

PART 1

YEAR IN REVIEW





Established a **10-year investment program** allocation for **funding road and rail investments**

\$5.2 billion provided towards road and rail projects



Discussion paper released on **coastal shipping reform**

\$137.6 million to shippers under the **Tasmanian Freight Equalisation Scheme**

The Department received



498 parliamentary questions on notice

Over 100

Bureau of Infrastructure, Transport and Regional Economics (BITRE) publications released, providing critical information on transport and regional economics factors needed to inform effective investment decisions



Welcomed **27 new participants** as part of the **Graduate Development Program**



\$47.8 million to help reduce the cost of travel across **Bass Strait** for passengers with eligible vehicles

217 Black Spot



projects completed and 302 underway

Issued **2,661** vehicle certifications, **7,483** Registered Automotive Workshop Scheme (RAWS) import approvals and **6,733** RAWS used import plate approvals



National Stronger Regions Fund

\$110.7 million towards **107 projects** that **support regional development**



keys2drive

learner driver program provided more than 260,000 drivers with free lessons and resources

787 transport security compliance activities

COMPLETED

176 audits
302 inspections
309 system tests



Release of the **Regions 2030: Unlocking Opportunity** publication



\$14.4 million

to subsidise aviation services to **266** designated remote communities



COMMUNITY DEVELOPMENT GRANTS

\$66.0 million towards **142 infrastructure projects**

which promote stable, secure and viable local and regional economies



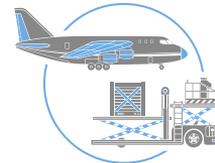
Secured **17 new and updated air services arrangements**, including with China, Fiji and Italy



Participated in

11 innovation

capability workshops



10 businesses

operating at **38 sites** approved to examine **US-bound air cargo** at piece-level in accordance with Enhanced Air Cargo Examination notices



Department's **Twitter** account launched @infra_regional

\$18.1 million to

the operation of **55 Regional Development Australia Committees** which support the development of their regions



Modernising Airspace Protection

paper released for public consultation – **46 submissions** received



Ensured **services and essential infrastructure** in the **external territories and Jervis Bay Territory** met community needs



Commenced **public consultation** for the **Inquiry into National Freight and Supply Chain Priorities** which will inform the development of a long-term strategy

2017-18 FEDERAL BUDGET



\$8.4 billion

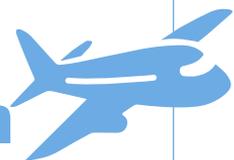
secured for

Inland Rail

and up to

\$5.3 billion

secured for the **Western Sydney Airport**



Part 1: Year in review

Secretary's review

It is my pleasure to present the Department of Infrastructure and Regional Development's 2016–17 Annual Report. I am pleased to highlight the significant achievements made across our diverse portfolio, the outcomes of which benefit all Australians wherever they live.

Major projects

In last year's report, I noted the Department's work in progressing the Melbourne to Brisbane Inland Rail and Western Sydney Airport—two of the largest projects of their kind in Australia's history. Since the last reporting period, both projects have progressed considerably. The Department's policy and technical advice to the Australian Government supported the commitment of a further \$8.4 billion for Inland Rail and up to \$5.3 billion for the Western Sydney Airport as part of the 2017–18 federal budget.

Working with state and territory governments, the Department progressed major road and rail projects under the Infrastructure Investment program to improve the efficiency, sustainability and competitiveness of Australia's land transport networks, as well as to support jobs. Major projects included the Western Sydney Infrastructure Plan, NorthConnex, WestConnex, Toowoomba Second Range Crossing, the Victorian Infrastructure Package and the North-South Corridor in SA. 2016–17 also saw the completion of significant projects such as the \$1.0 billion Moreton Bay Rail Link in Queensland and \$34.0 million of upgraded roads in Western Sydney as part of the Local Roads Package.

Infrastructure planning

Well-targeted infrastructure investment is underpinned by robust infrastructure planning. Several major planning initiatives commenced in 2016–17. In line with the Australian Government's response to Infrastructure Australia's 15-year plan, the Department started work on urban rail plans for Australia's five largest cities and surrounding regions and on the development of a data collection and dissemination plan to improve the collection of freight and public transport data.

