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SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT
LEGISLATION COMMITTEE

Estimates

(Public)

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SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT LEGISLATION COMMITTEE

Monday, 17 October 2016

Members in attendance: Senators Abetz, Back, Bilyk, Farrell, Fawcett, Gallacher, Leyonhjelm, Lines, McCarthy, O'Sullivan, Rice, Sterle, Watt, Whish-Wilson, Williams, Xenophon.

INFRASTRUCTURE AND REGIONAL DEVELOPMENT PORTFOLIO

In Attendance

Senator Nash, Minister for Local Government and Territories, Minister for Regional Communications and Minister for Regional Development

Department of Infrastructure and Regional Development

Executive

Mr Mike Mrdak, Secretary

Ms Pip Spence, Acting Deputy Secretary

Ms Judith Zielke, Deputy Secretary

Corporate Services Division

Mr Carl Murphy, Chief Operating Officer

Ms Justine Potter, Chief Financial Officer

Ms Vanessa Goodspeed, General Manager, Communications and Parliamentary

Infrastructure Investment Division

Mr Mark Thomann, Executive Director

Mr Andrew Danks, General Manager, Major Infrastructure Projects Office

Ms Jessica Hall, General Manager, Infrastructure Policy

Mr Roland Pittar, General Manager, North West Roads

Ms Sarah Leeming, General Manager, South East Roads

Mr Richard Wood, General Manager, Inland Rail Taskforce

Mr James Collett, General Manager, Rail and Intermodal

Ms Ruth Wall, General Manager, Regional Programmes

Infrastructure Australia

Mr Philip Davies, Chief Executive Officer

Mr Adrian Dwyer, Executive Director, Policy and Research

Mr Jeremy Parkinson, Director, Project Advisory

Surface Transport Policy Division

Mr Alex Foulds, Executive Director

Ms Stephanie Werner, General Manager, Maritime and Shipping

Mr Marcus James, General Manager, Road Safety and Productivity

Ms Sharon Nyakuengama, General Manager, Vehicle Safety Standards

Ms Donna Wieland, General Manager, Strategic Policy

Civil Aviation Safety Authority

Mr Shane Carmody, Acting Chief Executive Officer

Mr Graeme Crawford, Aviation Group Manager

Mr Rob Walker, Stakeholder Engagement Group Manager

Ms Tracey Frey, Sustainability Group Manager

Mr Simon Frawley, Chief Finance Officer

Mr Roger Weeks, Collaboration Branch Manager

Dr Jonathan Aleck, General Manager, Legal Affairs, Regulatory Policy and International Strategy branch

Dr Michael Drane, Principal Medical Officer

Mr Andrew Tiede, Manager, Air Navigation, Airspace and Aerodromes Branch

Aviation and Airports Division

Mr Stephen Borthwick, Acting Executive Director
Mr Jim Wolfe, General Manager, Air Traffic Policy
Mrs Shona Rosengren, General Manager, Aviation Environment
Ms Leonie Horrocks, General Manager, Airports
Ms Ann Redmond, Acting General Manager, Aviation Industry Policy

Australian Transport Safety Bureau

Mr Greg Hood, Chief Commissioner
Captain Chris Manning, Commissioner
Mr Ian Sangston, General Manager, Aviation Safety Investigations
Mr Colin McNamara, Acting General Manager, Strategic Capability
Mr Peter Foley, Program Director, Operational Search for MH370
Mr Peter Robertson, General Manager, Surface Safety Investigations and Technical Analysis
Mr Julian Walsh, General Manager, Norfolk Island Investigation
Mr Mike Walker, Manager, Australian Transport Safety Bureau Brisbane Office
Dr Stuart Godley, Assistant General Manager, Strategic Capability
Mr Jason McGuire, Acting Chief Financial Officer
Mr Patrick Hornby, Legal Services Manager, Strategic Capability

Australian Maritime Safety Authority

Mr Mick Kinley, Chief Executive Officer
Mr Toby Stone, General Manager, Marine Environment
Mr Allan Schwartz, General Manager, Domestic Vessels

Office of Transport Security

Ms Sachi Wimmer, Executive Director
Mr Richard Farmer, General Manager, Maritime, Identity and Surface Security
Mr Angus Kirkwood, General Manager, Aviation Security
Ms Nicole Pearson, General Manager, Risk and International
Mr Greg Cox, General Manager, Transport Security Operations Reform
Mr Peter White, General Manager, Transport Security Operations
Mr Scott Stone, General Manager, Air Cargo Security Taskforce

Airservices Australia

Mr Jason Harfield, Chief Executive Officer
Mr Paul Logan, Chief Finance Officer
Ms Michelle Bennetts, Executive General Manager, Aviation Rescue Fire Fighting

Policy and Research Division

Ms Philippa Power, Executive Director
Ms Nicole Spencer, General Manager, Land Transport Market Reform
Mr Andrew Johnson, General Manager, Policy Development Unit and Regulatory Reform Unit
Dr Gary Dolman, Head of Bureau, Bureau of Infrastructure and Transport and Regional Economics
Ms Cathryn Geiger, General Manager, Regional Economic Policy
Mr Scott Mashford, Acting General Manager, Regional Jobs and Investment Taskforce

Australian Rail Track Corporation

Mr John Fullerton, Chief Executive Officer

Local Government and Territories Division

Ms Robyn Fleming, Executive Director, Local Government and Territories Division

Ms Karly Pidgeon, General Manager, Indian Ocean Territories Branch

Mr Steve Dreezer, General Manager, Local Government, Mainland Territories and Regional Development Australia Branch

Ms Glenda Kidman, General Manager, Norfolk Island Branch

Western Sydney Unit

Mr Brendan McRandle, Executive Director, Western Sydney Unit

Mr Garth Taylor, General Manager, Communications, Environment and Legal

Mr Greg Whalen, General Manager, Financial, Commercial and Operations

National Transport Commission

Mr Mike Mrdak, Commissioner

Ms Judith Zielke, Deputy Secretary

Ms Donna Wieland, General Manager, Strategic Policy

Committee met at 09:00

CHAIR (Senator O'Sullivan): Before we start, I would just like to recognise the decade of contribution made by ex-senator Bill Heffernan, retired. He is going to be a hard act to follow and proceedings will be nowhere near as exciting—hopefully—as they were under him. I wanted to get that on the record. Secretary Mrdak believes he is sitting on his chair on the veranda of the Junee meatworks watching proceedings. I call out to you there, Bill. If anyone else wants to make a comment before we start, you are welcome to.

Senator STERLE: I worked diligently and closely with ex-Senator Heffernan for 11 years—he had been around here for about 19 or so. We will miss him, but I am sure when we are questioning we will get a shiv up our spine as he trots past us. I have no doubt he will still be in the room.

CHAIR: Secretary, you might want to write to Bill and pass on that little passage from *Hansard*.

Senator FARRELL: I would also like to pass on my best wishes. I worked closely with ex-Senator Heffernan for a very long period of time. He was a terrific bloke and I would like to extend my best wishes to him.

Senator BACK: As would I. I do not know whether the committee is going to be the poorer for his absence, but certainly events such as the beef trim and raw prawns do come to mind.

CHAIR: Do not mention the trim!

Senator BACK: Senator Nash probably remembers, and I suspect the secretary, Mr Mrdak, is also breathing a sigh of relief, but ex-Senator Heffernan was nothing if not a very colourful character. I join with you in sending him and Margaret our best wishes—and hoping like hell that Margaret can entertain him far better than we could.

Senator Nash: Having spent most of the last decade on this committee in one form or another with ex-Senator Heffernan, I can say he will be very much missed, I am sure. But we are also now in very good hands with you, Senator O'Sullivan. We are looking forward to working with you. Our very best wishes to Bill and Margy. I also welcome back Senator Farrell.

CHAIR: You are going to have to bear with me. I have a substantial statement to read and apparently there is no way to abbreviate it. I thank the secretary and his team, as always, for the preparations they undertake for us for estimates.

I declare open this public hearing of the Senate Rural and Regional Affairs and Transport Legislation Committee. The Senate has referred to the committee the particulars of proposed expenditure for 2016-17 and related documents for the Infrastructure and Regional Development portfolio. The committee may also examine the annual reports of the departments and agencies appearing before it. The committee has before it a program listing agencies relating to matters for which senators have given notice, and the proceedings today will begin with an examination of the Corporate Services Division of the Department of Infrastructure and Regional Development.

The committee has fixed Friday, 2 December 2016, as the date for the return of answers to questions taken on notice. Senators are reminded that any written questions on notice should be provided to the committee secretariat by close of business on Friday, 28 October 2016. Under standing order 26 the committee must take all evidence in public session. This includes answers to questions on notice. I remind all witnesses that in giving evidence to the committee they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a

witness on account of evidence given to a committee, and such action may be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence to a committee.

The Senate, by resolution in 1999, endorsed the following test of relevance of questions at estimates hearings:

Any questions going to the operations or financial positions of the departments and agencies which are seeking funds in the estimates are relevant questions for the purpose of estimates hearings.

I remind officers that the Senate has resolved that there are no areas in connection with the expenditure of public funds where any person has a discretion to withhold details or explanations from the parliament or its committees unless the parliament has expressly provided otherwise.

The Senate has resolved also that an officer of a department of the Commonwealth shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or a minister. This resolution prohibits only questions asking for opinions on matters of policy and does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted.

I particularly draw the attention of witnesses to an order of the Senate of 13 May 2009 specifying the process by which a claim of public interest immunity should be raised. Witnesses are specifically reminded that a statement that information or a document is confidential, or consists of advice to government, is not a statement that meets the requirements of the 2009 order. Instead witnesses are required to provide some specific indication of the harm to the public interest that could result from the disclosure of the information or the document.

The extract read as follows—

Public interest immunity claims

That the Senate—

- (a) notes that ministers and officers have continued to refuse to provide information to Senate committees without properly raising claims of public interest immunity as required by past resolutions of the Senate;
- (b) reaffirms the principles of past resolutions of the Senate by this order, to provide ministers and officers with guidance as to the proper process for raising public interest immunity claims and to consolidate those past resolutions of the Senate;
- (c) orders that the following operate as an order of continuing effect:
 - (1) If:
 - (a) a Senate committee, or a senator in the course of proceedings of a committee, requests information or a document from a Commonwealth department or agency; and
 - (b) an officer of the department or agency to whom the request is directed believes that it may not be in the public interest to disclose the information or document to the committee, the officer shall state to the committee the ground on which the officer believes that it may not be in the public interest to disclose the information or document to the committee, and specify the harm to the public interest that could result from the disclosure of the information or document.
 - (2) If, after receiving the officer's statement under paragraph (1), the committee or the senator requests the officer to refer the question of the disclosure of the information or document to a responsible minister, the officer shall refer that question to the minister.
 - (3) If a minister, on a reference by an officer under paragraph (2), concludes that it would not be in the public interest to disclose the information or document to the committee, the minister shall provide to the committee a statement of the ground for that conclusion, specifying the harm to the public interest that could result from the disclosure of the information or document.
 - (4) A minister, in a statement under paragraph (3), shall indicate whether the harm to the public interest that could result from the disclosure of the information or document to the committee could result only from the publication of the information or document by the committee, or could result, equally or in part, from the disclosure of the information or document to the committee as in camera evidence.
 - (5) If, after considering a statement by a minister provided under paragraph (3), the committee concludes that the statement does not sufficiently justify the withholding of the information or document from the committee, the committee shall report the matter to the Senate.
 - (6) A decision by a committee not to report a matter to the Senate under paragraph (5) does not prevent a senator from raising the matter in the Senate in accordance with other procedures of the Senate.
 - (7) A statement that information or a document is not published, or is confidential, or consists of advice to, or internal deliberations of, government, in the absence of specification of the harm to the public interest that could result from the disclosure of the information or document, is not a statement that meets the requirements of paragraph (1) or (4).
 - (8) If a minister concludes that a statement under paragraph (3) should more appropriately be made by the head of an agency, by reason of the independence of that agency from ministerial direction or control, the minister shall inform the

committee of that conclusion and the reason for that conclusion, and shall refer the matter to the head of the agency, who shall then be required to provide a statement in accordance with paragraph (3).

(Extract, Senate Standing Orders, pp 124-125)

An officer called to answer a question for the first time should state their full name and the capacity in which they appear, and witnesses should speak clearly and into the microphones to assist Hansard to record proceedings. I remind everyone present to switch off their mobile phones or render them inaudible.

Department of Infrastructure and Regional Development

[9:06]

I now welcome Senator the Hon. Fiona Nash, one of my favourite senators, Minister for Regional Development, Minister for Regional Communications and Minister for Local Government and Territories; Mr Mike Mrdak, Secretary of the Department of Infrastructure and Regional Development; and officers of the department. Minister Nash, do you or Mr Mrdak wish to make an opening statement?

Senator Nash: I do not, thanks, Chair—and you are one of my favourite senators also.

Mr Mrdak: I have no opening statement. I am happy to go to questions.

Senator FARRELL: Welcome. I refer to the 2015-16 final budget outcomes. You are familiar with those of course. Why is the final outcome for spending on infrastructure 20 per cent less than the forecast in the 2015-16 budget?

Mr Mrdak: It reflects the actual spend by jurisdictions on the program. As you know, we do estimates at the start of each financial year based on what projected spends are by the states and territories on investment projects, and then—

Senator FARRELL: Can you tell me what that figure was?

Mr Mrdak: I will get that for you, if I may, on notice. Through the course of the year we pay on milestones of achievement—under the projects, each of them has set milestones which have to be achieved in terms of construction starts and construction points. And then at the end of the year we seek to reconcile that with any final payments that are claimed. So the spend in any one year is the amount claimed by the jurisdictions on projects and reflects milestones achieved in actual projects. The changes reflect the movement of funds required relating to the actual expenditure.

Senator FARRELL: But why are you predicting one figure when invariably it comes out at a lower figure? Is that a problem with your projections?

Mr Mrdak: It reflects actual achievements by the jurisdictions.

Senator FARRELL: I understand what you are saying: they are spending less than what you had predicted. But why are those predictions wrong? Why can't you get it right?

Mr Mrdak: In previous years we have been much closer. This year I think it reflected a very large profile of expenditure. At the start of each year we seek advice from the jurisdictions about what they are likely to spend, and each month we get those updated. It simply reflected, I suspect, some large cap ex which was not achieved. There were some delays in some projects, such as projections for projects in Western Australia and some projects in Queensland. But it predominantly reflected the changes through the year of the state profiles of spend. I can take on notice to give you some areas where that took place.

Senator FARRELL: You mentioned a project in Western Australia. What project was that?

Mr Mrdak: We did have some indicative estimates of the Perth Freight Link Project, which is obviously delayed due to some legal challenges. That is one project in WA. For instance, that has gone more slowly than we had anticipated.

Senator FARRELL: And other projects? What about Victoria?

Mr Mrdak: I would have to take on notice Victoria. I think on the whole the Victorian project has spent quite reasonably. I think there were delays in other projects. I know there were delays in some of the projects in Queensland—on the Bruce Highway and the like and the start of the Toowoomba range crossing. I could take on notice to give you the exact numbers by jurisdiction of the differences.

Senator STERLE: Chair, may I just clarify something before we get going. When questions are put that the department want to take on notice, to avoid the backlog for the department could we get those questions back today, if possible?

CHAIR: I am sure Mr Mrdak would join us in endeavouring to do that if that is possible. Are you—

Mr Mrdak: Certainly, Senator, wherever we can we will endeavour to get answers back—

CHAIR: Because sometimes a response can help avoid hours of work for your people after the event. So certainly that is an ideal we will pursue.

Senator FARRELL: Can we go back 12 months and look at the 2014-15 budget. I want to ask some similar questions to those I have previously asked. Can you give us an indication of the difference between your anticipated spend and what you actually spent for that period?

Mr Mrdak: Certainly. The infrastructure road component of the program was \$172 million for the last financial year. That was the difference between projections and actuals.

Senator FARRELL: That is about 30 per cent.

Mr Mrdak: No, much more than that. I think our projected spend last year was of the order of 6.5—

Senator FARRELL: No, I am talking about the previous year, so we are going now back to 2014-15.

Mr Mrdak: Sorry, I will get that number for you. In 2014-15 I think it was about—

Senator FARRELL: Actually, let us keep on that. You have the figures for this financial year now, do you?

Mr Mrdak: For 2015-16.

Senator FARRELL: So what are those figures?

Mr Mrdak: I will get those for you. The projected in 2015-16 and the actual.

Mr Thomann: If you refer to the financial budget outcome, in there is table 42—

Senator FARRELL: I am just asking you to tell me the figure.

Mr Thomann: The figure in that table—the infrastructure spending quoted there—is \$5.54 billion.

Senator FARRELL: Can you tell us what the promised figure was?

Mr Thomann: I do not have the—

Mr Mrdak: We will get that for you as quickly as possible.

Senator FARRELL: Why don't you have that figure?

Mr Thomann: I apologise, Senator.

Mr Mrdak: We will get that for you.

Senator FARRELL: Anyway we know that it is 20 per cent less than the projected figure.

Mr Thomann: I have not got the table.

Senator FARRELL: Can you give us an explanation, Mr Thomann, as to why there is such a big differential between what you say you are going to spend and what you actually spend?

Mr Thomann: If I can just give you the figure for budget. The figure of budget was \$5.66 billion. The outcome was \$5.4 billion. There is always going to be slippage in—

Senator FARRELL: So the actual figure was 5.54—is that correct?

Mr Thomann: Yes, the final figure.

Senator FARRELL: What did you say the promised was?

Mr Thomann: The estimate of budget was 5.664.

Senator FARRELL: I understand the figure is 6.82.

Mr Thomann: That would have been at the beginning of the year.

Senator FARRELL: That is the figure we are looking at.

Mr Mrdak: We do adjust during the course of the financial year.

Senator GALLACHER: We can only work on the figures we have got.

Mr Mrdak: Understand. We will get you the reconciliation, Senator, I think it is probably the easiest way. We are just getting it for you.

Senator GALLACHER: Let us be clear: so the budget here has been reduced by the department throughout the year but we do not know that.

Mr Mrdak: We adjust the figure on a monthly basis based on advice from the jurisdictions and what their spend rates are on particular projects. That is correct, Senator.

Senator GALLACHER: So who do you tell?

Mr Mrdak: It is in the financial system for the Commonwealth. We provide that advice to the Department of Finance as we track the expenditure profile for the year ahead and the cash requirements for the year ahead.

Senator FARRELL: So how often is that figure produced?

Mr Thomann: The figures are updated at every budget and economic update, so—

Senator FARRELL: Sorry, I thought you were saying that there is a regular update during the course—

Mr Mrdak: We adjust every month but, publicly, the government reports on that at the mid-year economic report and again at budget.

Senator FARRELL: So the government gets a monthly figure.

Mr Mrdak: That is correct.

Senator FARRELL: Can we turn to the 2014-2015 budget. Can you tell us what the figure was at the start of the process and what you ended up spending?

Mr Thomann: I can tell you what—

Mr Mrdak: Again, I will get that, Senator. We are just getting that for you now.

Senator FARRELL: Can you explain why you have not got that information? Isn't that a fairly fundamental bit of information?

Mr Mrdak: I think the officers have come prepared with 2016-17 and 2015-16. I am not sure we have got 2014-15 but I am getting that to hand.

Senator STERLE: I have got a copy, if you want to borrow it.

Mr Thomann: Point taken, Senator.

Mr Mrdak: We are sourcing that at the moment, Senator.

Senator FARRELL: How long do you think it will take to source it?

Mr Mrdak: I think my officers are working on it in the room. Perhaps if we press on and we can come back to this issue.

Senator FARRELL: No, I have got some questions about this.

Mr Thomann: I can only give you one figure. I can give you the outcome for 2014-15, which was \$5.4 billion, but I cannot give you the estimate at budget or MYEFO.

Senator FARRELL: So in 2014-15, the figure was 5.4 and in 2015-16 the figure was 5.54.

Mr Mrdak: That is actual spend.

Mr Thomann: The actual figure for the Infrastructure Investment Program was \$5.362 billion. There is a difference between—the FBO figure that you were referring to includes some other payments that Treasury makes. In terms of purely speaking about the Infrastructure Investment Program, \$5.362 billion is the final outcome.

Senator FARRELL: For 2015-16.

Mr Thomann: Yes.

Senator FARRELL: Mr Mrdak, in ballpark figures, can you recall the promised figure for that financial year was?

Mr Mrdak: I think it came in pretty close to that but I will check that.

Senator FARRELL: No, we are talking about the start figure, not the couple of weeks before the cut-off.

Mr Mrdak: I am getting that for you on notice, Senator.

Senator FARRELL: Is it going to be very long?

Mr Mrdak: I hope not.

Senator FARRELL: Is there somebody working on it?

Mr Mrdak: There are people working on it now.

Senator FARRELL: Good. I might let somebody else ask some questions, and we will come back.

Senator STERLE: Senator Farrell, I can help you out. I have budget papers for 2014-15. It was budgeted in 2014-15 at \$5.702 billion and in 2015-16 at \$8.021 billion.

Senator FARRELL: Where did you get those figures from?

Senator STERLE: The budget papers.

Senator FARRELL: Well, let's have a look at those. Do you mind if I refer to these, Mr Mrdak?

Mr Mrdak: Is this the infrastructure investment—

Senator FARRELL: This is what is described as 'payments to support state infrastructure services'. Are you familiar with that document?

Mr Mrdak: Yes.

Senator BACK: Is that what you have been quoting? When you have spoken of infrastructure investment are we to then learn that it is the full infrastructure spend?

Mr Mrdak: That is correct.

Senator BACK: So we know we are comparing like with like?

Senator STERLE: The whole spend.

Senator FARRELL: This shows a figure of roughly \$8 billion, and I think the figure you just mentioned, Mr Thomann, was \$5.3—

Mr Thomann: For 2015-16?

Senator FARRELL: According to this, the figure for 2015-16 was near enough to \$8 billion. What did you say the final—

Mr Thomann: \$5.362 billion. I am not sure we are comparing like numbers, because I believe that in the total infrastructure number in the budget papers there are also infrastructure payments in those figures. So, without having an opportunity to compare the documents—

Senator FARRELL: I will show you the documents.

Mr Thomann: Thank you, Senator.

CHAIR: Senator Farrell, I am loathe to interrupt, and I am conscious that you are waiting on some responses, which we hope to get—

Senator FARRELL: I think this will answer the questions, Chair.

CHAIR: I would like to give you an opportunity exhaust this line if possible.

Senator GALLACHER: They can spend all day on it, Barry; we don't have to move on.

Senator STERLE: New rules. In fact, I think we should go for an overflow day, Chair.

CHAIR: Already—10 minutes in?

Mr Mrdak: Yes, you are right; that is the estimate and it includes not just the infrastructure investment program but also all the other national partnership programs.

Senator FARRELL: Can you give me a like-for-line figure on what you actually spent? So that is the estimated figure?

Mr Mrdak: Yes, and we will have that reconciliation for you this morning.

Senator BACK: For 2015-16.

Senator FARRELL: I thought Mr Thomann had that. I thought you had the actual spend figure?

Mr Thomann: I have the actual spend for the infrastructure investment program.

Senator FARRELL: But you say that is a different set of figures, do you, that it is not an apples-with-apples comparison?

Mr Mrdak: It is slightly different. If you look at table 2.9 in Budget Paper No. 3—the document you have shown us—you see that that also includes payments such as asset recycling and the like, which are Treasury payments, as Mr Thomann indicated, rather than ours. So it is a total spend on infrastructure. What Mr Thomann has given you is actually the investment program that we manage, which is the \$5.3 billion.

Senator FARRELL: Can get the sort of drift I am heading to?

Mr Mrdak: Yes.

Senator FARRELL: I am trying to get some explanation. You make certain promises about how much you are going to spend, but the figure you actually spend is a significantly lower figure. I think you said a moment ago that this year's figures were more dramatic than previous years. But it would seem to me that, over the last couple of years, the figure has been quite dramatically different between what you say you are going to spend and what the government actually ends up spending.

Mr Mrdak: In every year there are estimates. As I indicated earlier, as projects progress we often have some projects which accelerate and others which are slower than anticipated. So we do end up moving funds in each year, and that is a normal practice through the program.

Senator FARRELL: If what you are saying is correct, why make the promise in the first place? Why not come up with a figure that more closely reflects what is going to be the actual spend?

Mr Mrdak: The figure that goes into the budget papers is our best advice in relation to what is projected by jurisdictions. As we prepare for each budget process we seek advice from jurisdictions and, based on what they anticipate spend for projects under construction or about to construct, we feed that into the budget process.

CHAIR: Senator Farrell, you are more than welcome to come back to it, but we just might—

Senator GALLACHER: I have a follow-up question on that answer. Victoria is 25 per cent of Australia's population and it is attracting nine per cent of Australia's infrastructure spend. Are you saying that they did not bid from enough?

Mr Mrdak: No, what I am referring to is the actual estimates of construction of projects underway or projects that are about to commence.

Senator GALLACHER: What I am saying is that you did not fund Victoria. And you did not spend your money.

Mr Mrdak: I think that is a separate conversation.

CHAIR: We will come back to that. As a matter of procedure, we have agreed that I will give the call to the senior committee member from the Labor Party and they will yield the floor to whomever they choose. The same happened with the Greens and then the chair will try to manage the crossbench.

Senator STERLE: Following on from Senator Farrell's line of questioning, the promise was about \$8 billion and the spend was about \$5.7 billion, and you can argue that a few million here and there. Can you break it down to how there can be a \$2.3 billion difference? That is all we want to know—where there might be money not spent or whatever.

Mr Mrdak: In relation to 2014-15 I think some of that was payments of asset recycling, but I will get that information for you this morning.

Senator STERLE: We want to talk about the YouTube ad that popped out on the day of the 2014 budget, in terms of infrastructure spend. Do you remember the one?

Mr Mrdak: Yes.

Senator STERLE: We know the government committed to spend over \$3 billion more in 2014-15 for infrastructure, and in 2015-16 it actually did, so we have that sorted out. But what we want know is when the ad was taken off YouTube—the 'big spending' ad? We went through this at Senate estimates. It was the big announcement under then minister Briggs. I think we worked out that there were about 3,000 hits for our spend. Firstly, how much was the spend?

Ms Goodspeed: Off the top of my head I no longer have been information with me, but my recollection, and I can get confirmed, is that it was in the vicinity of about \$80,000 for the video production. I will have to confirm that.

Senator STERLE: That is all right. A hundred or a thousand here or there will not make any difference. When was the decision taken to terminate it?

Ms Goodspeed: That was a decision for the government. The department did not put that up on the YouTube site. That was the former minister's decision—Mr Jamie Briggs. They actually uploaded it onto the minister's YouTube video. The department did not have any involvement in that.

Senator STERLE: Do you know who determined to end it?

Ms Goodspeed: No, we do not. The department produced the video.

Senator STERLE: Do you know how many hits it had?

Ms Goodspeed: Again, off the top of my head I would have to go back and get a final figure.

Mr Mrdak: We will take that on notice.

Senator STERLE: Sure. I am told it is around 3,000 hits.

Ms Goodspeed: That would be about correct.

Senator STERLE: And we just divide that by \$80,000. I am not going to ask a hypothetical about whether we got that if the money as that would be a question for the government.

CHAIR: Thank you for your evidence. We will move on to Infrastructure Australia.

Infrastructure Australia

[9:29]

Senator BACK: I have one question that is certainly very dear to Senator Sterle's heart and mine and it used to be to Senator Eggleston, and that is the Tanami Road, from Halls Creek, down through Balgo and Yuendumu and down to Alice Springs. The road has been the subject of planning for many years. My understanding is that the Shire of Halls Creek, in the Kimberley, has put a case to Infrastructure Australia to consider the sealing of that road. Can you advise us where Infrastructure Australia is in terms of considering that application and considering the overall project?

Mr Davies: We have received information from the Northern Territory government on the Tanami Road. That has been under discussion for some time. I will ask my colleague Mr Parkinson to give us an update.

Mr Parkinson: Yes, we do have a business case for the Tanami Road, sponsored by the Northern Territory government and the Shire of Halls Creek. That is currently under assessment. We have been working with the proponents to try to bring that assessment to add a conclusion. We are currently awaiting some additional information from the proponents to be able to do that.

Senator BACK: Would you be in a position by estimates early next year to be there positioned to advise us of the progress?

Mr Parkinson: We said we hope so. That is actually beyond our control at the moment. We are working with the proponent to settle that assessment.

Senator RICE: I will start with the new Infrastructure Australia priority list that has just been released. Congratulations on getting the new list out. It is good to see that a larger number of the priority projects now have full business cases. What is the rationale for the projects that have ended up as high priority and priority? Can you outline the rationale for how those projects have ended up on that list?

Mr Davies: As part of the overall assessment process, we are looking at threshold questions around if the potential project is nationally significant. Then we go through an assessment process that looks at the relative impact of that potential project, and that really leads us to looking at the economic, social, environmental and strategic merits of each of those potential projects. Through that process we are assigning projects that are going to have a greater economic impact as high priority projects, or indeed initiatives, if they are at the early stage. Then, everything else is characterised as just a priority. So I think the important message is that the fact they are all on the list means that they are nationally significant and a priority, and therefore the high priority is really a reflection of the higher economic impact of that.

Senator RICE: Is all of that rationale and assessment publicly available on your website?

Mr Davies: Yes, it is. It is all part of the process on the website.

Senator RICE: Do you think it is important to have all that rationale and that assessment publicly available?

Mr Davies: Yes.

Senator RICE: It seems that of the projects you have about half dealing with urban congestion and national connectivity and freight. I think 14 projects overall have been either high priority or priority, and seven of them are dealing with urban congestion. It appears that of those seven urban congestion ones only one is a public transport project. Can you comment on the fact that you seem to have a lack of balance between road projects and public transport projects?

Mr Davies: If you remember back to when we relaunched the priority list in February of this year, at that stage there were 91 initiatives on the list and indeed only to projects. As you recognised in your opening remarks we have had a very good period of time since February, where a number of these initiatives have come back to us as business cases and indeed have gone through the assessment process and been assessed by IA's board. So we now have a much healthier number of projects on the list.

In terms of what comes forward to us, that is a combination of bottom-up evidence, which was the basis for establishing the priority list back in February. But it is very much down to the jurisdictions in terms of what they are working on and advancing. I think it is fair to say that a number of these business cases are ones that either have previously been developed by a jurisdiction or have been brought through in perhaps a more accelerated way since we relaunched the list. The short answer is that what comes to us is really outside of our control. It is what is ready to come to us from the jurisdictions. Keep in mind that many of these business cases can take 18 months or two years to actually develop. It is just the nature of what has come to us.

In terms of the categorisation, we find that useful to us in terms of organising the list and just getting our own minds around what the different problems are we are seeking to solve and what some of those projects might be. There is no use for it other than that, in terms of ordering it on the list.

Senator RICE: Is it a concern to Infrastructure Australia that the road projects seem to be coming to you in much greater numbers? We only have one public transport project: the Perth-Forrestfield link. The executive summary of the infrastructure plan really focuses on the importance of high-frequency interconnected public transport systems, the need to be reducing our greenhouse gas emissions, the role of public transport in doing that, and the role of public transport in enabling people to shift from cars to public transport. So you have a plan that says we need to be putting high emphasis on improving our public transport systems, yet what is coming through it you are largely only road projects.

Mr Davies: In terms of what has been assessed and put on the list most recently, we have some rail projects as well as road projects. I think it is important to mention as well that we are currently assessing some very significant public transport projects, such as Melbourne Metro, cross-river rail and Sydney Metro. So there are some very significant business cases in the pipeline.

Senator RICE: But you also have in the pipeline some business cases for further road projects, like the Western distributor, the Armadale road and the Swan Valley bypass.

Senator STERLE: Beauty, bring on the Swan Valley bypass! Anything that moves trucks up and down that west coast—you beauty!

Senator RICE: Do you concede that in the projects that are being brought to you for assessment these road projects seem to be getting more of a priority from state governments than public transport projects?

Mr Davies: The order in which state governments want to develop their projects is really a matter for them as part of their strategic plans. We are looking at the bigger picture through the priority list in terms of the evidence base that we developed through the audit—what are the problems we are seeking to solve? We have a number of initiatives. Some of them on the priority list are actually quite strategic, high-level initiatives. It is really a matter for the state and territory governments, or the private sector for that matter, in terms of what they bring to us.

Senator RICE: In order to meet the outcomes that you have set out in your infrastructure plan, do you feel that is going to be necessary for the states to have a better balance of public transport versus road projects? Otherwise, your plan is just meaningless; it is not able to be implemented.

Mr Davies: I think the state government response to the problem is a matter for them. They do the detailed work of the modelling and the integrated planning, so the order in which they want to tackle urban congestion, which clearly was a big discussion point after we did the audit, is really a matter for them. Urban congestion is a big part of the problem we are seeking to solve.

Senator RICE: So basically your plan just sits there to be taken account of or ignored by the state government at will.

Mr Davies: The plan provides an evidence based baseline for all governments, as well as the private sector, to refer to.

Senator RICE: But if the states want to prioritise road projects, you cannot do anything about that?

Mr Davies: That is a matter for the states.

Senator RICE: I also see that inland rail is the only project on the list of longer term projects rather than near-term projects. Why is that the case?

Mr Davies: When we updated the priority list we tried to give some time and categorisation to two lenses. One was: when is this problem going to manifest? That was to try to encourage longer term planning. We have three timestamps—five, 10, 15 years—on when a problem is going to manifest. That is represented on the list. Then when the projects come forward the timestamp moves to: when do we need to implement? Obviously if it is a physical project, we asked, 'When will we really need this solution?' Inland rail falls into that longer term—

Senator RICE: Are you saying it is not needed in the short term?

Mr Davies: Inland rail, because that is now a project, has a longer term time line because of the time that it is going to take to construct. The department can probably speak with more detail on the implementation program, but it will be in the order of 10 years. So it will be a long-term implementation—

Senator RICE: What is your assessment of the need? How quickly it can be built obviously depends upon the resources that are put towards it. What is Infrastructure Australia's assessment of how urgent the need for inland rail is?

Mr Davies: We published our assessment back in May of this year. I am looking at it now. Within the assessment, we recognised that 10-year construction time frame. But clearly the activities to start the detailed planning and implementation of that project has already commenced. These projects take a long time to implement.

Senator RICE: But other projects do as well. Some of the other ones on the short-term list are equally complex projects; they have just been given funding priority to enable them to proceed more quickly.

Mr Davies: Our assessment does not take account of funding. That is a matter for governments. Rather, our assessment looks at two things: when is this going to be a problem we will need to solve and, then, if there is a project, when does it need to be up and running?

Senator RICE: Can I clarify something. What is Infrastructure Australia's assessment of the time frame it will be needed in? Are you saying that it is not needed until the longer term?

Mr Davies: Yes. That is reflected in the fact that it is a 10-year construction. So the solution is needed—

Senator RICE: But it could be constructed more quickly if the resources were available.

Mr Davies: It is a pretty complex project in terms of construction. The construction process is, again, a matter for the proponent and is part of the work they have done to put their business case and detailed work program together. In our assessment we are reflecting that that has been selected as the most efficient way of delivering that project. We are respecting that that is the best approach to deliver best value for money.

Senator RICE: Do you have a projected cost-benefit assessment for inland rail?

Mr Davies: For inland rail, again, we were provided with the business case by the proponent. The benefit-cost ratio was 1.1. That was the basis for our assessment. As you know, we do not do our own cost-benefit ratio. We assess the work done by the proponent.

Senator RICE: How is your assessment of Melbourne Metro going?

Mr Davies: Melbourne Metro is one of those large public transport projects of which we are currently reviewing the business case. That work is proceeding. Again, it is a very complex project, with a lot of supporting material and background analysis. We are working through that with the Victorian government. As always with these projects, there is a continuous flow of information and questions and answers.

Senator RICE: What documents have you been given by or requested from the Victorian government to help your assessment of Melbourne Metro?

Mr Davies: We have the base business case material and then there were a number—I do not have that number in front of me—of supporting documents that were provided. A large part of our role is to do our own due diligence on the business case. As is common with these projects, there will be a period of toing and froing with the—

Senator RICE: Can you take on notice the list of the documents you have been given or have requested from the Victorian government for the Melbourne Metro assessment. If you could get that back to us today, that would be terrific.

Mr Parkinson: We have quite a list of documents for that project. We can give that to you.

Senator RICE: In particular in that list of documents have you received the independent peer reviews that were done on the transport and economic modelling of the project?

Mr Parkinson: We do have a peer review of that project. Whether it fits your idea of the category of peer review I am not certain. We can certainly include that document in the list of documents we have received.

Senator RICE: We had a freedom-of-information request through the Victorian state government. There were some independent peer reviews of the transport and economic modelling. The transport modelling was undertaken by John Allard and the economic modelling was undertaken by KPMG. I would be interested to know whether you have those.

Mr Parkinson: Yes, we have the KPMG report. I do not believe we have the other one.

Senator RICE: What do you see as the value those peer reviews add to the work you are doing?

Mr Davies: Generally speaking, as I mentioned, we are doing our own due diligence, so we will often be looking at the same kind of things that—

Senator RICE: So are they in some ways analogous to the work you are doing?

Mr Davies: Yes. We will be looking at similar things to any peer review. It is always helpful to see what kind of questions other people have asked. To be honest, we are doing our own independent peer review.

Senator RICE: But those independent peer reviews are of value to you?

Mr Davies: On occasion they can be, yes.

Senator RICE: Do you have an idea at the moment of what overall benefit-cost ratio we are looking at for Melbourne Metro?

Mr Davies: I can only quote what is publicly available from the Victorian government, which is a BCR of 1.1.

Senator RICE: When is your review of Melbourne Metro going to be completed?

Mr Davies: That is a hard question to answer because, as I mentioned, this business case has evolved over several years. It is complex. Often you go and ask a range of questions and get some more information back. You then do more analysis and often come up with an even longer list of questions! So it is really hard to answer that question. From our point of view, we are trying to complete this business case assessment as quickly as possible.

Senator RICE: Do you have an indicative idea?

Mr Parkinson: I would say that that assessment is getting closer to being finished. I would not be so bold as to put a date on it.

Senator RICE: So sometime in 2017, presumably?

Mr Parkinson: Possibly before then.

Senator RICE: Possibly before 2017?

Mr Davies: Yes.

Senator RICE: That sounds optimistic.

Senator STERLE: Before I defer to Senator Farrell I will ask one very quick question while all your staff are listening intently down in Sydney. Are there any delays because you are understaffed?

Mr Davies: No.

Senator STERLE: So your resources are all great?

Mr Davies: Yes, our headcount amounts to 24. We have some terrific people.

Senator STERLE: It will be a happy Christmas function this year at IA!

Senator FARRELL: Mr Davies, can you tell us what the current business cases are that Infrastructure Australia is currently assessing?

Mr Davies: Yes. This year the board has already assessed 14 business cases, and we are currently looking at 18. If you would like me to read them out, I am happy to do so.

Senator FARRELL: Sure, why not.

Mr Davies: We are looking at Western Sydney Airport, the Murray Basin Rail Project and we also have a Western Sydney infrastructure package. There is also the Bruce Highway, Cooroy to Curra, section C; Sydney Metro; the Northern Beaches Bus Rapid Transport; the Western Distributor Project; Melbourne Metro; Cross River Rail; the Bruce Highway Mackay Ring Road; Armadale Road; Bruce Highway bridges, Cattle Creek and Frances Creek; the Mitchell Freeway extension from Hester Avenue to Romeo Road; Tonkin Highway from Collier Road to the Great Eastern Highway; Swan Valley Bypass enhancements; the upgrade to Tanami Road, as mentioned earlier; some supplementary information and supplementary business case for the Perth Freight Link; and the Maldon to Dombarton Rail Link.

Senator FARRELL: Can we have a look at the Western Distributor project? Has Infrastructure Australia reviewed the 2015 strategic business case for that project?

Mr Davies: That is another project that we are currently assessing.

Senator FARRELL: So you have not looked at the 2015 business case?

Mr Davies: That is currently in assessment, yes.

Senator FARRELL: I am sorry, what are you saying?

Mr Davies: It is currently in assessment.

Senator FARRELL: Currently in assessment. You are looking at it at the moment?

Mr Davies: Yes, we are looking at it at the moment.

Senator FARRELL: Have you read and reviewed the business case from 2015?

Mr Parkinson: I am sorry, Senator, which review are you referring to?

Senator FARRELL: The review of the WestConnex. There was a review, as I understand it. There was a business case in 2015, are you saying, Mr Davies, that that is still continuing?

Mr Davies: Sorry—you were referring to the Western Distributor?

Senator FARRELL: Yes—the WestConnex, I am sorry.

Mr Davies: Oh, WestConnex! Sorry—I thought you said the Western Distributor.

Senator FARRELL: I might have said that, but I meant to say WestConnex.

Mr Davies: WestConnex is a project where we have completed our assessment.

Senator FARRELL: And you have read and reviewed the business case for that?

Mr Davies: We have.

Senator FARRELL: Do you have a copy of that business case available to you at the moment? I want to ask a question—

Mr Parkinson: That business case is in the public domain—it is published.

Senator FARRELL: Yes. I am asking if you have a copy of it with you.

Mr Parkinson: Not with us at the moment.

Senator FARRELL: Okay. I just want to refer to a particular table at page 240, where the bottom line is that an enhanced WestConnex total was roughly \$16.8 billion. Do you recall that table?

Mr Parkinson: I recall the figure, but not necessarily the table.

Senator FARRELL: Okay. It has the enhanced Sydney Gateway; the extension to stage 3 to Anzac Bridge, Victoria Road and the Western Harbour Tunnel; acceleration costs and the original business case, and that all comes to \$16.8 billion. Can you tell us, Mr Parkinson, whether the figure in that report of \$16.8 billion is still the current estimate for that project?

Mr Parkinson: Our evaluation of that project concluded in April and it was published in May. We have not been advised by the proponent—the New South Wales government—of any changes since then.

Senator FARRELL: So your understanding is that that figure is still the updated figure? Because the figure has changed a few times, hasn't it?

Mr Parkinson: That project has been in evolution for some years, and that figure has certainly changed many times in that time.

Senator FARRELL: It started at about \$10 billion—is that correct?

Mr Parkinson: I think the first business case that Infrastructure Australia assessed was something in that order, yes.

Senator FARRELL: And it is now just touching \$17 billion. Can you tell us whether or not that figure includes or excludes land acquisitions?

Mr Parkinson: That figure does include relevant land acquisitions.

Senator FARRELL: What about network enhancements?

Mr Parkinson: Again, yes, it includes relevant network enhancements.

Senator FARRELL: And development costs?

Mr Parkinson: Yes.

Senator FARRELL: One of the notes on that table refers to capital costs for stage 3 based on a P50 estimate. Can you tell us exactly what that means?

Mr Parkinson: That is the estimate of the cost. It is essentially the most likely cost outcome, where there is a 50 per cent probability that the final cost will either exceed or come in underneath that cost.

Senator FARRELL: Most people use P90 calculations though, do they not, for these sorts of projects?

Mr Parkinson: No, that is not correct. P50 is the standard; it is the most likely. The P90 is where there is a 90 per cent probability that the final cost will be underneath that figure. It essentially builds in extra contingencies.

Senator FARRELL: You would be a bit more comfortable with the P90 figure, would you not, rather than the P50?

Mr Parkinson: In recent years, most projects have been coming in at or around the P50 level.

Senator FARRELL: You note in April 2016 the P50 analysis for stage 3 and you said that there are some material risks associated with the costs, associated with proximity to the airport and tunnelling. Can you give us a bit more of an explanation about what you say those risks are?

Mr Parkinson: If you are aware of the geography of parts of that project—in particular, the part of it connecting to the airport—it is a constrained environment and we are simply noting that there may be risks associated with the construction in that environment. We have not undertaken analysis of that or quantified that.

Senator FARRELL: You are relying on the state government's—

Mr Parkinson: That is the proponent's responsibility; that is correct.

Senator FARRELL: Are they the only risks that you see?

Mr Parkinson: In a project of that magnitude there are many risks.

Senator FARRELL: Tell us about some of the others.

Mr Parkinson: I would not want to speculate on particular—

Senator FARRELL: Mr Davies is pointing to something there, if you want to read them out.

Mr Parkinson: Mr Davies is quite correctly pointing to some risks identified in our assessment which are not so much construction risks. The main risk identified in our assessment is that, having assessed the project as a whole, it is our view that the project as a whole would need to be completed to realise the benefits, and we say this in our assessment—

Senator STERLE: That is dancing around Senator Farrell's question, Mr Parkinson. It is taxpayers' dollars—you can tell us. Come on. It is a simple question.

Mr Parkinson: As identified in our assessment, the main risk is the failure to complete the project as a whole, because many of the benefits are derived from the project as a whole.

Senator STERLE: I will shut my mouth.

Senator GALLACHER: Do I understand that to mean that the project may not be completed?

Mr Parkinson: No, that is not what I am suggesting.

Senator GALLACHER: Well, answer in plain English. What are the risks? It is a lot of taxpayers' money. What are the risks?

Senator STERLE: From \$10 billion to \$17 billion—that is all Senator Farrell is asking. You can come forth and tell us. Is it cloak and dagger?

CHAIR: Senators, the witness has given an answer.

Senator FARRELL: The questions are all the same, Chair.

CHAIR: With respect, can I perhaps ask you to consider a more probative question if you want to explore risks that you think exist.

Senator GALLACHER: I take exception to that. It is a straightforward question: what are the risks with \$17 billion worth of taxpayers' expenditure? How clear can I make it, Chair?

CHAIR: Senator Gallacher, the point I made was that the witness has provided you with an answer. If you want them to elaborate on it, your question may be structured towards a particular risk—if you think that he is avoiding the question.

Mr Parkinson: The other risks identified in our evaluation are around demand risk, for which there is both upside and downside risk. Obviously, traffic over and above that which is projected could lead to additional congestion. On the other hand, traffic under that which is projected could reduce revenue. So, as with any motorway project of this size, there are demand risks as well as construction risks and implementation risks.

Senator FARRELL: It has been a pretty common feature of these sorts of developments in Sydney—that they underestimate the revenue from tolls. Is that true?

Mr Parkinson: I think in some cases toll revenue has been underestimated; in some cases it has been overestimated.

Senator FARRELL: That is why, perhaps, a P90 figure might be a more accurate figure to use. Haven't you used them in stages 1 and 2 of the project?

Mr Parkinson: The P90 figure refers to the costs, not the revenue.

Senator STERLE: I want to go back to Senator Farrell's questions to Infrastructure Australia. We have a copy of 'table 13.6 Capital costs for the full concession period', talking about WestConnex. Dot point 2 clearly states: For the purpose of this analysis capital costs exclude land acquisition, network enhancements and development costs. Yet you are saying it is all included. This is for the \$16.812 billion.

Mr Parkinson: As I said, I did not have the table in front of me, so if you are referring to the detail of that table I would have to take that on notice.

Senator STERLE: Can I give you a copy of it now, because what this says is completely different to the evidence that you just gave.

Mr Parkinson: The evidence that I gave was based on that cost including all of those costs.

Senator STERLE: Sure, but we were led to believe that over 400 homes had been—what was the word you used?

Mr Parkinson: Acquired.

Senator STERLE: Yes, 'acquired'. So if that is in there, that is fine. But if it is not—I do not know the area—but I believe it would be an extremely larger figure than the \$16.812 billion. So we need to clarify that.

Mr Parkinson: We will take that on notice.

Senator STERLE: The table is clearly here. How long would it take you to answer the question?

Mr Parkinson: We would have to have a look at it. We should be able to get back to you today.

Senator STERLE: There is a table here and what I am really asking—through you, Mr Davies, as the grande fromage of IA—is whether we do not have the right table and there is something wrong, or it is not. Chair, it should not be a case of 'maybe' getting back to us today. I urge you, Chair, to recognise that this is a very simple query that can be sorted out. Is that okay, Mr Davies?

Mr Davies: We will have a look at the table today.

Senator STERLE: Is there any reason why you cannot get back to us ASAP?

CHAIR: Your point is noted, Senator. You might explain to the committee what a 'grande fromage' is.

Senator STERLE: A large cheese.

CHAIR: A large cheese. Well, there we are—you would think I would know that, wouldn't you?

Senator McCARTHY: I would like to go back to the Tanami. You mentioned that there were some delays. Can you elaborate on what you meant by that.

Mr Parkinson: I did not say there were delays—rather, that we were waiting for additional information. The proponent is currently revising the scope of the project, as we understand it.

Senator McCARTHY: And that would be the Northern Territory government?

Mr Parkinson: It is led by the Northern Territory government; that is correct.

Senator McCARTHY: Is that largely because there has been a change of government—are you waiting for the swearing in of that government?

Mr Parkinson: I would not speculate as to why it has taken a little while. That could be the case.

Senator McCARTHY: Are there any other projects in the Northern Territory under Infrastructure Australia?

Mr Parkinson: We are not assessing any other business cases from the Territory at the moment.

Senator McCARTHY: What was the last Infrastructure Australia case that you had for the Northern Territory?

Mr Parkinson: Tanami Road is the only one in the last year. There may be some previously, but we would have to take that on notice.

Senator McCARTHY: In terms of the submission surrounding the Tanami Road project, it talks about it aligning with closing the gap for Indigenous communities. Can you explain how that will happen?

Mr Parkinson: I am not familiar with that aspect of the business case to be able to comment on that. We could have a look at that.

Senator McCARTHY: Could that be taken on notice? I would like to understand. Is there anyone else who can explain that?

Senator STERLE: I think that is a very good question. We all share that concern.

Mr Parkinson: We will certainly take that on notice.

Senator McCARTHY: According to the submission online: 'it aligns with supporting the Australian government's closing the gap for Indigenous communities'. I would like to understand what that means and how that breaks down and which communities are we talking about in terms of the Tanami Road project.

Mr Parkinson: I think you referred to material that Infrastructure Australia has published online?

Senator McCARTHY: Yes.

Mr Parkinson: Okay. Let me just clarify. That is an earlier review of an earlier business case. That is not in respect of the current review of the updated business case.

Senator McCARTHY: So does that mean that the closing the gap component is not relevant?

Mr Parkinson: No, it does not. I cannot confirm whether the updated business case addresses the same issues in the same way.

Senator McCARTHY: I would be interested to know if it does or does not. Could you provide that response.

Mr Parkinson: Yes. We could certainly have a look at that and get back to you.

CHAIR: Senator McCarthy, we are just pushing the time friendship.

Senator McCARTHY: Thank you.

CHAIR: Are you fine with that? There is plenty more opportunity. Senator Abetz, do you have—Senator Rice.

Senator RICE: Thanks. The Western Distributor assessment is what I wanted to now move on to.

Senator Gallacher: [inaudible]

CHAIR: Well, indeed, everybody except the government is well ahead in

Senator GALLACHER: I will just flag that I have a couple of questions as well.

CHAIR: Yes. What we have been endeavouring to do, given that everyone can ask as many questions as they like for as long as they like, is just to try and exhaust the senator's opportunity. With the Labor Party, I give the call to Senator Sterle. And we have agreed that you will work that out amongst yourselves. It really does not matter what order we do, as long as—the government has had two minutes in this session versus 35 minutes. I will make sure that, through Senator Sterle, you get the next call, Senator Gallacher. Senator Rice.

Senator RICE: How is the assessment of the Western Distributor proceeding?

Mr Davies: That is another one where we are in the middle of a process of toing and froing with the Victorian government—the normal process of doing our due diligence reviewing the business case, asking questions, getting the answers and so on.

Senator RICE: Can you tell me—and maybe you will again need to take this on notice—as to what documents you have requested from or that have been provided by the Victorian government to help with your assessment?

Mr Parkinson: Senator, we could take on notice the documents that we have been provided. Again, it is quite a long list of documents.

Senator RICE: Are there documents that you have requested that you have not been provided with?

Mr Parkinson: As we have discussed in this forum, and by correspondence previously, we have requested peer reviews of the Western Distributor project. The Victorian government has not forwarded those to us. We do not have those.

Senator RICE: So you have requested them actually. The answer to the question on notice said that you had not requested them.

Mr Parkinson: The answer to the question on notice preceded the letter, which is why they have different responses.

Senator RICE: Okay. So you have requested it. Has the Victorian government refused to provide them, or has it just not responded?

Mr Parkinson: I think 'refused' is a strong word. I would say that they have not provided them.

Senator RICE: Is this of concern to you?

Mr Parkinson: As Mr Davies said before, peer reviews are of interest. They are not fundamental to our assessment. We do not require them in order to complete our assessment. We appreciate the opportunity to review them when we have them.

Senator RICE: Tell me what you know about these peer reviews.

Mr Parkinson: We have not seen them. We do not know anything about them.

Senator RICE: Do you know the name of who undertook the reviews?

Mr Parkinson: No, we do not.

Senator RICE: Have you been following the case by my colleague in the Victorian parliament, Colleen Hartland, the member for Western Metropolitan, who has had a case in VCAT, Victorian Civil and Administrative Tribunal, to try and be accessing documents relating to the Western Distributor?

Mr Parkinson: No, I am sorry. I have not followed that case.

Senator RICE: She has been attempting to get the redacted parts of the business case, including the transport and economic modelling. So, those documents that have been redacted from the public business case that Ms Hartland has been attempting to get, do you know whether you have been provided with those documents?

Mr Davies: Senator, outside of the complete business case and any normal supporting documents, we are often relying on the proponent, whoever it is, on a project to provide us with relevant materials. As I mentioned, we look at that and, on occasion, we request additional information. That is not usually targeting a specific document. It is occasionally provided in a document that we perhaps did not know existed. So we do not know—it is more directing the questions and getting the answers to the questions rather than targeting specific documents which we are unaware of.

Senator RICE: So is it a concern to you that there are documents that you do not even know exist and that would be relevant to your assessment?

Mr Davies: It comes back to one of the earlier points; the broader planning of a transport system in any one of our cities, or anywhere for that matter, is a matter for the jurisdiction or government. There will necessarily be a whole suite of investments that they will be planning and projects they will be planning that come together to provide the overall transport solution. Therefore, there are many documents that we do not get to see.

Senator RICE: I know that you are strong proponents of open, transparent, accountable assessment of projects. So to me it would seem to be something that Infrastructure Australia should be advocating for—at least, to be told that there are documents relevant to your assessment—and not to have to go scrabbling for them.

Mr Davies: Again, we will ask the questions and often be provided with supporting documents as the proponent sees fit.

