



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT
LEGISLATION COMMITTEE

ESTIMATES

Consideration of Budget Estimates

WEDNESDAY, 28 MAY 2003

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SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT LEGISLATION

COMMITTEE

Wednesday, 28 May 2003

Members: Senator Heffernan (*Chair*), Senator Buckland (*Deputy Chair*), Senators Cherry, Colbeck, Ferris and O'Brien

Senators in attendance: Senators Buckland, Colbeck, Collins, Ferris and O'Brien

Committee met at 9.07 a.m.

TRANSPORT AND REGIONAL SERVICES PORTFOLIO

Consideration resumed from 27 May 2003

In Attendance

Senator Ian Macdonald, Minister for Forestry, Fisheries and Conservation

Senator Troeth, Parliamentary Secretary to the Minister for Agriculture, Fisheries and Forestry

Corporate Governance Group

Mr Peter Yuile, Acting Secretary

Ms Lynelle Briggs, Deputy Secretary

Economic Research and Policy Coordination

Mr Tony Slatyer, First Assistant Secretary

Mr Malcolm Thompson, Assistant Secretary, Policy Group

Corporate

Mr Roger Fisher, First Assistant Secretary

Mr Jeremy Chandler, Chief Finance Officer

Transport Group

Australian Maritime Safety Authority

Mr Clive Davidson, Chief Executive Officer

Australian Transport Safety Bureau

Mr Kym Bills, Executive Director

Mr Joe Motha, Director, Safety Research and Education

Mr Robin Graham, Director, Safety Investigation

Mr Alan Stray, Deputy Director, Air Safety Investigation

Transport Security

Mr Andrew Tongue, First Assistant Secretary

Mr Jim Wolfe, Assistant Secretary, Maritime Security

Transport and Infrastructure Policy Division

Dr Greg Feeney, First Assistant Secretary

Dr Gary Dolman, Assistant Secretary, Logistics & Technology

Mr John Elliott, Assistant Secretary, Infrastructure Investment

Dianne Gayler, Assistant Secretary, Infrastructure Investment

Transport Regulation Division

Mr Bill Ellis, First Assistant Secretary
Mr Peter Robertson, Assistant Secretary, Vehicle Safety Standards
Ms Linda Addison, Assistant Secretary, Airport Planning & Regulation
Mr Robert Hogan, Assistant Secretary, Surface Transport Regulation and Reform

Transport Programmes Division

Ms Sema Varova, First Assistant Secretary
Ms Trudi Meakins, Assistant Secretary, Transport Programmes South East
Ms Linda Holub, Assistant Secretary, Transport Programmes North and West
Mr Ed Cory, Director, Transport Programmes New South Wales and Australian Capital Territory

Aviation and Airports Policy Division

Mr Martin Dolan, First Assistant Secretary
Ms Marilyn Chilvers, Assistant Secretary, Aviation Operations
Mr Andy Turner, Assistant Secretary, Aviation Security Policy
Mr Nick Bogiatzis, Assistant Secretary, Aviation Markets
Mr Mike Smith, Executive Director, National Airspace System Implementation

Civil Aviation Safety Authority

Mr Mick Toller, Director, Aviation Safety
Mr Bruce Gemmell, Deputy Director, Aviation Safety
Mr Rob Elder, Executive Manager, Corporate Affairs
Mr Mike Williams, Executive Manager, Aviation Safety Compliance
Mr Bill McIntyre, Executive Manager, Aviation Safety Standards
Mr Rob Collins, Executive Manager, Regulatory Services Division
Mr Ray Comer, Executive Manager, Corporate Development
Ms Sue-Ellen Bickford, Executive Manager, Corporate Services
Mr Peter Ilyk, General Counsel
Ms Karen Nagle, Risk Manager

Airservices Australia

Bernie Smith, Chief Executive Officer
Mr Tom Grant, General Manager, Organisation Development & Corporate Secretary
Mr Hisham El-Ansary, Chief Financial Officer and General Manager

Regional Development Group**Regional Policy Division**

Mr John Doherty, First Assistant Secretary
Ms Joan Armitage, Assistant Secretary, Regional Policy Analysis
Mr Daniel Owen, Assistant Secretary, Regional Policy Development

Regional Programs Division

Ms Leslie Riggs, First Assistant Secretary
Ms Wendi Key, Assistant Secretary, Stronger Regions
Dr Leo Dobes, Assistant Secretary, Regional Access
Ms Vicki Dickman, Acting Assistant Secretary, Regional Network
Ms Kelly Pearce, Director, Area Consultative Committee and Regional Package Team

Territories and Local Government Division

Mr Mike Mrdak, First Assistant Secretary

Mr Andrew Wilson, Assistant Secretary, Non-Self-Governing Territories

Mr Adrian Beresford-Wylie, Assistant Secretary, Self-Governing Territories Local Government and Natural Disaster Management

National Capital Authority

Ms Annabelle Pegrum, Chief Executive

Mr Lindsay Evans, Managing Director, Business

Mr Graham Scott-Bohanna, Managing Director, Design

Mr Ross Addison, Director of Finance

David Wright, Director, National Capital Plan

Secretariat

Craig O'Neill

Chris Hartnett

Department of Transport and Regional Services

CHAIR—I declare open this public meeting of the Senate Rural and Regional Affairs and Transport Legislation Committee. The committee will continue its consideration of the 2003-04 budget estimates for the Department of Transport and Regional Services. As I stated yesterday, answers to questions on notice and additional information should be received by the committee no later than Friday, 11 July 2003. Would anyone care to make an opening statement?

Senator JACINTA COLLINS—I have one very brief overview question but I am waiting for a copy of the document to come back from the other department. I will describe the question and then I can pass on the document, because I do not think you will be able to deal with it immediately. In October 2001, the year that SIEVX sank, a brief was provided to the Prime Minister which has only recently been provided to the Senate. The brief that I am referring to is the last two pages of the document you are about to be provided with, the earlier pages being responses to questions on notice in relation to the DFAT cable of around the same time. The CMI committee had been told that advice to the Prime Minister that the SIEVX had sunk in Indonesian waters was part of this brief. You will see in the last paragraph on that first page the heading 'Boat sank in Indonesian waters'. When you have the chance to look at the earlier answers to questions on notice, you will see that we have been advised that that material was collated in consultation with a number of government departments, DTRS being one of those. My question to you is: was any information collected from DTRS that would lead officers at PM&C to the conclusion that the boat sank in Indonesian waters?

Ms Briggs—We would have to take that on notice and go back through our files and so on to check that.

Senator JACINTA COLLINS—I appreciate that.

Ms Briggs—That is fine.

CHAIR—Thank you very much for that.

Senator O'BRIEN—I wanted to ask for an explanation on the accounting treatment of the \$111 million Australian Rail Track Corporation equity injection.

Ms Briggs—That is under the Transport and Infrastructure Policy Division, which is a bit later in the day. Is it okay if we handle it there? The officers with the information are not here.

Senator O'BRIEN—Yes. If that is how it needs to be handled, that is fine. On page 39 of the PBS there is reference to average staffing levels. The ASL for outcome 1 is projected to increase to \$584,200. Can you explain that increase?

Mr Chandler—I will respond to that. That reflected at that stage some increase in staffing associated with budget measures. It is purely attributable to that factor.

Senator O'BRIEN—It could be?

Mr Chandler—No, it is attributable to the estimated staffing associated with new budget measures.

Senator O'BRIEN—Which measures?

Mr Chandler—It is associated with a number of measures at page 21—the staffing impact associated with a number of those. You will see there are departmental funding components associated with a number of those items. Some of that is to cover employee expenses.

Senator O'BRIEN—I note that the ASL for outcome 2 on page 63 has increased by four per cent.

Mr Chandler—Page 63 reflects a reduction of the ASL.

Senator O'BRIEN—A decrease of four per cent, sorry. In real numbers, regional goes down by 23 and transport up by 21.

Mr Chandler—Yes. The transport related outcome increases, and the regional and territories related outcomes reduces; that is correct.

Senator O'BRIEN—It is effectively a switch of resources.

Mr Chandler—No, it reflects the impact of budget measures and the impact associated with the lapse in the programs.

Senator O'BRIEN—The PBS presents a rosy picture but, given media reports and what we have heard about the potential for downsizing through attrition, how should we reconcile these figures with the interchange we had last night about the need to reduce costs?

Mr Yuile—I think the key point is that, as we explained last night, what the secretary has laid out is the strategy we are working towards. The PBS certainly outlined the circumstances at the time we were putting it together and ensuring that we live within our budget means. We are now developing a strategy to place us into a stronger financial position, and we will be working that through within the department.

Senator O'BRIEN—The question is: are those ASL numbers real? They are in the budget papers and they are the basis for the appropriation. It seems to me that there is an inconsistency between those figures and information that we have received about the financial sustainability of the staffing level that is being suggested and your need to reduce costs.

Mr Yuile—As we said, certainly the PBS reflects the financial position for the department, which was accurate at the time we put it together. It assumed a steady state in staffing and other resources for transport. It also reflected, as Mr Chandler said, the circumstances with

respect to lapsing programs in regional, and it did not pre-empt or presume where we would be in our work-out strategy. The secretary has been saying that we will be working that through in the course of the next year or two.

Senator O'BRIEN—But you see my point. You have given us reason to believe that levels of employment are not sustainable. I understand you would not be saying that any of the money is not needed, but the PBS is definite about proposed average staffing levels. Can you give us an indication of what the revised average staffing levels will be?

Mr Yuile—I cannot at this stage. That is what we will be working through, as I said, as we develop our strategy to go forward. To the extent that there are revisions, that would be the sort of thing that would be raised in the additional estimates.

Senator O'BRIEN—In terms of the program of attrition, we had a brief discussion about accumulated entitlements. Presumably, as people leave they take accumulated entitlements. If there was a restructure and higher-paid positions were surplus to requirement, presumably that would mean a bigger take from the pool would be being removed. What work have you done on that issue?

Mr Yuile—We have done no detailed work on that issue. What entitlements people take does not necessarily depend simply on position. It can depend on length of service and so on.

Senator O'BRIEN—Absolutely; I understand that completely. I am just factoring in a higher salary rate and making the assumption that there are people at all levels who have accumulated entitlements, and that the value of accumulated entitlements for people at higher salary levels will be a much more significant cost than those at lower salary levels—which I think is fairly self-evident.

Mr Yuile—That is not necessarily the case.

Senator O'BRIEN—That is not necessarily the case if people have got no entitlements and they have just joined the department and their position is not required, depending on their contract arrangements. Whilst I heard the comment that it is not necessarily the case, I was interested to find out if you had actually done any work on that. You are saying that no work has been done on that.

Mr Yuile—No.

Senator O'BRIEN—The PBS suggests there is no provision for sick leave. I can understand from your accounts why that might be the case. Are there any ramifications on termination with regard to sick leave entitlement?

Mr Chandler—No, there is no requirement to provide for sick leave on retirement. There is not an entitlement that is paid out.

Senator O'BRIEN—I want to ask about Airservices Australia equity repayments. Is that best done here or in the Airservices section?

Ms Briggs—In the Airservices section.

Senator O'BRIEN—I think my questions are about the Commonwealth's intentions rather than Airservices' intentions.

Ms Briggs—It is probably better handled, therefore, under the Aviation and Airports Policy Division section. They are coming, I think, today after the land and sea based divisions; after Transport and Infrastructure Policy, from memory.

Senator O'BRIEN—Which item?

Ms Briggs—2.6.

Senator O'BRIEN—I am ready to move on to AMSA.

[9.23 a.m.]

Australian Maritime Safety Authority

CHAIR—Good morning, ladies and gentlemen. Do you have anything that you want to say?

Mr Davidson—No.

CHAIR—You will be happy with the questions then.

Senator O'BRIEN—I cannot see any new measures disclosed in the budget for AMSA. I am not sure if that is the normal state of things or whether this is an exceptional budget. Do I understand the PBS correctly in that regard?

Mr Davidson—That is correct. In terms of whether it is the normal state of affairs, in the last few years we have only had the one initiative, in relation to acquisition of forward-looking infrared. It is probably the normal state of affairs that we do not feature there.

Senator O'BRIEN—Keeping a low profile is the best policy, I suppose. But there is a reduction in the total appropriation for AMSA in the 2003-04 budget, if I understand the PBS correctly at page 132.

Mr Davidson—That is correct. There is a reduction, of the order of \$6 million.

Senator O'BRIEN—What is the reason for the increase in the administered expense category of \$3.9 million to \$4.5 million or \$5 million? In the administered expense table on page 132, the budget for 2002-03 was \$3.9 million, and the projected actual is \$5 million. Can you explain that?

Mr Davidson—I can, Senator. That item is a provision that is put into the budget each year for expected search and rescue incident costs. It pays for the hire of aircraft and so forth, and it is extremely hard to predict what that will be. For the last number of years it has typically been, I think, \$3.9 million. In the light of recent rates of actual searches and so forth, that has been increased to \$4.5 million, and you are correct that we are forecasting that this year's outcome will be \$5 million.

Senator O'BRIEN—Can you explain the proposed reduction in the marine navigation levy?

Mr Davidson—The marine navigation levy is collected explicitly for funding the network of aids to navigation around the Australian coastline. We have got that on an outsourced arrangement, with a firm fixed-price contract, and with the improvements that we have been achieving in that area our expectation is that the actual costs of providing the system will be down somewhat. The levy is also affected by a general increase in forecast shipping, and it is

a combination of those two factors that has allowed us to reduce the levy by, on average, 10 per cent.

Senator O'BRIEN—What will be the effect of the removal of the capital use charge?

Mr Davidson—It will probably mean that our interest earnings over the year will be less.

Senator O'BRIEN—Page 135 of the PBS shows that the estimated expenses to be appropriated from special appropriations. You have told us about that marine navigation levy funds for the maintenance and management of Australia's national network of navigation aids. The estimated expense is just a bit over \$18 million. I am interested in the history of the collections over the past five years. Do you have that information, or do we need to ask the tax office or Treasury for it?

Mr Davidson—We do have that information. I would refer you to the chart on page 152. Whilst it does not split up the revenue between the three levies, broadly they are in line with the history there. That would show the history of it over the last three years.

Senator O'BRIEN—So there has been a decline and the projection is for it to bottom out and rise slightly?

Mr Davidson—Correct. Our projection at the moment is that the organisation is stabilised on its functions and we expect that in the course of this forthcoming year we will just be tracking along at about that level.

Senator O'BRIEN—Can you give us, on notice, the actuals for the marine navigation levy?

Mr Davidson—We can provide that to you, yes.

Senator O'BRIEN—The regulatory function of the levy pays for the regulation of surveillance of the shipping industry to ensure seaworthiness and the safe operation of vessels. The estimated expenses in the coming financial year from special appropriations are \$22.62 million. Can we have the same information for that levy for the past five years?

Mr Davidson—Yes, we can. I can verify that.

Senator O'BRIEN—What you expect to collect, I take it, is in the PBS?

Mr Davidson—Yes. It is a forecast, but we can provide the history.

Senator O'BRIEN—Can we have the same information for the protection of the sea levy imposed under the Protection of the Sea (Shipping Levy Collection) Act for the operation of the pollution plan?

Mr Davidson—Certainly.

Senator O'BRIEN—How many ships are currently on the Australian shipping register?

Mr Davidson—We would need to come with the fine detail, but it is of the order of 2,500.

Senator O'BRIEN—How many of these vessels are Australian owned?

Mr Davidson—They are all Australian owned. To get on the register you need to be an Australian owned vessel.

Senator O'BRIEN—Is there somewhere where we can see the history of the number of ships on the register? Is that easily available? Is there a web site address?

Mr Davidson—I am pretty sure our annual report would publish that detail, but we could certainly provide it to you in any event.

Senator O'BRIEN—I would appreciate that. AMSA licenses crew members of all Australian ships operating under the Navigation Act to ensure they meet competency requirements. Can we get details of the number of crew members licensed for each competency category over the same period? Is that available easily?

Mr Davidson—It may take a bit longer to get the information out, but we will see what we can do on that score. We should be able to give you the contemporary information; I am not sure about the historical information.

Senator O'BRIEN—Do you keep information about where licensed crew receive their qualifications—whether they are Australian or overseas qualifications?

Mr Davidson—No, we would not. We have details and certificates that we issue to individuals.

Senator O'BRIEN—I believe you review qualifications gained by crew from overseas who intend to work on Australian vessels?

Mr Davidson—For example, if a crew member presents holding a certificate from another jurisdiction, we will ascertain the correctness of that certificate for the position they are intending to hold. If in doubt, we may go to the jurisdiction to make sure that the certificate is properly issued and so forth.

Senator O'BRIEN—How many currently licensed crew would have gained their qualification overseas?

Mr Davidson—That I do not think I can give you an answer on. We would probably need to go to companies to get that information.

Senator O'BRIEN—Do you have any information on how many reviews—of the like we have just been discussing—you conduct to check someone's licence if they have been qualified overseas?