The Department also ran a series of scenario planning workshops, as part of our broader scenario planning work, to develop capability in actively and strategically considering our long-term environment, the implications on our work and how to develop and adapt priorities accordingly. A discussion paper was also launched on making better use of value capture to fund critical infrastructure.

Working across transport modes

To enhance Australia's overall transport system, we worked domestically and internationally on improvements across road, rail, aviation and maritime. To improve safety and access for Australian road-users, we completed 3,420 projects under the Roads to Recovery, Black Spot, Heavy Vehicle Safety and Productivity and Bridges Renewal programs and we administered vehicle safety standards reflective of internationally agreed standards.

The Department continued to progress heavy vehicle road reform and work to investigate the potential benefits and costs of extending road user charging to light vehicles, in the interest of establishing a fairer and more transparent way of road user charging. A key milestone delivered in 2017 was the release of the *Land Transport Market Reform Independent price regulation of heavy vehicle charges* discussion paper, which sought stakeholder views on establishing independent price regulation for heavy vehicle charges.

We continued to support ongoing infrastructure investment at federally leased airports through fit-for-purpose aviation regulation—ensuring our airports can meet projected growth. We also provided \$14.4 million to subsidise aviation services to remote communities where they are not commercially viable and \$9.2 million towards the maintenance of safe aviation infrastructure.

In the maritime sector, the *Coastal Shipping Reforms* discussion paper was released to seek stakeholder views on coastal shipping reform—the Australian Government received 67 submissions for consideration. We also continued to oversee implementation of Tasmanian transport schemes to promote sea travel and trade between Tasmania and mainland Australia.

We progressed Australia's transport interests abroad at international engagements during the year. Through international negotiations, we secured new air services agreements with 17 economies that increased market, trade and travel opportunities for Australians, including an 'open-skies' arrangement with China. Adding to this, we continued to work as part of the International Civil Aviation Organization and the International Maritime Organization (IMO) to shape international policies, uphold Australian interests and ensure our domestic policies align with international practices. In the IMO, we agreed the outline of an initial strategy to reduce greenhouse gas emissions from shipping. We revised the Facilitation Convention to reflect modern day shipping practices and worked toward the establishment of a maritime 'single window' to facilitate international ship traffic, of which 30 per cent of Australia's GDP depends. The Department also continued to contribute on transport matters to the Asia-Pacific Economic Cooperation through membership of the Transportation Working Group.

2016–17 saw major achievements made in transport security. In September 2016, a world first, one-stop security agreement—the 'Capital Express' One Stop Security Agreement—was signed between Australia, New Zealand and Singapore. The agreement streamlines the security process for passengers transiting Canberra, meaning they now spend less time in security queues and have a more relaxed experience.

In October 2016, changes to the aviation and maritime security identification card (ASIC and MSIC) schemes were approved by the Federal Executive Council. These changes improve ASIC and MSIC integrity and are the most significant changes made to the schemes since their establishment. In November 2016, two major changes were made to the

regulation of air cargo security in Australia to ensure over \$6.0 billion of annual air freight exports to the United States will continue without disruption.

Lastly, Inspector of Transport Security, Michael Carmody AO, completed an inquiry into aviation and maritime transport security education and training in Australia. All recommendations were accepted and the Office of Transport Security has worked with industry to commence their implementation in accordance with report priorities.

Dedicated assistance for Australia's regions, local governments and territories

In 2016–17, we continued to administer dedicated regional funding programs and regional investments to strengthen the sustainability, capacity and diversity of Australia's regions. Two new regional programs were established to support infrastructure and community investment projects in regional and remote Australia: the nearly \$500.0 million Building Better Regions Fund and the \$220.0 million Regional Jobs and Investment Package. Through our regional programs, we assisted regional communities to realise projects which will make their communities even better places to live, including medical support facilities, leisure centres and dedicated youth spaces.