Senator RICE: In particular, with the transport and economic modelling of the Western Distributor, there have been serious criticisms made of it, from as much information as is in the public realm—and there is a lot that is not in the public realm. Particularly, the City of Melbourne has made the criticism that the transport modelling seems to stop at the edge of the city and does not take account of the impacts on traffic as it moves into the Melbourne CBD. And another criticism that has been made is that the benefit-cost ratio seems to be inflated in the public project as it is proposed because it is including the Monash Freeway as part of a project where they could be considered as two quite discrete projects.

Given the level of criticism that has been made, and that a lot of the critical information obviously you still do not have, how can you be undertaking a thorough assessment? You do not do your own transport modelling; you have told me that in previous estimates. It is verging on negligence, it seems to me, if there is critical information that is being hidden from the public. It is apparently being hidden from you as to how a proper assessment of the project can be done.

Mr Davies: Again, Senator, we are doing our due diligence. We identify gaps in perhaps our understanding often, or from the information provided or indeed data, and that is the basis of the often long period of time of toing and froing with the jurisdiction to get the information we need to do our assessment. We are right in the middle of that process at the moment on this particular project. This is normal for us; we have this toing and froing.

Senator RICE: So is it of concern to you that you do not have the full transport modelling and the full economic modelling that has been done for the Western Distributor? In doing your due diligence, does that impact upon the quality of the assessment that you can do?

Mr Davies: We continuously to and fro until we have got the information that we feel is necessary to complete our due diligence.

Mr Parkinson: Can we just clarify, Senator, that we would not say that we do not have all of the economic modelling material or transport modelling material that is relevant for the assessment. You are correct. There may be other documents out there that we have not seen. That does not mean that we do not have everything that we do need. That assessment is still underway.

Senator RICE: If you could list for me all the documents that you do have—in particular, there are documents that are publicly known that are not available, that have been redacted from the business case, and then there are these independent peer reviews that were not even listed as having been undertaken. If you could list all the documents that you do have and the documents you have requested, that would be valuable.

Mr Parkinson: Yes.

Senator RICE: There is another criticism of the project that has been put to me and I wonder how you consider it. I loathe to get into too much of the detail, but it is detailed in Attachment J of the economic modelling, looking at cost-benefit analysis. It is with regard to the inclusion of an unusual extra benefit of the road, and that is the extra value that it is said people will give to travelling in uncongested traffic. That is the travel time savings from reduced traffic congestion. Do you know about this particular aspect of one of the economic benefits that has been included in the economic modelling?

Mr Parkinson: In broad terms, I would be loath to make reference to that specific attribute, since I have already made an assumption which proved to be incorrect on WestConnex.

Senator RICE: I have been told that consideration of this benefit has not been used in an Australian project before and it is not standard practice, and yet it makes up 10 per cent of the economic benefits of the road.

Mr Parkinson: Certainly, it is standard practice to include travel time savings.

Senator RICE: Yes, but this is an extra benefit, not just travel time saving. It is the extra benefit that people are said to give. It is the top-up value if they are travelling on a road that is uncongested.

Mr Parkinson: We would have to have a look at that and take that on notice.

Senator RICE: Take that on notice and tell me what your assessment is as to whether this would be appropriate. Is it an appropriate thing to use in an economic assessment?

Mr Davies: As part of our overall assessment, that is obviously part of the work that we are still to complete. We would be looking at that as part of our due diligence.

Senator RICE: I would appreciate your feedback on whether you think this is an appropriate benefit. I am told that it has not been used before and it is 10 per cent of the benefits of the project. If you did not include it, it reduces the cost-benefit ratio very significantly—I am told probably down from 1.3 to about 1.1. I presume that the independent peer review would have looked at these things. So I return to what you feel the value to you would be to actually see what the independent peer reviewers have made of such concerns about the transport and economic modelling.

Mr Davies: Once again, our role as an independent adviser to governments is to do our own peer review and that is very much what we do. That is why these assessments take a period of time. We do not have access to a whole state government's library, so there is a necessary toing and froing with the jurisdictional proponent to seek answers to all the questions we have as part of our peer reviews. It is completely normal process.

Senator RICE: In response to your answer when you were talking about Melbourne Metro, you said you knew of the KPMG economic peer review but not of the peer review that was done by John Allard. Will you be requesting that peer review?

Mr Parkinson: As indicated, we are trying to move that evaluation towards its conclusion. We would have to consider whether we needed any additional information to be able to finalise that.

Senator RICE: Can you take on notice then whether you will be requesting that peer review?

Mr Parkinson: As I said, we would only request that peer review if we thought there were particular—

Senator RICE: That was released under a freedom of information request to my colleague, Ms Hartland. I put it to you that it may be valuable to you to include in your assessment.

Mr Parkinson: Thank you, Senator.

Senator GALLACHER: Mr Mrdak, on 27 June 2016, the Prime Minister, Malcolm Turnbull, announced that the coalition government would provide \$40 million towards a grade separation that would reduce congestion and improve safety at Oaklands Crossing. Since the election, has anyone in the department sought advice or had the Oaklands proposal assessed by Infrastructure Australia?

Mr Mrdak: Certainly the department has sought advice from the South Australian government.

Senator GALLACHER: Sorry—from Infrastructure Australia?

Mr Mrdak: No, the project has not yet gone to Infrastructure Australia.

Senator GALLACHER: Is there any reason for that? Is it a normal thing that you announce a spend and then do not feedback on it?

Mr Mrdak: At this stage, the quantum of the Commonwealth commitment is \$40 million, which falls under the threshold that mandates assessment by Infrastructure Australia.

Senator GALLACHER: What is that threshold? Refresh my memory.

Mr Mrdak: It is \$100 million and above.

Senator GALLACHER: Okay. That is straightforward. The question is: under \$100 million, a minister or a Prime Minister can basically commit funds without going to Infrastructure Australia. Is that correct?

Mr Mrdak: That is correct, although the department undertakes the normal assessments required under the Land Transport Act for land transport infrastructure.

Senator GALLACHER: What does that mean? Do you do the assessment?

Mr Mrdak: We do an assessment. We receive what we call a project proposal report from the jurisdiction. We undertake an assessment in accordance with the legislation and provide advice to government on the efficiency and effectiveness of that spending.

Senator GALLACHER: Has the department provided any information or advice to the Department of Infrastructure and Regional Development—sorry, this is Planning, Transport and Infrastructure. That is another department.

Mr Mrdak: That is the South Australian department.

Senator GALLACHER: Have they provided advice to you as is required under the National Partnership Agreement on Land Transport Infrastructure?

Mr Mrdak: We have received some preliminary information and we have had discussions with that department. We are yet to see a final proposal from South Australia in relation to Oaklands Crossing.

Senator GALLACHER: But you have seen potential savings coming through on the Northern Connector?

Mr Mrdak: South Australia has advised us that they anticipate savings on the Northern Connector. We have asked the questions as to when and how they will be realised. We are yet to have those savings confirmed by South Australia.

Senator GALLACHER: So you are saying they have not provided you with information on savings?

Mr Mrdak: As yet, not to the detail to which we are comfortable. South Australia have certainly advised in correspondence to ministers that there is a potential saving of up to \$150 million available on the Northern Connector, but we have gone back to South Australia at an officials level to seek, firstly, whether that can be verified and also when those savings may be realised.

Senator GALLACHER: So you are saying there is some suggestion that they cannot be achieved?

Mr Mrdak: We have not seen the detail which would substantiate the statement that the savings are available.

Senator GALLACHER: Isn't it the case that the Premier, Jay Weatherill, has committed to redirecting South Australia's portion of the savings identified in the project?

Mr Mrdak: He certainly has done that, but he is also seeking the Commonwealth make an additional commitment to that project from Commonwealth savings on the Northern Connector. We do not have the information as yet as to whether those savings are available and how they are available, which would give us the confidence to advise the government that that is an available option to them.

Senator GALLACHER: Are you saying that you have not seen a copy of the 2012 SKM Oaklands Park grade separation study?

Mr Mrdak: I would have to check. I am not personally familiar with that, but I will check with my officers.

Senator GALLACHER: Perhaps someone can let us know today.

Mr Mrdak: Certainly. When we come to the next item, which is Infrastructure Investment Division, I will have my officers here who are more acquainted with the project.

Senator GALLACHER: I am advised that the concept planning report was provided to the Commonwealth in early August and it provides significant detail, including design concepts, social, community and environmental issues, a costing assessment of the need, and other details. Are you saying that is incorrect?

Mr Mrdak: No. As I said earlier, we have received that preliminary information. We have gone back to South Australia with some further requests for more detailed information.

Senator GALLACHER: Okay. To quickly summarise, you can announce anything less than a hundred without going to Infrastructure Australia, but you give advice as to the sense.

Mr Mrdak: That is correct. We do undertake an assessment of projects both over and below 100 million for the government, as per the legislation. But in this situation, we have gone back to South Australia seeking further information. Mr Pittar might be able to add some further information for you.

Mr Pittar: As Mr Mrdak has outlined, we have been liaising with the South Australian department on this project. We have sought clarification around the source of savings in order to be able to verify that, and we are aware of the 2012 SKM study that you refer to.

Senator GALLACHER: This is a win-win. You have allocated money, it has come in to budget and someone is offering to add savings into it, let's get on with this project. What is the hold-up? You cannot verify savings? You told Senator Farrell you cannot even assess your expenditure properly because there is a discrepancy there. But when savings are offered to you, you argue about verifying them.

Mr Mrdak: I would not characterise our responses to Senator Farrell in the way you have. Coming back to this question, we are yet to see details which would verify that savings are available and in which period they are available. That is advice we have sought from South Australia and, clearly, South Australia is seeking an additional commitment from the Commonwealth over and above the \$40 million thus committed to enable that. We would want to see what savings are actually available and also the further details of the project which would warrant additional investment.

Senator GALLACHER: I understand that they are seeking to use savings to fund the additional commitment. So if you allocate a project, someone does really well, the market is good and you save some money, isn't that a good deal for the Commonwealth to move on and get more infrastructure done?

Mr Mrdak: Provided it is the right project you are investing in.

Senator GALLACHER: Is there a question about this project?

Mr Mrdak: We do not have enough detail at this stage. As Mr Pittar has indicated, we are seeking some more details about this project. There is an additional commitment by the Commonwealth of \$40 million. South Australia is seeking an additional commitment. We are awaiting information on that before we make any advice to government.

Senator GALLACHER: So the initial 40 is not enough to do the project, but it is okay to do it though you are not sure.

Mr Mrdak: Well, the initial advice was that 40 million with the other contributions would be sufficient to the project. We are now being advised that additional funding is required. As you can expect, we have gone back to South Australia seeking further information.

Senator GALLACHER: Do you know how long this project has been on the books? It is 40 years. I would have thought you would know it like the back of your hand, Mr Pittar.

Mr Mrdak: Mr Pittar will be able to give you some more information. But the project's scope is far from being finally determined. As to whether it will be an underpass or an overpass of the rail line, as to what other development might take place in that precinct, there are a lot of moving parts to that concept design which are yet to be settled which will enable us to give advice to governments as to the final cost. Is that a fair assessment?

Mr Pittar: That is a fair assessment.

Senator GALLACHER: You saw fit to say that a \$40 million promise during the election was feasible. That was your advice to the Prime Minister.

Mr Mrdak: That was a commitment made by the government during the election campaign. That was based on some preliminary advice that was available, I understand, to the government. What we now understand is the scope is changing on that project and South Australia is seeking an additional commitment; hence, we are seeking more information.

Senator GALLACHER: Additional commitment funded out of savings on the Northern Connector?

Mr Mrdak: That is correct.

Senator GALLACHER: And they are putting their savings on the Northern Connector into the project.

Mr Mrdak: That is right, and they are looking for the Commonwealth's proportion of savings on the Northern Connector, if they are verified, to be also made available further to this project.

Senator GALLACHER: Nothing to add, Mr Pittar?

Mr Pittar: No, that is an accurate representation.

Senator GALLACHER: Thank you.

Senator STERLE: I want to go back to the table that I gave a copy of to Infrastructure Australia. It was taken from page 240 of the *WestConnex updated strategic business case: November 2015*. I really am struggling, Mr Parkinson. Table 3.16 states:

For the purpose of this analysis capital costs exclude land acquisition, network enhancements and development costs.

Has someone had the opportunity to correct the record for me and say, 'This is wrong,' or, 'Maybe we've given you the wrong answer'? I just want to clear it up, Mr Parkinson.

Mr Parkinson: Certainly, based on the table that we have, it is clear that these numbers do not include those additional costs. We would have to take on notice the costs that were included in our evaluation of the project and come back to you on those.

Senator STERLE: That is good, thank you. So we have corrected the record there. So I have been told, and could you confirm, that 427 houses have been 'aquired'—is that the right word?

Mr Parkinson: Acquired.

Senator STERLE: Acquired—whatever. Bought out, anyway.

CHAIR: I am not buying into that one.

Senator STERLE: There are 427?

Mr Parkinson: We would have to take on notice the precise number. I doubt very much that that was specified in the business case. We could check on what is in the business case for that, but it may well be that the New South Wales government, in progressing that project, has made some minor variations around that.

Senator STERLE: I suppose what I am just trying to clear up through you, Chair, is that there are 400-plus houses that have been bought, and I do not know what areas they are in. I believe that—you can take this on notice too—around 200 were heritage listed or something like that. I am not sure—you will find out for us. It would make, and this is not a hypothetical, a significant difference to the \$16.812 billion so far. Would the New South Wales government have provided that information to Infrastructure Australia?

Mr Parkinson: The New South Wales government provided the business case to us. As I said, we could check whether those details are set out at that level of detail in the business case. It would be normal to include those sort of costs. I do not know and I cannot verify at this point which of those costs were included in this business case.

Senator GALLACHER: Wouldn't it be fair to say that this is the largest road infrastructure project in our history—\$17 billion to \$18 billion?

Mr Parkinson: Certainly in nominal terms that would be the case.

Senator GALLACHER: And you are saying that we forgot about the 400 houses we demolished or something, which could be to the value of \$400 million or \$500 million?

CHAIR: That is not what the witness is saying.

Mr Parkinson: As I said, we just have to check which of those acquisition costs were included in the business case.

Senator GALLACHER: It is a huge spend. It is 10 times the biggest project in South Australia. The Northern Connector is, say, \$900 million. This is \$16 billion or \$17 billion with a P50.

Mr Parkinson: There is no doubt this is a large project.

Senator STERLE: I think, too, Mr Parkinson, that not only the land acquisition but also the network enhancements are not included in this, so we would need to know what that comes out at. What is the difference there, because I am sure that would be significant?

Mr Parkinson: In fact quite a lot of the project is network enhancement, so it really comes down to a definitional question of which network enhancements are included and which are not—

Senator STERLE: Yes, of course.

Mr Parkinson: and that is not set out in this table. We would have to take that on notice and come back to you.

Senator STERLE: No, that is fair enough. And we would need, of course, the development costs. You are very clear that Infrastructure Australia has no reason to hide any truth, and I am glad the record is corrected now.

I would say that the figure that is going to come back is going to be significantly higher than \$16.812 billion. We look forward to hearing back from you. Mr Parkinson, do you just want to comment?

Mr Parkinson: We can certainly clarify which of these costs are included in the business case. We cannot confirm whether we can come back to you with a figure of other costs which are not included in the business case because that would belong with the New South Wales government, which is the proponent.

Senator STERLE: I fully understand that, but I am going to take advantage while Mr Mrdak is speaking to Senator Abetz. The department could certainly come back to us—isn't that right, Mr Mrdak?

Mr Mrdak: Sorry, Senator?

Senator STERLE: Just nod!

Mr Mrdak: Sorry, Senator, I did not—

Senator STERLE: No, you do know that I am setting you up! It is tongue in cheek. As Mr Parkinson said very clearly, Mr Mrdak—oi! I am putting a question to you. I am giving you an opportunity here, and then you turn around and start talking while I am asking the damn question!

Mr Mrdak: I am sorry, Senator.

Senator STERLE: You are the most professional Secretary out of all the departments. You are the last one I would expect to do that!

Mr Mrdak: I am very sorry, Senator. I was distracted by another senator.

Senator STERLE: Oh, we are having a wink! Senator Abetz, leave him alone.

Mr Parkinson has made very clear the difference between the land acquisitions, the network enhancements and the development costs. He has said that Infrastructure Australia could say, 'What was included in the original business case?' What I am asking the department and what we, the committee, want to know is what those costs came out to be, because they are not included. Could you take that on notice for us?

Mr Mrdak: Certainly. I do apologise.

Senator STERLE: Thank you very much. One last question, this will not take long. Mr Parkinson, I think you said when Senator Farrell was questioning about the P90 and the P50—I quickly wrote it down, and I think you said this although I cannot put words in your mouth—that most projects up until April were estimated on P50 or worked out on P50, is that right?

Mr Parkinson: No, I did not make any time reference. At Infrastructure Australia we receive projects for which typically benefits are quoted at P50s, typically costs are quoted at P50s, though often costs are also quoted at P90s, and we certainly welcome that additional level of detail where it is available.

Senator STERLE: Of course, you would do. Is there a table or something you could supply to the committee that actually shows the projects that are P50 and those that are P90? Could you break that all down for us?

Mr Parkinson: We could certainly take that on notice. Most of them are at P50.

Senator STERLE: Thank you very much.

Senator GALLACHER: Can you go through that definition of P50 again? I did not quite hear. There was a 50 per cent chance of it being over and under or—what?

Mr Parkinson: That is essentially correct. It is the most likely final figure based on the—

Senator GALLACHER: There is a 50 per cent chance of it being under the budget, and a 50 per cent chance that it is over the budget?

Mr Parkinson: It is the midline in the distribution of likely outcomes.

Senator GALLACHER: Is that a common assessment tool?

Mr Parkinson: That is correct.

Senator GALLACHER: And P90 is 90 per cent chance of being over and under?

Mr Parkinson: There is a 90 per cent chance that the final figure will be underneath that estimate.

Senator GALLACHER: Why does the P90 work that way and the P50 work both ways?

Mr Parkinson: It is 90 to 10, so there is a 10 per cent chance that it will be over.

Senator GALLACHER: Ten per cent chance that it will be over?

Mr Parkinson: Yes. Even at a P90 there is still statistically a 10 per cent chance that the final cost could be over.

Senator ABETZ: I am going to ask a brief bracket of questions on projects in my home state of Tasmania. Could you list those that are currently on the agenda, possibly starting with the Midland Highway, and give us an update as to whether they are on track?

Mr Mrdak: Certainly. Overall, the Australian government has made a commitment of \$923.15 million to land-transport infrastructure in Tasmania from 2013-14 to 2019-20, including a \$400 million total commitment for the Midland Highway of which \$240 million will be in those years of the forward estimates.

The Midland Highway projects are well under way. As of 30 September this year, 18 projects have been developed with the Tasmanian government, seven have been completed, five are under construction now and six are in planning. I will give you a quick snapshot of those. Completed projects include the Kings Meadows roundabout, which was \$1.86 million; the Mud Walls Road junction, \$1 million; Conara to Cleveland Stage 1, \$2.4 million; north of Spring Hill, widening of the Midland Highway; south of Spring Hill; south of Tunbridge improvements to the Midland Highway and south of Kempton. These are essentially Midland Highway safety improvement works, including widening and strengthening. Under construction at the moment we have White Lagoon to Mona Vale Road; Kempton to Melton Mowbray; Perth to Breadalbane, which is a large piece of work; Mangalore to Bagdad Stage 1 and Kempton to Melton Mowbray.

Additionally to that, there is a separate commitment to the revitalisation of Tasmanian rail freight, which is a \$59.8 million program, and tenders for that project were awarded in November 2015 to VEC Civil Engineering, which is track works on the Melba and Western lines. That involves laying some 48,000 sleepers and 30 kilometres of new rail, and that work is expected to be completed towards the end of next year. That is a significant upgrade of the Tasmanian rail freight network.

Finally in relation to Tasmania, the Australian government made a number of commitments to new infrastructure in Tasmania during the election campaign, totalling \$45.3 million. I can give you a list of those if that would assist. They include \$24 million to replace the entrance roundabout to Hobart airport, \$5 million to upgrade the Highland Lakes Road, \$2.8 million to construct a new road through the Legana town centre, \$2.4 million to upgrade Industry Road near George Town, \$2.3 million to upgrade intersections on the Bass Highway beyond Wynyard, \$2.1 million to upgrade Soldiers Settlement Road near George Town, \$1.9 million to construct a new heavy vehicle access road at Bridport, \$1.5 million to upgrade the Glen Road near George Town, and \$1.2 million to upgrade the bridge over the Carlton River at Sugarloaf. Then there are some smaller commitments: \$800,000 to replace the bridge at Cove Hill near Brighton, \$500,000 to complete a planning study on the Bass Highway from Cooe to Wynyard, \$400,000 to complete the intersection of the Bass Highway at Westbury Road, \$300,000 to upgrade four bridges on the Upper Esk Road near Mathinna, and \$100,000 to upgrade the Saltwater Bridge near Saltwater. Those projects are currently under development with the Tasmanian government. We are now seeking advice from them in relation to construction time frames and the projects.

That is a snapshot of current infrastructure projects underway in Tasmania.

Senator ABETZ: At this stage, there are no hiccups?

Mr Mrdak: No, all are tracking well, including the rail program, which is now well underway, as I have outlined, and the Midland Highway, in some sections, is ahead of schedule.

Senator ABETZ: It is. Thank you.

Senator STERLE: I just want to ask a question about the Maldon-Dombarton rail link. You have said you looked at the business case. Is that correct?

Mr Parkinson: That is correct.

Senator STERLE: Can you tell us what stage it is up to.

Mr Parkinson: We have gone back to the proponent, the New South Wales government, with a range of questions, and we are waiting to hear back from them.

Senator STERLE: Okey-dokey. Are there any hiccups? Do you envisage any hiccups, or is it simply dotting the i and crossing the t?

Mr Parkinson: I would say that those are not straightforward questions, and that is reflected in the time that New South Wales has taken to respond to them.

Senator STERLE: And they have been consulted all the way through?

Mr Parkinson: Yes, we stay in touch with proponents as we undertake business case assessments.

Senator STERLE: What is the value of that project?

Mr Parkinson: I would have to take that on notice. I expect the department has great details on that.

Mr Mrdak: If I may, I will get that for you on notice, but I think it is in the order of \$750 million or thereabouts.

Senator STERLE: When were you expecting to complete the business case or put the proposal to the relevant minister if it stacked up?

Mr Parkinson: As I said, that evaluation is still underway. We are awaiting substantial additional material from New South Wales. We have no idea at the moment about New South Wales's time frame for that.

Senator STERLE: When you say 'substantial', are you able to share what those concerns are?

Mr Parkinson: That assessment is underway, so we would prefer not to get into the details of that analysis.

Senator STERLE: That will do fine. Thanks, Mr Parkinson. Thank you, Chair.

CHAIR: Thank you. Senator Williams.

Senator WILLIAMS: That's service, Chair! Thank you.

CHAIR: That is service.

Senator WILLIAMS: Mr Mrdak, how are you?

CHAIR: As you are my whip I need to keep you happy!

Senator ABETZ: This is a National conspiracy!

Senator WILLIAMS: Mr Mrdak, some time back I raised an issue with you concerning a proposal to build a train line from Yamba through to Moree and then join up to Melbourne, Brisbane and so on, which I think is Chinese investment. Have you heard any more about that?

Mr Mrdak: No, Senator. We have seen some media coverage in the local press raising some concerns about the port element of it, but we have received no details of that project beyond some initial media coverage about a year ago and, I think, one initial meeting I had with some of the proponents about a year and a half ago.

Senator WILLIAMS: I was talking to a bloke at home, at Inverell. He was a councillor but did not get re-elected—David Jones. He is pushing this program. He has raised it with Deputy Prime Minister Barnaby Joyce and me on many occasions. You would have to get the Yamba Port dredged to get ships in there?

Mr Mrdak: Yes.

Senator WILLIAMS: Before you even considered unloading containers and railing them up the Great Divide and railing them down, you would be building a Yamba big port. What process would you have to go through to dredge that port? Would it be a state application? How would you go about that? What I am getting at is: I want to find out whether there has been any application to dredge the Yamba Port. I said to David Jones, 'Unless you can dredge that port you're not going to get ships in there', and it is not just a tick and flick system, I wouldn't think, to dredge a port.

Mr Mrdak: No. Based on other port dredgings I know of around the country, you have to do quite extensive hydrological work to first determine how you would dredge it and how you would make it sustainable. As you know, depending on the—

Senator WILLIAMS: You would have to do a plan and put it forward to a state authority?

Mr Mrdak: You would have to do quite a significant piece of hydrological work to determine how much you had to dredge and where and how often you would have to dredge it, depending on the silt flow and the river and the like. But then you would have to apply for planning permission through the New South Wales environmental assessment process and, given the sorts of issues involved, if you have any threatened species or matters of national environmental significance you would also most likely have to go through a Commonwealth environmental assessment under the EPBC Act, the Commonwealth legislation. Both of those processes, as you know, are quite extensive, and with anything that involves dredging effectively what would have to be quite a deep port—

Senator WILLIAMS: The Clarence River.

Mr Mrdak: you would anticipate significant environmental issues.

Senator WILLIAMS: Can you take on notice: have there been any applications to any state authorities to dredge the Yamba Port? Is that something you would be able to do?

Mr Mrdak: Yes, Senator, we can make inquiries of the New South Wales EPA and also the Commonwealth environment department to see whether any proposals have been put forward.

Senator WILLIAMS: That would be the first step to kick it off.

Mr Mrdak: Yes.

Senator WILLIAMS: Thank you for your time. I wish you well.

CHAIR: Senator Rice.

Senator RICE: I am going to go back to the infrastructure priority list. I am interested in the list of high-priority projects and the rationale for them ending up as high-priority projects. How important is the overall benefit-cost ratio in determining whether projects are on the high-priority project list?

Mr Davies: As I mentioned earlier, we are looking at a number of aspects when we make our assessment. One is clearly a threshold question around national significance, then we are looking at the strategic merit of the project and then we are really into the cost-benefit analysis in terms of the economic impact that this investment is going to have. That is really what is leading us to identify these as high-priority projects. The other dimension of that is what the problem is that we are seeking to solve and what the negative impact of not making that investment would be. That is largely the basis for the definition between priority and high priority.

Senator RICE: Do you have a rule of thumb that there has to be a positive benefit-cost ratio in order to be on that list?

Mr Davies: Generally speaking, all these projects that are currently on the list have positive benefit-cost ratios. I think that will be true.

Senator RICE: What if it was a project where the benefit-cost ratio was only in the order of one, or less than one? Do you think that would make it to the list if that were the case?

Mr Davies: It would be a matter for the Infrastructure Australia board, in terms of whether the strategic merit of that particular proposal warranted being on the infrastructure priority list.

Senator RICE: Would you agree that it would be much less likely that it would be on that list if it did have a pretty low and pretty marginal benefit-cost ratio?

Mr Davies: Again, it would depend on the specific project and what other opportunities that was—

Senator RICE: Would you agree that it would be less likely to be a high-priority project? There would have to be very significant other justifications.

Mr Davies: In terms of high priority, I cannot think of an opportunity at the moment that might warrant being a high priority, but I would not want to say never.

Senator RICE: But harder and more difficult.

Mr Davies: Yes.

Senator RICE: And it would have to have significant other justifications as to how it met the national need to be on the list if it had the marginal—

Mr Davies: Yes. Certainly the economic impact of that investment is important as part of the 'high-priority' definition.

Senator RICE: Right. The economic impact is important. So having a significant benefit-cost ratio is clearly a very important factor in determining whether projects get on that list.

Mr Davies: Or solving a very significant problem, yes.

Senator RICE: I want to continue on the discussion about WestConnex and its benefit-cost ratio. In your summary, the project business case evaluation, you state that the benefit-cost ratio of WestConnex as a whole as stated by the proponent is 1.7. Do you think that is an accurate benefit-cost ratio for WestConnex?

Mr Parkinson: As part of our evaluation process we do test the analysis underpinning the development of that benefit-cost ratio. We test each of the parameters associated with that to see how robust they are. We do not formulate an alternative benefit-cost ratio.

Senator RICE: Why is that?

Mr Parkinson: We do not want to set ourselves up as some alternative proponent. The project belongs to the proponent; it does not belong to us. What we are doing is evaluating how the business case has been developed and how rigorous it is.

Senator RICE: So do you think that 1.7 is an accurate benefit-cost ratio that we can rely upon, that you can rely upon in terms of your assessment?

Mr Parkinson: We have tested the robustness of all the underlying analysis and, while you can find upsides and downsides in the development of that benefit-cost ratio—and we have set those upsides and downsides out in our assessment—we are certainly comfortable with the benefit-cost ratio that has been proposed by the proponent.

Senator RICE: Do you feel that it meets the requirements that are set out on you in the act—that the cost-benefit analysis included in the plan must be prepared using the method approved by Infrastructure Australia and the method must enable the proposals to be compared?

Mr Parkinson: Yes.

Senator RICE: You do. I think you state in your evaluation of the sensitivity analysis that you are confident that, as undertaken, the benefits will exceed the costs.

Mr Parkinson: Correct.

Senator RICE: The sensitivity analysis is undertaken by the proponent. The information that we have got about them publicly is in technical paper 2, table 11, which states that there is a benefit-cost ratio, without wider economic benefits, of 1.7. That also states that the cost of the project to achieve that is the \$13.5 billion that Senator Sterle's questioning and Senator Farrell's questioning outlined before. That is clearly very much lower than what we now know the cost of the project to be.

Mr Parkinson: Yes. I could not comment on that particular table nor its importance.

Senator RICE: But that is the sensitivity analysis that is consistent with that benefit-cost ratio of 1.7. It is costs of the project of \$13,547,000,000.

Mr Parkinson: As I said, I could not comment on that particular table nor what it actually means. Certainly we have looked at sensitivity analysis over the whole project, including all of the costs as set out in the business case. That is underpinning our confidence about that benefit-cost ratio.

Senator RICE: I want you to explain it to me because of the costs of the project that we currently know. We have the capital expenditure of \$16.8 billion, as Senator Sterle outlined before. So we agree on that? The current known capital expenditure the proponents are saying is \$16.8 billion, yes?

Mr Parkinson: That is consistent with the business case.

Senator RICE: We have land acquisitions of 400 properties which, on the real estate estimate I have been given, would be around \$1.5 billion. Four hundred properties in Sydney do not come cheaply.

Mr Parkinson: As I said to Senator Sterle, we would have to take on notice what property acquisition costs are included and what are not in that \$16.8 billion.

Senator RICE: But we are looking at an order of about 1½ billion.

CHAIR: We might need to call Infrastructure Australia back after morning tea. Can you accommodate me with that?

Senator RICE: Yes, to be continued.

Senator LAMBIE: Mr Parkinson, I imagine these questions are for you. Is there a fund of approximately \$20 million unallocated for Tasmania that you are aware of?

Mr Parkinson: I think that is a question for the department, not for Infrastructure Australia.

Mr Mrdak: Are you asking about the infrastructure investment program?

Senator LAMBIE: There is \$20 million worth of unallocated funds that are said to be coming to Tasmania. Are they under yours?

Mr Mrdak: In the current contingency or unallocated amounts available, no. We do not have a figure like that. We have unallocated contingency available to Tasmania within the program at \$1.1 million in infrastructure investment.

Senator LAMBIE: Are you aware of the joint-venture between Tasmanian based paper manufacturer Norske Skog and Circa, a small Australian research based company, to produce Cyrene, which is an environmentally friendly solvent used in pharmaceutical and agricultural industries?

Mr Mrdak: I am aware of it from media coverage of the firms' proposals. I have not seen details of the proposal.

Senator LAMBIE: Does this come under your department?

Mr Mrdak: Yes, it does. It falls under the regional development part of the portfolio.

Senator LAMBIE: How long has the department known about this request for the allocated money—the \$960,000, give or take?

Mr Mrdak: I will check that if I may during the morning tea break and come back to you if that is okay.

Senator LAMBIE: That would be great.

Mr Mrdak: The number I have given you, the 1.1, relates to the land transport infrastructure program. I will check in relation to the regional development program and also details of that project and try to get you that by the time we resume.

Senator LAMBIE: Are you aware that if the Cyrene project is successful it could provide up to 30 direct jobs and generate export revenue of around \$50 million per year for Tasmania?

Mr Mrdak: Again, I will check that. I am not familiar with the project in any depth or detail. I will see if my officers can assist after the break.

Senator LAMBIE: I would like to clear this up: is there \$20 million sitting around or not? Which is it?

Mr Mrdak: I am going to take that on notice and check for you.

Senator LAMBIE: Senator Abetz was in here earlier on, and you gave him a list of money that was spent or going to be spent in Tasmania.

Mr Mrdak: Yes, I gave the senator a list of our current commitments of \$923 million over the program for Tasmania.

Senator LAMBIE: Could you please let me know when all those projects were agreed to and when they will actually start rolling out?

Mr Mrdak: I can certainly give you that on notice, if that is okay. I provided Senator Abetz with a list of some \$45.3 million of land transport infrastructure projects, which were commitments in the federal election this year. We have written to Tasmania seeking advice in relation to the timing of the delivery of those road projects. In relation to the other projects I outlined to Senator Abetz, Midland Highway is well underway. We have a large number of projects under construction there. The Tasmanian rail revitalisation program is also well underway. I can give you on notice details of those.

Senator LAMBIE: I just want to know how long it will take, because I know some of this was Labor stuff. Is that correct? The Midland Highway has been going for quite some time, and you guys have just propped it up. If I could get some dates, times, where it came from and where it is in the mix. Can you give me time lines?

Mr Mrdak: Yes, certainly.

Senator LAMBIE: And where we are heading?

Proceedings suspended from 11:00 to 11:15

CHAIR: It being 11.15—

Mr Mrdak: Chair, while we are waiting for Infrastructure Australia, can I just respond to a question on notice that Senator Lambie, before the break, asked in relation to Tasmanian regional development programs? I can confirm there was \$25 million which has been committed by the Australian government for the Regional Tasmania Jobs and Investment Package. I think that might be the amount she was referring to. That is an election commitment by the government for a new regional jobs and investment package. Secondly, I can confirm that my advice is that we have no proposal from the Norska Group that has been put to us yet for an investment program along the lines that she was describing.

CHAIR: I am sure Senator Lambie is watching. Thank you for that. Senator Rice.

Senator RICE: Getting back to WestConnex and the benefit-cost analysis of WestConnex: we have got a central scenario of the benefit-cost ratio of 1.7, which Infrastructure Australia is accepting as being a reasonable BCR. Yes? You told me that before the break. That is based upon costs of \$13.5 billion and benefits of \$22 billion. Yet we know demonstrably that the costs are far in excess of that \$13.5 billion. Let us just start with that again—as to how you can still maintain your confidence that 1.7 is an acceptable BCR.

Mr Parkinson: As set out in our project evaluation summary for the WestConnex project, which is published on our website, for capital costs we are using the \$16.8 billion figure.

Senator RICE: So that is the capital costs of \$16.8 billion, but we have got land acquisitions as well, of 400 properties, which I am told are in the order of \$1.5 billion. Would they be a cost that you should be including in that?

Mr Parkinson: As we discussed previously—and I undertook to get back to Senator Sterle about details of which land acquisitions are included in the business case and, as we discussed, we could certainly request from New South Wales details of any other planned acquisition costs that we do not have visibility of.

Senator RICE: But that \$16.8 billion at the moment—does that include any acquisition costs?

Mr Parkinson: As I previously indicated to the committee, I certainly expect that it does include some of those costs. They are fundamental to the project. However, with the table that has been tabled indicating that there are land acquisition costs which may not be included, we would have to take that on notice and come back to you with details of what those might be.

Senator RICE: I know it is dangerous to deal in hypotheticals, but if it is the case that we have got about \$1.5 billion of land acquisition that is not included in that capital expenditure, that would substantially change the benefit-cost ratio, wouldn't it?

Mr Parkinson: I would not want to speculate as to the quantum of any additional costs. We have no data on which to make that assessment.

Senator RICE: It gets back to how I initially introduced it. We have got WestConnex as a high-priority project on the basis of a very positive benefit-cost ratio that seems to be pretty dodgy now that we are unpacking it.

Mr Parkinson: As I indicated, we have undertaken a number of tests of the robustness of the variables underpinning the development of that benefit-cost ratio. We have undertaken sensitivity testing which shows what happens if, for example, demand exceeds or does not meet the projections. We have undertaken sensitivity testing to show what happens if costs exceed or come under expectations. We have already taken into account, in that sense, possible variables in determining how robust the benefit-cost ratio is.

Senator RICE: It appears to be the case that there will be substantially increased costs, and there are other costs as well that do not appear to be included, such as the development cost of other network extensions. Certainly in the public sphere there is a case being put that needs to be addressed. We need to know, if it is not the case, that the cost of this project will not be well north of \$20 billion. Are you looking at scenarios where the benefits are considerably higher to make up for that? The benefits in the business case are at \$22 billion at the moment. You would need to have massively increased benefits in order to come in at a reasonable benefit-cost ratio.

Mr Parkinson: We are in danger of speculating on a different business case. The business case we have received is the one, as set out in our assessment, with the costs at \$16.8 billion and the benefits as set out in our assessment. That is what we have made the assessment on.

Senator RICE: What are the benefits as set out in that assessment?

Mr Parkinson: I have it broken down into various components, but I do not have the total in front of me.

Senator RICE: Can you add them up, please?

Mr Parkinson: We will get back to you in a moment after we perform that addition.

Senator RICE: The point is that, unless your benefits are dramatically higher than originally proposed—given that the costs have skyrocketed from the original \$13.5 billion up to something of the order of \$20 billion—the benefit-cost ratio is going to have collapsed. Then we have a scenario where your just-released list of priority projects, based, as we discussed before, quite strongly on value for money, would be severely challenged.

Mr Parkinson: As indicated, the assessment we have undertaken is based on the business case we have been given, with the costs that are set out in it and the benefits that are set out in it. We have stress tested the underpinnings of that business case. We have performed sensitivity tests in collaboration with the proponent in order to understand how sensitive it is. We are confident that it is robust.

Senator RICE: Have your sensitivity tests included having the cost of the project being of the order of \$20 billion rather than \$16.8 billion?

Mr Parkinson: In undertaking sensitivity tests, we do not apply an alternative cost. We look at the proportional impact of increases to the cost. For example, we test what happens if costs increase by 10 per cent or 20 per cent.

Senator RICE: What is the highest cost, then, that you have modelled in your sensitivity analysis?

Mr Parkinson: We do not undertake modelling.

Senator RICE: What is the overall highest cost that your sensitivity analysis allows for?

Mr Parkinson: Typically we would test for cost increases of 20 per cent and benefit decreases of 20 per cent to see how robust the business case is in that extreme circumstance.

Senator RICE: A cost increase of 20 per cent on \$16 billion—that is an extra \$3.2 billion. That is still less than \$20 billion. At the moment there is an indication that the total costs of the project are well north of \$20 billion.

Mr Parkinson: We certainly would not agree that there is any indication that the total cost of the project is of that magnitude. Based on the information we have, we are using the figure of \$16.8 billion. There is an indication in the table that was tabled this morning that there may be additional costs. We have undertaken to get back to you about those.

Senator RICE: You are saying that \$16.8 billion plus or minus 20 per cent is your sensitivity analysis. Can we get back to what the overall benefits are in your current assessment?

Mr Parkinson: It is in fact \$22.3 billion, which I think is the number you quoted previously.

CHAIR: Senator Rice, we may have to—

Senator RICE: I just wanted to confirm this. So, in your sensitivity analyses, you would be looking at whether the benefits also increased or decreased by 20 per cent?

Mr Parkinson: We look at both sides of the cost benefit?

Senator RICE: By 20 per cent? Is it the same as the costs when you are looking at the benefits?

Mr Parkinson: As indicated, typically we look at variables of 10 per cent and 20 per cent to understand the robustness of the business case.

Senator McCARTHY: Mr Parkinson, I want to go back to an answer that you gave with respect to the Tanami. I asked how many infrastructure submissions had come IA from the Northern Territory, and you said that, in the past 12 months, this was the only one. Would you be able to provide answers as to how many project submissions have come from the Northern Territory in the past five years?

Mr Parkinson: Yes, we could take that on notice. If I could clarify: the discussion and the answer that I gave was with respect to business cases. We have received some other initiative proposals from the Northern Territory—some of which are published on the Infrastructure Priority List. We do not presently have business cases for those initiative proposals.

Senator McCARTHY: Are you waiting for business cases for those?

Mr Parkinson: Certainly we would welcome business cases for those proposals.

Senator McCARTHY: Would you be able to say what those proposals are? You said that they are on the website. Would you be able to tell us?

Mr Parkinson: Sure. There are a couple of other proposals on the Infrastructure Priority List as well as the upgrade of the Tanami Road. One is the proposed upgrades for the Darwin region water supply and another is the provision of enabling infrastructure and essential services to three remote communities, being Wadeye, Tiwi Islands, Jabiru.

Senator McCARTHY: What is the proposal for the Wadeye, Tiwi Islands and Jabiru?

Mr Parkinson: That is for provision of enabling infrastructure and essential services. It is actually across various infrastructure sectors, including transport, water and energy.

Senator McCARTHY: So is that still a work in progress or is that an actual proposal before you at the moment?

Mr Parkinson: It is listed as an initiative, which is essentially saying, 'We recognise that there is a problem and opportunity here and we would welcome submission of a business case to address that problem and opportunity.'

Senator McCARTHY: When you say 'problem', what do you mean—in terms of the actual way the submission or the initiative has been put forward, or is it just in the process? What is the problem?

Mr Parkinson: As Mr Davies outlines before, in determining the national significance of a project, we look at the economic cost—be that expressed as a problem or opportunity—and how we as a country would be better if this issue were addressed.

Senator McCARTHY: In order for it to then go through the process of going through the IA board? Is that correct?

Mr Parkinson: That national significance test is the first test. Then of course we look at the business case and undertake a detailed examination of the cost-benefit analysis.

Senator McCARTHY: When you are taking that question on notice about how many projects in the past five years, could you also take on notice how many submissions to the IA in the past five years were unsuccessful?

Mr Parkinson: In terms of business case submissions?

Senator McCARTHY: Yes.

Mr Parkinson: Certainly.

Senator McCARTHY: Mr Parkinson, are you familiar with the Pivot North report?

Mr Parkinson: Only in the most broad sense. I could not comment in any detail on it.

Senator McCARTHY: Thank you very much.

Senator GALLACHER: Secretary Mrdak, you disagreed with a characterisation I made earlier, so I want to re-examine something. So you are familiar with the budget papers for 2015-16 and where they say 'Payments to support state infrastructure services in 2015-16, \$8,021,800,000'?

Mr Mrdak: Yes, and we have that information.

Senator GALLACHER: When we go to budget outcome 2015-16, it talks about 'Payments for specific purposes to support state infrastructure services.' Here we have \$5,540,338,000. Inclusive in that figure is the \$490 million which was donated to Western Australia as a result of the GST debate. So you would appear to be \$3 billion underspent. The difference between those two figures is, well, \$2½ billion.

Mr Mrdak: Certainly, as we indicated earlier, there were a number of factors at play, including the asset recycling—

Senator GALLACHER: But asset recycling is in both of these tables.

Mr Mrdak: It is. Mr Thomann has some details of the reconciliation for you, which will explain some of the movement of funds which underpin that.

Senator GALLACHER: So a \$2½ billion underspend—we do agree on that, do we not?

Mr Mrdak: We do, and—

Senator GALLACHER: So now you are going to tell us how you managed that.

Mr Mrdak: I explained in answer to your question and Senator Farrell's earlier question.

Mr Thomann: In terms of the shift from the estimate for the 2015-16 financial year and the 2014-15 budget, which was \$8.02 billion, as you rightly have pointed out, and the 2015-16 final budget outcome, there is a difference of almost \$2½ billion, net.

Senator GALLACHER: That is what I told you.

Mr Thomann: And half of that has to do with movements in the Asset Recycling Initiative, which is the responsibility of the Department of Treasury, and they no doubt can explain those numbers.

Senator GALLACHER: Do I hear a handpass?

Mr Thomann: No, I am here to talk about the other movements, which are the infrastructure and asset—

Senator GALLACHER: So how much is the asset recycling component of the \$2.5 billion?

Mr Thomann: It is about \$1.3 billion. So the rest of it is to do with the Infrastructure Investment Program, which is made out of movements of payments across a number of programs. So we have got subprograms—these are small payments but significant payments to local government for blackspots, bridge renewal, and—

Senator GALLACHER: We are looking for \$1.4 billion here. There are no big ticket items? You are saying it is all blackspots. Why did we not do more blackspot funding then, if we had \$1.4 billion?

CHAIR: We might let the witness break this down.

Mr Mrdak: Mr Thomann will give you the detail, if that is okay.

Mr Thomann: These are all movements into the following financial year. For the Black Spot Program it is \$33.5 million; for the Bridges Renewal Program it is \$24.3 million; for the Heavy Vehicle Safety and Productivity Program, it was a difference of \$26.1 million, which had to be moved out to the next financial year. The big numbers are, as you would expect, in the rail and road investments. So, in relation to rail, there was a movement of \$150.9 million, which was for the North Sydney freight corridor, which was a payment milestone which was realised earlier. Milestone payments do not always move to the right; they can always occur earlier. So that was an earlier payment. Then, in terms of the road investments, there are a number—the total difference was \$1.2 billion, and that is made up of a number of projects where milestones have slipped from the 2015-16 financial year into the 2016-17 financial year, and that can occur because the milestone is sitting in May or June, and for a whole range of reasons projects get delayed—for any number of reasons—and the payment then occurs in the next financial year, in July or August. So that includes the Pacific Highway—that was a movement of about \$129 million; the Bruce Highway, a movement of about \$94 million; the Gateway Motorway north, \$50 million—

Senator GALLACHER: You are obviously reading from a script?

Mr Thomann: We have basically written a whole bunch—

Senator GALLACHER: So there is \$1.1 billion in asset recycling which we have to go and talk to someone else about, and you have a list of the other \$1.4 billion?

Mr Thomann: Because we manage the Infrastructure Investment Program, so we have gone through—

Senator GALLACHER: Can we table that list? It would save me writing it down.

Mr Mrdak: It is a handwritten note, but we can provide it to the committee.

Senator GALLACHER: Mine was going to be handwritten too.

Mr Thomann: We can provide you with a—

Mr Mrdak: A cleaned up version.

Mr Thomann: a cleaned up version.

Senator GALLACHER: Before we depart?

Mr Mrdak: We will do that today.

Senator GALLACHER: Excellent.

Senator RICE: I want to put one more question on notice—it probably will be.

Senator STERLE: You've put more questions than anyone! This is becoming 'Greenstimates'!

CHAIR: This is not doing my reputation any good.

Senator RICE: No. This will take one minute, because I am happy for this to be on notice. In terms of the costs that are included in the WestConnex business case, you talked about taking on notice the land acquisition costs. The other costs that I am interested in are the operating expenses, the network extensions and the development costs, which have not been disclosed. What value has been put to those in terms of your assessment of the benefit-cost ratio?

Mr Parkinson: We have already undertaken to take on notice to get the details of those network costs and development costs. With respect to operating costs, some of those are different matters that are confidential to the proponent. We would have to, again, take it on notice and see what we could come back with for you.

Senator RICE: It was public in the 2013 business case and priced at \$1.465 billion; it was redacted from the 2015 business case.

Mr Parkinson: That is correct.

Senator RICE: So what assessment of those costs that you have used, what you could share with us would be excellent. Thank you.

Senator STERLE: Chair, sorry, I just saw Mr Thomann bolt out. I will hand write it if he can just tell us. Can I just get that—it makes your job easier than ours. What was the first one, Pacific Highway wasn't it?

Mr Mrdak: Yes, Pacific Highway.

Senator STERLE: And then there was the Bruce Highway.

Mr Mrdak: There was the Bruce.

Senator STERLE: And then there was Gateway.

Mr Mrdak: Gateway north in Brisbane. And there was also, I think, a movement of funds around the East West road project in Melbourne.

Senator STERLE: All right.

Mr Mrdak: We will get him back to the table.

Senator STERLE: Thanks; it will not take long.

Unidentified speaker: I have got him here.

Senator STERLE: Even better! Thanks. You thought you were safe to leave the building.

Mr Thomann: No, I was going—

Senator STERLE: No, you were doing the right thing.

Mr Thomann: My apologies, Senator.

Senator STERLE: No need to apologise; I will hand write it.

Mr Mrdak: Senator Sterle is helping us out by letting us get them in the record.

Mr Thomann: Going through, I think I was at—

Senator STERLE: Start with the Pacific Highway if you can.

Mr Thomann: The Pacific Highway was a movement of \$129 million out to the right. Bruce Highway is a movement of \$94 million. Gateway Motorway north was \$50 million. The Toowoomba Second Range Crossing was a movement to the right of \$50 million. Perth Freight Link was \$88 million. And the north-south corridor was \$92 million.

Senator STERLE: That's in?

Mr Mrdak: Adelaide.

Senator STERLE: Yes; how much?

Mr Thomann: It was \$92 million. And then East West Link, there was a payment that was estimated to be made in 2015-16 of \$300 million. It was paid earlier, so it was not paid in that year. That is \$300 million. And then, going further down, we have—there is the Building Australia Fund, so there was a difference of \$232 million there, which was pushed out to two following years for the Goodwood and Torrens junction. And then we have got some smaller amounts further down the table in relation to interstate road transport.

Senator STERLE: Tell me what that is—interstate road transport.

Mr Thomann: It is called interstate road transport.

Senator STERLE: What is that? I know what interstate road transport is, before anyone gets on the email, but what does that fund?

Mr Mrdak: It is a payment for the national registration scheme, a payment to the states.

Mr Thomann: So the rest of the table are items that are not in the Infrastructure Investment Program.

Senator STERLE: How many of them are there?

Mr Thomann: There is Latrobe Valley economic diversification, Murray-Darling Basin Regional Economic Diversification Program.

Senator STERLE: And how much money is that? Rats and mice?

Mr Thomann: Yes, rats and mice. The other big number is the \$490 million payment to Western Australia.

Senator STERLE: This was the GST—

Mr Thomann: This was the GST equivalent. The one-off payment on the Abbott government—

Mr Mrdak: It was applied to a number of road projects in Perth.

Senator STERLE: Have they actually been spent?

Mr Mrdak: Yes, those projects are underway.

Senator STERLE: What are they?

Mr Mrdak: I do not have that list, but I will get that for you.

Senator STERLE: It would be interesting.

Senator GALLACHER: That \$490 million was not in the original budget. That is on top of the original budget. So how does that explain the discrepancy?

Mr Thomann: It is in the 2015-16 financial budget outcome.

Senator GALLACHER: In 2014-15?

Mr Thomann: It was not in 2014-15; it was in—

Senator GALLACHER: That is the point I am trying to make. That \$490 million makes it look like \$3 billion.

Senator STERLE: The gap.

Mr Thomann: Yes.

Senator STERLE: So it was not 2.5; it is even higher when you tack all that on?

Mr Thomann: Yes.

Senator GALLACHER: I mean, \$3 billion is a—

Senator STERLE: I would like to think that my esteemed colleagues on the government side would say that is good management, but I do not know, because a lot is being put off. I am not having a crack at them—not at all—but \$3 billion in terms of announcements, or \$2½ billion—

CHAIR: That is good management.

Senator STERLE: I would like to think so, but I am not convinced.

CHAIR: No open debate. Senator Sterle, do you have any more questions?

Senator STERLE: Yes, I do. So there is a \$2½ billion difference between what has been promised and what has been spent. You just tacked on the other \$490 million.

Mr Mrdak: Mr Thomann has just clarified for me: that WA additional payment is within the 2.4 difference, between the 8—

Senator STERLE: It is in the 2.4?

Mr Mrdak: Yes.

Senator STERLE: That is in the final budget outcome, but it was not in the 2014 budget?

Mr Mrdak: That is correct.

Senator STERLE: So it is an addition. It is added on. It is tacked on. There was no announcement about that.

Mr Mrdak: It is part of the difference between the 2014 budget presentation and the final outcome.

Senator STERLE: I understand, but, to highlight what Senator Gallacher was saying, the gap is even greater. If that were not, 'Here's a one-off payment, WA, because you won't shut up about the GST anomalies,' it would have been a \$3 billion difference to the actual cheques written—correct?

Mr Thomann: Without the \$490 million, it would be close to—

Senator STERLE: Three billion dollars.

Senator GALLACHER: Eight billion dollars and five point—

Senator STERLE: So what was the \$88 million for? What was it originally destined for? We can leave it until Infrastructure Investment if you want. If it makes it easier, we can talk about it then.

Mr Mrdak: It was row 8.

CHAIR: Unless senators advise me otherwise, that will complete our examination of Infrastructure Australia. Through you, Mr Mrdak, could you thank all of your officers, both in the corporate and the corporate services area. There was very willing cooperation this morning. We thank you for that. We move to Infrastructure Investment Division. The call goes to Senator Back.

Senator BACK: I have a lot of questions, but I am willing to cede time and share it around and will come back to me if I can. I want to start with the Western Distributor, if I can, Mr Mrdak.

Mr Mrdak: Certainly.

Senator BACK: First of all, does the department have the business case for the Western Distributor?

Mr Mrdak: Yes. The department received a copy of the Victorian government business case as of November 2015, at the same time it went to Infrastructure Australia.

Senator BACK: Have you assessed it?

Mr Mrdak: Yes, we have undertaken an assessment of the business case.

Senator BACK: Can you share with the committee any initial views as a result of your assessment?

Mr Mrdak: It is a difficult one for us to assess. The Victorian government is going through a process with Transurban which is an unsolicited bid process. They are currently at stage 4 of a five-stage process, which is nearing finalisation. Essentially, our assessment is that, at this stage, where the Commonwealth government has not made any commitment to this project, we are concerned with some aspects of the project, including the ability of it to deal with much of the demand through the east-west corridor in Melbourne, as to whether this really is a long-term solution to the issues coming out of port traffic but also the east-west traffic out of the CBD.

Senator BACK: What sorts of conditions would you believe would apply that would make it eligible for grant funding by the Commonwealth?

Mr Mrdak: At this stage the Commonwealth is not considering providing grant funding to this project. The Commonwealth has suggested to Victoria that it may be possible to utilise alternative financing mechanisms, such as loans or other forms that might be able to be recouped from revenue from the project. At this stage the Commonwealth does not see it as a project for which it would provide grant funding.