Mr Davidson—It is possible that we could get that information but I am not 100 per cent certain that we can. It is a process that we use, and I do not think we actually collect those statistics specifically at the moment. It would require us to go and do some exploration to see whether we can extract that data.

Senator O'BRIEN—I would appreciate it if you would have a look at that.

Mr Davidson—Certainly.

Senator O'BRIEN—With the use of continuing and single voyage permits, foreign vessels are spending an increased amount of time working on the Australian coast, as I understand it. What happens with the crew of those vessels? Do they undergo any qualification checks?

Mr Davidson—We treat all vessels coming to Australia in exactly the same fashion. We undertake port state control on them for safety and competency. We would confirm that all

vessels operating on the Australian coast, based on our sampling process and targeting regime, do have appropriate safety mechanisms and appropriate crew carrying appropriate certificates.

Senator O'BRIEN—Are you saying that those crews have to have certificates which would enable them to work on the Australian coast on Australian vessels?

Mr Davidson—No, they have to have certificates appropriate to the vessel they are working on, regardless of where it is trading. We do not take any account of whether a vessel is operating on a CVP, on an SVP, as just a straight-out international trade or indeed on the coast as an Australian flagged vessel. We make sure that all of them comply with international standards.

Senator O'BRIEN—You are not saying that the crews of the continuing and single voyage permits need a licence issued by AMSA, are you?

Mr Davidson—No. The department issues the permit for that.

Senator O'BRIEN—Do you mean for the vessel or for the vessel and the crew?

Mr Davidson—It is a permit to trade. On a vessel coming to Australia—say to Fremantle—we will probably do a port state control on it if it has not been inspected in the previous six months. We are not concerned about what its intentions are in relation to its trading pattern; we are concerned about the safety and appropriate manning of all vessels that operate.

Senator O'BRIEN—Can you explain to me how it works where we have a vessel trading on the Australian coast with a crew, which I presume would be licensed by AMSA. Is that right?

Mr Davidson—No.

Senator O'BRIEN—How does that work? Do they simply show that they have qualifications—you do not actually give them any permission to conduct their trade? Is that how it works?

Mr Davidson—That is right. We are merely concerned that they hold the appropriate qualification regardless of who has issued it.

Senator O'BRIEN—When a vessel comes to the coast with a foreign crew—on their first port call I presume—AMSA reviews the qualifications of the crew. Is that what you are saying?

Mr Davidson—Not necessarily. If it has not been inspected in the previous six months and it is eligible for inspection, our targeting rate is to inspect at least 50 per cent of those vessels that are eligible for inspection. If we know, for example, that a vessel has made a long transit across the Indian Ocean to Fremantle, but we also know that it is going to go to Adelaide, Melbourne and Sydney, we may choose to inspect it at a later port depending on our concern about the targeting information that we have. In general, out of the 18,000 port visits we inspect about 2,500.

Senator O'BRIEN—Just going back—and perhaps I was unclear—I thought you said that AMSA licenses the crew members of all Australian ships operating.

Mr Davidson—We issue certificates of competency to seafarers who have completed qualifications in this country to the satisfaction of the education institution and then to ourselves. We give them an AMSA certificate of competency for the particular skill that they have got. That is regardless of whether they are Australian nationals or foreign nationals.

Senator O'BRIEN—With regard to a foreign vessel that is making a call in an Australian port and then going back into international waters, there is some possibility but no certainty that their qualifications will be checked. Do I understand you correctly?

Mr Davidson—That is correct.

Senator O'BRIEN—With regard to a foreign vessel that has a single voyage permit as part of its transiting through Australian waters, for example, what is the probability that the qualifications of its crew will be checked?

Mr Davidson—It is exactly the same as for any other ship on the coast.

Senator O'BRIEN—Statistically that cannot be true, can it? If a ship is on the Australian coast and stays on the coast, it is going to be checked. It is much more likely that the crew will have been issued their certification by AMSA. Is that right?

Mr Davidson—No. If it is a foreign flagged ship with foreign crew—

Senator O'BRIEN—Let's forget foreign crews for the moment. Suppose it is an Australian flagged ship on the Australian coast. AMSA issues the qualifications for the crew?

Mr Davidson—Some may have Australian certificates. There will be Australians working on that ship who have received their qualifications from overseas institutions, and issued by another flag. We recognise the flags internationally that are on the IMO White List, and we have essentially an MOU between us and each of those flags in relation to recognition and the checking procedures that we carry out with each of the other flag states. So for an Australian flagged vessel, to the extent that it is crewed by Australians holding Australian certificates, we have issued those certificates and we know who they are. If they are carrying the certificates of a foreign nation, a foreign state, we will have confirmed that those are the appropriate certificates for the position they hold on the ship, and we will be satisfied that they are appropriately qualified for the job.

Senator O'BRIEN—In every case, or is it by random inspection? I am just trying to line up what you are saying.

Mr Davidson—We do random inspections on foreign ships. As to Australian flagged ships, as the flag state responsible for their safety framework and so on, we put them through a six-monthly inspection regime to confirm that they still meet all the safety standards.

Senator O'BRIEN—So an Australian flagged vessel on the Australian coast will almost certainly have been reviewed on a six-monthly basis?

Mr Davidson—Yes. They can pretty well count on being reviewed six-monthly.

Senator O'BRIEN—An internationally flagged vessel making a single port call is likely to be checked if it has not been checked in the past six months?

Mr Davidson—It has a 50 per cent likelihood of being checked. If it is an ore carrier it is almost certain to be checked; if it is a single-hull tanker it will be checked. But, generally

speaking, we have a targeting regime. Vessels over 15 years of age, regardless of type, can almost certainly be expected to be checked, but vessels that are brand new or five years old and we know have got no port state control history, where we know the flag and we know their operation, are the ones that we will tend not to be targeting.

Senator O'BRIEN—If there is a foreign flagged vessel with a continuing voyage permit, has any consideration been given to mandatory qualification checks on those vessels, given that they will be on the coast? You say there is a 50 per cent chance that they will be inspected. There is a 100 per cent that the Australian crew will have their qualifications checked, but what you are telling me is that there is only a 50 per cent chance that the foreign flagged vessel will go through that check.

Mr Davidson—If the vessel is operating on the coasts for any period of time, the likelihood that it has not had an inspection for six months starts increasing and therefore it becomes eligible. Depending on the age of the vessel, the nature of our concern with the vessel and so forth, it would get inspected.

Senator O'BRIEN—But AMSA knows which vessels have continuing voyage permits, doesn't it?

Mr Davidson—Yes, we do.

Senator O'BRIEN—So no consideration has been given to mandating a check upon those vessels?

Mr Davidson—We have talked about it, but it does not raise particular safety or qualification concerns that are any greater than for a whole range of other vessels that present. Quite honestly, Senator, our concerns go to the very infrequent bulk carriers and the like which are aged and for which we have got no history of record. Those are the principal target areas for us.

Senator O'BRIEN—But Immigration, for example, has now introduced a special visa arrangement for foreign crew members working on vessels operating under single and continuing voyage permits. What would be the problem with doing the qualification check at the time the visa was processed?

Mr Davidson—Our responsibility goes to safe operation of ships. We are not responsible for immigration issues or the issues that are considered by the department issuing a CVP. We have structured a very targeted risk management approach for ensuring that vessels operating on the Australian coast meet the international standards. As I said, we have looked at this issue of whether vessels issued with SVPs or CVPs require special attention and our judgment is that they do not.

Senator O'BRIEN—What is the history of the checks on foreign vessels in terms of crew qualifications? Have there been any problems associated with them that have been discovered?

Mr Davidson—I would have to come back with details but my recollection is, in terms of the incidence of detainable events or deficiencies, that there is a very low incidence rate for qualifications.

Senator O'BRIEN—What happens with a ship that comes with a ship's officer who is not properly qualified—what do you do?

Mr Davidson—Who is improperly qualified?

Senator O'BRIEN—Who is not properly qualified for the task.

Mr Davidson—If that position leaves the vessel short of the statutorily required number of crew, the ship will be detained until such time as a new, properly qualified crew member is appointed to that position. As I said, that is an extremely unusual event. It does happen and is more likely to happen in the case of illness, where somebody has actually left the ship because they are ill and we have held the ship pending replacement of that position.

Senator O'BRIEN—Does AMSA license coastal pilots?

Mr Davidson—Yes, we do.

Senator O'BRIEN—What are the criteria applied to issuing a coastal pilot licence, in general terms?

Mr Davidson—I do not have the details with me but we can give you a marine order which stipulates all the prior qualifications in detail. Essentially, the requirements are that they have the Master Class 1 qualification and that they have experience at that level; I cannot remember in detail the experience we call up. That entitles them to come in as a trainee pilot and they then graduate through a performance based process where they initially start under the tutelage of another pilot. Then, having completed a certain number of transits, they are allowed to take small vessels with shallow draught and graduate through, I think, three steps before they have a full, unrestricted licence. They must maintain the currency of that by completing a required number of transits each year.

Senator O'BRIEN—Are the licences issued to individuals?

Mr Davidson—Yes, they are.

Senator O'BRIEN—Are they subject to reissue each year?

Mr Davidson—I would need to come back to you on that. They certainly are subject to reissue, but I think it is a three- or five-year time horizon.

Senator O'BRIEN—You probably will need to take this on notice: I want to know how many licences are current in Australia.

Mr Davidson—It is in the order of 50. We will come back to you with a comprehensive answer on all of that.

Senator O'BRIEN—Has that number of qualified pilots fluctuated over the last five or ten years?

Mr Davidson—It has increased over the years, yes.

Senator O'BRIEN—Can you put some numbers on that?

Mr Davidson—We can give you the numbers from when AMSA assumed responsibility for managing the regime, yes.

Senator O'BRIEN—Does AMSA have the power to revoke a coastal pilots licence?

Mr Davidson—Yes, we do.

Senator O'BRIEN—What provisions would apply in those circumstances? How would that work?

Mr Davidson—The specific marine order sets out the processes that are followed for the cancellation or revocation of the licence, and those would be followed in the case of taking such a step.

Senator O'BRIEN—A report from ATSB on the cause of the *ANL Excellence* grounding in Moreton Bay that revealed pilot error indicated:

... the pilot's performance was probably affected by the trough in his circadian rhythm ...

I take it that pilot would have been licensed by AMSA?

Mr Davidson—No. That was a port pilot. All ports in Australia license the port pilots. We license the coastal pilots who pilot ships through the Great Barrier Reef.

Senator O'BRIEN—Presumably there are a lot more port pilots than AMSA licensed pilots?

Mr Davidson—I would expect so, yes.

Senator O'BRIEN—I presume the demarcation—if I can call it that—between AMSA and the state authorities is an entrance to a port or a particular distance from the port.

Mr Davidson—The arrangements for port pilotage are properly under the state. The port boundaries stipulate where the port pilot operates to and the port rules will stipulate where pilotage commences and ceases. They are well-established principles that are understood internationally. We just follow the basic international guidelines on how that all operates.

Senator O'BRIEN—Do you know whether the same experience and qualification regime applies to port pilots?

Mr Davidson—I do not know the details but generally speaking, yes—and certainly in Australia.

Senator O'BRIEN—In a case where there is a grounding or some other pilot error, what is AMSA's process? Do you automatically review the licence of that person?

Mr Davidson—If it relates to the operation of a pilot whose licence has been issued by AMSA, whether we would do such a review would depend on the nature of the event.

Senator O'BRIEN—Given the requirement for a masters qualification and transition into the pilot's position, presumably AMSA has input into the content of marine qualification training in that regard?

Mr Davidson—For pilot training? Yes, we do.

Senator O'BRIEN—But for the masters as well?

Mr Davidson—Yes, we do.

Senator O'BRIEN—Do you know if issues of fatigue are covered in the curriculum for marine qualifications at Australian training facilities?

Mr Davidson—To my best recollection they probably are. We certainly have fatigue management requirements on the coastal pilots that we manage. They have to meet appropriate rest periods and have work patterns that manage known fatigue issues.

Senator O'BRIEN—AMSA has the power to prosecute shipmasters and others for breaches of safety and antipollution legislation. Are there any prosecutions in train?

Mr Davidson—I would need to come back to you on that, but, yes, I think there are some in train.

Senator O'BRIEN—Is there anywhere that we can easily obtain information on the number of prosecutions taken each year since AMSA has been responsible?

Mr Davidson—We would have to come back with the detail of that, but again I think that would be an annual report item if it is published.

Senator O'BRIEN—I am sure you would keep records of prosecutions, the nature of the breach or incident and the outcome of the prosecutions.

Mr Davidson—We can provide that.

Senator O'BRIEN—How does AMSA handle prosecutions? Do you go via a recommendation to the DPP, or do you handle your own prosecutions?

Mr Davidson—We brief the DPP.

Senator O'BRIEN—There was an accident in the Whitsunday Islands in October last year in which a seaplane struck a yacht owned by Janice and Tom Ginder. The family has a number of concerns about the response from the respective aviation and maritime accident and emergency organisations. Was this incident reported to AusSAR?

Mr Davidson—I have no information on that with me.

Senator O'BRIEN—Could you find out for us. I would like to know, if it was reported, when AusSAR received the information about the incident, what information was received, who contacted AusSAR with the information and what action AusSAR took in response.

Mr Davidson—We will provide that information.

Senator O'BRIEN—I understand the yacht was significantly damaged and a piece of the seaplane's wing was left on board. A source told one of the local papers, the *Daily Mercury*, for its 21 October edition, that the yacht was not damaged and there was only minimal damage to the wings of the plane. Can you tell us, on notice, if AMSA released information about that incident, and what that information was?

Mr Davidson—We will provide that, to the extent that we have the information. AMSA would become involved if it became a life-threatening situation in relation to either the marine event or the aviation event. We would not normally be advised of collisions, even extraordinary ones, necessarily. So I have no certainty that we actually have the information. It would depend on whether individuals felt it was reportable to the AusSAR people or to other competent authorities.

Senator O'BRIEN—Are there any maritime safety issues that arise from an incident like this—for example, seaplanes landing in an anchorage among boats? If there are, which maritime safety jurisdiction would it fall to?

Mr Davidson—The jurisdiction in those cases generally falls to the state. The states will regulate and control, in consultation I presume with someone like CASA, where seaplanes are allowed to land, and if there is itinerant traffic it is all managed by other agencies. We certainly do not become involved in that.

Senator O'BRIEN—AMSA is participating in the shipping management group overseeing the implementation of recommendations from the Great Barrier Reef safety and pollution review. What is the progress of the recommendations arising from that group?

Mr Davidson—We are very fortunate that we have the chairman of that group with us. I will let him answer that.

Mr Ellis—In summary, the two major tasks for the shipping management group are an impact study and a shipping management plan. Draft papers on those two projects are out for consultation at the moment.

Senator O'BRIEN—Are the impact study and shipping management plan available on a web site or somewhere where we can access them?

Mr Ellis—No, but we could provide them to the committee.

Mr Davidson—They are on AMSA's web site.

Mr Ellis—The jurisdictions involved are, basically, Queensland and the Commonwealth, and representatives of Queensland Transport, the Great Barrier Reef authority, AMSA and the department are part way through consulting with shipping, Indigenous and environmental interests.

Once that is completed—probably in late June—we would look to refining those two pieces of work, taking into account comments and any submissions that come forward through that consultation process. I would imagine that at that point the documents would go back to the respective ministers as the first version, particularly of the shipping management plan. That would be revised over time, taking account of any changes. There are a raft of other recommendations from that review. I think the committee was provided with a summary sheet of where they were up to last time, and we are continuing to work with the relevant agencies on those 40-odd recommendations. They will be implemented progressively over time. Some are completed now, some are in train and some need to be looked at again.

Senator O'BRIEN—AMSA has previously provided a spreadsheet with each recommendation and the status of each. Can an updated version of that be made available?

Mr Ellis—Subject to the ministers agreeing, yes, that would be fine. We would need to pick a point in time for that, whether it be the end of last month or perhaps a date in a couple of weeks time. Is that okay?

Senator O'BRIEN—Yes. The most up-to-date information would be preferable.

Mr Ellis—Sure.

Senator O'BRIEN—Thank you for that, Mr Ellis. In the description of activities under outcome 1, it is said that AMSA:

... is involved in strengthening the regulation of coastal pilotage services ...

Can you tell me what policies or actions AMSA is involved in to do this?

Mr Davidson—We continue to introduce regulatory improvements to the framework operating on coastal pilotage. We are looking at opportunities for improving fatigue management. We are looking at opportunities for improving the overall conduct of the pilotage work and at opportunities for introducing new technologies, which are electronic charts. The Hydrographic Office are producing these new digital charts, and their priority area is the Torres Strait and the Great Barrier Reef. As they become available, we will be putting them out and encouraging their use. We operate, in conjunction with Maritime Safety Queensland, the Reef Centre at Mackay, which is the reporting centre that all ships transiting through the barrier reef have to report to. They do that at roughly four-hour intervals, and we are looking at mechanisms for more actively tracking ships through the reef and improving the operation of the dialogue between ships and the Reef Centre.