Development and maintenance of a regional evidence base and a forward-looking policy agenda are essential for planning regional development now and in the future. The *Progress in Australian Regions – Yearbook 2016* was published, providing an updated regional evidence base to track the trends affecting regions. The Department also developed the *Regions 2030: Unlocking Opportunity* publication, launched in May 2017 by Senator the Hon Fiona Nash, Minister for Regional Development, Minister for Local Government and Territories, outlining the Australian Government's vision for Regional Australia.

During 2016–17, the Department administered \$3.5 billion through the Local Government Financial Assistance Grants program to further support 546 local governing bodies to deliver services and infrastructure to their communities. We also continued to ensure communities in Australia's external territories and the Jervis Bay Territory maintain access to essential services, good governance and infrastructure. This included starting the second stage of the reform agenda for Norfolk Island to provide further legislative reforms and state services to residents, and to standardise Australian Government service delivery to the island.

Performance framework

We took the opportunity this year to revise our departmental performance measures to better articulate the effects of our activities. The new measures, reported on in the annual performance statements within this report, are informed first and foremost by our understanding of what the Department's success looks like for our key stakeholders. As a Department, we have also undertaken a review of our overall performance framework, including purposes and associated measures, which we look forward to presenting in 2017–18.

The year ahead

2017–18 has commenced with a focus on priorities arising from the federal budget, in particular overseeing further funding for major projects. Looking at the milestones achieved in 2016–17, we will likely have another productive year ahead in progressing these projects further. In addition to the continued administration of existing programs and projects, we will continue to plan and engage with stakeholders to foster new opportunities across infrastructure, transport and regional development for the benefit of all Australians.

For more information on our priorities and activities for the year ahead, I encourage you to view our 2017–18 Corporate Plan, which is available at www.infrastructure.gov.au/departments/about/corporate-plan.aspx.

Financial performance for 2016–17

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 the Department’s audited financial statements for 2016–17, in Part 6 of this report titled ‘Financial statements’.

Departmental finances

In 2016–17, the Department reported a deficit on continuing operations of \$4.4 million. This equates to a surplus of \$4.9 million after allowing for net cash appropriation arrangements¹.

Compared to 2015–16, revenue from the Australian Government in 2016–17 reduced by \$13.2 million. The reduction reflects funding withheld under section 51 of the *Public Governance, Performance and Accountability Act 2013* due to the deferral and reclassification of expenses for the Western Sydney Airport project.

Gains in 2016–17 decreased by \$9.3 million mainly due to one-off gains recognised in 2015–16 for the waiver of make good requirements on entering into new lease agreements in Canberra.

Total expenses decreased by \$9.7 million largely due to a reduction in:

- employee benefits expenses of \$5.8 million due to a lower average staffing level and changes in the valuation of long service leave provisions; and
- depreciation and amortisation expenses of \$2.9 million due to changes in the valuation of leasehold improvement assets following the new lease agreements.

The Department’s commitment to financial management continues to be reflected in its financial performance and unqualified financial statements.

Table 1.1 provides a summary of the Department’s financial performance and position.

1 Under net cash appropriation arrangements, the Department does not receive an appropriation for depreciation and amortisation expenses. Separate capital budget funding is provided through equity appropriations.

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

	2012-13	2013-14	2014-15	2015-16	2016-17	Change last year	
Revenue from Government	180.7	231.1	250.2	261.7	248.5	(13.2)	
Other revenue	7.0	5.8	6.7	4.7	4.3	(0.4)	
Gains	6.7	8.2	26.3	10.4	1.1	(9.3)	
Total income	194.4	245.1	283.1	276.8	253.9	(22.9)	
Employee and supplier expenses	189.5	230.4	252.6	253.7	248.2	(5.5)	
Depreciation and amortisation	10.2	11.6	12.5	12.2	9.3	(2.9)	
Other expenses	0.9	1.1	8.1	2.0	0.8	(1.2)	
Total expenses	200.5	243.0	273.2	268.0	258.3	(9.7)	
Surplus (Deficit) attributable to the Australian Government	(6.1)	2.1	9.9	8.9	(4.4)	(13.3)	
Plus non-appropriated depreciation and amortisation expenses	10.2	11.6	12.5	12.2	9.3	(2.9)	
Operating result (Loss) attributable to the agency	4.0	13.7	22.4	21.1	4.9	(16.2)	
Financial assets	A	88.0	136.0	130.8	147.0	13.5	
Non-financial assets	B	40.0	50.4	35.9	43.5	40.6	(2.9)
Liabilities	C	68.9	106.8	85.9	68.7	73.5	4.8
Net assets – A + B - C	59.1	79.6	80.8	108.3	114.1	5.8	