Senator BACK: So revenue would presumably be by way of tolls, would they?

Mr Mrdak: That is correct.

Senator BACK: Again, when it comes to whether concessions are offered for operators of tolls, are they state or federal concessions?

Mr Mrdak: They are state concessions. This project involves a mix of new tolls on the project as well as an extension to the CityLink concession, which is held by Transurban.

Senator BACK: Would the Commonwealth have any involvement at all with the state, in this case Victoria, in terms of toll concessions being offered on a project of this type or comparable projects?

Mr Mrdak: No, given that it is tolling a new road that is under the control of the state government as a project and involves an existing concession on CityLink, they are matters for the Victorian state government.

Senator BACK: So in your consideration of the business case are you able to share with us whether or not, as a prediction, revenue from tolls would be likely to fully fund the project over a given number of years?

Mr Mrdak: I would have to check the numbers, but I think in essence the project is based on a number of things: as I said, an extension of an existing CityLink concession, which provides a further revenue source; some mix of new tolls on trucks and vehicles using the new sections; as well as the Victorian government contribution to the project.

Senator BACK: Being from a state where tolls are not a feature of our road transport system, can you give the committee some guidance as to other projects around Australia in which revenue from tolls meets partially or fully the overall cost of construction and then ongoing maintenance of these tollways?

Mr Mrdak: There are a number of projects. There are four immediately which are under development or under construction where that applies. Clearly the Western Distributor is one of those, which we have discussed. Another project is WestConnex, which has a toll revenue component in terms of the project. Two others are under development. NorthConnex in Sydney also has a toll component which is on the existing network as well as the new work. Finally, there is the Toowoomba range second crossing, which will also have a toll component on it to fund the operations of the motorway.

Senator BACK: Chair, I want to go on to Building Better Regions, unless someone wants to jump in on the same topic I have been on.

Senator RICE: I have some questions on the Western Distributor. Just to clarify, Mr Mrdak, does the department do its own independent assessment of the Western Distributor compared with Infrastructure Australia?

Mr Mrdak: We have separately, but we also work with IA in terms of sharing resources as necessary. We have also taken a look at the business case in providing advice to the government.

Senator RICE: Do you request the same range of documents that Infrastructure Australia have requested from the state government?

Mr Mrdak: We have worked from the November 2015 business case, which has been provided to us, and we have gone back with a range of questions in relation to that to seek further information.

Senator RICE: What further documents? I asked questions about the independent peer reviews. Has the department requested those?

Mr Mrdak: Not to my knowledge, but I will take that on notice.

Senator RICE: Do you think they would be valuable for you in your assessment of the project?

Mr Mrdak: Only if they answer some of the questions we have in relation to some of the issues around cost—

Senator RICE: You would think that they would. If they are independent peer reviews, they are critically looking at the business case.

Mr Mrdak: We would anticipate that, but I will take on notice with my officers as to whether we have requested those and what access we have had to those further documents.

Senator RICE: Do you get into looking at the details of the economic modelling? The questions I have been asking of Infrastructure Australia in terms of what seemed to be very strange additions to the economic modelling which are not included in other projects—

Mr Mrdak: We certainly have looked at the methodology. We have provided our views to Infrastructure Australia in relation to some of those issues.

Senator RICE: In your assessment do you respond back to this state government as to the details of your concerns about the project?

Mr Mrdak: Yes, we have certainly held discussions in relation to the project and asked some questions in relation to it. As I said, Victoria is now in the final stages of its assessment. The Australian government at this time is not making any contribution to this project.

Senator RICE: Could you take on notice whether you have raised with the Victorian government the issue of, in the economic modelling, the use of this factor of the extra travel time benefit of avoiding travelling in congested conditions. It has not been used in other Australian projects before.

Mr Mrdak: Certainly I will come back to you on that one.

Senator XENOPHON: I want to ask questions about the formal legal requirements that you place on states which are provided Commonwealth funding, such as grants, for infrastructure with respect to the value for money requirement in the Commonwealth Procurement Guidelines, the requirements for Australian industry participation and compliance with the Australian Jobs Act 2013. It is noted on the department's website:

Some projects already require a state or territory Local Industry Participation plan under local policies. To avoid duplication, the Commonwealth will not require an AIP plan where an acceptable state or territory policy, with a LIP plan, is already applied to the project.

States and territories should advise the Commonwealth funding agency, in writing, that the Local Industry Participation policy, with a LIP plan, will be applied to the project.

Does the government ever compare state plans against the federal government's Australian industry involvement requirement, and what action is taken when there is a difference between them?

Ms Zielke: Australian industry participation plans are oversighted by the industry department, but in particular the plans are looked at together and assessed together so that there is not double-up in relation to them. Largely the state based plan feeds into—

Senator XENOPHON: Time is short—is there a benchmark or criteria by which you assess the state plans and the federal criteria to ensure compliance?

Ms Zielke: There are criteria that are available online. I am happy to take that on notice.

Senator XENOPHON: Are there any criteria that are not publicly available in terms of the process by which the benchmark is addressed?

Ms Zielke: Not that I am aware of.

Senator XENOPHON: If you can take that on notice, and does the Commonwealth ever audit compliance with these plans after a project commences?

Ms Zielke: It is more along the lines that they have outcomes to achieve, and then there are compliance checks in relation to them.

Senator XENOPHON: What legal rights does the Commonwealth retain to examine state government and prime contractor project and financial documents associated with projects funded by the Commonwealth government to ensure compliance with federal policy and legislation?

Ms Zielke: I think that is best taken on notice, because I think we will find that there are different circumstances.

Senator XENOPHON: With the indulgence of the chair, I want to ask questions about the Virginia water infrastructure project. I refer to a report in the *Sunday Mail* on 9 October that SA Water has commissioned a feasibility study into the development by a Spanish consortium that has plans to set up high-tech greenhouses in Virginia, north of Adelaide, utilising 20 gigalitres of water that many local growers are concerned could flood the local market with an oversupply of produce such as capsicums, cucumbers and tomatoes. Can the department confirmed that the feasibility study is being funded by federal funds announced by Senator Ruston at the Virginia Horticulture Centre in late May?

Mr Mrdak: I think that is a matter for the Agriculture portfolio. It is agricultural water, and we have no involvement with that project. I think Senator Ruston is within the Agriculture and Water portfolio.

Senator XENOPHON: So to do with feasibility studies, even those big infrastructure projects, is properly within Agriculture?

Mr Mrdak: It is handled through the Water portfolio.

Senator XENOPHON: Then tomorrow it is.

Senator BACK: Can you give the committee an overview of how the Building Better Regions Fund is going to do what we all hope it will do—jobs, economic growth and vibrant and strong regional communities. What is the take on this new direction?

Mr Mrdak: As you would be aware, during the recent election campaign the government made a commitment to restructure and reshape our major regional program. It has finalised the National Stronger Regions Fund and is now working through the Building Better Regions Fund. The government has, to this point, committed \$297.7 million to the fund over the next three years. That funding will be available for regional Australia. The government—

Senator BACK: How are you defining regional Australia this time?

Mr Mrdak: Eligibility will not apply to the major metropolitan centres, as defined by the ABS definition. So, essentially, the major capital cities will not have access to this fund. And guidelines for the fund will be available shortly. They are now being finalised by the government to enable the first round of the program to run for this financial year.

Senator BACK: So, the capital cities are the state capitals and Darwin and Canberra—is that right?

Mr Mrdak: That is correct.

Senator BACK: And are there any others that are ineligible?

Mr Mrdak: I will just get my colleague, Ms Wall, to give you a better definition of what is being included.

Ms Wall: The definition that we are working on would have the cities of Sydney, Melbourne, Brisbane, Adelaide, Perth and Canberra excluded. Hobart and Darwin would be included.

Senator BACK: Are included. Can you then give us some understanding of the sorts of community investments that are likely to be eligible for funding?

Ms Wall: Yes. As announced by Minister Nash when the project was announced, it will be delivered in two streams. There will be a national infrastructure stream, and you will see projects similar to those that have received funding under NSRF be eligible under that element of the program—things such as sporting facilities, tourism infrastructure, healthcare facilities, agricultural infrastructure and general community infrastructure. That is the national infrastructure stream.

With regard to the community investment stream, this will include expansion of local festivals to bring more tourists to regional Australia, and it will provide leadership and training in mentoring, and strategic job plans for regions.

Senator BACK: And are there, or will there be, guidelines for proponents to follow so that we can get some objectivity? For example, you speak of a festival—how will that be assessed so that this committee and others can actually be satisfied that the funding in fact is benefiting, is going to work, is creating jobs and is driving economic growth? How are you going to objectively make those assessments?

Ms Wall: The department is working with the government on determining the full design of the program, including the guidelines. They are expected to be launched by the end of the year.

Senator BACK: Right. And to assist me, will the department then initially have some form of an assessment panel which will firstly assess eligibility against guidelines before getting onto prioritising and making recommendations to government? Is that how the process is going to work?

Ms Zielke: Yes, the expectation is that our processes will be similar to our other grant programs. So there will be an application form, along with the guidelines, which will include criteria that proponents will be able to provide information against for assessment.

The first step after applications have closed is consideration of eligibility of those projects, although of course we would hope that people would have made contact and checked they were eligible before they go to the trouble of completing an application form. Obviously, that is part of what we like to try to achieve. Then we proceed to assess the applications and do a comparative in relation to them before they are then subsequently presented to the ministerial panel. However, as Ms Wall was just saying, the guidelines are not finalised as yet. But that would be our normal process.

Senator BACK: And would there be an expectation that proponents would be seeking at least part funding from alternative sources, be they state, industry or—in our case in Western Australia, Bruce—like Lotterywest? Is it contemplated, for example, that the recommendation to government would be that a maximum percentage—50 per cent—come from this fund and the balance come from other sources? And, indeed, if it is an event that attracts revenue, such as a festival, how would it be assessed in terms of predictions of the Commonwealth component against the overall cost?

Ms Zielke: They are all very good questions. All of the above would be considerations for us in that regard. Obviously, co-funding would generally be viewed well in relation to assessment criteria and I expect that in some

parts of the program it will be a requirement. I know in the announcement during the election campaign, though, there was focus given to the fact that applications should be looked at with like applications. So it will be important for us to have groupings within the applications to ensure that similar applications are getting similar outcomes. For example, if you have an application for, say, \$100,000 against an application that is seeking \$10 million, obviously you would want to consider them like for like. But the benefit that the funding provides is of course additional leveraging of that money to get even greater outcomes through the various regional areas.

Senator BACK: We will await with interest.

Senator STERLE: I want to find out how the new Building Better Regions Fund will operate, please.

Ms Zielke: Are you interested in the process that I was referring to earlier?

Senator STERLE: Sorry, I was talking, reading and doing other sorts of things—and whingeing about why the Greens have more time than us—so I missed all that. But if you have done it before that is fine, because I should have been paying attention rather than talking to my colleagues about my strategy.

CHAIR: It was quite a comprehensive answer.

Senator STERLE: I must learn to stop whingeing and actually listen to what is going on.

CHAIR: You are so accommodating. It is a pleasure to work with you.

Senator STERLE: What about the funding for it and how it has been allocated? Did you cover that?

Ms Zielke: I think Mr Mrdak mentioned it is \$298 million—\$297.7 million, to be exact.

Senator STERLE: Over how long? Each year?

Ms Zielke: Over four years.

Senator STERLE: So \$298 million each year for four years?

Ms Zielke: Noting that the design of the program is still being finalised.

Senator STERLE: Is the \$298 million all up over four years?

Ms Zielke: Over four years.

Mr Thomann: Sorry, I will just correct that—\$297.7 million is the allocation.

Senator STERLE: I was \$300,000 off. After a blow-out from \$10 billion to \$17 billion, and possibly \$20 billion on the WestConnex, I should be spanked.

CHAIR: Senator Sterle, move on.

Senator STERLE: Okay. Chair, you want to go through division by division, do you? Is that easier for everyone? The only reason I ask that, Chair, is that with your best intentions, it is a great way to do it for the permanent members on this committee, but then we have other senators who come running in later and they have a sook.

CHAIR: We will endeavour to accommodate everybody while the officers remain with us.

Senator STERLE: In that case, I shall pass to my colleague while I quickly catch up to where I should be.

Senator McCARTHY: Can you go through the process again? I am thinking specifically about the Northern Territory, because I am trying to ascertain what kinds of submissions and approval ratings of submissions come through. What would you be looking at in the Northern Territory? I know that when Senator Nash was up there the development of this new fund was quite an important story. But, in the interests of those who want to apply, what can they do?

Ms Zielke: As Ms Wall was saying, there are two streams in the program. One is focused on infrastructure investment, so projects in relation to that could be sporting facilities, community facilities—basically bricks and mortar infrastructure investment.

Senator McCARTHY: Does the Building Better Regions Fund incorporate, as we learnt from Infrastructure Australia, alignments with Closing the Gap?

Ms Zielke: All of our government programs, I would hope, would align themselves to Closing the Gap where it was appropriate.

Senator McCARTHY: But does the Building Better Regions Fund stipulate that?

Ms Zielke: The guidelines are yet to be finalised in that regard, so I cannot be specific. But, of course, the outcomes that the program will be seeking to achieve are local jobs, in particular, and improvements in the local economy—things that actually drive local benefit. I can only presume that local benefit in areas in NT but also in a lot of other states would, of course, cover also Indigenous engagement as part of those projects.

Senator McCARTHY: So as part of drawing up the guidelines, how can we be reassured that it will be incorporated? Is there a process that will ensure that is the focus, especially if you are going to get requests—for example, you have got festivals here, you have got festivals like the Barunga Festival, you have got festivals in the remote regions that would like that support? How can we be sure that this will be incorporated in the guidelines?

Ms Zielke: At this stage, I am more than comfortable to provide advice to government to that effect. We have not, as I was saying, finalised the guidelines at this stage.

Senator McCARTHY: Perhaps I can go to you, Senator Nash.

Senator Nash: I can reassure you that that will be an absolute focus. Having spent three years being the minister responsible for Indigenous health and working with the sector very, very closely, it would certainly be an aim to ensure that that is the outcome.

Senator McCARTHY: In terms of the guidelines being completed, what is the time frame there?

Senator Nash: The process is just about concluded. We will have the final guidelines available very shortly.

Senator STERLE: How much of the National Stronger Regions Fund announced in the 2015-16 budget is being reprofiled towards the new Building Better Regions Fund program that was announced during the 2016 election campaign?

Mr Mrdak: All of the 297.7 that is set-up for Building Better Regions is the balance of the National Stronger Regions Fund.

Senator STERLE: Will the government's objectives of job creation and economic growth be reflected in the guidelines?

Mr Mrdak: Yes, that is one of the priorities through Building Better Regions, as Ms Zielke and Ms Wall indicated: creating job opportunities and economic growth in regions.

Senator STERLE: Could you tell us how?

Mr Mrdak: Again, through the guidelines: looking to prioritise through the assessment process, looking at the contribution of projects to economic development in regions in the same way the National Stronger Regions Fund has had a clear focus on economic development.

Senator STERLE: But can you drill down a bit further on what that actually means on the ground?

Mr Mrdak: On the ground, we are essentially looking for projects that actually can make a contribution to not only construction jobs but also, if it is infrastructure, ongoing jobs, in the way in which the project proceeds. That obviously assists the assessment process to rank the project more highly if it is actually providing sustainable economic job growth.

Senator STERLE: In terms of jobs, is there any dream of a figure per state?

Mr Mrdak: No—

Senator STERLE: I know it is a big statement.

Mr Mrdak: It depends on the individual project. The scale and also the nature of the project determines how many jobs are available through both construction of the infrastructure and the ongoing operations.

Senator STERLE: Okay. But is there any groundwork or any formula to think we will have a rough idea of how many jobs? I mean we just come out and say 'jobs', which is great, tremendous. But are we talking 50, are we talking 1,000—is there any idea?

Mr Mrdak: It depends on the scale of the project and the nature of it, as I said. I cannot give you a rule of thumb that a certain number of dollars will produce this number of jobs. It really does depend on the nature of the project.

Senator STERLE: What has it delivered in past episodes,?

Mr Mrdak: Well, certainly, the first three rounds of National Stronger Regions have delivered a range of projects which have had job creation.

Senator Nash: I would be happy to provide on notice some examples of the projects. as the secretary is saying, it is quite difficult to just give you a straight answer because of the range of the value.

Senator STERLE: I understand.

Senator Nash: We have some that are 10 million and some that are a few thousand. There is no standard job requirement build, if you like, that we look to.

Senator STERLE: I fully understand, but I just would like to know if there was something you could tell us. If you can take that on notice and tell us how many jobs were created. All the years that I have been hanging around this place—the same time as you, Minister—we all come up with every project ends with a perfect zero. I still, for the life of me, do not know how governments get to that, but anyway. In terms of job creation, fantastic, but it is nice to say, well, how many jobs are going to come out of it rather than just a statement.

Senator Nash: When they put their applications forward, the applicants are very clear about the quantum of jobs that they believe will be created from the project. That is a very clear assessment that goes through to the department at the frontend.

Senator STERLE: Good. If you can provide that to us, that would be great.

Senator Nash: A selection of some?

Senator STERLE: I would like to see all of them. If the government is doing something good and jobs are created, let's all cheer from the same bloody building. Let's all say, 'This is fantastic.' I am not having a crack at you; I just want to know what jobs are being provided—

Senator Nash: We will take a selection.

Senator STERLE: we have thrown that term around a lot over the years. Okay? So how much funding will be allocated to small projects, medium projects and major projects?

Ms Zielke: Those details have not actually been finalised in relation to BBRF. It is also an assessment about the number of rounds that we will be holding that needs to be given consideration in that regard.

Senator STERLE: So there is a lot of work to be done?

Ms Zielke: In relation to the profiles for individual rounds, yes.

Senator Nash: We want to make sure we get it right. Having the three different streams now mean we are going to be able to assess projects like for like. So very small ones are not competing against large ones.

Senator STERLE: I understand and you can understand where I am coming from. It was an election commitment, which was only four or five months ago. It would be nice to know what it was based on and how you came up with the figure and the plan that the government had. Can you tell us how much funding will be allocated to infrastructure projects?

Ms Zielke: The same response in that regard. We are still working on what the allocation should be and per round as well between the streams.

Senator STERLE: Are you then able to tell us what the process is for deciding which projects will receive funding?

Ms Zielke: The process we expect would be similar to other grants programs that we are responsible for. Applicants will be provided guidelines and an application form. The application form will detail the merit criteria that will be provided in the guidelines so that the proponents clearly know what it is that they will be assessed against and they can address those as strongly as they can in their application form. We will then have a closing date for the round. At this stage, we are expecting that the round will be launched shortly with the finalisation of the guidelines. Then, generally, we work to give proponents an opportunity of at least a few months before applications close. Obviously, they need to understand what the criteria are that they will be assessed against and be able to put the projects together.

Senator STERLE: What is the plan for promoting it in the regions?

Ms Zielke: The amount of interest that this is generating is wonderful and we will continue to use the various associations that we have used in the past to continue to promote it.

Senator STERLE: Like state of farming groups or community groups?

Ms Zielke: Regional Development Australia, local councils as well as ALGA, who are particularly good—those sorts of organisations.

Senator STERLE: Is there a set template of who you will contact? It does not change?

Ms Zielke: I must admit I do not get the detail of our mailing list. Generally, we have people who subscribe to a list. We email out to that list. Of course we also advertise. Given that this is an election commitment, a lot of people are waiting for it to be announced. I presume that the minister may very well announce the date of the launch of the round as well.

Senator STERLE: Minister, you can put your hand over your mic and I will put my hand over mine—when is it? Only you and I will know!

Senator Nash: Yet to be determined.

CHAIR: We are really out of order now with the timing. I am conscious that Senator Siewert has to be somewhere else. How much time do you think you need?

Senator SIEWERT: If you give me 10 minutes, I will make the most of that.

CHAIR: It will be a while before we get back because we are really out of order with the time balances. It will still be within this category and we will go all day if we need to.

Senator RICE: I probably have another 10 minutes and I also need to be elsewhere.

CHAIR: If we deal with the Greens, they will be out of the mix for us until we get through the other end of this at 2.15.

Senator SIEWERT: I want to ask about Roe 8. I will get through the questions that I can but I will have other questions that I will put on notice. I will ask a more general question first, compared to the more detailed questions I will have in a minute. How many projects receiving over \$100 million have you funded without a publicly released business plan—if you have at all?

Mr Mrdak: I would have to take that on notice. I do not readily have such information.

Senator SIEWERT: If you could take that on notice, that would be good. I want to go into more detail now about Roe 8. Is it still the case that the Commonwealth will not provide funding to a stand-alone section—that is, stage 1 of Roe 8?

Mr Mrdak: Yes. The Australian government position will be that funding will only be available on the basis of progress on both stages 1 and 2 of the Perth Freight Link project.

Senator SIEWERT: Could you confirm that WA will not receive any funds until you have received an acceptable project proposal report, a PPR, for stage 2?

Mr Mrdak: That is correct. We only make payments on the basis of acceptable project proposal reports.

Senator SIEWERT: Have you seen any PPR for stage 2 yet?

Mr Mrdak: Not to my knowledge. Mr Pittar may be able to add some information.

Mr Pittar: No, we have not received a project proposal report for section 2 at this stage.

Senator SIEWERT: Are there any circumstances under which you would provide funding for Roe 8 without a PPR for stage 2?

Mr Pittar: All I can say is that at this stage we have received no project proposal report for section 2. I do not want to speculate about future scenarios.

Senator SIEWERT: But you did confirm earlier that WA will not get funds unless you have received one, but then you said that you cannot answer whether there are any circumstances that you might consider circumstances where you would fund it.

Mr Thomann: The government's commitment is to the project as a whole, and we will be assessing proposals and claims for payment on that basis.

Senator SIEWERT: As a whole?

Mr Thomann: As a whole.

Mr Pittar: The project as a whole.

Senator SIEWERT: Will Roe 8 have a freight user charge that you are aware of?

Mr Pittar: As Mr Thomann was saying, the Commonwealth is looking at the project as a whole, so that is both section 1 and section 2. We envisage the project as both sections 1 and 2.

Mr Mrdak: I think the answer certainly is that Western Australia is envisaging the tolling being on both sections 1 and 2. I do not think we have any information which diverges from that in relation to Roe 8.

Senator SIEWERT: Have you seen the contracts for Roe 8?

Mr Pittar: We do not have details.

Senator SIEWERT: What have you got, when you say you do not have details?

Mr Pittar: We have broad information, in discussions from Western Australia, about how contracts might be structured.

Senator SIEWERT: But the announcement from last week—you have not seen the contract they have actually signed?

Mr Pittar: I have not seen the contract.

Senator SIEWERT: Are you able to table the information that you have received from them?

Mr Pittar: I have not got any information with me in relation to that.

Senator SIEWERT: Could you take on notice to table the information that you have?

Mr Pittar: I can take that on notice.

Mr Mrdak: This is in relation to last week's announcement?

Senator SIEWERT: Yes.

Mr Pittar: We will take that on notice.

Senator SIEWERT: Thank you, much appreciated. Is the business case BCR estimate based on the route actually reaching the port?

Mr Pittar: The benefit-cost ratio calculation is the calculation based on the project as assessed by Infrastructure Australia, which is for sections 1 and 2.

Senator SIEWERT: In terms of the contract that I just asked about, there is a lot of confusion at the moment about where it actually goes and where it is going to stop. Can you step us through what your understanding is about where it starts and where it is stopping and where this differs from what was originally proposed?

Mr Pittar: This is outlined in the media release issued on 11 October. The contract comprises an extension of the Roe Highway from the Kwinana intersection through to Stock Road.

Senator SIEWERT: Is that what you originally anticipated it was? Was that what your discussions were about—for that just to go through to Stock Road?

Mr Pittar: As far as Roe 8 is concerned, that is what we envisioned the Roe 8 component to be.

Senator SIEWERT: What about the bit going through to the port?

Mr Pittar: There has then an additional part on the end of Roe 8, which would comprise of an interchange—the interchange between Roe 8 and Stock Road. And then that connects with section 2, which would be the connection through to the Canning Highway end of the project.

Senator SIEWERT: What have your discussions been with the state about that?

Mr Pittar: That the contract and funding is available to undertake Roe 8, and they will enter into contractual arrangements for delivery of the interchange as part of that scope of works in the first stage. There will be further announcements, as the media release outlines, in relation to the second stage in the near future.

Senator SIEWERT: Was that always your understanding about how it was going to work?

Mr Pittar: It was always our understanding that section 1 would need to be delivered in advance of section 2 because of section 1 having cleared things like environmental approvals and section 2 being delivered later in the construction campaign.

Senator SIEWERT: What happens, for example, if they do not get those approvals for that part from Stock Road?

Mr Pittar: We would expect that they would be able to get those approvals as part of normal project development and pre-construction.

CHAIR: Senator Siewert, you might consider narrowing your closure, because I am going to be quite firm on these time allocations.

Senator SIEWERT: That is fine. Is what you are saying that you do not think what they are doing now is anything different from the proposal that they first brought to you?

Mr Pittar: We always envisaged that the project would have to be delivered in stages and we always envisaged that section 2 would happen after section 1, and that the Western Australian government would have to secure environmental approvals for section 2 before they could commence construction of section 2, and that overall the project comprised of section 1 and 2, and that is what the Australian government funding is directed towards—delivery of both sections.

Senator SIEWERT: Although section 2 has not had approval?

Mr Pittar: Section 2 has not secured environmental approvals at this stage.

Senator SIEWERT: You had not thought about calling the whole project back in and looking at a reassessment of the whole project, rather than doing it in stages?

Mr Pittar: Section 1 had secured the necessary environmental approvals, and there was no sort of impetus or need to do that in relation to section 1. It is not unusual for projects and for proposals to be developed and delivered in a series of sections.

CHAIR: Senator Siewert, this will have to be your last question.

Senator SIEWERT: From your experience, is it unusual for a contract to be signed where there is no ability for it to be ceased or be terminated?

Mr Pittar: I am not in a position to comment about what is and what is not usual in particular contracts.

CHAIR: Thank you, Senator Siewert. Senator Sterle with a question for clarification.

Senator STERLE: We have had the inquiry and the subsequent inquiry in Kwinana. How is it going to get over the river?

Mr Pittar: I think we have covered this—as you are aware through the inquiry—through previous estimates. The project has been assessed as delivering benefits as it is currently configured in both section 1 and section 2.

Senator STERLE: I do not want to go on about it, but I have to. No, we did not cover how it is going to get over the river. We will get to the Stirling Highway with the same set of traffic lights at the Tradewinds Hotel, but I just want to know if a bolt of lightning has come to you guys or the state government about how we get over the river. Or is it just the same old Stirling traffic bridge?

Mr Pittar: I believe—as I have covered at previous estimates—the expectation is that with some reconfiguration of traffic signalisation and some simple minor works at that Stirling Highway end of the project, that the level of service will be sufficient up until about 2026.

Senator STERLE: Thank you, Chair.

CHAIR: Senator Rice, I would urge you to be really compact with your questions if you could. My friendship with Senator Sterle is under some stress.

Senator RICE: Thank you, Chair, and thank you for your good chairing so far.

CHAIR: Wonderful.

Senator RICE: It has been refreshing. I want to generally talk about the issue of investment in public transport that is currently being undertaken by the government. I spoke with Infrastructure Australia earlier about only one of their high priority or priority projects being a public transport project and that this imbalance is not desirable in terms of Infrastructure Australia's infrastructure plan. Could you outline and confirm how much of the government's \$50 billion transport and investment portfolio is going to public transport projects at the moment?

Mr Mrdak: Certainly, Senator. As we have discussed previously, there are a range of rail projects which are part of the current program—we will get you that information and the latest on those. As well, we have discussed previously a number of the major road projects that also include access for bus lanes.

Senator RICE: As we have discussed previously, there are three kilometres of bus lanes on one of those road projects which currently—

Mr Mrdak: As a dedicated bus lane.

Senator RICE: No, that actually has bus services on it. I think the Metropolitan Ring Road project has three kilometres where it has a bus service on it. I do not think you can claim that they are public transport projects.

Mr Mrdak: I think all road projects provide access for public transport. As I said earlier, the majority of users of public transport in Australia are bus users.

Senator RICE: In the interests of not taking up time, can you outline the public transport projects that are being funded under that \$50 billion investment package, other than those road projects, which are only marginal at best.

Mr Mrdak: Certainly, Senator. At the moment, there are a number of major rail projects to which the Australia government has made a contribution: the Forrestfield rail project in Western Australia; the Commonwealth has also proposed a contribution to the Melbourne Metro Rail Project, as well as a contributions to the Sydney Metro project; the Western Sydney Rail Upgrade Program, which is part of the development of the Western Sydney Airport; the Parramatta Light Rail project; and the ACT Capital Metro project. Some of those are being dealt with through asset recycling as well as projects that are under development. On top of this, there is a Flinders Link project in South Australia, which is providing for an extension of the existing Tonsley rail line. And during the election campaign, the government also committed a business case for development of a passenger rail

track from South Geelong to Waurn Ponds in Melbourne, and \$4 million to undertake a study into duplicating and electrifying the Stony Point line from Frankston to Baxter in Melbourne.

Senator RICE: Do you have what those contributions add up to?

Mr Mrdak: A rough estimate would be in the order of \$2.2 billion to \$2.3 billion.

Senator RICE: So \$2.3 billion all up. What time scale are we talking about?

Mr Mrdak: Some of the projects are underway at the moment, such as the Forrestfield rail link in Western Australia. Clearly, the Sydney Metro is in the development phase of stage 2. The Metro Northwest line is under construction and nearing completion. Other projects are in various development stages, including the Melbourne metro.

Senator RICE: What time span is it, then? From 2013 through until forward estimates?

Mr Mrdak: These figures are from 2013-14 through to 2018-19, at this stage.

Senator RICE: So we are looking at seven years.

Mr Mrdak: Of that order.

Senator RICE: So \$2.3 billion over seven years—

Mr Mrdak: The other one I should mention, which has just been drawn to my attention, is, obviously, the Gold Coast light rail project stages 1 and 2. More recently, we saw two weeks ago that the Prime Minister opened the Moreton Bay railway in Brisbane.

Senator RICE: Still, the overall estimated cost to the government, the investment by the federal government, is \$2.3 billion for both—

Mr Mrdak: It is probably more than that. I will take it on notice and give you an exact figure for what the rail estimates have been.

Senator RICE: Let's say \$2.5 billion over six or seven years?

Mr Mrdak: Of that order, and then you have other projects that have recently been completed, such as the Victorian Regional Rail Link, which was also completed—

Senator RICE: Yes, but that is not within this period of time.

Mr Mrdak: Certainly some of the tail end of the project funding was in that 2013-14 year.

Senator RICE: In terms of that \$50 billion investment, the government's \$50 billion transport investment, we are looking at, let's say, \$2½ billion over seven years. So at the moment we are looking at around \$357 million a year. Do you know how that compares? It is a \$50 billion package. We are looking at a very small proportion of it being currently allocated to public transport; it is about five per cent.

Mr Mrdak: We have covered heavy and light rail projects in our discussion. There obviously are other projects in rail and, as I said, major road projects.

Senator RICE: We are looking at about five per cent of that \$50 billion on public transport. I am told that the annual departmental costs are \$402 million for 2016-17, so you are actually spending more money on the departmental costs than you are on public transport for each year.

Mr Mrdak: No, I do not think so. I think the departmental expenditure for this—what year sorry?

Senator RICE: In 2016-17 it was \$402 million.

Mr Mrdak: I have great aspirations to that amount. I do not think it is anything near that. I think our departmental estimate is around \$283 million for this financial year.

Senator RICE: It is \$283 million. Still, it is only then marginally more, at \$357 million, that you are spending actually on public transport projects compared with the departmental costs. Do you think, given the importance that public transport is given in the Infrastructure Australia Plan, that that is an adequate amount for the federal government to be investing in public transport?

Mr Mrdak: Given the projects that are under development around the country, I think that is a substantial contribution by the Commonwealth government.

Senator RICE: Five per cent of your \$50 billion?

Mr Mrdak: Given the list of projects we have just worked our way through, that is—

Senator RICE: Do you think that five per cent of your \$50 billion is adequate, given the priority that the Infrastructure Australia Plan says should be given to public transport?

Mr Mrdak: Given the projects that have been brought forward for Commonwealth contribution, the Commonwealth has made a sizeable contribution to those projects.

Senator RICE: You do not think that there is any need to further incentivise state governments, to encourage state governments, to be investing in public transport further than that? You reckon that five per cent is the appropriate level of investment for the federal government to be having in public transport?

Mr Mrdak: All of the mainland state governments have very large investment programs into their rail systems and the Commonwealth government is providing assistance to those governments.

Senator RICE: In terms of your overall package, you think that that five per cent—

Mr Mrdak: I cannot really comment on that. All I can do is explain what the program is—

CHAIR: He has answered the question in five different ways five different times.

Senator RICE: Moving on to inland rail, another project, can you confirm the amount of money that has been contributed by the federal government into inland rail?

Mr Mrdak: At this point, there is an existing amount in the forward estimates of \$300 million, and in the budget this year the Australian government contributed a further \$594 million through the Australian Rail Track Corporation for inland rail.

Senator RICE: That is a loan, isn't it?

Mr Mrdak: It is an equity injection envisaged to the Australian Rail Track Corporation.

Senator RICE: What does the department expect that the ARTC will be able to do in terms of progressing inland rail with the \$594 million?

Mr Mrdak: That initial amount is to enable the ARTC to complete all of the planning and environmental assessment work as well as to complete the corridor land acquisition required of greenfield sites.

Senator RICE: What is the estimated total cost of inland rail expected to be?

Mr Mrdak: The business case had a total estimated cost of around 9.8—Mr Wood?

Mr Wood: There is a 50 per cent probability that it will come in at \$9.9 billion—the P50 cost. The P90 cost would be slightly more than that.

Senator RICE: You accept that the project is a very significant project, and from my discussion with Infrastructure Australia it is something that really deserves to be fast-tracked, given that significance. Do you think that \$594 million is a sufficient contribution towards the \$9 billion project?

Mr Mrdak: It approximates what we think will be the spending required over the forward estimates, given that the project is yet to get environmental and planning approval and there is a lot of work to be done with jurisdictions in relation to defining the corridor. That is a prudent allocation at this point.

Senator RICE: Do you think that is sufficient to get things moving, to fast-track it? Or are we going to be talking about inland rail for—'Oh well, eventually we might get enough money together, in another 20 years time.'

Mr Mrdak: It is a significant infrastructure program. I think the project implementation design is around an eight- to 10-year program for the project. We are aiming for—and Mr Wood will correct me if I am wrong—the project to be available from around the middle of the next decade, around 2025. So at this stage that money that has been applied will take us through the next stage of project development and land acquisition.

Senator RICE: It sounds like it is on a pretty slow train. So, you would envisage further federal government funding being contributed towards the project on that time scale?

Mr Mrdak: Subject to the work that is now underway on the market testing for private sector involvement, certainly it is envisaged that it would require further budget support beyond the forward estimates to enable the project to be complete, yes.

CHAIR: Before I go to Senator Farrell: Senator Watt, we have an arrangement where the chair gives to Labor, through Senator Sterle, the voting committee member, and then he yields the chair to his Labor colleagues—if you want to liaise there.

Senator FARRELL: Mr Mrdak, I wonder if we can go back to WestConnex. You will recall some questions I was asking in an earlier session. I want to go back to a question that was asked at the May 2016 estimates, following on from a part answer from Mr Foulds from the department. Is he here today?

Mr Mrdak: No, unfortunately Mr Foulds is ill at the moment but he has also moved positions. He is now in our surface transport area.

Senator FARRELL: Is that a promotion?

Mr Mrdak: Yes.

Senator FARRELL: Congratulate him for me.

Mr Mrdak: I will.

Senator FARRELL: Anyway, in his answer he said:

The 2015 WestConnex Updated Strategic Business Case was provided to the Department on 17 November 2015 following its review and endorsement by the NSW Cabinet. The updated business case includes capital costs at the P50 level.

The Department has separately been provided with P90 costs for Stages 2 and 3 of WestConnex.

So, the most recent figures the department has for stages 2 and 3 are both different to those published in the 2015 business case. Is that true?

Mr Mrdak: I have no reason to doubt Mr Foulds's evidence. I will check that, though, to see if anything has changed. But I think that would be an accurate reflection.

Senator FARRELL: Okay. So we will assume that the answer to that is yes. Now, can you explain to us what the P90 cost estimates are that you have currently for stage 1?

Mr Mrdak: Stage 1, which is the M4 widening and extension—I will see whether we have those figures here.

Ms Leeming: I think given the discussion this morning about costs that we should probably come back to you jointly with that answer, along with the IA answer, because I think they are probably intertwined.

Senator FARRELL: Okay. Would you like me to give you all of my questions?

Ms Leeming: Just on costs, because there was some discussion this morning.

Senator FARRELL: I have some more questions on costs.

Mr Mrdak: Perhaps if you would, and we will see how many we can answer immediately, at least today, and get back to you as we can.

Senator FARRELL: My first question: can you give us the P90 cost estimates for stage 1, and then the P90 cost estimates for stage 2, and then the P90 cost estimates for stage 3? And then I suppose you can add all of those up and then give us the P90 costs for the whole of the project, if that is possible.

Mr Mrdak: We will get that for you as fast as we can.

Senator FARRELL: Thank you. You would not like to make a ballpark estimate of what that figure might be, just to help us along in the intervening period?

Mr Mrdak: I think it is best that we do not. I would not want to further muddy the discussion, if I was to get it wrong.

Senator FARRELL: I have some questions related to that. In respect of P90 and P50, at the last estimates Mr Foulds stated at page 139—Ms Leeming: you have taken over from Mr Foulds?

Ms Leeming: I have, just recently, yes.

Senator FARRELL: Senator Rice asked the question of whether a P90 is more robust and stronger than a P50, and the answer was:

It is a standard deviation, effectively. If you have a bigger number, then your project is more likely to fit within that bigger number.

Can you tell us, as a result, what other costs are not included in the \$16.8 billion P50 estimate?

Ms Leeming: I think that goes to the nature of the question that was asked earlier in the day. We will take it on notice.

Senator FARRELL: I understand that. I am just completing all of those questions.

Mr Mrdak: We will get that information. Predominantly it is around the size of the contingency that is provided, but we will go and have a look at what is in that contingent amount and whether it comes around the risk issues for the project.

Senator FARRELL: Thank you. I would like to back to the recent election and ask whether it is correct that the department compiled a log of the government's 2016 election commitments in the infrastructure and transport portfolio.

Mr Mrdak: Yes.

Senator FARRELL: And was that list provided to the incoming Turnbull government?

Mr Mrdak: Yes.

Senator FARRELL: Has it recently been provided as a result of an FOI application?

Mr Mrdak: Yes, it has.

Senator FARRELL: Is the department now aware of the additional coalition election commitments that were not captured in the incoming government brief?

Mr Mrdak: Yes. As you know, after each election there is a process that determines election commitments which we may not have captured fully but which in the future will be funded under either the infrastructure or the regional development program. Yes, we have gone through a reconciliation process. That is yet to be finalised, but we have gone through a reconciliation process.

Senator FARRELL: Can you tell us what is on that list?

Mr Mrdak: I do not think I have the full list here with me. I can take it on notice.

Senator FARRELL: Do you have some of the items?

Mr Mrdak: I do not think I have a full list of the regional commitments.

Ms Zielke: There are hundreds.

Mr Mrdak: Just to clarify for our officers: you are asking for both transport infrastructure investment programs and regional projects.

Senator FARRELL: Correct, all of those. But if there are hundreds, I will not ask you to—just to be clear: there are hundreds of promises which the government made in the course of the election which were not in the incoming government brief. Is that what you are saying?

Mr Mrdak: No, I think Ms Zielke is referring to the total numbers, some hundreds, for projects that were identified in our incoming government brief, as well as some additional ones—as we have done the reconciliation across all portfolios—which have now become the responsibility of this portfolio, which is the process.

Senator FARRELL: Yes, okay. So we are obviously going to have things in two lists: one that you obviously provide to the incoming government and then an additional list of those additional commitments that you became aware of afterwards.

Mr Mrdak: That is correct.

Senator FARRELL: And, in total, they total some hundreds?

Mr Mrdak: That is correct.

Senator FARRELL: And you can now give us, shortly, a total list of all of those commitments.

Mr Mrdak: Yes, I will provide that on notice.

Senator FARRELL: Okay. Do you think you will be able to do it today?

Mr Mrdak: We will endeavour to, but, as I say, the government is yet to finalise the list in the lead-up to the MYEFO, which is the opportunity to finally determine funding, and obviously it is the likes of that process—which is still ongoing. We will endeavour to provide you with what we can today, but with some it may not be possible, pending the consideration of the MYEFO process.

Senator FARRELL: Okay. If we look at the way the incoming government brief was designed and structured, there are announcements made that were subject to a specific brief and others that were not. Is that fair to say?

Mr Mrdak: Yes, we clearly tracked commitments that were made in the government's election documentation, their official election costing, and there are others which we tracked through various media reporting, media statements and the like, which may not have appeared on formal election material in terms of the costings at the end of the day. That is the reconciliation process that has been underway over the last month or so.

Ms Zielke: I will note that there are also some things that have been on our list that ended up not being for our department as well. That is in addition to what Mr Mrdak was talking about. There will be things that should have come off the list as well.

Senator FARRELL: So the list that we will ultimately get will be just your department and everything that has been committed by the government in the whole of that process.

Mr Mrdak: That is correct, for both infrastructure investment and regional projects.

Senator FARRELL: Okay. If you have read about it in the paper as distinct from a formal document—and I assume that for some of them, from what you are saying, that is where you discovered what the promise was—

what, in practice, does it mean if you do not have a specific brief, in terms of how you assess the costs and how you go about implementing whatever the commitment was? What does it mean for the department?

Mr Mrdak: The first stage is that there is a process which is undertaken with the minister—and the ministers are now in their offices—in relation to verifying that certain things on our listing were actual election commitments and not simply media stories that may or may not be accurate. So we would go through that process to verify the list. Then, as Ms Zielke indicates, we go through and work in with other portfolios to ascertain where those commitments best fit under existing programs and whether they should be with our portfolio or elsewhere. That then culminates in decisions by the government in the mid-year economic forecast, which is essentially to allocate funding and necessary offsets within the programs.

Senator FARRELL: Yes. Do you ever get projects which the government committed to in the course of the election which they then come and tell you they are not proceeding with after the election? Are any of them in that category?

Mr Mrdak: Not to my knowledge.

Senator FARRELL: All right. Where you have read about this, as distinct from there being some formal process that has already begun, what type of information will you have about it? Can you give me, perhaps, some concrete examples of something that you have uncovered that the government has promised and just what you might do in terms of finding out what it is that you need to do to meet that election commitment?

Mr Mrdak: We go through a process. Once the lists are established, we then make contact with project proponents by contacting the various elements. In some situations they are state governments, in some situations local governments, in others community groups and the like. We make contact with the project proponents and then seek further information in relation to the project to enable us to complete our assessments. For regional projects, for instance, if it is a commitment to a local council in regional Australia, we will contact that council and get information on the project. That is additional to what the government may hold as part of the election process. Then we undertake an assessment in accordance with the financial legislation to ensure that it meets all the value-for-money tests required.

Senator FARRELL: And if it does not?

Mr Mrdak: We will provide advice to the government in relation to if we find—we go through a process. Some project proposals are much better developed—the proponent has an established business plan, a project proposal or a concept that has been well developed—in which case it is relatively easy for them to provide us with the information about themselves as a proponent, which enables us to undertake the assessment. There have been a number already where we have been through that process and the respective ministers have signed off on those projects and funding agreements have been provided to those proponents. In other situations, where the project may be less developed or the proponent has not been able to provide all the information, we go through a process. That may take some time. For instance, it may take a period—and we are still dealing with some commitments from the 2013 campaign which are yet to go to funding agreements because we are yet to have all of our conditions met in relation to the project.

Senator FARRELL: How many fit into that category?

Mr Mrdak: It is a very small number. I can get that for you. They are—

Senator FARRELL: I would have thought the proponents would be knocking on your door.

Mr Mrdak: Some of them are not. Some of the projects dated from the former government's RDAF program right through to the CDG commitments made by the current government in 2013.

Senator FARRELL: So that government honoured some of those RDAF projects, did it?

Mr Mrdak: The government honoured rounds 4 and 5 of the RDAF commitments made by the former government.

Senator FARRELL: Were any of the projects listed with the wording 'with limited information'? Were any of them recorded with those words added to them?

Mr Mrdak: There would be a number that have them. That reflects the fact that we are often tracking those through election documentation and media articles, which means that we have not had much access to information. Some of the projects would be more known to us because they have been worked up in previous rounds of some of the regional programs and the like.

Senator FARRELL: And some councils might bat up a project that you have already given consideration to on a previous occasion.

Mr Mrdak: That is correct.

Senator FARRELL: You are talking about some projects going back to 2013. You obviously have had some projects in the lead-up to the election. Were any of these projects announced in the caretaker period?

Mr Mrdak: All of the announcements during the caretaker period were election commitments, to my knowledge. I will just check. I do not think there were any projects which had been previously agreed that were announced during the caretaker period.

Senator FARRELL: Mr Mrdak, I am now going to go through a number of projects which fit into the category we have just been discussing. You might be able to tell me, with each of these projects, what discussions the department has had prior to the government's announcements with the relevant state governments in the case of the ones I am going to mention. The first is fixing roads in the seat of Dobell, which was \$12.3 million with the New South Wales Central Coast Council. Can you tell us what discussions the department have had in respect of that?

Mr Mrdak: I am just trying to identify that project. We have a range of projects. I would have to take on notice what discussions we have had with the state government in relation to those. We have a project at Hutton Road, The Entrance North. Those types of projects fit into that area. If I may take on notice what discussions were held with state governments.

Senator FARRELL: All right. I suspect that might be your answer to each of the—

Mr Mrdak: I suspect so.

Senator FARRELL: I will read out the ones that I have an interest in, and perhaps you can come back to me.

Mr Mrdak: Certainly.

Senator FARRELL: The first one is the one I have just mentioned: fixing roads in Dobell for \$12.3 million; the Inverell roundabout at \$1.5 million—if you do happen to have some personal knowledge about these, please speak up.

Mr Mrdak: We certainly will. If I or my officers know of them, I will let you know.

Senator FARRELL: That is obviously with New South Wales and the Inverell Shire Council. The Mount Eliza school parking upgrade—that was \$28,000 from Victoria; a study into the inland rail connection to the Port of Gladstone, \$25,000 from Queensland.

Mr Mrdak: On that one, I can confirm we had not had any discussions with the state government in relation to that.

Senator FARRELL: No discussions?

Mr Mrdak: That is a government initiative.

Senator FARRELL: So the Queensland government has raised it with you, but you have not had any discussions with them?

Mr Mrdak: No, we have had no discussions with Queensland on that proposal. It is a Commonwealth government initiative in the election campaign.

Senator FARRELL: And you would not expect to have any discussion with the Queensland government?

Mr Mrdak: We will subsequently. We have started work on examining that as part of our inland rail analysis. It had not been a part of our discussions on inland rail pre the election.

Senator FARRELL: Where would that go from, to get to the Port of Gladstone?

Mr Mrdak: At the moment, the inland rail runs across the back of Toowoomba, essentially, through the Charlton area. Then, with a new range crossing, the route would go from essentially just north from the connection from the inland rail at Toowoomba, up through that Central Queensland area—Mr Wood might be able to give you some more information—and across, essentially linking the coalfields developments in that area.

Mr Wood: The election commitment was not precise in terms of the study area, so I think that is one of the things the study would do—to identify, firstly, is such a proposal is feasible, but also what are some of the options for it. There has been a proposal in the past to connect the existing Queensland rail network at Wandoan in the Surat Basin to the Central Queensland network near Banana, Biloela, that sort of area. That is an option that may be considered, which is predominantly about that Surat Basin coal traffic and some of the agricultural areas. The media release announcing the election commitment put out by the Deputy Prime Minister also did mention the examination of a coastal route as well, which would potentially be looking at how inland rail connects up to the existing coastal route.

Senator FARRELL: Are you saying that there is a precursor, that you are going to work out what it is that you need to conduct the—

Mr Wood: It would effectively be a feasibility study.

Senator FARRELL: A prefeasibility study.

Mr Wood: We are still working through the details of that.

Senator FARRELL: Will that be in the range of the \$250,000? You will do your prefeasibility, and you will do your \$250,000—

Mr Wood: The \$250,000 study would effectively be a prefeasibility study.

Senator FARRELL: I see. And you look at a range of potential alternatives to achieve this objective of an inland rail to Gladstone?

Mr Wood: The objective was to look at the merits and feasibility of such a project. For such a project to go ahead, this would be the first of several steps. I would say it would be a very significant project, likely in the order of several billion dollars in its own right.

Senator FARRELL: To be clear, this feasibility study will be looking at a range of options to bring about that connection to the Port of Gladstone?

Mr Wood: That was implied in the Prime Minister's media release that was put out during the election campaign. We are still settling the final details of that study with the government. We would anticipate that that would commence later this year.

Senator FARRELL: So it was not entirely clear what it was that the Deputy Prime Minister was referring to.

Mr Wood: I think it is clear it is study to look at the option of extending inland rail to Gladstone.

Senator FARRELL: Don't be embarrassed. He is often not clear about some of the things he says, so this would not be an exception. The other two I want to refer to are the Mayo road upgrades of \$1.2 million. Do you have anything on that?

Mr Mrdak: No, I will get that information for you.

Senator FARRELL: And the Saltwater Bridge upgrade, for \$80,000, in Tasmania.

Mr Mrdak: Again, we will take that on notice.

Senator FARRELL: In respect of all of those, can I get confirmation that these announcements will actually be made under the Infrastructure Investment Program?

Mr Mrdak: Yes, they will be funded under the Infrastructure Investment Program.

Senator FARRELL: I think you have indicated that you are in the process of collecting more information about all of these projects.

Mr Mrdak: That is correct. The ministers have written to their state counterparts in relation to the infrastructure projects, seeking their agreement to add these to the National Partnership schedule, and seeking further information on them.

Senator FARRELL: Will there be a due diligence process now that you have all of these projects?

Mr Mrdak: Yes. We are awaiting advice either from the councils or state governments in relation to these. We will be looking to ascertain final project costs and delivery schedules, which will enable us to provide advice to the government on the projects.

Ms Wall: If I could just add, the Mt Eliza parking and student safety improvement program will not be delivered under the Infrastructure Investment Program. That will be delivered under the Community Development Grants Program. It is not a land transport project.

Senator FARRELL: Can you go through that again.

Ms Wall: The secretary just said Mt Eliza parking would be delivered under the investment program but it will actually be delivered under the Community Development Grants Program.

Senator BACK: Regarding the investment program, I take you to page 131 of *Budget Paper No. 2*, focusing particularly on \$2.9 billion in new investments. Can you outline what projects are focused on or targeted under this new funding?

Mr Thomann: The \$2.9 billion announced in the budget will provide \$1.5 billion from new projects in Victoria, to be funded on a matching basis with the Victorian government. It will include \$350 million for the M80, \$220 million for the Murray Basin freight rail upgrade, \$100 million for the Monash Freeway, \$345 million

for the rural and regional highway package, and \$75 million for urban congestion. It includes \$260.8 million for the tunnel section of stage 2 of the Perth rail link, which brings the total government commitment to \$1.2 billion. It includes \$200 million for the Ipswich Motorway and \$50 million to allow the Commonwealth to assist in the preparation of project business cases with states and territories. Importantly, this also includes extension of the successful infrastructure subprograms into 2019-20, with a further investment of \$920 million in that year for the Roads to Recovery black spots, Heavy Vehicle Safety and Productivity Program and the Bridges Renewal Program.

Senator BACK: That is out to 2019-20?

Mr Thomann: That includes the 2019-20 figure.

Senator BACK: \$900 million?

Mr Thomann: \$920 million.

Senator BACK: Stay with this \$50 million for the moment. Page 131 referred to the \$50 million:

... to allow the Commonwealth to adopt a more active role in preparing project and business cases with the states and territories ...

Who does the money go to?

Mr Thomann: The idea is that this money is available to enable the Commonwealth to support the development of business cases.

Senator BACK: By whom?

Mr Thomann: By state and territory governments.

Senator BACK: Are they deficient now in their capacity to do this?

Mr Thomann: The intention is for the Commonwealth government to be able to get more involved in the business case development stage of project development, rather than being just recipients of state and territory government plans. The idea is that with a little bit of an investment, projects of particular merit and with outcomes that meet Commonwealth policy objectives can be fast-tracked if you like. The Commonwealth can also have a stake in the role of the development of those business cases, to ensure that the Commonwealth's policy interests are also taken into account when working through the details of major projects.

Senator BACK: Is that \$50 million targeted for expenditure in 2016-17?

Mr Thomann: It is profiled over a couple of years. From memory I think it is profiled over three years. I think it is expenditure over three or four years—over the forward estimates.

Senator BACK: Going to your portfolio budget statement No. 113, I am interested in the performance criteria for outcome one on page 25. What I would like to know, and what I am sure the committee would be very keen to know, is how the department ensures the Commonwealth is getting value for our money for investment and how you ensure project delivery milestones are being achieved? And could you give us some examples so that we can take it from the abstract to the actual?

Mr Thomann: I think we have been discussing this a lot this morning. There are a number of steps in place. For major projects, Infrastructure Australia plays a major role in assessing the cost-benefit of projects, and that is important.

Senator BACK: You were saying earlier that you do not really have the capacity to challenge a state. If it has a 1.7 or 2.1 multiplier you can make your mind up whether you agree with it but you do not have the practice or the capacity to go back and argue with them. Am I right in that understanding?

Mr Mrdak: Not without access to a lot of the data and the assumptions. We can certainly remodel some of that. But as we were discussing earlier today, in agreeing to a project the Commonwealth develops project milestones. Our payments are dependent on achieving those milestones. That is our primary check to make sure that value for money is being achieved. Firstly, we look at the time the project proposal report is received and we make an assessment as to whether that is essentially within the cost estimates, to see what the scope of the project is that we are actually going to see delivered. Because, as you know, often you can fit within project budgets by de-scoping aspects of a project. So we want to make sure the Commonwealth is getting essentially what it has committed to funding. Then, through the project life, we receive reports from each of the jurisdictions and we hold regular meetings with each jurisdiction and include site visits to make sure that the projects are being delivered. Payments are made only on achievement of those milestones.