Senator O'BRIEN—There was an article in April this year—and I do not have the precise details of the publication at the moment, but I can get them—which stated that there was extreme dissatisfaction with the current state of pilotage in the Great Barrier Reef and that the Australian Shipowners Association had been told to get involved to fix the problem. Have there been any representations from the Australian Shipowners Association on the issue?

Mr Davidson—We have ongoing dialogue with the Australian Shipowners Association in relation to any improvements that they think could be made to the manner in which pilotage is conducted. That is an ongoing dialogue.

Senator O'BRIEN—Have they said that there is dissatisfaction with the current state of pilotage on the Great Barrier Reef?

Mr Davidson—I recollect an article to that effect, yes.

Senator O'BRIEN—Have you received representations from the Australian Shipowners Association to that effect?

Mr Davidson—No. I have spoken to the CEO of the Australian Shipowners Association in relation to that reported matter and said to him that, if there were any issues that he would like to raise with us, we would welcome them and that, if there were any improvements that they could come up with, we would embrace them. As I say, an ongoing dialogue is taking place.

Senator O'BRIEN—Have there been representations from other organisations or individuals about the matter?

Mr Davidson—We get a number of representations in relation to the operation, yes. There are concerns which take place. The AMSA board actually had their meeting in Cairns earlier this year—I believe it was in February—at which they had an open session with the pilots and the provider companies. Out of that came a genuine exchange and a good dialogue about a way forward and improvements. We are constantly looking for opportunities to improve the framework.

Senator O'BRIEN—So AMSA is aware of what the perceived problem is?

Mr Davidson—Yes.

Senator O'BRIEN—How would you categorise others' perception of the problem?

Mr Davidson—I think there is confusion between a competence issue and a commercial issue. It is my view that a lot of the dissatisfaction arises from the fact that the entry to the regime is open; there is no restriction on the number of pilots that can present. There is competition between pilotage provider companies, and the pilots who had operated in a closed, monopoly arrangement in previous years are finding that the circumstances have changed dramatically. They are not terribly pleased about that change. In terms of the overall performance, I would say that with tightened reporting requirements, with tightened professional approach to the task and the increasing number of traffics, the risk has not increased in any measurable way whatsoever.

Senator O'BRIEN—Teresa Hatch, from the Australian Shipowners Association, is quoted as saying that everyone is concerned that a number of vessels have gone aground in a very short time. What you are saying implies that statistics do not show that. Can you provide us with some statistics on the number of groundings during AMSA's watch on this issue?

Mr Davidson—Yes, we can. I do not have those figures with me, but we can provide them.

Senator O'BRIEN—I understand that. I am assuming that they are not easily available on the web site or in annual reports.

Mr Davidson—They are certainly available, yes.

Senator O'BRIEN—Ms Hatch is also quoted as saying that another comment made by the membership was that it is a matter not of too much regulation but of ineffective regulation, so that whatever it is that is being regulated at the moment, it does not seem to be working. Apart from the licensing issue, what is the regulatory framework for pilotage?

Mr Davidson—We require them to meet certain qualifications and criteria. There is a peer review process, so that the experienced pilots review it. For renewal of a licence, we have introduced a check pilot regime, which is another advance that we have recently introduced: before the pilot can renew their licence, they must have conducted a transit with a check pilot. And, as I have said, we are open to any other improvements to the regime.

Senator O'BRIEN—Apparently, from what you have said, there has been some deregulation of pilotage in the reef area. When did that occur?

Mr Davidson—It would have been in the early 1990s. I do not have the exact date. That is when AMSA assumed responsibility for it, when it became compulsory. The IMO approved the Great Barrier Reef Marine Park Area as a particularly sensitive sea area—it was the first area in the world to be declared a particularly sensitive sea area. Part of the measures that were put in place to protect the Great Barrier Reef Marine Park area were compulsory pilotage of all ships transiting through there, a ship reporting system, and a strengthening of the navigation aids.

Senator O'BRIEN—This is the early nineties that we are talking about?

Mr Davidson—This is the early nineties. At that stage the regime had been managed through the Queensland state government and they handed it across to the Commonwealth, and the Maritime Safety Authority resumed responsibility for that.

Senator O'BRIEN—Is it the case that pilotage was not required in the region before that time?

Mr Davidson—Yes, that is the case.

Senator O'BRIEN—The article I referred to earlier quotes Mr Steve Pelecanos of Brisbane Marine Pilots telling a training and recruitment workshop that pilotage is cheap in Australia. He used as a comparison the \$A3,000 for barrier reef pilotage versus the \$US14,200 paid to Chilean pilots for negotiating the Magellan Strait. Is that an accurate comment?

Mr Davidson—I think it is going to be a difficult area to do comparisons in. I do not have a view about that. As far as we are concerned it is a question of the professionalism and the quality of the service, and the price is fixed in the market.

Senator O'BRIEN—So AMSA does not concern itself with the costs of pilotage in its administrative role?

Mr Davidson—No.

Senator O'BRIEN—What implications are there for quality if the cost is too low? Are there any considerations of that issue?

Mr Davidson—In extreme cases there could be an argument that issues arise, but I understand from the pilotage providers that the pilots are receiving a remuneration that is reasonable. If it were such a circumstance where they were competing against other employment opportunities, Australian qualified seafarers are in very high demand internationally in port pilot regimes so they have to pay an attractive remuneration in order to retain them. The anecdotal evidence I have from discussion with pilotage providers is that they are quite well remunerated.

Senator O'BRIEN—Does that mean there is a shortage of qualified pilots?

Mr Davidson—Not in our experience.

Senator O'BRIEN—If they are in high demand, therefore—

Mr Davidson—It means that, in order to retain pilots and to attract them into the coastal pilotage regime, they have to be paid a competitive salary. There is no shortage; therefore, one can assume they are being paid a competitive salary.

Senator O'BRIEN—They have other options, I suppose, is the alternative position. If you have a masters ticket, you can be a master of a vessel as well as a pilot.

Mr Davidson—Absolutely.

Senator O'BRIEN—Did I understand you correctly to say that pilotage on the Great Barrier Reef is compulsory?

Mr Davidson—That is correct, yes, for certain types of ships. It is compulsory for vessels over 70 metres, gas carriers of any type and passenger ships of any type, and there is a range of other prescriptions in the legislation.

Senator O'BRIEN—The Great Barrier Reef review report mentioned earlier actually recommended compulsory pilotage. I presume that was for other vessels that are not now required to have a pilot.

Mr Davidson—No. I think you are talking about the Torres Strait area, but I would have to look at the particular recommendation you are referring to.

Senator O'BRIEN—We will get the status of that recommendation with the other material. Is there any plan to bring forward the banning of single-hulled vessels from that end date of the 25th?

Mr Davidson—No.

Senator O'BRIEN—I think you said earlier that—certainly in terms of tankers and bulk carriers—100 per cent of these vessels are inspected at the point of entry to Australian ports.

Mr Davidson—Correct.

Senator O'BRIEN—What limitations are there on a single-hulled vessel traversing through the inner reef of the Great Barrier Reef before it is inspected?

Mr Davidson—It depends on where they are transiting. If they have come from Singapore and are going to do the inner route, they will take a pilot. And if their destination is Sydney, they will be inspected in Sydney.

Senator O'BRIEN—They will not be inspected before going through the reef?

Mr Davidson—Correct.

Senator O'BRIEN—Are there any concerns being expressed about this?

Mr Davidson—There are two approaches here. The oil majors require all their vessels to take the outer route; they do not actually come through the inner route of the Great Barrier Reef. We are in discussion at the moment with international charterers in relation to prior knowledge about the vessels that are being chartered to come to the Australian coast, particularly those that are single-hulled tankers. So we actually have visibility on the vessel up to a month prior to the charter being entered into. It is our intention that we have good information about the quality of vessels.

Senator O'BRIEN—Is there the ability to deny passage at the moment? If a vessel has not been inspected and it is an older, single-hulled vessel, and if it could be carrying a volatile or environmentally sensitive cargo, can AMSA deny passage through parts of Australian waters?

Mr Davidson—No, we cannot deny passage. But we can deny entry to a port.

Senator O'BRIEN—Can you require inspection at sea, prior to entry to sensitive waters?

Mr Davidson—If you are talking about international waters, no.

Senator O'BRIEN—Upon entry to Australian waters? They are pretty extensive in that part of the world; they go a long way.

Mr Davidson—They are enormously extensive, and the concept, while it is easy to talk about, would be impossible to police or actually implement.

Senator O'BRIEN—Why would that be? I suppose if the vessel is simply transiting those waters and not coming to Australia, it would be difficult. But how likely is it that a vessel would come that close to Australia and not be coming to Australia?

Mr Davidson—Vessels going to New Zealand will come through the inner route and then proceed to New Zealand. The entire regime internationally for managing and stamping out substandard shipping relies on mutual exchange of information between port states. The port state control regime that we operate here, backed up with MOUs that operate through the Asia-Pacific and into the Indian Ocean, the Atlantic and so on, means that the visibility we have on ships these days is much, much higher than it has ever been. Vessels are being identified as substandard and are being targeted. Our best process is deterrent. If a vessel that turns up in a port is liable to be detained and held for a period of time, the cargo owner, the shipowner and the charterer do not want to get embroiled in that kind of a mess, and they do not even present in Australia with substandard ships. We have seen a dramatic improvement.

Senator O'BRIEN—The problem is with the more reckless owner of a vessel that may have been inspected but has suffered some damage that you do not know about. Is it not feasible to require inspection in Australian waters and notification, and, with regard to vessels going to New Zealand, have reciprocal arrangements with regard to enforcement on vessels that do not pass those tests?

Mr Davidson—We certainly have reciprocal arrangements with New Zealand, and those are already in place. We have instructions with the pilots so that, when a pilot joins a vessel—and he may be the first person who joins the vessel and sees the nature of it—if there are any areas of concern for him, that is reportable to us. In the final analysis, we have made it quite clear to the pilot that if they believe the vessel is unsafe or should not proceed through the barrier reef then they should take action not to take it through and we will attend the vessel.

Senator O'BRIEN—So they would call you and you would travel to the vessel at sea?

Mr Davidson—Yes.

Senator O'BRIEN—Are there statistics available on the number of single-hulled vessels entering Australian waters each year and their cargo?

Mr Davidson—Are you talking about oil tankers?

Senator O'BRIEN—Tankers generally—they may not be oil tankers.

Mr Davidson—Single?

Senator O'BRIEN—Single.

Mr Davidson—We could probably extract that information. If you are talking about single-hulled cargo vessels, bulk carriers and the like, yes, we can certainly extract that information from the data we hold.

Senator O'BRIEN—Thank you; I would appreciate that. Are there any single-hulled bulk cargo vessel types on the Australian shipping register?

Mr Davidson—Yes.

Senator O'BRIEN—Can we get details of the numbers of those?

Mr Davidson—Yes.

Senator O'BRIEN—Page 144 of the PBS refers to a measure entitled 'Improvement in the standard of foreign flag ships operating in Australian waters'. The 'Target' column says:

Reducing trend in detention rate over time under port State control. Reducing trend in number of deficiencies detected over time under port State control.

Could you explain that?

Mr Davidson—A measure for us of the quality improvement of vessels coming to the Australian coast is their detention rates and we are looking to see an improvement in that area, because that will indicate to us that the general quality of shipping is improving.

Senator O'BRIEN—What is involved in attaining that target? Is it simply a deterrence policy?

Mr Davidson—It is essentially a measure of a deterrence policy, yes.

Senator O'BRIEN—What is the current trend on these measures? I think you touched on that earlier.

Mr Davidson—Because we have been targeting more effectively, we have seen a slight increase in the detention rate. We have been increasing our detention rates only very slightly, but they have gone up.

Senator O'BRIEN—That is the problem with targets, isn't it? There are always two edges to it: if you have been successful in your deterrence approach then your statistics show you are not meeting your target. I have discussed this with Senator Macdonald—although about another area.

Mr Davidson—It illustrates that, when you conceptually develop a target, the practicality of it in realisation may be that you say, 'Well, maybe that time it was the wrong approach.' In this particular case, we are certainly not driven by trying to achieve the target. We are driven by ensuring that vessels that should be detained are detained.

Senator O'BRIEN—That is as I would expect would be the case. I certainly would not allege that AMSA would ignore breaches of safety, for example, to get its statistics right.

Mr Davidson—We will be revisiting some of these targets. They were set down when the PBS process was introduced and the outcomes approach was done. We have some maturity now on how those sit and we will be finetuning those, and where they do not make sense or need some finetuning we will be adjusting them.

Senator O'BRIEN—But certainly if there is an increase in the detention rate it might imply that the deterrence is not strong enough in the light of other commercial pressures on seagoing vessel operators.

Mr Davidson—In recent times, the international rules for certificates of competency have been strengthened. There has been a tightening up of the general issues around safety frameworks. We are deliberately targeting those areas for compliance to ensure that shipping companies pick them up. The major change to the international ship safety operation is the introduction of what is called the ISM Code—the International Safety Management Code—

which treats the vessel, the ship manager and the class society in totality and puts an onus of responsibility on them for the safety management of the ship. As a result of the introduction of that code and our policing of it, there have been a number of breaches that we have been able to target. Whilst that has been reflected in a slight increase, we are certainly being tough—and deliberately so—about getting people to step up to the mark with the introduction of the ISM Code, the new STCW, which are the qualifications, and so on.

Senator O'BRIEN—What does STCW stand for?

Mr Davidson—Standards of Training, Certification and Watchkeeping, which are the competency standards for seafarers. There have been changes there which are increasing the requirements on everybody.

Senator O'BRIEN—Statistically, have the number of foreign flag vessels increased? Would that explain an increase in detection as well?

Mr Davidson—No. The proportion of Australian flag ships operating on the Australian coast has been in the one to two per cent range—that is, the Australian shipping task has been one or two per cent Australian owned vessels and the rest are foreign. We have always had around 98 per cent or more—

Senator O'BRIEN—What about the number of visits? The other factor in terms of cargo carried and visits to Australian ports is whether the number of visits has increased, which might explain an increase in detention rates. Statistically there might not be a greater proportion in percentage terms, but numerically it might be greater. Would that explain an increase?

Mr Davidson—It can. We are beginning to get a lot more analysis of all the statistics. We do not have the historical data, but we are getting a better understanding of what the current system looks like. It is driven by a lot of factors. The demand for bulk carriers and the price paid for bulk carriers shifts them around the world. We have a constant number of vessels that operate the trades, and then the balance is carried out by vessels making either once-only visits or two and three visits. It depends on the nature of the operation. We are getting an understanding of all that. Whilst there are about 18,000 port visits, the number of vessels involved, from memory, is about 4,000 vessels that conduct all those visits annually.

Senator O'BRIEN—Did you say there were 18,000 port visits and around 4,000 vessels?

Mr Davidson—We will provide you with some granularity on those statistics, and it will illustrate the point I am making. But you are right: there are vessels that are dedicated to trades, and they are there all the time. We know them, and we know how they operate.

Senator O'BRIEN—Such as the coal trade?

Mr Davidson—Yes. Then there are the itinerants that you just have to capture.

Senator O'BRIEN—How do you liaise with Customs, given recent events? Is there a special role that AMSA has with Customs?

Mr Davidson—We have an MOU that outlines the relationship with Customs, and it works extremely well. People at the port level operate obviously in concert, and each party understands their role and how they are going.

Senator O'BRIEN—This is a very good time for me to say thank you very much.

Proceedings suspended from 10.29 a.m. to 10.48 a.m.

ACTING CHAIR (Senator FERRIS)—The minister has advised me that he will be here within a few minutes, but he may be delayed in his office. Since the officers from the Australian Transport Safety Bureau are ready to start, I invite Senator O'Brien to ask his questions.

Senator O'BRIEN—Mr Bills, I suppose ATSB is pleased with the budget.

Mr Bills—Yes, we are very pleased with the budget announcement.

Senator O'BRIEN—Let's start with increased funds for your departmental outputs: \$13.2 million additional funding over four years for a number of things. Can you clarify where that \$13.2 million will be targeted?

Mr Bills—In the first year?

Senator O'BRIEN—Yes.

Mr Bills—Over four years it is \$13.9 million. Is that the figure you were referring to?

Senator O'BRIEN—It said \$13.2 million on page 44. Maybe that is not the entire amount.

Mr Bills—There is a small capital amount as well, which probably brings it up. And then there is a depreciation amount. The capital is, in round figures, \$400,000; the depreciation is around \$300,000. So it depends which figure you are asking about. In terms of the split between them, most of the money is directed to the new interstate rail investigation responsibilities, roughly \$10.1 million over the next four years. The second largest amount is \$2.8 million to expand the ATSB's capacity to analyse its aviation safety accident and incident database. The final amount of money, ignoring the small capital and depreciation amounts, is \$0.6 million—in round figures—over four years to set up a new confidential marine reporting system.

