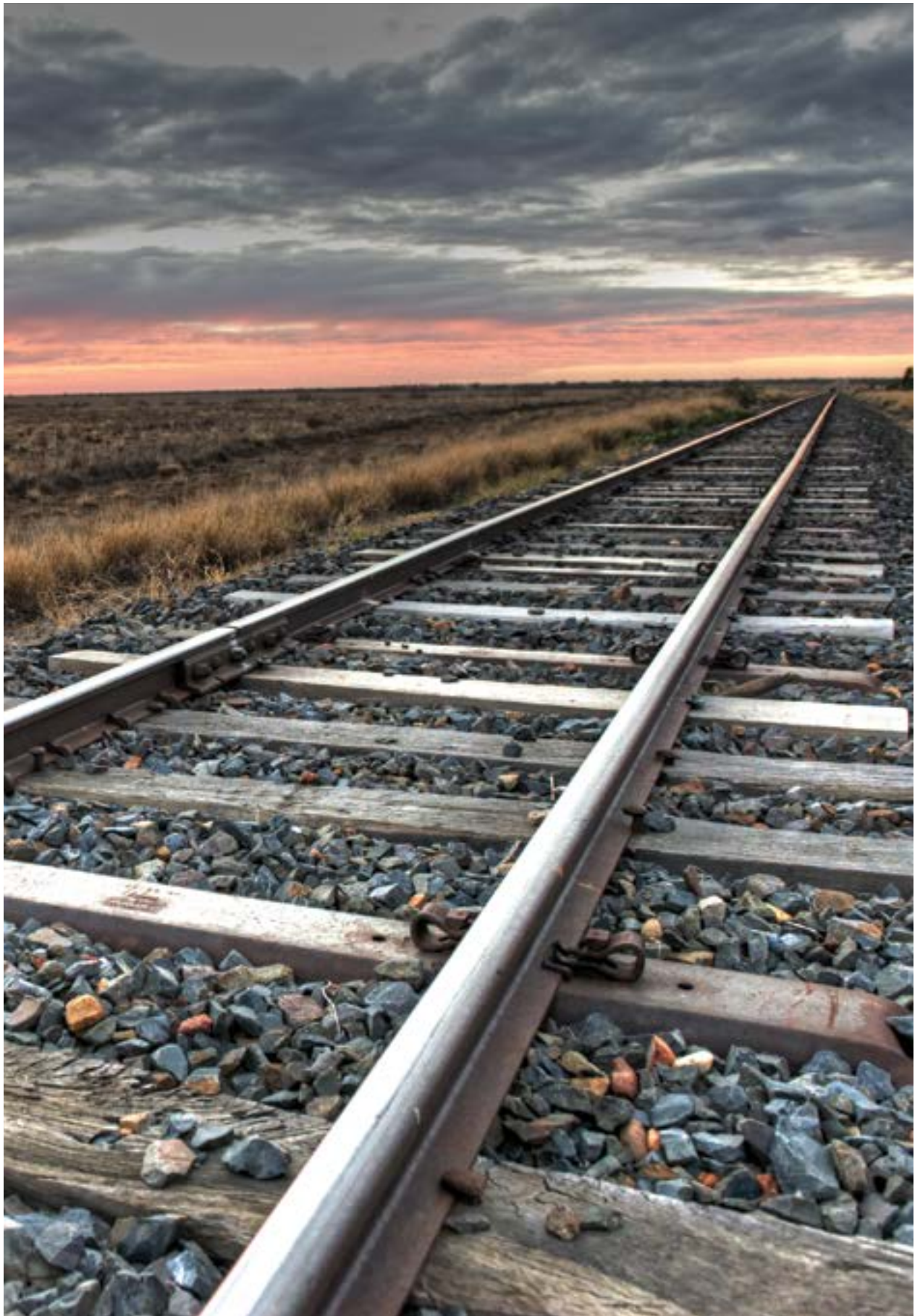
**CASE STUDY** *continued...*



Completed Cascade Pier. Photo Courtesy Advisian April 2018



New passenger Vessels under construction. Photo courtesy Birdon Pty Ltd June 2018







# PART 6

Financial Statements



Auditor-General for Australia



## INDEPENDENT AUDITOR'S REPORT

To the Minister for Infrastructure, Transport and Regional Development

### Opinion

In my opinion, the financial statements of the Department of Infrastructure, Regional Development and Cities for the year ended 30 June 2018:

- comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- present fairly the financial position of the Department of Infrastructure, Regional Development and Cities as at 30 June 2018 and its financial performance and cash flows for the year then ended.

The financial statements of the Department of Infrastructure, Regional Development and Cities, which I have audited, comprise the following statements as at 30 June 2018 and for the year then ended:

- Statement by the Secretary and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Administered Schedule of Comprehensive Income;
- Administered Schedule of Assets and Liabilities;
- Administered Reconciliation Schedule;
- Administered Cash Flow Statement; and
- Notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information.

### Basis for Opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Department of Infrastructure, Regional Development and Cities in accordance with the relevant ethical requirements for financial statement audits conducted by me. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Key audit matter	How the audit addressed the matter
<b>Valuation of Advances and Loans</b>  <i>Refer to Note 4.1B 'Administered – Trade and Other Receivables'</i>  I focused on this area given the significance of	To address the matter, I performed the following procedures: <ul style="list-style-type: none"><li>evaluated the application of DIRDC's change in accounting policy for concessional loans;</li></ul>



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this balance to the Department of Infrastructure, Regional Development and Cities (DIRDC) financial statements and the complexity of the accounting treatment and calculations required for the recognition and valuation of these loans given:

- existing and new advances and loans contain concessional terms with interest rates that are lower than comparable market rates;
- the level of estimation and judgement required to determine the market interest rate to be used in the valuation of these concessional loans and associated discount expense and revenue; and
- the range and potential combination of concessional loan terms that may be included in individual loans.

As at 30 June 2018 the value of Trade and Other Receivables for Advances and Loans was \$2,150.9 million.

- evaluated the application of DIRDC's accounting policy in respect of recognition and measurement of the concessional component and fair value of new loans;
- evaluated the methodology adopted by DIRDC to determine the market interest rate used in the fair valuation of loans entered into during 2017–18, including the appropriateness of assumptions used and sensitivity analysis undertaken; and
- tested, on a sample basis, loans advanced during the year to signed funding agreements and approvals required under the applicable legislation to assess amounts and timing of advances, actual interest rates applied and loan terms.

#### Key audit matter

##### Valuation of the Australian Government's Investment in the Australian Rail Track Corporation and Aircservices Australia

*Refer to Note 4.1D 'Administered – Investments'*

I focused on this balance given the significant value of these investments to DIRDC's financial statements and the judgement and estimations involved in determining the fair value of the Australian Rail Track Corporation and Aircservices Australia investment assets.

The discounted cash flow models used to determine the fair value of these investments requires a high level of judgement and estimation by DIRDC because the primary inputs applied in the valuation models are not based on observable market data.

As at 30 June 2018 the value of the investments recognised for the Australian Rail Track Corporation was \$3,710.8 million and for Aircservices Australia was \$893.8 million.

#### How the audit addressed the matter

To audit the valuation of the Australian Government's investment in the Australian Rail Track Corporation and Aircservices Australia, I performed the following procedures:

- engaged experts to assist me with assessing the reasonableness of key assumptions and inputs used in DIRDC's valuation models for these investments. This included comparing the key inputs used in the valuation models against comparable external data where it was available;
- considered the sensitivity of the valuation methodologies by adjusting key assumptions for reasonably foreseeable alternate scenarios; and
- assessed the competence and objectivity of management's valuation experts who performed the valuation of these investments for DIRDC.

#### Accountable Authority's Responsibility for the Financial Statements

As the Accountable Authority of the Department of Infrastructure, Regional Development and Cities the Secretary is responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Reduced Disclosure Requirements and the rules made under that Act. The Secretary is also responsible for such internal control as the Secretary determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary is responsible for assessing the Department of Infrastructure, Regional Development and Cities' ability to continue as a going concern, taking into account whether the entity's operations will cease as a result of an administrative restructure or for any

other reason. The Secretary is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Secretary;
- conclude on the appropriateness of the Secretary's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Australian National Audit Office



Grant Hehir  
Auditor-General

Canberra

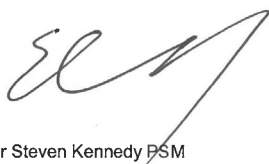
3 September 2018



## DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES STATEMENT BY THE SECRETARY AND CHIEF FINANCIAL OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2018 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Department of Infrastructure, Regional Development and Cities will be able to pay its debts as and when they fall due.



Dr Steven Kennedy BSM  
Secretary

31 August 2018



Justine Potter  
Chief Financial Officer

31 August 2018

**DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES**  
**STATEMENT OF COMPREHENSIVE INCOME**  
*for the period ended 30 June 2018*

		2018	2017	Original Budget 2018
	Notes	\$'000	\$'000	\$'000
<b>NET COST OF SERVICES</b>				
<b>Expenses</b>				
Employee benefits	1.1A	130,141	133,365	141,344
Suppliers	1.1B	110,200	114,822	139,352
Grants	1.1C	26	357	-
Depreciation and amortisation	3.2A	8,095	9,253	10,049
Finance costs - unwinding of discount	1.1D	6	17	20
Write-down and impairment of assets	1.1E	4,353	473	-
<b>Total expenses</b>		<b>252,821</b>	<b>258,287</b>	<b>290,765</b>
<b>Own-Source Income</b>				
<b>Own-source revenue</b>				
Sale of goods and rendering of services	1.2A	7,506	3,389	3,243
Other revenue	1.2B	630	940	730
<b>Total own-source revenue</b>		<b>8,136</b>	<b>4,329</b>	<b>3,973</b>
<b>Gains</b>				
Gains from sale of assets		79	-	-
Other gains	1.2C	771	1,067	243
<b>Total gains</b>		<b>850</b>	<b>1,067</b>	<b>243</b>
<b>Total own-source income</b>		<b>8,986</b>	<b>5,396</b>	<b>4,216</b>
<b>Net cost of services</b>		<b>243,835</b>	<b>252,891</b>	<b>286,549</b>
Revenue from Government	1.2D	241,677	248,457	276,500
<b>Surplus/(Deficit) on continuing operations</b>		<b>(2,158)</b>	<b>(4,434)</b>	<b>(10,049)</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Items not subject to subsequent reclassification to net cost of services</b>				
Changes in asset revaluation surplus		(209)	(1,201)	-
<b>Total other comprehensive income</b>		<b>(209)</b>	<b>(1,201)</b>	<b>-</b>
<b>Total comprehensive income/(loss)</b>		<b>(2,367)</b>	<b>(5,635)</b>	<b>(10,049)</b>

The above statement should be read in conjunction with the accompanying notes.

**DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES**  
**STATEMENT OF FINANCIAL POSITION**  
*as at 30 June 2018*

		2018	2017	Original Budget 2018
	Notes	\$'000	\$'000	\$'000
<b>ASSETS</b>				
<b>Financial assets</b>				
Cash and cash equivalents	3.1A	3,010	1,850	1,600
Trade and other receivables	3.1B	140,324	144,026	127,983
Accrued revenue		1,593	1,084	1,214
<b>Total financial assets</b>		<b>144,927</b>	<b>146,960</b>	<b>130,797</b>
<b>Non-financial assets</b>				
Land and buildings	3.2A	17,404	19,919	15,812
Property, plant and equipment	3.2A	7,839	5,768	17,347
Intangibles	3.2A	8,952	10,959	10,931
Other non-financial assets	3.2B	3,660	3,995	3,212
<b>Total non-financial assets</b>		<b>37,855</b>	<b>40,641</b>	<b>47,302</b>
<b>Total assets</b>		<b>182,782</b>	<b>187,601</b>	<b>178,099</b>
<b>LIABILITIES</b>				
<b>Payables</b>				
Suppliers	3.3A	22,928	23,592	15,349
Other payables	3.3B	2,169	3,061	1,145
<b>Total payables</b>		<b>25,097</b>	<b>26,653</b>	<b>16,494</b>
<b>Provisions</b>				
Employee provisions	6.1A	37,642	45,001	48,250
Other provisions	3.4	859	1,803	2,626
<b>Total provisions</b>		<b>38,501</b>	<b>46,804</b>	<b>50,876</b>
<b>Total liabilities</b>		<b>63,598</b>	<b>73,457</b>	<b>67,370</b>
<b>Net assets</b>		<b>119,184</b>	<b>114,144</b>	<b>110,729</b>
<b>EQUITY</b>				
Contributed equity		(97,361)	(104,768)	(93,701)
Reserves		33,562	33,771	34,972
Accumulated surplus		182,983	185,141	169,458
<b>Total equity</b>		<b>119,184</b>	<b>114,144</b>	<b>110,729</b>

The above statement should be read in conjunction with the accompanying notes.

**DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES**  
**STATEMENT OF CHANGES IN EQUITY**  
*for the period ended 30 June 2018*

	Notes	2018 \$'000	2017 \$'000	Original Budget 2018 \$'000
<b>CONTRIBUTED EQUITY</b>				
<b>Opening balance</b>				
Balance carried forward from previous period		(104,768)	(116,259)	(108,511)
<b>Transactions with owners</b>				
Departmental capital budget		13,410	11,491	14,810
Restructuring	8.2A	(6,003)	-	-
<b>Total transactions with owners</b>		<b>7,407</b>	<b>11,491</b>	<b>14,810</b>
<b>Closing balance as at 30 June</b>		<b>(97,361)</b>	<b>(104,768)</b>	<b>(93,701)</b>
<b>ACCUMULATED SURPLUS</b>				
<b>Opening balance</b>				
Balance carried forward from previous period		185,141	189,575	179,507
<b>Comprehensive income</b>				
Surplus/(Deficit) for the period		(2,158)	(4,434)	(10,049)
<b>Total comprehensive income</b>		<b>(2,158)</b>	<b>(4,434)</b>	<b>(10,049)</b>
<b>Closing balance as at 30 June</b>		<b>182,983</b>	<b>185,141</b>	<b>169,458</b>
<b>ASSET REVALUATION RESERVE</b>				
<b>Opening balance</b>				
Balance carried forward from previous period		33,771	34,972	34,972
<b>Comprehensive income</b>				
Other comprehensive income				
Changes in asset revaluation surplus				
Non-financial assets		(209)	(1,201)	-
<b>Total comprehensive income</b>		<b>(209)</b>	<b>(1,201)</b>	<b>-</b>
<b>Closing balance as at 30 June</b>		<b>33,562</b>	<b>33,771</b>	<b>34,972</b>
<b>TOTAL EQUITY</b>				
<b>Opening balance</b>				
Balance carried forward from previous period		114,144	108,288	105,968
<b>Comprehensive income</b>				
Surplus/(Deficit) for the period		(2,158)	(4,434)	(10,049)
Other comprehensive income				
Changes in asset revaluation surplus				
Non-financial assets		(209)	(1,201)	-
<b>Total comprehensive income</b>		<b>(2,367)</b>	<b>(5,635)</b>	<b>(10,049)</b>
<b>Transactions with owners</b>				
<b>Distributions to owners</b>				
Departmental capital budget		13,410	11,491	14,810
Restructuring	8.2A	(6,003)	-	-
<b>Total transactions with owners</b>		<b>7,407</b>	<b>11,491</b>	<b>14,810</b>
<b>Closing balance as at 30 June</b>		<b>119,184</b>	<b>114,144</b>	<b>110,729</b>

The above statement should be read in conjunction with the accompanying notes.

**DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES**  
**STATEMENT OF CHANGES IN EQUITY**  
*for the period ended 30 June 2018*

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**Accounting Policy**

Equity Injections

Amounts appropriated which are designated as 'equity injections' for a year (less any formal reductions) and Departmental Capital Budgets (DCBs) are recognised directly in contributed equity in that year.

Restructuring of Administrative Arrangements

Net assets received from or relinquished to another Government entity under a restructuring of administrative arrangements are adjusted at their book value directly against contributed equity.

Other Distributions of Owners

The *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR) requires that distributions to owners be debited to contributed equity unless it is in the nature of a dividend.

**DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES**  
**CASH FLOW STATEMENT**  
*for the period ended 30 June 2018*

		2018	2017	Original Budget 2018
	Notes	\$'000	\$'000	\$'000
<b>OPERATING ACTIVITIES</b>				
<b>Cash received</b>				
Appropriations		264,809	260,581	276,518
Sale of goods and rendering of services		3,936	5,316	6,415
GST received		10,889	10,161	-
Other		72	413	200
<b>Total cash received</b>		<b>279,706</b>	<b>276,471</b>	<b>283,133</b>
<b>Cash used</b>				
Employees		128,913	133,716	140,987
Suppliers		122,986	122,252	142,146
Section 74 receipts transferred to OPA		26,120	20,777	-
<b>Total cash used</b>		<b>278,019</b>	<b>276,745</b>	<b>283,133</b>
<b>Net cash from/(used by) operating activities</b>		<b>1,687</b>	<b>(274)</b>	<b>-</b>
<b>INVESTING ACTIVITIES</b>				
<b>Cash received</b>				
Proceeds from sales of property, plant and equipment		97	-	-
<b>Total cash received</b>		<b>97</b>	<b>-</b>	<b>-</b>
<b>Cash used</b>				
Purchase of land and buildings		5,886	1,826	-
Purchase of property, plant and equipment		4,566	1,767	10,522
Purchase of intangibles		3,511	2,940	4,288
<b>Total cash used</b>		<b>13,963</b>	<b>6,533</b>	<b>14,810</b>
<b>Net cash (used by) investing activities</b>		<b>(13,866)</b>	<b>(6,533)</b>	<b>(14,810)</b>
<b>FINANCING ACTIVITIES</b>				
<b>Cash received</b>				
Appropriations - contributed equity		13,339	6,519	14,810
<b>Total cash received</b>		<b>13,339</b>	<b>6,519</b>	<b>14,810</b>
<b>Net cash from financing activities</b>		<b>13,339</b>	<b>6,519</b>	<b>14,810</b>
<b>Net increase/(decrease) in cash held</b>		<b>1,160</b>	<b>(288)</b>	<b>-</b>
Cash and cash equivalents at the beginning of the reporting period		1,850	2,138	1,600
<b>Cash and cash equivalents at the end of the reporting period</b>	3.1A	<b>3,010</b>	<b>1,850</b>	<b>1,600</b>

The above statement should be read in conjunction with the accompanying notes.

**DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES**  
*for the period ended 30 June 2018*

**Budget Variances Commentary**

**Machinery of Government changes**

Variances against the original budget for the following items are mainly associated with the machinery of government changes disclosed at Note 8.2A:

Statement of Comprehensive Income – employee benefits, supplier expenses, depreciation and amortisation and revenue from government.

Statement of Financial Position – intangible assets, employee provisions and other provisions.

Statement of Changes in Equity – contributed equity.

Statement of Cash Flows – operating cash flows for employees and suppliers.

Variances have been explained below where they are due to factors other than the machinery of government changes.

**Statement of Comprehensive Income**

**Expenses**

Supplier expenses are also under budget due to changes in priorities associated with the Western Sydney Airport and Inland Rail projects.

Write-down and impairment expenses of \$4.4 million mainly relate to the write-down of leasehold improvement assets for:

- (a) components of office fitout that have been replaced through refurbishment, and
- (b) office fitout subject to sub-lease arrangements for the remainder of the lease term.

**Income**

Revenue from the sale of goods and rendering of services is over budget by \$4.2 million mainly due to the recovery of costs incurred on behalf of WSA Co Limited during its establishment.

Other gains are over budget by \$0.6 million mainly due to the reversal of provisions for makegood and the recognition of assets at fair value.

Revenue from government is under budget by \$34.8 million due to the machinery of government changes and the quarantine of Departmental appropriations under s51 of the PGPA Act.

**Statement of Financial Position**

Financial assets are over budget by \$14.1 million mainly due to differences between the actual and budgeted opening balances for appropriation receivables.

Land and buildings are over budget by \$1.6 million due to expenditure on office fitout that was originally budgeted for the purchase of property, plant and equipment assets, partially offset by the transfer of assets through the machinery of government changes.

Payables are over budget due to a difference between the estimated and actual timing of payments at 30 June 2018.

**Statement of Changes in Equity**

Total equity is over budget by \$8.5 million mainly due to differences between the actual and budgeted opening balances.

**Cash Flow Statement**

Variances in the Cash Flow Statement are broadly consistent with the variances explained above for income and expenses.

**DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES**  
**ADMINISTERED SCHEDULE OF COMPREHENSIVE INCOME**  
*for the period ended 30 June 2018*

		2018	2017	Original Budget 2018
	Notes	\$'000	\$'000	\$'000
<b>NET COST OF SERVICES</b>				
<b>Expenses</b>				
Employee benefits	2.1A	14,933	13,948	17,912
Suppliers	2.1B	159,574	143,506	137,185
Subsidies	2.1C	219,702	206,248	246,088
Grants	2.1D	4,034,007	5,004,964	3,203,764
Depreciation and amortisation	4.2A	36,648	53,864	39,010
Write-down and impairment of assets	2.1E	343,648	425,338	-
Payments to corporate Commonwealth entities	2.1F	126,022	122,547	125,853
Concessional loans		10,246	18,692	121,456
Protection of the sea levy payment		676	394	1,000
<b>Total expenses</b>		<b>4,945,456</b>	<b>5,989,501</b>	<b>3,892,268</b>
<b>Income</b>				
<b>Revenue</b>				
<b>Taxation revenue</b>				
Other taxes	2.2A	47,183	41,692	42,753
<b>Total taxation revenue</b>		<b>47,183</b>	<b>41,692</b>	<b>42,753</b>
<b>Non-taxation revenue</b>				
Sale of goods and rendering of services	2.2B	20,856	20,493	17,774
Other contributions	2.2C	146,100	-	-
Fees and fines	2.2D	214,764	205,398	219,576
Interest	2.2E	74,433	46,180	74,106
Dividends		84,289	82,814	95,599
Other revenue	2.2F	7,432	5,826	5,671
<b>Total non-taxation revenue</b>		<b>547,874</b>	<b>360,711</b>	<b>412,726</b>
<b>Total revenue</b>		<b>595,057</b>	<b>402,403</b>	<b>455,479</b>
<b>Gains</b>				
Gains from sale of assets		3	2	-
Other gains	2.2G	7,702	11,773	826
<b>Total gains</b>		<b>7,705</b>	<b>11,775</b>	<b>826</b>
<b>Total income</b>		<b>602,762</b>	<b>414,178</b>	<b>456,305</b>
<b>Net (cost of) services</b>		<b>(4,342,694)</b>	<b>(5,575,323)</b>	<b>(3,435,963)</b>
<b>Deficit</b>		<b>(4,342,694)</b>	<b>(5,575,323)</b>	<b>(3,435,963)</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Items not subject to subsequent reclassification to net cost of services</b>				
Changes in asset revaluation surplus		88,764	568,368	-
<b>Total other comprehensive income/(loss)</b>		<b>88,764</b>	<b>568,368</b>	<b>-</b>
<b>Total comprehensive loss</b>		<b>(4,253,930)</b>	<b>(5,006,955)</b>	<b>(3,435,963)</b>

The above schedule should be read in conjunction with the accompanying notes.



**DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES**  
**ADMINISTERED SCHEDULE OF ASSETS AND LIABILITIES**  
*as at 30 June 2018*

		2018	2017	Original Budget 2018
	Notes	\$'000	\$'000	\$'000
<b>ASSETS</b>				
<b>Financial assets</b>				
Cash and cash equivalents	4.1A	24,346	74,176	7,750
Trade and other receivables	4.1B	2,155,077	1,561,497	2,193,414
Investments	4.1D	5,380,447	4,776,549	5,582,448
Accrued revenue	4.1E	13,178	10,309	12,279
<b>Total financial assets</b>		<b>7,573,048</b>	<b>6,422,531</b>	<b>7,795,891</b>
<b>Non-financial assets</b>				
Land and buildings	4.2A	205,437	540,146	361,035
Property, plant and equipment	4.2A	449,692	470,745	472,597
Intangibles	4.2A	3,812	5,078	3,807
Inventories	4.2B	2,568	2,277	2,717
Prepayments	4.2C	1,887	11,260	2,975
<b>Total non-financial assets</b>		<b>663,396</b>	<b>1,029,506</b>	<b>843,131</b>
<b>Total assets administered on behalf of Government</b>		<b>8,236,444</b>	<b>7,452,037</b>	<b>8,639,022</b>
<b>LIABILITIES</b>				
<b>Payables</b>				
Suppliers	4.3A	20,224	12,320	10,539
Subsidies	4.3B	11,640	8,196	13,296
Grants	4.3C	29,004	29,550	20,562
Other payables	4.3D	364	336	279
<b>Total payables</b>		<b>61,232</b>	<b>50,402</b>	<b>44,676</b>
<b>Provisions</b>				
Employee provisions	6.1B	3,661	3,477	3,986
Concessional loan commitments	4.4A	102,071	213,280	-
Other provisions	4.4B	3,206	3,065	3,091
<b>Total provisions</b>		<b>108,938</b>	<b>219,822</b>	<b>7,077</b>
<b>Total liabilities administered on behalf of Government</b>		<b>170,170</b>	<b>270,224</b>	<b>51,753</b>
<b>Net assets</b>		<b>8,066,274</b>	<b>7,181,813</b>	<b>8,587,269</b>

The above schedule should be read in conjunction with the accompanying notes.

**DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES**  
**ADMINISTERED RECONCILIATION SCHEDULE**  
*for the period ended 30 June 2018*

	Notes	2018 \$'000	2017 \$'000
<b>Opening assets less liabilities as at 1 July</b>		<b>7,181,813</b>	6,213,367
Adjustment for change in accounting policy		-	(312,181)
<b>Adjusted opening assets less liabilities</b>		<b>7,181,813</b>	5,901,186
<b>Net (cost of)/contribution by services</b>			
Income		<b>602,762</b>	414,178
Expenses			
Payments to entities other than corporate Commonwealth entities		<b>(4,819,434)</b>	(5,866,954)
Payments to corporate Commonwealth entities		<b>(126,022)</b>	(122,547)
<b>Other comprehensive income</b>			
Revaluations transferred to reserves - non-financial assets		-	173,635
Revaluations transferred to/(from) reserves - investments		<b>89,738</b>	394,903
Impairment of non-financial assets transferred from reserves		<b>(974)</b>	(170)
<b>Transfers (to)/from Australian Government</b>			
Appropriation transfers from Official Public Account (OPA)			
Administered asset and liabilities appropriations		<b>1,182,681</b>	805,966
Annual appropriations			
Payments to entities other than corporate Commonwealth entities		<b>1,668,506</b>	1,589,603
Payments to corporate Commonwealth entities		<b>126,022</b>	123,005
GST		<b>16,442</b>	11,804
Special appropriations (unlimited)			
Payments to corporate Commonwealth entities		<b>244,620</b>	241,222
Refund of administered receipts - section 77 PGPA Act		<b>231</b>	817
Special accounts		<b>76,648</b>	68,497
Protection of the Sea Pollution Compensation Fund		<b>676</b>	394
Special appropriations - Financial Assistance Grants		<b>2,413,416</b>	3,472,151
Appropriation transfers to OPA			
Transfers to OPA		<b>(590,175)</b>	(381,759)
Transfers to OPA non-cash		<b>(676)</b>	(394)
Other transfers			
Contribution by owners <sup>1</sup>		-	356,276
<b>Closing assets less liabilities as at 30 June</b>		<b>8,066,274</b>	7,181,813

The above schedule should be read in conjunction with the accompanying notes.

<sup>1</sup> On 24 January 2017, land and associated assets at Moorebank NSW were transferred from the Department of Defence. This transfer was formally designated as a 'contribution by owners through equity' by the Minister for Finance.

**Accounting Policy**

Administered cash transfers to and from the Official Public Account

Revenue collected by the Department for use by the Government rather than the Department is administered revenue. Collections are transferred to the Official Public Account (OPA) maintained by the Department of Finance. Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriation on behalf of the Government. These transfers to and from the OPA are adjustments to the administered cash held by the Department on behalf of the Government and reported as such in the Schedule of Administered Cash Flows and the Administered Reconciliation Schedule.

**DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES**  
**ADMINISTERED CASH FLOW STATEMENT**  
*for the period ended 30 June 2018*

	Notes	2018 \$'000	2017 \$'000
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Other taxes		44,967	40,085
Sale of goods and rendering of services		48,193	18,896
Other contributions		146,100	-
Fees and fines		215,819	210,775
Interest		13	18
Dividends		84,289	82,814
Rental income		3,948	3,592
Royalties		3,855	2,987
GST received		-	10,681
Other revenue		2,756	1,670
<b>Total cash received</b>		<b>549,940</b>	<b>371,518</b>
<b>Cash used</b>			
Employees		14,736	14,583
Grants		4,025,039	5,006,975
Subsidies paid		216,258	210,825
Suppliers		179,936	147,288
Payments to corporate Commonwealth entities		126,022	122,547
<b>Total cash used</b>		<b>4,561,991</b>	<b>5,502,218</b>
<b>Net cash (used by) operating activities</b>		<b>(4,012,051)</b>	<b>(5,130,700)</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash received</b>			
Repayments of advances and loans		53,556	3,503
Interest		30,095	30,251
Proceeds from sales of property, plant and equipment		3	2
<b>Total cash received</b>		<b>83,654</b>	<b>33,756</b>
<b>Cash used</b>			
Advances and loans made		721,791	617,213
Purchase of property, plant and equipment		19,430	25,212
Purchase of land and buildings		3,767	2,526
Investments		514,160	123,000
<b>Total cash used</b>		<b>1,259,148</b>	<b>767,951</b>
<b>Net cash (used by) investing activities</b>		<b>(1,175,494)</b>	<b>(734,195)</b>
<b>Net (decrease) in cash held</b>		<b>(5,187,545)</b>	<b>(5,864,895)</b>

**DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES**  
**ADMINISTERED CASH FLOW STATEMENT**  
*for the period ended 30 June 2018*

	Notes	2018 \$'000	2017 \$'000
Cash and cash equivalents at the beginning of the reporting period		74,176	7,765
<b>Cash from Official Public Account</b>			
Appropriations		5,651,242	6,244,568
Special Accounts		76,648	68,497
<b>Total cash used from official public account</b>		5,727,890	6,313,065
<b>Cash to official public account</b>			
Appropriations		(513,527)	(313,262)
Special Accounts		(76,648)	(68,497)
<b>Total cash to official public account</b>		(590,175)	(381,759)
<b>Cash and cash equivalents at the end of the reporting period</b>	4.1A	24,346	74,176

**Budget Variances Commentary**

**Administered Schedule of Comprehensive Income**

**Expenses**

Employee expenses are under budget by \$3.0 million mainly due to the increased use of contractors and Service Delivery Agreements to deliver services in the Indian Ocean Territories.

Supplier expenses are over budget by \$22.4 million mainly due to additional site management costs for the Western Sydney Airport reflected in the 2017-18 Portfolio Additional Estimates Statements (PAES), increased demand for services in the Indian Ocean Territories and Norfolk Island and further implementation of reforms on Norfolk Island.

Subsidy expenses are under budget by \$26.4 million due to a slower than anticipated uptake of the expansion of the Tasmanian Freight Equalisation Scheme.

Grant expenses are over budget by \$830 million mainly due to a Determination by the Treasurer to bring forward Financial Assistance Grant payments from 2018-19.

Write-down and impairment expenses were not budgeted and mainly reflect the write-down of land at Badgerys Creek as a result of entering into an airport lease with WSA Co Limited for no consideration.

Concessional loan expenses are under budget by \$111.2 million due to a change in accounting policy for the recognition of a provision for commitments to provide a loan at a below market interest rate (refer disclosures in the Overview Section).

**Income**

Other taxes are over budget by \$4.4 million mainly due to a stamp duty equivalent payment due from WSA Co Limited.

Sale of goods and services revenue is over budget by \$3.0 million due to additional revenue from the sale of sand at Jandakot Airport (WA) and provision of services in the Indian Ocean Territories.

Other contributions were not budgeted and reflect recovery of preparatory costs at the Western Sydney Airport site from WSA Co Limited.

Other gains are over budget by \$6.9 million due to the recognition of the fair value of land acquired for no consideration at Melbourne Airport.

**Administered Schedule of Assets and Liabilities**

Cash and cash equivalents are over budget by \$16.6 million due to the drawdown of funds to meet payments in early July 2018.

Administered investments are under budget by \$202 million mainly due to the recognition of provisions by WSA Co Limited and the Moorebank Intermodal Company Limited for remediation of land, partially offset by an

## DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

adjustment to the investment in WSA Co Limited for the fair value of the airport lease (refer Note 4.1D).

Non-financial assets are under budget by \$180 million mainly due to differences between the actual and budgeted opening balances and the write-down of land at Badgerys Creek resulting from the airport lease with WSA Co Limited.

Payables are over budget by \$16.6 million due to a difference between the estimated and actual timing of payments at 30 June 2018.

Provisions are over budget by \$102 million due to the change in accounting policy to recognise a provision for commitments to provide a loan at a below market interest rate (refer Overview Section).

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## DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 1. Overview

#### The Basis of Preparation of the Financial Statements

The financial statements are general purpose financial statements and are required by section 42 of the *Public Governance, Performance and Accountability Act 2013*.

The financial statements have been prepared in accordance with:

- a) *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR) and
- b) Australian Accounting Standards and Interpretations – Reduced Disclosure Requirements issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position. The financial statements are presented in Australian dollars.

#### New Australian Accounting Standards

There have been no new standards issued prior to the signing of the Statement by the Secretary and Chief Financial Officer, that were applicable to the current reporting period and had a material effect on the Department's financial statements.

#### Taxation

The Department is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST). Revenues, expenses, assets and liabilities are recognised net of GST except where:

- a) the amount of GST incurred is not recoverable from the Australian Taxation Office and
- b) for receivables and payables.

#### Reporting of administered activities

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the administered schedules and related notes.

Except where otherwise stated, administered items are accounted for on the same basis and using the same policies as for departmental items, including the application of Australian Accounting Standards.

Revenue is recognised when it is probable that the economic benefit comprising the consideration will flow to the Government and it can be reliably measured.

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the relevant asset.

Dividend revenue is recognised when the right to receive a dividend has been established.

#### Change in Accounting Policy

During 2017-18, the Department changed its accounting policy with respect to commitments to provide a loan at a below-market interest rate under Australian Accounting Standard *AASB 139 Financial Instruments: Recognition and Measurement*. The change in policy arose from a review of accounting arrangements associated with the transition to *AASB 9 Financial Instruments* and improved certainty and experience in the WestConnex concessional loan payment forecasts.

Under the Department's previous accounting policy, concessional loan expenses were recognised at the time each advance was paid.

Under the new policy, a provision and concessional loan expense are recognised at the time the Department enters into an agreement to provide a loan at a below-market interest rate, unless the cash flows and/or the prevailing market interest rate cannot be reliably estimated. The provision is initially measured at fair value as the present value of cash flows associated with loan advances committed, but not paid, discounted at the market interest rate. The provision is subsequently measured at amortised cost and reduced by the concessional component of each advance as it is paid.

The Department had the following commitments for undrawn concessional loan advances at 30 June in previous financial years:

## DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2015	2016	2017
	\$000	\$000	\$000
States and Territories (ACT Government)	250,000	-	-
Commercial entities (WestConnex Stage 2)	-	2,000,000	1,382,787
<b>Total commitments</b>	<b>250,000</b>	<b>2,000,000</b>	<b>1,382,787</b>
<i>Fair value of commitment to provide loan at below-market interest rate (liability)</i>	<i>4,448</i>	<i>312,181</i>	<i>213,280</i>

The change in accounting policy has been applied retrospectively and affects the recognition of administered liabilities and concessional loan expenses in prior periods. The change does not affect the fair value of administered assets for loan advances reported in previous years.

The following table summarises the impact of the restatement of the comparative amounts reported for the 2015-16 and 2016-17 financial years:

### Administered Schedule of Comprehensive Income

	2016	2016	2016	2017	2017	2017
	Reported	Adjustment	Restated	Reported	Adjustment	Restated
	\$000	\$000	\$000	\$000	\$000	\$000
<b>Expenses</b>						
Concessional loans	4,448	307,733	312,181	117,593	(98,901)	18,692
<b>Total expenses</b>	<b>3,287,497</b>	<b>307,733</b>	<b>3,595,230</b>	<b>6,088,402</b>	<b>(98,901)</b>	<b>5,989,501</b>
<b>Net (cost of) services</b>	<b>(2,828,099)</b>	<b>(307,733)</b>	<b>(3,135,832)</b>	<b>(5,674,224)</b>	<b>98,901</b>	<b>(5,575,323)</b>

### Administered Schedule of Assets and Liabilities

	2016	2016	2016	2017	2017	2017
	Reported	Adjustment	Restated	Reported	Adjustment	Restated
	\$000	\$000	\$000	\$000	\$000	\$000
<b>LIABILITIES</b>						
<b>Provisions</b>						
Employee provisions	3,863	-	3,863	3,477	-	3,477
Concessional loans	-	312,181	312,181	-	213,280	213,280
Other provisions	3,092	-	3,092	3,065	-	3,065
<b>Total provisions</b>	<b>6,955</b>	<b>312,181</b>	<b>319,136</b>	<b>6,542</b>	<b>213,280</b>	<b>219,822</b>
<b>Total liabilities</b>	<b>55,464</b>	<b>312,181</b>	<b>367,645</b>	<b>56,944</b>	<b>213,280</b>	<b>270,224</b>
<b>Net assets</b>	<b>6,213,367</b>	<b>(312,181)</b>	<b>5,901,186</b>	<b>7,395,093</b>	<b>(213,280)</b>	<b>7,181,813</b>

### Events After the Reporting Period

#### Administered

On 31 July 2018 the Department acquired around 12 hectares of land in the vicinity of the Western Sydney Airport site. The additional land will initially form part of the administered land asset class at fair value, subject to finalisation of valuation advice. The land may be incorporated into the Western Sydney Airport lease at a later date.

## DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 1. Financial Performance

This section analyses the financial performance of the Department for the year ended 30 June 2018.

#### 1.1 Expenses

	2018 \$'000	2017 \$'000
<b>1.1A: Employee benefits</b>		
Wages and salaries	94,026	97,798
Superannuation		
Defined contribution plans	7,970	8,049
Defined benefit plans	10,416	11,228
Leave and other entitlements	12,337	11,116
Separation and redundancies	3,310	1,824
Other employee expenses	2,082	3,350
<b>Total employee benefits</b>	<b>130,141</b>	<b>133,365</b>
<b>1.1B: Suppliers</b>		
<b>Goods and services supplied or rendered</b>		
Legal	6,054	10,395
Contracted services	28,021	23,457
Consultants	20,772	27,988
Contractors	14,512	11,882
Travel and accommodation	5,027	5,780
Communications	2,532	2,766
Property operating costs	6,825	7,166
Information technology services	4,376	3,643
Training and conferences	2,119	2,621
Other goods and services	7,434	5,350
<b>Total goods and services supplied or rendered</b>	<b>97,672</b>	<b>101,048</b>
Goods supplied	638	954
Services rendered	97,034	100,094
<b>Total goods and services supplied or rendered</b>	<b>97,672</b>	<b>101,048</b>
<b>Other suppliers</b>		
Operating lease rentals	12,091	12,807
Workers compensation expenses	437	967
<b>Total other suppliers</b>	<b>12,528</b>	<b>13,774</b>
<b>Total suppliers</b>	<b>110,200</b>	<b>114,822</b>
<b>Leasing Commitments</b>		
<b>Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:</b>		
Within 1 year	12,316	13,623
Between 1 to 5 years	47,581	50,848
More than 5 years	39,740	53,010
<b>Total operating lease commitments</b>	<b>99,637</b>	<b>117,481</b>
<b>Commitments for sublease rental income receivables are as follow:</b>		
Within 1 year	1,921	121
Between 1 to 5 years	6,463	88
More than 5 years	5,301	-
<b>Total sublease rental income commitments</b>	<b>13,685</b>	<b>209</b>

#### Leasing Commitments

The Department, in its capacity as lessor/lessee, has entered into operating leases for office accommodation purposes. The lease conditions vary and most leases include annual rent reviews with fixed percentage increases. Operating leases are effectively non-cancellable.



## DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2018 \$'000	2017 \$'000
<b>1.1C: Grants</b>		
Local Governments	26	-
Non-profit organisations	-	357
<b>Total grants</b>	<b>26</b>	<b>357</b>
<b>Note 1D: Finance costs - unwinding of discount</b>		
Unwinding of provision for restoration	6	17
<b>Total finance costs</b>	<b>6</b>	<b>17</b>
<b>1.1E: Write-down and impairment of assets</b>		
Impairment of financial instruments	-	144
Write-down of leasehold improvements	3,841	74
Write-down other property, plant and equipment	151	67
Impairment of intangible assets	361	188
<b>Total write-down and impairment of assets</b>	<b>4,353</b>	<b>473</b>

### Accounting Policy

#### Employee Benefits

Accounting policies for employee related expenses are contained in the People and Relationships section (Note 6.1).

#### Leases

Operating lease rental expenses are net of sub-lease revenue where applicable.

Operating lease payments are expensed on a straight line basis which is representative of the pattern of benefits derived from the lease arrangements.

Lease incentives taking the form of 'free' leasehold improvements and rent holidays are recognised as liabilities. These liabilities are reduced by allocating lease payments between rental expense and reduction of the liability over the life of the lease. Lease incentives are recognised as a reduction of rental expense over the lease term on a straight-line basis unless another systematic basis is more reflective of the time pattern of the lessee's benefit.

Where leased premises are considered surplus, the operating rent has been brought to account in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. The net present value of future net outlays in respect of surplus space under non-cancellable lease agreements is expensed in the period in which the space becomes surplus.

The Department makes an immediate allowance for property make-good where required under lease agreements.

#### Borrowing Costs

All borrowing costs are expensed as incurred.

**DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**1.2 Own-Source Revenue and Gains**

	2018	2017
	\$'000	\$'000
<b>Own-Source Revenue</b>		
<b>1.2A: Sale of goods and rendering of services</b>		
Sale of goods	8	30
Rendering of services	7,498	3,359
<b>Total sale of goods and rendering of services</b>	<b>7,506</b>	<b>3,389</b>
<b>1.2B: Other revenue</b>		
Resources received free of charge		
Remuneration of auditors	540	540
Other	90	400
<b>Total other revenue</b>	<b>630</b>	<b>940</b>
<b>Gains</b>		
<b>1.2C: Other gains</b>		
Assets acquired at fair value	438	-
a) Unwinding of provision for surplus lease space	243	1,055
Reversal of lease liabilities	76	-
Other	14	12
<b>Total other gains</b>	<b>771</b>	<b>1,067</b>
<b>1.2D: Revenue from Government</b>		
Appropriations		
Departmental appropriations	241,677	248,457
<b>Total revenue from Government</b>	<b>241,677</b>	<b>248,457</b>

**Accounting Policy**

***Revenue from the Sale of Goods or Rendering of Services***

Revenue from the sale of goods is recognised when:

- the risks and rewards of ownership have been transferred to the buyer
- the Department retains no managerial involvement or effective control over the goods
- the revenue and transaction costs incurred can be reliably measured and
- it is probable that the economic benefits associated with the transaction will flow to the Department.

Revenue from rendering of services is recognised by reference to the stage of completion of contracts at the reporting date. The revenue is recognised when:

- the amount of revenue, stage of completion and transaction costs incurred can be reliably measured and
- the probable economic benefits associated with the transaction will flow to the Department.

The stage of completion of contracts at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any impairment allowance account. Collectability of debts is reviewed at the end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

## DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### **Other Revenue**

#### Resources Received Free-of-Charge

Resources received free-of-charge are recognised as revenue when, and only when, a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense. Resources received free-of-charge are recorded as either revenue or gains depending on their nature.

### **Other Gains**

#### Resources Received Free-of-Charge

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another Government entity as a consequence of a restructuring of administrative arrangements (refer to Note 8.2).

#### Sale of Assets

Gains and losses from disposal of assets are recognised when control of the assets has passed to the buyer.

#### Revenue from Government

Amounts appropriated for departmental appropriations for the year (adjusted for any formal additions and reductions) are recognised as Revenue from Government when the Department gains control of the appropriation. Appropriations receivable are recognised at their nominal amounts.

**DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**2. Income and Expenses Administered on Behalf of Government**

This section analyses the activities that the Department does not control but administers on behalf of the Government. Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental reporting.

**2.1 Administered – Expenses**

	2018	2017
	\$'000	\$'000
<b>2.1A: Employee benefits</b>		
Wages and salaries	11,533	10,498
Superannuation		
Defined contribution plans	1,491	1,456
Defined benefit plans	71	87
Leave and other entitlements	1,414	845
Other employee expenses	424	1,062
<b>Total employee benefits</b>	<b>14,933</b>	<b>13,948</b>
<b>2.1B: Suppliers</b>		
<b>Goods and services supplied or rendered</b>		
Service fees	30,201	31,213
Service delivery arrangements	76,603	67,487
Fuel and oil	10,881	11,259
Rail and road research	11,901	10,374
Medical supplies	4,503	4,360
Property and operating costs	8,993	7,036
Repairs and maintenance	6,283	5,642
Travel and accommodation	595	467
Information, communication and technology	1,405	1,407
Other goods and services	8,008	3,992
<b>Total goods and services supplied or rendered</b>	<b>159,373</b>	<b>143,237</b>
Goods supplied	10,881	11,259
Services rendered	148,492	131,978
<b>Total goods and services supplied or rendered</b>	<b>159,373</b>	<b>143,237</b>
<b>Other suppliers</b>		
Operating lease rentals	143	175
Workers compensation expenses	58	94
<b>Total other suppliers</b>	<b>201</b>	<b>269</b>
<b>Total suppliers</b>	<b>159,574</b>	<b>143,506</b>
Operating lease rentals relate to short-term residential and storage leases. There were no material commitments for these leases at 30 June 2018 (2017: Nil).		
<b>2.1C: Subsidies</b>		
<b>Subsidies in connection with</b>		
Tasmanian Freight Equalisation Scheme	147,322	137,612
Bass Strait Passenger Vehicle Equalisation Scheme	49,737	47,769
Other subsidies	22,643	20,867
<b>Total subsidies</b>	<b>219,702</b>	<b>206,248</b>

## DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	2018 \$'000	2017 \$'000
<b>2.1D: Grants</b>		
<b>Public sector</b>		
Australian Government entities (related parties)	390,570	407,725
State and Territory Governments	2,455,812	3,516,451
Local Governments	692,154	778,912
<b>Private sector</b>		
Not-for-profit organisations	450,110	231,232
Commercial entities	42,878	68,172
Overseas	2,483	2,472
<b>Total grants</b>	<b>4,034,007</b>	<b>5,004,964</b>

Grants to State and Territory Governments include \$2.432 billion (2017: \$3.497 billion) paid to local government bodies through State and Territory Governments, mainly for Financial Assistance Grants. These were previously reported as grants to local government and comparatives have been restated accordingly.

### **2.1E: Write-down and impairment of assets**

Impairment of financial assets	1,045	78
Investment in Administration of Norfolk Island	-	63,053
Write-down of land and buildings	529	466
Write-down of property, plant and equipment	840	280
Write-down of heritage and cultural assets	209	-
Write-down of finance leases <sup>1</sup>	341,025	361,461
<b>Total write-down and impairment of assets</b>	<b>343,648</b>	<b>425,338</b>

<sup>1</sup> Lease of land to WSA Co Limited and at Melbourne Airport for no or nominal consideration. (2017: Lease of land to the Moorebank Intermodal Company Limited and at Melbourne Airport for nominal consideration).

### **2.1F: Payments to corporate Commonwealth entities**

Australian Maritime Safety Authority	69,717	65,716
Civil Aviation Safety Authority	41,313	41,892
Infrastructure Australia	11,592	11,581
National Transport Commission	3,400	3,358
<b>Total payments to corporate Commonwealth entities</b>	<b>126,022</b>	<b>122,547</b>

### **Accounting Policy**

#### Grants and Subsidies

The Department administers a number of grant and subsidy schemes on behalf of the Government. Grant and subsidy liabilities are recognised to the extent that (i) the services required to be performed by the applicant have been performed or (ii) the eligibility criteria have been satisfied, but payments due have not been made.

#### Payments to corporate Commonwealth entities

Payments to corporate Commonwealth entities from amounts appropriated for that purpose are classified as administered expenses, equity injections or loans of the relevant portfolio department. The appropriation to the Department is disclosed under the Funding section – Appropriations (Note – 5.1A).

**DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**2.2 Administered – Income**

	2018 \$'000	2017 \$'000
<b>Revenue</b>		
<b>Taxation Revenue</b>		
<b><u>2.2A: Other taxes</u></b>		
Levies	2,216	1,607
Land tax equivalents	40,070	35,978
Other tax equivalents	4,897	4,107
<b>Total other taxes</b>	<b>47,183</b>	<b>41,692</b>
<b>Non-Taxation Revenue</b>		
<b><u>2.2B: Sale of goods and rendering of services</u></b>		
Sale of goods	2,382	1,160
Rendering of services	18,474	19,333
<b>Total sale of goods and rendering of services</b>	<b>20,856</b>	<b>20,493</b>
<b><u>2.2C: Other contributions</u></b>		
Western Sydney Airport – preparatory activities	146,100	-
<b>Total other contributions</b>	<b>146,100</b>	<b>-</b>
<b><u>2.2D: Fees and fines</u></b>		
Interstate Road Transport	69,284	67,599
Motor Vehicle Standards	10,772	9,090
Marine Navigation levies	87,808	83,976
Protection of the Sea levies	35,190	33,535
Airport Building Controllers	6,504	6,331
Airport Environment Officers	1,494	1,204
Other fees	2,902	2,407
<b>Fees from regulatory services</b>	<b>213,954</b>	<b>204,142</b>
Fines	810	1,256
<b>Total fees and fines</b>	<b>214,764</b>	<b>205,398</b>
<b><u>2.2E: Interest</u></b>		
Loans	63,501	40,582
Unwinding of discount - concessional loans	10,919	5,580
Other	13	18
<b>Total interest</b>	<b>74,433</b>	<b>46,180</b>
<b><u>2.2F: Other revenue</u></b>		
Refund of previous years payments	268	170
Insurance recoveries	1,454	557
Rental income	3,182	3,002
Phosphate mine royalties	1,639	1,380
Other	889	717
<b>Total other revenue</b>	<b>7,432</b>	<b>5,826</b>

Rental income is mainly associated with residential properties in the Indian Ocean Territories, Jervis Bay Territory and Badgerys Creek, NSW. Residential lease agreements are cancellable by either the lessor or the lessee by giving the required notice.

**DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

	2018	2017
	\$'000	\$'000
<b><u>2.2G: Other gains</u></b>		
Recognition of assets at fair value - Melbourne Airport land	7,200	5,185
Reversal of impairment of financial assets	279	6,361
Recognition of other assets at fair value	77	227
Reversal of provision for asbestos removal	146	-
<b>Total other gains</b>	<b>7,702</b>	<b>11,773</b>

**Accounting Policy**

**Revenue**

All administered revenues are revenues relating to ordinary activities performed by the Department on behalf of the Australian Government. As such, administered appropriations are not revenues of the Department that oversees distribution or expenditure of the funds as directed.

The main sources of administered revenue are:

**Other taxes**

- land tax and similar equivalency payments for commercial use of Commonwealth owned land (mainly at regulated airports)
- other tax equivalency payments applied in the Indian Ocean Territories and Jervis Bay Territory and
- conservation levies associated with phosphate mining activities on Christmas Island.

**Sales of goods and services**

Provision of goods and services in the Indian Ocean Territories, Jervis Bay Territory and Norfolk Island including electricity supply, water and sewerage and medical fees. Revenue from the sale of goods also includes proceeds from the extraction of surplus sand at regulated airports.

**Fees and fines**

- Interstate Road Transport registration fees and related items charged under the Federal Interstate Registration Scheme. The scheme has been discontinued from 1 July 2018
- vehicle import and related fees charged under the *Motor Vehicle Standards Act 1989*
- Marine Navigation and Protection of the Seas levies are remitted to the Commonwealth by the Australian Maritime Safety Authority (AMSA) who collect the levies from commercial shipping operators. An equivalent amount is paid to AMSA from a special appropriation administered by the Department (refer Note 5.1C)
- application fees collected by Airport Building Controllers for construction activities at regulated airports and recovery of costs for Airport Environment Officers and
- licenses and other fees charged under the *Coastal Trading (Revitalising Australian Shipping) Act 2012*.

**Other revenue**

- interest on loans recognised using the effective interest rate
- dividend revenue from Australian Government owned entities
- royalties on phosphate extracted from mining activities on Christmas Island and
- recovery of costs from WSA Co Ltd for preparation of the Western Sydney Airport site.

## DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 3. Financial Position

This section analyses the Department's assets used to conduct its operations and the operating liabilities incurred as a result. Employee related information is disclosed in the People and Relationships section.

#### 3.1 Financial Assets

	2018 \$'000	2017 \$'000
<b>3.1A: Cash and cash equivalents</b>		
Cash on hand or on deposit	2,827	1,620
Other	183	230
<b>Total cash and cash equivalents</b>	<b>3,010</b>	<b>1,850</b>
<b>3.1B: Trade and other receivables</b>		
<b>Goods and services receivables</b>		
Goods and services	3,593	602
<b>Total goods and services receivables</b>	<b>3,593</b>	<b>602</b>
<b>Appropriations receivable</b>		
Existing programs	133,954	140,138
<b>Total appropriations receivable</b>	<b>133,954</b>	<b>140,138</b>
<b>Other receivables</b>		
GST receivable from the Australian Taxation Office	2,761	3,375
Other receivables	101	145
<b>Total other receivables</b>	<b>2,862</b>	<b>3,520</b>
<b>Total trade and other receivables (gross)</b>	<b>140,409</b>	<b>144,260</b>
<b>Less impairment allowance</b>	<b>(85)</b>	<b>(234)</b>
<b>Total trade and other receivables (net)</b>	<b>140,324</b>	<b>144,026</b>

Credit terms for goods and services were within 30 days (2017: 30 days).

#### 3.1C: Reconciliation of the impairment allowance

Movements in relation to 2018			
	Goods and services \$'000	Other receivables \$'000	Total \$'000
<b>As at 1 July 2017</b>	<b>174</b>	<b>60</b>	<b>234</b>
Amounts written off	(75)	(60)	(135)
Increase recognised in net cost of services	(14)	-	(14)
<b>Total as at 30 June 2018</b>	<b>85</b>	<b>-</b>	<b>85</b>
Movements in relation to 2017			
	Goods and services \$'000	Other receivables \$'000	Total \$'000
<b>As at 1 July 2016</b>	<b>96</b>	<b>-</b>	<b>96</b>
Amounts recovered and reversed	(6)	-	(6)
Increase recognised in net cost of services	84	60	144
<b>Total as at 30 June 2017</b>	<b>174</b>	<b>60</b>	<b>234</b>



## DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### Accounting Policy

#### Loans and Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments and that are not quoted in an active market are classified as 'loans and receivables.' Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

#### Impairment

All financial assets are assessed for impairment at the end of each reporting period. Where recovery of a financial asset is assessed as unlikely, an impairment allowance is made. If there is objective evidence that an impairment loss has been incurred for loans and receivables, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an impairment allowance. The loss is recognised in the Statement of Comprehensive Income.

## DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 3.2 Non-Financial Assets

#### 3.2A: Reconciliation of the opening and closing balances of property, plant and equipment and intangibles

Reconciliation of the opening and closing balances of property, plant and equipment and intangibles for 2018

	Buildings \$'000	Artwork \$'000	Other Property, Plant & Equipment \$'000	Computer Software Internally Developed \$'000	Computer Software Purchased \$'000	Total \$'000
<b>As at 1 July 2017</b>						
Gross book value	22,473	151	6,148	34,075	3,620	66,467
Accumulated depreciation and impairment	(2,554)	(1)	(530)	(24,188)	(2,548)	(29,821)
<b>Total as at 1 July 2017</b>	<b>19,919</b>	<b>150</b>	<b>5,618</b>	<b>9,887</b>	<b>1,072</b>	<b>36,646</b>
<b>Additions</b>						
Purchase	7,369	-	4,672	-	84	12,125
Acquisitions at nominal value	323	-	115	-	-	438
Internally developed	-	-	-	3,694	-	3,694
Impairments recognised in other comprehensive income	(209)	-	-	-	-	(209)
Impairments recognised in net cost of services	-	-	-	(340)	(15)	(355)
Depreciation and amortisation	(2,906)	(4)	(2,184)	(2,568)	(433)	(8,095)
Other movements	-	-	-	-	-	-
Reclassifications	-	-	(9)	(80)	89	-
<b>Disposals</b>						
From disposals of entities or operations (including restructuring)	(3,251)	-	(351)	(2,425)	(7)	(6,034)
Write-downs	(3,841)	-	(151)	(6)	-	(3,998)
Assets sold	-	-	(17)	-	-	(17)
<b>Total as at 30 June 2018</b>	<b>17,404</b>	<b>146</b>	<b>7,693</b>	<b>8,162</b>	<b>790</b>	<b>34,195</b>
<b>Total as at 30 June 2018 represented by</b>						
Gross book value	21,224	151	10,129	31,095	3,734	66,333
Accumulated depreciation, amortisation and impairment	(3,820)	(5)	(2,436)	(22,933)	(2,944)	(32,138)
<b>Total as at 30 June 2018</b>	<b>17,404</b>	<b>146</b>	<b>7,693</b>	<b>8,162</b>	<b>790</b>	<b>34,195</b>

Impairment losses of \$0.209 million were recognised for buildings (2017: Nil) and \$0.361 million for software assets (2017: \$0.188 million).

No material disposals of assets are expected to occur in the 2018-19 financial year.

The Buildings, Artwork and Other Property, Plant & Equipment assets classes are measured at fair value in accordance with AASB 13 Fair Value Measurement.

## DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### Revaluations of non-financial assets

No revaluations were conducted during the 2017-18 financial year.

### Contractual commitments for the acquisition of property, plant and equipment and intangible assets

At 30 June 2018, the Department had contractual commitments of \$1.385 million for buildings (2017: \$5.595 million), \$0.442 million for other property, plant and equipment (2017: \$1.082 million) and \$2.667 million for intangible assets (2017: \$1.510 million). Contractual commitments relate to acquisitions in the 2018-19 financial year.

### Accounting Policy

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor entity's accounts immediately prior to the restructuring.

### Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the Statement of Financial Position, except for purchases costing less than \$5,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to 'makegood' provisions in property leases taken up by the Department where there exists an obligation to restore the property to its original condition. These costs are included in the value of the Department's leasehold improvements with a corresponding provision for the 'makegood' recognised.

### Revaluations

Following initial recognition at cost, property, plant and equipment assets are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation surplus except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets are recognised directly in the surplus/deficit except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

### Depreciation

Depreciable property, plant and equipment assets are written down to their estimated residual values over their estimated useful lives to the Department using, in all cases, the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	2018	2017
Buildings on freehold land	1 to 60 years	1 to 60 years
Leasehold improvements	Shorter of lease term or expected useful economic life	Shorter of lease term or expected useful economic life
Plant and equipment	1 to 100 years	1 to 100 years
Departmental artworks	1 to 100 years	1 to 100 years
Administered artworks	Indefinite	Indefinite
Other heritage and cultural	Indefinite	Indefinite

## DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### Impairment

All assets were assessed for impairment at 30 June 2018 for events that occurred since the last valuation. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the Department were deprived of the asset, its value in use is taken to be its depreciated current cost.

### Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

### Intangibles

The Department's intangibles comprise internally developed software over \$50,000 and purchased software for internal use. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the Department's software are from 3 to 9 years (2017: 3 to 9 years). All software assets were assessed for indications of impairment as at 30 June 2018.

### **Accounting Judgements and Estimates**

#### Buildings

Buildings represent the fair value of leasehold improvements in office leases and the related make good requirements. The fair value has been taken to be the depreciated current cost as determined by an independent qualified valuer as at 30 June 2016, adjusted for subsequent depreciation, acquisitions and disposals.

#### Other property, plant and equipment assets

The fair value of other property, plant and equipment assets (including artwork) has been taken to be the depreciated current cost as determined by an independent qualified valuer as at 31 March 2017, adjusted for subsequent depreciation, acquisitions and disposals.

#### Fair value assessment

The Department conducted an internal review of the buildings, artworks and other property, plant & equipment asset classes during 2017-18 with reference to changes in economic and other factors that could affect the fair value of each class. The Department assessed that the risk of a material difference between the carrying value and fair value of each asset class at 30 June 2018 was low.

	2018	2017
	\$'000	\$'000
<b>3.2B: Other non-financial assets</b>		
Prepayments	3,481	3,744
Sub-lease rentals	179	-
Lease incentive assets	-	251
<b>Total other non-financial assets</b>	<b>3,660</b>	<b>3,995</b>

No indicators of impairment were found for other non-financial assets.

**DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**3.3 Payables**

	2018	2017
	\$'000	\$'000
<b>3.3A: Suppliers</b>		
Trade creditors	3,134	2,885
Accrued expenses	17,889	20,037
Operating lease rentals	1,905	670
<b>Total suppliers</b>	<b>22,928</b>	<b>23,592</b>

Settlement is usually made within 30 days.

**3.3B: Other payables**

Unearned revenue	41	49
Lease incentives	537	1,226
Wages and salaries	692	828
Superannuation	118	146
Separations and redundancies	781	465
Other	-	347
<b>Total other payables</b>	<b>2,169</b>	<b>3,061</b>

**3.4 Other Provisions**

	Provision for restoration	Provision for surplus lease space	Provision for legal costs	Total
	\$'000	\$'000	\$'000	\$'000
<b>As at 1 July 2017</b>	<b>830</b>	<b>674</b>	<b>299</b>	<b>1,803</b>
Amounts used	(141)	(243)	(200)	(584)
Restructuring	(290)	-	-	(290)
Reversal and other movements	(70)	-	-	(70)
<b>Total as at 30 June 2018</b>	<b>329</b>	<b>431</b>	<b>99</b>	<b>859</b>

The Department had four agreements at 30 June 2018 (2017: eight) for the lease of office premises which have provisions requiring the Department to restore the premises to their original condition at the conclusion of the lease. The Department has made a provision to reflect the present value of these obligations.

The Department holds one lease for office accommodation that includes space that is surplus to requirements. The Department sub-leases this space where possible. The Department has recognised a provision for surplus lease space measured at the present value of future lease payments for the term the space is expected to be surplus, less any sub-lease revenue.

A provision is recognised for legal costs where costs and/or damages have been, or are likely to be, awarded against the Department and the amount can be reliably estimated.

**DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES**  
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**4. Assets and Liabilities Administered on Behalf of Government**

This section analyses assets and liabilities that the Department does not control but administers on behalf of the Government. Unless otherwise noted, the accounting policies adopted are consistent with those applied for departmental reporting.

**4.1 Administered – Financial Assets**

	2018	2017	
	\$'000	\$'000	
<b>4.1A: Cash and cash equivalents</b>			
Cash on hand or on deposit	12,433	65,905	
Cash in special accounts	11,913	8,271	
<b>Total cash and cash equivalents</b>	<b>24,346</b>	<b>74,176</b>	
<b>4.1B: Trade and other receivables</b>			
<b>Advances and loans</b>			
Commercial entities	1,159,058	517,807	
State and Territory Governments	991,869	1,042,018	
<b>Total advances and loans</b>	<b>2,150,927</b>	<b>1,559,825</b>	
<b>Other receivables</b>			
Fees	3,662	2,616	
Other revenue	11	10	
GST receivable from Australian Taxation Office	5,222	3,123	
<b>Total other receivables</b>	<b>8,895</b>	<b>5,749</b>	
<b>Total trade and other receivables (gross)</b>	<b>2,159,822</b>	<b>1,565,574</b>	
<b>Less impairment allowance</b>			
Advances and loans	(3,402)	(3,681)	
Other receivables	(1,343)	(396)	
<b>Total impairment allowance</b>	<b>(4,745)</b>	<b>(4,077)</b>	
<b>Total trade and other receivables (net)</b>	<b>2,155,077</b>	<b>1,561,497</b>	
<b>4.1C: Reconciliation of the impairment allowance</b>			
<b>Movements in relation to 2018</b>			
	<b>Advances and loans</b>	<b>Other receivables</b>	<b>Total</b>
	2018	2018	2018
	\$'000	\$'000	\$'000
<b>As at 1 July 2017</b>	<b>3,681</b>	<b>396</b>	<b>4,077</b>
Amounts written off	-	(98)	(98)
Increase/(Decrease) recognised in net cost of service	(279)	1,045	766
<b>Total as at 30 June 2018</b>	<b>3,402</b>	<b>1,343</b>	<b>4,745</b>
<b>Movements in relation to 2017</b>			
	<b>Advances and loans</b>	<b>Other receivables</b>	<b>Total</b>
	2017	2017	2017
	\$'000	\$'000	\$'000
<b>As at 1 July 2016</b>	<b>9,306</b>	<b>1,086</b>	<b>10,392</b>
Amounts written off	-	(32)	(32)
Increase/(Decrease) recognised in net cost of service	(5,625)	(658)	(6,283)
<b>Total as at 30 June 2017</b>	<b>3,681</b>	<b>396</b>	<b>4,077</b>

**DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES**  
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	2018	2017
	\$'000	\$'000
<b>4.1D: Investments</b>		
<b>Investments accounted for using the net assets method</b>		
Australian Government authorities		
National Transport Commission	668	573
Australian Maritime Safety Authority	200,611	199,380
Civil Aviation Safety Authority	66,463	66,648
Infrastructure Australia	3,294	3,760
Australian Government companies		
Moorebank Intermodal Company Limited	136,963	104,895
WSA Co Limited	365,589	-
Australian Government controlled entities		
Norfolk Island Health and Residential Aged Care Service	2,289	1,787
<b>Total Investments accounted for using the net assets method</b>	<b>775,877</b>	<b>377,043</b>
<b>Investments accounted for using the discounted cash flow method</b>		
Australia Government authorities		
Airservices Australia	893,770	897,506
Australian Government companies		
Australian Rail Track Corporation Limited	3,710,800	3,502,000
<b>Total Investments accounted for using the discounted cashflow method</b>	<b>4,604,570</b>	<b>4,399,506</b>
<b>Total Investments</b>	<b>5,380,447</b>	<b>4,776,549</b>
<b>4.1E: Accrued revenue</b>		
Goods and services	6,177	3,285
Interstate road transport	6,359	6,472
Motor vehicle standards	642	552
<b>Total accrued revenue</b>	<b>13,178</b>	<b>10,309</b>

**Accounting Policy**

Loans and Receivables

Credit terms for goods and services were within 30 days (2017: 30 days).

Loans to Australian States and Territories and commercial entities were made for periods ranging from 8 to 118 years. No security is generally required. Interest rates are fixed. Interest payments are due on the last day of each financial year for loans to States and Territories. Interest payments on the commercial loan are capitalised for the first twelve years and are due quarterly thereafter.

Where loans and receivables are not subject to concessional treatment, they are carried at amortised cost using the effective interest method. Gains and losses due to impairment, derecognition and amortisation are recognised in the Administered Schedule of Comprehensive Income.

Administered Investments

Administered investments in subsidiaries, joint ventures and associates are not consolidated because their consolidation is relevant only at the Whole of Government level.

Administered investments, other than those held for sale, are classified as available-for-sale and are measured at their fair value as at 30 June 2018. Fair value has been determined using the Australian Government's proportional interest in the net assets of the entities as at end of reporting period or a discounted cash flow valuation.

## DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

The Australian Government has a 100 per cent interest in the following entities, except the National Transport Commission (35%). The principal activities of each of the administered investments are as follows:

1. **Airservices Australia** – provides safe, secure and environmentally responsible air navigation and aviation rescue and firefighting services for the aviation industry and community.
2. **Australian Maritime Safety Authority (AMSA)** – provides maritime safety and other services to the Australian maritime industry, aviation and maritime search and rescue and marine environment protection services.
3. **Civil Aviation Safety Authority (CASA)** – regulates the safety of civil air operations in Australia and Australian registered aircraft operating outside Australian territory.
4. **Australian Rail Track Corporation Limited (ARTC)** – operates and manages over 8,500 kilometres of standard gauge rail track in South Australia, Victoria, Western Australia, New South Wales and Queensland. ARTC has been tasked by the Australian Government to deliver the Inland Rail project. The Australian Government has entered into agreements with ARTC to provide equity financing of up to \$9.266 billion for ARTC's delivery of the Inland Rail and Adelaide to Taroona Rail Upgrade projects of which \$143.43 million has been provided during 2017-18 (2017: \$81 million).
5. **Moorebank Intermodal Company Limited (MICAL)** – facilitates the development of an intermodal freight terminal at Moorebank NSW - a nationally significant infrastructure project that will help Sydney manage the expected growth in freight moving through the city. The Australian Government has entered into an agreement with MICAL to provide equity financing of up to \$370 million of which \$95 million has been provided in 2017-18 (2017: \$42 million).
6. **Infrastructure Australia (IA)** – advises governments, investors and infrastructure owners on a wide range of issues including Australia's current and future infrastructure needs in terms of projects, policy and regulation; and their impact on investment and the efficient delivery, operation and use of national infrastructure.
7. **Norfolk Island Health and Residential Aged Care Service (NIHRACS)** – delivers health and aged care services to the Norfolk Island community. NIHRACS transitioned from the Norfolk Island Hospital Enterprise on 1 July 2016 and is considered to be controlled by the Australian Government for financial reporting purposes.
8. **WSA Co Limited** – responsible for the construction and operation of the Sydney West Airport at Badgerys Creek NSW. The Australian Government has entered into an agreement with WSA Co Limited to provide equity financing of up to \$5.3 billion over ten years of which \$275.73 million was provided during 2017-18. WSA Co Limited was established on 7 August 2017.
9. **National Transport Commission (NTC)** – advises the Transport and Infrastructure Council on uniform regulatory and operational policies and model legislation for road, rail and intermodal transport. The Australian Government has a 35% interest in the NTC.

### Accounting Judgements and Estimates

#### Loans and Receivables

Concessional loans are initially recognised at their fair value. If the rate of interest charged is lower than the counterparty's borrowing rate, the difference between the amortised cost and the fair value of the loan is treated as an expense. The expense is recognised at the inception of the loan agreement and a provision is recognised for the concessional cost of loan advances that were committed, but not paid, at 30 June 2018 (refer the change in accounting policy disclosure in the Overview Section and Note 4.4A).

#### WestConnex Stage 2 concessional loan

Advances and loans to commercial entities comprise a concessional loan facility provided to a subsidiary of the Sydney Motorway Corporation for construction of Stage 2 of the WestConnex Motorway in Sydney. The loan facility comprises multiple advances over several years of up to \$2 billion. The first advance was made on 22 July 2016.

The fair value of each advance is determined using the present value of expected cash flows, discounted at the prevailing market interest rate. The prevailing market interest rate is fixed for each advance to be consistent with the fixed interest rate in the loan facility agreement. As the loan facility is the first to be made by the Australian Government for a major road project, no comparable products have been identified in the market and the prevailing market interest rate was determined based on external valuation advice.

The Department selected the mid-point from the range of market interest rates recommended by the valuer. The range was based on loans considered to have a similar risk profile including other commercial debt obtained by the Sydney Motorway Corporation, private sector toll road operators, regulated utilities and other entities that operate major infrastructure assets in a public/private partnership context.

As the market interest rate is the key determinant of the fair value of the loan, the Department undertook a sensitivity analysis in 2016-17 to determine the impact of using the valuer's highest and lowest interest rates which varied by 0.79%. This analysis confirmed that using different interest rates within the recommended range would



## DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

not materially affect the loan value over the term of the loan. The largest percentage variances occur in the early years of the loan with a 4.4% increase using the lowest rate in the range and a 4.1% decrease using the highest rate, in loan value at 30 June 2018. The variances decline over time and fall below 3% by 2021-22.

The loan facility also includes mandatory repayment of principal and/or interest in certain circumstances from the 2020-21 financial year. No allowance for these repayments had been made at 30 June 2018 as there are no indicators that these circumstances will arise.

### Administered Investments

In the absence of an observable market value for administered investments, the Department is required to use an appropriate valuation technique to determine fair value. The use of discounted cash flows is the preferred method for those entities that generate significant non-government cash inflows if the cash flows can be reliably predicted.

NTC, AMSA, CASA, IA, and NIHRACS do not generate significant non-government cash inflows. The Department uses the net assets method of valuation for these entities.

MICL and WSA Co have not generated significant non-government cash inflows to date and have been reliant on equity funding from the Australian Government. Therefore the Department has determined that the net assets method of valuation remains the most appropriate estimate of fair value for these entities at 30 June 2018.

WSA Co reported a net liability position of \$4.4 million at 30 June 2018 and has measured the Western Sydney Airport lease at nil value. The net liability position has been adjusted to incorporate the fair value of land subject to the airport lease of \$370 million as determined by an independent expert valuer as at 30 June 2018.

Airservices Australia generates significant non-government cash inflows, and its cash flows have been demonstrated to be able to be reliably predicted. The fair value for Airservices Australia at 30 June 2018 has been determined based on the mid-point of a range of values recommended by an independent expert valuer using a discounted cash flow method. The discounted cash flow method incorporated the financial forecasts underpinning the Airservices Australia 2018-19 to 2022-23 Corporate Plan, extrapolated for an additional eleven years and an estimated terminal value. As there are no directly comparable entities, the cash flows are discounted using the estimated Airservices Australia weighted average cost of capital, determined with reference to entities that operate in similar industries.

ARTC generates significant non-government cash inflows. Due to the nature of its operations and assets there are no readily comparable market examples for fair value determination purposes. The Department has estimated the fair value using a discounted cash flow method with reference to ARTC's valuation of its property, plant and equipment assets, modified for cash flows associated with its other asset and liability categories. As ARTC's property, plant and equipment assets represent a substantial proportion of its total assets, and are valued based on independent expert advice using a discounted cash flow model and the ARTC weighted average cost of capital, this method provides a reasonable basis for determination of fair value.