Senator BACK: So, no advance payments are normally made? Payments would be made on a progressive basis based on achieving milestones, and then a payment is made—

Mr Mrdak: Wherever possible that is right. Governments sometimes make decisions to make prepayments, but we certainly do advise against that in most cases, unless it is clear that there is an advantage to a prepayment by enabling state to better bundle up a project, and that has been the case in some projects. But normally we make sure we have delivery milestones being met before we make any progress payments on a project.

Senator BACK: In the case of a project that blows out, upon whom does the added cost rest: the state that proposed it and put the case up to the Commonwealth, or is it shared, or is it the Commonwealth?

Mr Mrdak: Generally, in National Partnership agreements we set a contribution amount and for any cost overruns over and above that the state bears the cost of that in terms of the project delivery.

Senator BACK: So that is a dollar figure rather than a percentage figure?

Mr Mrdak: That is correct. Generally, over the last two National Partnership agreements with the states we have tended to make our contributions a dollar amount. It may represent a percentage of the project proposal, but essentially the jurisdictions are responsible for that. Similarly, if there are savings, then we have provisions in the National Partnership agreements that enable the money, with the Commonwealth's agreement, to be applied to other projects within the jurisdiction. So we try to provide some incentives for cost savings to be made, because they can then be used to fund other projects within that jurisdiction, as a first call.

Senator BACK: I just have a couple of questions on the Stronger Communities Program. How does the Stronger Communities Program support local communities, and what kinds of community investments do you envisage being supported under this program?

Mr Mrdak: I will get Ms Wall to give you a picture of it. Essentially, as you know, this was a \$45 million two-year program that is providing up to \$150,000 to every member of the House of Representatives for their electorates. It provided a range of projects that could be funded through that. That range from grants of as small as \$5,000 right through to \$20,000 per project. Ms Wall will be able to give you a snapshot of the type of projects—

Senator BACK: Just before she does, is there any explanation as to why this sum of money was allocated to the 150 members of the House of Representatives and not to the 76 senators?

Mr Mrdak: I think that is a matter that would have to be taken up with the government. In particular, this was an initiative of the former Prime Minister.

Ms Wall: Over 3,300 projects have been approved under the Stronger Communities Program. This program has supported upgrades to local sporting facilities, community calls, hubs, playgrounds and mensheds. The program has supported organisations such as Meals on Wheels, Rotary Club, Neighbourhood Houses, emergency services, rural fire brigades, scouts and guides and many sporting groups.

Senator BACK: In 2015-16 how much of the \$22.25 million was spent?

Ms Wall: Under round 1, which was 2015-16, \$19.34 million of funding was approved under the program.

Senator BACK: And then we have the balance up to the 45 million?

Ms Wall: No, in one year it is \$22.5 million, so that is an underspend of \$3.2 million.

Senator STERLE: You said \$19.34 million, but then you said \$22.5 million.

Ms Wall: It is \$45 million over two years. \$19.34 million was round 1, in 2015-16, and round 2 is \$18.14 million, therefore an underspend of—

Senator STERLE: \$22 million and \$18 million.

Ms Wall: \$18 million was approved, so therefore it is an underspend of \$4.4 million, taking it away from the \$22 million.

Senator STERLE: That is in one year. What was other year?

Ms Wall: Round 1, which was 2015-16, was \$19.34 million. That was the approved project amount.

Senator BACK: What mechanism did you use to make sure—I am sure all 150 of our colleagues from the other place are excellent in this regard—that the \$19.34 million was in fact expended according to the guidelines?

Ms Wall: The department undertook an assessment process for each and every project—we have not as yet as a number of the projects have not been completed as yet, but we will undertake a compliance program.

Senator BACK: Is it a delayed payment process? Do the applicants get the money only when someone is satisfied that the project has been completed?

Ms Wall: Given the dollar amount, it is advance payments.

Proceedings suspended from 13:15 to 14:15

Senator BACK: This is the last question I have in the Stronger Communities Program area. Can someone summarise for me the eligibility requirements for the Stronger Communities Program?

Ms Wall: To be eligible for funding, an applicant must be a not-for-profit organisation or a local governing body. It must be a legal entity with a current ABN. In project eligibility, it must be for a capital purchase or activity and it must improve the local community participation and cohesiveness.

Senator BACK: What are the amounts of money involved?

Ms Wall: The \$5,000 to \$20,000, with matching funding—

Senator BACK: Can that be the full funding of the project?

Ms Wall: No, there needs to be matching funding, matching cash or in kind.

Senator BACK: I will move on to inland rail. I refer you to page 171 of Budget Paper No. 2, where mention is made of just under \$594 million in additional equity to be provided to the Australian Rail Track Corporation Limited. Is this the same project that we have also heard a private sector group has a proposal to government that they could fund a high-speed inland rail project without cost to government or am I talking about different things?

Mr Mrdak: It is a similar project. The proposal by the National Trunk Rail, which I think you are referring to, is not at no cost to government. They certainly do make clear that they will require a contribution by government. Their view is that their contribution maybe less than what is required under the Australian Rail Track Corporation proposal. That is currently being tested through a market testing process that the Department of Finance and ourselves are running just to see what the appetite is for private sector investment in inland rail and how best that is done. Separate to that, as you rightly say, there is the budget allocation of \$593.7 million along with the existing allocation in the budget for funding for inland rail, which was an election commitment from the previous election. We are now progressing to the detailed planning, environmental assessment and land acquisition in the corridor to at least get the project to the next stage of development.

Senator BACK: Is that where some of this \$594 million is being expended?

Mr Mrdak: I will get Mr Wood to take you through it, but essentially we anticipate that much of that will be expended on land acquisition on the greenfield section of the route.

Senator BACK: Is there a fair chance that we might use the same gauge, do you think, between Victoria, New South Wales and Queensland? I only say that as a Western Australian looking across the Nullarbor.

Mr Mrdak: The intention is that this will be a standard gauge rail project.

Senator BACK: I was only being flippant and facetious, as you know.

Mr Mrdak: It does make a difference. There will be sections in Queensland which will be dual gauge to enable operation.

Mr Wood: I think Mr Mrdak has covered most of your question. The \$593.7 million is expected to be sufficient to acquire the full alignment—all of the land property purchases along the alignment that will be required for the project.

Senator BACK: Between where and where?

Mr Wood: Between Melbourne and Brisbane on the alignment that is being proposed by the ARTC. Approximately 60 per cent of that alignment is on the existing network owned by the ARTC. The \$500 million would be sufficient to buy the properties required for the balance of the project and for some minor amendments on the existing part of the alignment. There would also be a contribution towards the remainder of the planning processes required. Obviously for a project of this nature there are very significant engineering studies required to support it, some of which have been done and some of which the ARTC is currently in the market for. There is also the ongoing environmental and planning assessment process—consultation and those sorts of things.

Senator BACK: Can you share with the committee what ARTC believe will be the economic benefits for, firstly, our capital cities and, secondly and equally importantly, regional Australia? I should say 'regional eastern Australia'

Mr Wood: The business case for Inland Rail that was produced by the ARTC and overseen by the government's implementation group last year identified around \$22 billion worth of economic benefits from Inland Rail. Around 60 per cent of those benefits flow from improved transport times—effectively quicker transport and greater transport utilisation on rail will drive down the costs of transport and eventually flow into the economy in reduced shipping costs and so on. There are also significant benefits to the broader economy through congestion and environmental externalities.

Senator BACK: Are we planning for the rail going through only existing regional towns and cities, or are we looking at the possible creation of new satellite towns and cities in the future?

Mr Wood: Inland Rail is predominantly a freight railway. It is not anticipated that you would see new towns created. You would certainly expect to see changes in economic activity focused around some of the hubs on Inland Rail. But it is a freight project not a passenger project.

Senator BACK: It is not a high-speed rail project?

Mr Wood: It is certainly higher speed than we have for existing rail freight.

Senator BACK: We are not looking at an Australian version of the TGV or the bullet train?

Mr Wood: No, it will be aimed predominantly at doing double-stacked container traffic. It will also carry agricultural produce and coal from the Surat Basin. But it is not a passenger service.

Mr Mrdak: It is designed around a reference speed of—Mr Wood will correct me if I am wrong—about 110 kilometres per hour at about a 23-tonne axle weight.

Mr Wood: There is a detailed service specification which I can give to the committee.

Mr Mrdak: It is certainly much faster than existing rail transport.

Senator BACK: But the other project to which I referred when I asked you the question—is that also directed at a faster freight service or is that directed at a high-speed passenger service?

Mr Mrdak: It is also a freight service. It follows a different suggested alignment, particularly in Victoria, but it is also geared towards the national freight market.

Senator BACK: Going back to budget paper 2, page 171: the provision of \$3.8 million for market testing to examine opportunities. Is that the contribution that you were referring to earlier?

Mr Mrdak: That is to fund the work being undertaken by the Department of Finance to look at market testing. So they are looking at private-sector interest and what is the optimal way for the private sector to invest in inland rail.

Senator BACK: I want to move to road safety. If you can go again to budget paper 2, pages 131 and 132, these are subprograms of Infrastructure Investment. Can you explain please where that expenditure is being allocated for improving road safety across Australia?

Mr Mrdak: That is a decision by the government to continue, as Mr Taylor mentioned earlier, four major programs into the forward estimates and beyond.

Senator BACK: For?

Mr Mrdak: The four major programs are Roads to Recovery, which has been very successful for many years.

Senator BACK: The \$920 million-odd, yes

Mr Mrdak: That \$920 million includes the annual contribution to Roads to Recovery. It also involves the Black Spot Program, which is \$60 million per year, and also the Heavy Vehicle Safety and Productivity Program and the Bridges Renewal Program. So, those four programs in together are \$920 million per annum going forward.

Senator BACK: Nobody should underestimate the value to all local governments in Australia of Roads to Recovery. It is a great bipartisan program.

Mr Mrdak: Similarly, Black Spots has been a very successful program in dealing with high accident—

Senator BACK: Who selects the spots, Mr Mrdak? Are they generated federally, or at local government or state government level?

Mr Mrdak: It is both. Local and state government bring forward proposals based on the crash history of a particular location. That assessment is undertaken by the state governments and then there are state assessment panels which essentially look at that advice from the state and local authorities, and which then prioritise the investment in each jurisdiction. The minister has recently announced the chairs of each of those committees, which are government members

Senator ABETZ: Senator Duniam is the Tasmanian chair, and he is doing a very good job.

Mr Mrdak: That is correct?

Senator BACK: Finally: table 1.2 on page 18 of your portfolio budget statement shows \$4 million movement of funds marked against the Road Safety Remuneration Tribunal. Can you please tell us what the allocation fate of that \$4 million is?

Mr Mrdak: That is, essentially, to support further enforcement and compliance work by the National Heavy Vehicle Regulator. I will ask Ms Zielke to take you through a number of steps involved in that program.

Ms Zielke: The funding was provided through the closure of the Road Safety Remuneration Tribunal. That funding is being provided to the National Heavy Vehicle Regulator, and is available over the next three years. The funding will be used for a range of activities, from improvements to the current camera network that is used to monitor trucks around the country—at the moment the particular focus is on the eastern seaboard—to other activities in relation to working more consistently across all of the states and territories in relation to their roadside activities in checking trucks.

Senator STERLE: I will put you on notice, Ms Zielke: can you tell us what these roadside activities will be? Truckies can get filmed more often than they are now, I suppose, but you will be able to defend that. We will see how the truckies like that, shall we?

Senator FARRELL: Mr Mrdak, can I turn your attention to the great state of Victoria? Is the department aware of the statement by the Prime Minister on 8 April, which I think has subsequently been repeated, that \$3 billion in Commonwealth funds would remain in, to use his words, 'a locked box', to be accessed whenever the Victorian government wants to build the East West Link. Are you familiar with that?

Mr Mrdak: Yes. The government has made a commitment that should the East West Link project be brought back then a contribution of \$3 billion would be available from the Commonwealth, and that has been provided for as a budget contingency.

Senator FARRELL: It is not very fair to the people of Victoria, though, is it? Their portion of funding, to quote the Prime Minister, is in a 'locked box'.

Senator ABETZ: I disagree.

Senator FARRELL: Do you? I am not asking you the question, Senator. Would you mind the witness—

Senator ABETZ: It is not fair to ask officials about those sorts of things, as you well know.

CHAIR: I was distracted. Could you repeat the question.

Senator FARRELL: I was simply asking the secretary to comment on the fact that it is unfair for the people of Victoria to have their \$3 billion worth of funding in Mr Turnbull's locked box.

CHAIR: The question is seeking an opinion from Mr Mrdak, which we all know is excluded from the process. Do you want to consider rephrasing it in some other way, to extract the information you want?

Senator FARRELL: I will.

Senator STERLE: While Senator Farrell is rephrasing his question, can I table this document—Infrastructure Investment Program total commitments to 2019-20.

CHAIR: Yes, we will have copies made for the committee members and for the officers at the table.

Senator FARRELL: Secretary, I will put it another way: Victoria has roughly 25 per cent of the Australian population and it is getting only nine per cent of federal government infrastructure funding under this government. Is that correct?

Mr Mrdak: No.

Senator FARRELL: What is the figure then?

Mr Mrdak: Federal infrastructure dollars are not allocated on a proportion based on population; it is done on a project basis. The current program in Victoria, which is \$6.7 billion between 2013-14 to 2019-20, equates to 14 per cent of the Commonwealth infrastructure investment over the period of the program.

Senator FARRELL: All right. It is higher than the nine per cent I referred to, but still well short of the percentage of the population in Victoria.

Mr Mrdak: As I said, the program is not allocated on a per-head basis. It is done on a project basis.

Senator ABETZ: Have you done analysis on submarines?

Senator FARRELL: We will come to the submarines tomorrow, and that will be a fascinating exercise. Secretary, let us be clear about this: you are saying that Victoria, with roughly 25 per cent of the Australian population, is only receiving 14 per cent of this government's infrastructure spend.

Mr Mrdak: With the current commitments that have been agreed with the state of Victoria, clearly—

Senator FARRELL: What else can we talk about?

Mr Mrdak: the government has made provision. You mentioned earlier the additional \$3 billion for the East West Link project. Should that proceed, that would also change the equation for funding for Victoria.

Senator FARRELL: Let us assume that Mr Turnbull unlocked that locked box and we got the \$3 billion out. About how many jobs do you think would be created with an infrastructure spend of that size?

Mr Mrdak: Of that quantum?

Senator FARRELL: Yes. Mr Turnbull has a change of heart. He gets his key out and unlocks the box. We have the \$3 billion. How many Victorian jobs will that create?

Mr Mrdak: I would have to get some advice. It is very much as we were discussing earlier—the impact of individual projects depends on the scale and the nature of the project. I can certainly seek some advice about how many jobs were proposed under the East West Link project and others.

Senator FARRELL: I guess from time to time the numbers could be slightly different, but I am just asking for a ballpark figure.

Mr Mrdak: I am happy to get some figures for you.

Senator FARRELL: Okay, thank you. I think it is also fair to say, Secretary, that Victoria is the fastest growing state in the country. Is that a fair statement?

Mr Mrdak: Melbourne certainly has the fastest rate of population growth of any centre in Australia at the moment, yes.

Senator FARRELL: That is more accurate than what I said, I think: Melbourne is the fastest growing. You would expect their needs therefore to be greater than the other capital cities.

Mr Mrdak: Certainly Melbourne has significant infrastructure issues, as do a number of our major centres—yes.

Senator FARRELL: I refer to the coalition's official spending document from the 2016 election. That information I asked you for before lunch—have you managed to garner any of that?

Mr Mrdak: Yes, we have—in relation to the 2015 spending?

Senator FARRELL: Yes.

Mr Mrdak: We did provide that answer, I think in your absence, so I refer you to the *Hansard*. A copy has been or will be circulated to the committee.

Senator FARRELL: Thank you. I draw your attention to attachment A, 'New infrastructure investment program announcements', on the third-last page.

Senator STERLE: The election commitments.

CHAIR: For the purposes of Hansard I want to identify the document that has been tabled

Senator STERLE: It is 'Infrastructure investment program announcements'.

Senator FARRELL: Mr Mrdak, have you got the document I am referring to?

Mr Mrdak: I have.

Senator FARRELL: There is a list of 80 announcements totalling \$859 million. Is that correct?

Mr Mrdak: That is correct.

Senator FARRELL: Can you tell me how many are in Victoria?

Mr Mrdak: I can do that. I will refer to my list, which should line up with that document, I think. Would you like me to read them out?

Senator FARRELL: Can you just identify the ones that are in Victoria?

Mr Mrdak: From my list—I am working from the department's list of projects for Victoria—there is funding for the Echuca-Moama bridge; South Gippsland Highway upgrade; Princes Highway West, Colac; Murray Valley Highway—

Senator STERLE: Were these the projects that were announced in the election, or are these ones already under way, or—

Mr Mrdak: My understanding is that they were election commitments. If you want me to work from the list in the attachment, I probably need to take that away for a moment, if that is all right. The list I am working from includes the current Victorian programs. So if you give me a moment to have one of my team go through the list—

Senator FARRELL: Yes.

Ms Leeming: I can answer the question. There are 35 election commitments for Victoria for transport infrastructure, totalling \$387.1 million.

Senator STERLE: Can we have a copy of that?

Ms Leeming: It should be in the list.

Mr Mrdak: But certainly we can give you a Victorian list, yes.

Senator STERLE: You may not have seen it but in today's *Herald-Sun*—I should get a copy and table it for you but I think you trust me, Mr Mrdak; I am not going to make anything up—there is an article by Annika Smethurst that talks about the federal government being unlikely to help fund the Western Distributor. As we know, there was a political blue. The Andrews government got in and said they were not going to build the East West Link and all that sort of stuff, and there is the \$3 billion that is locked away—that is not accessible to the Victorian government. Could you tell us, Mr Mrdak, why the federal government does not want to invest or assist Victoria in its Western Distributor project?

Mr Mrdak: At this point the Victorian government has indicated that it is fully funding the Western Distributor through its proposed arrangements with the Transurban company. Transurban put an unsolicited bid proposal to the Victorian government. That is now, as I understand it, in stage four of a five-step process. My understanding is that at this point the Victorian government has announced that it is fully funding the Western Distributor project without Commonwealth assistance.

Senator STERLE: The whole lot?

Mr Mrdak: As I was outlining earlier, the whole project is through a combination of new and existing tolls, through an extension of the concession to CityLink in Melbourne and also through a state government contribution.

Senator STERLE: Regarding the Transurban project, what is the difference between Transurban and the Western Distributor?

Mr Mrdak: Transurban is the private company that operates a number of toll road concessions in Australia. The Western Distributor is the project which involves, essentially, the widening of the existing West Gate Freeway, a new connection, a new tunnel and a crossing of the Maribyrnong River, and a new access to the Port of Melbourne.

Senator STERLE: Where does Monash come into it?

Mr Mrdak: Also, as part of this arrangement with the Transurban company, Victoria has arranged for a widening of this section of the Monash Freeway, which will be done as part of the financial arrangements for the Western Distributor Project. Victoria has chosen to bring together the widening of sections of the Monash and the new sections of the Western Distributor, which are west of the West Gate Bridge, essentially, into a project called the Western Distributor Project.

Senator STERLE: So they are happy to do the \$5.5 million or something—

Mr Mrdak: It is something of that order.

Senator STERLE: and they do not want any federal money?

Mr Mrdak: I think the Victorian position is that they would welcome federal funding but at this stage they have fully funded the project, or are proposing to, through the arrangements they are proposing with Transurban.

Senator STERLE: Okay, but why won't the federal government come in? Is it just because the Victorians have said they will do it themselves?

Mr Mrdak: It is a project which was put to the federal government, and we are considering our examination of the business case for the project.

Senator STERLE: So the Western Distributor Project was put to the federal government through Infrastructure Australia?

Mr Mrdak: To Infrastructure Australia and also to us. A business case was provided in November last year. We have been analysing that business case and discussing that with the Victorian officials. At this point in time there are a number of issues we still have not resolved, but Victoria has advised it will be funding the Western Distributor.

Senator STERLE: With or without you?

Mr Mrdak: Without the Commonwealth.

Senator STERLE: Without the feds. Is that because they said they want some assistance? I am not putting words in their mouth, but obviously they can direct money to other projects. Is it the case that they said they would fund it themselves because the feds would not give any money?

Mr Mrdak: At this stage the federal government has not ruled out funding the Western Distributor. We have raised with Victoria alternative financing models for the Western Distributor Project. Victoria has advised us that they are proceeding to fund the project, should it proceed to the final stage with Transurban, through a variety of funding and financing mechanisms they have developed with Transurban.

Senator STERLE: I am only reading the newspaper article, but it clearly says here 'the Department of Infrastructure and Regional Development has assessed the business case'. It then goes on further to say 'but the road may not deal with congestion'.

Mr Mrdak: As I said earlier in my answer to Senator Rice, we retain some questions about the project in terms of whether it can meet the long-term east-west flow needs of that corridor in Melbourne. We put a series of questions around that to the Victorian government but at this stage they are proceeding with the project without Commonwealth assistance.

Senator STERLE: Chair, I am not pretending I have a crystal ball, but if they go off and build it they can kiss goodbye to any help from the Commonwealth anyway.

Mr Mrdak: The Commonwealth has other projects that it is funding in Victoria at the moment.

Senator STERLE: Have your people been able to look at that list of infrastructure announcements made during the election, Mr Mrdak?

Mr Mrdak: We have someone looking at that at the moment.

Senator STERLE: Have you been able to get the committee a copy of the Victorian funding announcements made during the election that we have not got?

Ms Zielke: We were trying to do the comparison with the table that you provided. If you would like just a list of what we have by way of the Victorian election—

Senator STERLE: No. The Victorian election?

Mr Mrdak: The Commonwealth election in Victoria.

Senator STERLE: Yes, the recent federal election. In case there is any confusion, I have asked that the committee have a copy of that as well, please.

CHAIR: Senator Whish-Wilson.

Senator WHISH-WILSON: Could you confirm how much has been paid out under the extension to the Tasmanian Freight Equalisation Scheme?

Mr Mrdak: That is in our Surface Transport Policy Division. We do not have the officers here who deal with the Tasmanian freight program—they are on later in the agenda. Surface transport looks after our transport freight equalisation scheme, and the Bass Strait vehicle subsidy scheme is also in that surface transport area.

Senator WHISH-WILSON: More specifically then, around the policy implications of this: if the amount that has been paid out is significantly under what had been budgeted for—so there is a gap there and it has not been utilised, essentially—would that money be potentially available to be hypothecated to other funding for infrastructure in Tasmania?

Mr Mrdak: It traditionally has not. It is an on-demand program, so the expenditure follows the demand profile. Generally, where the actual has been under the estimates it has been returned to the budget, essentially.

Senator WHISH-WILSON: Has that been the case historically?

Mr Mrdak: Yes, it has.

Senator WHISH-WILSON: Could I get, on notice, how often or how significant that has been in the past—just over a short period of time; say, five years?

Mr Mrdak: Yes, the last five or ten years.

Ms Zielke: Of course, if the funding is above what has been expected, additional moneys are provided as well. It works both ways, because it is a demand-driven program.

Senator WHISH-WILSON: But I can find out later, from surface transport, what the exact amount that has been allocated is?

Mr Mrdak: Yes, we will have officers ready to do that.

Senator LAMBIE: I would like to table a letter so that I can ask some questions about it.

CHAIR: Senator Lambie is tabling a letter from the Hon. Greg Hunt MP dated 4 October.

Senator LAMBIE: I want to thank Minister Hunt for his time with me since I have been up here—he has been great. I just want to clarify a few things, Mr Mrdak. Firstly, we have \$25 million in the third paragraph there. If we go down further, we have \$24 million. I want to know whether this is the same allocated money or whether it is different money.

Mr Mrdak: The \$25 million is a new funding commitment from the government for the Regional Jobs and Investment Package. That is new money.

Senator WHISH-WILSON: Is that \$25 million of the \$200 million allocated?

Mr Mrdak: That is right.

Senator LAMBIE: So, then, down the bottom, is that another \$24 million coming out of that \$200 million? I am just trying to get my head across it.

Mr Mrdak: They are separate. The reference to the \$24 million is within the industry portfolio in relation to business investment programs that they operate. They are two separate amounts. The \$25 million in paragraph 3 is from this portfolio, which Minister Nash has responsibility for. The \$24 million is with the industry portfolio, I think.

Senator LAMBIE: So you will not be able to answer questions on that?

Mr Mrdak: No, I am sorry. We deal with some of the Tasmanian jobs program, in terms of regional infrastructure in particular, but in terms of business support programs, that is with the industry portfolio.

Senator LAMBIE: While I have you, Mr Mrdak, let's go to this \$25 million. Has any of that money been spent yet?

Mr Mrdak: No. It was a commitment in the election for a new program. That program is over the next three years. The guidelines and the establishment of that program are yet to be finalised and announced by the government.

Senator LAMBIE: That is what we are going to allocate, but we have no guidelines or anything. That is all I need to know. That is where we are at.

Mr Mrdak: There is work now underway within the government to determine how that program will operate, how best local community engagement takes place and what the guidelines will be.

Senator WHISH-WILSON: Do we ask you or the Clean Energy Finance Corporation questions on whether you are assessing applications for funding for a second Basslink?

Mr Mrdak: We do not deal with clean energy finance.

Senator WHISH-WILSON: So you are not involved with that as an infrastructure project at all?

Mr Mrdak: No.

Senator POLLEY: Are you saying that this package of \$25 million will be available for the next three years? When will applications be opened?

Mr Mrdak: That is yet to be settled. We are currently in the process of planning how this will be operationalised, including what local participation there will be in helping us to design the guidelines for how the program will operate.

Senator POLLEY: Is there a time line for this? At the last estimates I asked a time line question, not here but in another committee. They said 'in the fullness of time', and they made the announcement the next day. It was you, Senator Nash. Is that likely to happen? Will we have that information prior to Christmas? Will applications for funding be called before Christmas this year? That would be six months after the election.

Ms Zielke: In relation to the regional jobs and investment packages, there are currently nine regions that have been announced by government as part of that commitment. The regions are Cairns in Queensland, Wide Bay Burnett in Queensland, Bowen Basin, et cetera.

Senator POLLEY: I am well aware of that. I am really only interested in Tasmania.

Ms Zielke: Where we are at at the moment is that guidelines are being worked on. However, the activities in relation to each of those regions will commence shortly. The commitment is to make sure that we have interaction with the communities in each of those regions in relation to what is needed for each of those areas. We might find that some of those areas have already developed significant plans in relation to what sort of activities they need to make sure that they are as economically viable and sustainable et cetera as possible, in relation to various

activities that are going on in their regions; then utilising those plans, or undertaking planning if it is needed, to then be able to consider what projects might be put forward against the various grant streams that will be available under the program.

Senator POLLEY: That still does not answer the question. Will this be done by application for grants and will that process open before Christmas? Or is this just going to be the government picking the projects that it wants, rather than a competitive process?

Ms Zielke: The grant guidelines are yet to be finalised, but it is expected that there will be a competitive process in relation to the grants. The key focus is that this is about doing what is needed in those particular areas, not about people trying to tell those areas what it is that they need.

Senator POLLEY: Which department will have responsibility for administering these packages?

Ms Zielke: This department.

Senator POLLEY: They will come here. Will the funding be open to businesses in Hobart? Is this process open only to businesses in Hobart or Launceston or Devonport or Burnie, or is this going to be open to all regions?

Ms Zielke: The boundaries for each of the regions are yet to be finalised and announced. Until such time as they have been finalised, I am afraid I cannot answer that question.

Senator POLLEY: It will not be done on a marginal seat basis?

Ms Zielke: The regions will be chosen based on, I expect, ABS data.

Senator POLLEY: It is a Liberal government area.

Senator WHISH-WILSON: Ms Zielke, earlier on, you indicated—

CHAIR: Just one second, Senator Whish-Wilson. You do not have the call.

Senator POLLEY: I have finished that, thank you.

Senator WHISH-WILSON: Point of clarification, Chair.

CHAIR: Yes, one point.

Senator WHISH-WILSON: Mr Mrdak, you indicated earlier—and this is in relation to Senator Lambie's question about industry funding—that they were questions for the industry portfolio. This is business as well as infrastructure financing, what we are talking about here. Why is it that you are giving money to running the business side of this program not just the infrastructure side? I am a bit confused.

Mr Mrdak: My answer to Senator Lambie was in relation to an existing program, which I think was being referred to in the letter. In relation to our involvement, it is around regional development. It is stimulating jobs and economic activity in regional areas. That is the fundamental role of this program. While boundaries are yet to be settled for Tasmania, that remains why it is being operated through this portfolio.

Senator WHISH-WILSON: So you are managing what was previously the TFA—Tasmanian Forestry Agreement—money; the \$100,000,000 under the Labor/Green government?

Mr Mrdak: No.

Senator WHISH-WILSON: That has not been repackaged into something else now?

Mr Mrdak: Not to my knowledge. We have not had any involvement with that program.

Senator WHISH-WILSON: That is regional development as well.

Mr Mrdak: It has largely been run out of the agriculture and environment portfolios.

Senator WHISH-WILSON: Macquarie House project; does that ring a bell for you in Launceston? That is an infrastructure project.

Mr Mrdak: No.

Senator WHISH-WILSON: It sounds like there is lots of crossover between—

Mr Mrdak: There are, which is why we always try and settle the boundaries of these. Anything to do with the Tasmanian Forest Agreement has not been with this portfolio.

Senator WHISH-WILSON: Interesting. Thank you.

CHAIR: Senator Lambie, you have a qualifying question.

Senator LAMBIE: I want to go back to Minister Hunt's letter: 'The project may be able to access support through the Australian government's \$200 million Regional Jobs and Investment Package, and the package aims

to grow sustainable quality employment in regional Australia. Following the local planning process, regional Tasmania will have access to \$25 million across three streams.' That is the business innovation grants, local infrastructure projects and schools and training programs. When you decide where you are going, and where this money is going in Tasmania, is this where Norske Skog can go after the money that they are looking for—the \$960,000 that they are looking at for their investment? I am trying to just establish whether it comes out of this \$25 million that you are giving to Tasmania or whether it is going to come out of the \$24 million that you allocated this year, which you said will be coming up later in estimates.

Mr Mrdak: Without seeing the detail of the project, I cannot give you a definitive answer. Certainly, the regional jobs program may well be an opportunity, depending on the nature of the job creation involved in the Norske proposal. Similarly, we may find that the existing industry program may already fit with one of their criteria. Once we get some detail of the project, we can then ascertain where it is best managed, I think.

Senator LAMBIE: I am like Senator Polley. I guess what we need are some time lines here.

Mr Mrdak: Yes.

Senator LAMBIE: That would be great. So you are not quite sure when that is going to be established?

Mr Mrdak: To answer Senator Polley's question, it will not be tomorrow, but we would hope it is well before Christmas.

CHAIR: I am on notice now that this section probably will not be completed for another 45 minutes.

Senator STERLE: Longer, Chair.

CHAIR: Another hour? If this goes for another two hours, that puts our entire day nearly 2½ hours behind, and all the implications for that in the waiting room, right. Let us see how we go, but at some stage in the next half an hour we may just have to pause and meet off-line to have a think about how we manage the balance of the day.

Senator STERLE: Sure.

CHAIR: Senator Sterle, you have the call.

Senator STERLE: I will flick to Senator McCarthy, who has been waiting patiently, and Senator Watt.

Senator McCARTHY: Thanks, Senator. Mr Mrdak, in relation to the National Stronger Regions Fund I have a couple of questions, which you might like to take on notice. Firstly, I would like to know how many were from the Northern Territory in rounds 1 to 3.

Ms Wall: Do you want them separate or added together?

Senator McCARTHY: So under round 1.

Ms Wall: Under round 1 in the Northern Territory we received 15 applications, in round 2 in the Northern Territory again we received 15 applications and in round 3 we received nine applications.

Senator McCARTHY: What are you able to reveal about each of those applications?

Ms Wall: I do not have that detail with me at the moment, sorry, Senator.

Senator McCARTHY: Could you take that on notice?

Ms Wall: Yes.

Senator McCARTHY: In terms of the total amount to the Northern Territory in round 1?

Ms Wall: In round 1 one project was approved for funding and that received \$4.5 million. In round 2 no projects were successful. Under round 3 two projects were successful and that was \$1.2 million.

Senator McCARTHY: So the numbers you have given me are actually the submissions; they are not who was actually successful. Is that correct?

Ms Wall: Sorry, the last numbers were the number of successfuls.

Senator McCARTHY: Okay, so you said in round 1 there were 15 applicants. Of those 15 applicants how many were successful?

Ms Wall: One was approved.

Senator McCARTHY: And in round 2?

Ms Wall: In round 2 none were successful.

Senator McCARTHY: And in round 3?

Ms Wall: Two were successful.

Senator McCARTHY: The beef roads program was announced in the May 2015 budget. Since then there have been three roundtables—in Rockhampton, Kununurra and Darwin. The federal government has committed to the projects and said that there would be announcements in mid-2016. Senator Nash, where are those announcements? Have they been announced?

Senator Nash: I need to take some advice on that, sorry, Senator. It is not my part of the portfolio.

Mr Mrdak: Perhaps I can assist. The assessment process has recently been completed. Advice has been provided to the government and it is considering the assessment advice. We anticipate announcements on that package probably in the next month or so.

Senator McCARTHY: So in November or December. Can you give us some clarity?

Mr Mrdak: I cannot be more definitive as yet. The government is currently considering the department's assessment of the projects that were submitted under the beef roads proposal. As you would appreciate, the \$100 million was heavily oversubscribed. We had vastly more applications than could be accommodated, so we have undertaken an assessment process utilising the advice of Queensland, WA and the Northern Territory. That process has been completed in the last few weeks and that advice is with government.

Senator McCARTHY: How many applications have been received?

Mr Pittar: The department received around 36 submissions from the state and territory governments.

Senator McCARTHY: How many from the Northern Territory?

Mr Pittar: We received four proposals from the Northern Territory.

Senator McCARTHY: Are you able to reveal the total sum of those amounts?

Mr Pittar: I am afraid I do not have the information in front of me.

Senator McCARTHY: Would you be able to get that on notice?

Mr Pittar: Yes

Senator McCARTHY: Will you take that question on notice for me?

Mr Pittar: Yes.

Senator McCARTHY: In terms of the groups that have applied, certainly from the Northern Territory's perspective there is the NT Cattlemen's Association and other organisations, how have they been kept informed of the process currently?

Mr Pittar: I am sorry, I was out of the room when you started asking your question. Organisations like the Northern Territory Cattlemen's Association were involved in a series of roundtables at the beginning of the process to help identify which proposals were modelled by the CSIRO through a transport model that they have got to help identify priorities. So they were involved at that stage of the process. We also require jurisdictions, for example the Northern Territory government, to liaise with their stakeholders, such as the Northern Territory Cattlemen's Association, as they work up their proposals to put them to the Australian government. So the scenarios that came forward were informed by stakeholder views as well.

Senator McCARTHY: So the Northern Territory roads—certainly the Northern Territory Cattlemen's Association have said on the record that the need there is around \$1 billion just for their roads. What kind of discussion has taken place in terms of the particular roads that they are referring to?

Mr Pittar: The submissions that came forward from the Northern Territory government encompassed advice and took into account views of stakeholders such as the Northern Territory Cattlemen's Association, and, as I think Mr Mrdak was saying, the program as a whole is \$100 million. So stakeholders, obviously, would like there to be more funding. We have had to shape the advice, and the proposals that come forward are shaped to the amount of funding that is available. So it has to be a process of prioritising the projects.

Senator McCARTHY: What I would like is stronger commitment here. This was an announcement back in 2015 in the May budget. The Cattlemen's Association and others have been waiting very patiently. Can there be some guarantee that these announcements are going to be made much sooner, rather than later?

Mr Pittar: I think, as Mr Mrdak said, we anticipate that announcements for these projects will be in the near future. We understand that the people are keen for an outcome.

Senator McCARTHY: Senator Nash, is there anything that you would like to add to any of that?

Senator Nash: Not to that.

Senator WATT: I was going to ask some questions about the Northern Australia Beef Roads Program a little bit later, but I might as well pick it up now since we are talking about it. My question is the same as Senator

McCarthy's. This program was announced in June 2015, 16 months ago, I think, or even longer. Is there any reason the government has not been able to actually get some money out the door and start improving these roads?

Mr Mrdak: Essentially it has taken some time for the planning process, which Mr Pittar outlined, where we work quite closely with cattlemen's associations and various state and local governments. It took some time to work on the best methodology. As you would be aware, we were applying the CSIRO IT application which enabled us to do some more objective assessment. That has taken some time. It has also taken some time, after that process was done, to set up a prioritisation methodology for the jurisdictions to actually get us project proposal reports. They were still being received as recently as probably—

Mr Pittar: Around June.

Mr Mrdak: Around June, and then we have obviously had the caretaker period as well. So that is what has taken the time to complete the assessment.

Senator GALLACHER: And then you have got the wet season coming—

Senator WATT: That is right. It will be even longer still. Has there been any modelling done by either the state or federal governments about the likely jobs that would be created out of any of these projects or in total under this program?

Mr Pittar: I do not have that detail in front of me. We would expect that as those projects move toward the delivery phase we will have more information around the sorts of jobs that would likely be generated from the individual proposals.

Senator WATT: Would you mind just taking on notice whether there has been any modelling done either as part of the submissions from the states or by yourselves as to the job benefits that might arise from that program?

Mr Pittar: We will take that on notice.

Senator WATT: The rest of my questions, not surprisingly, relate to Queensland roads. My understanding is that there are a number of National Land Transport Network roads in Queensland—the Bruce Highway, the Warrego Highway, the Gateway North, what will be the Toowoomba Second Range Crossing, and the Pacific Motorway. They are all National Land Transport Network Roads; is that right?

Mr Pittar: I believe so.

Senator WATT: As a form of shorthand, I will call them 'National Highway'. I am right, I think, that there are a number of examples, both in Queensland and in other states, where the Commonwealth has funded upgrades to the National Highway on an 80-20 basis. Is that correct?

Mr Pittar: There are examples of 80-20. There are examples of other funding ratios too.

Senator WATT: Right now in Queensland, I think there are at least four projects that are being funded on an 80-20 basis: Gateway Upgrade North, the Toowoomba Second Range Crossing and various upgrades on the Bruce Highway and the Warrego Highway. I think they are all being funded on an 80-20 basis?

Mr Pittar: That is correct. There are a number of upgrades on the Bruce Highway that are not 80-20, so there are variations around that ratio on the Bruce.

Senator WATT: Some higher and some lower?

Mr Pittar: Yes, some higher and some lower.

Senator WATT: Interstate, again, there are examples. It is quite commonplace for the Commonwealth to fund these upgrades on an 80-20 basis. I think a very large amount of money is being provided by the Commonwealth for the Northern Connector in Adelaide—which I am sure my South Australian colleagues will like.

Senator STERLE: What about the one in Sydney—\$16 billion?

Senator WATT: Even in New South Wales, a very big Pacific Motorway upgrade is being undertaken on an 80-20 basis between Woolgoolga and Ballina—that is correct?

Mr Pittar: That is correct, but again, equally, there are examples where they are funded fifty-fifty.

Senator WATT: Whatever we point to as examples around Australia of how projects are being funded, am I right that the Australian government's policy is to fund new road and rail projects on the national network outside of metropolitan areas on an 80-20 basis?

Mr Pittar: There is no hard and fast rule. Generally proposals are considered on their merits. That will take into account things like the amount of traffic, the nature of that traffic and so on. But, in broad terms, the more remote a road, the greater the probability the federal government will contribute a higher proportion of funding.

Senator WATT: Why is that? Why does the remoteness contribute to—

Mr Pittar: Essentially roads closer to urban areas will carry a greater proportion of traffic that is not related to freight throughput. It is carrying traffic that is contributing to the economy of that local area—for example, traffic that is carrying freight within that area, as opposed to freight going between different areas. It is carrying traffic that relates to that local economy, if you like.

Senator WATT: I recognise that both Mr Truss and Mr Briggs have moved on from their roles, but in December 2014, as infrastructure minister and assistant infrastructure minister at the time, Mr Truss and Mr Briggs issued a press release saying that the Australian government had reintroduced the traditional 80-20 funding split for new road and rail projects on the national network outside of metropolitan areas. That seems to be a statement of government policy.

Mr Pittar: I am familiar with that statement. A series of other statements have been made subsequent to that. For example, earlier this year the government released—I think it was in February—statements on funding and financing. Those statements also talk about relative importance of infrastructure and how the government was also seeking to encourage more innovative funding and financing for infrastructure projects.

Senator WATT: You are saying that the policy that was announced in December 2014 has changed? It is no longer the Australian government's policy?

Mr Pittar: There has been a continuing evolution in the policy approach.

Senator WATT: It probably will not surprise you, Mr Pittar, that I am leading to the Commonwealth's position in relation to the M1 upgrades. As a senator who is going to have his office on the Gold Coast, that is an issue very dear to my heart and dear to the hearts of Gold Coast commuters. You would be familiar, no doubt, that the funding split that is being offered by the Commonwealth is only fifty-fifty for the two upgrades to the M1?

Mr Pittar: I am familiar with that commitment.

Senator WATT: Why is it that Logan and the Gold Coast are not getting the same funding deal that is being offered by the Commonwealth in all those other examples I just gave, whether it be in Queensland or interstate?

Mr Pittar: The upgrades along that area of the Pacific Motorway in Queensland over the last decade or more have traditionally been funded on a fifty-fifty basis, recognising that there is a significant urban nature to those projects. Since around the middle 2000s upgrades that have occurred on that stretch of road have been funded between the Queensland government and the federal government on a fifty-fifty basis. It is continuing that same funding approach that has occurred historically.

Senator WATT: I am aware that there have been some instances where fifty-fifty has been provided for the motorway but at the very same time the federal government of the day was also providing a very large amount of funding for other Gold Coast infrastructure projects such as providing light rail stage 1 on the Gold Coast. I think the Commonwealth chipped in 60 per cent of that funding, at hundreds of millions of dollars, so could it be that that was the reason why in that instance fifty-fifty was being offered whereas at the moment there is nothing like that amount of money being put on the table for any public transport projects in Queensland by the federal government?

Mr Pittar: I think the contribution to Gold Coast light rail was in the vicinity of \$95 million, if my memory serves me correctly, stage 2—

Senator WATT: Which was about 45 per cent of the cost. The state government in Queensland is putting in about 75 per cent of the cost of stage 2 of the light rail, whereas I understand the Commonwealth government put in about 60 per cent of the cost of stage 1 of the light rail. Are those figures about right?

Mr Mrdak: I would have to check but that sounds about right.

Senator WATT: So it might be that in an earlier upgrade of the M1, where the Commonwealth was providing fifty-fifty, the trade-off if you like was that the Commonwealth was also prepared to put in 60 per cent of the cost of a massive light rail investment?

Mr Mrdak: I do not think the two are related but essentially, as Mr Pittar has indicated, the Australian government's view is that Gold Coast-Brisbane is part of an urban area, in the definition, and the government has sought to have a fifty-fifty funding split in that area maintained—as Mr Pittar has indicated, largely because of the nature of the local traffic which is utilising that corridor as opposed to the areas where the Commonwealth predominantly funds larger shares, as Mr Pittar has indicated, when you have interstate or regional traffic which would not otherwise warrant the sort of traffic volumes.

Senator WATT: Somewhere like the Gold Coast, which is right on the border of New South Wales, there is going to be a substantial amount of interstate traffic there.

Mr Mrdak: There is, and also the Brisbane-Gold Coast corridor now is an almost contiguous urban area. The federal government's position remains that fifty-fifty is the appropriate funding split for that corridor.

Senator WATT: I have had a look at the map of the National Highway—the green lines are for the National Highway and it seems that in most other instances even in Queensland the federal government is stumping up 80 per cent of the cost, and there is just this one section where it is not willing to do the same thing.

Mr Mrdak: The government has been consistent in some of those key urban corridors. With Ipswich and the Gold Coast it has been consistent in its position that it should be fifty-fifty funded with the state government.

Senator WATT: Am I right, though, with the Ipswich Motorway upgrade that the Commonwealth redefined the nature of the project to take it out of the National Land Transport Network as a sort of a one-off, and that is what led to it being fifty-fifty?

Mr Mrdak: No, the next section of the Ipswich Motorway is part of the national network.

Mr Pittar: The offer for the Darra to Rocklea section of the Ipswich Motorway was put forward at fifty-fifty and ultimately the Queensland government accepted funding of that at fifty-fifty. There were some subsequent changes to the definition of parts of the Ipswich Motorway around the National Land Transport Network—after the offer at fifty-fifty was made.

Senator WATT: Has the department ever provided advice to the minister that he should consider offering an 80-20 funding split for the upgrade of the M1, just to get it done?

Mr Mrdak: We cannot go into areas of advice. We provide advice on the range of options open to government.

Senator WATT: Has any minister told you that they want to take a different approach by insisting on 50-50?

Mr Mrdak: The Australian government's position as enunciated publicly by successive ministers and the Prime Minister is 50-50.

Senator WATT: Are you aware of any representations that have been made by Gold Coast federal members of parliament that the government should be funding this on an 80-20 basis? Have they made any representations to you or the minister that you have had to respond to?

Mr Mrdak: I would have to take that on notice. I am not—

Senator WATT: If you could, that would be great. Similar to my question about beef roads, has the department or the state government done any modelling in making funding submissions? Have they done any modelling about the number of jobs that would be created as a result of these upgrades?

Mr Mrdak: Again, we will check that in terms of the project proposals.

Senator WATT: The only other questions I have or about the NARP, the Northern Australia Roads Programme. May I finish those off?

Senator McCARTHY: Just before you do, I have one question about the beef roads. When I asked you about the applications received, you said there were 36 submissions. Four were from the Northern Territory. Could you tell me how many were from Queensland and how many were from WA?

Mr Pittar: There were 27 proposals from Queensland and five from Western Australia.

Senator McCARTHY: Thank you.

Senator WATT: This is obviously a slightly different program to the Beef Roads Programme. I think I am right that the government's Northern Australia white paper, which was released in June 2015, allocated \$600 million for the Northern Australia Roads Programme or NARP. How much of that allocation has been spent?

Mr Pittar: Tranche 1 was announced covering 13 projects, and that encompassed Australian government funding of just under \$360 million. So 360 of the 600 million has been committed so far.

Senator WATT: And how much of it has actually been spent?

Mr Pittar: None of it has been expended, but it has been committed to projects. The minister has written to state and territory ministers, as is normally the case, seeking their agreement around the state and territory funding contribution so they can reply and agree to that and then the intention is that that will then be written into the National Partnership Agreement.

Senator WATT: I remember when the government announced this white paper in June 2015. It was the big deal for Northern Australia; it was going to power Northern Australia ahead. It is now more than 16 months since then, and you are saying that not a single dollar of that \$600 million has actually been spent.

Mr Pittar: What I am saying is that it is going through the normal process of getting agreement from state and territory governments in order for projects to be agreed and for that agreement to be struck in order to allow contracts to be let and so on. That is the normal course of events for road projects to be identified, go through the development stage and for contracts to be struck.

Senator WATT: But no dollars spent.

Mr Pittar: No dollars spent on delivery, but it is the normal process to get agreement within the federation for delivery of projects.

Senator WATT: If my sums are correct, there is about \$240 million left that is unallocated at this stage.

Mr Pittar: About that.

Senator WATT: I am reasonably aware of the submissions the Queensland government has made for funding under that program. I suppose my question is: why do we have these pots of money sitting there unspent when I know the Queensland government alone has put in submissions that would use up all of that \$600 million. I am sure that the Western Australian and Northern Territory governments have done something similar. There is no shortage of projects to spend money on.

Mr Pittar: That is why there has to be a process to prioritise the projects, to ensure that the projects that are of the highest priority are the ones that get the funding spent on them. As you can appreciate, each of the jurisdictions has a real glimmer in its eyes as to which projects it wants money spent on. The Commonwealth's job is to identify those projects of highest priority, recommend funding for those projects and then settle those with the relevant jurisdictions, which it has been doing for the last number of months, in order to settle those into the national partnership agreement.

Senator STERLE: With the greatest respect, it does not work that way. It sounds nice, but it does not work that way. The states get whacked with what they are going to. The Western Australians got the Perth Freight Link. They did not even want the bloody thing. But it does sound nice. I just wanted to clarify that. The Victorians want the Western Distributor, but the federal government does not want to pay for it. But it sounds nice.

Mr Pittar: In fairness, the states were asked to put forward submissions, which they have done, and those submissions have been assessed.

Mr Pittar: It sounds nice. You are in the world of nirvana, and I applaud you for that. It is just a shame it does not work out there in the real world. If the federal government did listen, they would listen to their state colleagues, Labor or Liberal, and they do not.

CHAIR: The witness has answered the question.

Senator STERLE: Sorry, Chair.

Senator GALLACHER: Can I clarify a point in the evidence given?

CHAIR: It is your time.

Senator GALLACHER: Your evidence is that ordinary, normal process is 16 months. That is normal? You cannot get a grader on a road, you cannot get a hole dug inside of 16 months? That is what you said, I think.

Mr Pittar: Quite often it will take 12 months to 18 months—

Senator GALLACHER: It takes longer than 16 months?

Mr Pittar: It can take longer than that. It will depend on the project, it will depend on the complexity and it will depend on the nature of assessment of proposals that come from state and territory jurisdictions.

Senator GALLACHER: You are talking about beef roads; you are talking about getting a grader out—and you cannot do that in under 18 months?

Mr Pittar: I have explained the process. I probably do not have a lot more to add.

Senator GALLACHER: Eighteen months? Amazing.

Senator WATT: I know that the Queensland government made its submission in November 2015. I am not sure about the other states and territories, but it is nearly 12 months since a submission was made by the Queensland government about its wish list—I know they are not going to get everything they want—and still there has been not one dollar spent, not one grader out there, not one person digging—

Mr Pittar: Can I correct something? We got submissions from state and territory jurisdictions for beef roads. We asked for them by early May this year.

Senator WATT: Sorry, I was going back to NARP.

Mr Pittar: My apologies if I misheard you. For NARP, we were still getting submissions from state and territory jurisdictions in March of this year.

Senator WATT: So it was seven months ago. You talked about the need to assess projects. This might have been done as part of the northern Australia white paper, so perhaps it was not done by your department, but I understand that the government undertook a northern Australia audit to evaluate high-priority projects for funding. Do you know how many of the projects that have been funded under NARP were identified in that northern Australia audit?

Mr Pittar: For the roads identified in the northern Australia audit, the assessment criteria took account of the projects identified in that audit. It was, if you like, a scoring mechanism in terms of those that were recommended. I cannot give an exact answer to that, but those that were in the audit scored highly and were therefore more likely to be recommended for funding.

Senator WATT: Are you sure that the projects that have ended up being funded under tranche 1 of NARP all scored highly in that northern Australia audit?

Mr Pittar: I cannot say that they all did, but it was a consideration in the scoring criteria, so I would expect a strong bias towards those. I can take that on notice, if you like.

Senator WATT: If you could—yes. I do not know exactly what level of detail we can get about that evaluation and the audit, but I would be interested to see the priority that those projects had under the northern Australia audit and how that was taken into account in that decision to allocate funding for those projects. Could you take one other thing on notice, which is the same question I have asked about other programs: any modelling that you have about the number of jobs that are likely to be created. I suppose what I am interested in is the \$600 million bucket as a whole, and the \$240 million that is left over. That would be great.

Mr Pittar: Certainly.

Senator GALLACHER: Secretary Mrdak, we went through a process where we thought there was a \$2½ billion, or up to \$3 billion, discrepancy between what you said you had spent and actually did spend. Are the NARP and the beef roads examples of why that \$2½ billion is up there? You programmed for eight and you only spent five and a bit? Is this normal? You cannot get your money on the job.

Mr Mrdak: It is not normal but it sometimes occurs, as Mr Pittar has indicated, where we do not get the information in the time we need to make timely decisions, or we have to go back to jurisdictions for further information.

Senator GALLACHER: So, you are clearly saying it is the jurisdictions' responsibility and that is why there is a delay in the spend? It is not your delay?

Mr Mrdak: What I am saying is that in some situations in these programs, with some funding proposals, we initially had to go back to jurisdictions, or jurisdictions sought extra time in relation to putting in additional material and additional projects—that certainly took place. But, it is one of the issues involved when you forecast a spend in a certain year. Clearly, we have also had a nine-week caretaker period, which has obviously impacted time lines through the back end of the last financial year.

Senator GALLACHER: But your officers are saying that 18 months is normal?

Mr Mrdak: It can be, because you have to recognise that until such time as the funding program was announced the jurisdictions had not commenced work looking at these types of projects. It is often only with the announcement of the project funds and the process that the jurisdictions then start any detailed work on this.

Senator GALLACHER: When you advise the minister as he is making the announcement, do you remind him that this money might not be spent for 18 months, or does he keep on announcing the same money for two or three budgets?

Mr Mrdak: I think what we have been discussing is the period of getting to the point of decision. Timing of the investment is obviously with the jurisdictions and their project proposals.

Senator POLLEY: I want to go to the Hobart airport and the runway extension that was committed to back in 2013 by Prime Minister Abbott and to garner some information about where that project is at. Can you give me an update of what is happening? Has there been any construction at the airport?

Mr Mrdak: I think some physical works are just starting. I will ask Ms Spence to give you an update. Essentially, the major development plan has been approved, so all of the regulatory and environmental approvals are now in place, and I think Hobart International Airport Pty Ltd has been out to the market. I think work is just about to commence. Ms Spence will give you an update.

Ms Spence: On 23 December 2015, the airport's master plan was approved by the then Deputy Prime Minister. On 19 April 2016, the minister approved the major development proposal which included the runway extension works. On 5 May 2016, the department executed a variation to the funding agreement to cover the construction phase milestones of the project, and committed the remanding funds. Tenders have been let for the landside and airside works and works have commenced, and as of 31 August the government has provided \$3.3 million to Hobart International Airport. Further payments will be made against the achievement of milestones and construction is anticipated to be completed in March 2018.

Senator POLLEY: So it will be completed by March 2018?

Ms Spence: Yes.

Senator POLLEY: The former minister for tourism, Senator Richard Colbeck, had indications that China Eastern Airlines would fly directly to Hobart airport and utilise the extended runway. Is this still the case?