Senator O'BRIEN—How much is expected to be spent in each year? Is it an equal amount in each year?

Mr Bills—Not quite. I will show you the PBS reference to the two lines. Page 21 of the PBS, in the third line down, shows the non-capital amounts. You would note that it just goes up \$100,000 in 2004-05, it is the same in 2005-06, and then there is another \$100,000 in 2006-07. In terms of the capital amounts, the first line on page 23 shows that all of the capital—the \$400,000—is in the first year.

Senator O'BRIEN—I appreciate that the new rail safety investigation function arises from new legislation. In his speech during debate on the second reading Martin Ferguson, the shadow minister for transport, flagged that he would check whether extra money flowed for this function as promised by the government. How much of the \$3.2 million in 2003-04 will be used for this new function?

Mr Bills—The rail amount is, in round figures, \$2.8 million.

Senator O'BRIEN—In 2003-04?

Mr Bills—Correct.

Senator O'BRIEN—And for the out years?

Mr Bills—Just slightly more. It is almost unchanged. As I said, the only difference is that there was almost \$300,000 capital in the first year for rail, and in the out years there is a small adjustment for CPI that takes effect in those few out years. But it is less than \$100,000, so it is very similar.

Senator O'BRIEN—How many staff positions will be involved in the additional funding?

Mr Bills—We have not exactly specified the numbers yet, although there was some dialogue with the Department of Finance and Administration in the budget process. At this stage we have recruited ahead of the budget announcement, on the basis that we were doing some rail investigation work for the states on request. So at the moment we have three rail investigators on staff who are rail specialists; we have a team leader who was formerly an aviation investigation team leader; and Kit Filor, who has a marine background, is the deputy director with both rail and marine responsibilities so we have roughly half of his time. With those 4½ people on staff, we are also about to go to the market to recruit another two rail safety investigators. In addition to that, we will be trying to use consultants and others to supplement our resources.

Senator O'BRIEN—Will all the positions be located in Canberra, or will they be based around the country?

Mr Bills—At this stage, one of the positions is located in our Brisbane office, but there are no plans at the moment to locate the other positions elsewhere than in Canberra.

Senator O'BRIEN—Is there an estimate of how many accidents you can investigate with this level of funding?

Mr Bills—There is, but it depends very much on the scale of the accident. We think it will be a little fewer than 10 a year, but if there is a really big one then we may do fewer of the smaller ones. It is a little flexible.

Senator O'BRIEN—The second nominated purpose for the annual allocation of the \$3.2 million is the establishment of a confidential marine safety occurrence reporting system. You have referred to the \$0.6 million figure. Will this system be based on the current aviation reporting system?

Mr Bills—There will be similarities. The exact details of the system have yet to be worked out. Getting ready for the new rail function has been the overwhelming task of the officers involved in that area, but we have a meeting with AMSA in about a fortnight's time—or in that time scale—to start talking about the detail of the system. The announcement in the budget was that the government was intending to have it in place by the end of December this year. The detail is yet to be fully sorted out.

Senator O'BRIEN—Will statistics on incident reports be publicly available from the confidential unit?

Mr Bills—We need to think that through. In general everything we deal with is publicly available unless there is a privacy aspect to it or unless releasing the information would reduce the amount of information we would get in the future. Our inclination is always to make things public—usually on our web site.

Senator O'BRIEN—Did the industry have significant input into the decision to develop this system?

Mr Bills—The decision behind developing the system came from what I think is recommendation 36 of the Great Barrier Reef and Torres Strait study that the minister commissioned; I think you referred to that when you were talking to AMSA. The minister decided based on that recommendation that a confidential system should be developed. I think in the context of that review there was significant industry consultation, and I think that has been the major amount of consultation to date. Clearly we would be wanting to talk to industry as we firm up on the exact characteristics of the system to apply by the end of December.

Senator O'BRIEN—So is it basically \$1.5 million a year for the system?

Mr Bills—Roughly \$150,000 a year.

Senator O'BRIEN—Sorry, \$150,000. I just had the decimal point in the wrong place! The \$400,000 capital measure is said to be for the establishment of a rail database and a marine confidential reporting system. What would be in the rail database?

Mr Bills—It is really a data system to track our investigations. OASIS, as you know, is the database we use for tracking aviation investigations and aviation safety data. It will not be as elaborate as that, because it is initially much smaller. It will be a small database to enable us to keep track of investigations and investigation data. It will probably be an Access database.

Senator O'BRIEN—Is the \$400,000 to be spent on hardware? Software would not cost you anywhere near that.

Mr Bills—There will be some software I think and some development of the actual system, but Mr Graham may wish to comment further.

Mr Graham—It will be a system that does for rail what OASIS does for aviation. We are working on it at present, just on specifying how big it will be. There are certain things it has to do that the aviation one does not, because rail of course has state implications. It will be able to help the investigators manage their investigations, track the data and track recommendations et cetera.

Senator O'BRIEN—How much of the \$400,000 will be spent on software development? Or how much of the \$400,000 is budgeted to be spent on software development? That might be a better question.

Mr Bills—The \$400,000 is the rounded up figure. It is actually \$350,000. As you know, rounding goes both ways and, in this case, it is down. Three hundred thousand of the \$400,000 is rail, and \$50,000 is marine. Of the \$300,000, I am not sure offhand how much will be spent on software development. Mr Graham may know the likely software cost.

Mr Graham—We are at the stage where we are just trying to work out what the database is and how it is going to work. We will be prototyping it first. After we have done a prototype and we know what we are going to build, then we will get on and build it. In any of these systems, you usually find it is the software development that is the big risk, and it is the software development where you have to put your effort—

Senator O'BRIEN—If you are intending to use a readily available, widely used software package like Access, presumably there has been a whole lot of development on Access upon which you can build or on which variations can be made. I guess I am asking what work you have done to get an understanding of what is available and what it is likely to cost in software terms for the package. The other issue is, of course, are you buying new hardware or is this going to simply sit on your existing hardware framework?

Mr Graham—Work started a month or so ago to answer those questions. We are certainly not going to build until we know what we need. The advantage of going the Access route is that the development costs are usually considerably less than going with Oracle, as we did with OASIS. That is why we are looking at that. If you look at OASIS, there are many thousands of records that have to be used. With the rail database, it is considerably less and we will be scaling it appropriately. I will be able to answer your questions better when we have got a better idea of just what we are doing.

Senator O'BRIEN—How were the figures arrived at? That is the question in my mind. If there is a capital allocation, why is it at the level that was struck? Is that adequate, or do we just not know?

Mr Graham—I think I would answer it by saying it is the best estimate of what it will cost to not only put a system in but also put a system in with little risk and a system that is readily maintainable.

Senator O'BRIEN—Who made the estimate?

Mr Bills—It would have been a joint effort involving the IT area within the department and the ATSB and in discussion with the department of finance.

Senator O'BRIEN—Was hardware part of the consideration?

Mr Graham—I think, Senator, I will take that on notice. I know hardware was considered. From recollection, I think it was basically that it be on the departmental systems, but I would have to take that one on notice.

Senator O'BRIEN—Presumably you would have an idea of the types of reports that you want to be generated, or is that work yet to be done?

Mr Graham—That is work in progress.

Senator O'BRIEN—Has there been consideration given to the general material on the database being publicly available?

Mr Bills—There is a different rail database which produces data that is publicly available now, the National Rail Occurrence Database. That will continue. The one that we have been talking about in terms of the budget measure is really an internal tracking system more than anything else, so that in itself would not be publicly available although information from it may be from time to time. The National Rail Occurrence Database is the database that includes accidents and incidents of various types from across Australia. ATSB basically consolidates that, based on the input from rail regulators around the country. That is on our web site.

Senator O'BRIEN—The time frame for the completion of the project is in the coming financial year at some stage. Is there a more precise date that you can point us to?

Mr Graham—Our target would be to finish it in the financial year. As I have said to you once before, I am very careful about projecting anything on computer system development. When we get the prototyping done and we know what we are trying to do, that is when we will be able to be more specific. That would be our target.

Senator O'BRIEN—I am tempted to ask you, if you are talking to CASA, to find out what the pitfalls are in software development, but I think you are probably already doing that. Mr Yuile, as to expenditure and a set of staffing arrangements, is this area quarantined from the cost saving initiatives that the department will be pursuing in light of our conversation last night?

Mr Yuile—The secretary has indicated that he will be looking at a work-up strategy across the full department and he has also talked about modular arrangements and looking at different management areas. No area is quarantined, but clearly we have to look carefully at the requirements of each area and the outputs that we have to deliver for the government.

Senator O'BRIEN—Obviously I am asking that because the budget proposes additional funding for this area, with the expectation that that funding is necessary in addition to the current funding to achieve the outcomes that are desired by the government and consistent with legislation which is yet to be passed. Obviously the opposition would be concerned if some of that money was in fact going to be used to fix another problem and not the issues that are sought to be addressed through the measures announced in the PBS. When will you be able to tell us what the intentions are in terms of ATSB staffing and other resources and whether the actual budget available to ATSB will be in fact increased by the amounts that are mentioned in the PBS?

Mr Yuile—As I think I mentioned last night, the question of the budgets moving forward for this coming financial year are going to be the subject of work within the groups over the next several weeks, and that will be an issue which the secretary will determine in light of those discussions with our various groups and the way in which we expect to deliver the work that the government is seeking us to do and also address those forward plans that we talked about last night. I think the secretary indicated that he expects this work to be taking place over June and into July to finalise that. He typically likes to establish budgets commencing on 1 July. That would normally be his objective. I would not want to fix the time until he returns and we have done the kind of work that we talked about last night with each of our groups.

Senator O'BRIEN—Let's move to the next issue. I referred AMSA to an incident near the Whitsunday Islands in October last year when a seaplane struck a yacht owned by Janice and Tom Ginder. The family have a number of concerns about the response from respective aviation and maritime accident and emergency organisations. Was this incident reported to ATSB?

Mr Bills—Yes, it was.

Senator O'BRIEN—Can you tell us who contacted ATSB with the information and who received it?

Mr Bills—Perhaps I need to go through a little bit of background on this, if you would allow me to do so.

Senator O'BRIEN—Certainly.

Mr Bills—As I understand it—from the correspondence that I have seen and the discussions with officers that I have had—the accident was just before 5.30 on Saturday afternoon on 19 October. A yacht moored in Chance Bay, Whitsunday Island, was struck by a Beaver float plane, a VH-BVA, during its landing run. We were contacted the next day; I think that is right. Certainly, there were two contacts. Basically, the initial information that we got was that it was a fairly minor incident, but on Sunday, which was the next day, the son of the family contacted us through CASA and indicated that it was more serious than first reported. My understanding is that the main concerns of the owners of the yacht were that they were hit, they were out moored but they had lost their communications, they were outside mobile phone range and they did not have VHF communications and they were concerned that no-one came out to see if they needed any assistance. In particular, in the letter they wrote to Premier Beattie on 14 March, they were most concerned that the water police and coastguard did not come out to assist them.

In terms of the ATSB response, when we realised that it was more significant than we were first told, we had an investigator commence an investigation. He arrived on Hamilton Island on 21 October, which was a Monday. The accident was late Saturday, on Sunday around the middle of the day we were told it was more serious than the first report and on Monday we got up there and commenced an investigation. Basically, the state of the investigation is that we have issued a draft report to directly involved parties a week or so ago and we are waiting on responses. Depending on those responses, we will revise the report and make it public.

Senator O'BRIEN—I take it there was an initial view that it did not need to be investigated, but the subsequent information the following day led the ATSB to the view that it needed to be investigated?

Mr Bills—That is correct. When the son rang on the Sunday, and as I said he rang CASA rather than us, he said something like he had seven feet of aeroplane wing on the yacht's deck which appeared to be not exactly a minor incident.

Senator O'BRIEN—No. Who contacted the ATSB with the original information?

Mr Stray—The initial contact came from the operator of the aircraft to our 24-hour duty officer.

Senator O'BRIEN—Did the ATSB have any communication with the Hamilton Island PR officer, Susan Boyd, about the incident?

Mr Bills—I think we would need to take that on notice.

Senator O'BRIEN—That person was quoted as saying:

The yacht was not damaged and there was only minimal damage to the wing of the airplane.

Whilst that may be true of the wing bit that was left on the deck, it sounds like there was a fair bit of damage to how it was attached to the plane.

Mr Bills—Yes. I think any discussion we had with that person, if there were any, would have been after that statement because, as I said, we got there on the Monday so I think the initial reports of it being minor were straight after the accident.

Senator O'BRIEN—What sanction, if any, is available against the operator of the aircraft for giving a misleading report to the ATSB at the start?

Mr Bills—I guess it is a question of checking the initial report against the information and—

Senator O'BRIEN—I was taking it that your advice about the seven feet of wing on the vessel had been substantiated?

Mr Bills—I am assuming that is correct, based on what the owners have said. It may be slightly out, but it is certainly indicative that it was not a minor incident. I have not got the Air Navigation Act clause in front of me. It is certainly a mandatory report; there was a report. But quite often we get reports that have sparse information that on further questioning turns out to be more serious than at first indicated. So we would really need to go back to the report and check it carefully.

Senator O'BRIEN—Has ATSB made any public statements about this matter at all?

Mr Bills—No public statements, but when our final report is completed it will, of course, be made public.

Senator O'BRIEN—Would ATSB have communicated with state authorities or others about the initial report?

Mr Stray—The directly involved party draft report has gone to the Queensland state maritime safety people and we have received a response with their comments. That will be analysed along with the other directly involved party responses. But, yes, the state authorities are in the loop. The federal maritime authorities were not involved in the directly involved party report because they were not implicated within the context of our report as a directly involved party.

Senator O'BRIEN—Who would have made the initial decision not to investigate?

Mr Stray—That is made at a management level, my level, and above. As Mr Bills has indicated, the initial report said that it was basically a glancing blow with the wing tip. A little bit of wing tip was left on the yacht. As Mr Bills indicated, we were subsequently better informed that there was a large section of the wing and the left wing had been very seriously damaged.

Senator O'BRIEN—Did an ATSB officer seek to check the incident report with independent state authorities before making that decision?

Mr Stray—How it worked was that the duty officer received the call and passed that up the line. Because the yacht was, as Mr Bills indicated, out of communication range, we were not able to get any confirmation from the people on the yacht. Subsequently we found out about the extensive damage to the aircraft and we immediately took steps to commence the investigation.

Senator O'BRIEN—The Ginders have said that a Mr Rod Fearon from ATSB told them on the 22nd that ATSB had originally not intended to go out and investigate. That is obviously correct. Is the normal process in making a decision not to investigate usually based on one version of an incident where two parties are involved?

Mr Bills—I think a decision is made on the information that we have initially. It is quite common that subsequently we get further information that either leads us to change the decision and, therefore, investigate or the reverse. Sometimes we think something looks potentially serious, but on further inquiry it does not look so, and so we do not investigate. On this occasion, I guess you can only rely on the information that you get.

Senator O'BRIEN—Yes, I understand that you can. But where you have not had the opportunity to check a detail of a collision, be it a glancing blow or something more substantial, and one involved party is giving you what you would have to suspect are their version of events and not necessarily the whole version, I am asking whether, as a matter of normal practice, you would seek to obtain whatever other information is available from other involved sources before making that decision?

Mr Bills—In this sort of case, we would expect the other party to contact us if it was a serious matter, and that is what did happen. Whether we would proactively check with other parties probably depends on whether we suspect that it may be more serious than has first been reported. So sometimes we do and sometimes we do not.

Senator O'BRIEN—Would you have rung the Queensland authorities before making the decision initially not to investigate?

Mr Stray—Not in this case, Senator. I think it is fair to say that, based on the detailed information that we received from the operator at the time, there was no reason to suspect that there was anything more than as discussed. But, as part of an office investigation, we do go through the motions of seeking further information—which was done in this case. For instance, if an accident happens on a weekend and we get limited information, decisions are made, and then we progress the evidence-gathering process as soon as possible on the Monday.

I have just had that other question regarding the PRO checked. We have contacted the investigator, and there was no contact with Susan Boyd at all.

Senator O'BRIEN—I think you said that the marine investigation unit is not investigating the matter as it is a state matter. Is that right?

Mr Stray—What I said was that the draft report to the directly involved parties was sent to the Queensland state safety people but that it was not circulated to AMSA, as the federal-state safety body, because they were not implicated as a directly involved party.

Senator O'BRIEN—So is it a marine investigation or an aviation investigation?

Mr Bills—It is an aviation investigation because it was an aircraft hitting a small craft. If it had been an aircraft hitting an interstate or international vessel, it would have been both. On this occasion, it was a yacht, which is not within our normal investigation jurisdiction, but it was an aviation accident.

Senator O'BRIEN—I believe you are investigating a fatal accident that occurred at Hamilton Island on 27 September last year that resulted in the death of six people. Can you update us on the status of that investigation?