Confirmations of net assets as at 30 June 2018 are obtained from each of the relevant organisations to support the reported figures.

**DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES  
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<b>4.2 Administered – Non-Financial Assets</b>									
<b>4.2A: Reconciliation of the opening and closing balances of property, plant and equipment and intangibles</b>									
Reconciliation of the opening and closing balances of property, plant and equipment for 2018									
	Land \$'000	Buildings \$'000	Artwork \$'000	Heritage and cultural equipment \$'000	Other property, plant & equipment \$'000	Computer software purchased \$'000	Phosphate mine leases \$'000	Total \$'000	
<b>As at 1 July 2017</b>									
Gross book value	407,048	157,348	33,662	81,237	385,785	113	6,250	1,071,443	
Accumulated depreciation, amortisation and impairment	-	(24,250)	-	(2)	(29,937)	(34)	(1,251)	(55,474)	
<b>Total as at 1 July 2017</b>	<b>407,048</b>	<b>133,098</b>	<b>33,662</b>	<b>81,235</b>	<b>355,848</b>	<b>79</b>	<b>4,999</b>	<b>1,015,969</b>	
Additions									
Purchase	-	3,767	-	-	12,153	-	-	15,920	
Assets acquired at fair value	7,200	-	-	-	77	-	-	7,277	
Revaluations and Impairments recognised in other comprehensive income	-	-	-	-	(974)	-	-	(974)	
Depreciation and amortisation	-	(8,543)	-	-	(26,839)	(16)	(1,250)	(36,648)	
Reclassifications	-	4,421	-	268	(4,689)	-	-	-	
Disposals									
Write-downs - Finance Lease	(341,025)	-	-	-	-	-	-	(341,025)	
Write-downs - Other	-	(529)	-	(209)	(840)	-	-	(1,578)	
<b>Total as at 30 June 2018</b>	<b>73,223</b>	<b>132,214</b>	<b>33,662</b>	<b>81,294</b>	<b>334,736</b>	<b>63</b>	<b>3,749</b>	<b>658,941</b>	
<b>Total as at 30 June 2018 represented by</b>									
Gross book value	73,223	164,969	33,662	81,296	391,285	94	6,250	750,779	
Accumulated depreciation, amortisation and impairment	-	(32,755)	-	(2)	(56,549)	(31)	(2,501)	(91,838)	
<b>Total as at 30 June 2018</b>	<b>73,223</b>	<b>132,214</b>	<b>33,662</b>	<b>81,294</b>	<b>334,736</b>	<b>63</b>	<b>3,749</b>	<b>658,941</b>	

## DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Land, buildings and other property, plant and equipment that met the definition of a heritage and cultural item are disclosed in the heritage and cultural asset class.

An impairment loss of \$0.974 million was recognised for other property, plant and equipment in 2017-18 (2017: \$0.170 million). There were no impairment losses recognised for the other asset classes (2017: Nil).

### Revaluations of non-financial assets

No revaluations of non-financial assets were conducted during the 2017-18 financial year.

### Contractual commitments for the acquisition of property, plant and equipment and intangible assets

At 30 June 2018, the Department had contractual commitments of \$4.528 million for other property, plant and equipment (2017: \$7.735 million) and nil for buildings (2017: \$0.014 million). Contractual commitments relate to acquisitions in the 2018-19 to 2019-20 financial years.

### Accounting Policy

#### Administered artworks and other heritage and cultural assets

The Administered artworks asset class comprises paintings and other artworks by Sir Sidney Nolan (Nolan collection) with an aggregated value of \$33.6 million (2017: \$33.6 million), along with artworks held on Norfolk Island. The Nolan collection is maintained by the Canberra Museum and Gallery (CMAG), an ACT Government entity, on behalf of the Commonwealth. Curatorial and preservation arrangements are managed in accordance with a Memorandum of Understanding between CMAG and the Department. The collection is deemed to have an indefinite useful life.

The Heritage and cultural assets class comprises assets that are held and/or used primarily for purposes that relate to their historical or cultural significance. They include:

- a) buildings, ruins, reserves and collections on Norfolk Island of historical significance with an aggregated value of \$72.4 million (2017: \$72.3 million). The conservation and preservation of these assets are managed in accordance with the *Kingston and Arthur's Vale Historic Area Heritage Management Plan 2016*
- b) memorials, reserves and temples on Christmas Island with an aggregated value of \$0.6 million (2017: \$0.6 million) and
- c) historic aircraft with an aggregated value of \$8.3 million (2017: \$8.3 million) on display at Brisbane Airport, Adelaide Airport and the Queen Victoria Museum and Gallery in Launceston, Tasmania. The conservation and preservation of each aircraft is managed through an agreement with the relevant entity.

All assets in the class are deemed to have indefinite useful lives.

Curatorial and preservation policies for these assets are developed and monitored by qualified personnel and include the following:

- a) a clearly stated objective about the holding and preservation of items
- b) a well-developed plan to achieve the objective, including demonstration of how the policy will be implemented based on advice by appropriately qualified experts
- c) monitoring procedures and
- d) periodic reviews.

#### Administered Intangibles

Administered intangibles include purchased software and phosphate mining lease rights on Christmas Island. The useful lives of administered intangibles are from 1 to 21 years (2017: 1 to 21 years).

Software assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Phosphate mining lease rights are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses.

## DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### Accounting Judgements and Estimates

#### Land

The fair value of land administered on behalf of the Australian Government has been taken to be the market value of similar assets as determined by an independent qualified valuer at 30 June 2017. The fair value of individual land parcels is considered representative of their highest and best use and the fundamental assumption that they could be sold on a freehold basis.

Land at Badgerys Creek NSW, with a carrying value of \$333.8 million, was leased to WSA Co on 17 May 2018 for no consideration. The lease has been classified as a finance lease and was measured at nil value at 30 June 2018. Land at Badgerys Creek with a carrying value of \$11.1 million was not subject to the airport lease and remains reported at fair value within the land asset class.

The other land in the asset class at 30 June 2018 represents Commonwealth-owned land in the Indian Ocean Territories, Jervis Bay Territory and Norfolk Island. Due to the limited sales transactions at these locations, the Department conducted an internal review during 2017-18 with reference to changes in property prices at locations with similar characteristics that may also suggest a change in the fair value of the asset class. The Department assessed that the risk of a material difference between the carrying value and fair value of the land asset class at 30 June 2018 was low.

#### Buildings and other property, plant and equipment

The fair value of buildings and other property, plant and equipment assets, including artworks and other heritage and cultural assets, has been taken to be either the market value or depreciated current cost of similar assets as determined by an independent qualified valuer at 30 June 2016, adjusted for subsequent depreciation, acquisitions and disposals.

The Department conducted an internal review of the buildings and other property, plant & equipment asset classes during 2017-18 with reference to changes in economic and other factors that could affect the fair value of each class. The Department assessed that the risk of a material difference between the carrying value and fair value of each asset class at 30 June 2018 was low.

#### Artworks, museum collections and other heritage and cultural assets

The fair value of artworks and other collections administered on behalf of the Australian Government have been taken to be the market value of similar assets as determined by an independent qualified valuer at 30 June 2016. High value items are valued on an individual basis. The fair value of museum collections comprising a large number of similar artefacts were valued based on a stratified multi-stage sampling basis.

The Department conducted an internal review of the artworks asset class with reference to auction results for similar artworks by Sir Sidney Nolan since the last valuation. The Department also conducted an interim review of other heritage and cultural assets with reference to changes in economic and other factors that could affect their fair value. The Department assessed that the risk of a material difference between the carrying value and fair value of the artworks and other heritage & cultural assets classes at 30 June 2018 was low.

#### Intangible assets

The fair value of phosphate mining lease rights was determined by an independent qualified valuer as at 30 June 2016, measured as the present value of expected royalties on the estimated phosphate reserves remaining. The Department conducted an internal assessment during 2017-18 and confirmed that the assumptions underpinning the last valuation remained appropriate as at 30 June 2018.

#### Land and structures at Australian Government owned airports and the Moorebank Logistics Park

The land and structures at 21 civilian airports owned by the Australian Government and leased to private sector interests are subject to lease arrangements with an initial lease term of 50 years and a 49-year extension option exercisable by the lessees. Consideration consisted of upfront payments by the lessees, without any subsequent lease payments being payable, including in the event of the exercise of the lease extension option. These leases have been assessed as having no reportable fair value because of the extended period before any future revenue stream will accrue. Land at the Western Sydney Airport site was leased to WSA Co on 17 May 2018 for no consideration for an initial term of 50 years and is also reported at nil value.

Land owned by the Australian Government at Moorebank NSW has been leased to a subsidiary of MICL for 99 years for a nominal annual rental to develop an intermodal freight terminal. The lease has been assessed as having no reportable fair value as the present value of minimum lease payments is negligible.

**DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

	2018	2017
	\$'000	\$'000
<b>4.2B: Inventories</b>		
Inventories held for distribution	2,568	2,277
<b>Total inventories</b>	<b>2,568</b>	<b>2,277</b>
<b>4.2C: Prepayments</b>		
Grant prepayments	1,887	11,260
<b>Total prepayments</b>	<b>1,887</b>	<b>11,260</b>

**Accounting Policy**

**Inventories**

During 2018, \$12.6 million (2017: \$8.7 million) of inventory held for distribution was recognised as an expense.

All inventories are expected to be sold or distributed in the next 12 months.

Inventories held for distribution are valued at cost, adjusted for any loss of service potential.

Costs incurred in bringing each item of inventory to its present location and condition are assigned as follows:

- raw materials and stores – purchase cost on a first in-first out basis and
- finished goods and work-in-progress – cost of direct materials and labour plus attributable costs that can be allocated on a reasonable basis.

Inventories acquired at no cost or nominal consideration are initially measured at current replacement cost at the date of acquisition.

**4.3 Administered – Payables**

	2018	2017
	\$'000	\$'000
<b>4.3A: Suppliers</b>		
Trade creditors and accruals	20,224	12,320
<b>Total suppliers</b>	<b>20,224</b>	<b>12,320</b>

Settlement is usually made within 30 days.

**4.3B: Subsidies**

**Subsidies in connection with**

External parties	11,640	8,196
<b>Total subsidies</b>	<b>11,640</b>	<b>8,196</b>

**4.3C: Grants**

Australian Government entities	10,728	17,846
State and Territory Governments	1,578	9,178
Non-profit organisations	11,801	2,194
Other	4,897	332
<b>Total grants</b>	<b>29,004</b>	<b>29,550</b>

Settlement was due according to the terms and conditions of each grant within 30 days of performance eligibility.

**4.3D: Other payables**

Salaries and wages	87	81
Superannuation	11	11
Other	266	244
<b>Total other payables</b>	<b>364</b>	<b>336</b>

## DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 4.4 Administered – Other Provisions

#### 4.4A: Concessional loan commitments

	Commercial entities \$'000	Local Government \$'000	Total \$'000
<b>As at 1 July 2017</b>	213,280	-	213,280
Additional commitments made	-	2,468	2,468
Commitments paid	(121,455)	-	(121,455)
Unwinding	7,763	15	7,778
<b>Total as at 30 June 2018</b>	<b>99,588</b>	<b>2,483</b>	<b>102,071</b>

#### 4.4B: Other provisions

	Asbestos Removal \$'000	Phosphate Mine Rehabilitation \$'000	Total \$'000
<b>As at 1 July 2017</b>	146	2,919	3,065
Additional provisions made	-	1,540	1,540
Amounts used	-	(1,253)	(1,253)
Amounts reversed	(146)	-	(146)
<b>Total as at 30 June 2018</b>	<b>-</b>	<b>3,206</b>	<b>3,206</b>

### Accounting Policy

#### Concessional loan commitments

Concessional loan commitments represent the concessional cost of commitments to provide loan advances at a below-market interest rate. Commitments to commercial entities reflect the concessional cost of loan advances that were committed, but not paid, from the WestConnex Stage 2 concessional loan facility as at 30 June 2018. These advances are expected to be paid in the 2018-19 and 2019-20 financial years.

Commitments to local government entities reflect loan advances that were committed, but not paid, to the Sunshine Coast Regional Council to assist with expansion of the Sunshine Coast Airport. The advances are expected to be paid between the 2018-19 and 2020-21 financial years.

#### Other Provisions

Certain materials containing asbestos have been identified in buildings that are administered by the Department. Provision has been made where the Department has a present obligation to take reasonable action to remediate the risk of harmful exposure to employees and the public. The timing of this remediation depends on the condition and extent of each item of asbestos containing material.

The Australian Government also has an obligation to rehabilitate land on Christmas Island affected by phosphate mining.

### Accounting Judgements and Estimates

#### Concessional loan commitments

Concessional loan commitments are initially measured at their fair value, calculated as the present value of cash flows associated with loan advances committed, but not paid, at 30 June 2018, discounted at the prevailing market interest rate.

The provision is subsequently measured at amortised cost and reduced for the concessional component of each advance as it is paid.

The provision for Commercial entities (WestConnex loan) was recognised in 2017-18 as a change in accounting policy (refer Overview Section).

## DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### Provisions for Asbestos Removal and Phosphate Mine Rehabilitation

The provision for asbestos removal is based on estimates of future obligations relating to the underlying assets, where there is a present obligation for remediation. The Department assessed, based on asbestos risk registers and management plans for these properties, that it did not have a present obligation to remediate properties at 30 June 2018. The estimated cost of remediation to properties if conditions change is disclosed as a contingent liability (refer Note 7.1B).

The provision for phosphate mine rehabilitation is equal to the balance of the Christmas Island Phosphate Mining Rehabilitation Special Account, adjusted for accrued payments and revenue at year end.

## DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 5. Funding

This section identifies the Department's funding structure.

#### 5.1 Appropriations

##### 5.1A: Annual Appropriations (Recoverable GST exclusive<sup>1</sup>)

#### Annual Appropriations for 2018

	Annual Appropriation <sup>1</sup> \$'000	Adjustments to appropriation <sup>2</sup> \$'000	Total appropriation \$'000	Appropriation applied in 2018 (current and prior years) \$'000	Variance <sup>3</sup> \$'000
<b>Departmental</b>					
Ordinary annual services	277,088	153	277,241	(254,871)	22,370
Capital Budget <sup>4</sup>	14,810	(1,400)	13,410	(13,339)	71
<b>Total departmental</b>	<b>291,898</b>	<b>(1,247)</b>	<b>290,651</b>	<b>(268,210)</b>	<b>22,441</b>
<b>Administered</b>					
Ordinary annual services					
Capital Budget <sup>4</sup>	14,771	-	14,771	(14,083)	688
Administered items	1,448,785	18,906	1,467,691	(922,760)	544,931
Payments to corporate Commonwealth entities	126,022	-	126,022	(126,022)	-
Other services					
States, ACT, NT and Local government	724,630	-	724,630	(731,645)	(7,015)
Administered assets and liabilities	859,697	50,000	909,697	(1,235,961)	(326,264)
<b>Total administered</b>	<b>3,173,905</b>	<b>68,906</b>	<b>3,242,811</b>	<b>(3,030,461)</b>	<b>212,350</b>

1. Departmental appropriations of \$20.3 million were withheld (under s51 of the PGPA Act) for administrative purposes. Administered appropriations of \$544.5 million were withheld, comprising \$376.4 million in ordinary annual services and \$168.1 million in Administered Assets and Liabilities mainly due to the movement of funds between years.

2. Departmental adjustments comprise receipts retained under s74 of the PGPA Act (\$15.2 million) less net amounts transferred under 75 of the PGPA Act (\$16.5 million). Administered adjustments relate to s75 transfers.

3. The variance in Departmental and Administered ordinary annual services appropriations are mainly due to amounts withheld (see Note 1 above). The variance in Administered asset and liabilities was mainly due to advances paid under the WestConnex concessional loan facility that were appropriated in 2015-16.

4. Departmental and Administered Capital Budgets are appropriated through Appropriation Acts (No.1 and 3). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts.



## DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 5.1A: Annual Appropriations ('Recoverable GST exclusive') (continued)

Annual appropriations for 2017

	Annual Appropriation <sup>1</sup> \$'000	Adjustments to appropriation <sup>2</sup> \$'000	Total appropriation \$'000	Appropriation applied in 2017 (current and prior years) \$'000	Variance <sup>3</sup> \$'000
<b>Departmental</b>					
Ordinary annual services	285,767	20,628	286,395	(260,720)	25,675
Capital Budget <sup>4</sup>	11,491	-	11,491	(6,519)	4,972
Total departmental	277,258	20,628	297,886	(267,239)	30,647
<b>Administered</b>					
Ordinary annual services					
Capital Budget <sup>4</sup>	24,555	-	24,555	(28,069)	(3,514)
Administered items	1,084,826	-	1,084,826	(738,868)	345,958
Payments to corporate Commonwealth entities	123,005	-	123,005	(123,005)	-
Other services					
States, ACT, NT and Local government	836,395	-	836,395	(822,665)	13,730
Administered assets and liabilities	206,758	-	206,758	(740,213)	(533,455)
Total administered	2,275,539	-	2,275,539	(2,452,820)	(177,281)

1. Departmental appropriations of \$17.3 million were withheld (under Section 51 of the PGPA Act) for administrative purposes due to changes in Western Sydney Airport project priorities. Administered appropriations of \$384.8 million were also withheld, comprising \$301.8 million in Ordinary annual services and \$83 million in Administered assets and liabilities, mainly due to the movement of funds between years. An additional amount of \$42.2 million was also withheld from 2015-16 administered appropriations during the year.

2. PGPA Act Section 74 receipts.

3. The variance in Departmental and Administered ordinary annual services appropriations were mainly due to amounts withheld under Section 51 of the PGPA Act (see note 1 above). The variance in the Administered Capital Budget was due to the reallocation of \$3.1 million from ordinary annual services and drawdowns from prior year appropriations. The variance in Administered asset and liabilities was mainly due to advances paid under the WestConnex concessional loan which were appropriated in 2015-16.

4. Departmental and Administered Capital Budgets were appropriated through Appropriation Acts (No.1, 3, 5). They formed part of ordinary annual services, and are not separately identified in the Appropriation Acts.

## DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 5.1B: Unspent Annual Appropriations ('Recoverable GST exclusive')

	2018 \$'000	2017 \$'000
<b>Departmental</b>		
<i>Appropriation Act (No.1) 2014-15</i>	-	14,007
<i>Appropriation Act (No.1) 2015-16</i>	-	1,306
<i>Appropriation Act (No.3) 2015-16</i>	-	916
<i>Supply Act (No. 1) 2016-17</i>	-	75,767
<i>Appropriation Act (No.1) 2016-17<sup>1</sup></i>	22,709	70,419
<i>Supply Act (No. 1) 2016-17 - Departmental Capital Budget (DCB)<sup>4</sup></i>	-	3,866
<i>Appropriation Act (No.1) 2016-17 - Departmental Capital Budget<sup>5</sup></i>	-	5,174
<i>Appropriation Act (No.1) 2016-17 Unspent Cash</i>	-	1,850
<i>Appropriation Act (No.1) 2017-18<sup>1</sup></i>	139,189	-
<i>Appropriation Act (No.1) 2017-18 - Departmental Capital Budget<sup>6</sup></i>	9,111	-
<i>Appropriation Act (No.3) 2017-18</i>	588	-
<i>Appropriation Act (No.1) 2017-18 Unspent Cash</i>	3,010	-
<b>Total departmental</b>	<b>174,607</b>	<b>173,305</b>
<b>Administered</b>		
<i>Appropriation Act (No.1) 2014-15</i>	-	118,634
<i>Appropriation Act (No.2) 2014-15 (Payments to States, ACT, NT and local government)</i>	-	67,750
<i>Appropriation Act (No.3) 2014-15</i>	-	21,566
<i>Appropriation Act (No.1) 2015-16<sup>1,2</sup></i>	427,346	437,866
<i>Appropriation Act (No.1) 2015-16 - Administered Capital Budget<sup>1,2,3</sup></i>	966	1,682
<i>Appropriation Act (No.2) 2015-16 (Administered Assets and Liabilities)<sup>2</sup></i>	660,996	1,236,034
<i>Appropriation Act (No.3) 2015-16<sup>1,2</sup></i>	9,909	26,816
<i>Appropriation Act (No.4) 2015-16 (Payments to States, ACT, NT and local government)<sup>1,2</sup></i>	16,348	16,348
<i>Appropriation Act (No.4) 2015-16 (Administered Assets and Liabilities)</i>	-	54,000
<i>Supply Act (No.1) 2016-17</i>	264	373
<i>Appropriation Act (No.1) 2016-17<sup>1</sup></i>	308,767	308,927
<i>Supply Act (No.2) 2016-17 (Administered Assets and Liabilities)</i>	35,417	35,417
<i>Supply Act (No.2) 2016-17 (Payments to States, ACT, NT and local government)</i>	-	1,000
<i>Appropriation Act (No.2) 2016-17 (Administered Assets and Liabilities)</i>	61,108	18,691
<i>Appropriation Act (No.2) 2016-17 (Payments to States, ACT, NT and local government)</i>	-	5,412
<i>Appropriation Act (No.3) 2016-17<sup>1</sup></i>	28,023	39,430
<i>Appropriation Act (No.4) 2016-17 (Payments to States, ACT, NT and local government)<sup>1</sup></i>	7,715	8,318
<i>Appropriation Act (No.4) 2016-17 (Administered Assets and Liabilities)<sup>1</sup></i>	91,233	110,650
<i>Appropriation Act (No.2) 2015-16 (Administered Assets and Liabilities) - Unspent cash</i>	-	65,753
<i>Appropriation Act (No.1) 2017-18<sup>1</sup></i>	491,648	-
<i>Appropriation Act (No.1) 2017-18 - Administered Capital Budget<sup>6</sup></i>	1,404	-
<i>Appropriation Act (No.3) 2017-18<sup>1</sup></i>	92,367	-
<i>Appropriation Act (No.2) 2017-18 (Administered Assets and Liabilities)<sup>1</sup></i>	383,054	-
<i>Appropriation Act (No.2) 2017-18 (Administered Assets and Liabilities) - Unspent cash</i>	12,433	-
<b>Total administered</b>	<b>2,628,998</b>	<b>2,574,667</b>

<sup>1.</sup> Includes amounts withheld under PGPA Act s51.