Ms Spence: My understanding is that Hobart International Airport is in discussions with the airline, but I do not have any information about whether that has been confirmed or not.

Senator POLLEY: So you have not had discussions with the new tourism minister at all in relation to pursuing that?

Ms Spence: It is a matter for the airport. They are actually progressing it with the airline. One of the conditions around the grant was that Hobart airport would undertake consultations to attract international services.

Senator POLLEY: Would that be the same scenario then, in terms of the money that was allocated to extend the runway, for other international flights? You have no knowledge of whether or not flights have been secured between Hobart and New Zealand?

Ms Spence: Sorry, I do not have any advice on that, but, as I said, the requirement was that Hobart airport enter into discussions, not that those flights be confirmed.

Senator POLLEY: In other words, the ball has been dropped yet again, in terms of that. No-one has picked up that ball that was thrown by Senator Colbeck to warrant spending that sort of money on the airport.

Ms Spence: I would actually say that the airport is actively engaged in those discussions, and that has been their responsibility.

Senator POLLEY: There was a commitment back in 2013 again from former Prime Minister Abbott that there was going to be \$400 million invested in the Midland Highway over the next decade to upgrade that road. Can you please tell me what progress has been made? How much money has been expended, where the project is at the moment and the conclusion date?

Mr Mrdak: Certainly. I dealt with this this morning in an answer to Senator Abetz, but I will give you an update. Of 18 projects on the Midland Highway, that \$400 million commitment, I think seven have been completed.

Ms Leeming: There are five under construction and six in planning.

Senator POLLEY: Can we have a figure as to how much money has already been expended and what the current timetable of that funding will be over the forward estimates?

Ms Leeming: Yes. Expenditure prior to 30 June this year was \$53.73 million. Projected for the 16-17 year is \$66.92 million; 17-18 is \$39.3 million; 18-19 is \$40 million; 19-20 is \$40 million; and from 20-21 there is a further \$160 million. This is a 10-year project.

Senator POLLEY: So you do not expect that there will be any change to that funding arrangement?

Ms Leeming: I think there will be changes in the forward years. These are estimations based on what the Tasmanian government has told us is the likely expenditure. Of course, that can change—for instance, if there are delays in procurement, or flooding on the highways. Those sorts of things can cause delays. Equally, they might want to bring forward funding, so it can change.

Senator POLLEY: Can you just pool all that information, because I know how much my colleagues value what is happening in Tasmania, what changes have been made to the Midlands Highway thus far, with those seven completed projects?

Ms Leeming: Sure. Completed projects include the Kings Meadows roundabout; so that is the design and construction of a roundabout on the junction of the Midland Highway and the Kings Meadows connector. That was completed on 18 March 2015. Another completed project is the Mud Walls Road junction project. That is an upgrade of a junction on Midland Highway on Mud Walls Road. That was started on 2 March 2015, and completed on 15 April 2015. Excuse me, if I do not get the pronunciations quite right, you will have to correct

me. Conara to Cleveland Stage 1 has been completed. That started in January 2015 and completed on 19 May 2015. That one widens the highway at Conara between the Esk Main Road and Pannack Street. Then we have a project called 'North of Spring Hill' that is complete. That started in December 2014 and was completed in May 2015. That is widening the highway north of Spring Hill, and provides some median and some safety barriers. We have a project called 'South of Spring Hill' that is also complete, started in December 2014 and finished in July 2015, again another widening project and median and safety barriers for the highway south of Spring Hill.

Senator POLLEY: That is five, so two more.

Ms Leeming: There is a project south of Tunbridge. That started in December 2014, and it finished in April 2016. There are some curve improvements on the highway south of Tunbridge, and the government installed an overtaking lane, including a wire rope safety barrier and median for 2.5 kilometres. The final project is a project south of Kempton that started in December 2016 and ended in January 2016. That is another widening project and provision of median and safety barriers for a three-lane section of the highway south of Kempton. I think that gives you an idea of the scope of some of these projects.

Senator POLLEY: Would you be able to outline the projects that you expect to be completed over the next two or three years and the sort of work, please?

Ms Leeming: Okay. The next project to be completed is under construction at the moment. In early 2017, we are hoping that the Kempton to Melton Mowbray stage 1 project will be completed. Actually, I am sorry: I stand corrected. I have an earlier project—oh, no. It is only in preconstruction. That appears to be one of the next projects. I have Mangalore to Bagdad stage 1; that is also early 2017. Then I think we move to mid-2017 with Kempton to Melton Mowbray stage 2, and then there is a project in early 2018, which is the Perth to Breadalbane duplication. Then I have a few projects on the list that are early 2019. So obviously this is a staged program of works that the Tasmanian government has prioritised.

Senator POLLEY: That is great. Thank you very much.

Senator GALLACHER: Does anyone have the detail on the National Stronger Regions Fund? That has now closed, has it, Secretary?

Mr Mrdak: Yes, the final round of the National Stronger Regions Fund was announced by the government over the last week or so.

Senator GALLACHER: Okay. How much funding from the National Stronger Regions Fund was allocated to major capital cities in rounds 1 to 3?

CHAIR: Just while you are researching that, if I might indulge myself, it is proposed that the committee is going to have a private meeting at 4.15 pm. That is a matter for the *Hansard*. Also, interested colleagues who might want to come to the committee will be notified.

Ms Wall: Sorry, Senator. Could you just repeat the question, please.

CHAIR: The question is: how much of the National Stronger Regions Fund was allocated to major capital cities in rounds 1 to 3?

Ms Wall: In round 1, \$77.9 million was allocated, and that was 17 projects.

Senator GALLACHER: To capital cities?

Ms Wall: To major cities.

Senator GALLACHER: That is round 1. What about 2 and 3?

Ms Wall: Round 2 was \$74.184 million, and that was for 21 projects, and in round 3 it was \$37 million for 13 projects.

Senator GALLACHER: Okey-doke. How much funding from the National Stronger Regions Fund was allocated to regional, rural and remote councils in the program?

CHAIR: When you talked about those figures you provided, are they confined to capital cities, as in Brisbane, Sydney and Melbourne? You might qualify that, because I think that—

Senator GALLACHER: No, I got it—major cities. I said 'major capital cities', and she said 'major cities'.

Ms Wall: We use the ABS definitions for our categories. I do not have them with me today. The only category I have is major cities.

CHAIR: Okay. So major cities include capital cities, as well as—

Ms Zielke: It does not include Hobart or Darwin.

CHAIR: No, but it includes capital cities as well as major provincial cities—perhaps a Rockhampton or a Townsville or a Cairns. Just capital cities. Those figures that you read out, apart from Hobart and Darwin—all capital cities. It was just to clarify it for me. Thank you.

Senator GALLACHER: I am not sure whether we clarified it or muddled it! What is the definition, under this?

Ms Zielke: I am happy to provide you with the strict definition, but it is the capital cities other than Hobart and Darwin.

Senator GALLACHER: That, to me, means Brisbane, Sydney, Melbourne, Adelaide and Perth.

Ms Zielke: Yes.

Senator GALLACHER: So, I think 'major capital cities' would be just a play on words. Anyway: how much funding from the National Stronger Regions Fund was allocated to regional, rural and remote councils?

Ms Wall: I do not have that here, but I can give you the total, and then you take a subtraction.

Senator GALLACHER: So, round 1?

Ms Wall: Under round 1, 51 projects were approved for \$212.3 million; round 2, 111 for \$293.4 million; round 3, 67 projects for \$126.5 million.

Senator GALLACHER: Can you provide an update of the funding allocated for each financial year for the National Stronger Regions Fund? Presumably that would be \$297 million or \$287 million or something, if you add the two together. Is that how it works?

Ms Wall: At the moment the profile is \$200 million in 2016-17, \$315 million in 2017-18, \$215 million in 2018-19 and \$200 million in 2019-20. This will need to be adjusted at MYEFO to take into account that the program has closed and funding has been moved to BBRF.

Senator GALLACHER: Have there been any changes to the allocation of funding or milestones for projects from round 1? Are all round 1 projects proceeding? Were there any dropped off? Or is there an 18-month lag before you can get the money on, or what?

Ms Wall: I do not have the material here to answer that question at the moment.

Ms Zielke: We will need to take that on notice.

Senator GALLACHER: Okay. So that we are very clear: have there been any changes to the allocation of funding or milestones for projects from round 1? And your answer is that you do not know.

Ms Wall: I do not have that information here today, sorry.

Senator GALLACHER: Are all round 1 projects proceeding?

Ms Zielke: We will take that on notice.

Senator GALLACHER: Why don't you know?

Ms Zielke: We do not have the list with us.

Senator GALLACHER: Does that indicate a lack of preparation?

Ms Zielke: It probably indicates the amount of information that we have. My apologies for not having it with us, though.

Senator GALLACHER: Have there been any changes to the allocation of funding or milestones for projects from round 2?

Ms Zielke: Again, we will take it on notice.

Senator GALLACHER: Are all projects in round 2 proceeding?

Ms Zielke: We will take that on notice.

Senator GALLACHER: Are these difficult research questions? Or is it just—go and look in the box and find it?

Ms Zielke: It is scale. For example, as Ms Wall said, there are 51 projects in round 1, so it is about having the current status of all 51 of those projects in front of us, and I am afraid we do not have that today.

Senator GALLACHER: But I thought there were 68 projects if you count the ones in the capital cities and the regions.

Ms Wall: No, what I said was that you need to take away from the 51 the 17 to get you to your regional, remote—

Senator GALLACHER: When I used to play darts, three 17s was 51, so that means that 30 per cent are actually in major capital cities. The National Stronger Regions Fund is allocating 30 per cent of the projects in national capital cities! Oh, well. So, how are we going to deal with this? I going to ask repetitive questions and you are going to take them on notice. Do we get them today, or do we get them next month, or—

Ms Zielke: I am happy to take it on notice for all rounds.

Senator GALLACHER: What was the nature of the advice that the department provided to the ministerial panel on round 3 projects? For example, did it rank projects, or just simply provide a list of those that met criteria and could be funded?

Mr Mrdak: In accordance with previous practice, the department ranked projects according to our assessment against the criteria.

Senator GALLACHER: So, you ranked the projects. Is that a public document? Is it best value for money?

Mr Mrdak: No, that is advice to the government.

Senator GALLACHER: The ranking of projects is advice to the government?

Mr Mrdak: Yes.

Senator GALLACHER: So, there is no way that a taxpayer could be assured that the best value for money was actually picked up?

Mr Mrdak: Well, the department assesses and ranks the projects, and then there is always an audit process that follows that. But there is a fairly robust process behind that in the advice that is provided to the government.

CHAIR: It is my understanding that the minister of the day—and let's talk with round 1, relying on historical advice—is not involved in this process whatsoever and is simply notified at the end of the process when the decision has been taken with the ranking of projects and those projects that are recommended to proceed. Is that a fair assessment?

Mr Mrdak: The department completes the assessment and the ranking, and they are then provided to the minister and the ministerial committee which has been formed. They then review that assessment and make the final decisions following consultation with the cabinet.

Senator GALLACHER: Can you confirm that funding for round 3 will not be provided for successful projects until after 1 July 2017?

Mr Mrdak: No, we are moving to contract announced projects as soon as possible.

Senator GALLACHER: So there is no 17-month delay here.

Mr Mrdak: No. If the projects have all their processes completed then we are able to contract and money will start to flow.

Senator GALLACHER: With round 3, you are saying they will all be contracted before 1 July 2017?

Mr Mrdak: That would depend on the proponents and their capacity to enter into a contract with us. But provided that they are able to do that quickly and satisfy all of our requirements, then we will contract as quickly as possible. Our intention is to try to contract as quickly as possible to have the funds flowing.

Senator GALLACHER: Do we know what stage it is at at the moment? Is there work in progress? Is any contracted?

Ms Zielke: Following the announcement of the round, the letters in regard to the decisions have been provided to all proponents, and agreements are being negotiated at the moment. Of course, if that moves along quickly, that can be completed within weeks. However, we are relying, as Mr Mrdak said, on receiving appropriate information from the proponents. Under the fund there are obviously those that are well-organised and quite sophisticated in their processes and others that are not as sophisticated in that regard.

Senator GALLACHER: Is it a condition of funding that projects have received planning approval or local government approval before having a funding approved?

Ms Zielke: No. With some of them, there might be some approvals that they are still pursuing, and that would therefore be a condition of their agreement before any funds flowed.

Senator GALLACHER: They did not have to do that beforehand?

Ms Zielke: They needed to have certain approvals in place, but I am afraid it is on a case by case basis.

Senator GALLACHER: Is the department aware of any projects not recommended for funding by the department that did receive funding after the ministerial panel's decision?

Ms Wall: There were two projects. One was the construction of the Charleston Dam facility—Etheridge Shire Council was the applicant.

Senator GALLACHER: Is that in Queensland, is it?

Ms Wall: I believe so, yes.

CHAIR: Indeed, it is.

Ms Wall: The panel considered the department's recommendation and, based on the information the panel had available, they thought that the department had underestimated—

Ms Zielke: The ministers were able to bring additional information to the table. That information showed that we had underestimated the scoring against criteria one, two and four, therefore it was rated more highly and for that reason moved up in the ranking and was funded as part of the round.

Senator GALLACHER: How much was it?

Ms Zielke: It was \$10 million.

Senator GALLACHER: And what was the information that was brought to the table that the department had not taken notice of, or had an oversight on or what?

Ms Zielke: I do not have the exact details in front of me. I am more than happy to provide that as quickly as we can, though.

Senator GALLACHER: Thank you. And the other case, was it? Or three?

Ms Zielke: That was the reconstruction of the Waltzing Matilda Centre in Winton. The detail in that was that the panel actually believed we had underestimated the claims against economic growth and disadvantage—that they had been understated and therefore, again, it was rated more highly and moved up in the ranking.

Senator GALLACHER: Okay. I have been to Winton a couple of times—not in recent memory. The Waltzing Matilda Centre: is that like a tourist outlet or something?

Ms Zielke: It is a significant tourism centre.

Senator GALLACHER: Run by a council or by a private individual?

Ms Zielke: A council. You might recall that it was actually severely damaged recently by a bad fire that went through the centre. That is why it says 'reconstruct', because it was significant—it brought a lot of tourism activity to the town.

Senator GALLACHER: And, clearly, the department said one thing about economic benefit and the minister had a different view. Is that correct?

Ms Zielke: What the department actually assesses is the application that is before it. That is the information that we are able to take into account. Of course, others around the table may actually have far more information than we do, and ministers can bring that to the table as part of the assessment process.

Senator GALLACHER: So there was only the two?

Ms Zielke: Only the two.

Senator GALLACHER: Can you provide us with how many applications were received in each state and how many met the criteria? And how many were recommended for funding?

Ms Zielke: For round 3 there were four applications from the ACT, 135 from New South Wales, nine from the Northern Territory, 111 from Queensland, 48 from South Australia, 27 from Tasmania, 72 from Victoria and 73 from Western Australia, which was a total of 479.

Senator GALLACHER: Excellent.

Senator STERLE: I just want to come back to the list of new Infrastructure Investment program announcements from the government during the election that was provided to the PBO. Firstly, there were 84—is that correct? I was counting them but I just ran out of time. Were there 84, Mr Mrdak?

Mr Mrdak: I have not counted them.

Senator STERLE: You do not know—okay. Firstly, would we agree that that was the list that was provided to the Parliamentary Budget Office?

Mr Mrdak: Yes. That was published as the coalition costing document.

Senator STERLE: Now, there are 80-odd there—proposals—and this is a total of \$859 million. Is that correct?

Mr Mrdak: Yes.

Senator STERLE: What I did ask was: how many were there from Victoria? Then one of the officials started listing Victorian announcements. I am not interested in those other ones—black spots or major projects. I am purely asking the question: how many announcements were made? These were predominantly made by backbenchers in their own electorates, holding hands with a senior member of the government and announcing truck bays or whatever they may be. How many Victorian announcements?

Mr Mrdak: We are happy to table the list of Victorian projects that were there.

Senator STERLE: Sorry, Mr Mrdak, these were the ones that were announced during the election as new Infrastructure Investment program announcements?

Mr Mrdak: That is correct—announcements in Victoria. The difference is this document provides additional commitments to the Infrastructure Investment Program. The projects in Victoria that were announced during the election campaign are being funded from the \$1.5 billion Victorian infrastructure program, which was established and announced in April this year.

Senator STERLE: The \$1.5 billion Victorian fund?

Mr Mrdak: That is correct.

Senator STERLE: Is Victoria the only one that has a fund of its own?

Mr Mrdak: Of this nature, yes. This related to the \$1.5 billion that was previously provided to Victoria for the east-west road project which was held by Victoria. In April this year the Australian government announced a series of projects for which that money could be applied, and there were several categories of funding, including funding for a rural and regional roads package in Victoria and an urban congestion package for Victoria. Those funds were subsequently allocated by the government in the election campaign to a number of projects. The total expenditure in the election campaign was \$392.1 million for Victoria. There was \$387 million for Victoria and also \$5 million for two studies into further rail projects in Victoria. So the total was \$392.1 million.

Senator STERLE: Was this \$1½ billion the Commonwealth's part of the east-west project?

Mr Mrdak: That is correct. There was an amount paid to the Victorian government in previous years for the east-west road project. The Commonwealth put to the Victorian government in April this year that that money could be applied to a range of projects, including the further upgrade of the Monash Freeway as well as a rural and regional roads package and an urban congestion package.

Senator STERLE: Did the Victorian government agree that that is where they wanted that money spent, or was this just the federal government saying, 'We gave you heap of money before,' and the Victorians had not allocated it?

Mr Mrdak: The Victorian government has agreed to largely match the \$1.5 billion, which is a requirement. The nature of the projects to be funded under the packages is yet to be settled. The Australian government has put to Victoria that these are the projects it wishes to see funded from—

Senator STERLE: Sorry, I will interrupt just so I don't lose my train of thought. When we are talking about the east-west link, the funding is like for like, one for one—\$1½ billion from the Commonwealth and \$1½ billion that would be matched by the Victorian government—correct?

Mr Mrdak: That is right.

Senator STERLE: And because of whatever happened in Victoria—and we know what happened: the commitment was given and the Andrews government won and said they were not going to go ahead—that \$1.5 billion still sat there?

Mr Mrdak: That is correct.

Senator STERLE: And there is \$1.5 billion from the feds as well. So am I right to assume that there were no announcements for any projects out of the \$1.5 billion from the Commonwealth but then, when the election was on, the Commonwealth government took it upon itself to start making announcements with the money that was already put aside for the east-west project? That is how I am reading it.

Mr Mrdak: That is correct. The Australian government nominated a series of projects in the election campaign which would utilise the rural and regional component of that package and the urban congestion package.

Senator STERLE: So it makes sense why the government, not the Labor Party, would put forth a document to the PBO saying, 'Here are our funding announcements.' This is different money. That money was already there, so it is just the government saying, 'We're going to start allocating it for and on behalf of the Victorians.'

Mr Mrdak: It had already been provided for in this May's budget, yes.

Senator STERLE: So I am right to say that as part of the new money there were no announcements for Victoria in the election campaign.

Mr Mrdak: There were a range of new projects for Victoria—

Senator STERLE: New money.

Mr Mrdak: There was funding for Victoria that had already been provided for in this year's budget which has now been utilised—that is correct.

Senator STERLE: There are other projects—whatever is going on. That answers my question. I am correct in saying that the document provided to the PBO shows no new money for any projects in Victoria in the election announcements. You have answered that for me—no dramas. In relation to the \$392 million—and \$5 million of that is for some rail stuff—did the Victorian government get consulted? How did those projects come to the attention of the federal government? Was it just backbenchers saying, 'Hey, can I have a playground?' or whatever it may be?

Mr Mrdak: They are federal government priorities. The federal government has now put that list of projects to the Victorian government, seeking matching funding in some situations for those projects.

Senator STERLE: So there is matching funding on top for these projects?

Mr Mrdak: For some of those projects, yes.

Senator STERLE: What about the other 80-odd here? Was there any matching funding when they were announced in the election?

Mr Mrdak: Yes, for a number of those projects there is a requirement for matching funding from jurisdictions.

Senator STERLE: That clears it up. When the official started answering I thought, 'Crikey, I must have missed a page', but I did not miss a page.

Mr Mrdak: No. The essence is as we have discussed.

Senator McCARTHY: I want to look at asset recycling, Mr Mrdak. There are agreements with New South Wales and the ACT—is that correct?

Mr Mrdak: That is correct—the ACT, New South Wales and the Northern Territory.

Senator McCARTHY: What about Victoria?

Mr Mrdak: There is a proposal with Victoria which is being worked up but is yet to be finalised.

Senator McCARTHY: So it is still in the process at the moment?

Mr Mrdak: The Commonwealth believed that there was a resolution to the issue but Victoria has now raised further issues which require resolution in relation to the quantum of the asset recycling funding. Victoria, unlike the other jurisdictions, had not finalised the deal pre 30 June this year.

Senator McCARTHY: Is there a time frame for that discussion process with Victoria now?

Mr Mrdak: Not that I am aware of. I think that discussions are taking place between the Victorian Treasurer and the Commonwealth Treasurer but I am not aware of a time frame for the resolution of that.

Senator McCARTHY: In respect of the Northern Territory agreement, what asset sales were recognised by the parties in that agreement?

Mr Mrdak: There were two asset sales: the sale of the Territory Insurance Office and the lease of the Port of Darwin.

Senator GALLACHER: Can you table that agreement, as you did with New South Wales and the ACT?

Mr Mrdak: I will take that on notice. They are Treasury portfolio documents.

Senator GALLACHER: We were advised that the Department of Infrastructure provided copies of the signed asset recycling agreements with New South Wales and the ACT at previous estimates hearings.

Mr Mrdak: I am happy to take it on notice.

Senator McCARTHY: So you will take on notice that we would like to see—

Mr Mrdak: The NT.

Senator McCARTHY: In respect of the agreements with the Territory Insurance Office and the lease of the Port of Darwin?

Mr Mrdak: Yes.

Senator McCARTHY: Can you say what the agreed value was of the Darwin port?

Mr Mrdak: The assets sold—the estimated proceeds were \$506 million for the Port of Darwin and \$410.9 million for the Territory Insurance Office.

Senator GALLACHER: What did you say they were worth though? That is the result, but what were they worth?

Mr Mrdak: I am not familiar enough—

Senator GALLACHER: What was the agreed value in the document you signed?

Mr Mrdak: They are the values, as I understand it, that were reflected in the asset sale agreement.

Senator McCARTHY: How much funding is being provided to the Northern Territory in respect of the Port of Darwin transaction?

Mr Mrdak: My understanding is that the total Commonwealth asset recycling payment to the Northern Territory is \$40.4 million.

Senator McCARTHY: Is that over a period of time or is that a one-off payment?

Mr Mrdak: I would have to take it on notice as to when that is being paid.

Senator McCARTHY: Thank you.

Senator STERLE: I want go back to Ms Zielke. Ms Zielke, when you were taking a question you said something about a pot of money, albeit small, that was moved from the Road Safety Remuneration Tribunal and put to the National Heavy Vehicle Regulator, I think. It was \$4 million.

Ms Zielke: That is correct.

Senator STERLE: You said that the money was going to go in improvements in cameras, predominantly on the eastern seaboard. Can I get some more information on where the \$4 million will go, what it will buy and what it is intended to buy. You also mentioned roadside activities, which is the second part of my question. That is just my recollection, my shorthand.

Ms Zielke: I can give you some of that information but not much by way of detail.

Senator STERLE: Let's have a little crack it.

Ms Zielke: The additional funding being provided to the NHVR has resulted in the fact that activities that they were looking to do have been sped up and others are things that would have previously been beyond their means—in particular, the placement of additional cameras in Victoria. These are the cameras that look at speed from a safety perspective.

Senator STERLE: Are they speed cameras or are they cameras to say what time the trucks went through so it can be checked against fatigue management?

Ms Zielke: Yes.

Senator STERLE: It is those overhead cameras normally on bridges.

Ms Zielke: The ones that are referred to as safety cameras.

Senator STERLE: Okay.

Ms Zielke: Those cameras will then enable linkages to be made with the cameras in New South Wales and Queensland so that there will be better coverage in relation to how trucks are actually travelling, not just from a perspective of pointing out when somebody is doing something wrong but also to improve the knowledge that the NHVR has in relation to where the trucks are travelling and how greater access to roads et cetera might benefit them. The next thing is fast-tracking the development and uptake of industry codes of practice. NHVR is out consulting at the moment with industry in relation to those sectors that would like to take an industry code of practice approach.

Senator STERLE: Can you tell us what those codes of practice will address? Is there any indication?

Ms Zielke: In particular, it is about practices that that sector would like to adopt on a voluntary basis that make sure that their actual group is working in a certain way. I am sorry, I do not have an example in my head at the moment. There is a consultation document that I could provide you with.

Senator STERLE: If you could do that for us, that will probably list on there what that could be. I would rather have that in front of us so we know. What else is this \$4 million going to provide to the NHVR?

Ms Zielke: From an education perspective, it is also enabling the accelerated development and distribution of chain of responsibility documentation. I am sure you are aware that NHVR has been putting a lot of effort into

improvements in relation to chain of responsibility. One of the challenges of that is making sure that industry is well aware of what those changes are and those responsibilities. It will also go towards assisting with that. I will note that the key cost in the coming financial year, though, will be the cameras. Obviously, they are a larger part of the cost.

Senator STERLE: Was the \$4 million a one-off? There was no guarantee in the budget that it would keep going. Is that correct?

Ms Zielke: I am sorry, I think I said earlier that it was over three years but it is actually over four years. My apologies for that.

Senator STERLE: Four years.

Ms Zielke: In 2016-17 it is \$3.8 million, in 2017-18 it is \$3.8 million, in 2018-19 it is \$3.9 million and in 2019-20 it is \$3.9 million.

Senator STERLE: That is \$15 million for four years. I just want to know exactly how the costings will work but I will come back to that.

CHAIR: We will adjourn now for 15 minutes. The committee is having a private meeting and, just in case it goes a wee bit longer than we anticipate, we might send the secretariat in to notify you when we are about to resume. Thank you very much for this evening.

Proceedings suspended from 16:15 to 16:37

CHAIR: The committee will now resume.

Mr Mrdak: Earlier today, Senator Farrell and Senator Sterle asked about a reconciliation of figures from the 2015 budget estimates and how that finished in terms of the final budget outcomes. I would like to table an indicative document which has been put together by my officers of the major variations which led to that final budget outcome. I will table that for the Senate. As I said, it does not list all of the variances, but it gives you the major variances. We can take any other questions on that on notice.

CHAIR: We will circulate a copy of that to colleagues. Senator Sterle, you have the call.

Senator STERLE: Thank you. Ms Zielke was just going through the split of the money that was transformed from the RSRT to the NHPR.

Mr Mrdak: I am sure she is on her way, Senator. I am happy to try to assist. Perhaps while we waiting I will also answer another question on notice—to save the paperwork. Senator Farrell asked for job numbers for the East West Link project in Melbourne. I am advised that the Victorian government estimated that around 6,700 jobs would be created by the two sections of the East West Link project, stages 1 and 2.

Senator GALLACHER: Perhaps I could ask about the asset recycling and the 15 per cent figure and the \$40 million. You had TIO and the port. Was it 15 per cent of the price sale that they were supposed to get? How does that come out of \$40 million?

Mr Mrdak: They are the figures I have before me. I am happy to take that on notice. Mr Danks might be able to help.

Senator GALLACHER: You had two figures.

Mr Danks: It is 15 per cent of the allocation of the sale they put towards infrastructure. The NT government did not put the entirety of the sale proceeds towards infrastructure. They used some to retire debt. They put a component towards it and they got the 15 per cent, which was \$40.4 million.

Senator GALLACHER: So the two figures we have are—

Mr Mrdak: \$410.9 million for the TIO and \$506 million for the lease of Darwin port.

Senator GALLACHER: I was trying to work out how that was 15 per cent of \$900 million—and obviously it is not.

Mr Mrdak: It was only what was applied to new infrastructure.

Senator GALLACHER: So we just subtract until we get to \$40 million. What are \$40 million and 15 per cent of?

Mr Danks: Off the top of my head, it is probably \$280 million. But we should probably take that on notice and confirm it.

Senator GALLACHER: \$280 million is a much lower sum than what the asset sales were.

Mr Danks: That is correct.

Senator GALLACHER: You are getting 15 per cent of an asset recycling program, and clearly here most of the sale did not go back into recycling.

Mr Mrdak: Not in the case of the Northern Territory.

Senator GALLACHER: Is that common?

Mr Mrdak: It varies across jurisdictions. New South Wales, for instance, had a very large infrastructure spend, utilising the asset recycling money.

Senator GALLACHER: So they get 15 per cent of \$10 billion for their power networks?

Mr Mrdak: They got a much larger number, which we can provide to you. I do not have the exact figures.

Senator McCARTHY: So what do you put it down for in terms of the Northern Territory?

Mr Mrdak: Mr Danks was outlining that the Northern Territory made decisions about investing only a portion of the sale proceeds into infrastructure. The balance was used for other government purposes.

Senator McCARTHY: Sorry; I missed that.

Mr Mrdak: Only a portion of the sale proceeds received from the sale of those two assets went to infrastructure. Some was used for retirement of debt and other things that the Territory government utilised the funds for.

Senator McCARTHY: Is that common practice?

Mr Mrdak: As I said, it varies across jurisdictions. Some have put more money into new infrastructure than others have.

Senator STERLE: Mr Mrdak, you said that the Victorian government identified 6,700 jobs for the two stages of the East West Link project.

Mr Mrdak: That is my advice.

Senator STERLE: Is there a document that we could see that says that?

Mr Mrdak: I will take that on notice. I have just been given the numbers to try to give you an answer today. I will give you a more fulsome answer in writing.

Senator STERLE: That would be good. Thanks, Mr Mrdak. I will now go back to the \$15-odd million that has been transferred to the NHRV. So far we have heard about cameras. How did we spend the \$15 million? What is a camera worth?

Mr Mrdak: Again, I do not have the details with me; I am sorry. Perhaps when we come back in surface transport I will be able to give you a more detailed answer.

Senator STERLE: All right; let's come back to this when we have the surface transport division.

Mr Mrdak: If that okay. It is just that that team would know more of the detail.

Senator STERLE: Let's do it then. That suits me fine. Can we go to Community Development Grants, please?

Mr Mrdak: Certainly.

Senator STERLE: Can you tell us what the decision-making process is for the allocation of funding to projects under the Community Development Grants Program?

Mr Mrdak: Under the guidelines for the program, they are government initiated projects that are developed. In more recent times, they are government election commitments.

Senator STERLE: In more recent times? For how long?

Mr Mrdak: In the last year they have predominantly been election commitments or a small number of projects that have been government initiated.

Senator STERLE: By a minister or ministers? Who does that?

Mr Mrdak: Ministers ultimately initiate projects. In the election campaign process, obviously the government political parties have processes to do with commitments that they make.

Senator STERLE: Is there any criteria applied to select projects for funding?

Mr Mrdak: Largely, they are just that—they are community infrastructure projects on the whole that have been funded under the CDG program.

Senator STERLE: Do the backbenchers all line up on a Tuesday morning with their hat out? How do they do it?

Mr Mrdak: We are not familiar with the process inside the major parties in relation to how they determine priorities. That is a matter for their own campaign processes.

Senator STERLE: So you would not know how they are selected for funding?

Mr Mrdak: The department is not.

Senator STERLE: Does the department do any analysis of the merits of the projects selected by the government for funding?

Mr Mrdak: Yes, we do. We seek information from the proponents to provide advice to the government that the requirements of the PGPA Act, which governs the administration of public funds, are met. We provide that advice to government, including where we have concerns in relation to the viability or sustainability of projects that they be addressed either prior to approval or as conditions on the project.

Senator STERLE: The department's website says that the program guidelines were outdated following inclusion of the 2016 election commitments. Can you tell us what the main changes to the program guidelines are?

Ms Wall: The main changes to the guidelines were just including commentary at the beginning of how only projects are identified, and we include there how they are identified. We have added the 2016 election commitment—we just included reference to the 2016 election commitments.

Senator STERLE: That was the list I was waving around earlier?

Ms Wall: No, the list you were waving around earlier is the Infrastructure Investment Program. Then, the guidelines also had references to the previous assistant minister who looked after this program. So we moved some of the—

Senator STERLE: Who was the previous assistant minister?

Ms Wall: It had references to Mr Jamie Briggs in this document.

Senator STERLE: Who is the assistant minister now?

Ms Wall: Minister Nash looks after the program.

Senator STERLE: Minister Nash, can you shed some light on any of the projects that are coming forward? Is there a list available that we have not seen, or is there a spend next to the list—

Senator Nash: The CDGs that were election commitments or that were outside of that?

Senator STERLE: Whatever gets swept up in the allocation of funding.

Mr Mrdak: I was just going to say that as I outlined this morning to the committee there is still a process underway to finalise the list of CDG commitments through the mid-year economic forecast process that is now taking place. Once that is finalised, the government will be in a position to finalise the list of projects and recipients.

Senator STERLE: But surely it would be reasonable to ask what list was announced in the election? If you are out there announcing projects under the CDG program there should be a list compiled that the committee can have a look at.

Mr Mrdak: I am advised that the list is nearing finalisation. That should be available shortly. I am happy to take that on notice to provided to the committee, via the minister, once it is finalised.

Senator STERLE: I suppose I will ask there how long a piece of string is! Minister, through you, if commitments were given through the election obviously they were in the 'Young bugle' or wherever they might be announced. With you coming to the rescue of a backbencher when you are having a three-way contest, I understand how it all works—but I do not think it is it unreasonable for the committee to ask or the list that was announced through the election period. Then, when you finish the final wish list, we will have that as well.

Senator Nash: We can do that. We will take that on notice.

Senator STERLE: How did I know you were going to say that! Can you tell us the breakdown of the \$363.9 million in funding for each year across the five years of the program—so for MYEFO from 2014-15 to 2017-18?

Ms Wall: The current breakdown of the funding is that in 2016-17 we have \$90.1 million and in 2017-18 we have \$81.6 million. In 2015-16 we paid \$111.2 million. The 2014-15 outcome was \$60.6 million and the 2013-14 outcome was \$4.4 million.

Senator STERLE: That is a considerable jump up towards the end, isn't it? Could you tell me why \$15.3 million was transferred to other projects under 'other programs'?

Ms Wall: Sorry, I do not know where you got the—

Senator STERLE: \$15.3 million was transferred to other projects under 'other programs', so obviously there was a shuffle around of a few figures.

Mr Mrdak: I am not familiar with that number.

Senator STERLE: I thought there was \$15.3 million.

Ms Wall: So 2013-14 was \$4.4 million. Are you doing the quick maths?

Senator STERLE: Yes, I am really trying to.

Ms Wall: So, we have \$4.4 million in 2013-14, \$60.6 million in 2014-15, \$111.8 million in 2015-16, \$90.1 million and \$81.6 million. That should add up to \$348.6 million.

Senator STERLE: Okay, my maths is terrible. But wasn't the funding \$363.9 million, over the five years? Did I get that figure wrong?

Ms Wall: I am not aware of that number.

Senator STERLE: Okay. Was it \$348 million? That is what this adds up to, but was the announcement \$348 million?

Ms Wall: This profile here is for funding that has currently been allocated to the Community Development Grants Program. This does not include election commitments for 2016. That will be through MYEFO.

Senator STERLE: Righto. Is that the difference between \$348 million and \$363 million—the election commitments? You said there was \$15 million?

Ms Wall: I am not sure where this \$363 million is coming from. It was not a number I mentioned.

Senator STERLE: All right. I better check my mathematics. Where did I get the \$363.9 million? So, what was the total? Before what this adds up to, what was the announcement over five years? Was it \$348 million?

Ms Wall: The appropriation at the moment is \$348.6 million.

Senator STERLE: Yes, but what was the election announcement for 2016? How much was that?

Ms Wall: We have not said that.

Senator STERLE: This is the one you are going to come back to us on. I am trying to find out where the \$363.9 million came from. Something in my head is telling me this might be election commitments. It might be around this figure that adds up to \$363.9 million, which is \$15-point-something million.

Ms Wall: In the coalition costing document that you handed out previously, under 'infrastructure, transport and regional development' the government included \$477.9 million worth of election commitments for CDG.

Senator STERLE: Minister, you said you would take it on notice when I asked about that. If, for whatever reason, you cannot provide that at this stage, could you tell us how much the election commitments were under the CDG program?

Ms Wall: To add to that, in this document there are also a number of other projects in other portfolios that are being delivered through CDG. They have allocated \$32.5 million to the Central Coast Medical School. That is under 'education and training'. At the moment, under 'health, aged care, sport and rural health' we have two MRI licences for the Frankston hospital and the Maroondah Hospital.

Senator STERLE: I have no idea where Maroondah is.

Ms Wall: Sorry, neither do I at the moment. So that is \$6 million each for them.

Senator STERLE: So that is \$12 million for the two MRIs.

Ms Wall: Under 'trade and investment', there is a boost to tourism jobs and growth in the Dandenong Ranges, which was \$20 million in this document, and \$10 million will be delivered through CDG. When we provide the list you will see those items on there as well.

Senator STERLE: Minister, could you tell us how much was promised in the election?

Senator Nash: I can take it on notice for you, to make sure that we get you the right figure. I would prefer to do that, given we are still finalising—

Senator STERLE: Sure. How long do you reckon you will need?

Senator Nash: I will endeavour to do that for you as quickly as possible, as I always do.

Senator STERLE: By tonight?

Senator Nash: I will certainly try to do that for you.

Senator STERLE: I want to ask a few questions on the construction of WestConnex. You know we named a suburb after you in Perth—Leeming?

Ms Leeming: I do know that, yes. I have a brother of the same last name living in Perth, so he had told me that.

Senator STERLE: There you go. Could you tell us if the department is involved in planning discussions for stage 3 of WestConnex?

Ms Leeming: I think there was a question on notice on this topic.

Senator STERLE: I may have been blueing with the chair or anything at that stage, so just help me out—or I may have been blueing with one of my mates; I do not know.

Mr Mrdak: We are involved with the WestConnex steering committee, but the planning work largely remains with the New South Wales government.

Senator STERLE: Let me throw a few questions at you and see if you can help me out. Will Blackmore Oval in Leichhardt or Easton Park in Rozelle be made use of for drilling or staging areas during the construction phase of stage 3 of WestConnex?

Mr Mrdak: I do not think we have that detail with us. Can I take that on notice?

Senator STERLE: Yes, of course. Will access to the Canal Road Film Centre in Leichhardt be affected during the construction phase?

Ms Leeming: I think the issue with answering the questions, from the department's perspective, is that the actual design for stage 3 of WestConnex has not been released yet. We have a rough idea where the road is going to go, but the actual detailed design work has not been done.

Senator STERLE: That is fine.

Mr Mrdak: If you could place on record your questions, we will take them to New South Wales and get answers for you.

Senator STERLE: But if you have got an answer throw it at us. There is no drama. You will not get into trouble, Ms Leeming, if you answer the question. There are no dramas there. If active recreational space currently used by local sporting clubs and for other community uses is lost during the construction phase or permanently, will funding be made available to provide replacement space and facilities?

Mr Mrdak: Again.

Senator STERLE: Yes. Given there is no interchange planned for Leichhardt, is the drilling or dive site required to be located there at all?

Mr Mrdak: I do not have an answer, but we will chase that up for you.

Senator STERLE: Can you tell us which locations in Leichhardt, Rozelle and Camperdown are being considered for use as dive or drilling sites during the construction phase of the stage 3 of the project? Once again, I know what you are going to say, Mr Mrdak—no worries. Beyond the properties already identified for acquisition on Victoria Road, Rozelle, are there any properties being considered for acquisition to enable the construction of stage 3 of the project? How many property owners in Victoria Road, Rozelle, have been made formal offers for the acquisition of their properties? Where will the emissions stacks for the Rozelle and Camperdown exchanges be located?

Just very quickly, I will go back to my questions to your good self and to Infrastructure Australia in terms of the \$16.8 billion—remember page 240 of the WestConnex final assessment, where we have established that none of that was included. I said very clearly that the \$16.8 billion is now being, in my opinion—and I do not think you will argue—left behind. That figure is long gone. That is in the past and there is a lot more I think we need to—

Mr Mrdak: We are seeking advice from New South Wales on that very question, just to clarify that.

Senator STERLE: Is WestConnex fully funded by the Commonwealth, by the New South Wales government or by both?

Mr Mrdak: The Commonwealth is making a funding contribution to that project. The Commonwealth has committed \$1.5 billion in grant funding and \$2 billion through a concessional loan to New South Wales.

Senator STERLE: A loan?

Mr Mrdak: That is correct.

Senator STERLE: Concessional, so they have to pay it back?

Mr Mrdak: They do.

Senator STERLE: Since it was announced at \$10 billion, has there been any approach for more money from New South Wales, or is that it?

Mr Mrdak: That is the Commonwealth's commitment to this point. We are awaiting advice in relation to the next stages of the project, which are what is called the Sydney Gateway component, which is the road between WestConnex stage 2 and the airport and the port, and, obviously, stage 3. New South Wales is yet to finalise those and make any funding requests in relation to those.

Senator STERLE: I will not harp on it, but we have established now that we are getting closer to \$20 billion.

Mr Mrdak: We are checking that with New South Wales.

Senator STERLE: When will that information be available?

Mr Mrdak: We are trying to do that today.

Senator STERLE: So, hopefully, you will be able to come back to us this afternoon.

Mr Mrdak: That is our aim, if at all possible.

Senator STERLE: I will keep annoying you on that as we stage through the night.

CHAIR: Mr Mrdak, through you to your staff and officers, I thank them for their patience. We have gone over time, as apparently we sometimes do. We will now go to the Civil Aviation Safety Authority.

Mr Mrdak: Chair, are we still proceeding as per the schedule?

CHAIR: As per the schedule for the moment, Mr Mrdak. We are going to have another look at it at intervals.
[17:01]

Civil Aviation Safety Authority

Senator STERLE: Crikey, don't tell me, Mr Carmody, you are the boss now. Are you?

Mr Carmody: It would appear so, Senator.

Senator STERLE: Crikey!

CHAIR: Welcome, Mr Carmody. We appreciate your patience. We are running a wee bit over time. Senator Sterle, you have the floor.

Senator STERLE: Thank you, Chair. Mr Carmody, why did Mr Skidmore leave?

Mr Carmody: I have got his media release.

Senator STERLE: Why don't you just tell us? We know what that says. Tell us what really happened.

Mr Carmody: The announcement that was made was that he wanted to explore a number of new opportunities, so he decided to move on.

Senator STERLE: So it was all cheese and bickies, everyone was happy and throwing rose leaves on each other as he left?

Mr Carmody: As far as I know. He left a week ago, because I have been in the chair a week now. He finished on the seventh and I started on the 10th.

Senator STERLE: Has CASA done an exit interview or similar with Mr Skidmore?

Mr Carmody: No.

Senator STERLE: Do you plan to?

Mr Carmody: I was not planning to.

Senator STERLE: Would you normally if someone left two years into a five-year term?

Mr Carmody: I think it is up to the CEO if he decides to leave during his term or at the end of his term. He put in his resignation. I would not normally do an exit interview with the former CEO. I would do it with staff more generally.

Senator STERLE: Why not the CEO?

Mr Carmody: As far as I am concerned, he has moved on.

Senator STERLE: Normally you have to get blasted out of that position.

Mr Carmody: Potentially. We did a handover, so there is no real need for me to do an exit interview because all of the current actions that were underway he has passed to me.

Senator STERLE: Mr Carmody, you might have a vested interest here, so you can declare it if you want. What is the plan now for CASA to replace its department CEO?

Mr Carmody: The board will undertake a recruitment, so they are going to engage a consultant and do a search for a recruit. I have been appointed for a period of no more than 12 months, which is as far as I could be appointed under the act. I do not expect that it will take that long, but that was to give the board some flexibility. I would expect early in the new year that there would be some recruitment activity. I do not think it will be resolved before Christmas.

Senator STERLE: What is the normal gap in between one leaving and another? Is there any trend? I would have thought that people would have been lining up.

Mr Carmody: I do not recall. Mr Mrdak might know how long it took to recruit the previous CEO, but I would have expected a period of three to four months.

Mr Mrdak: The previous process where Mr McCormick's appointment expired to the replacement, when Mr Skidmore started, was about six months.

Senator STERLE: Mr Carmody, are you going to be a candidate?

CHAIR: Mr Carmody does not have to answer that.

Senator STERLE: He can—we go back a long time.

CHAIR: I will leave it up to him. He just needs to know he is not under any obligation to answer the question.

Senator STERLE: What do you reckon, Mr Carmody?

Mr Carmody: It depends on what happens over the next few months and on the board's and my view of my future. I may be; I may not be.

Senator BACK: I think we are well served in having someone of your capacity and background being able to step in.

Mr Carmody: Thanks very much.

Senator STERLE: We know that Airservices has announced a broad program of redundancies—around 1,000 of its 4,500 employees. Is Airservices answerable to you?

Mr Carmody: We regulate Airservices.

Senator STERLE: Have you been briefed on the planned redundancies at Airservices Australia?

Mr Carmody: Airservices and the CASA actually had a joint board meeting last week—which happens infrequently, I understand. There was a discussion. One of the questions that was asked between the two organisations was about what the impact of the redundancies was. We work very closely with Airservices in looking at what they are doing in managing the regulatory framework, so we have been aware of where they are going for some time.

Senator STERLE: What was the outcome? Can you share that with me?

Mr Carmody: The outcome of the discussion was that there would be no impact on aviation safety.

Senator STERLE: Where I get a bit baffled—I understand these things happen from time to time—is how you can have 1,000 people that are surplus to requirements. How does that work?

Mr Carmody: That is a matter for Airservices, who are on after me, but I think the point that they made very clearly was that there would be no impact on the frontline services that they are responsible for—air traffic control, and aviation rescue and firefighting services.

Senator STERLE: Are they subcontracting out the work? You would not have 1,000 employees just sitting around. Are you aware if they had 1,000 employees sitting around and did not know what to do with them?

Mr Carmody: I presume that they have contracted out some non-core services. I do not personally know the answer, because I have only been in the chair a few days. What I did seek was an assurance on aviation safety.

Senator STERLE: Would any of your able lieutenants sitting behind you know?

Mr Carmody: I am not sure.

Senator STERLE: Would they know any more than you?

Mr Carmody: I am not sure that they would, at this stage.

Senator GALLACHER: You mentioned firefighting and airport services.

Mr Carmody: Aviation rescue and firefighting—yes.

Senator GALLACHER: Hasn't there been a change in regulation which would mean that some airports would no longer need firefighting services, under the lifting of passenger numbers?

Mr Carmody: No, at this stage there has not. It is still at 350,000.

Senator GALLACHER: So it has nothing to do with that. Is that still to come?

Mr Carmody: It is still at that threshold. If the threshold were to change, that would be a different issue. At the moment they are still providing rescue and firefighting services in accordance with the regulations that exist now. As far as I know, they are not proposing to change that. We would have a view on whether that met the regulatory requirements.

Senator GALLACHER: Someone is proposing to change that.

Mr Carmody: There is a proposal on foot to raise that threshold, but at the moment that threshold has not been raised. It has been in place for a long period of time. It is based on passenger movement.

Senator GALLACHER: But, were it to be raised, that would impact on firefighting services.

Mr Mrdak: The department is undertaking a process of reviewing the triggers for the introduction of rescue and firefighting services at airports. As Mr Carmody has indicated, the current threshold is at the 350,000 passenger mark. The proposal that is being consulted on by the department is that we move to a threshold around 500,000 passengers and to a risk assessment process around that. That would not have any impact on the existing services at current locations, but, were the government to change the threshold triggers, that would impact on future provision for rescue and firefighting at future aerodromes once airports start to get close to that half a million passenger mark and the risk assessment suggests they need rescue and firefighting.

Senator GALLACHER: So you are saying that places like Uluru would not lose firefighting services as they are currently constituted?

Mr Mrdak: The intention, were the threshold to change, is that the existing services would be grandfathered, subject—

Senator GALLACHER: So the trigger would not apply to them—there would not be any additional redundancies?

Mr Mrdak: There would be a view to establishing threshold points at which, if traffic fell, then the airport provision would be reviewed through a risk assessment—if traffic levels fell below a certain parameter.

Senator STERLE: The I will come back to the joint meeting the two boards had. We read 1,000. Did they provide you with a list of exactly how many redundancies they intend to implement?

Mr Carmody: No. I am not even convinced that 1,000 is right. I think it is between about 500 and 900, but they would be able to answer that question for you. I have not got a specific list of the individuals who are being made redundant.

Senator STERLE: No, I understand that.

Mr Carmody: If I may, I do not need to manage their business for them; I need them to maintain a safe operating environment.

Senator STERLE: Absolutely, and this is what I am just trying to get to—and, quite rightfully at this stage; you or CASA have no idea exactly how many redundancies?

Mr Carmody: I am sure that some of our staff know the areas of redundancy. All I am saying is that it is somewhere between 500 and 900. They would be able to give you a number. I do not know whether it is 752 or—

Senator STERLE: No, I fully understand and I do not expect you to know, off the top of your head. But I want to be very clear: does someone in CASA know exactly how many redundancies and in what areas?

Mr Carmody: I do not know the answer directly. I would suspect that we know the areas of the redundancies well, but I do not think a decision has been made by the organisation—they would be able to answer it for you—on what their final number of redundancies would be. I think it would be based on their operational requirement and also on who put forward for a redundancy and whether they would allow that to occur. So I think they have got to manage the numbers.

Senator STERLE: And we will ask those questions—no worries—but I want to be really clear in my mind that CASA, the regulator, is absolutely locked on; whatever Airservices has told them is Mickey Mouse and everyone is safe in the air. At the moment—I am not blaming you—I would have hoped that CASA knows exactly where every single job has gone in which area so that you can come to the committee and tell the Australian people, 'We are absolutely tickety-boo, no dramas. Air safety will not be compromised by these 500—' or 900 or 1000, whatever—redundancies that are going through Airservices, let alone—and we will ask them—what else has been contracted out and to who. Let me put this to you: Airservices have a lot of questions to

answer on their contracting-out processes—and you hear that Airservices and you know darn well where we are coming from.

Mr Carmody: To answer your question, I am confident that, as I said, we know the areas where redundancies are occurring. If they are not related to aviation safety, then there they are of no concern to us. We would be very concerned if there were redundancies in any area that related to safety; hence my very clear request for assurances that there was nothing happening in relation to aviation safety, and I am confident that our staff would be validating that.

Senator STERLE: These questions will go to Airservices, but to your knowledge has Airservices been required to undertake risk assessment of its change program?

Mr Carmody: I do not have a direct knowledge of that—I would assume so. I would be surprised if they did not do a risk assessment.

Senator STERLE: Spot on. So now I will ask: has CASA required Airservices to change any aspect of its change program? Would anyone behind you be able to tell me that?

Mr Carmody: Not to my knowledge. I might be able to find out as we are working through it today, but not to my knowledge have we required them to change anything.

Senator STERLE: If Dr Aleck or any of the other long-term heads of CASA know, it would help if you could clear it up so that we do not have to come back and grab you after. Chair, that will do for me.

Senator XENOPHON: I want to follow on from Senator Sterle's very important line of questioning about the cuts to Airservices. If this question has been asked I apologise. Was a safety assessment provided to CASA in relation to proposed cuts in staff?

Mr Carmody: I have sought assurance from Airservices that there will be no impact on aviation safety.

Senator XENOPHON: You have sought an assurance?

Mr Carmody: Absolutely. Our staff were working very closely with Airservices and they have assured me that in the functions that I am particularly interested in, air traffic control and aviation regulation of firefighting, those services will remain safe and effective.

Senator XENOPHON: Mr Carmody, you have asked for an assurance, you have been given an assurance, but there has been no robust or independent verification by CASA of that assurance?

Mr Carmody: Senator, as I indicated before you arrived, I have been in this position for a week. My understanding is that our staff have been working very closely with Airservices on these matters for some time.

Senator XENOPHON: I am not being critical of you, Mr Carmody. Please understand that. Normally, given the magnitude of these job cuts—we do not know how many relate to air traffic controllers and training and operational staff—as a matter of course wouldn't there be an appropriate, robust assessment carried out by CASA to, in a sense, audit or verify Airservices' assertions?

Mr Carmody: I am sure that something robust has occurred, Senator. I will have to ask my colleagues, to see whether anybody is aware of anything that might have occurred.

Senator XENOPHON: I would appreciate that. While we are waiting for one of your officers to speak about that, it was not so long ago on this committee—it might have been two or three years ago; maybe Senator Sterle could assist me with this—that I recollect CASA did quite a scathing assessment of Airservices Australia's functioning operations and effectively put them on notice in terms of the way that they were doing business. That is the case, is it not?

Mr Carmody: I am not aware of that. Somebody else might be.

Senator XENOPHON: Have I completely stuffed that up or is that the case?

Mr Tiede: That is exactly the case, Senator.

Senator XENOPHON: I did not stuff that up. I do remember correctly that CASA put Airservices on notice because they were very concerned about aspects of their operation—safety aspects in the way they were operating.

Mr Tiede: That is correct, and a review was conducted by CASA in the back half of last year and into the early part of this year. At that point the conclusion from CASA was that those outstanding recommendations had either been actioned, were in work or otherwise in good hands with Airservices, and the part 172 certificate, the air traffic control certificate, was issued as a clean certificate without conditions. So in that three-year period Airservices had corrected the recommendations from that review you speak of.

Senator XENOPHON: Before I ask this question, may I just say in a very non-religious sense, God bless whistleblowers, because I have just got an email that I want to ask you some questions about. My understanding is that the Airservices board has a safety committee that should have considered the risks associated with the restructuring. Are you aware of that?

Mr Tiede: Yes, I am.

Senator XENOPHON: Did CASA ask Airservices for some sort of evidence that the committee had met and considered the safety implications of the restructure and advised the board?

Mr Tiede: There have been a number of activities going on by CASA in relation to this line of questioning. At the surveillance level, as opposed to the board level that Mr Carmody has been speaking of, there are a number of initiatives that have been following documentation—

Senator XENOPHON: I am going to run out of time soon. There was a direct question. I do want to ask some questions.

CHAIR: You will not run out of time.

Senator XENOPHON: Thank you. Is CASA aware that the Airservices board has a safety committee?

Mr Tiede: Yes.

Senator XENOPHON: Is CASA aware of whether that committee has met or not and considered the safety implications of the restructure?

