

CHAPTER 1

Year in Review



YEAR IN REVIEW

Secretary report

It is a pleasure to deliver my first annual report as Secretary of the Department of Infrastructure, Transport, Regional Development and Local Government. I would like to take this opportunity to pay tribute to the Department's former Secretary, Mr Michael Taylor AO. Mike provided outstanding leadership for the Department and initiated a number of key reform agendas. Through his leadership the Department was well placed to deliver on its outcomes, as detailed in this report.

The Department, through its three outcomes, is playing a key role in supporting the Australian Government in Nation Building including:

- building twenty-first century infrastructure;
- fostering efficient and secure transport systems; and
- entering into a new partnership with local government.

I have summarised below the Department's key accomplishments during 2008–09. Detailed reports on how the Department performed against performance indicators published in the 2008–09 Portfolio Budget Statements (PBS) appear in chapters 3, 4 and 5. Chapter 6 of this report is the annual report of the activities of Infrastructure Australia, an advisory council the Department assists by providing supporting staff, and which was reflected in the PBS as Output 1.1.2. Chapter 7 provides a report on the Department's management and accountability during 2008–09. A series of appendices and the Department's audited financial statements provide additional detail on particular facets of our performance.

Infrastructure investment

In delivering aspects of the Nation Building—Economic Stimulus Plan, the Department administered programs that provided more than \$5.2 billion in direct and indirect grants for the construction and maintenance of land transport infrastructure. This was a significant increase over the \$3.0 billion provided during 2007–08 and included supplementation of more than \$1.0 billion in additional appropriations as part of the government's economic stimulus plan.

Through the work of the Department, all states and territories have signed National Partnership agreements covering land transport infrastructure projects for the period 2008–09 to 2013–14.

Transport safety

The Australian Transport Safety Bureau (ATSB) completed 79 aviation, 10 marine and 10 rail accident investigations. As a result of this work, the ATSB facilitated 185 voluntary safety actions by stakeholders across all transport modes and issued 26 safety recommendations and 10 safety advisory notices.

On 2 December 2008, the government announced that the ATSB would become a separate statutory agency on 1 July 2009. This move to enhance the bureau's independence received strong industry support.

Transport security

The Department released the 2009 Aviation Security Risk Context Statement, which provides an updated assessment of threat and risk to the Australian aviation sector, based on current strategic intelligence.

The Department funded 22 regional airports to institute 100 per cent checked baggage screening capability, through the installation of x-ray equipment with explosive detection capabilities.

Surface transport policy and regulation

The Department played a leading role in developing and coordinating regulatory reform proposals to introduce single, national regulatory systems for heavy vehicles, maritime safety and rail safety as requested by the Australian Transport Council (ATC) and the Council of Australian Governments (COAG).

The Department, in close cooperation with the Australian Maritime Safety Authority (AMSA) and the Department of Climate Change, participated in the work of the Marine Environment Protection Committee of the International Maritime Organization.

The Department led the development of the *National Road Safety Action Plan 2009 and 2010*, which was approved and released by the ATC in November 2008. The action plan sets out a comprehensive two-year agenda for road safety improvement, addressing all parts of Australia's road transport system.

Aviation policy and legislation

The Department worked with stakeholders to progress the development of an Aviation White Paper as a comprehensive statement of national aviation policy. An Aviation Green Paper was released by the Minister in December 2008, proposing a range of initiatives to provide greater planning and investment certainty for the industry as well as clear commitments for users of aviation services and communities. The release of the Aviation White Paper is scheduled for the first half of 2009–10.

Regional development

Significant progress was made towards implementing the Regional Development Australia initiative with memorandums of understanding signed between the Australian Government and nearly all the state and territory governments, and arrangements to establish Regional Development Australia committees underway.

The Department also supported the Parliamentary Secretary for Western and Northern Australia, the Hon Gary Gray AO MP, to produce, with the Western Australian Government, the East Kimberley Development Package, to promote the social and economic development of the East Kimberley region of Western Australia.

Local government policy and programs

The Australian Council of Local Government was established to forge a new partnership between the Australian Government and local governments, and held its inaugural meeting in November 2008 and a second meeting in June 2009.

In June 2009, the Prime Minister announced that a consortium led by the University of Technology, Sydney, was the successful applicant to host the Centre of Excellence for Local Government, and funding of \$8 million was provided to establish the centre.

The Department delivered funding under the Regional and Local Community Infrastructure Program, including establishing the \$250 million direct allocation and the \$550 million competitive grants components of the program.

Strategic policy and research

The Bureau of Infrastructure, Transport and Regional Economics (BITRE) led Australia's engagement with the International Transport Forum (ITF), part of the Organisation for Economic Cooperation and Development. In May 2009, the Minister for Infrastructure, Transport, Regional Development and Local Government attended and participated in the ITF meeting of transport ministers, held in Leipzig, Germany, on the theme of 'Transport for a Global Economy'.