Administered finances

Total administered expenditure in 2016–17 was \$11.4 billion; of this \$6.1 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 2016–17 were:

- Local Government Financial Assistance Grants (\$3,472.9 million);
- Infrastructure Growth Package (\$815.5 million);
- write-down of assets and concessional loan expenses (\$542.9 million);
- Tasmanian Freight Equalisation Scheme (\$137.6 million);
- payments to corporate Commonwealth entities (\$122.5 million);
- Services to Indian Ocean Territories (\$115.4 million);
- National Stronger Regions Fund (\$110.7 million); and
- Infrastructure Investment Program (\$109.2 million).

In aggregate, administered programs were \$152.0 million or 1.3 per cent lower than the latest budgets published in the Department's and the Treasury's 2017–18 Portfolio Budget Statements. Combined expenses in 2016–17 were higher than the prior year by \$4.2 billion largely due to:

- a Determination by the Treasurer to bring forward Financial Assistance Grant payments from 2017–18 (\$2.3 billion);
- uneven profiles for infrastructure projects account for \$1.2 billion of the movement in the Infrastructure Investment Program (\$1.1 billion), the Infrastructure Growth Package (\$162.7 million), the Asset Recycling Fund (\$222.7 million) and the Western Sydney Infrastructure Plan (\$137.1 million);
- write-down and impairment of assets of \$425.3 million largely due to lease arrangements for Commonwealth owned land at Moorebank NSW and Melbourne Airport; and
- concessional loan expenses of \$117.6 million largely associated with the WestConnex concessional loan.

In 2016–17, non-taxation revenue decreased by \$48.2 million largely due to contributions recognised in 2015–16 towards flight MH370 search costs and reduced dividend revenue. Taxation revenue collected on behalf of the Australian Government increased by \$2.3 million largely due to a land tax equivalent payment received from the Moorebank Intermodal Company Ltd.

Administered net assets increased by \$1.2 billion in 2016–17. This was largely due to:

- advances paid from the WestConnex concessional loan of \$0.5 billion;
- an increase in the fair value of the Australian Government's investment in Airservices Australia of \$0.4 billion; and
- an increase in the fair value of land assets.

Table 1.2 provides a summary of administered financial performance and is based on information reported in the Department's financial statements. It excludes items for which the Treasury is appropriated directly.

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

	2012-13	2013-14	2014-15	2015-16	2016-17	Change last year	
Taxation revenue	24.8	34.4	36.3	39.4	41.7	2.3	
Non-taxation revenue	1,241.4	1,520.0	536.7	408.9	360.7	(48.2)	
Gains	-	0.1	65.7	11.2	11.8	0.6	
Total income	1,266.2	1,554.5	638.7	459.4	414.2	(45.2)	
Employee and supplier expenses	18.1	100.4	124.2	137.2	157.5	20.3	
Depreciation and amortisation	1.2	29.1	43.8	39.9	53.9	14.0	
Grants	1,816.7	3,431.6	4,799.6	2,908.4	5,127.5	2,219.1	
Subsidies	161.5	164.9	187.6	195.7	206.2	10.5	
Other expenses	0.3	0.8	54.0	6.2	543.3	537.1	
Total expenses	1,997.8	3,726.9	5,209.2	3,287.5	6,088.4	2,800.9	
Financial assets	A	4,496.7	4,727.8	5,391.2	5,387.6	6,422.5	1,034.9
Non-financial assets	B	65.2	700.3	647.5	881.3	1,029.5	148.2
Liabilities	C	25.3	66.5	71.6	55.5	56.9	1.4
Net assets - A + B - C	4,536.6	5,361.6	5,967.1	6,213.4	7,395.1	1,181.7	