Mr Tiede: I am not personally aware. I would be surprised if they have not.

Senator XENOPHON: Isn't that something you should be aware of before you tick off all the safety implications of this massive restructure of Airservices?

Mr Carmody: If I may, the safety committee should be providing assurance to the board, and the organisation—the board—will provide assurance to the regulator. The safety committee does not work to me.

Senator XENOPHON: Okay, so these are questions I could properly put towards Airservices, and I will. But my understanding is that Airservices is required to provide a risk assessment to CASA arising out of organisational change. Is that the case?

Mr Tiede: That is correct.

Senator XENOPHON: Have they done this in this case?

Mr Tiede: They have.

Senator XENOPHON: Are you able to provide us with a copy of that risk assessment?

Mr Tiede: I do not have it with me, but yes.

CHAIR: Senator Xenophon, I might assist you. None of your colleagues have indicated any further questions of CASA, which means we would go directly to Airservices Australia. If you want to homogenise your time, we could do that at this point.

Senator XENOPHON: I will, but before I homogenise—or even pasteurise!—my time I would like to ask some more questions about general aviation as well.

CHAIR: Of course. I was just alerting you that you had the opportunity.

Senator XENOPHON: I appreciate that. Thank you. The information I have received just now is that CASA has had some difficulties obtaining this information, because this risk assessment should have been provided to CASA at the first round of changes, and there should have been further risk assessments for any further changes. What is your understanding of that?

Mr Tiede: In practice, the risk assessments are not a single document. There are a number of tranches of work that goes forward in the different areas. It is correct that we made inquiries after some of those pieces of work. They were provided promptly on request.

Senator XENOPHON: Can you say whether CASA has had any difficulties in getting this information or not.

Mr Tiede: Not in my view, no.

Senator XENOPHON: Can you provide details to this committee of the information that has been requested, including any emails, correspondence, notes or other documentation as to the flow of information between CASA and Airservices Australia about this organisational change.

Mr Tiede: We will be able to do that—not right now.

Senator XENOPHON: I realise that. I am asking you to take it on notice.

Mr Carmody: I do not know the volume of correspondence either, but I would like to make the point that these safety matters are evolutionary, in the sense that we would be asking questions and seeking information that might allow us to seek more information. So we might not have asked all the questions we needed to ask on the first round or the second round.

Senator XENOPHON: I am not suggesting that, but I would imagine there will not be thousands of emails. There might be a few dozen, or more than that, but it should not be too onerous a task to give us that.

Mr Carmody: We will put some information together for you, Senator.

Senator XENOPHON: Okay. Was CASA aware of cuts to engineering and technical areas in particular?

Mr Carmody: Andrew, I might leave that for you.

Senator XENOPHON: Yes. Mr Tiede, can you tell us whether CASA were aware of any cuts to engineering and technical areas in particular?

Mr Tiede: Yes, CASA is aware of reductions in engineering, in support services and in other areas of that organisation.

Senator XENOPHON: I put to you that there have been 249 redundancies in ANS, which includes ATC, and 93 of these were in engineering and technical services. In further engineering and IT roles, 56 went from the IT group, which includes air traffic management systems. Does that sound about right?

Mr Tiede: I could not answer that directly. I am sorry. As Mr Carmody has highlighted, we are assessing the safety of the processes remaining.

Senator XENOPHON: What I am concerned about is the magnitude of these changes. Mr Carmody, in complete fairness to him, has only been in this role, in the hot seat as acting CEO, for a week. It is not a reflection on him or, indeed, on you. But would you simply rely on assurances by the board of Airservices Australia, or does that require further digging by CASA given the history of CASA being quite damning of Airservices Australia and the way that they were conducting themselves? They raised some serious safety concerns about CASA in the relatively recent past.

Mr Tiede: That is correct. As I have mentioned, the issues from three years ago were considered in a review late last year, and earlier this year they were tidied up to such an extent that CASA included a clean part 172 certificate in relation to that previous review. So that review is in large part historic now.

The new program, the Accelerate Air Services program, is subject to inquiry by CASA surveillance officers in the areas where they have their expertise. We have an engineering officer on surveillance of engineering pieces; we have air traffic officers on surveillance of the air traffic pieces; and I have a rescue and firefighting officer on surveillance of the rescue and firefighting pieces as an inquiry into these matters that we are speaking of.

Senator XENOPHON: I will finish on this time of questioning before I go to general aviation. CASA was quite damning of Airservices Australia several years ago. Was it two or three years ago?

Mr Tiede: It was 3½ years ago.

Senator XENOPHON: Not so long ago. CASA raised questions such as: 'If you don't get your act together we are going to take away your ability to run any traffic control in this country,' which was fairly significant for CASA to even raise that. For the record, you are nodding your head, I think, in broad agreement in relation to that.

Mr Tiede: Yes, indeed.

Senator XENOPHON: Can you confirm that was the case? It was a pretty momentous report by CASA.

Mr Tiede: Yes, that was the case.

Senator XENOPHON: In view of the track record of Airservices Australia back then, with serious concerns raised by CASA in respect of safety, do you think it is not unreasonable in terms of risk assessment to delve into assurances made by the Airservices Australia board, given the relatively recent history between CASA and Airservices Australia?

Mr Tiede: I do think it is reasonable, and we are examining their safety management system processes in that regard.

Mr Carmody: Senator, if I may, as acting CEO, I did seek an assurance from the board—and I would—and I think that would be an expectation. It is a case of trust and verify. I am the regulator: we are not only going to be relying on assurances.

Senator XENOPHON: Perhaps I misunderstood you; it sounds as though you were.

Mr Carmody: We will rely on our own inquiries. As part of our surveillance that is what we do.

Senator XENOPHON: I want to ask some questions about general aviation. I have some graphs to table from the AOPA.

CHAIR: I am not sure we are into general aviation. We have Airservices.

Senator XENOPHON: It relates to the ADS-B.

CHAIR: I have lost my acronym dictionary. Can you explain what that is?

Senator XENOPHON: It is the system required of general aviation in terms of air traffic control, in which CASA has a role as regulator.

CHAIR: Governed by CASA?

Senator XENOPHON: CASA has a role in its implementation.

CHAIR: We are in your hands.

Mr Carmody: CASA has set a mandate of implementation of the ADS-B technology.

Senator XENOPHON: I will table a document from AOPA, the general aviation organisation, and perhaps provide a copy to the witnesses as well. To you, Chair, I seek to table—

CHAIR: Just before you do, I have just started a practice to see that this is appropriate to find in *Hansard*. The document is five pages with schematics and graphs. The first page is headed 'Pilot numbers' and the last page is 'US general aviation pilot numbers,' for identification in *Hansard*, so let's table it. Is there any objection from the committee in relation to the tabling? This is always a problem because they have not had the benefit of seeing the document.

Senator XENOPHON: I am sorry for that. I don't mind if it is marked for identification at this stage and the committee can make a subsequent decision

CHAIR: No objection; it is so tabled.

Senator XENOPHON: Mr Carmody, at the previous estimates I had an interchange with your predecessor, Mr Skidmore, about the implementation of ADS-B, about whether there were any plans to delay that, given the concerns that had been raised by the general aviation community. Just a few hours ago, I spoke to Dick Smith, who is a former chairman of CASA, who is currently overseas. Mr Smith said, 'You are unintentionally destroying general aviation in this country with the ADS-B requirement.' I have his permission to give him a direct quote and I do not think that Mr Smith minces his words as a general rule and as a former chairman of CASA. He refers to a \$30 million figure for the implementation, which I think CASA has set out as the cost of implementing ADS-B for general aviation. Is that your understanding?

Mr Carmody: I do not understand the figure, but one of my colleagues might know the figure. I would make the point, if I may, that the ADS-B mandate for implementation was announced five years ago, six years ago. This has been a journey of quite a long period of time and a journey in the interests of aviation safety.

CHAIR: Who was the chairman five years ago?

Mr Carmody: I am not even sure that there was a chairman at the time the fitment was announced. Mr Mrdak might know. It was prior to the board.

Mr Mrdak: It was prior to the board being appointed by the current government in 2013.

Mr Carmody: So this process has been underway for a very long time.

Senator XENOPHON: But Mr Smith was not the chairman of CASA at the time. We can make that clear.

Mr Carmody: No. That was well before that that he was chairman of CASA.

Senator XENOPHON: That is right. Just in case—

CHAIR: I just wanted to check.

Senator XENOPHON: It is a very good question, Chair, a very relevant question. Basically, an interchange I had with Mr Skidmore back at a previous estimates indicates that Mr Skidmore felt that there was not a need to revisit it. My question is this: given the graphs I have shown you from AOPA, general aviation pilot numbers have actually gone down 34 per cent from 2000-01 to 2014-15 and are declining fairly sharply; avgas consumption, which is indicative of the use of general aviation, has gone down 35 per cent from 1996 to 2015; initial aircraft registrations actual, after a spike, have been declining for the last couple of years, quite markedly; cancellation of aircraft registrations has seen a 51 per cent increase from 2001 to 2014-15; and, by contrast, US general aviation pilot numbers have seen a four per cent increase. I am not sure what the relevance of that is, because there might be a whole range of other factors in the US. But can I just put to you: has CASA received

representations from the general aviation community and representative groups where they are saying: 'We are not against ADS-B per se, but bringing it forward prior to the US having it will mean a massive increase in costs. If it were delayed 12 months after ADS-B was required in the US, it would mean there would be a drop in prices, as with any new technology, and we could transition much better'? Is that something that CASA has considered, given that we are seeing some quite alarming declines in general aviation and its affordability in this country?

Mr Carmody: There are a lot of questions there. I can try and deal with a couple of them. I note the point on declining general aviation pilots, and I have seen the statistics. The statistics do not show the growth in recreational pilots, which is very significant. General aviation is characterised by quite old aircraft. The market has actually changed in the last 10 to 15 years. Recreational pilots flying two-seater aircraft have increased exponentially. So, taking the figures in one hit, it is only looking at one segment of the market. That is one point I would like to make.

In terms of the mandates for fitment of ADS-B, there are many, many operators over the last five years—individuals and organisations—that have made a commitment to fit ADS-B. They have fitted it on the basis of the mandate that is in place and the fact that the mandate is coming in. There are a number of operators who would therefore not thank me and would come back at us as a regulator to say, 'You are making it less safe by deferring fitment, when we have already made our investment in accordance with your direction.' We have made very clear directions for the mandate up until 2017. They have invested very significantly, in many cases, in this. So that is a second aspect.

The third aspect, if I may say, is that there is nothing to suggest that the prices will decrease as fitment increases in the United States and elsewhere. In fact, there might be more competition for equipment, and the prices may not decrease. It may be more difficult to get equipment closer to the time. The view from one group of people is that it will get cheaper if we wait until afterwards. The challenge for us is that ADS-B is a safer technology, because it indicates where every aircraft is. That is the safety case we are working towards. My final point on the United States—

Senator XENOPHON: That is not all aircraft and, with apologies, Senator Sterle, ADS-B stands for—

Mr Carmody: Okay, it is not all.

Senator XENOPHON: Automatic Dependent Surveillance-broadcast.

CHAIR: Senator Xenophon, I do not mean to interrupt, but you are coming to the end.

Senator XENOPHON: I am. I am very close. Can I just say that if aircraft fly below cloud cover, visually—if aircraft do not have ADS-B, they have to fly visually—correct?

Mr Carmody: Yes, they have to fly visually. That is correct.

Senator XENOPHON: The point that Dick Smith has made to me just again today is that that poses a risk to pilots. There has never been a case of a mid-air collision in this country involving aircraft in clouds—is that right?

Mr Carmody: I did see a quote to that effect. I assume it is correct; I have heard that.

Senator XENOPHON: He has expressed a concern previously and again today that requiring pilots who cannot afford to install ADS-B to fly visually below clouds itself is problematic from a safety point of view. Is that something you have assessed?

Mr Carmody: Not to my knowledge. I can take that on notice and see whether we have. I do not know the answer to that, I am sorry.

Senator XENOPHON: Could you take it on notice. Is there any possibility—and I emphasise the word 'possibility'—that, given the alarming numbers in respect to general aviation in this country, there may be consideration on CASA's part to consider a stretching out of the date for the implementation of ADS-B?

Mr Carmody: There are no plans at this stage to delay the implementation, but I have only been in place for a week. I would like to look at the possibilities. At this stage there are none, but I will see.

Senator XENOPHON: My final question is a follow-up. The base of your assertion is that it might be more expensive in a few years time, and that did not work for flat screen TVs or other technology.

Mr Carmody: Different technology. But that is just an assertion in the same way as it is an assertion that it will get cheaper, if I may, by AOPA.

Senator XENOPHON: And that generally happens with new technology?

Mr Carmody: It might.

Senator XENOPHON: Could you get back to me on that. Thank you, Chair, for your patience.

CHAIR: I have received advice that we are completed with CASA—although, could I ask Mr Carmody for an indulgence: could you ask your CASA people to wait for 10 or 15 minutes before they go? We have a colleague, an active committee member, who would like to try and have an opportunity to ask some questions. If I do not come back to you, say, by ten minutes to, then we will abandon that and they are welcome to leave.

Mr Carmody: Thank you.

CHAIR: Thank you to you and your staff and, again, would you extend to them our apologies for having gone over the time limit there.

Airservices Australia

[17:38]

Senator STERLE: Tell us what the Accelerate program is.

Mr Harfield: The Accelerate program, fundamentally, it is a short transformation to reposition the organisation to focus on our core business of air traffic control, aviation rescue and firefighting. To give you some context of why we initiated the Accelerate program, over the last five years we have seen revenue growth of around about five per cent year on year off the mining boom. Once the mining boom came off we saw a plateauing in our revenue where we were seeing flat growth domestically and, although we earn over a billion dollars in revenue year on year, our costs had exceedingly grown by six to seven per cent year on year. In other words, at the end of the 2015 fiscal year we turned a profit of \$4.5 billion because our costs had gone over a billion dollars.

During that same period of time, other than a couple of additional fire stations, our service provision in air traffic control and aviation rescue and firefighting had not grown. Over the last 10 years our staff numbers had grown 1,500 FTE while our service provision had not really changed. The operational staff numbers had stayed relatively static.

Senator STERLE: Sorry, what was the figure?

Mr Harfield: It was 1,500 over the last 10 years and, over the last five years, it would have been around 750. At the same time, as I said, our operational staff numbers, which are operational air traffic controllers and aviation rescue and firefighters had not significantly changed. All this staff growth was in our projects and what we would call the back of house, our support areas. If you have a look at our performance over that period of time, our capital expenditure program, we would continue to underspend by \$100 million year, putting on considerable pressure. This us this into a position last year at the start of 2015 where we were actually going out to an eight per cent headline price increase to our operation, which we would charge the airline industry for our services. Considering that this growth had been in back of house, not in our operational areas, obviously the airline industry found that completely unpalatable considering the current economic conditions. We revisited it and we went out with a five per cent price headline increase and consulted on that. Obviously that was unpalatable. We were in a position where we were projecting further losses based on our capital. So the Accelerate Program was designed to rapidly change us in a 12-month period to refocus on what we do—that is, air traffic control and aviation rescue and firefighting—and ensure that our support areas supported our service delivery.

Senator STERLE: I am going to ask for you to provide a consolidated list of the areas where the redundancies will come from. I have a list but we will see how close we are to it. Okay? So could you tell us the number of proposed potentially excess positions?

Mr Harfield: In restructuring the organisation, which was announced on 17 May, we have proceeded to work through the organisation to reappoint and realign that organisation under the new operating model and that will see a reduction of 900 positions across the organisation. I touch on that 900. That does not touch operationally rostered air traffic control or aviation rescue and firefighting. It does not touch our front-line service delivery; it is in the back of house operations, in our support areas only. Air traffic control: I just want to make that point because it was it was in questions to CASA.

Senator STERLE: Sorry, I did not hear you. There is no reduction in air traffic?

Mr Harfield: That is correct. This Accelerate Program is not touching our front-line service delivery, which is aviation rescue and firefighting and air traffic controllers. They are actually excluded from the Accelerate Program. As we work through the questions from Senator Xenophon about the interactions with CASA, I will go through that and what we have done in that space.

Senator STERLE: So apart from accelerate, are there any other redundancies targeted for firefighting and air traffic control?

Mr Harfield: Not operationally in rostered air traffic controllers and firefighting with one exception, which is nothing to do with the Accelerate Program, which are the redundancies offered for the consolidation of the terminal control units from Cairns and Adelaide. As part of that process they will come into effect next year.

Senator STERLE: All right so how many in those areas?

Mr Harfield: It is in the order of about 10.

Senator STERLE: And is that in air traffic control?

Mr Harfield: Yes, that is in Cairns operational air traffic controllers.

Senator STERLE: So we have got 900 all up as part of the Accelerate Program. And we have some other redundancies.

Mr Harfield: Those other redundancies would be just a part of normal business and change, but the Accelerate Program is 900.

Senator STERLE: Are they voluntary redundancies?

Mr Harfield: At this stage, a number of them are voluntary. We are still working through the process at the moment. To give the committee an update: as of the end of September, 580 people have left on redundancy provisions since 1 January this year, and by the end of this calendar year 709 would have gone under a voluntary redundancy process. The further projected 200, or thereabouts, will be the result of either voluntary redundancies or potentially involuntary redundancies in areas that are assessed as such.

Senator STERLE: I will stay focused and get back onto the question I just want to ask you here first. What is the number of proposed changes to job classification level?

Mr Harfield: We can provide that on notice—all the specifics. We can provide all that.

Senator STERLE: That is easily got? That is no drama?

Mr Harfield: Absolutely.

Senator STERLE: Okay. Would you be able to get that to us before we close off tonight, if possible?

Mr Harfield: Tonight would be a bit hard considering it is after five o'clock and probably most of the staff have gone home, but we can provide it by tomorrow, if you do not mind.

Senator STERLE: That is great. Just give it straight to the secretariat. Thank you. Could you tell us then also the number of proposed jobs that will move to individual contracts?

Mr Harfield: No. I can provide that exact information; however, I think what that question relates to is a process that we are currently undertaking. As of the start of last week we announced what we call the team structures—the structures for staff at what I will call frontline areas; I will call it below the management level, in consultation with the previous management level. With the release of that information there are a number of positions that we have deemed to be leadership positions in the new structure, and they are currently being offered at this particular stage as contract management positions. We are currently going through a merit selection process and at the end of that process there will be a discussion with the successful individual. So I cannot tell you how many are converting at this particular stage, but I can show you what we have consulted on and what we have published.

Senator STERLE: If you could provide that, that would be good. Is there a target that you want to achieve?

Mr Harfield: No.

Senator STERLE: So it is just a case of putting it to them and seeing who wants to work—

Mr Harfield: The process that has been gone through is that earlier this year we published what the design principles were for the new organisational model, which were addressing some of the issues that the organisation had gone through. One of those issues that we put there—what we call technical leadership—was being devalued from what we would call people leadership, in the sense of management versus someone who is a head technical specialist: the head finance person or the head engineering type person that were being devalued in the structure. Under this new structure we are saying that a technical leadership position and somebody who manages people are just the same, and they are just as important. In doing that, some positions that were considered lower in the organisation were actually boosting up and, as a result, we are offering them a contract, but we can provide you with those numbers.

Senator STERLE: Okay, that is good—and at what level.

Mr Harfield: Absolutely.

Senator STERLE: That is good. Could you give us a list by area of the work-level descriptors for the changed roles?

Mr Harfield: What they are? We can provide that. That might take a little bit longer than tomorrow. As a result we are still in the middle of the process and finalising those over the next two weeks. So we can provide them after 24 October, if that is okay.

Senator STERLE: That is fine. And work functions that will be ceased or done differently?

Mr Harfield: That have changed? We can provide that.

Senator STERLE: All right. Can you provide the total number of staff who have been moved from enterprise agreements to individual contracts over the last 24 months?

Mr Harfield: Yes, we can provide that.

Senator STERLE: There are the ones you are talking about now—and if there are any further ones planned for the next 24 months.

Mr Harfield: If I can just clarify so I get this correct: we were not talking about people who have applied for roles before this change who have then—

Senator STERLE: No, I am aware we have not.

Mr Harfield: So it is in regard to the change—on the areas that we have proposed. We can do that. We chose the same answer to the previous questions you have just asked.

Senator STERLE: Okay, so that will alleviate my concerns—

Mr Harfield: The information you have already asked for will cover that.

Senator STERLE: Okay, and perhaps you could include their position title, years of service and date of transmission of industrial agreements and on to contracts for us.

Mr Harfield: We can do that.

Senator STERLE: With regard to the Accelerate Program, can you rule out any forced redundancies? You did touch on that. You said—

Mr Harfield: I cannot rule it out; there may be some involuntary redundancies or areas that we have deemed. However, I can provide assurance to the committee that in the case that that does occur there are processes within our collective agreements that will be followed in going through the consultation process et cetera, as per agreed, if we need to go down that path.

Senator STERLE: I am putting this question to you and to the minister: can we rule out, or can the government, or whoever, rule out, any full or partial privatisation of Airservices or any of its services and/or functions?

Senator Nash: Absolutely.

Senator STERLE: Wonderful. Mr Mrdak?

Mr Mrdak: Yes, and nor do we have any proposals for any such moves.

Senator STERLE: No areas at all?

Senator Nash: No.

Senator STERLE: Well, that is a bit of good news. Is Airservices acting on the proposal to lift the passenger threshold for the provision of aviation firefighting services at regional airports from 350 to 500? I heard CASA engaging with Senator Gallacher on that, and I just want to hear it from you, Mr Harfield, if we could.

Mr Harfield: There is a proposal to raise the passenger threshold to 500,000 where a risk assessment would be conducted. At this stage the standard is 350,000 passengers, and we are working to that 350,000 passengers and will do so until any change is made to that requirement.

Senator STERLE: Obviously this will have an effect on a number of regional airports. Could you give us a list? At this stage, if Airservices are moving from 350,000 to 500,000, do you have a list of airports that it will affect?

Mr Harfield: If we move to 500,000, there is only one potential airport that could be affected in the sense of not establishing a fire station, or no requirement to establish a regulated fire station, and that is Proserpine. They are sitting at 346,000 passengers at the moment, which is one thing that we are keeping a close eye on, obviously.

Senator STERLE: All right. But what about those airports where we know that they are not at the 500,000 threshold and will not be at the 500,000 threshold—

Mr Harfield: And they currently have a fire station there?

Senator STERLE: Yes, they currently have firefighting services.

Mr Harfield: Those stations, even under the current arrangement, when they drop below a certain threshold for a period of time there is the ability to do an assessment as to whether you disestablish the fire station. Under the new proposal, that is about 400,000 passengers. So, under the new proposal you would have to go below 400,000 passengers for a period of time before you would have to do a risk assessment as to whether you would disestablish the fire station. I can sit there and say here now that even if the new requirement was put in tomorrow we would not be looking at disestablishing any of our current fire stations that are there today, regardless of the number, because there are a range of factors that would have to be taken into account, even if you wanted to remove the fire station.

Senator STERLE: And going on what the minister, yourself and Mr Mrdak said, you have no intentions of contracting it out.

Mr Harfield: Absolutely not.

CHAIR: I might just ask a qualifying question. This threshold thing: is the change of view driven by—you have done a risk analysis of the potential for an event that requires firefighting services. And forget about passenger movements. Imagine at the end of the day it is interrelated with the numbers of landings and take-offs, or the activity of the airport. Have you determined that history has been so good that we can sort of stretch the friendship now, from 350 to 500?

Mr Harfield: On the potential for it to go to 500, there was a recommendation made in the Aviation Safety Regulatory Review that it needed to have a review of what the standard was of the 350,000 passengers. That is what precipitated it. If my memory serves me correctly, the 350,000-passenger requirement was set in the 1970s, and it was time to have a look at it, because it was based on covering a certain amount of the travelling public and it was designed when aircraft had different technology and different requirements.

CHAIR: I am really looking for the short answer, and then I will leave you alone. So, the assessment as to the risk profile of a need for these services at an airport has diminished per activities measured by you as passengers in and out. Forget about passengers in and out; to me that is a moot point. But the level of activity at an airport: you have decided that we can cope with more activity in terms of going from 350,000 passengers to 500,000, where we do not think we are going to see an increase in incidents.

Mr Harfield: Correct.

CHAIR: I am trying to think about the good people of Proserpine at the moment, and I would only lay down a comment that if they are only 50 short—I do not know whether you have any tolerance in this, but I would not be withdrawing these services from any airport. That is just an observation.

Senator McCARTHY: Mr Harfield, can I just clarify then: airports like Coffs Harbour, Broome, Newman, Gladstone and Ayers Rock—what will happen to them?

Mr Harfield: They will remain in service.

Senator McCARTHY: And that is for certain?

Mr Harfield: Absolutely.

Senator McCARTHY: Could I take you to some policies in relation to the firefighting area. You may recall in 2011 an accident in Darwin in the Northern Territory—

Mr Harfield: Correct.

Senator McCARTHY: and recommendations made by Coroner Greg Cavanagh in terms of the policies and procedures for Airservices Australia. I would like to ask you a few questions around that. The coroner identified that there were major shortcomings in the policies and the operating procedures and training protocols of Airservices Australia and that staff were ill-equipped to drive the ultra-large fire vehicle in emergency conditions and at speed with lights and sirens on a public road. Has Airservices Australia made attempts for those recommendations to be addressed?

Mr Harfield: Yes, we have, and I will ask Ms Bennetts, Executive General Manager, Aviation Rescue Fire Fighting, to give you the detail and assurance around that.

Ms Bennetts: Yes, in relation to training, at the time of the coroner's report we took a good look around the country and internationally at what other services do—state services as well as other emergency services providers—in relation to training their people and what policies and procedures they have in relation to driving

under emergency conditions. Then we formulated a new policy framework around that and set about training our people in accordance with that policy framework.

Senator McCARTHY: What is the training that you provide?

Ms Bennetts: I would have to take the detail on notice, but it is things such as the rules around when they are approaching intersections, for example, and at what speed they can go through the intersection, and that they must stop before they proceed—those sorts of things. Then we would train them in those procedures. But if you are after more detail than that, I can certainly provide that on notice.

Senator McCARTHY: I guess what I would like to know is, given the tragedy in this particular situation and the recognition that the driver thought that everyone knew that he could drive through the lights—and there was certainly no mention that the driver was responsible in this case—that training that is required for all your staff who are driving these vehicles: is that something that you are doing nationally?

Ms Bennetts: Yes. We implemented a driver training program nationally. The first round of training all of our operational personnel was run out of Brisbane, and they all went, from memory, for a two-day course where they essentially drove the vehicles under emergency conditions where they could do it safely and they could be trained on that basis. That, from memory, was in 2010 to 2012. Our whole operational workforce of 900 went through that training. The training has now been revised for the second round of it, and I can provide you with that detail on notice.

Senator McCARTHY: What about the road rules exemption? That was also raised. Is that something that is also happening nationally, in terms of the speed limit?

Ms Bennetts: The speed limit is not something where there is an exemption required. My understanding is that that is something where we needed to make a policy position on. I think the exemption you are referring to is where our personnel are referred to specifically in state legislation as emergency services personnel.

Senator McCARTHY: That is correct.

Ms Bennetts: We did go through that process to ensure that we got to a position where that had been addressed.

Senator McCARTHY: So that is universal?

Ms Bennetts: Yes.

Senator McCARTHY: In relation to an education campaign—is that something that is now consistent across Air Services Australia?

Ms Bennetts: At the same time that this was all going on we also set about specifically raising community awareness of our vehicles in these communities. One of the coroner's findings was that the vehicle was not recognised as an emergency services vehicle. Lots of people around at the time of the accident thought it was a cleaning truck or a garbage truck or something along those lines. Since then we have had KPIs in relation to all of our local operations managers, who are required to ensure that our staff and our vehicles are out and about at community events on a regional basis.

Senator STERLE: Why wouldn't we just paint them red?

Ms Bennetts: A lot of work has been done in a scientific sense which suggests that the lime green colour is actually a better colour for visibility. We are not the only service that has that colour. The ACT state brigade has that colour. Internationally, I believe, a lot more are transitioning to that colour as well.

Senator STERLE: It was a sad incident. Mr Harfield, I have the table of the voluntary redundancies by job family. Let us go back to this. In aviation, rescue and firefighting I am informed that there are 857 current employees and 12 have had VR offers. Is this the Cairns situation that you were talking about?

Mr Harfield: No. That was air traffic control. Is it the job family aviation, rescue and firefighting?

Senator STERLE: Yes.

Mr Harfield: The exclusion, as I said previously, was operationally and rostered aviation rescue and firefighting, as well as operationally and rostered air traffic controllers. We have a number of people who, for example, have lost their medical but are still employed as an aviation rescue and firefighter under their collective agreement, so they would fit within that job family.

Senator STERLE: On the information I have here, with the 12 VRs of firefighters—that is not the people you were just talking about who have lost their—

Mr Harfield: They are not operationally rostered or active aviation rescue and firefighters. They are just employed within that job family—

Senator STERLE: And they took a VR.

Mr Harfield: When we went through the voluntary redundancy process, for every person that put in an expression of interest we went through and assessed and did a risk assessment of them to make sure that firstly, they did not fall into that category, and secondly, that with them departing what the impact would be and how that was mitigated. We went through that with each individual.

Senator STERLE: I have a list here of current employees under air traffic services, which falls under air traffic control, air traffic control service assurance and delivery specialists. You have 1,567, and there have been 119 VR offers—correct?

Mr Harfield: Correct.

Senator STERLE: What are those 119?

Mr Harfield: They are not operationally and rostered active air traffic controllers, I can assure you of that. They would be in the support areas—procedures specialists; some would be training instructors; areas where we no longer required those roles and were able to release those people on voluntary redundancies.

Senator STERLE: The questions we were putting to CASA were that the committee wanted to make sure that CASA are absolutely across where all these redundancies are going—you would have heard the lines of questioning, Mr Harfield, so that would be no surprise to you—and to make absolutely sure that air safety would not be compromised by the 900 odd redundancies. So, you have made that very clear that the only redundancies at the core, at the front-line services, are VRs and they are people that for whatever reason have lost their—what did you call it?

Mr Harfield: As you recall, we have refocused the organisation around what we do so those jobs are no longer required, or they could be released. What I can do is provide the committee with the list of documentation and consultation that we had with CASA, all of that so that we can show all the processes we have undertaken to ensure that that is the case.

Senator STERLE: That is great. We have got it from three of the four most senior people in the pyramid, that there is going to be no contracting out of Airservices work anywhere.

Mr Harfield: Correct. Contracting out in the sense of we are not privatising Airservices, but for me to contract out non-core services, some administrative service or whatever, it does not mean that we will not contract that out—which is normal. It gets undertaken today.

Senator STERLE: With the other 780 or 800 redundancies—you have your job family there—will there be any other contracting out in any of the other job family categories? We have had redundancies, and then will we find contractors coming in to replace them?

Mr Harfield: Not contracting. We may contract out a function—in the sense that there may be a service that we find is more appropriate and more efficient to contract out, and is not what we would call a core service—

Senator STERLE: I understand that.

Mr Harfield: An administrative service that we may be able to do it differently.

Senator STERLE: I do understand that. Mr Harfield, you and the board, and all your people are not dills—I do not say that trying to be smart, but I would hazard as a guess and have a stab there to say that we would be fooling ourselves to not think that work still needs to be done under these other job families, but not for full-time employees? Am I wrong?

Mr Harfield: You are not wrong, unless we have declared that we are no longer taking that function, which is not a core function of the organisation, there would be people that are required to carry it out. The big change that we have made is to actually make it more efficient within the organisation, but there are still people that are required to carry out those functions.

Senator STERLE: I understand. Are you able to provide us with where there will be certain areas contracted out because of the redundancies?

Mr Harfield: Where somebody has been made redundant, we will not be contracting back in the service that that individual had done, because then there was no point making them redundant in the first place.

Senator STERLE: Sure, but if there is 54, for example—that is the first one I saw—gone from strategic policy, research and project, you could still contract out 54 people's worth to a—

Mr Harfield: That is sort of saying that the 54 people were hundred per cent catered for and we were not overstaffed in that particular area and where we have refocused that particular area, we do not need that many people.

Senator STERLE: I hear what you are saying. I did make the statement, how do you have 1,500 people just hanging around. I know in your opening statement you did say there has been a drop-off in activity; I am sure with the drop-off in mining and I get all that, but would I be out of my league to think that—I come from WA where unemployment has a six in front of it, I get that, but—there is still a requirement for your services at Airservices Australia for controlling flights and flight paths and all that?

Mr Harfield: Absolutely, and the fact that we still have to manage four million air traffic movements per year, safely and efficiently, and that is where our focus is.

Senator XENOPHON: Mr Harfield, you properly heard some of the questions I asked of CASA. Can we follow through with those? This is further to Senator Sterle's line of questioning—Airservices has a board and safety committee. Is that right?

Mr Harfield: That is correct.

Senator STERLE: And they considered the risks associated with the restructuring?

Mr Harfield: Because of the significance of the risks of the restructuring, the full board considered that. It was not palmed off to a subcommittee. The subcommittee of the Airservices board that looks after safety, is usually around the operational safety in our workplace, and health and safety. Something of significance—because subcommittees actually do not have any decision-making powers—went to the full board.

Senator XENOPHON: Right, so presumably—given the magnitude of these changes, that I think you have acknowledged—the same processes, protocols and thoroughness that the safety committee would look at these matters with would have been undertaken by the whole board. Is that right—the board as a whole?

Mr Harfield: That is correct.

Senator XENOPHON: And are you able to provide to this committee details of any memoranda relating to the deliberations of the committee? In a sense, the entire board acted as the safety committee, rather than it being delegated to the safety committee.

Mr Harfield: Considering that these are risks to the organisation, I can provide you the information that was provided to the board to provide them with the assurance that we were undertaking the safety processes. In the governance of an organisation, the board is there to oversee and ensure that management are adhering to the policies and the processes of the organisation. So, considering the board decision to go ahead with the Accelerate Program, I put forward the risk assessment and the processes we were undertaking to ensure that we would maintain aviation safety. One of those was excluding aviation rescue and firefighting, and air traffic control from the active frontline operation of the program. Then they would continue to monitor those processes, to ensure that that is the case.

Senator XENOPHON: So is there an email trail, or a paper trail, of the level of the forensic look that the board took to assess the risks—

Mr Harfield: The board's oversight is all auditable and there is a trail on what information has been provided to the board so that they could make their judgement and ask the question—

Senator XENOPHON: Right. Can you provide those documents to the committee, please?

Mr Harfield: I can provide those documents.

Senator XENOPHON: And that includes all the source material that related to the decisions made—

Mr Harfield: For example, with regard to the question you put to CASA about all the safety work, information and consultation going back between CASA and Airservices—absolutely, I can provide you with that.

Senator XENOPHON: Is Airservices required to provide a risk assessment to CASA resulting from organisational change?

Mr Harfield: It depends on what level of change and where it affects our operating certificates that are overseen by CASA. For example, if I change something in our finance department for payroll, I do not have to consult CASA on that.

Senator XENOPHON: Unless you stop paying people! But that is not—

Mr Harfield: If I stop paying people then I have a problem in the air traffic control environment, for example. So it depends on where it affects those certificates.

Senator XENOPHON: Sure. But in this case, given the magnitude of the change and given the potential implications—given that you say that the entire board considered the issue of safety, because the safety

committee was not enough, in a sense, that is not a criticism, for the entire board to look at this—did Airservices provide a risk assessment to CASA arising out of the organisational change?

Mr Harfield: We provided CASA with the requirements under our safety register, which was that beginning notification on 17 May, when we did the high-level structure of the organisation. This involved working through a number of documents which make up an overall risk assessment. It is continually updated as we go through this process. We can provide that.

What I am getting at is that I do not want you to think that there is just one magic document that has all of this in it, and that has all this described—all the risks, all the mitigation—when it is actually a history which is continually evolving.

Senator XENOPHON: No. I understand that it is an evolutionary process, but is a risk assessment required to CASA in respect of the magnitude of this change?

Mr Harfield: Where it affects our operating certificates.

Senator XENOPHON: Okay. How about you answer the question directly? In this case you have already said that the board of Airservices did not delegate the restructuring to a safety committee because of the magnitude of the change. Correct?

Mr Harfield: Correct.

Senator XENOPHON: Right. Would it not therefore be logical, or reasonable, that given the magnitude of the change there would be a risk assessment provided to CASA arising out of the organisational change?

Mr Harfield: A risk assessment associated with the areas that CASA are interested in. There is not a risk assessment handed to CASA for all of the risks associated with the entire organisation—

Senator XENOPHON: So what areas are CASA interested in?

Mr Harfield: The effects on our air traffic services; our engineering and aerotechnical area, our air traffic services training area, our procedures design area and our aeronautical information management, as well as aviation risk and flight—

Senator XENOPHON: I just want to race through this. Thank you for that. If there is any—

Mr Harfield: We can provide this information—

Senator XENOPHON: Get me a list. But I want to understand what triggers a risk assessment, because I am concerned about the information I have—that the risk assessment was not carried out to CASA as some considered it ought to have been. In other words: who determines whether there should be a risk assessment, given the magnitude of these changes? Is it your call, or does CASA tell you what they want?

Mr Harfield: No, we have a safety management system that determines it. For each particular change, we make a determination through what we call a safety case determination. We go through that to determine what the magnitude of the change is for the area affected, as well as what the significance is. That will then tell us what level of safety work is to be done. We have also completed what is called a safety plan, which details all the safety work that has to be undertaken through a particular change. We can provide that to you.

Senator XENOPHON: If you could provide all those documents to the committee, that would be useful. My understanding was that CASA had some difficulty getting this information. Was any concern expressed to Airservices by CASA about any difficulties in getting this information—a risk assessment of these organisational changes?

Mr Harfield: I am aware of a couple of instances where certain requests were made and there had to be a discussion about what exact information was required, but there has been no withholding of information or cases of information not provided.

Senator XENOPHON: Could you provide copies of those documents or that interchange? That might put in context the concerns that have been expressed to me. My understanding is that, in the first round of redundancies, there were 240 redundancies in ANS—could you help me with the acronyms?

Mr Harfield: ANS is Air Navigation Services, which combines area traffic control, operation, our engineering—anything to do with our core service delivery.

Senator XENOPHON: Ninety-three of these were in engineering and technical services?

Mr Harfield: That is correct.

Senator XENOPHON: How can you say that is not a front-line service—engineering and technical services?

Mr Harfield: Our front-line service delivery is air traffic control and aviation rescue and firefighting. Our engineering and technical areas build the infrastructure and maintain the infrastructure for our controllers to use and for our aviation rescue and firefighting. It is a regulated function and they were all assessed appropriately, but they are not front-line air traffic controllers and they are not front-line air rescue and firefighting personnel.

Senator XENOPHON: But the quality of the work that the air traffic controllers do in the front line—the incredibly important work they do—is in some way dependent on engineering and technical services, including the 'further engineering and IT roles', from which 56 went. That included air traffic management systems. Is that not the case?

Mr Harfield: Correct, but there is still a workforce that is able to maintain those systems. As I said previously to Senator Sterle, every one of those redundancies and expressions of interest were worked through individually—first to assess whether they were operationally rostered air traffic controllers or aviation rescue and firefighting officers to ensure that no-one moved through that filter, then there was an individual risk assessment of the role of each of those individuals to see whether the acceptance of their VR expression of interest would have any impact on our service delivery. That was documented and then it was signed off by the executive general manager to say that whatever risk was involved had been mitigated. Each of those 93 were individually assessed to see what impact their departure would have on service delivery. The process was followed and it was determined that we could release them.

Senator XENOPHON: Was there a safety case or a risk assessment done of the quite significant cuts you have had to engineering and IT—that that would not affect the work of your front-line air traffic controllers?

Mr Harfield: That is correct. As I said, we worked through every one of those individually to ensure that they would not have an effect. We also looked at it collectively—for job families—to make sure that was the case.

Senator XENOPHON: Was there a risk assessment undertaken?

Mr Harfield: Yes, there was.

Senator XENOPHON: Could you please provide us with that?

Mr Harfield: Yes, I can.

Senator XENOPHON: At the moment you are consulting on a second round of cuts—is that right?

Mr Harfield: The next phase in the process? Yes.

Senator XENOPHON: You are expecting 550 jobs expected to go—on top of the 450 already gone?

Mr Harfield: As I mentioned earlier, 580 people had left the organisation as at the end of September, and 709 people will have left by December this year.

Senator XENOPHON: And next year?

Mr Harfield: Next year we are looking at an overall reduction of about 900 FTE. We will go from about 4,500 FTE to about 3,600 by the end of this financial year.

Senator XENOPHON: What do you say to the assertion, which has been put to me this afternoon, that employees are being pressured to accept individual contracts and move off enterprise agreements? How many employees are currently on enterprise agreements, and how many do you expect to go to individual contracts?

Mr Harfield: As I said to Senator Sterle earlier, that is not the case. We have worked through the structure of the organisation—and the structures of the organisation for this next round were released on Monday last week. We are now in consultation with individuals, because in the change of those structures no job is the same as it was before. We are now in a situation where some roles are now leadership roles. They are normally contract roles, and as we go through this process there will be discussions with the individuals that are successful for them.

Senator XENOPHON: Acting Chair, I am not sure whether you asked questions about engineering authorities being given to employees. Did you cover that?

ACTING CHAIR: No.

Senator XENOPHON: I did not want to double up. It has been put to me that authorities for engineering roles have been given to employees without any competency assessment of their capacity to be in those roles for significant systems and infrastructure, and that in some cases they clearly do not have the competence or experience to do them. Can you comment on that?

Mr Harfield: Not to my knowledge. If there is an engineering authority that has certain competencies that are required with that authority, and there is somebody that has been given that authority that does not hold those competencies, then that should not occur. If I or any of the management team were made aware of that, it would be corrected. So, not to my knowledge—

Senator XENOPHON: How would we know whether somebody who gets an engineering authority has the competencies relevant for that?

Mr Harfield: There would be an assessment of the individual defined on what competencies are required. We would document what competencies are required for that engineering authority.

Senator XENOPHON: Without breaching any privacy, can you please tell us what the protocols and procedures are for providing an engineering authority?

Mr Harfield: Yes. That is an internal rule that we set.

Senator XENOPHON: Is it likely that the ATC training facility in Brisbane will close? Is that the case?

Mr Harfield: That is not correct. We will continually assess our demand for air traffic control trainees, but it is not in our interest to consolidate when we have put considerable infrastructure in both Melbourne and Brisbane and would be supplying that as efficiently as we can. Previously, when we had it all consolidated in Melbourne, we were finding that it was very hard to get people to go to Brisbane. It is actually better to train them on location and have them at our two major centres.

Senator XENOPHON: If I can just put it on the record, thank you for your willingness to provide those documents that have been requested. That is very helpful. But you understand that there is—

CHAIR: We have a couple of housekeeping issues to deal with before 6.30.

Senator XENOPHON: I am in your hands.

CHAIR: If you can leave us three minutes or so before 6.30—

Senator XENOPHON: I am hoping I can get through these. Can I go into the Auditor-General's ANAO Report No. 1 of 2016-17—the performance audit into the OneSKY Australia program, which you are familiar with. It is a bit of a shocker of a report, is it not? It makes references to the ANAO finding a lack of probity, competitive tendering and cost control which ensured that Airservices did not get value for money for the \$1.5 billion OneSKY air traffic control system. Are you concerned about the quite scathing remarks in that report of the audit office?

Mr Harfield: Before I comment, I need to correct what you just said. The ANAO did not find a lack of value for money for the \$1.5 billion program. The value for money reference was around the contract with ICCPM. It was not to do with the overall OneSKY procurement. That is what the actual audit looked into—the ICCPM procurement. When it comes to the recommendations and the findings, we have fully accepted them, because one of the things that did come out of this report, which was evident and was articulated very well in recommendation 1, was the systemic nature of some of these procurement practices and the culture of the organisation for going to single source. That is something we have tackled, and we have addressed all of those recommendations.

Senator XENOPHON: But there were scathing remarks by the Auditor-General's office about the probity management framework, Airservices engagement with the ICCPM, probity management in engaging ICCPM and its subcontractors and allegations of perceptions of conflicts of interests and the like. It was a pretty ugly report—would you at least acknowledge that?

Mr Harfield: Absolutely. There is no doubt about it. Particularly with recommendation 1 on the culture, that is one of the reasons changes were being made to the organisation well before the ANAO report was released. It is actually one of the underlying principles of why we actually went down the Accelerate program and changed the operating model and culture of the organisation.

Senator XENOPHON: The ANAO has made a series of organisational recommendations, but what of personal accountability? Have there been any consequences for the managers who have allowed this to happen?

Mr Harfield: As you can see if you read the report, no-one has done anything untoward. There have been some noncompliances. The fact that all of these—

Senator XENOPHON: A noncompliance on probity issues is not untoward?

Mr Harfield: If you have a look, they were what we would call authorised exemptions to the probity practices. At all times the financial delegate approving these transactions not only may approve the transaction but also authorise the transactions to take place. The people that are mentioned in that report were moving through and following. The processes of the organisation, in some cases, were not complied with, but at the end of the day the financial delegate still authorised the transactions.

Senator XENOPHON: So, to channel former Senator Heffernan, no-one got their backside kicked?

Mr Harfield: There are people that have been disciplined for their noncompliances. There has been counselling taken on how practices were not adhered to and there have been broader things to the rest of the

organisation because in some instances—this may seem a bit extreme—I could replace ICCPM with other contractors; it is just the way the organisation culturally and systemically is handling some of these procurement practices. That is why, in undertaking and accepting the recommendations, we have undertaken them across the board. One of the underlying reasons is the culture of the organisation and the systems were no longer working right, and that is actually an underlying premise of the Accelerate program.

Senator O'SULLIVAN: Senator Xenophon, I am quite certain that after the meal break there will be quite a bit of time and attention paid to this. In fact, I have an interest myself. Something for you to consider over the break, Mr Harfield, is that we have had a lot of discussion with the audit office. Notwithstanding your last answer—I do understand it—they have agreed that they did not consider the prudential aspects of those transactions; they simply, as auditors do, looked to see that the policies, the framework and the procedures were followed. No doubt, you are going to get some questions after the break in relation to that. Mr Mrdak, you have some matters to tidy up before the break?

Mr Mrdak: Quickly, if I may. Earlier today, Senators Sterle and Rice raised questions about WestConnex and the capital cost. I undertook to seek advice from the New South Wales government, and my officers have been advised that the New South Wales government, the Roads and Maritime Services department and Sydney Motorway Corporation have informed us that the second dot point on table 13.6 on page 240 of the updated business case was poorly drafted. For the purpose of the analysis, the capital costs exclude land acquisition and development costs related to network enhancements only. The capital costs for the project do include land acquisition, development costs and urban renewal for the WestConnex project and are included in the \$16.8 billion cost of the project. Network enhancements are being delivered separately by the RMS as many of the network enhancements would have occurred irrespective of WestConnex and the WestConnex project is not deemed to have an impact on those proceedings. Accordingly, the advice from New South Wales agencies is the \$16.8 billion capital cost does include land acquisition and development costs and urban renewal costs, to clarify that issue from this morning. Also, they drew to our attention that the \$16.8 billion figure cannot be directly comparable to the earlier figure of \$10 billion in October 2012 owing to changes in scope for the project. I just wanted to clarify that, and that is the advice from the New South Wales government.

CHAIR: Thank you, Mr Mrdak. That may give rise to some further questions after the break. I want to again thank you and your staff. Once more, could you pass on to them our thanks for their patience, given that I am assured the scheduling is going to accelerate after the meal break. I do not know how that will happen, but we are going to be looking forward to that. We are not making any further decisions at this time about the need for your people. The night is but young.

Mr Mrdak: So we will resume with Airservices Australia after the break?

CHAIR: That is correct.

Proceedings suspended from 18:30 to 19:30

CHAIR: We will reconvene and go to Senator Sterle for questions.

Senator STERLE: Mr Harfield, in this line of questioning, I am going to try to work in tandem with my chair and others, because I want to talk about questions of the audit that the ANAO has tabled, bearing in mind that that work is not finished. I will see whether we can get some questions to you and seek your answers. In terms of the OneSKY program, I do note that Airservices is responsible for developing and implementing its own procurement policies and procedures, and such policies are expected to meet general obligations regarding the proper use of resources and effective internal controls. So I ask: how often are Airservices procurement policies and procedures reviewed?

Mr Harfield: They have just been reviewed, obviously in light of the ANAO report, but they should be—Mr Logan, do you—

Mr Logan: They are reviewed on a regular basis. I think the pieces that we learnt out of the ANAO audit were particularly around competitive processes and the use thereof. As a result of the ANAO audit, we were looking at a particular area around the use of competitive processes and trying to make sure that they were adequately described in the criteria for when those processes should be used—that the criteria around those were adequately described in our policy and procedures.

Senator STERLE: Mr Logan, when Mr Harfield looked at you, you said 'quite often'. How often is 'quite often'? And, because we are so far behind time, to work with the chair and all the committee members, if we can get the questions and answers pretty directly, I would appreciate that, because we can always come back another time, but I would rather get through it.

CHAIR: Can I make an observation at that point. This committee is very concerned, and remains with a significantly heightened concern, about the operations of your body. So I too would urge you to get to the point—hair on it and all, because this is an ongoing matter. The committee sits on a deliberation as to whether it will have an inquiry into these matters, and it would certainly assist us if you were able to get to the heart of the question without too much window-dressing—without in any way, Mr Logan or Mr Harfield, limiting your answers.

Mr Harfield: To assist, just for the record, we have here the ANAO recommendations and the actions we have taken against every one of those recommendations. I can table it for the committee.

CHAIR: Thank you. We will look forward to that.

Senator STERLE: And you may be able to refer to it in answer to some of my questions. So, Mr Logan, I will come back to you: how often is very often, or quite often?

Mr Logan: Sorry, if I said, 'very often', that was not my answer. We review them from time to time. I have only been in the role for the last 12 to 18 months. In that time I have taken on the ANAO recommendations and have sought—as Mr Harfield is handing it through—to bolster the practices and procedures.

Senator STERLE: Mr Logan, it is not assisting me, so, if you do not know, say you do not know—that is quite all right.

Mr Logan: So I do not know how often in prior times.

Senator STERLE: Okay, so we have changed from 'quite often' or 'often' to 'do not know'—that is fine. Thank you. If you do not know, maybe someone else might—or Mr Harfield, who has been around a long time too. Can you tell us the last time you reviewed your procedures and procurement policies prior to this committee writing to the ANAO to seek an audit of Airservices?

Mr Logan: I do not know; I can find out.

Senator STERLE: Mr Harfield?

Mr Harfield: I do not know.

Senator STERLE: No drama, I accept that. Are you confident that at this time your policies meet your general obligations regarding the proper use of resources and effective internal controls?

Mr Logan: Yes.

Senator STERLE: On 31 August this year the ANAO tabled its first performance audit report of Airservices in its procurement of the International Centre for Complex Project Management to assist on the OneSKY Australia program. The ANAO found a lack of probity, a lack of competitive tendering and a lack of cost control, which ensured that Airservices did not get value for money for the \$1.5 billion OneSKY air traffic control system.

Mr Harfield: I would like to correct that. The actual audit does not say value for money for the \$1.5 billion for air traffic because that process is still ongoing and, when negotiating, it was around the contracting with ICCPM. We are still not into contract with OneSKY. At this moment in time we are still under negotiation. The second part of the ANAO audit is looking into the tender process into OneSKY. I am concerned that, because we are under negotiations for the contracts still, I do not want to negotiate this in public.

Senator STERLE: Mr Harfield, the chair has made it very clear that, if there are answers that cannot come now for some reason, that is fine. It may go a long way to determining whether we do or do not have an inquiry. I will not put words in your mouth but do you accept the finding by the ANAO—

Mr Harfield: They are findings by the ANAO, and that is why we have accepted all the recommendations.

Senator STERLE: Why do you accept them?

Mr Harfield: We agree with the findings they found. As I said before the dinner break, the main issue was that the way we saw these things transpire in this engagement with ICCPM. In its first recommendation, the ANAO said that our procurement practices were systemic within the organisation and there were cultural elements that needed to be addressed within the organisation.

Senator STERLE: I will go now to the December 2009 national aviation white paper that recognised an ideal opportunity to synchronise the air traffic management capability and support requirements of Airservices and Defence, given that both parties were to undergo major equipment upgrades and replacement programs from 2013. This committee did an inquiry around that time, as you would well remember. A request for tender for the joint procurement was released on 28 June 2013; it closed on 30 October 2013; with six tenders received.

Mr Harfield: Correct.

Senator STERLE: According to Airservices, there were 3000 requirements under the tender evaluation process. Is that correct?

Mr Harfield: That is correct.

Senator STERLE: So my question is: who determined how many requirements there would be and what they were?

Mr Harfield: They were determined jointly between Airservices and the Department of Defence. They were determined by the project teams and the subject matter experts in air traffic control and engineering to actually formulate the requirements associated with the joint system. Those requirements were set on the basis of what was called the 'common operating concept for air traffic management in Australia', which was signed off by the Chief of the Air Force and the CEO of Airservices at the time.

CHAIR: We have received this summary of Airservices improvement actions relevant to the ANAO recommendations. Does anyone have any objections to this being tabled? No.

Senator STERLE: On 28 February 2015 it was announced that Airservices, in partnership with Defence, would enter into an advanced work contracting arrangement with Thales to deliver OneSKY. Is that correct?

Mr Harfield: That is correct.

Senator STERLE: Can you outline what happened in the 16 months between the closing of tenders and the successful tender being announced?

Mr Harfield: Technically, we have not had a successful tender because we are not in final contract at this particular stage. So what I am about to say is based on public information.

Senator STERLE: Very clever.

Mr Harfield: We have a five-stage tender process that was conducted. The first phase, conducted during November 2013, was what you call registration, making sure that the tenders complied with the prerequisites to be considered. Phase 2 was a semi-shortlisting process. At that stage we down-selected to four tenderers. At the beginning of 2014 we went into phase 3, which was the detailed evaluation. That detailed evaluation went through a number of the requirements, assessing the tenders through five separate categories. The first one was the technical operational and safety element. The second element was to do with the transition of the system. The third one was support. The fourth one was sustainment—or support. The next one was the commercials and the financial. So there were five that were considered for all those four tenders.