Mr Bills—That was the accident at 5.10 p.m. on Thursday, 26 September involving a Piper 32-300 Cherokee 6 aircraft, registration VH-MAR, which crashed shortly after take-off from Hamilton Island. As you said, the pilot and five passengers were fatally injured. We released a preliminary report on 21 October and an interim factual report on 5 February this year. There was a delay in getting some toxicology post-mortem reports from the John Tong forensic lab in Brisbane. Those reports came through just over a week ago, and we have decided to get another opinion on that toxicology.

Senator O'BRIEN—Why?

Mr Bills—There was an inconclusive element to it, and some potentially quite serious matters were also uncovered which I prefer not to talk about while we are still investigating them. We really want to make sure that we have all the data that we can get before releasing a final report.

Senator O'BRIEN—How long will additional toxicological information take to obtain?

Mr Stray—I have been in touch with the senior toxicologist at the laboratory that we expect to be undertaking that work. It is dependent on his receiving the samples from the Queensland laboratory. As you are aware, our legislation gives us no right to handle the bodies or body parts. I have personally been in touch in writing and by telephone with the coroner who is handling this. He has given full support to the second opinion, and he is facilitating the transfer of the samples to the other laboratory. In fact, coincidental with our decision to have a second opinion, we received further information from the laboratory in Queensland recommending that we seek further clinical toxicology verification of the work that they had done and identifying the suitable person to do this.

Senator O'BRIEN—So you are acting on the recommendation of the original toxicologist's examination?

Mr Bills—Correct.

Senator O'BRIEN—Is that because the toxicologist did not have a specialisation in the particular field?

Mr Stray—No.

Senator O'BRIEN—Was this just a precautionary step that they were taking because of the seriousness of the matters?

Mr Stray—We received the toxicological results and independently had discussions with this other laboratory specialist. On the day I was having the discussions with this toxicologist in Melbourne, the post-mortem report arrived in Brisbane—so we had the tox report and the post-mortem report. In the conclusion in the post-mortem report, because of the inconclusive nature of the findings of the tox, they recommended that week a second opinion from this person. That gelled with what we had decided from reading the toxicological report because of the serious nature of the potential implications, so we made that decision. That gelled with what the post-mortem report recommended, and that is now moving ahead. We have been

advised that once they receive the samples they hope to have the work done within two to three weeks, but there is no cast iron on that.

Senator O'BRIEN—Thank you for that. The ABC current affairs program *PM* last Wednesday talked about the ongoing struggle between ATSB and CASA on the issue of audible depressurisation alarms in aircraft, which came to light most recently in ATSB's investigation of the tragic flight from Perth that crashed in Queensland after a long unpowered passage, killing all on board. Mr Bills, can you tell me what ATSB recommended in relation to requiring the installation of audible depressurisation alarms?

Mr Bills—I might just say that I would not characterise the interface between ourselves and CASA as an ongoing struggle.

Senator O'BRIEN—I would!

Mr Bills—From time to time the ATSB make safety recommendations that are ahead of the industry and the regulator—and I think that is part of our role—and we did so in this case. It is the regulator's role then to consult with industry, to consider the practical implications of the regulations and perhaps to consider a better way of achieving the same safety outcome. We do have that sort of a ginger role out in front. I believe there are legitimate differences in roles between the two agencies or bodies, and this is an instance of that. In terms of your specific question, we made an original recommendation that CASA should consider making mandatory aural cabin pressure altitude alarms and we made a second recommendation on 17 December 2000 that CASA mandate the fitment of the aural warnings to operate in conjunction with the cabin altitude alert warning systems on all Beechcraft Super King Air and other applicable aircraft.

Senator O'BRIEN—I understand the WA coroner also made a recommendation that that aircraft type should install these alarms as a backup. That is right, isn't it?

Mr Bills—Yes. Subsequent to us the Western Australian coroner made a similar recommendation.

Senator O'BRIEN—The depressurisation issue has also been raised in early ATSB investigations. I understand there was an incident involving a Defence flight which fortunately did not result in an accident.

Mr Bills—There were two RAAF flights where there was an issue involving depressurisation, and fortunately neither resulted in an accident.

Senator O'BRIEN—Are the three that have involved depressurisation issues, or have there been more incident and accident investigations in recent years involving depressurisation?

Mr Bills—They are the three that I am aware of and certainly they are the three that we have discussed with CASA. There have, of course, been international accidents of this kind. For example, there was the accident involving Payne Stewart, the golfer, in a Lear jet; that was most likely a similar occurrence, but in that case there were two pilots and an aural warning. And the NTSB's findings were not absolutely conclusive but they basically thought it was a depressurisation hypoxia event.

Senator O'BRIEN—CASA is not required to accept ATSB recommendations, which you have stated. The *PM* report said 'CASA has written to ATSB in response to this issue'. Is that so? When did you receive that letter?

Mr Bills—Yes. CASA wrote to us in a letter dated 25 March. It was faxed the next morning, on 26 March, and we got the posted copy on 27 March this year. In addition CASA just yesterday has put out a memo to all owners and operators of Australian registered pressurised aircraft dealing with this aural warning issue, which is really starting to implement the matters that they wrote to us about in March.

Senator O'BRIEN—Firstly, can I ask for a copy of the letter from CASA?

Mr Bills—Yes. I do not have a copy here—the pertinent details are on our web site—but we will get you a copy.

Senator O'BRIEN—The report said that a letter acknowledged that the alarms would contribute a potential safety benefit. It said that that benefit was not sufficient to warrant the compulsory fitting of devices. Does that fairly and accurately represent the views put to ATSB by CASA?

Mr Bills—Sorry, I missed the last bit of that question.

Senator O'BRIEN—I just wondered if that passage I referred to from the report fairly and accurately represented the view put to ATSB by CASA?

Mr Bills—The view put to ATSB by CASA was pretty lengthy. I could give you a copy of the web site material, because it is on our web site now. It is about two pages of very small text. The section that you quoted is part of the view put to us from CASA but it is actually quite extensive.

Senator O'BRIEN—Peter Gibson from CASA is quoted as saying, 'The unanimous view that came back from the industry was that it was not a move that they could support.' But Mr Stray apparently refutes that feedback, arguing that only one-third of the 30 respondents rejected the proposal. Can you clarify that position, Mr Stray?

Mr Bills—Before he does, I think the *PM* program quoted a spokesman who did not actually reflect in his comments the material that CASA wrote to us, which is on our web site, which says:

While the responses received of both the DP and the NPRM included some support of the proposal, key responses such as those from the Regional Aviation Association of Australia and the Australian Federation of Air Pilots did not provide favourable support.

Clearly CASA's letter to us was indicating that it was not unanimous.

Senator O'BRIEN—Is that the letter that was received recently? Or is that the letter from March?

Mr Bills—That is the letter that was received on 26 March, dated 25 March.

Senator O'BRIEN—In terms of the volume of responses, weighting may be given differently to different responses. I am not sure where Mr Peter Gibson's quote is taken from. But if he said the unanimous view that came back from industry was that it was not a move

that they could support, that is clearly not backed up by CASA's understanding of the situation.

Mr Bills—As I say, Senator, the formal CASA response to us differs from that and you need to ask—

Senator O'BRIEN—Sure, I understand what you are saying, but there is a quote from their public affairs spokesperson.

Senator Ian Macdonald—We cannot help that.

Senator O'BRIEN—I know you cannot help it, but I am asking: if that quote is accurate, is that an accurate reflection of the situation or did, as Mr Stray has said, only one-third of the 30 respondents reject the proposal?

Mr Bills—I think that is a question you should put to CASA later in the day or when they come before you, because it was their process and their spokesman.

Senator O'BRIEN—Was ATSB given access to the detail of the response to CASA?

Mr Bills—Ultimately, we have seen some of that detail, but I do not think we would have seen all of it.

Senator O'BRIEN—Would ATSB be aware of the views, differing or otherwise, that may have come from the respondents to the communication from CASA about the industry's view on the mandating of the devices?

Mr Bills—We were generally aware, through information from CASA, and it may well be that particular parts of industry spoke to us as well.

Senator O'BRIEN—A further issue that came to light on the *PM* program was a difference of opinion between CASA and the ATSB officers on the cost of audible cabin alarms. Mr Gibson from CASA said:

We were looking at six figure sums to fit these alarms into some air craft, which are worth less than that amount of money.

Mr Stray said:

We are aware of units being manufactured for around \$1,000.

Is that so?

Mr Bills—There is not necessarily a tension between the two views.

Senator O'BRIEN—About \$99,000-plus.

Mr Bills—I have not got the words in front of me, but the March letter to us from CASA says that a system for Dash 8 aircraft—that is a purpose built one—is estimated to cost \$Can317,650, which is more than the figure Mr Gibson referred to. But that does not mean that you cannot—

Senator O'BRIEN—That is a six-figure sum.

Mr Bills—Indeed, but that does not mean there cannot be low-cost alternatives for other aircraft types. In fact, the memo that I referred to from CASA that Mr Gemmell signed, dated 26 May, states that at least two low-cost aural warning systems are now readily available in

Australia, and CASA strongly recommends that these be considered by operators. I think Mr Gibson was saying that the purpose-built system on some aircraft types could cost a lot of money, but CASA is acknowledging that there are lower cost types and is encouraging people to consider them.

Senator O'BRIEN—Who flies Dash 8s other than commercial passenger carrying operators?

Senator Ian Macdonald—Customs.

Senator O'BRIEN—Is that all? Are there privately owned Dash 8s? I am just looking at the relevance of that. I suppose I hope that there are such systems in Dash 8s. I fly on them occasionally, as you probably do, Minister.

Senator Ian Macdonald—Regularly. The Dash 8s are pretty good aircraft.

Senator O'BRIEN—They would even improve with the latest model, in terms of a person of my size getting a comfortable seat and somewhere to put my luggage. But in terms of audible alarms, your answer makes me wonder whether they are present in the Dash 8s we fly on.

Mr Bills—My understanding is that the answer is no. My colleagues may have some more detail.

Mr Graham—My understanding is no as well. Again, I think it is an issue on the regulatory side.

Senator O'BRIEN—I guess I will be talking to Synergy about my bookings now.

Mr Bills—Just to be clear on that: they have visual alarms but not aural alarms.

Senator O'BRIEN—I understand that ATSB recommendations are not able to be imposed on CASA, but what mechanism is in place, if any, to sort out factual differences between the organisations before they are aired on national radio?

Mr Bills—This particular matter is a longstanding one, as you indicated at the outset. We have had many discussions with CASA on this issue. Normally, on a sensitive issue like this, I would be told a potential interview was being sought and we would discuss how best to get out the safety message we wanted to get out. If it involved CASA, we would try to make sure that we did not have conflicting information, which was conflicting because we had our facts at variance. If the bodies have different positions, and they are genuinely held, that is fine. We have a regular meeting with CASA every few months. If any particular issue blows up we get on the telephone to each other, because we are both trying to improve safety.

Senator O'BRIEN—Is there a signed agreement?

Mr Bills—We have a memorandum of understanding, but the most important thing in all of this is relationships. Mr Graham, in particular, is on the phone to CASA several times a week—I will not say every day—on issues. That is really the key vehicle. There is a lot of contact at lower levels, and I also make contact where necessary.

Senator O'BRIEN—What does the MOU say about situations like the public disagreement on the *PM* program?

Mr Bills—I am not sure there is anything in particular that refers to a public disagreement, other than that it is important that we are both aware of each other's role and that we try to minimise, I guess, any unnecessary differences, because it can be unnecessarily confusing. The important thing is that we are both free to put out our safety message, if it is important, but it should not be unnecessarily conflicting if there is no actual disagreement with the facts.

Senator O'BRIEN—So the process that is set down in the MOU was followed in this instance, was it?

Mr Bills—I was not aware of the journalist's inquiry. In terms of our normal system, I think I said to you that normally I would be made aware of that. But this is an issue on which there was a lot of history, and both organisations knew each other's position pretty well. I believe that, in this case, we should have been more proactive in speaking to each other before talking to *PM*.

Senator O'BRIEN—So *PM* spoke to someone, got a story and then ran it past the other?

Mr Yuile—It was a compiled story, as I understand it.

Mr Bills—Yes, it was certainly a compiled story.

Mr Yuile—It was not as if both people were interviewed in front of the—

Senator O'BRIEN—I understand that. It is often the case that someone is spoken to, they say something and that is put to someone else—whether it is the same day or on some other day.

Mr Yuile—Yes, and often you are not told for what purpose you are being asked.

Mr Bills—I think the story basically originated from some of the relatives of the so-called 'ghost flight' in the West. Essentially, the journalist was told what was on our web site. I was certainly not aware that there was going to be voice material used in a *PM* program—but, anyway, that happened.

Senator O'BRIEN—Presumably, CASA were?

Mr Bills—As far as I am aware, CASA did not ring us about it either.

Senator O'BRIEN—So the protocols were not followed?

Mr Bills—In both cases the protocols are not hard and fast. I would have preferred that this one was elevated to my level and I could have talked to Bruce Gemmell or Mick Toller about it at an early stage, but that did not happen.

Senator O'BRIEN—Has the ATSB responded to CASA's March letter?

Mr Bills—Yes, we have responded to it and that is also on our web site, so I can give you a copy of that. The only thing we have not responded to yet is Mr Gemmell's memo dated 26 May because we received it so recently. But really that is a matter of doing the things it was said that CASA would do and we have said that we will monitor the take up of the aural alarms by industry.

Senator O'BRIEN—Is that the limit of the ATSB's responsibility on this issue now?

Mr Bills—Certainly we will be monitoring the uptake, yes. From our point of view, we believe that aural warnings are a useful extra defence. CASA have decided not to mandate

them but they are strongly encouraging their use, so if operators decide to fit them in the aircraft types where we believe there is the most concern then the safety outcome that we are looking for will be achieved.

Senator O'BRIEN—If the ATSB is dissatisfied and retains a concern about aviation safety and the response from CASA, is it open to the ATSB to take the matter further, for example to the minister or the secretary of the department?

Mr Bills—Yes, it is, but we would prefer to take it further with CASA first. So the normal process would be to elevate it to Mr Toller and Mr Gemmell's level before we did anything external.

Senator O'BRIEN—The minister has previously been involved on this issue. He originally wanted the issue fixed but then appeared to back off. Has the ATSB received any written or verbal approaches from the minister or his staff about this issue?

Mr Bills—Yes. The ATSB and CASA met with the minister on this issue and have done so more than once because the minister, as you say, has taken a strong interest in the matter and in making sure that it is resolved in a way that maximises the safety outcome, but in a sensible way for industry as well.

Senator O'BRIEN—How long has that involvement been running and is it still running?

Mr Bills—The minister has been involved since our initial recommendations. He takes a close interest in our higher profile reports in any case, but he certainly took an interest in those. The minister was keen to see a resolution. Certainly the resolution that I referred to in terms of CASA's letter to us dated 25 March in which they said they would do a number of things and now our monitoring of those things is something that I am sure the minister would and does support.

Senator O'BRIEN—Have you received any correspondence from the minister or his staff about this issue?

Mr Bills—A couple of years ago there was a letter from the minister to both Mr Toller and me but there has been nothing since that I can recall. I will take that question on notice, though, and if my memory has escaped me we will give you an answer.

Senator O'BRIEN—Has the ATSB considered any future role for the bureau in relation to major road accident investigations similar to the recently announced role in rail accident investigation?

Mr Bills—It depends what you mean by 'considered'. To speak frankly, it is going to take quite an effort for us to absorb and to gear up for the new rail role, and we are really focused on doing that as well as our other responsibilities. In terms of road safety, we may have had a casual discussion from time to time internally, but we have certainly done nothing formal about it with the minister or anyone else. In terms of comparable organisations overseas, only the US NTSB and the Dutch TSB have a road safety role that actually involves investigation. In fact, our road safety role is broader than the role of a number of bodies overseas. It is certainly an issue. Of course some countries do not have federal systems; in our system we do, and the states have the major road safety investigation role. That is the current position.

Senator O'BRIEN—Have there been any reports written on this policy issue?

Mr Bills—No; certainly not in Australia by ATSB. I am not sure if academics have speculated on it.

Senator O'BRIEN—What, if any, are the impediments to ATSB taking on such a role, apart from money?

Mr Bills—At the moment we do not have a legislative basis for doing so. That is probably the major impediment. Of course it is traditionally a state role. The government has not considered it.

Senator Ian Macdonald—You have got to leave the states to do something until we get rid of them.

Senator O'BRIEN—Queensland disappearing.

Senator Ian Macdonald—Queensland disappeared Tasmania many years ago. I think good government should require a relook at what state governments do, but that is perhaps not a matter for this committee.

Senator O'BRIEN—No, I think we will go well past the budget considerations if we look into that issue. I will agree with you this time.

Senator Ian Macdonald—I am glad you appreciate those sensitivities.