<sup>2.</sup> 2015-16 appropriations lapsed on 1 July 2018 in accordance with the provisions in the appropriation acts

<sup>3.</sup> This item was appropriated as part of Appropriation Act (No.1) 2015-16

<sup>4.</sup> This item was appropriated as part of Supply Act (No.1) 2016-17

<sup>5.</sup> This item was appropriated as part of Appropriation Act (No.1) 2016-17

<sup>6.</sup> This item was appropriated as part of Appropriation Act (No.1) 2017-18

**DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**5.1C: Special Appropriations ('Recoverable GST exclusive')**

Authority	Type	Appropriation applied	
		2018 \$'000	2017 \$'000
<i>Protection of the Sea (Oil Pollution Compensation Fund) Act 1993 - section 40(4)</i>	Unlimited amount	676	394
<i>Interstate Road Transport Act 1985 - section 22</i>	Unlimited amount	74,141	71,003
<i>Australian Maritime Safety Authority Act 1990, section 48</i>	Unlimited amount	123,107	120,228
<i>Aviation Fuel Revenues (Special Appropriation) Act 1988</i>	Unlimited amount	121,513	120,994
<i>Sydney Airport Demand Management Act 1997 - section 27(4)</i>	Limited amount	-	-
<i>Australian National Railways Commission Sale Act 1997 - section 67AH(4)</i>	Limited amount	-	-
<i>Public Governance, Performance and Accountability Act 2013 – Section 77</i>	Refund provisions	231	817
<i>Local Government (Financial Assistance) Act 1995 - section 19</i>	Unlimited amount	2,413,416	3,472,151
<b>Total special appropriations applied</b>		<b>2,733,084</b>	<b>3,785,587</b>

## DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 5.2 Special Accounts

5.2A: Special Accounts ('Recoverable GST exclusive')

	Interstate Road Transport Account <sup>1</sup>	BAF Infrastructure Portfolio Special Account <sup>2</sup>	Services to Other Entities and Trust Moneys <sup>3</sup>	Christmas Island Phosphate Mining Rehabilitation Special Account 2006 <sup>4</sup>	Christmas Island Phosphate Mining Rehabilitation Special Account 2016 <sup>5</sup>	Indian Ocean Territories Special Account <sup>6</sup>	Jervis Bay Special Account <sup>7</sup>	Melbourne Airport New Runway Land Acquisition <sup>8</sup>
	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000
Balance brought forward from previous period	2,506	-	246	227	2,440	2,587	390	77
<b>Increases</b>								
Appropriation credited to special account	74,141	71,002	-	-	394	-	-	-
Other receipts	-	-	6	20	-	1,497	1,088	1,057
<b>Total increases</b>	<b>74,141</b>	<b>71,002</b>	<b>6</b>	<b>20</b>	<b>394</b>	<b>1,497</b>	<b>1,088</b>	<b>1,057</b>
<b>Available for payments</b>	<b>74,141</b>	<b>71,002</b>	<b>6</b>	<b>20</b>	<b>394</b>	<b>1,497</b>	<b>1,088</b>	<b>1,057</b>
<b>Decreases</b>								
Payments made to suppliers	-	-	252	247	-	4,084	1,478	1,134
<b>Total Departmental</b>	<b>-</b>	<b>-</b>	<b>(142)</b>	<b>-</b>	<b>2,834</b>	<b>26,941</b>	<b>1,478</b>	<b>1,134</b>
<b>Administered</b>								
Payments made to suppliers	(76,647)	(68,496)	-	(1)	-	(1,253)	(962)	(744)
Payments made to others	-	-	(3)	-	-	-	-	-
Amount transferred	-	-	-	-	(2,834)	-	-	-
<b>Total Administered</b>	<b>(76,647)</b>	<b>(68,496)</b>	<b>(3)</b>	<b>(1)</b>	<b>(2,834)</b>	<b>(1,253)</b>	<b>(962)</b>	<b>(744)</b>
<b>Total decrease</b>	<b>(76,647)</b>	<b>(68,496)</b>	<b>(145)</b>	<b>(1)</b>	<b>(2,834)</b>	<b>(1,253)</b>	<b>(962)</b>	<b>(744)</b>
<b>Total balance carried to the next period</b>	<b>-</b>	<b>2,506</b>	<b>107</b>	<b>246</b>	<b>-</b>	<b>2,831</b>	<b>516</b>	<b>390</b>
<b>Balance represented by</b>								
Cash held in bank account	-	-	107	246	-	-	-	-
Cash held in the Official Public Account	-	2,506	-	-	-	2,831	516	390
<b>Total balance carried to the next period</b>	<b>-</b>	<b>2,506</b>	<b>107</b>	<b>246</b>	<b>-</b>	<b>2,831</b>	<b>516</b>	<b>390</b>

## DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Appropriation: *Public Governance, Performance and Accountability Act 2013*; section 80. Establishing instrument: *Interstate Road Transport Act 1985*; section 21. Purpose: To provide for payments to the States and Territories for maintenance and upkeep of roads from registration charges received from vehicles engaged in interstate trade and commerce.
2. Appropriation: *Public Governance, Performance and Accountability Act 2013*; section 80. Establishing instrument: *Nation-building Funds Act 2008*; section 61. Purpose: To make payments in relation to the creation or development of transport and infrastructure.
3. Appropriation: *Public Governance, Performance and Accountability Act 2013*; section 78. Establishing instrument: *Financial Management and Accountability (Establishment of Special Account for Department of Infrastructure and Transport) Determination 2011/08*. Purpose: Expenditure of money temporarily held in trust or otherwise for the benefit of a person other than the Commonwealth.
4. Appropriation: *Public Governance, Performance and Accountability Act 2013*; section 78. Establishing instrument: *Financial Management and Accountability Determination 2006/11 - Christmas Island Phosphate Mining Rehabilitation Special Account Establishment 2006*; section 78. Purpose: To manage the funding provided for the rehabilitation of phosphate mine sites on Christmas Island in accordance with the requirements of the lease between Phosphate Resources Ltd and the Australian Government. This account was abolished on 1 October 2016 (sunset date).
5. Appropriation: *Public Governance, Performance and Accountability Act 2013*; section 78. Establishing instrument: *PGPA Act Determination (Christmas Island Phosphate Mining Rehabilitation Special Account 2016)*. Purpose: To manage the funding provided for the rehabilitation of phosphate mine sites on Christmas Island in accordance with the requirements of the lease between Phosphate Resources Ltd and the Australian Government. The account was established on 15 September 2016.
6. Appropriation: *Public Governance, Performance and Accountability Act 2013*; section 78. Establishing instrument: *PGPA Act (Indian Ocean Territories Special Account 2014 - Establishment) Determination 02*. Purpose: Delivery of essential services and infrastructure within the Indian Ocean Territories.
7. Appropriation: *Public Governance, Performance and Accountability Act 2013*; section 78. Establishing instrument: *PGPA Act (Jervis Bay Territory Special Account 2014 - Establishment) Determination 03*. Purpose: Delivery of essential services and infrastructure within the Jervis Bay Territory.
8. Appropriation: *Public Governance, Performance and Accountability Act 2013*; section 78. Establishing instrument: *PGPA Act (Melbourne Airport New Runway Land Acquisition Special Account - Establishment) Determination 2015/10*. Purpose: Payments associated with the acquisition of land in connection with the Melbourne (Tullamarine) Airport.

## DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 5.3 Regulatory Charging Summary

	2018 \$'000	2017 \$'000
<b>Amounts applied</b>		
Departmental		
Annual appropriations	10,301	12,451
Administered		
Special appropriations (including special accounts)	123,107	120,228
<b>Total amounts applied</b>	<b>133,408</b>	<b>132,679</b>
<b>Expenses</b>		
Departmental	10,492	12,642
Administered	122,998	119,902
<b>Total expenses</b>	<b>133,490</b>	<b>132,544</b>
<b>External Revenue</b>		
Departmental	7	31
Administered	135,659	129,733
<b>Total external revenue</b>	<b>135,666</b>	<b>129,764</b>
<b>Amounts written off</b>		
Departmental	-	-
Administered	-	-
<b>Total amounts written off</b>	<b>-</b>	<b>-</b>

#### Regulatory charging activities:

- Environment protection at Leased Federal Airports
- Coastal trading licences
- Motor vehicle safety standards
- Australian Maritime Safety Authority levies

Documentation (Cost Recovery Impact Statement) for Environmental Protection at Leased Federal Airports and Coasting Trade Permits is available at:  
[http://www.infrastructure.gov.au/department/statements/2005\\_2006/budget/pdf/CRIS-MINOR\\_ARRANGEMENTS.pdf](http://www.infrastructure.gov.au/department/statements/2005_2006/budget/pdf/CRIS-MINOR_ARRANGEMENTS.pdf)

Documentation (Cost Recovery Impact Statement) for Vehicle Safety Standards is available at:  
[http://www.infrastructure.gov.au/department/statements/2005\\_2006/budget/pdf/CRIS-VEHICLE\\_SAFETY\\_STANDARDS.pdf](http://www.infrastructure.gov.au/department/statements/2005_2006/budget/pdf/CRIS-VEHICLE_SAFETY_STANDARDS.pdf)

Documentation (Cost Recovery Impact Statement) for Australian Maritime Safety Authority Levies is available at:  
<https://www.amsa.gov.au/vessels/levies-fees-charges/documents/CRIS2016.pdf>

### 5.4 Net Cash Appropriation Arrangements

	2018 \$'000	2017 \$'000
<b>Total comprehensive income/(loss) less depreciation/amortisation expenses previously funded through revenue appropriations<sup>1</sup></b>	<b>5,728</b>	<b>3,618</b>
Plus: depreciation/amortisation expenses previously funded through revenue appropriation	(8,095)	(9,253)
<b>Total comprehensive income/(loss) - as per the Statement of Comprehensive Income</b>	<b>(2,367)</b>	<b>(5,635)</b>

- <sup>1</sup> From 2010-11, the Government introduced net cash appropriation arrangements, where revenue appropriations for depreciation/amortisation expenses ceased. Entities now receive a separate capital budget provided through equity appropriations. Capital budgets are to be appropriated in the period when cash payment for capital expenditure is required.

## DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 6. People and Relationships

This section describes a range of employment and post-employment benefits provided to our people and our relationships with other key people.

#### 6.1 Employee Provisions

	2018 \$'000	2017 \$'000
<b>6.1A: Employee provisions</b>		
Leave	37,642	45,001
<b>Total employee provisions</b>	<b>37,642</b>	<b>45,001</b>
<b>6.1B: Administered employee provisions</b>		
Leave	3,661	3,477
<b>Total employee provisions</b>	<b>3,661</b>	<b>3,477</b>

#### Accounting Policy

Liabilities for 'short-term employee benefits' (as defined in *AASB 119 Employee Benefits*) and termination benefits expected to be wholly settled within twelve months of the end of the reporting period are measured at their nominal amounts.

Annual leave and long service leave provisions are classified as 'other long term employee benefits' under AASB 119 as they are not expected to be wholly settled within the next twelve months. Other long term employee benefits are measured as the present value of the expected cash flows.

#### Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including the Department's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long term benefits is determined using the short-hand method available under the FRR as at 30 June 2018. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

#### Separation and Redundancy

Provision is made for separation and redundancy benefit payments. The Department recognises a provision for termination when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

#### Superannuation

The Department's staff are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), the PSS accumulation plan (PSSap) or other superannuation funds held outside the Australian Government.

The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported in the Department of Finance's administered schedules and notes.

The Department makes employer contributions to the employees' defined benefit superannuation schemes at rates determined by an actuary to be sufficient to meet the current cost to the Government. The Department accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June represents outstanding contributions for the final pay fortnight of the reporting period.

#### Accounting Judgements and Estimates

As the Department's staffing level was below 1,000 full time equivalents at 30 June 2018, the shorthand method outlined in the FRR was used to calculate long service leave provisions. Employee provisions for the previous year were calculated using specific probability and other factors recommended by the Australian Government Actuary.

## DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 6.2 Key Management Personnel Remuneration

Key management personnel (KMP) are those persons having authority for planning, directing and controlling the activities of the Department, directly or indirectly. The Department has determined KMP to be Portfolio Ministers<sup>1</sup> and members of the Department's executive governance committee.

The Department established new governance arrangements during the 2017-18 financial year which changed the composition of KMP. KMP for the 2017-18 financial year were:

- members of the Secretary's Business Meeting for the period 1 July 2017 to 12 April 2018 comprising the Secretary, Deputy Secretaries and the Chief Operating Officer, and
- permanent members of the Department's Executive Board for the period 13 April 2018 to 30 June 2018 comprising the Secretary and Deputy Secretaries.

KMP in the 2016-17 financial year represented members of the Secretary's Business Meeting.

KMP remuneration is reported in the table below:

	2018 \$'000	2017 \$'000
Short-term employee benefits	1,585	1,478
Post-employment benefits	254	266
Other long-term employee benefits	290	250
<b>Total key management personnel remuneration expenses<sup>1</sup></b>	<b>2,129</b>	<b>1,994</b>

The total number of KMP included in the above table are six (2017: five)<sup>3</sup>

1. Remuneration reported in this note excludes the remuneration and other benefits of Portfolio Ministers. Portfolio Ministers' remuneration and other benefits are set by the Remuneration Tribunal and are not paid by the Department.
2. Remuneration is reported on an accrual basis and excludes short-term acting arrangements.
3. The Department had five KMP positions in 2018 (2017: four). The total number of KMP above includes employees occupying KMP positions for part of the year.



## DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 6.3 Related Party Disclosures

#### Related party relationships:

The Department is an Australian Government controlled entity. Related parties to the Department are key management personnel (see Note 6.2 above), other Australian Government entities and the Norfolk Island Health and Residential Aged Care Service (see Note 4.1D).

#### Transactions with related parties:

The following transactions with related parties occurred during the financial year and are considered to be significant due to their size and/or nature:

Transaction	Related party	Note	2018 \$'000	2017 \$'000
Grants administration	Department of Industry, Innovation and Science	1.1B	11,681	-
Transfer of land and associated assets - Moorebank NSW	Department of Defence	4.2A	-	356,256
Revenue for airport site preparatory activities	WSA Co Ltd	2.2C	146,100	-
Fair value of leases <sup>1</sup>	Moorebank Intermodal Company Ltd	2.1E	-	356,256
	WSA Co Ltd	2.1E	333,825	-
Equity payments	Moorebank Intermodal Company Ltd	4.1D	95,000	42,000
	Australian Rail Track Corporation Ltd	4.1D	143,430	81,000
	WSA Co Ltd	4.1D	275,730	-
Service Delivery Agreement	Norfolk Island Health and Residential Aged Care Service	2.1B	10,339	6,569

1. Land was leased to the Moorebank Intermodal Company Ltd in 2016-17 and WSA Co Ltd in 2017-18. Both leases required no or nominal consideration.

The Department enters into other transactions with Australian Government entities in the normal course of business that are not considered to be significant. Given the breadth of Government activities, related parties may transact with the government sector in the same capacity as ordinary citizens. These transactions have not been separately disclosed in this note.

## DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 7. Managing Uncertainties

This section analyses how the Department manages financial risks within its operating environment.

#### 7.1 Contingent Assets and Liabilities

##### 7.1A: Contingent Assets and Liabilities

	Claims for damages or costs		Total	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
<b>Contingent assets</b>				
Balance from previous period	-	266	-	266
Assets realised	-	(266)	-	(266)
<b>Total contingent assets</b>	-	-	-	-
<b>Net contingent assets/(liabilities)</b>	-	-	-	-

#### Unquantifiable Contingencies

##### Legal matters

The Department, on behalf of the Commonwealth, is party to several matters before the Federal Court of Australia and the High Court of Australia. Costs may be awarded to or against the Commonwealth for these matters, subject to the Court's decisions. The potential costs or gains cannot be reliably estimated.

##### 7.1B: Administered - Contingent Assets and Liabilities

	Claims for damages or costs		Total	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
<b>Contingent assets</b>				
Balance from previous period	1,938	2,457	1,938	2,457
New contingent assets recognised	20	76	20	76
Re-measurement	7	(38)	7	(38)
Assets realised	(1,455)	(557)	(1,455)	(557)
<b>Total contingent assets</b>	510	1,938	510	1,938
<b>Contingent liabilities</b>				
Balance from previous period	12,255	11,195	12,255	11,195
Re-measurement	233	1,060	233	1,060
<b>Total contingent liabilities</b>	12,488	12,255	12,488	12,255
<b>Net contingent assets/(liabilities)</b>	(11,978)	(10,317)	(11,978)	(10,317)

#### Quantifiable Administered Contingent Assets

Insurance claims have been submitted to recover costs for damage to properties and infrastructure on Christmas Island and the Jervis Bay Territory.

#### Quantifiable Administered Contingent Liabilities

##### Asbestos Remediation costs

The Department maintains registers of Australian Government owned properties in the Indian Ocean Territories, Jervis Bay Territory and Norfolk Island where materials containing asbestos have been identified. Asbestos management plans are in place for these properties, except for certain properties on Norfolk Island where management plans were being developed at 30 June 2018. Contingent liabilities have been quantified for the cost to remediate asbestos in properties in the Indian Ocean Territories and Jervis Bay Territory if conditions change to increase the risk of exposure, such as through damage or renovation. The cost of remediation to properties on Norfolk Island, if conditions change, has not been quantified.

## DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### **Unquantifiable Administered Contingencies**

The Department, on behalf of the Australian Government, has entered into the following indemnities and arrangements which are considered significant in nature and were disclosed in *2018-19 Budget Paper No. 1 – Statement of Risks*. The probability that the Department will incur costs as a result of these arrangements is considered remote and no claims have been identified at 30 June 2018.

#### *Maritime Industry Finance Company Limited — Board Members' Indemnity*

Indemnities for Maritime Industry Finance Company Limited (MIFCO) board members were provided to protect them against civil claims relating to their employment and conduct as Directors. MIFCO was placed into voluntary liquidation in November 2006 and was deregistered on 24 April 2008. The indemnity is not time limited and continues even though the company has been liquidated.

#### *Moorebank Intermodal Terminal – Indemnities*

Indemnities have been provided in connection with the development of the Moorebank Intermodal Terminal, including:

- (a) protection for the Directors and Officers of the Moorebank Intermodal Company Ltd (MICL) against civil claims relating to their employment and conduct. The indemnities apply to the period of appointment as Directors or Officers of the company
- (b) costs that may be incurred by MICL in the event that the Commonwealth terminates the Equity Funding Agreement between the Commonwealth and MICL for reasons other than a breach by MICL
- (c) costs and liabilities incurred by the private sector owner of the Glenfield Waste Site for any easement for the rail spur across the Glenfield Waste Site, to the extent that such costs or liabilities are caused, or contributed to, by the Commonwealth or its agents and
- (d) costs and liabilities that may be incurred by the State of NSW arising under the *Native Title Act 1993* (Cth) associated with the construction of a rail bridge over the Georges River to the Moorebank Intermodal Terminal.

#### *WSA Co Limited - Indemnities*

Indemnities have been provided in connection with the establishment of WSA Co, including:

- (a) protection for Directors of WSA Co Limited to protect them against certain claims relating to their employment as Directors. Unless the indemnity agreements are varied or brought to an end, they cease to apply from the date the Commonwealth has fully satisfied its obligations to subscribe for equity to WSA Co pursuant to the WSA Co Equity Subscription Agreement
- (b) liabilities and costs that may be incurred by WSA Co in the event the Commonwealth terminates the Equity Subscription Agreement between WSA Co and the Commonwealth.

#### *Inland Rail – Termination of the Equity Financing Agreement*

The Australian Government will provide sufficient funding to cover all costs and liabilities incurred by the Australian Rail Track Corporation (ARTC) for delivery of Inland Rail in the event that the Commonwealth terminates the Equity Financing Agreement between the Commonwealth and the ARTC.

#### *Tripartite deeds relating to the sale of federal leased airports*

The tripartite deeds between the Australian Government, the airport lessee company and financiers, amend airport (head) leases to provide for limited step-in-rights for financiers in circumstances where the Australian Government terminates the head lease to enable the financiers to correct the circumstances that triggered such a termination event. The tripartite deeds may require the Australian Government to pay financiers compensation as a result of terminating the (head) lease, once all Australian Government costs have been recovered.

#### *New South Wales Rural Fire Fighting Service - indemnity*

The New South Wales Rural Fire Service (NSW RFS) provides fire-fighting services in the Jervis Bay Territory (JBT). Due to the cross-border delivery of fire services from NSW to the JBT, the NSW RFS requires the Australian Government to provide an uncapped indemnity whereby the Australian Government would be liable for any damages, arising in good faith, from the provision of the agreed scope of fire management services. The likelihood of an event occurring that may result in a liability for the Australian Government has been assessed as remote. Risks are mitigated through the training and professional qualifications of NSW RFS staff.

#### *Australian Maritime Safety Authority Incident Costs*

In the normal course of operations, the Australian Maritime Safety Authority (AMSA) is responsible for the provision of funds necessary to meet the clean-up costs arising from ship-sourced marine pollution and, in all circumstances, is responsible for making appropriate efforts to recover the costs of any such incidents. The Australian Government has a constructive obligation to meet costs that cannot be recovered from such incidents. It is not possible to estimate the amounts of any eventual payments that may be required in relation to these incident costs. AMSA has established a pollution response reserve of \$10 million supported by a commercial line of credit of \$40 million to provide funding should the overall clean-up costs exceed the liability limit of the ship owner.

## DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### *Underwriting of air services – External Territories*

Underwriting agreements are in place for the provision of air services to Norfolk Island and the Indian Ocean Territories. The extent of any claim is recognised as a liability once the amount is verified, can be reliably measured and settlement is probable.

### *Service Delivery Arrangement Indemnities — Indian Ocean Territories and Norfolk Island*

A range of services are delivered to the Indian Ocean Territories under Service Delivery Agreements (SDAs) with approximately forty-five Western Australian (WA) Government entities. The Australian Government has provided certain indemnities for the WA Government, their respective officers, agents, contractors and employees against civil claims relating to their employment and conduct as officers.

Similar arrangements are in place with the NSW Government for service delivery arrangements on Norfolk Island.

The likelihood of an event occurring that may result in a liability for the Australian Government has been assessed as remote and the risks are currently mitigated through the training and professional qualifications of the staff of these entities.

### *Potential per- and poly-fluoroalkyl substances contamination – federally leased airports*

Airservices Australia has identified a number of sites in Australia that potentially have been contaminated with per- and poly-fluoroalkyl substances (PFAS) previously contained in firefighting foams.

Airport Lessee Companies are responsible for the environmental management of their airport sites. The airport leases contain an indemnity in favour of the Commonwealth specifically relating to damages, costs or injury arising out of any damage or injury to the environment on-airport, both before and after the grant time (with some exceptions applying to the latter). However, which entity is liable for costs/damages/injury arising from PFAS contamination on federally lease airports has not yet been tested or established.

Currently, there are two class actions against the Commonwealth before the Federal Court seeking damages over the use of historical PFAS-containing firefighting foam by the Department of Defence at Williamstown and Oakey. The outcomes of these class actions may have implications for the Department, the Department of Defence and Airservices Australia.

## **Accounting Policy**

### *Contingent Assets and Contingent Liabilities*

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position or Administered Schedule of Assets and Liabilities but are reported in the notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

### **Accounting Judgements and Estimates**

#### *Indemnities and/or guarantees*

The maximum amounts payable under the indemnities given is disclosed above. At the time of completion of the financial statements, there was no reason to believe that the indemnities and/or guarantees would be called upon, and no recognition of any liability was therefore required.

## DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 7.2 Financial Instruments

	2018	2017
	\$'000	\$'000
<b>7.2A: Categories of Financial Instruments</b>		
<b>Financial Assets</b>		
<b>Loans and receivables</b>		
Cash and cash equivalents	3,010	1,850
Trade receivables	3,609	428
Accrued revenue	1,593	1,084
<b>Total loans and receivables</b>	<b>8,212</b>	<b>3,362</b>
<b>Total financial assets</b>	<b>8,212</b>	<b>3,362</b>
<b>Financial Liabilities</b>		
<b>Financial liabilities measured at amortised cost</b>		
Trade creditors	3,134	2,885
Accrued expenses	17,889	20,037
<b>Total financial liabilities measured at amortised cost</b>	<b>21,023</b>	<b>22,922</b>
<b>Total financial liabilities</b>	<b>21,023</b>	<b>22,922</b>

The carrying value of financial assets and liabilities is a reasonable approximation of fair value.

### 7.2B: Net Gains or Losses on Financial Assets

<b>Loans and receivables</b>		
Impairment	14	(144)
<b>Net gains/(losses) on loans and receivables</b>	<b>14</b>	<b>(144)</b>
<b>Net gains/(losses) on financial assets</b>	<b>14</b>	<b>(144)</b>

There was no income or expense associated with financial liabilities during the financial year.

### Accounting Policy

#### Financial assets

The Department classifies its financial assets in the following categories:

- available-for-sale financial assets and
- loans and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets are recognised and derecognised upon trade date. Assets in these categories are classified as current assets.

#### Effective Interest Method

Income is recognised on an effective interest rate basis.

#### Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Available-for-sale financial assets are recorded at fair value. Gains and losses arising from changes in fair value are recognised directly in reserves (equity) with the exception of impairment losses. Interest is calculated using the effective interest method and foreign exchange gains and losses on monetary assets are recognised directly in profit or loss. Where the asset is disposed of or is determined to be impaired, part (or all) of the cumulative gain or loss previously recognised in the reserve is included in the surplus or deficit for the period.

#### Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised using the effective interest rate.

## DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### Impairment of Financial Assets

Financial assets are assessed for impairment at the end of each reporting period.

*Available for sale financial assets*—If there is objective evidence that an impairment loss on an available-for-sale financial asset has been incurred, the amount of the difference between its cost, less principal repayments and amortisation, and its current fair value, less any impairment loss previously recognised in expenses, is transferred from equity to the Statement of Comprehensive Income.

*Loans and receivables* – If there is objective evidence that an impairment loss has been incurred for loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Statement of Comprehensive Income.

### Financial Liabilities

Financial liabilities are classified as 'other financial liabilities'. Financial liabilities are recognised and derecognised upon 'trade date'.

### Other Financial Liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

All payables are expected to be settled within 12 months except where indicated.

**DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**7.3 Administered – Financial Instruments**

	2018	2017
	\$'000	\$'000
<b>7.3A: Categories of Financial Instruments</b>		
<b>Financial Assets</b>		
<b>Loans and receivables</b>		
Cash and cash equivalents	12,433	65,905
Loans to state and territory governments	2,147,525	1,556,144
Other receivables - fees receivable	1,966	1,833
Accrued revenue	6,177	3,285
<b>Total loans and receivables</b>	<b>2,168,101</b>	<b>1,627,167</b>
<b>Available-for-sale financial assets</b>		
Investments	5,380,447	4,776,549
<b>Total available-for-sale financial assets</b>	<b>5,380,447</b>	<b>4,776,549</b>
<b>Total financial assets</b>	<b>7,548,548</b>	<b>6,403,716</b>
<b>Financial Liabilities</b>		
<b>Financial liabilities measured at amortised cost</b>		
Trade creditors and accruals	20,224	12,320
Subsidies payable	11,640	8,196
Grants payable	29,004	29,550
Concessional loan commitments	102,071	213,280
<b>Total financial liabilities measured at amortised cost</b>	<b>162,939</b>	<b>263,346</b>
<b>Total financial liabilities</b>	<b>162,939</b>	<b>263,346</b>
The carrying value of financial assets and liabilities is a reasonable approximation of fair value.		
<b>7.3B: Net Gains and Losses on Financial Assets</b>		
<b>Loans and receivables</b>		
Interest revenue	74,420	46,162
Concessional loan expenses	(10,246)	(18,692)
Impairment	(766)	(56,770)
<b>Net gains on loans and receivables</b>	<b>63,408</b>	<b>(29,300)</b>
<b>Available-for-sale financial assets</b>		
Dividend revenue	84,289	82,814
Gains/(losses) recognised in other comprehensive income	89,738	394,903
<b>Net gains/(losses) on available-for-sale financial assets</b>	<b>174,027</b>	<b>477,717</b>
<b>Net gains/(losses) on financial assets</b>	<b>237,435</b>	<b>448,417</b>
There was no income or expense associated with financial liabilities during the financial year.		

## DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 7.4 Administered – Fair Value Measurement

#### 7.4A: Fair Value Measurement

	Fair value measurements at the end of the reporting period	
	2018 \$'000	2017 \$'000
<b>Financial assets</b>		
Investments accounted for using the net assets method	775,877	377,043
Investments accounted for using the discounted cashflow method	4,604,570	4,399,506
<b>Total financial assets</b>	<b>5,380,447</b>	<b>4,776,549</b>
<b>Non-financial assets</b>		
Land	73,223	407,048
Buildings	132,214	133,098
Artworks	33,662	33,662
Other heritage and cultural	81,294	81,235
Other property, plant and equipment	334,736	355,848
Intangibles - Phosphate mine leases	3,749	4,999
<b>Total non-financial assets</b>	<b>658,878</b>	<b>1,015,890</b>
<b>Total fair value measurements of assets in the statement of financial position</b>	<b>6,039,325</b>	<b>5,792,439</b>

#### Accounting Policy

##### Fair Value Measurements

The Department deems transfers between levels of the fair value hierarchy to have occurred at the date of the event or change in circumstances that caused the transfer.

The fair value of investments accounted for using the net asset method is based on advice from each entity on their net asset position at the end of the reporting period.

The fair value of investments accounted for using the discounted cash flow method comprise Airservices Australia and the Australian Rail Track Corporation (ARTC). The fair value of the investment in Airservices Australia was based on advice from a valuation expert using a discounted cash flow method. The fair value of the investment in ARTC was determined in accordance with the policies, judgements and estimates reported in Note 4.1.

The fair value of non-financial assets reported in Notes 3.2A and 4.2A were determined based on advice from valuation experts. The experts provided written assurance to the Department that the model used to value the assets was in compliance with AASB 13 and represents their highest and best use.



## DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 8. Other Information

#### 8.1 Assets Held in Trust

##### Monetary assets

Monetary assets held in trust are also disclosed in Note 5.2A - Special Accounts in the tables titled 'Services for Other Entities and Trust Moneys.'

The Trust accounts are for moneys received from other Government and non-agency bodies, or moneys which are required to be held in trust for the benefit of a person other than the Commonwealth.

These moneys are not available for other purposes of the Department and are not recognised in the financial statements.

	2018 \$'000	2017 \$'000
<b>Services to Other Entities and Trust Moneys - Department of Infrastructure, Regional Development and Cities</b>		
<b>As at 1 July</b>	<b>246</b>	<b>227</b>
Receipts	6	20
Payments	(145)	(1)
<b>Total as at 30 June</b>	<b>107</b>	<b>246</b>
<b>Total assets held in trust</b>	<b>107</b>	<b>246</b>

The Department had no non-monetary assets held in trust as at 30 June 2018 (2017: Nil).

#### 8.2 Restructuring

##### 8.2A: Departmental Restructuring

	2018 \$'000	2018 \$'000	2017 \$'000
	Cities and population policy Department of the Prime Minister and Cabinet <sup>1</sup>	Water infrastructure policy Department of Agriculture and Water Resources <sup>2</sup>	
<b>FUNCTION ASSUMED</b>			
<b>Assets recognised</b>			
Trade and other receivables	1,192	305	-
<b>Total assets recognised</b>	<b>1,192</b>	<b>305</b>	<b>-</b>
<b>Liabilities recognised</b>			
Employee provisions	1,192	305	-
<b>Total liabilities recognised</b>	<b>1,192</b>	<b>305</b>	<b>-</b>
<b>Net assets/(liabilities) recognised</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Income</b>			
Recognised by the receiving entity	2,473	351	-
Recognised by the losing entity	4,950	1,093	-
<b>Total Income</b>	<b>7,423</b>	<b>1,444</b>	<b>-</b>
<b>Expenses</b>			
Recognised by the receiving entity	2,473	351	-
Recognised by the losing entity	4,950	1,093	-
<b>Total Expenses assumed</b>	<b>7,423</b>	<b>1,444</b>	<b>-</b>

1. Cities and population policy functions were assumed from the Department of the Prime Minister and Cabinet during 2017-18 due to amendments to the Administrative Arrangements Order on 20 December 2017. The effective date for the transfer of assets and liabilities was 22 February 2018.
2. The water infrastructure policy function was assumed from the Department of Agriculture and Water Resources during 2017-18 following an announcement by the Prime Minister on 19 December 2017. The effective date for the transfer of assets and liabilities was 22 February 2018.

## DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 8.2 Restructuring

#### 8.2A: Departmental Restructuring

	2018	2017
	Transport security Department of Home Affairs <sup>3</sup>	
	\$'000	\$'000
<b>FUNCTIONS RELINQUISHED</b>		
<b>Assets relinquished</b>		
Cash and cash equivalents	27	-
Trade and other receivables	9,244	-
Accrued revenue	108	-
Land and buildings	3,251	-
Property, plant and equipment	351	-
Intangibles	2,432	-
Other non-financial assets	435	-
<b>Total assets relinquished</b>	<b>15,848</b>	<b>-</b>
<b>Liabilities relinquished</b>		
Suppliers payable	323	-
Other payables	805	-
Employee provisions	8,427	-
Other provisions	290	-
<b>Total liabilities relinquished</b>	<b>9,845</b>	<b>-</b>
<b>Net assets/(liabilities) relinquished</b>	<b>6,003</b>	<b>-</b>

3. Transport security functions were relinquished to the Department of Home Affairs during 2017-18 due to amendments to the Administrative Arrangements Order on 20 December 2017. The effective date for the transfer of assets and liabilities was 31 January 2018, except for employee provisions. The majority of employee provisions were transferred on 8 February 2018 with provisions for a further seventeen employees transferred on 8 March 2018.
4. The net assets relinquished as a result of restructuring were \$6.0 million.
5. In respect of functions assumed, the net book values of assets and liabilities were transferred for no consideration.
6. The net cost of services reported in the Statement of Comprehensive Income includes the following expenses and income incurred on behalf of the Department of Home Affairs for the transport security function between 20 December 2017 and the actual transfer of functions:

	\$'000
<b>Expenses</b>	
Employee benefits	3,911
Supplier expenses	1,175
Depreciation and amortisation	187
Finance costs (unwinding of discount)	1
<b>Total expenses</b>	<b>5,274</b>
<b>Own-source income</b>	
Sale of goods and rendering of services	45
<b>Net cost of services</b>	<b>5,229</b>
Revenue from government	5,229
<b>Surplus/(deficit)</b>	<b>-</b>

**DEPARTMENT OF INFRASTRUCTURE, REGIONAL DEVELOPMENT AND CITIES  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**8.2B: Administered Restructuring**

	2018	2018	2017
	Cities and population policy Department of the Prime Minister and Cabinet <sup>1</sup>	Water infrastructure policy Department of Agriculture and Water Resources <sup>2</sup>	
	\$'000	\$'000	\$'000
<b>FUNCTIONS ASSUMED</b>			
<b>Expenses assumed</b>			
Recognised by the receiving entity	4,159	3,000	-
Recognised by the losing entity	8,128	1,000	-
<b>Total expenses assumed</b>	<b>12,287</b>	<b>4,000</b>	-

<sup>1</sup> Cities and population policy functions were assumed from the Department of the Prime Minister and Cabinet during 2017-18 due to amendments to the Administrative Arrangements Order on 20 December 2017.

<sup>2</sup> The water infrastructure policy function was assumed from the Department of Agriculture and Water Resources during 2017-18 following an announcement by the Prime Minister on 19 December 2017.

<sup>3</sup> There were no administered assets or liabilities assumed or relinquished.





# PART 7

Appendices

# Appendix A: Entity resource statements and expenses for outcomes

**TABLE A.1** Entity resource statement

	Actual available appropriation <sup>1</sup>	Payments made	Balance remaining
	2017–18	2017–18	2017–18
	\$'000	\$'000	\$'000
<b>Departmental Annual appropriations</b>			
– Ordinary annual services <sup>2</sup>			
Departmental resourcing <sup>3</sup>	442,817	268,210	174,607
<b>Total departmental resourcing</b>	<b>442,817</b>	<b>268,210</b>	<b>174,607</b>
<b>Administered Annual appropriations<sup>4</sup></b>			
– Ordinary annual services <sup>2</sup>			
Outcome 1	348,128	82,551	
Outcome 2	424,992	255,196	
Outcome 3	1,467,868	448,679	
Outcome 4	153,802	136,334	
Administered Capital Budget <sup>5</sup>	16,453	14,083	
Payments to corporate entities <sup>6</sup>	126,022	126,022	
– other services — non-operating <sup>7</sup>			
Prior year appropriations available	1,454,792		
Administered assets and liabilities	843,944	1,235,951	
<b>– other services — specific payments to states, ACT, NT and local government<sup>4</sup></b>			
Outcome 1	798,458	699,630	
Outcome 3	25,000	32,015	
<b>Total available Administered annual appropriations</b>	<b>5,659,459</b>	<b>3,030,461</b>	
<b>Administered Special appropriations</b>			
<b>Total available Administered special appropriations</b>		<b>2,733,084</b>	
<b>Special Accounts</b>			
Opening balance	10,777		
Appropriation receipts <sup>8</sup>	65,552		
Non-Appropriation receipts to Special Accounts <sup>9</sup>	24,759		
Payments made		89,176	
<b>Total available Special Accounts</b>	<b>101,088</b>	<b>89,176</b>	<b>11,912</b>
<b>Total Administered resourcing</b>	<b>5,760,547</b>	<b>5,852,721</b>	
Less appropriations drawn from annual or special appropriations above and credited to special accounts and/or payments to corporate entities through annual appropriations	(191,574)	(215,198)	
<b>Total net resourcing and payments</b>	<b>6,011,790</b>	<b>5,905,733</b>	

**Notes:**

- Figures in the table represent actual appropriations provided less any legally recognised reductions as outlined in Note 5.1B of the 2017–18 Financial Statements
- Appropriation Act (No. 1) 2017–18 and Appropriation Act (No. 3) 2017–18
- Actual available appropriations for 2017–18 include prior year departmental appropriation and s74 relevant entity receipts
- Actual available appropriations for 2017–18 include retained administered funds from previous years
- Administered capital budgets are not separately identified in Appropriation Bill (No. 1) and form part of ordinary annual services items
- 'Corporate entities' are corporate Commonwealth entities and Commonwealth companies as defined under the PGPA Act
- Appropriation Act (No. 2) 2017–18 and Appropriation Act (No. 4) 2017–18
- Appropriation receipts from departmental appropriation and special appropriations
- Non-Appropriation receipts from the Christmas Island Phosphate Mining Rehabilitation Special Account, Indian Ocean Territories Special Account 2014, Jervis Bay Territory Special Account 2014 and the Melbourne Airport New Runway Land Acquisition Special Account

**TABLE A.2** Expenses for Outcome 1: Improved infrastructure across Australia through investment in and coordination of transport and other infrastructure

	Budget <sup>1</sup>	Actual Expenses	Variation
	2017–18	2017–18	2017–18
	\$'000	\$'000	\$'000
<b>Program 1.1: Infrastructure investment</b>			
Administered expenses			
Ordinary Annual Services (Appropriation Act No. 1 and No. 3)	155,519	83,956	(71,563)
Other Services (Appropriation Act No. 2)	699,630	699,630	-
Special Appropriations	100	-	(100)
Payments to corporate entities	11,592	11,592	-
Expenses not requiring appropriation in the Budget year <sup>2</sup>	121,356	10,657	(110,699)
Departmental expenses			
Departmental appropriation <sup>3</sup>	50,531	48,067	(2,464)
s74 retained revenue receipts	17	127	110
Expenses not requiring appropriation in the Budget year <sup>4</sup>	2,791	1,256	(1,535)
<b>Total for Program 1.1</b>	<b>1,041,536</b>	<b>855,285</b>	<b>(186,251)</b>
<b>Outcome 1 Total</b>	<b>1,041,536</b>	<b>855,285</b>	<b>(186,251)</b>
<b>Outcome 1 totals by appropriation type</b>			
Administered expenses			
Ordinary Annual Services (Appropriation Act No. 1 and No. 3)	155,519	83,956	(71,563)
Other Services (Appropriation Act No. 2)	699,630	699,630	-
Special Appropriations	100	-	(100)
Payments to corporate entities	11,592	11,592	-
Expenses not requiring appropriation in the Budget year <sup>2</sup>	121,356	10,657	(110,699)
Departmental expenses			
Departmental appropriation <sup>3</sup>	50,531	48,067	(2,464)
s74 retained revenue receipts	17	127	110
Expenses not requiring appropriation in the Budget year <sup>4</sup>	2,791	1,256	(1,535)
<b>Total expenses for Outcome 1</b>	<b>1,041,536</b>	<b>855,285</b>	<b>(186,251)</b>
<b>Average staffing level (number)</b>	<b>239</b>	<b>232</b>	<b>(7)</b>

Notes:

1. Full-year budget, including any subsequent adjustments made to the 2017–18 Budget
2. Administered expenses not requiring appropriation in the Budget year is made up of expenses relating to prepayments associated with prior year payments, accruals and other non-cash expenses, namely Westconnex concessional loan discount and off-network supplementary prepayment
3. Departmental appropriation includes 'Ordinary annual services (Appropriation Act No. 1 and Appropriation Act No. 3)'
4. Departmental expenses not requiring appropriation in the Budget year is made up of the operating surplus/deficit, depreciation and amortisation expenses and other non-cash expense items



**TABLE A.3** Expenses for Outcome 2: An efficient, sustainable, competitive, safe and secure transport system for all transport users through regulation, financial assistance and safety investigations

	Budget <sup>1</sup> 2017–18 \$'000	Actual Expenses 2017–18 \$'000	Variation 2017–18 \$'000
<b>Program 2.1: Transport security</b>			
Administered expenses			
Ordinary Annual Services (Appropriation Act No. 1 and No. 3)	6	6	-
Departmental expenses			
Departmental appropriation <sup>3</sup>	22,712	22,712	-
s74 retained revenue receipts	260	260	-
<b>Total for Program 2.1</b>	<b>22,978</b>	<b>22,978</b>	
<b>Program 2.2: Surface transport</b>			
Administered expenses			
Ordinary Annual Services (Appropriation Act No. 1 and No. 3)	224,553	201,301	(23,252)
Special Appropriations	123,129	123,674	545
Special Accounts	82,002	69,285	(12,717)
Payments to corporate entities	73,117	73,117	-
Expenses not requiring appropriation in the Budget year <sup>2</sup>	(100)	-	100
Departmental expenses			
Departmental appropriation <sup>3</sup>	17,108	15,800	(1,308)
s74 retained revenue receipts	178	233	55
Expenses not requiring appropriation in the Budget year <sup>4</sup>	1,178	370	(808)
<b>Total for Program 2.2</b>	<b>521,165</b>	<b>483,780</b>	<b>(37,385)</b>
<b>Program 2.3: Road safety</b>			
Administered expenses			
Ordinary Annual Services (Appropriation Act No. 1 and No. 3)	4,000	4,000	-
Special Appropriations	50	69	19
Expenses not requiring appropriation in the Budget year <sup>2</sup>	(50)	75	125
Departmental expenses			
Departmental appropriation <sup>3</sup>	19,797	18,622	(1,175)
s74 retained revenue receipts	4	55	51
Expenses not requiring appropriation in the Budget year <sup>4</sup>	1,239	502	(737)
<b>Total for Program 2.3</b>	<b>25,040</b>	<b>23,323</b>	<b>(1,717)</b>

continued...



	Budget <sup>1</sup>	Actual Expenses	Variation
	2017–18	2017–18	2017–18
	\$'000	\$'000	\$'000
<b>Program 2.4: Air transport</b>			
Administered expenses			
Ordinary Annual Services (Appropriation Act No. 1 and No. 3)	50,595	55,135	4,540
Special Appropriations	122,050	122,056	6
Special Accounts	9,816	434	(9,382)
Payments to corporate entities	41,313	41,313	-
Expenses not requiring appropriation in the Budget year <sup>2</sup>	345,409	344,117	(1,292)
Departmental expenses			
Departmental appropriation <sup>3</sup>	78,464	76,319	(2,145)
s74 retained revenue receipts	8,751	7,263	(1,488)
Expenses not requiring appropriation in the Budget year <sup>4</sup>	(545)	(307)	238
<b>Total for Program 2.4</b>	<b>655,853</b>	<b>646,330</b>	<b>(9,523)</b>
<b>Outcome 2 Total</b>	<b>1,225,036</b>	<b>1,176,411</b>	<b>(48,625)</b>
<b>Outcome 2 totals by appropriation type</b>			
Administered expenses			
Ordinary Annual Services (Appropriation Act No. 1 and No. 3)	279,154	260,442	(18,712)
Special Appropriations	245,229	245,799	570
Special Accounts	91,818	69,719	(22,099)
Payments to corporate entities	114,430	114,430	-
Expenses not requiring appropriation in the Budget year <sup>2</sup>	345,259	344,192	(1,067)
Departmental expenses			
Departmental appropriation <sup>3</sup>	138,081	133,453	(4,628)
s74 retained revenue receipts	9,193	7,811	(1,382)
Expenses not requiring appropriation in the Budget year <sup>4</sup>	1,872	565	(1,307)
<b>Total expenses for Outcome 2</b>	<b>1,225,036</b>	<b>1,176,411</b>	<b>(48,625)</b>
Average staffing level (number)	450	442	(8)

Notes:

1. Full-year budget, including any subsequent adjustments made to the 2017–18 Budget
2. Administered expenses not requiring appropriation in the Budget year is made up of expenses relating to prepayments associated with prior year payments, accruals and other non-cash expenses, namely write-down of Western Sydney Airport land
3. Departmental appropriation includes 'Ordinary annual services (Appropriation Act No. 1 and Appropriation Act No. 3)'
4. Departmental expenses not requiring appropriation in the Budget year is made up of the operating surplus/deficit, depreciation and amortisation expenses and other non-cash expense items

**TABLE A.4** Expenses for Outcome 3: Strengthening the sustainability, capacity and diversity of regional economies including through facilitating local partnerships between all levels of government and local communities; and providing grants and financial assistance

	Budget <sup>1</sup> 2017–18 \$'000	Actual Expenses 2017–18 \$'000	Variation 2017–18 \$'000
<b>Program 3.1: Regional development</b>			
Administered expenses			
Ordinary Annual Services (Appropriation Acts No. 1 and No. 3)	520,131	459,127	(61,004)
Other Services (Appropriation Acts No. 2, and No. 4)	5,000	5,000	-
Special Appropriations	50	-	(50)
Expenses not requiring appropriation in the Budget year <sup>2</sup>	8,390	6,345	(2,045)
Departmental expenses			
Departmental appropriation <sup>3</sup>	28,990	27,059	(1,931)
s74 retained revenue receipts	(3)	45	48
Expenses not requiring appropriation in the Budget year <sup>4</sup>	1,154	456	(698)
<b>Total for Program 3.1</b>	<b>563,712</b>	<b>498,032</b>	<b>(65,680)</b>
<b>Program 3.2: Local government</b>			
Administered expenses			
Other services (Appropriation Acts No. 2 and No. 4)	20,000	20,000	-
Special Appropriations	2,413,417	2,412,310	(1,107)
Departmental expenses			
Departmental appropriation <sup>3</sup>	4,298	4,417	119
s74 retained revenue receipts	(1)	8	9
Expenses not requiring appropriation in the Budget year <sup>4</sup>	219	80	(139)
<b>Total for Program 3.2</b>	<b>2,437,933</b>	<b>2,436,815</b>	<b>(1,118)</b>
<b>Program 3.3: Cities</b>			
Administered expenses			
Ordinary Annual Services (Appropriation Acts No. 1 and No. 3)	4,197	4,159	(38)
Departmental expenses			
Departmental appropriation <sup>3</sup>	6,985	6,561	(424)
s74 retained revenue receipts	(1)	9	10
Expenses not requiring appropriation in the Budget year <sup>4</sup>	244	87	(157)
<b>Total for Program 3.3</b>	<b>11,425</b>	<b>10,816</b>	<b>(609)</b>
<b>Outcome 3 Total</b>	<b>3,013,070</b>	<b>2,945,663</b>	<b>(67,407)</b>

*continued...*

	Budget <sup>1</sup>	Actual Expenses	Variation
	2017–18	2017–18	2017–18
	\$'000	\$'000	\$'000
<b>Outcome 3 totals by appropriation type</b>			
<b>Administered expenses</b>			
Ordinary Annual Services (Appropriation Acts No. 1 and No. 3)	524,328	463,286	(61,042)
Other Services (Appropriation Acts No. 2, and No. 4)	25,000	25,000	-
Special Appropriations	2,413,467	2,412,310	(1,157)
Expenses not requiring appropriation in the Budget year <sup>2</sup>	8,390	6,345	(2,045)
<b>Departmental expenses</b>			
Departmental appropriation <sup>3</sup>	40,273	38,037	(2,236)
s74 retained revenue receipts	(5)	62	67
Expenses not requiring appropriation in the Budget year <sup>4</sup>	1,617	623	(994)
<b>Total expenses for Outcome 3</b>	<b>3,013,070</b>	<b>2,945,663</b>	<b>(67,407)</b>
Average staffing level (number)	150	139	(11)

Notes:

1. Full-year budget, including any subsequent adjustments made to the 2017–18 Budget
2. Administered expenses not requiring appropriation in the Budget year is made up of expenses relating to prepayments associated with prior year payments, accruals and other non-cash expenses
3. Departmental appropriation includes 'Ordinary annual services (Appropriation Act No. 1 and Appropriation Act No. 3)'
4. Departmental expenses not requiring appropriation in the Budget year is made up of the operating surplus/deficit, depreciation and amortisation expenses and other non-cash expense items

**TABLE A.5** Expenses for Outcome 4: Good governance in the Australian territories through the maintenance and improvement of the overarching legislative framework for self-governing territories, and laws and services for non-self-governing territories

	Budget <sup>1</sup>	Actual Expenses	Variation
	2017–18	2017–18	2017–18
	\$'000	\$'000	\$'000
<b>Program 4.1: Services to territories</b>			
<b>Administered expenses</b>			
Ordinary Annual Services (Appropriation Acts No. 1 and No. 3)	132,228	138,974	6,746
Special Appropriation	50	1	(49)
Special Accounts	28,261	20,896	(7,365)
Expenses not requiring appropriation in the Budget year <sup>2</sup>	36,457	38,226	1,769
<b>Departmental expenses</b>			
Departmental appropriation <sup>3</sup>	22,812	22,120	(692)
s74 retained revenue receipts	77	136	59
Expenses not requiring appropriation in the Budget year <sup>4</sup>	1,341	564	(777)
<b>Total for Program 4.1</b>	<b>221,226</b>	<b>220,917</b>	<b>(309)</b>
<b>Outcome 4 Total</b>	<b>221,226</b>	<b>220,917</b>	<b>(309)</b>
<b>Outcome 4 totals by appropriation type</b>			
<b>Administered expenses</b>			
Ordinary Annual Services (Appropriation Acts No. 1 and No. 3)	132,228	138,974	6,746
Special Appropriation	50	1	(49)
Special Accounts	28,261	20,896	(7,365)
Expenses not requiring appropriation in the Budget year <sup>2</sup>	36,457	38,226	1,769
<b>Departmental expenses</b>			
Departmental appropriation <sup>3</sup>	22,812	22,120	(692)
s74 retained revenue receipts	77	136	59
Expenses not requiring appropriation in the Budget year <sup>4</sup>	1,341	564	(777)
<b>Total expenses for Outcome 4</b>	<b>221,226</b>	<b>220,917</b>	<b>(309)</b>
<b>Average staffing level (number)</b>	<b>125</b>	<b>127</b>	<b>2</b>

Notes:

1. Full-year budget, including any subsequent adjustments made to the 2017–18 Budget
2. Administered expenses not requiring appropriation in the Budget year is made up of expenses relating to prepayments associated with prior year payments, accruals and other non-cash expenses
3. Departmental appropriation includes 'Ordinary annual services (Appropriation Act No. 1 and Appropriation Act No. 3)'
4. Departmental expenses not requiring appropriation in the Budget year is made up of the operating surplus/deficit, depreciation and amortisation expenses and other non-cash expense items

**TABLE A.6** Expenses for Outcome 1: Improved infrastructure across Australia through investment in and coordination of transport and other infrastructure

	Budget <sup>1</sup>	Actual Expenses	Variation
	2017–18	2017–18	2017–18
	\$'000	\$'000	\$'000
<b>Program 1.1: Infrastructure investment</b>			
Annual administered expenses <sup>2</sup>			
Infrastructure Investment Programme			
- Investment <sup>3</sup>	155,149	86,479	(68,670)
- Roads to Recovery	700,000	700,000	-
WestConnex Stage 2 - provision of a concessional loan	121,456	7,764	(113,692)
Payments to corporate entities - Infrastructure Australia <sup>4</sup>	11,592	11,592	-
Program support	53,339	49,450	(3,889)
<b>Total Program 1.1 expenses</b>	<b>1,041,536</b>	<b>855,285</b>	<b>(186,251)</b>
<b>Total Program expenses for Outcome 1</b>	<b>1,041,536</b>	<b>855,285</b>	<b>(186,251)</b>

Notes:

1. Full-year budget, including any subsequent adjustments made to the 2017–18 Budget
2. Excludes expenses relating to payments made to and through the states and territories by the Treasury for the Infrastructure Investment Program (Black Spots Projects, Bridges Renewal Program, Developing Northern Australia (Improving Cattle Supply Chains and Northern Australia Roads), Heavy Vehicle Safety and Productivity Program, National Rail Program, Rail Investment Component, Road Investment Component, Roads to Recovery) and Infrastructure Growth Package (New Investments and Western Sydney Infrastructure Plan) administered items
3. Excludes expenses relating to payments made to and through the states and territories by the Department of the Treasury
4. Relates to appropriation for corporate entities which is provided through the department

**TABLE A.7** Expenses for Outcome 2: An efficient, sustainable, competitive, safe and secure transport system for all transport users through regulation, financial assistance and safety investigations

	Budget <sup>1</sup> 2017–18 \$'000	Actual Expenses 2017–18 \$'000	Variation 2017–18 \$'000
<b>Program 2.1: Transport security</b>			
Annual administered expenses			
Aviation security enhancements	6	6	-
- improving international aviation security	3	3	-
- regional passenger screening	3	3	-
Program support	22,972	22,972	-
<b>Total Program 2.1 expenses</b>	<b>22,978</b>	<b>22,978</b>	<b>-</b>
<b>Program 2.2: Surface transport</b>			
Annual administered expenses			
Bass Strait Passenger Vehicle Equalisation Scheme	48,681	49,737	1,056
International Maritime Organization - contribution	327	327	-
National Heavy Vehicle Regulator	3,868	3,868	-
OECD Road Transport - contribution	68	50	(18)
Tasmanian Freight Equalisation Scheme	171,609	147,322	(24,287)
Payments to corporate entities - Australian Maritime Safety Authority <sup>2</sup>	69,717	69,717	-
Payments to corporate entities - National Transport Commission <sup>2</sup>	3,400	3,400	-
Other <sup>3</sup>	-	(3)	(3)
Special Appropriation expenses			
Australian Maritime Safety Authority Act 1990 <sup>2</sup>	122,029	122,998	969
Protection of the Sea (Oil Pollution Compensation Fund) Act 1993	1,000	676	(324)
Special Account expenses			
Interstate Road Transport fees (Interstate Road Transport Special Account)	82,002	69,285	(12,717)
Program support	18,464	16,403	(2,061)
<b>Total Program 2.2 expenses</b>	<b>521,165</b>	<b>483,780</b>	<b>(37,385)</b>
<b>Program 2.3: Road safety</b>			
Annual administered expenses			
keys2drive	4,000	4,000	-
Other <sup>3</sup>	-	144	144
Program support	21,040	19,179	(1,861)
<b>Total Program 2.3 expenses</b>	<b>25,040</b>	<b>23,323</b>	<b>(1,717)</b>

continued...

	Budget <sup>1</sup>	Actual Expenses	Variation
	2017–18	2017–18	2017–18
	\$'000	\$'000	\$'000
<b>Program 2.4: Air transport</b>			
Annual administered expenses			
Airport Lessee Companies - reimbursement of parking fines	1,000	723	(277)
Hobart International Airport runway extension - contribution	13,235	13,159	(76)
International Civil Aviation Organization - contribution	2,106	2,106	-
Payment scheme for Airservices Australia's en route charges	2,000	1,615	(385)
Regional Aviation Access	23,083	23,026	(57)
Sunshine Coast Airport concessional loan	-	2,482	2,482
Sydney West Airport - site management	354,106	348,862	(5,244)
Payments to corporate entities - Civil Aviation Safety Authority <sup>2</sup>	41,313	41,313	-
Depreciation and amortisation	524	-	(524)
Other <sup>3</sup>	-	7,279	7,279
Special Appropriation expenses			
Aviation Fuel Revenues (Special Appropriation) Act 1988 <sup>3</sup>	122,000	121,895	(105)
Public Governance, Performance and Accountability Act 2013	-	161	161
Special Account expenses			
Melbourne Airport New Runway Land Acquisition Special Account	9,816	434	(9,382)
Program support	86,670	83,275	(3,395)
<b>Total Program 2.4 expenses</b>	<b>655,853</b>	<b>646,330</b>	<b>(9,523)</b>
<b>Total Program expenses for Outcome 2</b>	<b>1,225,036</b>	<b>1,176,411</b>	<b>(48,625)</b>

Notes:

1. Full-year budget, including any subsequent adjustments made to the 2017–18 Budget
2. Relates to appropriation for corporate entities which is provided through the Department
3. Relates to the write down of Melbourne Airport land and expenses relating to sale of Jandakot sand

**TABLE A.8** Expenses for Outcome 3: Strengthening the sustainability, capacity and diversity of regional economies including through facilitating local partnerships between all levels of government and local communities; and providing grants and financial assistance

	Budget <sup>1</sup> 2017–18 \$'000	Actual Expenses 2017–18 \$'000	Variation 2017–18 \$'000
<b>Program 3.1: Regional development</b>			
Annual administered expenses <sup>2</sup>			
Building Better Regions Fund	39,389	21,760	(17,629)
Community Development Grants Fund	160,035	131,245	(28,790)
Drought Communities Programme	13,440	11,345	(2,095)
National Stronger Regions Fund	247,125	243,362	(3,763)
National Water Infrastructure Development Fund	3,000	3,000	-
Regional Australia Institute	400	400	-
Regional Development Australia Committees	18,320	18,248	(72)
Regional Development Australia Fund	3,050	3,000	(50)
Regional Jobs and Investment Packages	15,000	9,527	(5,473)
Stronger Communities Programme	22,802	21,508	(1,294)
Tasmanian Jobs and Growth Package	11,010	7,077	(3,933)
Program support	30,141	27,560	(2,581)
<b>Total Program 3.1 expenses</b>	<b>563,712</b>	<b>498,032</b>	<b>(65,680)</b>
<b>Program 3.2: Local government</b>			
Annual administered expenses			
Supplementary Local Roads Funding for South Australia	20,000	20,000	-
Special Appropriation expenses			
Local Government (Financial Assistance) Act 1995	2,413,417	2,412,310	(1,107)
Program support	4,516	4,505	(11)
<b>Total Program 3.2 expenses</b>	<b>2,437,933</b>	<b>2,436,815</b>	<b>(1,118)</b>
<b>Program 3.3: Cities</b>			
Annual administered expenses			
Smart Cities and Suburbs	4,197	4,159	(38)
Program support	7,228	6,657	(571)
<b>Total Program 3.3 expenses</b>	<b>11,425</b>	<b>10,816</b>	<b>(609)</b>
<b>Total Program expenses for Outcome 3</b>	<b>3,013,070</b>	<b>2,934,847</b>	<b>(66,798)</b>



**TABLE A.9** Expenses for Outcome 4: Good governance in the Australian territories through the maintenance and improvement of the overarching legislative framework for self-governing territories, and laws and services for non-self-governing territories

	Budget <sup>1</sup>	Actual Expenses	Variation
	2017–18	2017–18	2017–18
	\$'000	\$'000	\$'000
<b>Program 4.1: Services to territories</b>			
Annual administered expenses			
ACT Government - national capital functions	1,916	1,872	(44)
Norfolk Island - Commonwealth administration	1,066	990	(76)
Norfolk Island - Kingston and Arthur's Vale historic area	741	734	(7)
Office of Administrator, Northern Territory	334	346	12
Services to Indian Ocean Territories	90,146	96,550	6,404
Services to Jervis Bay Territory	5,329	5,843	514
Services to Norfolk Island	32,696	32,640	(56)
Depreciation and amortisation	36,507	36,649	142
Other <sup>2</sup>	-	1,577	1,577
Special Account expenses			
Christmas Island Phosphate Mining Rehabilitation Special Account	1,500	1,540	40
Indian Ocean Territories Special Account 2014	25,242	18,394	(6,848)
Jervis Bay Territory Special Account 2014	1,519	962	(557)
Program support	24,230	22,820	(1,410)
<b>Total Program 4.1 expenses</b>	<b>221,226</b>	<b>220,917</b>	<b>(309)</b>
<b>Total Program expenses for Outcome 4</b>	<b>221,226</b>	<b>220,917</b>	<b>(309)</b>

Notes:

1. Full-year budget, including any subsequent adjustments made to the 2017–18 Budget
2. Relates to revaluations across classes namely buildings, heritage and cultural assets, and other infrastructure, plant and equipment

# Appendix B:

## Procurement practices

### Procurement practices

This appendix focuses on the department's procurement practices, including:

- ▶ procurement policies and practices
- ▶ Indigenous procurement
- ▶ Australian National Audit Office access clauses and exempt contracts
- ▶ use of consultancies
- ▶ initiatives to support small business
- ▶ payments for advertising and marketing research

### Procurement policies and practices

In 2017–18, the department continued its focus on delivering procurement solutions that support our objectives and operational needs. The department is committed to compliant and transparent procurement processes and achieving value for money.

The department's procurement of goods and services is consistent with the requirements of the Commonwealth Procurement Rules (CPRs), including achieving value for money and using resources in a proper manner. The CPRs are applied to procurement activities through the Accountable Authority Instructions (AAIs) and supporting operational guidelines.

The department assists employees to manage procurements appropriately by providing information and training on procurement policies and procedures and maintaining a single point of contact for advice on the CPRs, the AAIs and tendering processes.

In accordance with the CPRs, the department published open tenders and details of contracts awarded on the AusTender website at <[www.tenders.gov.au](http://www.tenders.gov.au)>.

### Indigenous procurement

The portfolio is committed to the Indigenous Procurement Policy. The policy seeks to have at least three per cent of purchasing activity sourced from Indigenous suppliers. The department provided internal training, advertising, and news bulletins on the intranet for purchasing officers. An expo was held for the portfolio in August 2017 to showcase a number of Indigenous suppliers to purchasing officers within the department. In 2017–18, the department awarded 67 contracts to Indigenous businesses (target 48 contracts).

# Australian National Audit Office Access Clauses

All contracts valued at \$100,000 or more routinely include a requirement for access to the contractor’s premises by the Auditor-General.

## Exempt Contracts

In 2017–18, no contracts were exempted from publication on AusTender on the basis that it would disclose exempt matters under the Freedom of Information Act 1982.

## Consultancy contracts

The department engages consultants to provide specialist or professional advice, investigate or diagnose a defined issue or problem, and where required, to undertake independent research, reviews or assessments.

During 2017–18, 104 new consultancy contracts were entered into involving total actual expenditure of \$8.75 million. In addition, 49 ongoing consultancy contracts were active during the period, involving total actual expenditure of \$22.16 million.

Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website <[www.tenders.gov.au](http://www.tenders.gov.au)>.

TABLE B.1 Trends and consultancies

	2013–14	2014–15	2015–16	2016–17	2017–18
Consultancies					
Expenditure on new and ongoing consultancies					
Total expenditure	\$5.6m	\$25.2m	\$34.3m	\$28.0m	\$30.91m
New consultancies valued at \$10,000 or more					
Number let	88	97	84	116	101
Total value over the life of these contracts	\$6.1m	\$39.0m	\$10.7m	\$29.2m	\$33.28m

## Procurement and initiatives to support small business

The department supports procurement from small and medium sized enterprises (SME) in the Australian market. Statistics on SME use are available on the Department of Finance’s website at <[www.finance.gov.au/procurement/statistics-on-commonwealth-purchasing-contracts/](http://www.finance.gov.au/procurement/statistics-on-commonwealth-purchasing-contracts/)>.

The department’s measures to support SMEs include:

- ▶ using standardised contracts for low-risk procurements valued under \$200,000
- ▶ using an electronic invoice processing system
- ▶ implementing the Indigenous Procurement Policy, noting that many Indigenous businesses are SMEs

- ▶ using of credit cards for procurements valued below \$10,000
- ▶ complying with the government's Supplier Pay on Time or Pay Interest Policy

The Department recognises the importance of ensuring that small businesses are paid on time. The results of the Survey of Australian Government Payments to Small Businesses are available on the Treasury's website at <[www.treasury.gov.au](http://www.treasury.gov.au)>.

## Payments for advertising and market research

In 2017–18 the department paid \$158,110 for advertising and market research. Table B.2 lists payments of \$13,200 (inclusive of GST) or more made during the financial year, as required by section 311A of the Commonwealth Electoral Act 1918.

During the year the department undertook no reportable advertising campaigns.

**TABLE B.2** Details of advertising and market research payments of \$13,200 or more

Market research/polling		
Firm	Service provided	Payment made in 2017–18
NIL		
Total market research/polling		\$0
Media advertising organisations		
Firm	Service provided	Payment made in 2017–18
Dentsu Mitchell	Public Notices (various)	\$13,548
Dentsu Mitchell	GradAustralia Package	\$16,207
Explore Careers Teber Pty Ltd	Explore Careers Diversity Package	\$18,150
Total media advertising organisations		\$47,905

## Appendix C:

# Ecologically sustainable development and environmental performance

The following summary of our environmental management activities and performance is provided in accordance with the Environment Protection and Biodiversity Conservation Act 1999 which requires entities to report on:

- ▶ how their activities accord with, and their outcomes contribute to, the principles of ecologically sustainable development
- ▶ the environmental impacts of their operations during the year, and measures taken to minimise these

The department undertakes all of its activities—from corporate initiatives to departmental policies, programs and procedures—in accordance with the five principles set out in the Act: integration, precaution, intergeneration, biodiversity and valuation.

## Infrastructure and regional development

Australian Government investment in infrastructure projects aims to improve total quality of life, both now and in the future. Under the Infrastructure Investment Program, the department worked in partnership with state and territory agencies to ensure environmental issues were appropriately considered in identifying, designing and delivering infrastructure projects. Examples of Infrastructure Investment Program projects where we liaise with Commonwealth and state agencies to ensure that appropriate environmental approvals are obtained include:

- ▶ the Pacific Highway Upgrade in NSW
- ▶ Great Northern Highway – Muchea to Wubin Upgrade in WA

The department is the lead Australian Government agency for Goals 9 (Industry, Innovation and Infrastructure) and 11 (Sustainable Cities and Communities) of the United Nations' Sustainable Development Goals which came into effect in January 2016. In 2017–18 the department participated in working groups and helped develop the Voluntary National Review on the 2030 Sustainable Development Goals, which was released by the government on 15 June 2018. The review is a comprehensive brief on how Australia is addressing the goals. A website has been launched to provide a live and ongoing platform to centralise and showcase action being taken across government, business, civil society and academia to advance the goals in the Australian context <see [www.sdgs.org.au](http://www.sdgs.org.au)>.

## Marine

The department plays a key role in protecting the marine environment for future generations from the impacts of international shipping. It achieves this through its work at the International Maritime Organization's (IMO) Marine Environment Protection Committee.

We continued to collaborate with the Department of Foreign Affairs and Trade and the Australian Maritime Safety Authority to help develop international standards to address CO<sub>2</sub> emissions from shipping, including the roadmap for developing a comprehensive IMO strategy to reduce greenhouse gas emissions from ships. At the IMO, Australia supported adoption of the initial strategy to reduce emissions from ships, with a final strategy to be adopted in 2023.

The Protection of the Sea Legislation Amendment Act 2018 updated the Protection of the Sea (Prevention of Pollutions from Ships) Act 1983 to implement amendments to Annex V of the International Convention for the Prevention of Pollution from Ships. These changes will ensure that Australia meets its international obligations on maritime environment matters.

The department also administered the annual Australian contribution to the IMO and the International Oil Pollution Compensation Fund.

## Motor vehicles

The Ministerial Forum on Vehicle Emissions was established in October 2015 to coordinate a whole-of-government approach to reducing vehicle emissions. In 2017 we worked with the Department of the Environment and Energy to further develop proposals to improve fuel efficiency, reduce noxious emissions and improve fuel quality. In January 2018 the Ministerial Forum released a draft Regulation Impact Statement on better fuel for cleaner air, which was led by the Department of the Environment and Energy.

## Aviation

The department worked with the International Civil Aviation Organization (ICAO) on global strategies to redress impacts of aviation on the environment, including aircraft noise and emissions. This included establishing a cross-agency industry working group to help develop the technical elements of the Carbon Offsetting and Reduction Scheme for International Aviation, and to implement the scheme in Australia to allow international aviation operators to meet reporting requirements from 1 January 2019.

Under the Airports Act 1996 airport lessees are required to prepare and submit for department approval the environmental, social and economic impacts of all airport master plans, major development plans and airport environment strategies. The department assessed these during the year and advised ministers on the extent that these documents met legislative requirements, including environmental impact assessments and plans for managing assessment outcomes.

Executive Council agreed to the new Air Navigation (Aircraft Noise) Regulations 2018, which began on 1 April 2018. The new regulations allow Australia to certify the newest aircraft types,

including large passenger jet and propeller-driven aircraft (those over 55,000kg) used in international aviation. This will ensure that Australia maintains one of the youngest aviation fleets in the world, leading to both noise and emission reductions from new aircraft types.

## Territories

The department is responsible for infrastructure delivery in the Indian Ocean Territories and Jervis Bay Territory. Each proposed infrastructure project was assessed against the requirements under the Environment Protection and Biodiversity Conservation Act 1999 at the project approval stage. Where required, environmental management plans were established and implemented. All project design and delivery work considered sustainability principles and whole-of-life impacts.

Throughout the year the department had access to the Department of Defence's infrastructure and environment and heritage panels. This helped us plan projects, develop requests for tender, incorporate environmental requirements into contractual arrangements, and obtain environmental approvals. On Norfolk Island, GML Heritage was engaged through this panel to help prepare two major advisory reports: the Kingston and Arthur's Vale historic area's cultural landscape masterplan, and the Kingston and Arthur's Vale historic area's safety hazard scoping study. These reports will inform a variety of construction projects to achieve best practice environmental and heritage outcomes.

Norfolk Island's historical area works also aligned with ecological sustainability requirements. The department is also continuing work with the Norfolk Island Regional Council to help develop more sustainable waste management practices.

On Norfolk Island, all historical area works aligned with ecological sustainability requirements. The department is also continuing work with the Norfolk Island Regional Council to help develop more sustainable waste management practices.

## Office energy use

The department is committed to implementing ecologically sustainable principles in its operations and limits the consumption of office energy and other resources where practical.

All central office locations use automated lighting controls to switch off non-essential lighting outside of work hours, and have devices in place to minimise water use. A number of initiatives are in place to provide effective waste management and to monitor and maintain indoor environment quality in major offices.

The department uses 10 per cent green energy and has also progressively reduced its carbon footprint from motor vehicles. The department's entire operational vehicle fleet is made-up of hybrid technology vehicles.

No breaches of environmental laws or licences by the department were reported during 2016–17.

Due to a difference between reporting timeframes for the energy use data and the department's Annual Report, energy consumption data for 2017–18 will be provided in the Annual Report for 2018–19. Data for 2015–16 and 2016–17 are in table C.1.

**TABLE C.1** Departmental energy consumption 2015–16 to 2016–17

	2015–16	2016–17
<b>Buildings and electricity</b>		
<b>Office buildings</b>		
Area occupied (m <sup>2</sup> )	34,565	35,543
Occupants <sup>a</sup>	1,326	1,272
Area per person (m <sup>2</sup> )	26.07	27.94
Electricity used (GJ)	10,949	12,343
Electricity used per person (MJ) <sup>b</sup>	8,257	9,197
Electricity used by area (MJ/m <sup>2</sup> )	317	347
Electricity sourced from renewable sources (%)	7.3	5.7
<b>Other buildings<sup>c</sup></b>		
Area occupied (m <sup>2</sup> )	453	453
Electricity used (GJ) <sup>d</sup>	324	342
Electricity used by area (MJ/m <sup>2</sup> )	715	755
<b>Total of the above</b>		
Direct energy consumed (GJ)	11,273	12,685
Greenhouse gas emissions (tonnes of carbon dioxide equivalents) <sup>e</sup>	2,990	3,184

Notes: a Occupants include contractors and employees of contracted service providers as well as departmental employees

b The Australian Government's energy consumption target is no more than 7,500 megajoules per person per year

c Other buildings (Mitchell Warehouse) the Net Lettable Area is apportioned to 35 per cent

d Includes green power

e Emission includes scope 2 (direct) and scope 3 (indirect)



## Appendix D:

# Report under the Work Health and Safety Act 2011

Over the last 12 months the department has worked to improve our work health and safety management systems across the range of environments in which we operate. We comply with the Australian Standard AS/NZS 4801 (occupational health and safety management systems) and have completed an audit and gap analysis of our work health and safety framework to identify opportunities to improve our systems.

The department's corporate plan outlines strategic areas, including:

- ▶ attention to good governance
- ▶ incorporating a performance framework that will embed a culture of reflective and evaluative thinking
- ▶ improving capability by having a view of the right outcome and fostering a high-performing workforce

These focus areas align with our work health and safety (WHS) approach.

## Work Health and Safety Policy

The department's WHS Policy outlines our commitment to health and safety in the workplace. It is displayed at the entrance or security desk of each office the department occupies. It is also provided to:

- ▶ all new ongoing and non-ongoing employees as part of the recruitment process
- ▶ recruitment agencies that provide labour hire to the department
- ▶ anyone requiring a security pass through the pre-commencement 'WHS – an overview of safety in the workplace' eLearning module
- ▶ all employees every two years as part of the WHS refresher eLearning module
- ▶ any other interested person or organisation

## Work Health and Safety Management System (WHSMS)

Our WHSMS:

- ▶ underpins the way the department manages WHS hazards and risks
- ▶ ensures compliance with WHS legislation
- ▶ clarifies duties and responsibility for officers and workers

The department conducted an internal verification audit of the WHSMS in 2017–18 to check conformance with AS/NZ4801 (Occupational Health and Safety Management Systems). An action

plan was implemented to redress any issues. This included revising some areas of the framework and creating supporting documents including a:

- ▶ framework guide
- ▶ consultation protocol
- ▶ document and records management procedure
- ▶ internal audit procedure
- ▶ health monitoring procedure
- ▶ executive management review procedure
- ▶ WHSMS legislative requirements procedure

## Consultation

The department recognises the importance of cooperative relationships and consults directly with workers on WHS related issues. This is achieved through the WHS Committee and health and safety representatives.

Seven key documents were distributed for consultation during the year including:

- ▶ consultation process for WHS policies and procedures
- ▶ WHS declaration
- ▶ psychological health and wellbeing framework
- ▶ psychological safety guideline
- ▶ HSR document
- ▶ work health and safety monitoring procedure
- ▶ work health and safety management system

## Reporting

The People and Performance Branch regularly reviews progress against the audit findings and provides monthly updates to the General Manager, People and Performance. Quarterly reports are provided to the WHS Committee and Finance, Reporting and Programmes Committee, which detail the activities undertaken in the previous quarter, incidents reported, rehabilitation actions and updates to the risk register. Reports are also provided to the Audit Committee.

This annual report covers a review of annual activities including lag and lead indicators and key achievements relating to health and safety. It also provides statistics on work related incidents, injuries and claims, which demonstrate the department's compliance with the WHS Act.

## Health support

The health of our workers is paramount and a comprehensive program is in place covering pre-employment, pre and post-deployment, vaccinations, the Employee Assistance Program, and specialist assessments.