At the end of phase 3, if my memory serves me correctly, we went down to two tenderers at that particular stage, where we went into what was called additional evaluation, which was considered around the extra pieces that we divided into what was core, or really important, and then there was some additional functionality that needed to be assessed. At the end of that phase and going into phase 5, which was the negotiation phase, we originally expected to do parallel negotiations between two or more tenderers. However, at the end of that, the decision was made to take one tenderer into negotiations, which was Thales, and a second tenderer was at that stage set aside—put on ice and held there.

As we proceeded through phase 5, that was divided into a number of stages. One stage, 5A, was to make sure that some of the risks or noncompliances in the tender were made whole, because none of the tenders that were put forward were fully compliant—all six at the start were not fully compliant. Then we went through discovery and then got into critical negotiations with Thales.

During that time, because the intent was to go to a fixed-price contract, we identified a number of risks that needed to be established to make sure that we stay on the critical path to ensure that we start an implementation in the 2018 period onwards, because we are trying to deal with maintaining an air traffic system and replacing two systems that are coming to end of life—the Defence system and the Airservices system. We established an advanced work order where we can bring packages of work out of the contract forward and work on them so that we can ameliorate the risk so we do not end up going into a fixed-price contract that has too much risk in it and is not commercially viable and continues on a path while we sort those issues out. We are still in that process today.

Senator STERLE: Did Thales meet all 3,000 requirements under the tender evaluation process?

Mr Harfield: As I said just previously, no tenderer was fully compliant. Part of the negotiation period is to make sure that we establish all of those requirements.

Senator STERLE: Of the 3,000, how many short were Thales?

Mr Harfield: I cannot tell you off the top of my head. I can take that on notice.

Senator STERLE: Can Mr Logan?

Mr Logan: Not off the top of my head, no.

Senator STERLE: Give us a clue. Where they miles short? How was the quality of the other tenderers? Are we talking 1,000 short or are we talking half-a-dozen?

Mr Harfield: They were the best tenderer in that regard. What I can say is that they were the most compliant tenderer.

Senator STERLE: What were the procedures used to assess how good they were?

Mr Harfield: There is the tender evaluation process that we have undertaken, which the ANAO are currently auditing.

Senator STERLE: To come back to my question just before: how close were they, roughly?

Mr Harfield: They were the best out of the six tenderers. I cannot tell you. I will have to take that on notice. I really do not know, but they were close.

Senator STERLE: Mr Mrdak, have you any idea?

Mr Mrdak: No.

Senator STERLE: No-one else behind you or in the other room?

Mr Harfield: No, Senator. Don't forget, this is part of a tender evaluation process—you have a tender evaluation organisation. This goes into lockdown for the assessment to make sure it is fair and reasonable, and I am now getting into territory where this is still under probity considerations. The ANAO are currently auditing this as part of their process.

Senator STERLE: I understand, but there is a reason why we want to get more clarity in our answers, as you can appreciate—because the ANAO did not come back with a glowing report.

Mr Harfield: Yes, but that was around ICCPM. You will notice it was in a two-part period. The first part was around ICCPM—

Senator STERLE: I am well aware there is still work going on. This committee is very mindful—

Mr Harfield: But what they are actually doing and auditing at this moment in time is about the questions you are asking. The audit they did was a different part and the current audit is delving into the issues of questions that you are asking.

Senator STERLE: This fine, just so you are on the record——

Mr Harfield: I do not want to prejudice that audit or prejudice the tender evaluation process——

Senator STERLE: The track record has not been great. You have not covered yourself in glory—not you——

Mr Harfield: We are well aware that the report is where it is——

Senator STERLE: Mr Harfield, I can talk over you just as much as you can talk over me.

Mr Harfield: I understand that, Senator, but I just want to make sure that what is on the record is actually correct and what is actually going on.

Senator STERLE: This committee wants that just as much as you, but we are not convinced that we are there or anywhere near there. Hopefully we might be wrong. I would like to take the opportunity to put the preamble down so we are very clear about the questions I am asking. At one of the hearings this committee had last year we were particularly alarmed by the engagement of a member of the International Centre for Complex Project Management board, and that is Mr Bradford. Mr Bradford undertook the role of lead negotiator during contract negotiations with the successful tenderer, Thales, whose managing director was also chair of the ICCPM board at the time, is that correct?

Mr Harfield: That is correct.

Senator STERLE: The committee was told at the hearing that the contracting rate of Mr Bradford as lead negotiator was about \$1 million but that Airservices was getting value for money given the negotiating rates for the size of the contract. Do you remember that?

Mr Harfield: Yes, it was \$5,000 a day. It was a contractual piece, and with the period it would have been of the order of \$1 million—over about an 18-month period.

CHAIR: How does the maths work there? If it is \$5,000 a day, how many days of service would it be?

Mr Harfield: It is detailed in the ANAO report—it is all in there.

Senator STERLE: In terms of probity matters regarding the involvement of ICCPM contractors in the tender evaluation and contract negotiation processes, the ANAO found:

Airservices did not apply any consideration to potential actual or perceived conflict of interest matters in deciding to engage the Lead and Deputy Lead Negotiator via ICCPM. Actual or perceived conflicts of interest could have been effectively contemplated and managed had Airservices combined competitively tendering these two long-term, high cost roles with active consideration of any conflicts as part of the procurement process.

Do you have a problem with what I am saying so far?

Mr Harfield: Not at all.

Senator STERLE: It goes on:

Airservices also did not consider conflict of interest matters before the Lead and Deputy Lead Negotiator became involved in the evaluation of tenders ahead of the contract negotiation phase of the tender process. These were significant failings by Airservices.

Do you accept this assessment?

Mr Harfield: Yes.

CHAIR: From a governance point of view, and at the risk of repeating Senator Sterle's characterisation of it, ICCPM were, in effect, providing services to see this tender process went smoothly.

Mr Harfield: No, that is not correct, Senator. They were contracted to provide subject matter expertise in assisting us with complex program management. As an organisation, procuring an air traffic control system is not something we do on a regular basis and as a result we formed a relationship with ICCPM back in 2010 to assist in building that capability. These two individuals were brought on to assist at various times and one of the individuals, Harry Bradford, who has been mentioned, was contracted to provide the lead negotiation.

CHAIR: Before you spend too much time telling me things I might not even have an interest in, were ICCPM integral in part to the process? Is that a fair statement?

Mr Harfield: No, they supplemented the process. The reason is that these are two individuals who provided subjectivity to the tender evaluation process; they were not integral to it.

CHAIR: Could you let us focus on the points. Let me go this way. What part did ICCPM play in your interests in dealings with Thales?

Mr Harfield: The lead negotiator was contracted through ICCPM.

CHAIR: I do not know where you fit it into the spoke and wheel of this, but we have someone who is engaged with Thales, who is the chair of ICCPM—correct?

Mr Harfield: At that time, the person who was engaged was not the chair of ICCPM, but they sat on the ICCPM board.

CHAIR: Where did Mr Jenkins fit in?

Mr Harfield: Mr Jenkins is the chief executive of Thales Australia and he was the chair of the board at the time.

CHAIR: Sorry, that was the point I was making. His colleague on the board, Mr Bradford, was in effect on the board with Mr Jenkins—correct?

Mr Harfield: Correct.

CHAIR: He is paid a professional purse to negotiate with Thales. Is that a fair comment?

Mr Harfield: He was contracted as the lead negotiator in negotiating with Thales.

CHAIR: We are talking historically—did this not concern anybody around this process? Looking inwards, I would have thought that, at the very least, there is a perception of a massive conflict of interest having regard to the numbers and responsibilities associated with this. I am not asking you to justify it or condemn it. I am asking what the thinking was around allowing this to happen.

Mr Harfield: We have publicly stated, even including at the 9 September hearing with this committee last year, that the potential for a perceived conflict of interest was not handled appropriately by Airservices. That is fully admitted and fully understood. The issue is actually covered in quite some depth in the ANAO report—to find out that there no actual conflict of interest. However, as we have publicly stated, we did not handle that appropriately; we could have handled it better, and these are the issues that we put into place as a result.

CHAIR: We will take all the time we need here. I am interested in who 'we' are.

Mr Harfield: Airservices Australia.

CHAIR: No, we are way past that. We are putting personalities into the frame here. For example, how many members of the current board of Airservices would have been involved, at the very least, in ratifying the decision for these two gentlemen to interact in that fashion while they were both with ICCPM?

Mr Harfield: The decision to employ the two gentlemen was on the authorisation of the chief executive of Airservices. The board was aware of their engagement, which was covered off at the 9 September hearing. The chair of Airservices, Sir Angus Houston, even admitted at that stage that the potential for a perceived conflict of interest was not handled well. That is why the board commissioned the Allens report as a result of the 18 August hearing of last year here and undertook to review all those particular events which we are covering off here now. There were a number of recommendations out of the Allens report, which were also initiated to address these particular issues.

CHAIR: We will get to the Allens report, because there was a less than favourable reference made to it in terms of whether those involved were provided with all of the relevant information needed to allow them to properly make recommendations and findings. Thank you for all that, but it did not address the burden of my question. Door to door, house by house, what current members of the board were there when this was allowed to happen—by name?

Mr Harfield: The engagement of these two individuals in their capacity contracting through ICCPM first occurred in 2012, so I would have to have a look at who the board was at that particular stage in 2012.

CHAIR: You have no independent—

Mr Harfield: I am just trying to work through it. The chair of the board depends on the timing. The chair changed from David Forsyth to Angus Houston. Angus Houston was a member of the board. Dr Warren Mundy was the deputy chair. Ms Annette Kimmitt at some stage during 2012 came on board with Mr Paul Lucas, Ms Sam Betzien and Mr Tony Mathews. I would have to recollect to see who was there in 2012. There were some changes on the board during 2012.

CHAIR: I am loath to have you take things on notice.

Mr Harfield: We can look up annual reports—

CHAIR: Would you take that on notice? I am interested in the identity of board members at the time that these appointments were ratified by the board, acknowledged by the board and when the board was briefed about them and those who remain on the board today. So you understand the clarification of my question?

Mr Harfield: Yes, I do.

CHAIR: I will wait for that information, because this is a process that I think is going to go on for quite some time. I will wait until I get that information before I examine the matter further.

Senator STERLE: I will come back to the comments made by the ANAO after the hearing that this committee held. I ask you, Mr Harfield, as the CEO: do you agree that the contracting rate for Mr Bradford of approximately \$1 million represented value for money?

Mr Harfield: The contracting rate of the \$5,000 a day, at the time of his initial appointment as lead negotiator, was value for money. The reason for that is that the original procurement of his services as lead negotiator was a period of two to three days over about a six-month period. That was the initial transaction, and we needed somebody who had experience and understood the project, had the relevant security clearances and had the expertise in that particular area. A comparison was done at that time with the big four and what their contracting rate was for the same amount over the same period, and they were around about \$7,000 a day. As you would have read in the ANAO report, inquiries were made of Defence—it was not done and documented appropriately—and it was in the order of the same amount. It was not exactly the same amount, but because the initial period was for two to three days over about six months it was seen as value for money. What occurred after that is that we did not update the rate and we did not reassess when the period was extended. That was where the error was made, as well as not documenting those considerations appropriately.

Senator STERLE: More of that, Mr Harfield, and I will bring you back to the question. Do you believe that \$1 million was value for money?

Mr Harfield: \$1 million over the 18-month period served the purpose and was value for money from our perspective.

Senator STERLE: That is what I was trying to get to, because you had already said in our inquiry that there was value for money for his services. After that roundabout discussion, you have now come back and said you do believe it was value for money—\$1 million. You are saying that because at the time, if you wanted someone from the big four, it was probably about \$7,000 per day—correct? That is what you said?

Mr Harfield: Correct.

Senator STERLE: What about over 18 months—what would the big four have charged you then?

Mr Harfield: I do not know. As I said, the original part was about thinking about it then; we did not update it afterwards.

Senator STERLE: You have answered that. I am trying to piece together how—

Mr Harfield: You probably would have got it down to—

Senator STERLE: If you want to get into a talking-over thing, you have picked the wrong bloke. Seriously, Mr Harfield, you know the track record of this committee when we are dealing with Airservices Australia, and you know we will not be shouted down; you know we will not be fobbed off. You will get the opportunity to answer. I am trying to put it together. I find it extraordinary that Airservices thought that it was value for the day but that there was no consideration further down the track—which you did say. There was no renegotiation. In basic business principles we understand that a one-off rate—it is no different to loading a semi: if you want me to take one carton to Port Hedland, it is going to cost you \$100; give me \$5,000 cartons and I will do it for you for \$40. We get all that. That was in your own words—or not in your own words, but you have said that that was overlooked or not done, or whatever the words were.

Mr Harfield: Correct.

Senator BACK: How many dollars per hour was he paying?

Mr Harfield: It was \$5,000.

Senator STERLE: Bear with me. For Senator Xenophon I am putting a bit of background into the questions so that there is no confusion, as we have all been involved in this for a little while. Over the period of review by ANAO, which was 2012 to the end of 2015, Airservices had a procurement governance framework in place which sought to achieve value for money from procurement processes. No argument. However, the ANAO found that the framework did not 'address Airservices entering into strategic partnerships and alliances'—is that correct?

Mr Harfield: That is correct.

Senator STERLE: Or 'adequately contemplate, or regulate, non-competitive approaches being adopted for procurements with a value of \$50,000 or more'—do you agree with that assessment?

Mr Harfield: That is correct.

Senator STERLE: Can you tell me, then, why your framework which deals with procurement processes does not address Airservices entering into partnerships or alliances?

Mr Harfield: It is something that was not established appropriately in the previous framework. It was identified. During the ANAO audit it was identified that it was considered in 2010 and that the appropriate instructions were not implemented at the time. Those instructions have now been subsequently implemented as a result of that being pointed out by the ANAO audit.

Senator STERLE: Sure. So in 2013, without any approach to the market to identify other possible strategic partners, Airservices and ICCPM entered into a strategic partnership for the duration of the OneSKY program—correct?

Mr Harfield: That is correct.

Senator STERLE: For which there was no business case prepared—is that correct?

Mr Harfield: Correct.

Senator STERLE: No performance indicators were established to enable monitoring and evaluation?

Mr Harfield: That is my understanding.

Senator STERLE: No documentation of the nature of services Airservices intended to obtain from or through ICCPM?

Mr Harfield: There was an intent. Whether it is documented I am unaware.

Senator STERLE: So you will take that on notice?

Mr Harfield: Yes, I will take that one on notice.

Senator STERLE: And no documentation on expected cost or how Airservices would satisfy itself that sole-sourcing consulting assistance from or through ICCPM would provide value for money?

Mr Harfield: That is not my understanding, but I agree.

Senator STERLE: You agree with that assessment. Chair, I will take a break and let others come in.

Senator XENOPHON: I have some questions about the ADS-B, in relation to that, which is probably a welcome relief—

Mr Harfield: No, it is fine.

Senator XENOPHON: Good, I will ask some questions about the AML as well!

Mr Harfield: Please.

Senator XENOPHON: What safety case was made for the implementation of the ADS-B in the time frame that it is required to be implemented?

Mr Harfield: I just do not understand—

Senator XENOPHON: The ADS-B is something that you recommended. Correct?

Mr Harfield: It is something that we worked on as a portfolio with CASA to introduce. Our role is to introduce the ground stations and then there was a notice proposed rule-making run by CASA early to introduce the mandates for the equipment in the aircraft. The benefit associated with ADS-B is that for the first time in this nation's history we have complete surveillance coverage over the continent. Prior to that, when we had only radar, we had radar coverage only up and down the east coast of Australia, ostensibly.

Senator XENOPHON: How many ADS-B stations are there?

Mr Harfield: There are 70 stations, with a few more to be implemented.

Senator XENOPHON: I spoke to Dick Smith, a former chairman of CASA, earlier today in relation to this. He expressed serious concerns about the impact on general aviation and the necessity of the rollout of ADS-B at this time. In the continental United States, which is similar but a bit bigger than Australia in terms of land mass—is that right?

Mr Harfield: It is about the same.

Senator XENOPHON: It has about 600 ADS-B, compared with 70 here.

Mr Harfield: They also have 300 radars and we have 15. So there are economies of scale in how they actually run their airspace. They deal with 18 million flights a year and we deal with four million. It is a completely different premise. The ADS-B mandate that is being introduced in the United States is for IFR in VFR aircraft, whereas here in Australia it is only for IFR aircraft. Their mandate is timed for the end of life of their radar coverage so that they do not have to replace their radars. Ours is actually increasing surveillance across the country, because we have a different need and it is a different issue we are trying to resolve.

Senator XENOPHON: But, as I understand it, the ADS-B implementation was supposed to achieve savings from the closure of the secondary surveillance radar. Is that right?

Mr Harfield: Originally. The late mandate was to replace all the radars up and down the east coast. However, that was based on the industry—the broader aviation industry—not having to pay for the replacement of radars, and using that money to fund the equipping of ADS-B. But industry did not agree with that, and we had a range of mandates that were agreed by industry, starting back in 2013. The first one was about all aircraft above 29,000 feet, working through to around Perth and then to next year, which is all IFR aircraft.

Senator XENOPHON: For whatever reason the ADS-B implementation took too long, so instead of achieving savings from the closure of the secondary surveillance radar, Airservices had to renew the service contracts. Is that right?

Mr Harfield: Some radars. We are actually decommissioning two radars next year after the mandate for ADS-B—

Senator XENOPHON: But will some contracts renew?

Mr Harfield: Some contracts renew, but we still need that surveillance coverage and we do not have ADS-B in that area because people up and down the east coast still want to use radar, and it helps supplement the surveillance coverage across the nation.

Senator XENOPHON: But is it fair to say that, subsequently, all rebates to industry on the ADS-B were cancelled and withdrawn?

Mr Harfield: There were no rebates ever put forward. It was speculated that if you went down that path—but industry and even general aviation rejected that premise.

Senator XENOPHON: I have a note here that the ADS-B services only operators who fly above FL280, across the whole country.

Mr Harfield: That is incorrect.

Senator XENOPHON: Could you clarify that?

Mr Harfield: If you check our website it will show you the coverage charts. It will show you that with the implementation of all of the sites we will get fairly decent coverage down to 10,000 feet, and below 10,000 feet in the vicinity of the ADS-B antenna, because it is line-of-sight—

Senator XENOPHON: Dick Smith, who is a former chairman of CASA and someone who has been involved in aviation from many years, says that there is a risk to air safety in that those who do not have ADS-B, who cannot afford to comply with ADS-B—it is a \$30 million cost to general aviation—will now fly only visually rather than using ADS-B, so that itself may pose some safety concerns. Is that something that has been put to Airservices?

Mr Harfield: That has been raised as one of the associated risks. However, if you look at how many aircraft actually have fitted, and will fit by the mandate, that premise—and that is actually poor behaviour by the pilot to put their operation to that type of the risk—and the fact that they are not equipped does not necessarily mean that they are going to fly VFR and in dangerous conditions.

Senator XENOPHON: How many general aviation aircraft have complied with the ADS-B to date?

Mr Harfield: I cannot tell you exactly. What I can give you is the statistic that for all IFR flights 87 per cent have been equipped and, for those that are operating below 10,000 feet, 60 per cent or 6 out of 10 aircraft have already equipped. VFR aircraft do not have to comply with the mandate—380 of those have actually self-equipped because of the benefits associated with it. As we approach the mandate, we have talked to the 70 top GA fleet that have not equipped and by that stage we are expecting to have 92 per cent equipped. Out of 931 airframes that are yet to equipped with ADS-B 50 per cent of those airframes do less than two IFR flights per month. If the 200 most active of those equip we will have 99 per cent of all flights ADS-B equipped by February.

Senator XENOPHON: That does not take into account all of the GA IFR aircraft at all, does it?

Mr Harfield: No, it is not saying that is all of them. I am saying they are the statistics that include GA IFR aircraft.

Senator XENOPHON: We do not know at this stage what percentage of GA aircraft have got ADS-B?

Mr Harfield: We do. I can provide that to you.

Senator XENOPHON: That would be useful. I want to go back to the issue of the engineering jobs that will be lost as a result of the restructuring, or the massive organisational change—

Mr Harfield: That may be lost.

Senator XENOPHON: Will be or may be?

Mr Harfield: They may be, because other than the voluntary redundancies and the restructuring associated with that—

Senator XENOPHON: Is it being considered though?

Mr Harfield: A part of the split between air navigation services and our information management and technology areas—we need to look at the construct of engineering and those things and that is yet to be done.

Senator XENOPHON: But you are saying that engineering services are not front-line services, such as air traffic controllers?

Mr Harfield: They are not the same as front-line air traffic controllers—they are an essential service because they support the infrastructure that is required. I did not say that they were not required—they are not front-line services.

Senator XENOPHON: Have you read the Rizzo review in relation to the Navy, in 2000, following—

Mr Harfield: No, I have not.

Senator XENOPHON: I commend it to you. In cyclone Yasi in Queensland in 2011, the Navy could not deploy HMASs *Kanimbla*, *Manora* or *Tobruk*. There was a subsequent review into that lack of deployment to assist with the cyclone recovery. In the Rizzo review it was found that it was not a front-line service problem. It was a hollowing out of engineering, and the Navy is paying a huge price to get back that capability. Did the board look at this pretty significant review, the Rizzo review, or talk to the Navy before downsizing or considering the downsizing of its engineering skills? If you have not to date, will you at least speak to the Navy or seriously look at the Rizzo review on this very issue?

Mr Harfield: What you mentioned there in the Rizzo review actually says that the front-line services were not supported for the hollowing out of engineering. I have not said, and nor is contemplated, that we are going to

hollow out engineering. Engineering is an essential service and is actually regulated by CASA. We need that service.

How we construct the service between our information technology and our operational technology is the area that we are working through. The fact that we have reconstructed because people have put in voluntary redundancies and we have been made more efficient is different to hollowing out engineering. There is no attempt to do that.

Senator XENOPHON: I think my choice of the phrase 'hollow out engineering' was unfortunate, but it did relate to a reduction in engineering services.

Mr Harfield: We will not be reducing engineering services that need to be provided. What we are doing is changing how they are provided, to make sure that they are efficient. That is what we are trying to achieve.

Senator XENOPHON: Okay. Will you at least have a look at the Rizzo review as to whether it has any relevance to what you are doing in relation to that?

Mr Harfield: Yes, Senator.

Senator XENOPHON: Finally, going back to issues that my colleagues have raised about the ANAO report, in terms of paragraph 12, the summary and recommendations, the Auditor General's office made reference to the fact that internal controls intended to promote compliance were regularly bypassed; where they were applied the controls were often ineffective; the records made by Airservices of each procurement decision were often perfunctory; the approach to recording of decisions to spend money, together with internal controls being bypassed, contributed to a lack of transparency of the decisions to procure services from or through ICCPM; and Airservices largely operated as a price taker, in relation to that last conclusion in paragraph 13. Being a price taker is not good when it comes to value for money, is it?

Mr Harfield: That is correct.

Senator XENOPHON: So you agree.

Mr Harfield: I totally agree. Unfortunately you were not here when Senator Sterle was asking the questions. He was asking very similar questions around the exact same point and totally agrees that we did not perform appropriately. We have made considerable changes to our procurement framework and our practices. While you were out, we tabled to the committee the actions that we have taken against all the recommendations.

Senator XENOPHON: I have one final question to be put on notice in relation to that. I want to go to the question of helicopter noise at Adelaide Airport. Representations have been made to me about helicopter noise disturbances over Adelaide's western suburbs during curfew hours. I presume Airservices has a record of all operations in the vicinity of Adelaide Airport, or does a curfew not apply to helicopters?

Mr Harfield: The curfew applies to the landings and take-offs of certain categories of aircraft. I am sure you will be aware that aircraft do depart and land at Adelaide Airport outside the curfew hours—turboprops, some freighters. They do not meet the threshold. But we can provide you with the information reference.

Senator XENOPHON: Further to that, could you provide me please with a list of air movements outside the curfew hours for the past three months and whether helicopters are identified as part of that?

Mr Harfield: So you want operations during curfew hours and helicopter operations. Is that correct?

Senator XENOPHON: Just a list of air movements outside curfew. That might be a bit onerous, actually.

Mr Harfield: You are looking at movements that—

Senator XENOPHON: Helicopter movements. Presumably any other aircraft movements would have to comply with the curfew. I only need helicopters. Thank you very much, Chair.

CHAIR: Thank you. Senator Back.

Senator BACK: My questions are unrelated to what we have been talking about, Mr Harfield, but they do relate to secondary metropolitan airports, in this case Jandakot. Constituents have raised continually with me concerns about aircraft noise—bumps and jumps type activities et cetera. What relief do they get through Airservices Australia? If not you, then with whom can they raise their complaints and concerns other than with me?

Mr Harfield: They should refer their complaints to a noise complaints inquiry service, which is in Airservices, and we will look into the matter and provide advice as to what we may or may not be able to do about the situation.

Senator BACK: What are some of the alternatives? What are some of the options that you have?

Mr Harfield: Depending on the nature of the complaint, there have been some times when activities departing or arriving at the airport have tracked in certain ways, and we have looked at the flight paths to create noise improvement for residents. But sometimes we cannot do anything about general operations at an airport.

Senator BACK: That is what I really want to go to. In the event that they make complaints, what action can Airservices take with the management of an airport such as Jandakot?

Mr Harfield: In other words, with the noise complaint inquiry service, depending on the nature of the complaint, we may determine that we are able to achieve some improvement, and then we will go through a process and community consultation to look at implementing it. In the event that that cannot be done and somebody is still raising concerns, they have the ability to go through the Aircraft Noise Ombudsman, and the ombudsman will review what actions we have already undertaken and would provide what I will call independent advice on whether something more could have been done or whether it is just something that we cannot deal with.

Senator BACK: Do you have monitoring equipment? I know you do at the major airports, including Perth Airport; we have had inquiries on this in the past.

Mr Harfield: Yes.

Senator BACK: But do you have noise-monitoring equipment that can be positioned around—let's call it this—a light aircraft airport such as Jandakot?

Mr Harfield: I would just have to take it on notice on where we have them placed in the Perth region, because it would be picking up noise around Jandakot anyway. We usually have noise monitors—I could get the numbers wrong—within, say, 30 kilometres or 50 kilometres of the actual main airport, which would capture the metropolitan airports. But I would have to confirm what radius it is.

Senator BACK: Could you let us know that on notice.

Mr Harfield: Yes.

CHAIR: Senator Sterle, could you just be conscious that at 8.30 we have a committee commitment.

Senator STERLE: Yes, sure. I am going to come back to my previous line of questioning, Mr Harfield. Did you agree that, when entering into a partnership for a project as significant as this—OneSKY—something as simple as a business case would have been appropriate?

Mr Harfield: Yes.

Senator STERLE: Can you tell us why none of these items were included in the partnership agreement?

Mr Harfield: I cannot tell you, because I do not know. The premise that the partnership was set up on was based on a certain construct of having a strategic partner, and the decisions were made based on a certain premise, but I cannot tell you why those things were not done. I just do not know.

Senator STERLE: You cannot be any more honest than that. The extensive use of ICCPM to assist with the delivery of OneSKY by Airservices was highlighted by the ANAO, and I will quote them:

Since 2012, there have been 42 engagements of ICCPM employees and sub-contractors through 18 procurement processes. The engagements were given effect through six contracts, 10 contract variations and four uses of an on-call services schedule under one of the contracts. Under the various contractual arrangements, Airservices agreed to pay ICCPM total fees of more than \$9 million.

Is that figure correct?

Mr Harfield: Yes.

Senator STERLE: Who were the subcontractors?

Mr Harfield: I would have to take that on notice to give you the full list, but there were a range of services used from a variety of different people: Harry Bradford and Keyholder Services. It included Andrew Pike, Deborah Hein, Stephen Hein and a range of other employees to do other services. We could reply to that on notice.

Senator STERLE: Yes, sure. Take that on notice. Off the top of your head, would you know how many contractors we are talking about?

Mr Harfield: Off the top of my head, no.

Senator STERLE: Okay, that is fine. Can you elaborate for the committee on what an on-call services schedule is.

Mr Harfield: I am not sure what was written down in the on-call schedule of service, but it was that, if we needed a particular capability, we would go to ICCPM and they would provide it. It is sort of like a labour hire company. You go and say, 'Can I have this particular capability,' and you would bring that—

Senator STERLE: Sorry, I get an echo.

Mr Harfield: It is like a temp hire company or an engineering hiring company. You would go along and say, 'We need a capability for a scheduler', or, 'We need a capability for a planner,' and then they would provide that particular capability.

Senator STERLE: So ICCPM would go off and find it.

Mr Harfield: That is correct.

Senator STERLE: Okay, and you will be able to provide who they are.

Mr Harfield: Correct.

Senator STERLE: And the cost.

Mr Harfield: Yes.

Senator STERLE: Okay, you can break it all up. That is good. The ANAO report found:

... Airservices' approach to contracting ICCPM ... was ineffective in providing value for money outcomes.

It said:

The daily rates agreed to be paid by Airservices for the services of individual contractors ranged from \$1 500 ... to \$5 000—which we have already established. According to the ANAO, Airservices operated as price-takers, accepting quotes from ICCPM without seeking to benchmark the proposed rates to similar services or actively seeking to negotiate reduced rates. Further, the report states:

The rates paid for initial, short-term high level strategic engagements were similar to, or the same as, those paid for the same individuals to deliver on long-term assignments ...

Why were quote not sought from other potential providers by Airservices rather than accepting them from ICCPM outright?

Mr Harfield: I agree with the premise that it was not correct, as we have stated before. But the reasoning, or the rationale, was going back to that on-call scheduled service. The understanding in the organisation was that a strategic partnership had been formed for the duration of the OneSKY program, which had an on-call schedule where, if you needed that capability, you just went and asked ICCPM and they would provide it. That was the reason why there was not this market testing being done from time to time. As we have said, that was flawed in the first place; therefore, that was wrong, and they are the things that we needed corrected—because those decisions were made off an incorrect assumption. That is fully agreed.

Senator STERLE: Sure. You are being as honest as you possibly could be. So it was like 'do and charge'?

Mr Harfield: Yes.

Senator STERLE: You cannot add any more to that. Furthermore, has Airservices ever attempted to negotiate rates of services charged by ICCPM?

Mr Harfield: Yes. There have been a couple of occasions where that has occurred.

Senator STERLE: How did you go?

Mr Harfield: We had some reductions because of the longer term nature.

Senator STERLE: When you say 'some'—you might want to take this on record, Mr Harfield—can you give us examples of what they were, how much for and how many times?

Mr Harfield: I can give you the whole thing on notice. Rather than just speculating on getting a figure right, we can provide that on notice. That is no problem.

Senator STERLE: It also talks about the contractor getting \$5,000. I assume that is Mr Bradford?

Mr Harfield: That is correct.

Senator STERLE: No other contractor got \$5,000 for eight hours work? Okay. So, between 2012-13, when Airservices started obtaining consulting services through ICCPM—

Mr Harfield: What was the date?

Senator STERLE: It was between 2012-13 and December 2015. Airservices paid ICCPM a total of \$5.8 million in consultancy fees and expenses. Between 2012-13 and 2014-15, the payments from Airservices

amounted to 75 per cent of the revenue reported by ICCPM, as derived from consulting work. What consultancy work was completed and what expenses were made using the \$5.8 million?

Mr Harfield: That was the contract capability we just discussed beforehand. So it is the Harry Bradfords doing lead negotiation, and the Andrew Pykes and those sorts of people. So it is not extra consultancies on top of that; it is those fees that paid for all those people that we just mentioned previously. I am going to provide, on notice, the work and their costs.

Senator STERLE: Of the contractors and employees?

Mr Harfield: Yes, contracted—brought in—for that. But they will be put in a consultancy bucket.

Senator STERLE: So the \$5.8 million is part of the work being done by the contractors?

Mr Harfield: Yes. That is that amount.

Senator STERLE: And you are going to give us some examples and break it down. That is fine. If 75 per cent of the revenue of ICCPM in those years mentioned came from Airservices, where did the remaining 25 per cent come from?

Mr Harfield: I do not know. You will have to ask ICCPM that question.

Senator STERLE: Okay. No worries. The procurement framework of Airservices requires that probity be a key consideration. This includes a requirement to effectively identify and manage potential, actual or perceived conflicts of interest. ANAO found:

The Probity Plan and Protocols established for the CMATS—

civil-military air traffic management system—

joint procurement process, together with the engagement of an external Probity Advisor as well as an external Probity Auditor, provided a reasonable basis for managing the probity aspects of the tender process. But Airservices did not commission independent probity audits of any phase of the tender process subsequent to the release of the RFT—

the request for tender. Can you tell us why or why not?

Mr Harfield: There was a misunderstanding of the role of the adviser versus that of our internal audit process. We had an independent probity adviser, and there was a misunderstanding of that adviser's role versus that of our internal audit process in conducting probity audits into the OneSKY program. That is something that, with the recommendations made not only in the Allens report but also by the ANAO, has been corrected to make sure that we have not only a probity adviser but a separate probity auditor. We actually have one probity audit underway at this time.

Senator STERLE: This independent adviser—

Mr Harfield: There is an independent adviser around probity issues—

Senator STERLE: The one you had that was no good. Was it the independent advisor or the independent auditor?

Mr Harfield: What the ANAO report picked up was that, although we had a probity adviser to give advice on probity and making sure that things happened, there is also a role for someone to do a probity audit to make sure the controls and effectiveness were in place. There was a misunderstanding that the probity adviser, as well as our internal audit function, had a role in that—in checking the controls associated with probity. We have now corrected this by having someone completely separate just doing the probity audits.

Senator STERLE: Who was that probity adviser employed by or engaged by?

Mr Harfield: The probity adviser was engaged by Airservices as the adviser to Airservices.

Senator STERLE: It was not through ICC?

Mr Harfield: Not at all.

Senator STERLE: Okay, so they were independent.

Proceedings suspended from 20:31 to 20:43

Senator CAMERON: Mr Harfield, have you continued to engage in relation to Badgerys Creek airport flight plans?

Mr Harfield: We have provided information, at the request of the Western Sydney Unit for input, from time to time.

Senator CAMERON: Did you provide information in relation to the new proposed west merge point and east merge point?

Mr Harfield: We provided some advice. I would have to take on notice exactly what advice we provided to the department.

Senator CAMERON: But you did provide advice on those two areas. Have you got any officers here who were involved in that?

Mr Harfield: No, I do not. That is done at a different level in the organisation.

Senator CAMERON: I understand the west merge point and the east merge point. Was the centre merge point the village of Blaxland?

Mr Harfield: We have said previously that we provided concept designs to flight paths based around the operation of Western Sydney Airport to confirm the operation based on not touching the flight paths for Kingsford Smith. The detail around where things have landed as a result of consultation with the environment plan, you would have to put that to the Western Sydney Unit or to the department. I do not know. We just provided advice.

Senator CAMERON: You provided advice that is fundamental to the future of Western Sydney airport, isn't it?

Mr Harfield: We provided, as I said, concept flight designs based on the operation of Western Sydney airport that allow that to operate as well as Kingsford Smith without touching the Kingsford Smith flight paths.

Senator CAMERON: You provided concept flight designs.

Mr Harfield: That is correct.

Senator CAMERON: Is this a normal international situation, that you provide concept flight designs? Do you ever get airports, when the airport is being built, where you lock in the flights?

Mr Harfield: This is probably our first time at a major greenfields airport and so, going through the environmental impact statement, we would provide advice to those that are setting up and have the responsibility for the environmental impact statement based on the parameters that they give us to do the design, and from a concept. That is not uncommon around other international practices. You have to do it how it may work. Once that is completed, then you will go through a process of refining the designs of the flight paths as the result of consultation et cetera.

Senator CAMERON: Could you provide me with details of the concept, that was put to, that determined how these flight paths would be—

Mr Harfield: We can provide you with the advice that we gave.

Senator CAMERON: The advice you gave is one thing—

Mr Harfield: The concept designs, correct.

Senator CAMERON: You can provide me that, but can you also provide me with the details of what was put to you—what were the restrictions, what were the parameters that you started designing your flight paths on?

Mr Harfield: Designed on the flight paths that—current airspace constraints as well as the flight paths of Kingsford Smith were not to be touched.

Senator CAMERON: There would be a document somewhere that says that. Can you provide me with that document or documents associated with the parameters that were put to you when you designed the flight paths?

Mr Harfield: Yes.

Senator CAMERON: What is three nautical miles in kilometres?

Mr Harfield: About five kilometres. So 1.8 nautical miles—just under six kilometres.

Senator CAMERON: If a 747 is flying over an area that is fairly quiet you would hear that five kilometres away.

Mr Harfield: I am working on assumption. I assume so.

Senator CAMERON: Have you had any discussions about whether Kingsford Smith may close, eventually, and whether Western Sydney could carry the full capacity of incoming and outgoing flights for the Sydney Basin?

Mr Harfield: No.

Senator CAMERON: When you designed these parameters and the flights were taking off over Erskine Park, St Marys and some parts of Penrith why did you come to that position, to take over fairly densely populated residential areas?

Mr Harfield: I cannot answer that. You would have to take it on notice, how the concepts were put with those design parameters. I do not have that detail.

Senator CAMERON: So that all depended on those conceptual design parameters.

Mr Harfield: Correct.

Senator CAMERON: So the concept proposal is simply that. It is a concept. That is not the final flight plans, is it?

Mr Harfield: Not at all.

Senator CAMERON: Are there flight paths?

Mr Harfield: No, because there is a whole process, that has to go through community consultation, to setting those flight paths up.

Senator CAMERON: How much say do the airport and the airlines have on the flight paths?

Mr Harfield: They will be part of the consultation process, particularly the airlines because they are users of the flight path. Generally speaking, all flight paths will be designed to strict criteria, taking safety of flight first and then environmental considerations et cetera, and they will be put to consultation. Based on the consultation from the community and the airlines, that will be taken and—provided that the design still meets with those design criteria—we will cater for that consultation.

Senator CAMERON: Have you had discussions about creating a no-fly zone over certain areas of Western Sydney?

Mr Harfield: Not to my knowledge.

Senator CAMERON: You have not?

Mr Harfield: I have not, personally. I do not know if anybody else has but nothing has come to my attention.

Senator CAMERON: You are the expert in this area and you have had no discussions at all on those eastern and western zones. Is that correct?

Mr Harfield: None.

Senator CAMERON: None?

Mr Harfield: None.

Senator CAMERON: What about the government putting out publications basically saying that there is going to be an eastern zone and a western zone away from the central zone, which is the three nautical miles, and you have had no input into that whatsoever. Is that correct?

Mr Harfield: We may have been asked questions, which I am not privy to, around certain parameters and we have provided advice but I have not had conversations around it.

Senator CAMERON: On notice, can you provide me with details of any discussions you have had about those alternate merge points?

Mr Harfield: Yes.

Senator CAMERON: We are still talking about merge points.

Mr Harfield: I think that terminology is no longer used.

Senator CAMERON: Why not?

Mr Harfield: Because it has the wrong connotation. It is not just here, it is a broader worldwide thing that is being used away from that technology. It does not describe what is going on appropriately.

Senator CAMERON: Who got it so wrong in the first EIS?

Mr Harfield: The term merge point is international terminology that is used in aviation circles. It has been revised because it gives the wrong connotation.

Senator CAMERON: What connotation should it give?

Mr Harfield: The connotation of merge point is that there is multiple aircraft coming to one particular point, when it is actually a flow point or an initial approach type fix. However, why it changed in the environment impact statement is a matter that needs to be referred to the Western Sydney unit because I have no knowledge of that.

Senator CAMERON: I have some of the maps here and they clearly show a merging above three areas: the east, the west and the central. Is that not a merge point anymore?

Mr Harfield: The terminology has changed. It is changing because it is not used the same way internationally.

Senator CAMERON: If the terminology is changing internationally, why did you change the terminology from the first EIS to the second?

Mr Harfield: I do not know. You would need to talk to the Western Sydney unit.

Senator CAMERON: I will need to talk to the Western Sydney unit about that. Is that correct?

Mr Harfield: Yes.

Senator CAMERON: You have had no consultation about these two merge points. What about a no-fly zone?

Mr Harfield: As I said previously, I have no knowledge of that and I am not sure what questions or information has been asked of us or what advice has been given, but we are providing this on notice to you.

Senator CAMERON: Okay. You can provide us with information on whether there has been discussion on no-fly zones. Is that correct?

Mr Harfield: We will provide you with what we have been asked to provide advice on.

Senator CAMERON: By the government?

Mr Harfield: By the Western Sydney unit and the department.

Senator CAMERON: Have you had any consultations with the minister on this?

Mr Harfield: No.

Senator CAMERON: Have you had any complaints about noise impacts of the current airport in Bradfield?

Mr Harfield: I will need to take that on notice but we have seen an increase in noise complaints from, I will call it, the Western Sydney and the Blue Mountains area.

Senator CAMERON: What about the electorate of Bradfield?

Mr Harfield: Not off the top of my head but I will take that on notice.

Senator CAMERON: The minister is based in Bradfield and I know that he has had a number of constituents raising issues and I am just wondering if the minister then raised that with you. Can you provide us with details of that?

Mr Harfield: Yes.

Senator CAMERON: Thank you. You have been really patient. I could go on for a long time but I said five and you have let me go on longer than that.

Senator CAMERON: Chair, just for the record—because I do not want to get mixed up on this—the Western Sydney Unit has been released?

CHAIR: It will be in a moment.

Senator CAMERON: They will come back at some other time?

CHAIR: Yes. Mr Mrdak, these groups may be the subject of another date at another time—certainly the Western Sydney Unit will be; it is the first to be released. Policy and Research Division, National Transport Commission, Australian Transport Safety Bureau, Office of Transport Security, and Local Governments and Territories Division can go. Just to avoid any prospect of confusion, that should leave us continuing with Airservices, Aviation and Airports Division, Australian Maritime Safety Authority, Surface Transport Policy Division and Australian Rail Track Corporation.

Mr Mrdak, I know they are listening, but, through you, our heartfelt thanks for the patience of these people. Everyone is used to estimates and what happens, but we really do appreciate that they have been here for a long time. Many of them have travelled a long way and they are not going to get an opportunity tonight. You have seen the day unfold, and we have done our best. Hopefully we will get better at our scheduling and timing anticipations in the future.

Mr Harfield: I think they will appreciate the option to get home a little bit earlier. Thank you.

CHAIR: Senator Sterle, you have the call.

Senator STERLE: Opposition senators will be writing to the Senate to request another day to continue to hear from those agencies we have not heard from tonight, as per the standing orders—not spillover Friday. Thank you.

Mr Harfield, I will go back along the same line. ANAO found that probity matters were not addressed in the decision to enter into a strategic relationship with ICCPM for the duration of the OneSKY program or in relation

to any of the 18 sole sourced procurements that occurred both prior and subsequent to the establishment of the relationship. Furthermore, ANAO went on to say:

... on no occasion was there documented consideration as to whether the engagement would give rise to potential actual or perceived conflicts of interest that should either be avoided (by not proceeding with the procurement) or for which a specific management strategy should be established.

Could you tell us why?

Mr Harfield: No, I cannot.

ACTING CHAIR (Senator Sterle): You cannot be any more honest than that—thank you. The ANAO highlighted:

ICCPM sub-contractors with links to tenderers (including through past employment and as a result of the membership of the ICCPM board) became involved in the evaluation of competing tenders. They subsequently undertook contract negotiations with the successful tenderer. But Airservices did not identify or actively manage the attendant probity risks.

The ANAO concluded:

... Airservices approach to administering declared conflicts and monitoring ICCPM subcontractors' compliance with the Probity Plan and Protocols was inconsistent and largely passive.

Do you accept this?

Mr Harfield: Absolutely inconsistent and a passive nature. There was a framework in place that was not applied consistently or actively.

ACTING CHAIR: And do you believe that your approach in this situation was inconsistent and passive?

Mr Harfield: My approach, personally?

ACTING CHAIR: Airservices. You agree, but do Airservices actually agree?

Mr Harfield: Yes, it does, because we have accepted all the findings and the recommendations.

ACTING CHAIR: And for all the reasons that we have said earlier?

Mr Harfield: Correct.

ACTING CHAIR: At the hearing on 18 August 2015 this committee raised specific concerns about probity arrangements in relation to the OneSKY program. Immediately following the hearing the Airservices board commissioned an external review of these probity arrangements. The chair will have an interest in this. The review was conducted by the legal firm Allens Linklaters, or Allens. On 9 September 2015 Allens provided the board with a draft report, followed by a final report provided on 27 October 2015. While noting that Allens's work was still ongoing, at the committee's 9 September hearing Sir Angus Houston explained the findings of the review. However, the ANAO found that not all relevant information relating to Airservices's relationship with ICCPM was provided to Allens. Would you agree with that?

Mr Harfield: One memo was not supplied at that particular stage.

ACTING CHAIR: It noted that Airservices did not provide Allens with advice on documentation regarding the May 2013 decision to establish a strategic partnership with ICCPM for the duration of the OneSKY program. Is that the memo that you were talking about?

Mr Harfield: The memo that was discussed was in regard to the decision made during the phase 5 negotiation to go down to one tenderer, which was Thales.

ACTING CHAIR: That was the memo?

Mr Harfield: That was the memo.

ACTING CHAIR: So you are saying that you did or did not provide Allens with advice on documentation regarding the May 2013 decision to establish a strategic—

Mr Harfield: They were not provided the information around the decision for the strategic partnership.

ACTING CHAIR: Were they provided documentation concerning the role played by ICCPM subcontractors in the evaluation and contract negotiation processes?

Mr Harfield: Yes, they were.

ACTING CHAIR: ANAO also found that Allens did not engage with ICCPM in conducting its review.

Mr Harfield: No, they did not. That goes to the scope of the Allens review. The Allens review was set up by the board to really just focus on the conflict of interest issues that were raised in the 18 August hearing and around some of those allegations. It was not as holistic as the ANAO audit that was being done. It was a limited

scope and that is why there are differences. That is why we could not say that the Allens report by itself is good enough to deal with all the issues that the ANAO covered. That is the reason for the difference.

Senator Nash: Acting Chair, has supertime actually been changed from 9 pm to another time?

ACTING CHAIR: Yes, I have just changed it to 9.02 pm while the chair is not here. Let us take a break.

Proceedings suspended from 21:03 to 21:15

CHAIR: The Senate Rural and Regional Affairs and Transport Legislation Committee—one of the best organised committees in the building—will reconvene. While we have another chair here, we have to talk it up a bit. We will start with Senator Sterle in continuation.

Senator STERLE: Why wasn't all the necessary information detailing the relationship between Airservices and ICCPM given to Allens for the purpose of their review?

Mr Harfield: As I stated before the break, they actually had different scopes. The information that was provided to the Australian National Audit Office was much more extensive than what was provided to Allens, because Allens was only looking at the real conflict-of-interest piece that potentially came out of the 18 August hearing and was conducted in short form—in a six-week period—to satisfy the board there were no actual conflicts of interest found. The ANAO report had a broader scope and went into more depth on a range of issues around ICCPM.

Senator STERLE: Could you just repeat that last sentence?

Mr Harfield: The ANAO had a broader scope and therefore dealt with a broader range of issues and Allens was focused on a specific range of issues that came out of the 18 August hearing.

Senator STERLE: The ANAO made six recommendations to Airservices which were agreed to. Have these recommendations been acted upon?

Mr Harfield: Yes, they have. They are all completed and the work was tabled with the Airservices board last week as being completed. There are two areas that we continue on. That is the cultural aspect of our procurement and making sure that we do not continue down the path and that we actually contest, particularly between the \$50,000 and the \$350,000 procurements and changing the delegation structure where there is a case of a sole source procurement. The standard is competitive but on occasion you may have to do a sole source, and that has to go to the chief financial officer to be approved rather than where it has been sitting lower in the organisation.

Senator STERLE: Are you able to provide the committee with the action on the recommendations?

Mr Harfield: That is what we tabled earlier—all of the actions that we have taken against each of the recommendations.

Senator STERLE: Very good. Does Airservices still have plans to reduce its workforce? I asked CASA this and you told me 900. You told us that it was a cost-saving measure. Transport minister Darren Chester said that he met with Airservices in the wake of the Audit Office's report and told its management that he expected improvements. Did the minister outline specifically where he wanted to see improvements?

Mr Harfield: That was round the ANAO recommendations. He was expecting them to be actioned. I met with the minister where he outlined that. He subsequently wrote to the chair of Airservices seeking assurance that that was being undertaken. As a result of the board meeting, the chair of the Airservices board has written back to the minister. This will be continually oversighted and a point of monitoring by our board Audit and Risk Committee going forward.

Senator STERLE: Is Airservices aware of the functional efficiency review conducted by KPMG into the infrastructure and transport portfolio?

Mr Harfield: I am aware of the undertaking of that report.

Senator STERLE: Is Airservices aware of the findings or the recommendations in relation to the governance and ownership of Airservices?

Mr Harfield: No, I am not.

Senator STERLE: How is the Accelerate Program related to the review?

Mr Harfield: There is no connection whatsoever.

Senator McCARTHY: I wanted to go back, Mr Harfield, to my initial question from earlier this evening relating to the coroner's report. I would like to get a dollar figure for what Airservices is putting towards the education and training of staff in relation to those recommendations.

Mr Harfield: I do not have that figure off the top of my head, but we can take it on notice and provide the answer.

CHAIR: Are we advocating changes—and I will be vague because I only have vague knowledge of this—to the rostering of pilots that is due to come on line in May?

Mr Harfield: That is possibly fatigue risk management for pilots. That is a matter for CASA. We are not involved with any of that.

CHAIR: I have missed my opportunity. Thank you, gentlemen. We appreciate your efforts and those of any staff you have backing you.

[21:21]

CHAIR: We will now move to Aviation and Airports Division.

Senator McCARTHY: Mr Mrdak, are you aware of a current review into airport curfew administration arrangements in Australia?

Mr Mrdak: There is some work taking place in relation to a proposal for a change in the allocation of freight quotas at Sydney's Kingsford Smith Airport. I will ask Ms Spence to give you an update on that. I am not aware of any other broader review.

Ms Spence: We did, as part of improving our regulation practices, undertake a review of the administration of the current curfew arrangements, but that was of how the arrangements are implemented as opposed to the policy settings behind the curfew. I think that would be the one you are talking about.

Senator McCARTHY: Why was the review initiated?

Ms Spence: It was just part of a regular stream of reviews we have in place to ensure we are regulating in the most efficient manner.

Senator McCARTHY: Being part of a regular stream, is that information available for the public to access?

Ms Spence: I will ask Mrs Rosengren to fill in the details.

Mrs Rosengren: We have released a public document to all stakeholders summarising the findings and the recommendations of the administrative review. That has been provided to the community aviation groups at the relevant airports. That is part of the ongoing consultation process. The recommendations that have come out are mainly for the department—looking at how we administer the curfew and the dispensation processes.

Senator McCARTHY: Is it only available to those stakeholders?

Mrs Rosengren: No, it will go up on the department's web page, but we have only actually sent it out, at present, to the stakeholders who made submissions.

Senator McCARTHY: Would you be able to walk us through some of those recommendations?

Mrs Rosengren: Some of those recommendations were around consultation and how we share information. We have also got some recommendations about how we engage with industry bodies and the consultation groups about the processes around administering the curfew. There were some provisions around how we look at ongoing shoulder movement approval and whether there is a way to streamline processes around that.

Senator McCARTHY: So they were the main recommendations?

Mrs Rosengren: Yes. There were 14 recommendations. They were mainly around the departmental administration.

Senator McCARTHY: Has that review now been finally completed? It is with the stakeholders. What happens now?

Mrs Rosengren: We have finished the administrative review in the department process. It has been submitted. We are now working through their recommendations. We have a 12- to 18-month period to implement those recommendations.

Senator McCARTHY: What airports are being affected?

Mrs Rosengren: We only looked at airports that have a curfew, which are Adelaide, Sydney, Essendon and Coolangatta.

Senator McCARTHY: What are the next steps or the timing in all of this?

Mrs Rosengren: As I said, we have a 12- to 18-month period to implement the recommendations.

Senator McCARTHY: On pilot training, is the department aware of concerns about the noise emanating from training at airports, such as Jandakot?

Ms Spence: We have not had any issues raised with us around aircraft noise at Jandakot Airport. We obviously heard the questioning earlier on with Airservices, but we—

Senator McCARTHY: So is this the first you have been aware of it?

Ms Spence: It has not been raised with us as an issue.

Senator McCARTHY: At all?

Ms Spence: At all.

Senator STERLE: Helicopters?

Ms Spence: Not helicopters, no.

Senator BACK: I have had constituents mention it. My office is very close to Jandakot Airport.

Ms Spence: We would expect it would be more likely to be raised with Airservices Australia.

Senator BACK: That is fine.

Senator McCARTHY: Right. Do the following secondary airports have to implement and observe aircraft noise abatement measures? I will just name the airports: Archerfield, Bankstown, Jandakot, Moorabbin and Parafield.

Ms Spence: Yes, they would have fly neighbourly agreements which the airports and Airservices have in place with the local community.

Senator McCARTHY: So all of those are—

Ms Spence: Yes.

Mr Mrdak: Each of those airports has a mix of noise abatement procedures, such as preferred runways, circuit areas and the like to try to minimise aircraft noise as well as, as Ms Spence indicated, fly neighbourly agreements, which are processes worked up with the local community about the time-of-day operations and how we can minimise noise. Those sorts of things are generally in place around each of those airports.

Senator McCARTHY: That was going to be my next question: are there specific measures in place to manage the noise impact emanating from pilots training at these airports? I guess your interaction with the community is one of those measures.

Mr Mrdak: That is right. There are efforts made to reduce the amount of circuit training, for instance, over residential areas. It is that repetitious noise which often people find causes them the greatest concern. It is not necessarily the individual noise levels but the repetition.

Senator McCARTHY: The constant—

Mr Mrdak: That is right. So efforts are made. You cannot minimise some of that because, particularly for early training, people have to stay within a certain proximity of the aerodrome. As much as they can, they try to move some of the more advanced circuit training and other flying operations out of residential areas.

Senator McCARTHY: I have a list that I want to go through with you. Let me know if you are able to answer these questions now or if you would like to take them on notice. How many noise complaints have been lodged with Airservices for these airports for the following years—

Ms Spence: I think an individual year basis is a level of detail that we would need to get from Airservices, but we are happy to take that on notice.

Mr Mrdak: We will take it on notice.

Senator McCARTHY: So can I give you the years: 1995, 2000, 2005, 2010, 2011, 2012, 2013, 2014 and 2015. Will you take all of that on notice?