Senator O'BRIEN—There would be benefits, wouldn't there, Mr Bills, from a nationally consistent approach to road accident investigation, particularly to road accident investigation that related to interstate trade, major road haulage vehicles and the like?

Mr Bills—It would be a personal opinion. I am sure there would be benefits. Whether the benefits would justify the costs would need to be the subject of a significant study before you could make a sensible comment on that. I can say that in the US case major interstate bus and truck accidents are investigated as well as intermodal accidents to some extent. With the Dutch it is more a matter of training the police to do accidents, more along the lines of our no blame accidents rather than one in which the main goal is to prosecute someone or fine them.

Senator O'BRIEN—Because you have some idea of, as I understand it, the cost of the recent expansion of ATSB's investigation role in rail incidents, that will probably give you some insight into the cost of this measure. How was that figure arrived at?

Mr Bills—The rail figure?

Senator O'BRIEN—Yes.

Mr Bills—It was basically arrived at by estimating the cost of doing a number of investigations and liaising in some detail with the department of finance on the actual detail of the costings. It was a mixture of the best data we could get and the best negotiation we could muster. Of course ultimately it was a government decision.

Senator O'BRIEN—Do you think that the expansion into major road accident investigation would involve a similar cost?

Mr Bills—There are something like 1,725 deaths on our roads each year—slightly more, but it is that sort of figure. There are roughly 40 deaths a year in rail, marine and aviation. I would need to pull out the data on the interstate element, and then you could narrow it down

further from passenger cars to trucks and buses. I know there are about 200 deaths a year involving articulated vehicles. But, even with that narrowing down, you are talking about a lot more fatalities, and so I think the costs would be significantly more to have something comparable. As I said, no analysis has been done on this. That is really just off the top of my head.

Mr Yuile—As you said, Senator, obviously that is going to be a policy issue for government.

Senator O'BRIEN—On 11 February this year, the World Health Organisation convened a meeting of leaders from around the world to discuss road traffic accidents and the anticipated steep rise in road traffic related deaths. In the year 2000, 1.2 million people were killed due to road traffic accidents. The World Health Organisation estimates that this figure will double by 2020. Did anyone from ATSB or any related government department attend the World Health Organisation conference on road safety and road traffic accidents held in London in February this year?

Mr Bills—No, Senator.

Senator O'BRIEN—Is there a reason why the Australian government was not represented? Mr Yuile may be better placed to answer that.

Mr Yuile—I am not aware of any particular reason.

Mr Bills—I understand the Australian Automobile Association did have a representative there.

Senator O'BRIEN—At their cost, I presume?

Mr Bills—Yes.

Senator O'BRIEN—Is the department aware that the World Health Organisation has dedicated next year's World Health Day on 2 April as 'Safe Roads'?

Mr Bills—I did not know that. I appreciate your letting us know that. We will need to work on that in terms of using it as a lever for publicity of the problem.

Senator O'BRIEN—I take it that no planning has been done?

Mr Bills—That is correct.

Senator O'BRIEN—What has happened in relation to the development of a visitor road safety strategy? Is there a proposed implementation date?

Mr Bills—The international visitor work, as I think I mentioned at a previous hearing, is being coordinated by Queensland. At the last national road safety panel meeting I asked Queensland when they were going to finish it, and they are still engaged in doing so. Mr Motha may be able to add something further to that. As we explored last time, road safety in Australia is very much a cooperative and collaborative effort and jurisdictions have different roles and take up particular tasks. On this occasion, this task is being coordinated in a different jurisdiction and so we do have a lever to expedite it other than to encourage them to do so.

Mr Motha—Queensland Transport, as Mr Bills said, is coordinating the development of a national action plan which is to be submitted to the ATC next year. ATSB has been assisting by providing funding for the collection of data, and has provided a grant of \$25,000. The statistical research that Queensland is doing is expected to be completed by 30 September this year.

Senator O'BRIEN—ATSB is also working in conjunction with the NRTC on the development of the heavy vehicle safety strategy. What is happening in the development of that strategy?

Mr Motha—The heavy vehicle safety strategy was endorsed by the ATC this month. It has been approved and will be released shortly.

Senator O'BRIEN—When can we expect implementation to get under way?

Mr Motha—Very soon after it is released.

Senator O'BRIEN—Is there an expected date for release?

Mr Motha—I am not sure. It has been endorsed by the ATC, so it will be released very soon.

Senator O'BRIEN—Following the deaths of 65 people on the nation's roads over the Christmas holiday period, the minister for transport announced that the ATSB would undertake a study into the causes of the accidents. The result was that there was no difference between the average number of deaths on the road at that time and those at any other time of the year. Was this the first study of its kind undertaken by the ATSB?

Mr Motha—Yes.

Senator O'BRIEN—What brief was the ATSB given by the minister insofar as what he wanted to get out of the study? Was it simply to work on whether more people were actually dying on the roads during the holidays?

Mr Motha—The minister announced the study in a media release on 6 January this year. Subsequently, on 13 January, he also announced that the study would be conducted by the ATSB in conjunction with the states and territories. The idea was to look at the road toll during the Christmas and new year holiday period, and the factors that were contributing to that road toll.

Senator O'BRIEN—It is clear from the study that the average rate of road deaths is no different at any other time of the year, but it does indicate there is an increase in vehicles during holiday periods. Do you have those figures on the percentage increase in vehicles on the roads over Christmas compared to the rest of the year?

Mr Motha—There is a different pattern of exposure and risk during the holiday period. You are correct in saying that the average number of fatalities was not significantly different between the holiday period and the rest of the year. It was 4.5 deaths per day during the holiday period compared to 4.8, so there is no significant difference there. But the patterns of risk and exposure are different. For example, there are less commercial vehicles on the road, there is more long-distance travel and so forth.

Senator O'BRIEN—What about the issue of the number of vehicles on the road? I hear what you say about the different composition of the road traffic and the nature of the trips, but is that the case with the actual vehicles on the road?

Mr Motha—It is very difficult to determine that, because to do that you have to have two traffic counts. Traffic count data is very expensive and difficult to do.

Senator O'BRIEN—I understand that this information will be taken into account in the development of the national road safety action plan. Would you expect that to impact significantly on the future direction of the action plan?

Mr Motha—The study will be considered by the National Road Safety Strategy Panel, and the findings of the study will feed into future action plans.

Senator O'BRIEN—It will feed in how?

Mr Motha—For example, one of the findings of the study was that, although there was no difference in the fatality rates, evidently the enforcement during the Christmas and new year holiday period, the fatigue reduction measures and the publicity together have had a significant impact in keeping the lid on fatalities during that period. There are a number of issues in that study that will be used in terms of finetuning the action plans in the future.

Senator O'BRIEN—How much did the study cost?

Mr Motha—It was done using internal ATSB resources. I do not have an exact cost.

Senator O'BRIEN—Just a bit of light reading, I take it. The minister for transport announced last week that he would ask the states and territories at the Friday ATC meeting to support a compulsory national program of young driver education for all new provisional licence holders. The media release stated that it would be jointly led and funded by the automotive industry and the federal, state and territory governments. Can you advise what the ATC ministers' response to the proposal was?

Mr Bills—I was at the meeting. The communique from the meeting is expected to be released today and will include the agreed wording. But essentially there was a fairly positive response. Some of the detail was changed at the edges, and there will be a report back to the November ATC meeting suggesting a way forward and compiling some of the research that deals with road safety risk taking and attitudes.

Senator O'BRIEN—The minister indicated in question time this week that there was an agreement from the ATC on this proposal. Apparently the Victorian minister for transport does not concur. What is the department's understanding of the outcome?

Mr Bills—I think what I said was consistent with the fact that there was an agreement to proceed on this item and to bring a paper back in November. I also indicated that there had been some suggested finetuning at the margins, so it may well be that both ministers are saying the same thing. I have not had the advantage of seeing what either has said.

Senator O'BRIEN—I take it no work has been done within ATSB on this proposal?

Mr Bills—There was some work done in the lead-up to the ATC meeting. Certainly we have already looked at insight training, as it is called, around the world. We have had an initial look at research that has been done, also in Australia. There are some pretty interesting things

happening, including the ACT's Road Ready Plus program and AAMI insurance's Skilled Drivers of Australia one-day program. Internationally, there is material from Sweden, Finland and Denmark that is worthy of more careful consideration. We have given the minister some initial advice on that, but what is clear is that the ATC agreed that Austroads would form a working group that would look further at best practice, internationally and around Australia, and at what jurisdictions were doing and come back with a summary of that material and some suggestions for the future.

Senator O'BRIEN—When will they come back?

Mr Bills—In November 2003.

Senator O'BRIEN—So they will come back with some work on which a further decision might be taken, I take it?

Mr Bills—That is correct.

Senator O'BRIEN—Are there draft guidelines for the program yet?

Mr Bills—No, there are not. It is really at a scoping stage—that is probably the best way of describing it.

Senator O'BRIEN—Is it some sort of scoping study on the program?

Mr Bills—I think that is probably the best way to describe it—it is at a research stage, a scoping phase, with some suggestions for the future to come back in November.

Senator O'BRIEN—Is that document able to be made available to the committee?

Mr Bills—I will need to take advice on that, because it was advice that was given to the minister. I will need to consult on that.

Senator O'BRIEN—What does the consultation process on the development of this program involve?

Mr Bills—It will involve discussion certainly with the jurisdictions. I am speculating here to some extent, because it will be up to the Austroads working group. My anticipation is that it will involve discussion with jurisdictions; discussion with road safety researchers around Australia; discussion with key motoring organisations, like the Australian Automobile Association; presumably, discussion with driver trainers or their representatives; and a review of the literature.

Senator O'BRIEN—Where in the budget allocation would we find the money that the Commonwealth will commit to this program?

Mr Bills—At this stage there is no line that I can point to. It will be determined by what happens in November as to how the proposal proceeds.

Senator O'BRIEN—The minister's media release states that funding for the program would be through the automotive industry and federal, state and territory governments. Is there an understanding about how this is to be broken up or is that another area of disagreement?

Mr Bills—I would not say it is an area of disagreement; I would just say that it is an area that was not explored because these broader processes need to occur first. What is

encouraging is that the manufacturers have said that they are prepared to put some money into this, and at least one major insurance company has said the same sort of thing. If there is a way to get the parties together with an agreed education program that can do something about the fatality rate of young people, particularly males, then it will be a win-win for everyone.

Senator O'BRIEN—Is there an anticipated cost for the program?

Mr Bills—No, at this stage there is not.

Senator O'BRIEN—Are there indicative financial commitments being considered?

Mr Bills—No, because we are at the scoping phase. That would be considered subsequent to the November meeting.

Senator O'BRIEN—Is it intended to simply target young drivers or new drivers, or all drivers?

Mr Bills—The minister's proposal was to look at a one-day education program within six months of a new driver gaining a P-plate for the first time, so that could be drivers of all ages, but of course the majority will be younger drivers.

Senator O'BRIEN—As a mandated requirement to keep the provisional licence?

Mr Bills—There are various ways of dealing with it, and I think that is something that ministers will need to discuss in November. The ACT scheme uses a bit of a carrot approach, in that you can get off your P-plates earlier and be allowed to accrue more demerit points if you do their training program. That is one approach they have adopted; I am sure there are many others. But ministers need to discuss that when the scoping is being done.

Senator O'BRIEN—The truck industry has been campaigning for a national approach to heavy vehicle driver training to address what they identify as a deficiency in the industry. Has any research or study been undertaken into a comprehensive national heavy vehicle driver training scheme?

Mr Motha—I am not aware of that.

Senator O'BRIEN—Do we have any idea what such a scheme might cost?

Mr Motha—You mean for heavy vehicle drivers?

Senator O'BRIEN—Yes.

Mr Motha—No. It is possible that the NRTC has done some work on this, so we will take the question on notice. If we can get an answer, we will.

Senator O'BRIEN—Is the department considering anything to address what the truck industry believes is a serious and significant lack of training programs aimed at new drivers in the transport industry?

Ms Briggs—I think we should take that on notice.

Senator O'BRIEN—This lack of training is being attributed to a significant decline in the number of drivers. In considering the significant forecast increase in freight movements across Australia in the next decade or so, why hasn't the department been more proactive in looking at this driver education program as part of road safety initiatives, if indeed that is the

case? Perhaps you could take that on notice if you are not aware of what has happened to date.

Mr Bills—We should take that on notice. We have been working very closely with the NRTC on a national heavy vehicle safety strategy, and that will be released very soon—in a matter of a couple of weeks. That is quite an extensive strategy that covers heavy vehicles. The ATSB and other parts of the department have been closely involved in that, although it was coordinated by the NRTC. But we really need to take your specific question on notice.

Senator O'BRIEN—Thank you.

Ms Briggs—Last night, in questions about the Bureau of Transport and Regional Economics working paper No. 54 on regional public transport in Australia, Senator O'Brien asked the first assistant secretary of our Economic Policy and Research Division, Tony Slatyer, what the data on the bureau's information about Commonwealth concession cards was based on and whether it could be made available to the committee. Mr Slatyer advises that this data is not held by the bureau. The bureau took the information in the report directly from the Department of Family and Community Services. Any data about that department's concession card programs would need to be sought from that department.

Senator Ian Macdonald—I am aware of the correspondence between the committee and Mr Bills in relation to the coroner's hearing in South Australia. I understand that Mr Bills has spoken to some committee members, and it is thought inappropriate to further pursue this matter here. However, the response did have some matters in it that I think Mr Bills should be given the opportunity of very briefly giving a general response without going into too much detail, for reasons of which the committee is aware. I would ask Mr Bills to make a broad comment on the matters referred to him by the committee so the committee is aware of the approach without necessarily going into the detail at this time.

Senator FERRIS—Minister, since I asked the questions that provoked the response originally, I have not asked any questions in relation to this matter at this time because I understand that, in South Australia, the coroner's report is imminent, and, since the committee has not concluded its inquiry into Whyalla Airlines, I did expect that I would have some questions for Mr Bills at our next estimates hearings in relation to this issue.

Senator Ian Macdonald—I think that is the appropriate way to deal with it. However, from Mr Bills's point of view, the letter is no doubt public, and I think he should be invited to make a general response, without going into too much detail. I think the way you propose to deal with it is the right way.

Mr Bills—Yes, I really just wanted to take the opportunity to put on the record that I have read in considerable detail the response from Mr Eriksen and Mr Kernahan, which the committee seems to have got on 15 March and which was referred to me on 8 May by the committee, and there are a very large number of matters in there with which I disagree. I will be happy to go through that in some detail with the committee on a further occasion when the coroner has released his report.

[12.19 p.m.]

CHAIR—We will move to the Transport Security Division. Does anyone want to say anything profound before we start?

Ms Briggs—I think we are ready to go, Chair.

CHAIR—Thank you.

Senator O'BRIEN—Transport Security Division has responsibility for the National Transport Security Strategy, as I understand it. Is that right?

Mr Tongue—Yes.

Senator O'BRIEN—The web site says you do not have aviation security, but the opposition was told this week to include aviation security in this section of the estimates. Does that mean it has been added to this division?

Ms Briggs—I can assist at a more general level. As part of the movements to groups, we will be consolidating the security functions of the organisation and Dr Andy Turner's branch will be working with Mr Tongue as part of that. Mr Dolan may wish to add to this. The view of the department was that it would be easier for the senators on the committee to have the discussion of security all at once and we felt that it would inconvenience you less if we did it that way. Do you have anything to add, Mr Dolan?

Mr Dolan—Mr Tongue and I have worked pretty closely together, given the clear overlaps in overall transport security policy and what we are doing in aviation security. The aim of the department, for some time, has been progressively to integrate aviation security into a broader transport security framework. We thought, in that context, it was probably better to deal with all security issues together for the benefit of the committee. Dr Turner is formally accountable to me and my division, at this stage, for aviation security.

Senator O'BRIEN—When was the Transport Security Division established?

Ms Briggs—In January this year.

Senator O'BRIEN—What is this year's budget allocation for this division?

Mr Yuile—I think we intend to spend about \$1.2 million by the end of the year.

Senator O'BRIEN—Presumably, that was factored in to your allocation for 2003-04. How much was originally allocated for 2003-04?

Mr Yuile—That was part of one of the new measures—

Senator O'BRIEN—Before we get to the new measures, I am interested in the budget process. The division was established at the beginning of the year. Its budget for that part of the year was \$1.2 million. When you were going into the budget process, and you were doing your sums and deciding how much you needed and making a bid for money, what was the bid for the division for 2003-04 before you made the decision about the restructure?

Mr Yuile—I will just clarify that we are still working, as I mentioned earlier, on our budget for the coming year. That was the point I made earlier about working through our forward strategy now in the light of the new measures that we have from this budget and our previous base.

Senator O'BRIEN—I thought you told us last night that when the PBS was formulated, when the budget considerations were made, you were not as far down the track on the new structure—if I can call it that. My assumption is, therefore, that the amounts in the PBS relate to the old structure and that you would have had a bid figure for each of the divisions to give you an idea of how much you needed to operate the department. I am asking what the bid figure was for the Transport Security Division.