Health support for employees during the period included a program of pre-employment medicals for all new engagements, pre-deployment medicals, psychological screenings and dental checks for all workers being posted overseas or to Christmas Island, Norfolk Island and Cocos (Keeling) Islands. The program also covers medicals for workers returning from a posting.

Overseas travel health assessments are conducted for workers travelling internationally. Vaccinations include hepatitis for all first aiders in line with the department's first aid policy, and influenza vaccinations for all workers.

The Employee Assistance Program also operates for all workers in accordance with the department's Enterprise Agreement. Health assessments, fitness for duty, audiometric testing, and health monitoring for specific hazardous substances are all in place for workers performing relevant job functions.

## Rehabilitation and compensation

In 2017–18 seven claims were lodged—primarily for physical injuries—and five of these were accepted. This compares with 12 accepted claims in 2014–15.

Of the five accepted claims, one was for lost time injury. Claimants were provided with medical and rehabilitation services.

The APS department's claim frequency rate is under the average for all agencies. Our insurance premium rate reflects this, and sits below the overall scheme average premium rate.

## Highlights

The department conducted a chair replacement program during the year to help prevent workplace injuries and diseases associated with prolonged sitting and inappropriate desk layouts.

It also implemented an extensive program to raise the profile of workplace health and safety during National WHS Month. The program included:

- ▶ beyond incident reporting: redressing myths about work health and safety to reshape views on responsibilities. This initiative focused on how supervisors and employees can be proactive with safety, and reinforced the three principles of "see it, sort it, report it". A series of scenario based articles was also published as on our intranet and displayed on noticeboards
- ▶ a video "Safety – what are you accountable for?" helped set the scene for workplace safety accountability
- ▶ a focus on mental health included:

- ▶ consulting on the department's draft psychological health and wellbeing framework
- ▶ supporting World Mental Health Day
- ▶ a Safe Work Australia panel discussion broadcast on building a bully free workplace
- ▶ directing employees to videos by Libby Trickett, Queensland's Mental Health Ambassador, to help staff recognise the signs of poor mental health and to ask for help
- ▶ promoting respect, psychological health and wellbeing through a series of consultations on our draft Workplace Respect and Courtesy Guidelines, the new Deployment Health and Safety Guidelines, and the revised Psychological Safety Guidelines
- ▶ a seminar on "Making the Connection: Building Rewarding Relationships", which aimed to develop awareness and understanding of respectful communication in the workplace
- ▶ a guest physiotherapist presentation on "Office Wise" to highlight ergonomics in the workplace

## Territories case study – workplace health and safety focus in action in 2017–18

Territories Division engaged a consultant in 2017 to review WHS matters in Norfolk Island, the Jervis Bay Territory, and the Indian Ocean Territories.

These areas have been implementing action items arising from the reports, and a steering committee—with representatives from each of the territories branches and from Corporate Services Division—has been established to oversee implementation. The committee's focus is to ensure a consistent approach to implementing WHS and to provide strategic oversight and governance.

## Workplace health and safety statistics

Table D.1 provides a summary of health and safety outcomes, notifiable incidents, investigations and notices in accordance with the Work Health and Safety Act.

**TABLE D.1** Workplace health and safety statistics in 2017–18

Lag indicators	
Incidents notified to Comcare	4
Notices received from Comcare	Nil <sup>a</sup>
Inspector reports issued by Comcare	2
PINs issued by HSRs	Nil
Incidents registered on the reporting system <sup>b</sup>	98
Corrective actions identified in the reporting system completed	100%
Accepted claims <sup>c</sup>	6
Claims were for lost time <sup>c</sup>	1
Total weeks lost from new claims through incapacity <sup>c</sup>	29.2
Average time off work per injury (weeks) <sup>c</sup>	4.87
Average cost per accepted compensation claim <sup>c</sup>	\$14,810
Employees using the Employee Assistance Program (%)	8.7%
Days of unscheduled absence per full-time equivalent employee <sup>d</sup>	13.3

- Notes:
- a Other than requests for information under Section 155
  - b Includes notifiable incidents, investigations and notices in the Indian Ocean Territories
  - c Figures are as advised by Comcare
  - d Unscheduled absence includes sick leave, carer's leave, unauthorised absences and compassionate/bereavement leave. Workers' compensation leave is not included

### Lead indicators

WHS KPIs in performance plans:

- ▶ All plans contain "To comply with the Work Health and Safety Act (2011) during the course of my employment"

Training courses, including online available and training complete in 2017–18:

- ▶ 786 – WHS eLearning modules completed

Staff completing first aid training:

- ▶ 35 – all first aiders have certificates, annual CPR training is compulsory

Staff completing fire warden training:

- ▶ 79 fire wardens trained

Status of the enterprise risk register in reflecting the department's major risks:

- ▶ Up-to-date and signed off by the Executive

Number of newsletters containing WHS information/advice:

- ▶ Four department Secretary's Updates issued with WHS information

Number of workstation assessments conducted:

- ▶ 188 workstation assessments
- ▶ 42 equipment requests (provided)

## Lead indicators

Number of health assessments conducted:

- ▶ 266 assessments, entailing a lifestyle questionnaire, full lipid profile (total cholesterol LDL, HDL triglycerides), HbA1c diabetes screening test, blood pressure measurement and body composition measurement (height, weight, BMI, waist measurement, hip-to-waist ratio). Staff were also offered a selection of three of the modules below:
  - vision screening
  - posture and flexibility assessment
  - nutrition consultation
  - cardiovascular and muscle fitness
  - depression, stress and anxiety
  - 419 influenza vaccinations

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WHS learning and development for staff

- ▶ An eLearning module is provided for new starters and refresher training conducted for employees every two years:
  - WHS: An overview of safety in the workplace (mandatory) – 703 completed
  - WHS: Applying WHS in the workplace – 83 completed
  - Presentation – workplace set up and how to use sit down and stand desks (in one branch office)

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Electrical equipment testing and tagging

- ▶ A 'test and tag' system for electrical equipment is in place

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Resources were provided to deliver WHS outcomes including audits, inspections and internal initiatives

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## Appendix E:

# Reports under aviation legislation

### International aviation

Section 29(1) of the Air Navigation Act 1920 requires the department to report annually on the administration and operation of this Act and its regulations. This includes other civil aviation matters that the secretary considers should be included in the report.

The department continued to regulate scheduled international air services in accordance with the Air Navigation Act and associated regulations. In 2017–18 the department granted 464 timetable approvals, 324 timetable variations, 13 non-scheduled flight approvals and 10 approvals for new International Airline Licences.

### Environment authorisations and protection orders

Paragraph 5.15(2) of the Airports (Environment Protection) Regulations 1997 requires that the department report notification of environmental authorisations.

The department can authorise an airport to undertake action, which may result in environmental emissions limits being exceeded, where the emissions would be no more damaging to the environment than if the limits were met. No environmental authorisations took place during the reporting period.

We may make an environment protection order under part 7, division 1 of the Airports (Environment Protection) Regulations 1997 directing an airport to comply with a duty to avoid polluting to preserve habitat, or to prevent offensive noise. No environment protection orders were made during the reporting period.

### Aircraft noise levy collection

Section 20 of the Aircraft Noise Levy Collection Act 1995 requires our annual report to include information on adherence to the Aircraft Noise Levy Act 1995 and the Aircraft Noise Levy Collection Act.

In 2017–18 no reportable actions were made under either of these Acts and there were no breaches of these Acts.

## Appendix F: Report under the National Land Transport Act 2014

Section 94 of the National Land Transport Act requires an annual report on the operation of the Act as soon as practical after the end of each financial year that ends after the commencement of parts 3, 4, 5, 7 and 8. For information on the operation of this Act covering the infrastructure investment program and subprograms such as Black Spot and Roads to Recovery, see parts 3 and 5 of this report.



## Appendix G: Correction of material errors in 2016–17 Annual Report

Nil response.

# Appendix H:

## List of requirements

Table H.1 reproduces the table set out in Schedule 2 of the PGPA Rule. Section 17A(d) requires this table to be included in entities' annual reports as an aid of access.

**TABLE H.1** List of requirements

PGPA Rule Reference	Description	Requirement	Part	Page
17AD(g)	Letter of transmittal			
17AI	A copy of the letter of transmittal signed and dated by accountable authority on date final text approved, with statement that the report has been prepared in accordance with section 46 of the Act and any enabling legislation that specifies additional requirements in relation to the annual report.	Mandatory	Letter of Transmittal	iii
17AD(h)	Aids to access			v
17AJ(a)	Table of contents	Mandatory	Contents	vi
17AJ(b)	Alphabetical index	Mandatory	Part 8	252
17AJ(c)	Glossary of abbreviations and acronyms	Mandatory	Part 8	248
17AJ(d)	List of requirements	Mandatory	Appendix H	240
17AJ(e)	Details of contact officer	Mandatory	Contact Us	ii
17AJ(f)	Entity's website address	Mandatory	Contact Us	ii
17AJ(g)	Electronic address of report	Mandatory	Contact Us	ii
17AD(a)	Review by accountable authority			
17AD(a)	A review by the accountable authority of the entity	Mandatory	Part 1	4
17AD(b)	Overview of the entity			15
17AE(1)(a)(i)	A description of the role and functions of the entity	Mandatory	Part 2	16
17AE(1)(a)(ii)	A description of the organisational structure of the entity	Mandatory	Part 2	19
17AE(1)(a)(iii)	A description of the outcomes and programs administered by the entity	Mandatory	Part 2	18
17AE(1)(a)(iv)	A description of the purposes of the entity as included in the Corporate Plan	Mandatory	Part 2	17
17AE(1)(b)	An outline of the structure of the portfolio of the entity	Portfolio departments - Mandatory	Part 2	23–25

*continued...*

PGPA Rule Reference	Description	Requirement	Part	Page
17AE(2)	Where the outcomes and programs administered by the entity differ from any Portfolio Budget Statement, Portfolio Additional Estimates Statement or other portfolio estimates statement that was prepared for the entity for the period, include details of variation and reasons for change.	If applicable, mandatory	n/a	
17AD(c)	Report on the Performance of the entity			
	Annual performance statements			107
17AD(c)(i); 16F	Annual performance statements in accordance with paragraph 39(1)(b) of the Act and section 16F of the Rule.	Mandatory	Part 5	107–146
17AD(c)(ii)	Report on financial performance.		Part 1 and Appendix A	10–14, 212–223
17AF(1)(a)	Discussion and analysis of financial performance.	Mandatory	Part 1	10–13
17AF(1)(b)	A table summarising the total resources and total payments of the entity.	Mandatory	Appendix A	212–223
17AF(2)	If there may be significant changes in the financial results during or after the previous or current reporting period, information on those changes, including: the cause of any operating loss of the entity; how the entity has responded to the loss and the actions that have been taken in relation to the loss; and any matter or circumstances that it can reasonably be anticipated will have a significant impact on future operation or financial results.	If applicable, mandatory	Part 1 – if applicable	11, 13
17AD(d)	Management and Accountability		Part 3	27
	Corporate Governance			28
17AG(2)(a)	Information on compliance with section 10 (fraud systems).	Mandatory	Part 3	33
17AG(2)(b)(i)	A certification by accountable authority that fraud risk assessments and fraud control plans have been prepared.	Mandatory	Letter of Transmittal	iii
17AG(2)(b)(ii)	A certification by the accountable authority that appropriate mechanisms for preventing, detecting incidents of, investigating or otherwise dealing with, and recording or reporting fraud that meet the specific needs of the entity are in place.	Mandatory	Letter of Transmittal	iii
17AG(2)(b)(iii)	A certification by the accountable authority that all reasonable measures have been taken to deal appropriately with fraud relating to the entity.	Mandatory	Letter of Transmittal	iii

continued...

PGPA Rule Reference	Description	Requirement	Part	Page
17AG(2)(c)	An outline of structures and processes in place for the entity to implement principles and objectives of corporate governance.	Mandatory	Part 3	28–35
17AG(2)(d) – (e)	A statement of significant issues reported to Minister under paragraph 19(1)(e) of the Act that relates to non-compliance with Finance law and action taken to remedy non-compliance.	If applicable, mandatory	Letter of Transmittal – If applicable	iii
External Scrutiny				
17AG(3)	Information on the most significant developments in external scrutiny and the entity's response to the scrutiny.	Mandatory	Part 3	36–38
17AG(3)(a)	Information on judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner that may have a significant effect on the operations of the entity.	If applicable, mandatory	Part 3	36
17AG(3)(b)	Information on any reports on operations of the entity by the Auditor-General (other than report under section 43 of the Act), a Parliamentary Committee, or the Commonwealth Ombudsman.	If applicable, mandatory	Part 3	36–38
17AG(3)(c)	Information on any capability reviews on the entity that were released during the period.	If applicable, mandatory	n/a	
Management of Human Resources				
17AG(4)(a)	An assessment of the department's effectiveness in managing and developing employees to achieve entity objectives.	Mandatory	Part 3	38–45
17AG(4)(b)	Statistics on the entity's APS employees on an ongoing and non-ongoing basis; including the following: <ul style="list-style-type: none"> <li>▶ staffing classification level</li> <li>▶ full-time employees</li> <li>▶ part-time employees</li> <li>▶ gender</li> <li>▶ staff location</li> <li>▶ employees who identify as Indigenous</li> </ul>	Mandatory	Part 3	43–45
17AG(4)(c)	Information on any enterprise agreements, individual flexibility arrangements, Australian workplace agreements, common law contracts and determinations under subsection 24(1) of the Public Service Act 1999.	Mandatory	Part 3	42
17AG(4)(c)(i)	Information on the number of SES and non-SES employees covered by agreements etc. identified in paragraph 17AG(4)(c).	Mandatory	Part 3	42
17AG(4)(c)(ii)	The salary ranges available for APS employees by classification level.	Mandatory	Part 3	44

*continued...*

PGPA Rule Reference	Description	Requirement	Part	Page
17AG(4)(c)(iii)	A description of non-salary benefits provided to employees.	Mandatory	Part 3	42
17AG(4)(d)(i)	Information on the number of employees at each classification level who received performance pay.	If applicable, Mandatory	Part 3	42
17AG(4)(d)(ii)	Information on aggregate amounts of performance pay at each classification level.	If applicable, Mandatory	Part 3	42
17AG(4)(d)(iii)	Information on the average amount of performance payment, and range of such payments, at each classification level.	If applicable, Mandatory	Part 3	n/a
17AG(4)(d)(iv)	Information on aggregate amount of performance payments.	If applicable, Mandatory	Part 3	n/a
Assets Management				
17AG(5)	An assessment of effectiveness of assets management where asset management is a significant part of the entity's activities.	If applicable, mandatory	Part 3	46–47
Purchasing				
17AG(6)	An assessment of entity performance against the <i>Commonwealth Procurement Rules</i> .	Mandatory	Appendix B	224
Consultants				
17AG(7)(a)	A summary statement detailing the number of new contracts engaging consultants entered into during the period; the total actual expenditure on all new consultancy contracts entered into during the period (inclusive of GST); the number of ongoing consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST).	Mandatory	Appendix B	225
17AG(7)(b)	A statement that “ <i>During [reporting period], [specified number] new consultancy contracts were entered into involving total actual expenditure of \$[specified million]. In addition, [specified number] ongoing consultancy contracts were active during the period, involving total actual expenditure of \$[specified million].</i> ”.	Mandatory	Appendix B	225
17AG(7)(c)	A summary of the policies and procedures for selecting and engaging consultants and the main categories of purposes for which consultants were selected and engaged.	Mandatory	Appendix B	224–225

continued...

PGPA Rule Reference	Description	Requirement	Part	Page
17AG(7)(d)	A statement that <i>"Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website"</i> .	Mandatory	Appendix B	225
Australian National Audit Office Access Clauses				
17AG(8)	If an entity entered into a contract with a value of more than \$100,000 (inclusive of GST) and the contract did not provide the Auditor-General with access to the contractor's premises, the report must include the name of the contractor, purpose and value of the contract, and the reason why a clause allowing access was not included in the contract.	If applicable, mandatory	Appendix B	225
Exempt Contracts				
17AG(9)	If an entity entered into a contract or there is a standing offer with a value greater than \$10,000 (inclusive of GST) which has been exempted from being published in AusTender because it would disclose exempt matters under the FOI Act, the annual report must include a statement that the contract or standing offer has been exempted, and the value of the contract or standing offer, to the extent that doing so does not disclose the exempt matters.	If applicable, mandatory	Appendix B	225
Small Business				
17AG(10)(a)	A statement that <i>"[Name of entity] supports small business participation in the Commonwealth Government procurement market. Small and Medium Enterprises (SME) and Small Enterprise participation statistics are available on the department of Finance's website"</i> .	Mandatory	Appendix B	225–226
17AG(10)(b)	An outline of the ways in which the procurement practices of the entity support small and medium enterprises.	Mandatory	Appendix B	225–226
17AG(10)(c)	If the entity is considered by the department administered by the Finance Minister as material in nature—a statement that <i>"[Name of entity] recognises the importance of ensuring that small businesses are paid on time. The results of the Survey of Australian Government Payments to Small Business are available on the Treasury's website"</i> .	If applicable, mandatory	Appendix B	226
Financial Statements				
17AD(e)	Inclusion of the annual financial statements in accordance with subsection 43(4) of the Act.	Mandatory	Part 6	148

continued...

PGPA Rule Reference	Description	Requirement	Part	Page
17AD(f)	Other Mandatory Information			
17AH(1)(a)(i)	If the entity conducted advertising campaigns, a statement that <i>"During [reporting period], the [name of entity] conducted the following advertising campaigns: [name of advertising campaigns undertaken]. Further information on those advertising campaigns is available at [address of entity's website] and in the reports on Australian Government advertising prepared by the Department of Finance. Those reports are available on the Department of Finance's website".</i>	If applicable, Mandatory	Appendix B	226
17AH(1)(a)(ii)	If the entity did not conduct advertising campaigns, a statement to that effect.	If applicable, Mandatory	Appendix B	226
17AH(1)(b)	A statement that <i>"Information on grants awarded to [name of entity] during [reporting period] is available at [address of entity's website]."</i>	If applicable, Mandatory	Part 1	13
17AH(1)(c)	Outline of mechanisms of disability reporting, including reference to website for further information.	Mandatory	Part 3	42
17AH(1)(d)	Website reference to where the entity's Information Publication Scheme statement pursuant to Part II of FOI Act can be found.	Mandatory	Part 3	35
17AH(1)(e)	Correction of material errors in previous annual report.	If applicable, mandatory	Appendix G	239
17AH(2)	Information required by other legislation			
	Legal expenditure (paragraph 11.1(ba) of the Legal Services Directions 2017).	Mandatory	Part 3	35
	Advertising and Market Research (section 311A of the Commonwealth Electoral Act 1918) and statement on advertising campaigns.	Mandatory	Appendix B	226
	Ecologically sustainable development and environmental performance (section 516A of the Environment Protection and Biodiversity Conservation Act 1999).	Mandatory	Appendix C	227
	Work health and safety (schedule 2, part 4 of the Work Health and Safety Act 2011).	Mandatory	Appendix D	231
	Information required under: <ul style="list-style-type: none"> <li>▶ paragraph 5.15(2) of the Airports (Environment Protection) Regulations 1997</li> <li>▶ section 29 of the Air Navigation Act 1920</li> <li>▶ section 20 of the Aircraft Noise Levy Collection Act 1995</li> </ul>	Mandatory	Appendix E	237
	An annual report on the operation of the National Transport Act 2014, as required under section 94 of the National Land Transport Act.	Mandatory	Appendix F, Part 3 and Part 5	238







# PART 8

Key terms and Index

# Part 8:

## Key terms and index

### Glossary

<b>Accident</b>	An incident where a person suffers serious or fatal injuries or where property is extensively damaged.
<b>Accountable Authority Instructions</b>	Instructions that the accountable authority of an entity is authorised to give to officials in the entity on any matter necessary or convenient for the carrying out or giving effect to the Public Governance, Performance and Accountability Act 2013.
<b>Administrative Arrangements Order</b>	A document that provides for the arrangements of government administration, including the matters that are dealt with by each department and the legislation administered by each minister.
<b>Administered item</b>	A component of an administered programme.
<b>Aerotropolis</b>	A metropolitan subregion where the layout, infrastructure, and economy are centred on an airport (such as the Western Sydney Airport)
<b>Air services arrangements</b>	Treaty-level aviation agreements negotiated with international governments. Air service arrangements may contain provisions on the routes airlines can fly, the number of flights that can be operated, tariffs and the number of airlines designated to operate services.
<b>Benefit cost ratios</b>	Benefit cost ratios (BCRs) are an indicator for planning, evaluation and investment as they summarise the overall value for money of a project. A result over 1.0 indicates the economic benefits for the project are greater than the economic costs.
<b>Black Spot</b>	These road sites have been identified as high risk areas for serious crashes.
<b>Corporate governance</b>	The process by which agencies are directed and controlled. It is generally understood to encompass authority, accountability, stewardship leadership, direction and control.
<b>Division</b>	An organisational unit within the department, which is managed by an executive director and reports to the Secretary.
<b>Ecological sustainable development</b>	Using, conserving and enhancing the community's resources so that ecological processes, on which life depends, are maintained and the total quality of life, now and in the future can be increased.
<b>Enterprise agreement</b>	An agreement made at enterprise level between employers and employees about the terms and conditions of employment.
<b>Federally leased airport</b>	The leased federal airports in each state and territory that were granted on long-term leases to private entities between 1997 and 2003.
<b>Freight</b>	Goods transported by truck, train, ship or aircraft.
<b>General Government Sector</b>	A classification of entities controlled and largely funded by the Australian Government. The sector provides public services for the collective consumption of the community or services that involve the transfer and redistribution of income. All government departments are classified as General Government Sector entities.

<b>Accident</b>	An incident where a person suffers serious or fatal injuries or where property is extensively damaged.
<b>Grant</b>	Commonwealth financial assistance as defined under the Commonwealth Grants Rules and Guidelines.
<b>Greenhouse gas emissions</b>	Emissions that to climate change such as carbon dioxide (CO <sub>2</sub> ), nitrous oxide and methane. In vehicles, the principal greenhouse gas is CO <sub>2</sub> .
<b>Heavy vehicle road reform</b>	Road charging and investment reform with the goal of turning the provision of heavy vehicle road infrastructure into an economic service where feasible. This would see a market established that links the needs of heavy vehicle users with the level of service they receive, the charges they pay and the investment of those charges back into road services.
<b>Portfolio Budget Statements</b>	A budget-related paper detailing budget initiatives and appropriations, by outcome and program, for each entity within a portfolio.
<b>Program</b>	An activity or group of activities that delivers benefits or services or transfers payments to individuals, industry or the community as a whole.
<b>Regional Development Australia committee</b>	Regional Development Australia (RDA) is an Australian Government initiative that brings together all levels of government to enhance the development of Australia's regions. A national network of RDA committees has been established to achieve this objective.
<b>Road user charging</b>	Direct charging that reflects each user's own consumption of the road network.

# Acronyms

AAA	Australian Automobile Association
AAls	Accountable Authority Instructions
ACCC	Australian Competition and Consumer Commission
ACT	Australian Capital Territory
ADRs	Australian Design Rules
ALGA	Australian Local Government Association
AMSA	Australian Maritime Safety Authority
ANCAP	Australasian New Car Assessment Program
ARTC	Australian Rail Track Corporation Limited
BCR	Benefit-Cost Ratio
BITRE	Bureau of Infrastructure, Transport and Regional Economics
BTKM	Billion Tonne Kilometres
CASA	Civil Aviation Safety Authority
CDG	Community Development Grants Programme
CFO	Chief Financial Officer
CIO	Chief Information Officer
CLARA	Consolidated Land and Rail Australia
COO	Chief Operating Officer
CORSIA	Carbon Offsetting and Reduction Scheme for International Aviation
CPR	Commonwealth Procurement Rules
EAP	Employee Assistance Program
FAL Convention	Convention on Facilitation of International Maritime Traffic
FOWSA	Forum On Western Sydney Airport
GA	General Aviation
ICAO	International Civil Aviation Organization
IMO	International Maritime Organization
IOPC Funds	International Oil Pollution Compensation Funds
ITF	International Transport Forum
JBT	Jervis Bay Territory
NASAG	National Airports Safeguarding Advisory Group
NHVR	National Heavy Vehicle Regulator
NRSS	National Road Safety Strategy
NT	Northern Territory
OECD	Organisation for Economic Co-operation and Development
ONRSR	Office of the National Rail Safety Regulator
RAAP	Regional Aviation Access Program
RAI	Regional Australia Institute

AAA	Australian Automobile Association
RAWS	Registered Automotive Workshop Scheme
RDA	Regional Development Australia
RPAS	Remotely Piloted Aircraft Systems
SCP	Stronger Communities Programme
SOLAS	International Convention for the Safety of Life at Sea
TJGP	Tasmanian Jobs and Growth Package
TRP	TransGrid Relocation Plan
WHS	Work health and safety

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