Mr Mrdak: We will take that on notice.

Senator McCARTHY: Is the department aware of a proposal to build an airstrip at Cape Preston in Western Australia?

Ms Spence: No, that is not one of the federally leased airports that we have responsibility for.

Senator STERLE: There is no airport there. The question was are you aware of one—

Ms Spence: No.

Mr Mrdak: It is more likely to be subject to a Western Australian planning process at this stage.

Senator McCARTHY: So it has not reached you?

Mr Mrdak: We are not aware of it.

Senator McCARTHY: So you are not aware of any of that discussion at all? Would there be any other federal agency that might be?

Mr Mrdak: We can certainly ask the Civil Aviation Safety Authority or Airservices Australia. We will take that on notice to see whether they have had any contact in relation to that.

Senator McCARTHY: All right, thank you, Mr Mrdak.

Senator RICE: I understand that the department sent delegates to Montreal for the International Civil Aviation Organisations' discussions that finalised the new carbon offsetting and reduction scheme for the international aviation global framework for carbon offsetting for international aviation?

Ms Spence: That is correct.

Senator RICE: Are you able to expand on what position the Australian delegation took to the negotiations in regards to carbon offsetting versus an emissions trading scheme?

Ms Spence: I can say quickly that the mandate that we took was that the Australian government would participate in an environmentally effective carbon offset reduction scheme but I will get Mrs Rosengren to go into more detail.

Mrs Rosengren: The discussions at ICAO in Montreal were solely based around the carbon offsetting scheme during this assembly period, so the discussions around an emissions trading scheme were not raised during the 2016 assembly.

Senator RICE: Can you also give me clarification as to what Australia has signed up to in regards to the pilot phase, the first phase and the second phase of the scheme?

Mrs Rosengren: Australia has signed up to join the scheme from 2021, which is the first voluntary pilot phase. We will be joining 65 other countries during that phase covering 86 per cent of the international aviation activity.

Senator RICE: Have some countries already indicated they would sign up for the second phase?

Mrs Rosengren: At this stage, ICAO has not made any request for states to identify whether they will participate in the second phase. The second phase is mandatory; it will be based on an activity level threshold so it is not the same process of signing up.

Senator RICE: Right, okay. So we have signed up to phase 1. Things are measured in revenue tonne kilometres, as I understand it.

Mrs Rosengren: That is correct, yes.

Senator RICE: What percentage of revenue tonne kilometres of international aviation is Australia currently accountable for?

Mrs Rosengren: I would have to check. I think we are about 18th on the international listing but I do not know what our current percentage is. We can take that on notice.

Senator RICE: It looks like we have the first voluntary phase from when? From 2024 to 2026 and from 2027 onwards it would be mandatory?

Mrs Rosengren: That is correct.

Senator RICE: So it looks like you are going to have carbon offsetting coming into place up until 2027 and then mandatory after that?

Mrs Rosengren: That is correct.

Senator RICE: So has the department investigated offsetting, either voluntary or mandatory, for domestic flights in parallel with the international standard?

Mrs Rosengren: No. ICAO was solely focused on international aviation.

Senator RICE: So there has been no investigation?

Ms Spence: I think that would be a matter for the Department of Environment.

Senator RICE: Even though you are doing the work internationally, the same methodologies presumably would make sense?

Ms Spence: We are obviously working very closely with the Department of Environment on the international side of things but I think the domestic aviation would be captured by the sort of broader work that is being done.

Senator RICE: Why is that, given that you are the division of aviation and airports, and given that you are looking at the international—

Ms Spence: Because of the work that is being done in ICAO. That is our focus.

Mr Mrdak: Domestic aviation is captured like any other domestic industry—through the broader greenhouse gas emission targets and the workings of the various approaches the government adopts to that. The department has been focused on the ICAO international arrangements because that has been a particular focus of work. ICAO is basically leaving it to individual states to deal with their own domestic emissions.

Senator RICE: So your department is not doing anything in domestic emission effects?

Mr Mrdak: We are. As Ms Spence indicated, we have been working for many years with the Environment portfolio in the broader carbon reduction issues and the way in which the government has been handling that.

Senator RICE: What sort of measures for carbon reduction have you been looking at in conjunction with the Department of the Environment?

Mr Mrdak: Clearly, over the last few years there have been various appraisals—including, obviously, the former government's policy and legislation and the current government's approach on emissions reduction. We have been looking at that in terms of the aviation sector like any other domestic transport sector.

Senator RICE: Have you investigated or modelled any type of emissions pricing scheme for domestic aviation, including anything similar, for example, to the existing EU emissions trading scheme for domestic aviation?

Mr Mrdak: No, we have treated the aviation industry like any other domestic industry. It has been captured by the broader, economy-wide approaches.

Senator RICE: So nothing specific? Okay, it was captured by the economy-wide approaches; but do you have particular ways of addressing aviation? Have you done work in the department on looking at domestic aviation emissions?

Mr Mrdak: We have in the past, in terms of the former government's statutory carbon pricing mechanisms. There was certainly a lot of work done at that time, and the aviation industry was captured as part of that.

Senator RICE: Have you had discussions either with the Department of the Environment or internally with the minister about future pathways for mitigating domestic aviation emissions?

Mr Mrdak: As I said, the government has set out its approach to emissions reduction. We are working, like any other industry portfolio, within that context.

Senator RICE: What approaches have you been discussing with the minister or with the Department for the Environment? What sort of approach?

Mr Mrdak: Well, it is largely around the various means the current government is using to meet Australia's emissions targets.

Senator RICE: But what? There is a range of different ways of trying to offset emissions. What sort of approaches have you been considering or discussing with the minister?

Mr Mrdak: Only really what is currently under the government's policy platform, which is—

Senator RICE: Which is?

Mr Mrdak: Australia's targets.

Senator RICE: You have targets, but what are the mechanisms for reaching those targets?

Mr Mrdak: There is a range of policies and programs the government has put in place. I can get you some details on those. That would probably be the best way.

Senator RICE: Okay, I will leave it there. Thank you.

CHAIR: The witnesses from the Aviation and Airports Division are free to go, and we thank them for their attendance and assistance, and their patience.

Australian Maritime Safety Authority

[21:38]

Senator ABETZ: My bracket of questions relates to the national reform process. I understand that the national reform process set three fundamental goals of less cost, less regulatory burden and better safety outcomes. Is that correct?

Mr Kinley: In general terms, yes.

Senator ABETZ: You have put forward some proposals. Would it be fair to say that they have met with, if not universal then virtually universal, upset by the sectors involved in shipping?

Mr Kinley: Yes, there has been a significant negative response to the cost recovery proposals.

Senator ABETZ: And the cost recovery proposals seem to be imposing costs that are way out of whack with what is currently being charged, and without providing all the current services. I refer in particular to the Tasmanian situation where under Model 1, commercial shipping operators will be, on average, paying 72 per cent more under Model 1 and 64 per cent more under Model 2. On top of that, in Tasmania some vessel operators have indicated that they currently pay for cost recovery through MAST, which is the Tasmanian body; but that AMSA will not be taking over marine radio, navigation, facilities, maintenance and management of ports and harbours which will then be an extra impost on top of the 72 per cent or 64 per cent increase that your current model is suggesting. Is that correct, to your knowledge?

Mr Kinley: I would have to check those percentages. It is certainly true that the figures that we have gone out with to consult on—we are talking there about 2019 prices when at the moment the states and territories, in agreeing that AMSA should take on the service delivery, have also agreed that they would provide some level of subsidy for two years.

Senator ABETZ: Yes, for two years.

Mr Kinley: So talking about those out years—

Senator ABETZ: Yes, 2019 onwards—

Mr Kinley: we are aware we are talking about prices which are more than what MAST, for example, are currently charging for their administrative fee. I would have to check on the exact percentages but I know there have been some figures which have been thrown around in Tasmania which—I think we have questioned some of those. One of the things that we are now doing—the consultation period closed on 10 October. We are now at the stage of actually correlating all of the responses that we had. As you said, there are a lot of people who are concerned about the actual quantum of cost recovery. While I think we still have people who are very supportive of the overall reform and then examine—

Senator ABETZ: Could you count them on, what, one finger?

Mr Kinley: No, I fronted up some of the face-to-face sessions. The people are very happy about the actual reforms inasmuch as they now have a seamless way to move vessels around Australia should they choose to.

Senator ABETZ: But you see the vast majority—in Tasmania all the fish farms get no benefit of this so-called seamless ability to go in between the states, nor do the tourism operators in Tasmania.

Mr Kinley: Some of the fish farms—

Senator ABETZ: One of them, a wilderness enterprise that has won numerous tourism awards, their six vessels will see their fees double under the new regime, so—

Mr Kinley: Now you are talking about doubling fees. I am certainly not aware of anything that we are proposing doubling fees. What I said, though, is that having concluded the consultation period, it is now up to us to actually look at the next steps. That is what we do in response to the consultation feedback that we have had. I am very aware of these concerns. I have spoken to a lot of these operators in Tassie. How we address that—it is very important that we actually manage that process. Having said that some people do not benefit, there are other operators in Tasmania, such as Incat for example, who are building ferries for Sydney. They are seeing great benefits inasmuch as they do not have to fly surveyors from another state down to get their survey recognised. So those builders are very positive about reforms that they are seeing and the benefits to move vessels around the country. The maritime college down there can train people, and they get an Australian certificate of qualification, not a Tasmanian one any more. So, they are seeing benefits. While I accept that not everyone is going to see all of the benefits of the national system, we certainly see that the majority of people that we talk to are still very positive about moving forward.

Senator ABETZ: Regarding the concept of national reform, you agreed with me earlier that there were to be three fundamental goals: less cost, less regulatory burden and better safety outcomes. To briefly correct you, regarding the tourism operator complaining about the doubling of costs, I talked about 62 and 74 per cent increases. But that was on the whole suite of the services that are currently being provided. AMSA will have the extra cost of either 64 or 72 per cent, but on top of that there will be the masked costs of looking after those matters that AMSA will not, like marine radio, navigation, facilities maintenance and management of ports and harbours, which will be an extra cost. That is where we get the 100 per cent increase.

Mr Kinley: I am aware of the discussions around that, but I am not aware that any of that has actually been decided yet. It is about the negotiations that will take place with transport ministers, and this is not just about the federal transport minister; this is about all the state and territory transport ministers. They all agreed to this. We

are in the process of looking at how to implement it. The discussions are ongoing about states charging those fees for some of the residual services. For us, it is about the things that we do not charge recreational vessels for: things that we do federally for search and rescue, like SOLAS coast radio and running an EPIRB registry. So there is a bit of give and take here between the states and the Commonwealth about what it is everyone charges for.

Senator ABETZ: I understand all those things between state and federal governments. I am talking about the businesses and the small businesses. In the aquaculture sector, as I understand it, even the small dinghies that go out to the fish pens will need to be registered and covered by this proposal. Tourism operators and a lot of small businesses are deeply, deeply concerned and, if nothing else, I hope this evening I have given some expression to their concerns and the need to ensure, with great respect, that the promises that were made when this process commenced—namely, and you agreed with them: less cost, less regulatory burden and better safety outcomes—might actually come to fruition. Everybody agreed with the process and the concept on the basis of less cost, less regulatory burden and better safety outcomes. But, clearly, both models—model 1 and model 2—will provide a huge cost increase for the vast majority of players in the Tasmanian business sector. One commercial fisherman has already sold out of the business that he was in. He just could not take it any more. The aquaculture sector will be hit. The tourism sector will be hit. I invite you to consider all the submissions that were made. I also understand you got quite a few phone calls that might have been less than tidy. That is never excusable, but I trust you will accept that those sorts of phone calls were made out of sheer desperation and concern by many men and women whose family livelihoods are at stake with these proposals. I will leave it at that.

Senator RICE: I want to ask questions about the Protection of the Sea Levy. In the 2013-14 budget, it was stated:

The Protection of the Sea Levy was maintained at 14.25 cents per net registered tonne to establish a \$10 million pollution response reserve. This will enable AMSA to fund a response to pollution incidents while claims are being settled, and act as a contingency in the event that pollution claims exceed the limited liability of shipowners. This reserve is supplemented with a \$40 million unsecured commercial line of credit, bringing the total capability to \$50 million.

Was this pollution response reserve utilised in the *Shen Neng* coal shipping disaster?

Mr Kinley: It did not exist at the time of the *Shen Neng* incident. The protection of the sea levy was increased at the time of the *Pacific Adventurer* incident, and that was actually increased to cover costs that were not obtainable from the industry at that time for the pollution clean-up. At the time, when we had recovered those moneys, the levy was maintained for a period of time which allowed us to do various things—one of which was to actually do a major capital refresh of our pollution response stock piles, and the other one was to establish what we call our pollution fund, which is nominally \$10 million. It sits in our bank and its interest pays for the line of credit, which gives us a total quick access to \$50 million should we need it in the case of a pollution response. The protection of the sea levy was initially established for oil pollution, predominantly.

Senator RICE: Has that reserve from that fund been used since it was established?

Mr Kinley: At the moment, we have money owing to us for an unidentified spill. We have not actually had to activate the line of credit at this stage because we have adequate reserves to cover that.

Senator RICE: How about the \$10 million reserve? Has some of that has been used?

Mr Kinley: Some of AMSA's reserves from the shipping industry levies have actually been paying for outstanding costs at the moment. I am assuming that some of your questioning is related to the settlement for the recent *Shen Neng* incident?

Senator RICE: Yes.

Mr Kinley: Out of that, AMSA received \$4.3 million of the \$8.2 million which we outlaid for the response, and so the reserves, which again have come from the shipping industry, will take a hit for that as well.

Senator RICE: To clarify, so that is the \$10 million fund, or a separate AMSA reserve?

Mr Kinley: No, that is separate. AMSA funds are now in AMSA's accounts.

Senator RICE: Right. So the \$4 million hit, then, is from what you did not get back.

Mr Kinley: Right.

Senator RICE: Is the \$10 million pollution response reserve still intact?

Mr Kinley: Yes.

Senator RICE: I note in the 2014 budget that the protection of the sea levy was reduced from 14.25c to 11.25c. Given that, are you confident that there is going to be enough money in that reserve to cope with further shipping disasters, which are almost certainly going to occur?

Mr Kinley: That money is there, effectively, as far as we can estimate, to fund a pollution response, which again, is about oil pollution or HNS pollution. To the best of our assessments at the time when we set that up, we came to the conclusion that that was enough money. Of course, a line of credit is not free money. If there is a pollution incident and we spend those funds, then that money has to be paid back or we have to get that back from insurers. If that were the case and the insurers were not paying up, or where there was a significant gap, it would be something that we would have to discuss with our portfolio department and the minister—would there be a need to put the levy back up to top up that reserve again.

Senator RICE: That \$10 million was set in place in the 2013-14 budget, or before then. Is it indexed at all?

Mr Kinley: No, it is not, but the interest actually pays for the line of credit.

Senator RICE: Regarding whether it is sufficient—I note you have the line of credit on top of it. The *Shen Neng* disaster was estimated, as part of the Commonwealth's legal case, to cost \$140 million to clean up. Are you confident that we would be prepared and have sufficient reserves and that line of credit for another similar disaster if it happened today?

Mr Kinley: I was not involved in the Commonwealth case for the *Shen Neng*, which was largely, I understand, about restoring or removing tributyltin from Douglas Shoal. I know in that case there were, certainly, opinions on both sides about what the actual clean-up costs would be. The funds that we have are actually about that first strike response, so they are about the pollution, the cleaning up the oil, getting equipment in place and doing the things for that first strike response. The actual calculated risk for pollution, as we go ahead, is changing. The *Shen Neng* was an older ship that had bunker tanks which were in the double bottom fuel tanks. Since 2010, ships have been built with bunker tanks in protected locations, which means they are inboard and oil is far less likely to get out. As we move ahead, from 2020 I know that there will be moves to go to low-sulphur fuels. That may result in less heavy fuel oil being used at sea. Periodically, we do review the risk and we do look what at our pollution response arrangements are, whether that is stockpiles, arrangements with state and territories or what have you, and we will look at that view about the pollution response as well as we move ahead to see if we need to increase the line of credit or the reserve.

Senator RICE: How about the fact that you have increasing numbers of ships going through sensitive areas and through the Great Barrier Reef? Is that a factor in how much reserves and credit—

Mr Kinley: Yes, we do have increasing numbers of ships. The numbers of ships are actually not growing as fast as they were projected to when we initially did our projections for the North-East Shipping Management Plan. In fact, the numbers have come off considerably. At the same time, the things that have been put in place, like the extension of the Particularly Sensitive Sea Area, the shipping routing measures, the reef ETS extension down south, the continuing improvement of the technology on reef ETS and the monitoring of ships, have all, in our calculations, offset that risk as well. Of course, as we have said in the North-East Shipping Management Plan, if traffic levels do get to the point where we think the risk warrants it, such as if Abbot Point traffic continues, we will look at the safety measures which will go with that increased traffic there and see if there should be additional safety measures, such as potentially introducing pilotage in further areas.

CHAIR: Are we getting towards the back end of this?

Senator RICE: Yes. In general, you are confident that we would be sufficiently prepared, financially and with our other responses to similar disasters to the *Shen Neng*, or the other disasters we have had?

Mr Kinley: In the worst case, I would be seriously worried. There would probably be the need for us to go to government for further help if there was a huge incident.

Senator RICE: If that is the case, why not keep the levy at the level it was, rather than having reduced it?

Mr Kinley: Because I think what we have done is actually prudent and reasonable for the level of risk that we think is there.

Senator RICE: One final question. You mention the North-East Shipping Management Plan. In your program status report, which is dated February this year, action 45 is:

...explore mechanisms to fund high priority restoration and rehabilitation of reef habitats (and the removal of antifoulant paints) immediately following a ship grounding.

The progress is 'No progress to note.' Can you explain why there has been no progress on that action?

Mr Kinley: Part of that was that I was waiting to see how the legal case eventuated with the *Shen Neng*, because there were all sorts of sensitivities around that. We have done work under the national plan to look at how the claims could actually be expanded beyond straight oil pollutions. We are looking at things like cleaning up other forms of pollution. This is not about remediating a reef; this is about removing the contaminants from the reef. There has been progress in that regard. Certainly with the environment portfolio, last week we had a meeting and a conversation with them about the lessons learned from the *Shen Neng* response and how we would do it better in the future. That work will be ongoing now.

Senator RICE: I have another five minutes but, if you are really pushed, I can put the questions on notice.

CHAIR: I am just conscious of the time. Thank you, Senator Rice. I appreciate your cooperation.

Senator McCARTHY: I have a couple of questions to help me understand the compliance regime a little better. How many vessels are affected by this regime?

Mr Kinley: This is the domestic commercial vessel regime. I think it is about 10,000 vessels under survey.

Senator McCARTHY: And where are they located?

Mr Kinley: Again, I could get you better information on notice. But the biggest jurisdictions by far are Queensland and New South Wales and there is then a fairly even scattering around the rest of the states and the Northern Territory.

Senator McCARTHY: What percentage would be in the Northern Territory?

Mr Kinley: I would have to take that on notice.

Senator McCARTHY: Just a ballpark figure.

Mr Kinley: Off the top of my head, I would suggest probably around 10 per cent. But I will check on that.

Senator McCARTHY: So maybe we could get those defined figures on notice. Is that okay?

Mr Kinley: Yes.

Senator McCARTHY: Mr Kinley, has analysis been done on cost recovery under the current system by each state and territory?

Mr Kinley: Some of that work is ongoing. Certainly in response to the work that we have been doing on cost recovery, there was very recent work about looking at what other charges are being raised by states and territories. One of the big problems we have with the national system is that we have a proposed system which is cost recovered by the Commonwealth which is stitching together seven different systems around the country which were in various levels of cost recovery and most of which were a long way from full cost recovery. Some of angst that we are seeing with this cost recovery proposal is that parts of the industry which were never anywhere near fully cost recovered are now being asked to consider paying fully for their services under this regulatory scheme.

Senator McCARTHY: With those even systems, is it a case of how you communicate or how you coordinate in aligning them?

Mr Kinley: We have been trying that for some years now. Certainly when the national system intergovernmental agreement was first signed, I think back in 2009, there were undertakings from the jurisdictions that they would consider trying to move to a more cost-recovered state. That has largely not happened, which is how we have come to be where we are now. In November 2014, transport ministers decided that service delivery should go to AMSA. So we were on this countdown to going to this fully cost-recovered state. As I said, the states have agreed to help ease that shock for two years, but a lot of the feedback that we are getting from industry is that that period is nowhere near enough for them to absorb the shock of going to full cost recovery.

Senator McCARTHY: Is this like a plan B because plan A did not work?

Mr Kinley: National System for Domestic Commercial Vessel Safety mark 1 kicked off on 1 July 2013. There was a review under the intergovernmental agreement that was supposed to be carried out in 2016, but that was brought forward at the request of some of the states. The result of that review was that, to get a truly national system and a common approach around the country, AMSA should assume service delivery from 1 July next year.

Senator McCARTHY: The consultation booklet says:

Currently, each state and territory recovers the cost of delivering their services to varying degrees. For example, some jurisdictions recover less than 15 per cent of costs, with the rest subsidised by taxpayers.

Mr Kinley, can you indicate what percentage of cost recovery there is each jurisdiction?

Mr Kinley: I can see if I have that information here, but I can give that to you on notice. It varies widely—

Senator STERLE: Why don't you just tell us now instead of taking it on notice?

Mr Kinley: I will just see if I have the percentages for each state, but I am not sure that I do.

Senator McCARTHY: Let us start with New South Wales.

Mr Kinley: Hang on, Senator.

Senator STERLE: This will save you a lot of work, and it will save us having to read it.

Mr Kinley: No, I think it will be more accurate if I actually give it—

Senator STERLE: Have you got it there? We can wait a couple of minutes; there is no stress. I would rather do that and so would Senator McCarthy.

Mr Kinley: Let me just check.

Senator STERLE: I am sure that a man of your experience would not have come to Senate estimates without it.

Mr Kinley: No, I do not have it with me.

Senator STERLE: You have come without it?

Mr Kinley: I do not have each state's current level of cost recovery.

Senator STERLE: Can you give us any?

Mr Kinley: No, it would be better if I sent you the whole package.

Senator STERLE: Mr Kinley has been doing this for years and years. He absolutely knows everything about AMSA, Senator McCarthy, and I reckon that he has the figures there. I cannot believe that you do not, Mr Kinley.

Mr Kinley: I do not have them for each state and territory because it is not something that I was expecting to be getting into here.

Senator STERLE: As Senator Abetz was saying, it is pretty wedgy issue in certain states or for certain industries. You have been out there consulting, you have seen the good end, and you have obviously seen the pointy end. You should be able to tell us and ease some of our fears.

Mr Kinley: I can tell you that at the lower end of cost recovery, for example, is Victoria, which I think was down at about nine or 12 per cent.

Senator STERLE: They will get the biggest hit?

Mr Kinley: Yes.

Senator STERLE: Keep going, sorry.

Mr Kinley: Tasmania was at the highest end of cost recovery. They were up at around 90 to 100 per cent. My recollection is that the Northern Territory was fairly low—

Senator STERLE: They will get a decent whack?

Mr Kinley: Yes. I think New South Wales was about mid-range. It varies with each jurisdiction and—

Senator STERLE: There are only two states left to go. What was South Australia?

Mr Kinley: I would be going way off the script, or I would just be making those numbers up. There is quite a great range. The problem for us is that constitutionally we have to charge a national fee, so it does make it very hard for us to adjust that to deal with the impact of each jurisdiction. In fact, it makes it impossible for us to deal with the impact in each jurisdiction.

Senator McCARTHY: Would you be able to provide information on those states that you have not yet provided?

Mr Kinley: Yes.

Senator McCARTHY: And if you need to clarify the information that you have given us in that detail that would be good.

Mr Kinley: Including the distribution of the ship fleet, yes.

Senator McCARTHY: Finally, what is the gap, nationally, between what is currently paid by users for this service and what AMSA believes it would need for full cost recovery in dollars?

Mr Kinley: According to our calculations from the figures given to us by the states and the Northern Territory, they all spend about \$40 million running the national system. The cost recovery, from my recollection, is about \$13 million all up. We are looking to run the national system for about \$24 million. While we are looking

at significantly reducing the cost to run the national system, what industry actually sees is cost recovery, nationally, going from \$13 million to around \$24 million—which equals unhappiness.

Senator McCARTHY: It is a big jump.

Senator STERLE: Given that the Navigation Act qualifications exemption expired on 30 September, has AMSA made an assessment of whether there are still ratings serving on regulated Australian vessels who were not issued with the appropriate licences or endorsements to meet the requirements of Marine Order 73? If it has found there are such ratings on those RAVs, what is AMSA's compliance and enforcement plan in those circumstances?

Mr Kinley: I will have to take that one on notice.

Senator STERLE: Has AMSA made an assessment of the number of ratings who may not have achieved the necessary requirements by 30 September?

Mr Kinley: I will also take that on notice.

Senator STERLE: Of the approximately 7,500 voyages the department has authorised under temporary licences issued since 1 July 2012, when the Coastal Trading (Revitalising Australian Shipping) Act commenced—undertaken by an estimated 2,000-plus ships—how many on-board inspections have departmental officers undertaken to ensure that a temporary licence is displayed on those ships in accordance with section 40(b) of the Coastal Trading (Revitalising Australian Shipping) Act?

Mr Kinley: That is probably a question for the department.

Mr Mrdak: I will have to take that on notice. I have recently written to the MUA in relation to the handling of such matters. I will take it on notice and come back to you on our arrangements for regulatory oversight.

Senator STERLE: You say they have written to you?

Mr Mrdak: The MUA recently wrote to me on that, amongst other issues, and I did respond to them. But I will go and refresh my memory before I come back to you.

Senator STERLE: How many instances of non-display has the department found from its compliance activity in each year since 2012?

Mr Mrdak: Again, I do not think we have that level of detail with us here tonight. I will check with my colleagues, but I think it is best if I give you an answer on notice.

Ms Zielke: We do not have that information with us.

Senator STERLE: Can you tell us how many different foreign ships have undertaken voyages authorised under TLs in each year since 2012?

Ms Zielke: I cannot answer that specific question. We can tell you how many temporary licences have been issued.

Senator STERLE: From 2012?

Ms Zielke: From the commencement of the legislation, yes. There have been 271 applications for temporary licences since the commencement of the act in 2012. Of those, 235 have been granted, and they are across 69 organisations. Vessels are not actually licensed; operators are licensed. So they may have access to more than one vessel.

Senator STERLE: Why would the other ones not have been granted? Is there a reason? Obviously there is a reason, but could you shine a light on that for us?

Ms Zielke: A variety of reasons: they might not have been eligible at the time they actually applied, or they might not have had the number of voyages required—for example, you have to have a minimum of five voyages to actually be able to apply under the act—or there may have been some other grounds on which they were not considered to be appropriate for some reason. I could come back with possible examples for you.

Senator STERLE: If you could, please, that would be good. And can you tell us what the rate of compliance or noncompliance is, given those ship numbers in each year?

Ms Zielke: No, I am sorry, I do not have any compliance figures with me at the moment.

Senator STERLE: Please take that on notice, if you could? And could the department explain what actions it has taken to ensure compliance?

Ms Zielke: We can come back to you with some process explanations in relation to that.

ACTING CHAIR (Senator Sterle): Tremendous—thank you very much. The Chair has requested that the Australian Rail Track Corporation come now. While we are waiting for them, I might just quickly flicked to you,

Mr Mrdak. I want to go back to earlier questions from today, on the differentials for the 2015-16 budget from the 2014 one.

Do you remember the \$2½ billion, and then we chucked on the GST? So the final outcome was the different figure. The official at the table explained some underspends, but those totals were nowhere near the gap. This is without taking into account what I had talked about with the \$490 or \$499 million GST fix to WA. So I would just ask if you could please check your figures for the variances with these two points and verify those for us.

Mr Mrdak: Certainly. The tables we tabled with the committee earlier today give you most of that. They were the major movements of funds. To go to the next level, which is the minors, I can certainly see if there is any further detail we can provide. Obviously, that will be on notice.

ACTING CHAIR: All right—because there were 2½ builds.

Mr Mrdak: Yes, and I think we have given you the major moves in those tables we provided to the committee this afternoon.

ACTING CHAIR: All right. And while you are at it: in particular, is the Treasury \$1.1 billion figure inclusive of the GST figure? You may want to take that on notice as well.

Mr Mrdak: The WA GST—

ACTING CHAIR: Yes, the WA GST 'fix'. I will call it a fix.

Mr Mrdak: Clearly, what we have also identified in there is the asset-recycling money, which has been moved as well. It is an essential component of that.

ACTING CHAIR: Yes. I think we saw about \$7 million, or something like that? No—there is a voice from the back of the room! Great.

Ms Potter: The variance for asset recycling was actually \$1.3 billion.

ACTING CHAIR: Oh, \$1.3 billion. Thank you for that. And what is the movement of funds held in general subcontingency between the 2014 budget and the 2015-16 final budget outcome?

Ms Potter: I am sorry, I do not have that information.

ACTING CHAIR: Can you take that on notice?

Mr Mrdak: We will take that on notice.

Australian Rail Track Corporation Ltd

[22:18]

ACTING CHAIR: Mr Fullerton, hello!

Mr Fullerton: Good evening, Senator. Senator McCarthy is bursting to ask you some questions, because they have a nice railway line up through the Northern Territory!

Senator McCARTHY: Yes, we do actually! Just how much was spent in 2015 to 2016 on the Inland Rail project?

Mr Fullerton: In the financial year 2015 to 2016?

Senator McCARTHY: Yes.

Mr Fullerton: In 2015-16 there was \$38.4 million.

Senator McCARTHY: And what is the expectation for spending in the 2016-17 and the 2017-18 budgets?

Mr Fullerton: We have approved \$141 million to spend in total. To date, we have spent \$75 million of that, and there is further work this financial year in relation to reference design and environmental approvals. We expressed an interest in securing engineering services to do that work.

Senator McCARTHY: Has the minister directed the ARTC to consider alternative route options for inland rail around Warwick?

Mr Fullerton: We are looking at three of what we call deviations along the alignment between Inglewood and Gowrie. The initial work that was done in 2010 and updated in 2015 identified a corridor from Inglewood to Gowrie through Millmerran, and we commenced work on that basis in about March of this year.

Senator McCARTHY: You said there were three deviations, though.

Mr Fullerton: Yes, there are three deviations that are being considered. That came about once we commenced the corridor assessment work in that region back in March. We have been engaging with those communities and we have now been asked to look at three potential deviations. One is to look at how we could connect with the Wellcamp-Charlton area, given that that is a recent precinct that has opened up near Gowrie. The other one is the

alignment from Inglewood to Gowrie through Carrara. That was the subject of some work done this time last year, but we have been asked to look at that and assess that in a bit more detail. The third one is an alignment closer to Warwick. So we are doing some further work to assess those three deviations based on community consultation and discussions with a number of stakeholders.

Senator McCARTHY: How long will that process go before you make a decision on one of those deviations?

Mr Fullerton: We are about to start that work. We have some finalisation in terms of the approvals, but we will engage consultants to do that work so we can assess those deviations against the service offering and against the original alignment—the preferred alignment that we determined 12 months ago.

Senator McCARTHY: Can you give a time frame, though?

Mr Fullerton: We expect to complete that work in about six to eight weeks.

Senator McCARTHY: So that would take us to the end of November?

Mr Fullerton: The end of November, and then we will take that information back to the various stakeholders and explain the results.

Senator McCARTHY: You are obviously engaging with landowners as well about the Condamine River flood plain?

Mr Fullerton: Yes, we have been engaging with farmers and landowners. We have been engaging with the councils in particular. I think the work that we have been doing with the Millmerran farmers has identified some flood issues from their point of view. We know that that whole area will require flood mitigation work when a new railway is built through there, so we are really getting to a process now where we are testing some of our hydrology work, some of the design work, with a lot of the local farmers and local residents to make sure we pick up their experience in relation to flooding events so that when we build a railway it can deal with floods of significance through that area.

Senator McCARTHY: While they have raised those concerns, have they raised objections outright, or are they largely concerns around the flood plain?

Mr Fullerton: There are concerns. I think they have genuinely asked us: 'Are there other options that you could consider?' We do have to traverse that whole area, that flood plain, regardless of which alignment is chosen. But it was always expected that once we put our people out there on the ground, consulting with all the stakeholders and the farmers, that they would hear what we had to say about the hydrology and the engineering. It is also an opportunity for them to provide us with some advice on what their thinking is in relation to the history of floodwaters and so on and the impact of a rail corridor through that precinct to ensure that the rivers do not flow too fast, that the water in flood years can be dealt with by the railway system after it is built.

Senator McCARTHY: In some respects you have probably answered my next question, which is about how you are working with the issues raised by the landowners and farmers in that area. Is there a proposal to establish an independent committee to look at the route options through this area?

Mr Fullerton: At this stage we have been working on the preferred alignment and the three deviations, but, of course, there is a steering committee that is set up; I am a member of. It is a steering committee of the department which is chaired by Mike Mrdac and all those considerations are fed back into that steering committee for decisions.

Senator McCARTHY: Who else is on that steering committee?

Mr Fullerton: I am a member of it and Mike Mrdac. There are other people who attend from ARTC relating to the delivery—our engineering people and our technical people, as well as a representative from Finance.

Senator McCARTHY: Are there local people or community people?

Mr Fullerton: No, this is the steering committee.

Senator STERLE: These are the pointy heads.

Senator McCARTHY: The decision makers.

Senator STERLE: The top of the tree, so to speak.

Senator McCARTHY: Are there committees other than the steering committee involved in this?

Mr Fullerton: In relation to inland rail, there are two steering committees: one is chaired by Infrastructure, looking at the construction and delivery aspects of the work and the demand for the railway; the second steering committee is chaired by Finance and that is looking after the market-testing process that is now underway to look at the opportunities for private sector involvement in the funding and delivery of inland rail.

CHAIR: Is the alignment when you come into Queensland reasonably settled? The communities up there are unsettled from the border up to Toowoomba, and then there is uncertainty through the Lockyer and to the port. There is tension there with local state members of parliament and local authorities and the like. Do you have a sense that there is a pencil line from the border to the port? In your mind is that reasonably settled as a course?

Mr Fullerton: I would like to refer you back to the inland rail implementation report of 12 months ago, where there was a preferred alignment to allow work to commence on the preplanning and preconstruction works. This is a preferred alignment from Melbourne through to Acacia Ridge in Brisbane. As I said a bit earlier, we really began the process of working with local communities in that South-West Queensland area in about March this year and began the process of talking to a lot of the farmers along that preferred alignment in Millmerran. During that process and in more recent times there has certainly been some feedback that we should look at some alternatives for a number of reasons—one being driven by the Wellcamp precinct.

CHAIR: There is a real contest there, isn't there? There is a hub that has been established for 15 years in the planning and the airport—

Mr Fullerton: That is the InterLink SQ hub. I think that was probably a development that was subsequent to that alignment, and we are looking at doing some work to see how we can connect that Wellcamp precinct with the railway which is only seven kilometres away anyway—that preferred alignment. The other piece of work—

CHAIR: But on the hub itself, Mr Fullerton, there is tension in that community—

Mr Fullerton: We are aware of that.

CHAIR: about what I call the Dornbusch hub which you would recognise and about the Wellcamp Airport where there is an emerging expression of interest by the Wagner family, which have substantial businesses in our area. Are you aware of the tension between these two hub points?

Mr Fullerton: We are aware of that tension but we are looking at it from a total precinct point of view. Is there merit in providing better connection to that rail spine—that backbone that we are proposing to build—to precincts of that type? We are doing exactly the same type of work in Melbourne and Brisbane to make sure future freight precincts can get access to that corridor in one form or another.

CHAIR: Thank you for that. Even though I am a senator for Queensland, I live in Toowoomba and I get a lot of the white noise about this, even though I avoid it. I do not take it up as a constituency matter.

Senator RICE: I have a few more questions about inland rail. With the \$594 million loan that ARTC have received—

Mr Fullerton: Equity.

Senator RICE: What do you think you are going to be able to achieve without a \$594 million equity investment?

Mr Fullerton: As part of the business plan last year, which includes in that \$9.9 billion estimate, or the P50 estimate, for the construction of inland rail there was an allocation for land acquisition, and land acquisition, obviously, is a fairly important preconstruction activity that we need to deliver. That \$594 million was, really, earmarked for land acquisition to enable the whole corridor to be secured so that we could then move to the construction phase.

Senator RICE: When do you expect that you will be able to begin construction, at this rate?

Mr Fullerton: Based on the 10-year program that was put together last year, the first train is planned to run in July 2024, which is eight years from now, so we are still consistent with that initial 10-year construction plan. The first year was in 2014.

Senator RICE: Are you expecting further government contributions towards the \$9.9 billion to enable that first train to be running in 2024?

Mr Fullerton: That is a matter for government, but the market testing work that is currently underway is to look at the funding and delivery options for inland rail. That is a decision the government will make at some point in the future.

Senator RICE: How is it going? What potential private sector partners are you looking for, for both financing and delivering it?

Mr Fullerton: That is a process that has started. On 26 and 27 September there was a market briefing for potential participants in looking at either building inland rail or financing it. It is a process that is being coordinated and driven by Finance; that engaged Macquarie Capital to assist them. I am on the steering committee

that is looking at that, but it is very early days at this stage. They have only just gone out to get expressions of interest for that work to be carried out.

Senator RICE: What do you think the likelihood is that the rest of the costs would be completely covered by private finance or whether there will be a need for further government—

Mr Fullerton: I guess this process will determine that, in relation to the business case.

Senator RICE: Do you expect there will be a need for some further government investment?

Mr Fullerton: I would suggest there probably would be, but I guess the point here is that we are now asking the private sector to what extent they could look at funding this. Sure, the private sector would be involved in any construction work, no doubt, but part of this market testing process is to determine the appetite for the private sector to invest in this project based on the business case.

Senator RICE: When will this process be finished so that we will know how much appetite the private sector has for delivering any funding?

Mr Fullerton: My understanding is that it will be prior to the budget next year.

Senator STERLE: I think we are done on ARTC, Chair.

CHAIR: Thank you for that. The rail people can go, with our thanks.

[22:34]

CHAIR: We will move on to surface transport.

Senator RICE: My one question, which is the question that Senator Whish-Wilson tried to ask first thing this morning, is: how much money has been spent on—I do not know over what period of time—the Tasmanian Freight Equalisation Scheme?

Mr Mrdak: Certainly. I will ask Ms Werner to answer that.

Ms Werner: The question, as it was conveyed to me, was: how much has the expenditure been under the Tasmanian Freight Equalisation Scheme in the past five years? Is that what you are looking for?

Senator RICE: How long has the freight equalisation scheme being going for?

Ms Werner: It had its 40th anniversary this year.

Senator RICE: So, perhaps the last five years.

Ms Werner: Yes.

Senator RICE: Is there an allocation in particular five-year periods, or is that just over—

Mr Mrdak: It is a demand-driven program. Budget estimates are made of take-up. But we will give you the actual figures.

Ms Werner: 2010-11 was \$98 million. 2011-12 was \$93 million. 2012-13 was \$111 million. 2013-14 was \$101 million. 2014-15 was \$111 million. 2015-16 was \$129 million.

Senator RICE: It is just demand-driven. So there must be a budget allocation made across the forward estimates?

Ms Werner: Yes. There is an appropriation—there is an amount that we expect to be spent.

Senator RICE: How much is that, looking at it across the forwards?

Ms Werner: For 2016-17 it is \$170 million. The scheme was expanded this year and we have an additional \$50 million per year. 2017-18 is \$171 million. 2018-19 is \$172 million. 2019-20 is \$173 million.

Senator RICE: My follow-up question was whether there are unallocated parts of the scheme, but what you are saying is that it is demand-driven—?

Ms Werner: Yes.

Senator RICE: So there is not an allocation that has not been spent.

Ms Zielke: If additional funds are required throughout the year then that funding is provided to the scheme. If all of the dollars are not needed they are returned to consolidated revenue.

Senator STERLE: I want finish a line of questioning I was having with Ms Zielke before lunch this morning, I think it was. In terms of the \$15-odd million that was allocated to the RSRT over the four years still to go—is that right?

Ms Zielke: Yes, we are in the first year.

Senator STERLE: It is nearly \$15 million. Ms Zielke was telling me that there will be some new safety cameras, particular in Victoria, and some fast-tracking of industry codes of practice that will be voluntary, and some education on the chain of responsibility legislation. I want to take that little bit further, because \$15 million is not an insignificant sum. How much do you envisage the cameras costing?

Ms Zielke: Can I start by saying that my comments earlier today were actually in relation to this current financial year and not for all four years. I apologise for not being clearer at the time in that regard. If you recall, we have roughly \$3.8 million in this financial year. The plan in relation to how the funding will be utilised in future financial years is still being developed. It will be put to council for consideration each year as the plans progress in relation to the work plan. I might ask my colleague Mr James to go into further detail in that process.

Mr James: Each year the NHVR will also consult with industry on priorities before what has been provided in terms of industry views is put to ministerial council for endorsement as part of the next year's work program. That is the process.

Senator STERLE: But how much are these cameras?

Mr James: They range between \$250,000 and \$500,000 for a camera site. That is what we are advised. It depends on how complicated and whether it needs one of those large overhead structures and things like that.

Senator STERLE: Is there a plan already in place where the industry is screaming out to have more of these cameras on every bridge on the Hume Highway or between Melbourne and the border towards Adelaide?

Mr James: I cannot comment on NHVR's discussions with industry, but they have certainly been consulting with industry and this will be part of putting in place a national system for compliance and information, for safety purposes.

Senator STERLE: How do I find out how all those geniuses at NHVR have worked out where they are going to spend this money? I am from WA and I am not agreeing to the NHVR and I do not care what anyone says, because we aren't being sucked into your crappy fatigue management project. What you think about that? I think I have said that about six or seven times!

Mr James: I cannot give an opinion on that.

Senator STERLE: You can't, but I can! Who has all the keys to the ideas box?

Ms Zielke: We can ask NHVR for that information and come back to you.

Senator STERLE: Can they appear here?

Ms Zielke: They are not actually a Commonwealth company. So I do not believe they are actually covered by the arrangements. But I am sure if we were to ask NHVR for this information they will consider that request. We are happy to take on notice for you.

Senator STERLE: Yes, because it is \$3.8 million of taxpayers funds. I would be very interested in seeing, because I am all about road safety as everyone here knows—proper road safety, not meetings were they sit around talking about chain of responsibility. I had the misfortune of crapping on with that lot—I was not crapping on but they were—back in the 1990s about this, and they did everything they could to avoid it. It is amazing how they got sucked into it eventually.

Senator McCARTHY: How many agencies that were listed here today have published their 2015-16 annual reports?

Mr Mrdak: I would have to check. I think a number of them are due to be tabled this week.

Senator McCARTHY: Can you tell us which ones they might be?

Mr Mrdak: No, I cannot. I would have to give that information for you.

Senator McCARTHY: You might be able to find out while we are speaking. If not can you take that on notice.

Mr Mrdak: I think all of the agencies have completed their annual reports and are just waiting for tabling, I believe.

Senator McCARTHY: So they have completed their reports and—

Mr Mrdak: The timing is that they are due for tabling by the end of October.

Senator McCARTHY: You have prepared a list of the coalition commitments for the 2016 federal election that form part of the incoming government brief?

Mr Mrdak: That is correct.

Senator McCARTHY: And the surface transport division contributed to that?

Mr Mrdak: Yes, where there are election commitments that range across the division's activities.

Senator McCARTHY: Were new commitments included in the incoming government brief?

Mr Mrdak: Yes.

Senator McCARTHY: What new commitments did you identify in shipping policy?

Mr Mrdak: I do not believe the government made any new commitments in relation to shipping policy in the 2016 election campaign. Ms Zielke has reminded me that I think all of the government's election commitments were largely related to the transport infrastructure programs and to the regional programs rather than surface transport. I think they were the election commitments, apart from the ones we have just been discussing in relation to the road safety tribunal money, which they applied to the National Heavy Vehicle Regulator.

Senator McCARTHY: What work is the shipping reform section currently undertaking?

Mr Mrdak: I will ask my colleagues to give you a full answer, but essentially the government is consulting on options to take forward shipping reform. I will ask Ms Werner to give you an update on that.

Ms Werner: We do not have a section called shipping reform. We have a section called coastal trading section. The coastal trading section is divided into the shipping business unit, which administers the Coastal Trading (Revitalising Australian Shipping) Act, and a policy section. The policy section is considering options for a way forward to support the government's agenda in reforming coastal shipping.

Senator McCARTHY: Has the department been tasked to work with stakeholders on shipping reforms since the election?

Ms Werner: Yes. The minister has resumed the consultations that he was conducting prior to the election and he has continued to consult with stakeholders post election.

Senator McCARTHY: What objectives for shipping reform has the government articulated since the election?

Ms Werner: The minister has reconfirmed that he wants to introduce legislation into the parliament that will create a competitive and efficient shipping industry that forms part of Australia's national transport network. He has also emphasised the need to provide certainty to that industry.

Senator McCARTHY: How many staff in the department are currently working on shipping reform?

Ms Werner: On that policy?

Senator McCARTHY: Yes.

Ms Werner: Well, many of us work on it part time, but there are probably three officers working on it full time.

Senator McCARTHY: To what extent is the extensive stakeholder engagement work undertaken by Maritime Industry Australia Ltd being seriously considered?

Ms Werner: We maintain close contact with Maritime Industry Australia Ltd. I have met their CEO a number of times since the government has been re-elected. I understand that they are preparing a paper which reflects a number of consensus options that have been formulated in a number of different sectors in the shipping industry. We are awaiting a copy of that paper. We have had two conversations, I think, with the CEO of MIAL where she ran us through what she believes will be in the paper, but we are awaiting the final paper.

Ms Zielke: It might be helpful to explain that prior to the bill that was previously put forward in relation to amending the current legislation, which occurred late last calendar year, we undertook a process of about 18 months of stakeholder consultation in relation to reviewing the current piece of legislation and working through options in regard to how those various concerns from industry could be addressed. As a result of that, we provided advice to government and government took a decision on a certain approach which was subsequently the subject of a bill that was put forward but was not successful in being passed.

Senator McCARTHY: Just on those 18 stakeholder organisations, where did they largely come from?

Ms Zielke: Sorry, Senator. It was over an 18-month period.

Senator McCARTHY: It was over an 18-month period with stakeholders?

Ms Zielke: Yes. I am very happy to give you a full list of all of the organisations that we consulted with as part of that process.

Senator McCARTHY: That would be good. Thank you.

Ms Zielke: We had a large number of people and organisations attend various consultation sessions that were held around the country at that time. However, just before the election the minister advised industry generally that

he was interested in their views so that he would be able to consider a position after the election. There are a number of industry associations involved in the sector. However, MIAL, which Ms Werner was referring to, undertook a process to actually coordinate all bodies that were interested in the process and undertook an additional consultation process to try to come back to government with a consolidated list of views in relation to how the legislation might actually be altered, for example, or other options to be put to government. That has been going on for well over six months now, and we are awaiting that document from them so that government can consider those views.

Senator McCARTHY: What is the time frame, do you think?

Ms Zielke: The document was due several months ago, so we await it from MIAL at the moment.

Senator McCARTHY: Do you hope to get it before Christmas?

Ms Zielke: I understand that it should be with us before Christmas.

Senator McCARTHY: Is the department aware of the Deputy Prime Minister's recent comments, on 20 September, following the settlement over the *Shen Neng 1* incident? Mr Joyce said:

There will be further accidents in the future, there's no doubt about that—but that's life.

Does the department take a 'that's life' approach to shipping policy in Australia waters?

Ms Zielke: Most certainly not. Of course, as you heard Mr Kinley talk about earlier, in relation to AMSA, who are responsible for full safety around the country in that regard—they take it very seriously. They have quite a substantial compliance regime in place, and that is also backed up with various arrangements, like the safety arrangements that he was referring to that the levy has been used to fund, making sure that equipment is available around the coast, with all of the relevant trained personnel, so that if there are any accidents they can respond quickly and deal with anything. As Mr Kinley was also saying, the safety requirements on vessels now have changed substantially and continue to improve, and that is also something they are monitoring on an ongoing basis.

Senator STERLE: Is the department pursuing any initiatives arising from the emissions issue centring on Volkswagen from last year?

Ms Zielke: By way of initiatives, are you talking about actions for Volkswagen specifically—

Senator STERLE: Yes.

Ms Zielke: or are you talking more generally?

Senator STERLE: No.

Ms Zielke: The department is considering information that has been provided by Volkswagen in regard to the recall process that it has put in place in relation to its vehicles, as well as considering information in relation to recertification of vehicles before any new vehicles of that type can be brought into the country. Sorry, that could have been more specific, but of those that have actually been impacted by—

Senator STERLE: So you are recalling them?

Ms Zielke: They were recalled—I will pass to Ms Nyakuengama and ask her to give the details of the data.

Ms Nyakuengama: The vehicles have been voluntarily recalled by Volkswagen, and we monitor vehicle recalls on behalf of the ACCC. It was in October 2015, but none of the vehicles have, as yet, been brought in to have the software update applied to them.

Senator STERLE: Why is that?

Ms Nyakuengama: That is an issue with Volkswagen and the ACCC at the moment.

Senator STERLE: Are they in a dust up?

Ms Zielke: The date that the voluntary recall was announced was 9 October last year. There are two issues in relation to dealing with Volkswagen. One is in relation to whether the emissions device, the defeat device, was actually in accordance with Australian Design Rules or not. That is an issue that our department provides advice to the ACCC on. In addition to that, the ACCC also considers how Volkswagen has acted in relation to whether or not it has misled consumers. So there are certain aspects that we will deal with from a technical perspective in relation to whether the vehicle does or does not have a defeat device anymore; however, there are also issues that the ACCC will consider in relation to consumer protection issues. There is one vehicle type that has actually been rectified.

Senator STERLE: By Volkswagen?

Ms Nyakuengama: Yes, the Volkswagen Amarok.

Senator STERLE: So have we established that this—you called it the 'defeat device', did you?

Ms Zielke: Defeat device, yes. The Australian Design Rules prohibit the use of what is called a defeat device—that is, something that, when it is hooked up to testing arrangements, gives an incorrect reading in relation to what is actually occurring. The allegations in relation to Volkswagen are that they have software in the vehicles that, when you hook it up to a testing device, will cause the car to run in such a way that its emissions are low—

Senator STERLE: A false reading.

Ms Zielke: Yes. However, when it is on the road and acting normally, it acts differently to that testing.

Senator STERLE: So does this model that has been recalled over the rest of the world meet ANCAP standards?

Ms Zielke: ANCAP is not a consideration. This is the Australian Design Rules, and, no, it does not meet our Design Rules, because defeat devices are prohibited.

Senator STERLE: So have we established that all these Volkswagens come into Australia with a defeat device on them?

Ms Zielke: The ones that have actually been indicated by Volkswagen do, that is correct.

Senator STERLE: So we have established that is the case

Ms Zielke: Yes.

Senator STERLE: And there has been a voluntary recall from Volkswagen.

Ms Zielke: Yes.

Senator STERLE: So the ACCC—is that right?—or you guys say those cars now have to go and get this device removed, and you write to the owners and say, 'Okay, come in and book a time.'

Ms Zielke: So Volkswagen actually write to them. Just to try that again, there are two aspects to that. They have a method for removing the defeat device. That has been considered, and we believe that Volkswagen can proceed with that aspect. However, in addition to that, the ACCC also looks at whether there is a consumer protection issue or not. The ACCC is currently working with Volkswagen in relation to how a recall process might be applied to ensure that consumers understand the impact on their vehicle as a result of that change to the way in which the car operates.

Senator STERLE: It seems to have taken quite a long time, if it is 12 months since Volkswagen said the words 'voluntary recall'. Are we getting any closer to the end of the tunnel.

Ms Zielke: This will be something that takes years to go through. In the first instance, though, the rectification of the software issue was the first consideration for Volkswagen, and that took many months. In fact, at first they thought it could take as long as a year for that software to be written and tested and to get through all of the processes.

CHAIR: So these vehicles were emitting pollution—for want of a better description—that did not offend Australian design standards, but we are dealing with a device that suggested to the owner that they were emitting fewer fumes, if we use that as the—

Ms Zielke: It is challenging to explain it.

Senator STERLE: I think you did a good job. Even I got it!

Ms Zielke: Australia has certain emissions rules in place that are different to those of other countries. Our emissions requirements at this stage are lower than those of some other countries. In effect, without going into huge detail, we expect that the majority of them are actually meeting our emissions standards. The issue is that under the Australian Design Rules they are not allowed to have defeat devices.

CHAIR: I get that.

Ms Zielke: That being said, in the US they were above their emissions standards.

CHAIR: Interesting. Senator Sterle, do you have any prospect of exhausting yourself on this line of questioning with these people?

Senator STERLE: No, we have a heap of shipping stuff and other stuff. Ms Zielke is never far away from the building, so can we ask—when I write to you, Chair, as part of section 9B of the procedural orders of continuing effect—that Surface Transport Policy could come back as well. I did not mean 'blah, blah', but it is 11 o'clock at night.

CHAIR: I know.

Mr Mrdak: Before we finish up, could I provide a further answer to a question that Senator Sterle asked, which I might get off the *Notice Paper* tonight.

CHAIR: Sure.

Mr Mrdak: You asked—or Senator McCarthy may have asked—whether there had been any changes to projects announced in National Stronger Regions Fund round 1. I am advised that all round 1 projects are proceeding. Of the 51 projects approved, 47 have been contracted and four remain under negotiations, but they are all proceeding. In relation to round 2, of 111 projects approved, 97 have been contracted, 13 remain under negotiation and one project is not proceeding, as it is being funded under an alternative program for heavy vehicle access. That provides an answer to a question which you asked earlier in the day, which hopefully removes the need to answer that question.

Senator STERLE: I would be prepared to give up 30 minutes of this questioning if we could take them all off the *Notice Paper* to save your officers the hard work.

Mr Mrdak: We tried to remove as many as we could today.

CHAIR: We all made a bit of an effort there, I think. This concludes today's hearing. I want to thank all the witnesses who appeared. Mr Mrdak, please convey our thanks. We want to thank Hansard, Broadcasting and especially our terrific secretariat, who make us all look like we know a bit about what we are doing. So thank you all. It is late. Have safe travels home, and no doubt we will see you in estimates again at some stage in the not-too-distant future.

Committee adjourned at 23:00