Mr Dolan—As I think was indicated yesterday evening, there is an ongoing budgetary process for transport security, including aviation security. There was a known starting point, including the additional money that was given in the budget last financial year for aviation security. There was a scale of activity that Mr Tongue's division was undertaking, and there was a process of government decision making about what additional resources might be required for transport security. The results, at a first approximation, were set out in the portfolio budget statements, and that is the framework we are dealing with.

Senator O'BRIEN—Can you point me to that?

Mr Dolan—It is not at that level of detail.

Senator O'BRIEN—Well what was the figure?

Mr Dolan—There was no explicit figure in the disaggregation we are talking about, but there were indicative figures which related to the costs of Dr Turner's activities in aviation security to this point, the sort of allocation that transport security was being given in this financial year and the necessary additional resources to undertake future business, related in particular to maritime security. They are reflected in components against outcomes in the portfolio budget statement.

Senator O'BRIEN—In what way are they reflected?

Mr Dolan—In terms of—

Senator O'BRIEN—There is an amount of money there, included in a sum somewhere that covers that?

Mr Dolan—That covers our estimate at the time these papers were developed of how much that was going to—

Senator O'BRIEN—And what was the estimate?

Mr Dolan—I do not at this point have a firm figure. As I said, Senator, we can talk about the indicative amounts related to the current financial year, which were factored in to the overall likely expenses of the organisation in total. But there is no explicit figure embedded in the portfolio budget statements that I am aware of.

Ms Briggs—Perhaps I can help a little. We have received as part of our budget measures some additional funding, in particular for the maritime function, and that is reflected in the aggregate funding for the transport outcome.

Senator O'BRIEN—My question is: additional to what? How do we judge whether it is additional, unless you know what you started with?

Ms Briggs—I think what we can do for you is give you on notice the base allocation plus the additionality that has come through in the budget context, to help you and other senators out.

Senator O'BRIEN—I would appreciate that. How many staff work in the transport security division?

Mr Tongue—Approximately 20 at the moment.

Senator O'BRIEN—Is that averaged or is that the current total?

Mr Tongue—That is current.

Senator O'BRIEN—Is that a growing figure?

Mr Tongue—It will depend a little on internal budget allocations in the new financial year. The bulk of the staff are working on the maritime security function, for which money has been appropriated. So, subject to internal budgeting, I would expect it to grow.

Senator O'BRIEN—So is there a profile of the transport security experience or skill sets in the transport security division that you could share with us?

Mr Tongue—Basically what we are trying to build is a series of functions that relate to our need to work with the national counter terrorism arrangements and the intelligence community—and that is a particular set of skills and background. There is the need to work with industry and to have: people who are familiar with particularly, in the maritime case, shipping but more broadly the various components of the transport sector; people who have previously been regulators and understand, if you like, the forms of regulation; and also, in the sense that a lot of what we are doing is part of a new challenge facing the nation, people we are training up, who come in with a general set of skills and who might need to be working in this area for some years to come. So we have those blocks, if you like of activity.

Senator O'BRIEN—What assessment has this division made of the additional risk from terrorist attack that we face now, compared to the one we faced before the Iraq war?

Mr Tongue—Because we are not in the aviation sector, our focus has been principally on maritime and, if you like, the land modes. We have not made a specific before and after assessment. We work under the umbrella of ASIO's overall threat advice to the government—and then the various Commonwealth decisions that are made on a whole of government basis.

Senator O'BRIEN—So no assessment has been made as to whether, for example, our ports or seagoing infrastructure are more at risk—are a bigger target, as it were—for terrorist attacks?

Mr Tongue—We are in the process of working with the intelligence community to look at the various threat levels that might pertain to ports, because that threat information is central to our ability to create the new regulatory regime that is envisaged in the budget measure.

Senator O'BRIEN—Obviously our port infrastructure would require you to liaise with state governments because of port security plans and the like.

Mr Tongue—Yes.

Senator O'BRIEN—Is there special attention being given to the presence of visiting warships and the like in that plan?

Mr Tongue—That is not our responsibility under the CT arrangements—that rests with Navy—but we are trying to build a set of close working relationships with them so that it is seamless.

Senator O'BRIEN—There must be an overlap, though, surely.

Mr Tongue—Sorry?

Senator O'BRIEN—There is potentially an overlap if there is a threat to military vessels.

Mr Tongue—Sure. What we are trying to build are those cross-government relationships that allow us to jointly assess some of those risks.

Senator O'BRIEN—I know you are working in a fairly new area, because no government has deemed a division such as this necessary in the past. What exactly is the national transport security strategy? Is it written yet? Could we find a copy of it somewhere?

Mr Tongue—We are in the process of developing the strategy. We have put to Commonwealth and state transport ministers some broad principles and some directions in the document. Basically, the strategy aims to get a relatively even response across the country in the transport sector at the various national threat levels. For example, drawing on what we have observed overseas, if you were in the trucking business, the rail business or the maritime business, we would hope the strategy could provide a platform for the Commonwealth and the states and industry to jointly agree on the broad sets of things that might be expected at each of those levels and to put in place some long-term governance arrangements so that we can learn as we go in this new security environment around the specifics in the forms of security.

Senator O'BRIEN—When you use the term 'this new security environment', are you talking about the environment created by government policy or the environment created by circumstances?

Mr Tongue—The environment created by circumstances.

Mr Yuile—The environment to which the government is responding.

Senator O'BRIEN—I just wanted to understand the context.

Mr Yuile—I understand that.

Senator O'BRIEN—The states are integrally involved in developing the strategy?

Mr Tongue—Yes, that is right.

Senator O'BRIEN—The process is being managed by your division?

Mr Tongue—Yes.

Senator O'BRIEN—Who else will be involved in the development of the strategy?

Mr Tongue—Because of the way the whole counter-terrorism system is built, we are working very closely with the states and we have formed a high-level working group with them. We are working with the various national industry associations representing the various sectors and managing that as a whole. We are also taking the work that we are doing and

reporting through to the national counter-terrorism committee, which is chaired by PM&C and involves the states, again. So, if you like, there are two loops that we are trying to close and keep together as we move forward. We are trying to focus in the role we play in aviation security and will play in working with the maritime industry around prevention. Response is managed under the national counter-terrorism arrangements, but there is a grey area between prevention and response that we are trying to manage through that dual process.

Senator O'BRIEN—Is there any estimate of the likely cost of development of the strategy?

Mr Tongue—No.

Senator O'BRIEN—I presume the strategy will specify accountabilities for aspects of security—where responsibility lies, cost wise and otherwise?

Mr Tongue—Yes. One of our key principles relates to who bears costs, and we are certainly working through the business of roles and responsibilities, so that that is made absolutely clear.

Senator O'BRIEN—Is it possible to get a list of the organisations being consulted with regard to the development of the strategy?

Mr Tongue—Certainly. I can provide you with a list.

Senator O'BRIEN—In November 2001, the Prime Minister announced the formation of the business-government task force on critical infrastructure. Did the department participate in the first meeting of that task force in March last year?

Dr Turner—Yes, we did have an officer of the department present at that meeting.

Senator O'BRIEN—Who was that?

Dr Turner—His name was John Moodie. He is the director of what is now called security planning.

Senator O'BRIEN—The task force is administered by the Attorney-General's portfolio as I understand it.

Dr Turner—That is right.

Senator O'BRIEN—The task force recommended the establishment of a trusted information sharing network and advisory council, and this was agreed by the government last November. Does this division participate in that network or advisory council?

Mr Tongue—We are working very closely with the Attorney-General's Department in the implementation of that trusted information sharing network arrangement in transport. We have recently been working with them around how the trusted information sharing network will work, given that we have got existing arrangements in place with aviation—and those are working well and are important arrangements—and given that we need to build similar information sharing arrangements in maritime, given our new role there, and given that the land side has a heavy state component. So we are working with Attorney-General's to design a model under that TISN framework for transport.

Senator O'BRIEN—The acronyms are already working. I understand that the TISN, as you call it, for critical infrastructure protection, is intended to allow the owners and operators of the critical infrastructure to share information on issues like business continuity, consequence management, information system attacks and vulnerabilities, protection of key sites from sabotage and chemical and biological threats, biological threats to water and food supplies and identification and protection of maritime assets. So presumably the transport infrastructure related organisations are involved in these processes?

Mr Tongue—Yes.

Senator O'BRIEN—This process was to establish advisory groups for different business sectors, with the Commonwealth agency with portfolio responsibility to coordinate the creation and conduct of the advisory groups for that sector. How many advisory groups have been established in the transport portfolio?

Mr Tongue—Under the formal TISN concept, none yet. Having said that, we have existing arrangements in place in aviation that are consistent with that trusted information sharing network motion. I anticipate that we will probably have three subgroups in aviation, maritime and land that will contribute to an overall portfolio trusted information sharing arrangement. The reason for that is our very heavy involvement in security regulation in aviation and our soon to be significant involvement in maritime. In working with the concept, we have some slightly more developed and advanced requirements than some other departments and portfolios.

Senator O'BRIEN—So it is a work in progress. When are we going to get there?

Mr Yuile—I think to some extent, as you said earlier, Senator, it is the responsibility of the Attorney-General's Department, and we have been working with them. Our industries have been involved in those meetings and discussions with them, and I would not say they are very happy—because none of us are happy about doing any of this work—but they are certainly very keen to participate and happy to participate in that network. To some extent the processes that the Attorney-General's Department will be putting in place are things to which we will respond, but we have certainly been consulting with our various modes and leaders in those modes, to disseminate the information and prepare them for participation, when that is finally arranged. As you mentioned, my recollection is that the original meetings were very much focused on the information economy and the vulnerabilities and the sense in which they had not been fully teased out and worked through with industry, and that was the initiative that the government took. But, as you say, critical infrastructure covers energy, transport, the food industry and those industries have certainly been involved in consultations with the Attorney-General's Department. But, going back, it is work that is in progress, but we have certainly made sure that all our key stakeholders and key industry modes have been part of the discussions and dialogue and are ready to be involved when that network is formalised. And, as Mr Tongue has said informally, that is exactly what we have been doing in establishing the new division: making sure that we are talking with, sharing information with and discussing the road ahead with those industries.

Senator O'BRIEN—We wait to see the outcome of the work in progress. Who is the department's representative on the critical infrastructure advisory council?

Mr Yuile—It has not been formally established.

Senator O'BRIEN—The council or the representational arrangement?

Mr Yuile—The council, I think. I would have to check that with the Attorney-General's Department. As Dr Turner mentioned, we have had an officer from the Aviation Security Branch—the former Aviation Security Branch—attend an early meeting. I attended a larger stakeholder group meeting, and the decision about who our representative will be on that council will be easy enough to make. As I say, I am not sure whether it has been formally established or not. I just need to check that. But neither I nor Mr Tongue have been to a meeting at this stage.

Senator O'BRIEN—It is to report to the Attorney-General, as I understand it?

Mr Yuile—Yes.

Senator O'BRIEN—Has the department been allocated any projects for development, in preparation for this advisory council performing its functions?

Mr Tongue—No.

Senator O'BRIEN—Is the department involved in any of the new national research priorities announced on 5 December 2002 by the government to research key challenges for Australia, today and into the future? In that context is the department conducting or contracting any research into future transport infrastructure security challenges?

Mr Tongue—At this stage we are not formally involved in the research projects. However, we are engaged in discussion with various parties about possible activity in the research area. At this stage we have not formally commissioned any consultancies that are looking down the track. However, there is a lot of discussion in industry around a range of new technologies, such as electronic seals on containers, the use of global positioning systems and so on, in the new technology area. We are hopeful, given a bit more life under our belt, that we will be able to start to interact with and understand those emerging technologies.

Senator O'BRIEN—Did the department send representatives to the summit in Melbourne in April this year on critical infrastructure protection?

Mr Yuile—Yes.

Senator O'BRIEN—Did the department coordinate the attendance of any transport sector representatives?

Mr Yuile—Yes.

Senator O'BRIEN—Which ones?

Mr Yuile—We had representatives from all modes: aviation, maritime, road and rail.

Senator O'BRIEN—Were there any particular organisations?

Mr Yuile—They were the peak bodies or, in the case of aviation, it was a representative from one of the private sector organisations.

Senator O'BRIEN—Could you give us a list of those on notice?

Mr Yuile—Yes, I can.

Senator O'BRIEN—Did the division contribute any papers, research or policy papers to the summit?

Mr Yuile—No, I do not believe so.

Senator O'BRIEN—Could you give us an update on the outcomes of that summit?

Mr Tongue—One of the key things that emerged at the summit was a need to ensure strong integration between private sector activity under the Trusted Information Sharing Network concept and the existing arrangements under the national counterterrorism plan between the Commonwealth and the states. It highlighted the very issue that we are trying to manage between our sectoral responsibilities for prevention and the Commonwealth-state responsibilities, particularly state responsibilities, around response. There has been subsequent dialogue within the Commonwealth and between the Commonwealth and the states to ensure that those two loops are suitably closed. That is my understanding of one of the key outcomes of the conference.

Mr Yuile—From my recollection, there was also a question about sharing confidential information. That is an issue for the private sector and also for government. That was one of the issues that was discussed and that the Attorney-General's Department is doing further work on.

Senator O'BRIEN—Could you describe the impact of the summit outcomes on the operation of the transport security division?

Mr Tongue—The whole critical infrastructure approach being coordinated out of the Attorney-General's Department is the overarching framework for the work that we are doing with the transport industries. Under the Attorney-General's Department framework, transport are responsible for the transport sector nationally and for ensuring that critical infrastructure is identified, that appropriate capacity exists in industry around preventative security and that, in those areas that we deem to be particularly vulnerable, suitable preventative security arrangements are in place or are being put in place. Basically, we are intimately involved with the whole process on a daily basis.

Senator O'BRIEN—Are you aware of the concerns of Professor Anthony Bergin, who said that, while the government had introduced some measures to combat terrorists, it 'hasn't spent enough attention on land transport'? Professor Bergin is the Executive Director of the Australian Defence Force Academy's Australian Defence Studies Centre. He said:

If you wanted to do some damage in this country, it's much easier to get hazardous goods and fertilisers and the most obvious way of delivering it is with trucks.

This stuff moves around the country by road and one could be hijacked and used as a weapon.

Obviously, the events in Bali show how effective truck bombs can be for destructive activity. Has the department spoken to Professor Bergin since these concerns were aired?

Mr Tongue—We have certainly spoken with Professor Bergin. I would have to check my diary about exactly when it was. We are certainly aware of his concerns. I take that question in two elements. One is that terrorist modus operandi often involves vehicles, like trucks. Having said that, I note that there is a limited range of things you can do in a preventative security sense to protect the sector. What we are doing in that area, so that we can get a

modicum of prevention, is that we are talking to the Australian Trucking Association about two elements: (1) industry awareness, and (2) what good basic security in the sector looks like. Some of what Professor Bergin is saying, though, relies on the quality of intelligence, and that is the business of ASIO. Bear in mind that the Commonwealth's powers here are limited because in large part land transport is regulated by the states. But we are certainly working with the states in the context of the National Transport Security Strategy framework to try and address this very issue.

Senator O'BRIEN—The professor also urged the government to consider security vetting of truck drivers. Has this been considered?

Mr Tongue—Not at this stage. It is an idea that has come out of the Department of Homeland Security in the United States, where the proposal is to screen something in the order of three million truck drivers who haul principally dangerous goods. At this stage we do not believe there is necessarily a lot to be gained from that sort of exercise, and there are huge costs for industry.

Senator O'BRIEN—What sort of implementation costs are we talking about?

Mr Yuile—It would be pure speculation.

Mr Tongue—Yes, but the costs would be high, given the need for background checking.

Mr Yuile—As Mr Tongue said, clearly, as you appreciate, the land transport regulation area is one where the states have the principal level of responsibility, and we have been working very closely with them on these issues. Indeed, as part of the national strategy, the officials group identified one of the areas as the carriage of dangerous goods—not just the safety of dangerous goods, which has been regulated for a long time, but the security side. That is an issue that was addressed internationally last December. Recommendations were included in the UN code in this area. As a result of that, the states and the Commonwealth are embarking on a process now to put in place the new arrangements with respect to security of dangerous goods—a timetable for consultation and a process to get the regulations and relevant legislation in place. This suggestion—and there are various others—about securing dangerous goods, particularly on roads, is one which I know various state governments are actually looking at. It is a tricky one, because safety and security do not necessarily coincide in this area. A typical example is that for safety purposes you might want to make sure that a truck is very well covered with signage of what it is carrying, for the purposes of any treatment or mitigation should there be an accident or whatever; on the other hand, for security reasons you might not want to do that. So you have got to balance those sorts of considerations, and that is one of the things we need done.

Senator O'BRIEN—There was a suggestion—a simple one, I would have thought—that you could install immobilisers for vehicles carrying dangerous cargo. Has that been considered?