BITRE's Infrastructure Colloquium on the theme 'Infrastructure for the nation's future' was held in June 2009. Approximately 210 delegates took part in a program which covered topics such as infrastructure delivery, urban planning and transport, and local government issues.

Governance

Governance arrangements across the Department's program management operations were reviewed during 2008–09. As a result, the Department established a number of project boards to oversee and report on program planning and implementation.

In summary

The past year has been one of significantly increased activity for the Department as we assisted the government in addressing the effects of the global recession by delivering its economic stimulus plan. Since joining the Department as Secretary I have been pleased to observe that the Department is successfully meeting its objectives through the dedication and professionalism of staff at all levels.

I thank all departmental staff for their contributions over the year.



Mike Mrdak
SECRETARY

Summary of financial performance

This section should be read in conjunction with the Department's audited financial statements for 2008–09 which appear in the 'Financial Statements' section of this annual report.

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

Departmental finances

In 2008–09, the Department reported an operating deficit of \$3.0 million. This result was within the Department's approved operating deficit of \$3.5 million.

Total income available in 2008–09 increased by \$3.1 million, due mainly to funding for government measures announced in, and since, the 2008–09 Budget.

The operating deficit, along with an increase in liabilities, contributed to a decrease of \$4.1 million in the Department's net assets.

The Department's commitment to financial management continues to be reflected in its financial performance and unqualified financial statements. The government has expressed its commitment to ongoing management of public sector expenditure, and implemented savings measures in 2007–08 and 2008–09. The Department's 2008–09 operating result placed the Department in a strong position to manage its finances in a tighter fiscal environment.

The Department has continued its strong focus on compliance with the *Financial Management and Accountability Act 1997*, and has recently implemented systems to enhance its financial management and accountability compliance regime.

Table 1.1 summarises the departmental finances results over the past five reporting periods.

Table 1.1 Summary of departmental financial performance and position

		2004–05 \$m	2005–06 \$m	2006–07 \$m	2007–08 \$m	2008–09 \$m	Change last year
Revenue from government		197.1	217.4	213.3	239.8	242.5	1.1% ▲
Other revenue		40.1	5.1	4.1	4.5	4.6	1.7% ▲
Gains		0.0	1.0	1.1	0.6	0.9	44.8% ▲
Total income		237.2	223.5	218.5	244.9	248.0	1.3% ▲
Employee and supplier expenses		176.6	209.5	208.2	220.5	234.8	6.5% ▲
Depreciation		8.2	9.7	11.8	13.6	13.6	(0.2)% ▼
Other expenses		7.2	4.0	3.2	5.0	2.7	(46.3)% ▼
Total expenses		192.0	223.2	223.2	239.1	251.0	5.0% ▲
Operating result (loss)		45.2	0.3	(4.7)	5.8	(3.0)	(100)% ▼
Financial assets	A	93.0	105.0	92.2	98.6	100.9	2.4% ▲
Non-financial assets	B	46.8	63.9	57.7	64.9	71.8	10.7% ▲
Liabilities	C	74.1	51.1	55.1	54.7	68.9	25.9% ▲
Net assets = A + B – C		65.6	117.7	94.8	108.0	103.9	(4.5)% ▼

Note: Historical data prior to 2006–07 reflects the respective year's financial statements as signed off by the Australian National Audit Office at the time. As such, it may not reflect current accounting policies or comparative figures published in later statements. For comparative purposes, figures for 2006–07 have been amended to reflect current accounting policies. Where % is > or < 100, 100% has been used.

Asset management

The Department manages \$71.8 million of non-financial assets comprising several asset classes: land and buildings; infrastructure, plant and equipment; artworks; intangibles (software); inventories; and other non-financial assets. Of these, our major investments are in land and buildings (\$35.1 million) and intangibles (\$24.1 million).

The Department's capital program is underpinned by centralised approval processes. Business divisions submit proposals for the consideration of the Department's Strategic Information Technology and Security Committee (for projects related to information technology) and to the Executive (for all other proposals above \$50,000). The Chief Financial Officer can consider non-information technology project proposals below \$50,000. All decisions are informed by input from the Financial Services Branch.

Assets were independently revalued to market selling price (for leasehold improvements to depreciated replacement cost), with the exception of leasehold makegood assets which were revalued internally on a current market basis.

The Secretary has issued a Chief Executive's Instruction on asset management and the Department also has documented asset policies and procedures on the management and safeguarding of assets. Asset registers are maintained and annual stocktakes are undertaken to verify their accuracy.

Administered finances

The government provided appropriations totalling \$7.7 billion for grants, subsidies and other administered expenses in 2008–09, including additional appropriations of \$0.9 million provided in the two Portfolio Supplementary Additional Estimates Statements.

Expenses totalling \$8.6 billion were recognised during the year. The major contributors were:

- Nation Building Program (\$4.2 billion);
- Local Government Financial Assistance Grants (\$2.4 billion);
- Nation Building Plan for the Future (\$1.0 billion);
- Regional and Local Community Infrastructure Program (\$480.0 million);
- Payments to *Commonwealth Authorities and Companies Act 1997* bodies (\$242.3 million);
- Tasmanian Freight Equalisation Scheme (\$109.4 million); and
- Interstate Road Transport Fees (\$54.7 million).

In aggregate, the administered programs managed by the Department were underexpensed by \$27.0 million or 0.3 per cent, against the latest Budget published in the 2009–10 PBS.

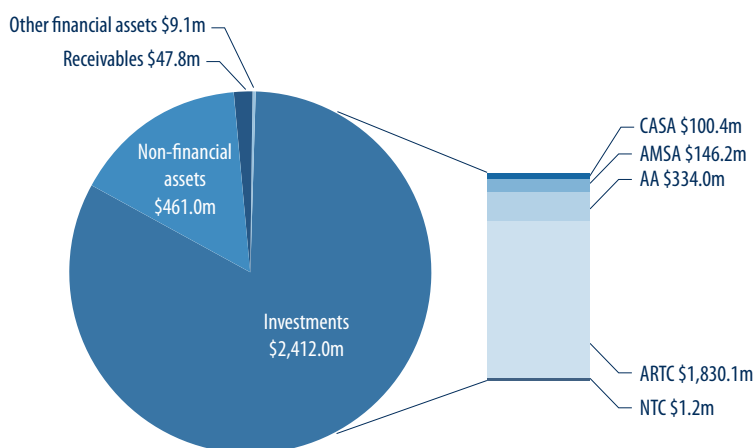
Taxation revenue collected on behalf of the government rose by \$3.3 million in 2008–09, largely due to increased revenue from the Oil Pollution Compensation Fund (\$3.8 million) and airport land tax equivalents (\$3.1 million), partially offset by decreased revenue from Airport Building Controllers (\$1.0 million) and the transfer of revenue items to the Attorney-General's Department in 2007–08 (\$1.5 million).

Non-taxation revenue increased by \$935.0 million overall, due mainly to the receipt of funds from the Building Australia Fund (\$1.0 billion) and an increase in AMSA levies (\$6.5 million), partially offset by reduced dividends from Airservices Australia (\$66.6 million), the transfer of revenue items to the Attorney-General's Department in 2007–08 (\$7.2 million) and reduced revenue from Motor Vehicle Standards Regulations Fees (\$2.4 million).

In 2008–09, administered net assets declined by \$490.6 million, due to the expensing of prepayments made in 2005–06 and 2006–07 (\$997.3 million), partially offset by an increase in investments due to an equity injection to the Australian Rail Track Corporation (\$422.0 million) and increases in the net asset value of administered investments in government authorities and companies (\$79.0 million).

Figure 1.1 illustrates the mix of administered assets at 30 June 2009. For more information, see the audited Financial Statements.

Table 1.2 summarises the administered finances results over the past five reporting periods.

Figure 1.1 Value of administered assets held at 30 June 2009


AA = Airservices Australia, AMSA = Australian Maritime Safety Authority, ARTC = Australian Rail Track Corporation, CASA = Civil Aviation Safety Authority, NTC = National Transport Commission

Table 1.2 Summary of administered financial performance and position

	2004–05 \$m	2005–06 \$m	2006–07 \$m	2007–08 \$m	2008–09 \$m	Change last year
Taxation revenue	151.6	150.1	77.1	80.7	84.0	4.1% ▲
Non-taxation revenue	138.4	135.7	168.3	154.1	1,089.1	100.0% ▲
Gains	0.0	36.7	0.6	7.7	0.0	(100.0%) ▼
Total income	290.1	322.5	246.0	242.5	1,173.1	100.0% ▲
Grants	3,620.9	3,841.7	4,319.8	4,966.6	8,465.5	70.4% ▲
Subsidies	138.8	136.3	128	142.4	155.2	9.0% ▲
Other expenses	113.7	88.9	117.6	123.8	22.2	(82.0%) ▼
Total expenses	3,873.5	4,066.9	4,565.5	5,232.8	8,642.7	65.2% ▲
Financial assets	719.5	2,118.3	1,937.3	1,974.1	2,468.9	25.1% ▲
Non-financial assets	289.2	2,494.7	2,459.4	1,459.5	461.0	(68.4%) ▼
Liabilities	70.6	25.2	31.5	30.3	17.2	(43.3%) ▼
Net assets	936.0	4,587.8	4,365.1	3,403.3	2,912.7	(14.4%) ▼

Note: Historical data prior to 2006–07 reflects the respective year's financial statements as signed off by the Australian National Audit Office at the time. As such, it may not reflect current accounting policies or comparative figures published in later statements. For comparative purposes, figures for 2006–07 have been amended to reflect current accounting policies. Where % is > or < 100, 100% has been used.