Mr Tongue—There are some industry participants that are already going down that track. Again, the need for immobilisers would depend a little bit on the sorts of risks inherent in the cargo. So, for example, if you are regularly carrying something that is a material of high consequence then it is certainly something an operator might look at. It is not something we would necessarily at this early stage force on them, because of the cost issues involved.

Senator O'BRIEN—I am asking whether it has been considered.

Mr Tongue—It is one of the things we are looking at, yes.

Senator O'BRIEN—That is ongoing, is it?

Mr Tongue—Yes.

Senator O'BRIEN—How much do effective immobilisers cost?

Mr Tongue—I would have to come back to you with the details.

Senator O'BRIEN—How precisely would they assist in a security sense?

Mr Tongue—One of the current operational uses of them is that the vehicle sends a signal back to a central control room. The vehicle follows a preprogrammed path and, if it deviates from that path or if it is clear that the vehicle is not behaving in its normal programmed pattern, the central operations room can flick the switch and remotely immobilise the vehicle. There are a few safety issues about how and where to do it, but that is the basic technology.

Senator O'BRIEN—Is there a guide for what would be determined to be dangerous cargo?

Mr Tongue—Yes, under the existing dangerous goods regime that operates nationally and in each of the states, the various dangerous goods are classified into various levels. Having said that, with the advent of our focus on terrorism, there are certain materials that are relatively innocuous that, combined with other materials, suddenly make a bomb. That is one of the issues that we are looking at across the Commonwealth and the states.

Senator O'BRIEN—What about the professor's suggestion of satellite guided global positioning systems for tracking trucks? Obviously that is already in place with some of those immobilisers.

Mr Tongue—Yes, some industry leaders are already going down that track and it is certainly something that we are looking at.

Senator O'BRIEN—You are working on it now?

Mr Tongue—Yes, we are having a look at it.

Senator O'BRIEN—Are you doing a cost analysis?

Mr Tongue—That is one of the things we are going to have to look at.

Senator O'BRIEN—You called for the stricter monitoring of depots warehousing fertilisers and other dangerous materials. Has this been considered? The *Sydney Morning Herald* article says:

The Australian Government already monitors fertiliser and chemical stores for suspiciously large purchases.

I presume that is not this agency.

Mr Tongue—No, that is the agriculture department, AFFA. There is a body of work being done under the national counter-terrorism arrangements that is going to those materials of high consequence around the whole regulation regime, because it is not just the transport. You

need to get the whole supply chain regulation covered if you are going to truly deal with the issue.

Senator O'BRIEN—Is our current land transport security system adequate?

Senator Ian Macdonald—Are you asking this officer for an opinion?

Senator O'BRIEN—He is the officer from the transport security division. There is a lot of work being done. I presume that the department has done work on any deficiencies. That obviously is the direction of my question: is it adequate or do we have deficiencies we have to address?

Senator Ian Macdonald—I am sure the answer would be, 'Yes, it is adequate,' but you are asking for an opinion and you know that is not allowed under the rules of this committee's operation that are read out by the chairman at the beginning of every meeting.

Senator O'BRIEN—In terms of the adequacy of our transport infrastructure security, has this division done any work which points to deficiencies in that system?

Mr Tongue—There are certainly some priority areas where we are focusing our attention jointly with the states. That includes the dangerous goods that Mr Yuile mentioned and it also picks up urban mass transit systems, where the Commonwealth has no great responsibility, but we certainly recognise that is an area we need to look at.

Senator O'BRIEN—So there are some deficiencies there?

Mr Tongue—I am not sure I am saying that; what I am saying is that we recognise, in the current environment, it is prudent to ensure that we are consistent with world's best practice in those areas.

Senator Ian Macdonald—Even if there were, Senator, which there are not, I would be reluctant for officers to be giving that sort of evidence in a public hearing. If you or Mr Ferguson have particular concerns, I am sure that Mr Anderson would arrange for you to be briefed confidentially.

Senator O'BRIEN—I would have thought Professor Bergin's comments would have indicated areas for concern. I think we have just been debating some of those very areas, haven't we?

CHAIR—Thanks very much, Senator. Minister, we will now adjourn for lunch and resume in an hour.

Committee suspended from 1.00 p.m. to 2.04 p.m.

Senator O'BRIEN—Which other department or agency is involved in land transport security?

Mr Tongue—The central coordinating agencies involved in counterterrorism—Attorney-General's and PM&C and so on—have an engagement at a policy level with us. At a detailed operational level, agriculture has recently emerged as a department that we are going to spend a bit of time with.

Senator O'BRIEN—At an operational level?

Mr Tongue—Yes, to do with supply chains.

Senator O'BRIEN—And Attorney-General's and PM&C are at a policy level?

Mr Tongue—Yes.

Senator O'BRIEN—Last week the Prime Minister announced a new homeland security division in his department—that is where the policy impact will be. Has there been formal consultation about the role of PM&C, with your division's role?

Mr Tongue—We certainly work very closely with PM&C across all dimensions of preventative security. I would say that we probably have, if not daily contact, just about daily contact with them, as the area evolves.

Senator O'BRIEN—So does that impact on the resources of your division?

Mr Tongue—No, not especially. Often it is an actual help in guiding the particular priorities of the day.

Senator O'BRIEN—So none of your budget is going to move to that division?

Mr Tongue—No.

Senator O'BRIEN—I want to ask about the International Maritime Organisation's international ship and port facility security code. I will refer to that code as the ISPS. This division is responsible for implementing it, isn't it?

Mr Tongue—Yes, it is.

Senator O'BRIEN—What is the status of the implementation?

Mr Tongue—Where we are at is that in late November last year, or early December, the IMO went through its formal process to finalise the code. The federal government announced in the budget that it was going to adopt the code. We are in the process now of developing legislation to enable us to be the regulator, and we are working with industry to begin the process of conducting security assessments and making assessments of port security and so on towards the implementation date of 1 July next year.

Senator O'BRIEN—What will that mean for seafarers?

Mr Tongue—The code is principally concerned with the physical security of ships and the associated physical security of ports. There is an impact to the extent that each ship will need to have a ship security officer—that will be a role. Beyond that, my sense is that the direct impact on seafarers will be limited. Perhaps you would need to talk to the immigration portfolio about security and identity and those other sorts of things, to find out about bigger impacts.

Senator O'BRIEN—What about freight operators?

Mr Tongue—For freight operators there are multiple impacts. One is through a new requirement called the 24-hour advance manifest rule, which is through the customs system. From our side, we are certainly going to be assessing each port, including container ports, to look at their vulnerabilities and to look at the risks. That may have an impact on them to the extent that they may need to reorganise operations slightly. They may need to invest in improved access control measures—pass systems and the like, fencing and so on—so there will be an impact.

Senator O'BRIEN—So is some sort of accreditation system going to be set up for freight operators?

Mr Tongue—Not like the system that operates in the aviation sector. Our sense is that early on we need to concentrate on the physical security of ships and ports. We certainly have to do that working with Customs, who are concerned with the border control function and about the content of containers with freight. Our sense is that the international community may move over time to come back down the supply chain and start to talk about those styles of systems, but it is certainly not an immediate priority for us.

Senator O'BRIEN—What involvement does the department have in decisions relating to the air marshals program?

Mr Dolan—We are involved jointly in discussions with Attorney-General's and with industry. But the major issues to do with implementation of the program rest with the Attorney-General's Department and with the Australian Protective Service.

Senator O'BRIEN—Is there any cost to this department?

Mr Dolan—There is no direct cost, but obviously our involvement in working with the policy settings and others in the program does take up staff time.

Senator O'BRIEN—What about the program of Customs putting x-ray machines at port facilities: is this department involved in specifying any regulations or requirements related to that function or infrastructure?

Mr Tongue—No.

Senator O'BRIEN—This budget allocated \$12.2 million over two years to establish the regulatory framework to support the ISPS code and its implementation. That is a pretty significant allocation. Can you give us a breakdown of how that money will be spent in each of the two years?

Mr Tongue—It is principally going to be spent across the cost of staffing and systems. There is also a small component in there to enable us to effectively run some conferences and workshops with the industry around communications. But it is principally staffing and systems.

Senator O'BRIEN—How much is allocated for staffing?

Mr Tongue—In the overall allocation in the portfolio budget statement, in this coming financial year we have a capital component of \$3 million and we have \$4.9 million for general departmental expenditure. In the following year the capital component is \$300,000 and the bulk of the funding is for staffing—or for departmental. At this stage I cannot give you a definite breakdown in terms of numbers of people, because some of the people we are going to have to get on board to implement this regime are going to have specialist skills—marine surveyors and engineers and so on, and until we have gone to the market and tested what that is going to cost I am just not sure how that is going to pan out in terms of overall numbers.

Senator O'BRIEN—Are those numbers included in the figures on page 39 and/or 63 of the PBS? I want to know if they are additional to those numbers.

Mr Dolan—That outcome is actually on page 39. It is outcome 1, and that budget measure is included in the total figures there in both the contribution to operating expenses and to capital resources.

Senator O'BRIEN—So, it is \$4.9 of that \$101.5 million price of outputs figure? In the operating expenses price of outputs figure, the figure of \$101,530,000 includes the \$4.9 million that Mr Tongue referred to as the departmental allocation?

Mr Dolan—Yes.

Senator O'BRIEN—And the figure for 2004-05 is within the \$102,297,000?

Mr Dolan—That is correct.

Senator O'BRIEN—Therefore, the departmental injections contained \$3 million capital for 2002-03 and \$300,000 capital for 2004-05?

Mr Dolan—Yes. The departmental equity injections do include the capital elements of the overall contribution to transport security.

Senator O'BRIEN—So this is not just about establishing a regulatory framework; it is putting in place an infrastructure for the system?

Mr Tongue—It includes an anticipated amount that we will need to spend to have an IT system that will enable us to interact with the various port facilities and the port owners and operators and shipowners and operators.

Senator O'BRIEN—Does that include hardware and software?

Mr Tongue—It does not include hardware.

Senator O'BRIEN—So you will be using the existing departmental hardware?

Mr Tongue—Yes.

Senator O'BRIEN—What sort of software are we talking about here?

Mr Tongue—We are in the process of working through the detail of the software at the moment. We anticipate that it will be fairly standard web enabled database style software, configured for our particular needs so that we can receive information, store it, retrieve it and those sorts of things.

Senator O'BRIEN—Apart from the software, what else will the \$3 million capital injection purchase?

Mr Tongue—It includes an allocation for some office fit out to accommodate some of the people associated with the measure.

Senator O'BRIEN—Will they all be located in Canberra?

Mr Tongue—No, some of them will be located out in regions.

Senator O'BRIEN—Can you give me a breakdown of the \$3 million—how much for—

Mr Tongue—Roughly half and half—there will be \$1½ million for IT and \$1½ million for the physical fit out.

Senator O'BRIEN—And in the following year what will the \$300,000 be spent on?

Mr Tongue—That is a maintenance amount associated with the IT.

Senator O'BRIEN—So it is not the intention to recoup those costs from the maritime industry?

Mr Tongue—Not at this stage, no.

Senator O'BRIEN—Which regional offices are going to be the subject of investment?

Mr Tongue—At this stage we are looking at investing in those regional offices where we already have people associated with the aviation security function—so it will be the capital cities principally.

Senator O'BRIEN—All of them or particular ones?

Mr Tongue—All of them.

Senator O'BRIEN—So they will be co-located, will they?

Mr Tongue—Yes.

Senator O'BRIEN—With which other departmental functions?

Mr Tongue—With the aviation security functions.

Senator O'BRIEN—Could you tell us on notice where those offices are?

Mr Tongue—Sure. We can get that information for you. In fact, Martin might be able to help you.

Mr Dolan—We have aviation security offices located in the mainland state capitals.

Senator O'BRIEN—I was looking for a bit more precision than that.

Mr Dolan—We will give you details of numbers and locations.

Senator O'BRIEN—Are the fit-out changes required simply because of the new IMO security code?

Mr Tongue—Yes. We are adding new people into the system and we have to—

Senator O'BRIEN—From your earlier answers, I take it that there is no intention to cost recover—to recover from the maritime industry the cost of the implementation of the code?

Mr Tongue—Not at this stage, no.

Senator O'BRIEN—What is required of the division in the event of a major transport infrastructure terrorist attack? Does the division have any assigned role?

Mr Tongue—We play a monitoring role only, in that we offer up our resources should they be required, but response is the business of the police and emergency services; it is not our business.

Senator O'BRIEN—I imagine your responsibility for preventing these sorts of disasters would be in maintaining security systems through a regulatory role?

Mr Tongue—Certainly through our regulatory role we have a responsibility to ensure that private industry is maintaining adequate preventative security.

Senator O'BRIEN—I guess that means that that becomes the responsibility of the federal minister?

Mr Tongue—Our performance as a regulator does, yes.

Senator O'BRIEN—In December last year the minister announced an aviation security package, and the only government money in that announcement was the \$4.6 million cost of upgrading security at Christmas and Cocos Islands. Can you confirm that announcement, which was by media release on 11 December?

Mr Dolan—The government's announcement in relation to additional Commonwealth resources in the media release is reflected in the budget.

Senator O'BRIEN—Whereabouts?

Mr Dolan—The funding is dealt with under outcome 2 for territories and local government. That is the area that is implementing it.

Senator O'BRIEN—Can you give me a page number?

Mr Tongue—Pages 21 and 45.

Dr Turner—It is in the table on page 21, Senator, towards the bottom—about three up from the bottom. Then on pages 45 and 46 there are references to screening at Cocos and Christmas.

Senator O'BRIEN—So those three items should be added together, should they?

Dr Turner—No, the table is reflected in detail in the description and the measures. The measures are both expenses and capital, so if you add all that together it becomes \$4.6 million over four years.

Senator O'BRIEN—The 45 and 46 measures are \$1.3 million and \$1.7 million. That makes \$3 million. Where is the rest?

Dr Turner—In the out years.

Mr Dolan—There are two elements to it, rather like the other funding, Senator. There are operating expenses and then there are capital measures. The capital measures are the \$1.3 million in 2003-04, and the rest are operating expenses—on page 42—which show half a million in the first year and then \$0.4 million in the three further years. It is scattered across several line items in the measures, Senator.

Senator O'BRIEN—What equipment is being installed at each airport?

Mr Dolan—I do not have full details of that. The actual responsibility for the airports on these islands is with Territories and Local Government Division. They are the ones who will be implementing this measure.

Senator O'BRIEN—Can you give me a breakdown of how the \$1.7 million will be spent?

Mr Dolan—I do not have that breakdown.; I expect that Territories and Local Government would. Just to be clear, this is funding so that the Commonwealth, as an airport operator—the same as other airport operators—can meet the regulatory standards for which Dr Turner is responsible. So we are not directly involved in the actual investment to respond to the measures.

Senator O'BRIEN—After the additional estimates, the department provided an indicative breakdown of a proposed \$180 million cost of the security announcement. But we only have indicative costs of the measures in a total figure which we were supplied—category 1, Sydney, Melbourne, Adelaide, Perth, Brisbane: \$163.96 million. Can we get the actual breakdown of costs for each airport, including what the costs will cover?

Mr Dolan—We can get the breakdown of the indicative figures we had at the time, Senator. We are still finalising with the relevant airports the most cost-effective way of meeting the new standards, and so potentially that will be subject to change.

Senator O'BRIEN—Will there be any actual Commonwealth government financial contribution for the airport's costs?

Mr Dolan—No.

Senator O'BRIEN—What will the \$0.3 million capital expense in 2003-04 buy for the Aviation Security Information Management System?

Mr Dolan—That will buy us the software system—a comparable system to the one that Mr Tongue referred to earlier—that will enable us to properly gather information in relation to aviation security and to analyse it in a more efficient and effective way. It is partly a reflection of the finding of the National Audit Office that we needed a more effective and coordinated approach to dealing with that information.

Senator O'BRIEN—I thought Mr Tongue said that his system was going to cost \$1.5 million.

Mr Dolan—Mr Tongue's system is a more extensive system, starting from scratch for the maritime industry, whereas we are building on our existing arrangements in terms of aviation security, and so the development required is not so large.

Senator O'BRIEN—Why can't that be migrated across into Mr Tongue's area?

Mr Dolan—It will be in due course, but we have a scoped out system. That will be fully integrated in due course with Mr Tongue's. Which goes first is just a matter of timing.

Senator O'BRIEN—My question is: if you can upgrade your system to be similar to one that would fit the needs of Mr Tongue's division, why is it going to cost him \$1.5 million to do what is going to cost you \$300,000?

Mr Dolan—The point—which I am obviously not making very effectively—is that we have a system for dealing with the aviation industry specifically, and we want to get an IT system that supports our existing arrangements. So, in terms of the flow of information to and from the industry, we already have relations that Mr Tongue at this point does not have established. So the start up costs of that will be greater, and the figure there is recognising those baseline costs that are not built in on the maritime site at this point. But the intention, which is related to the intention to establish an integrated transport security division, is that it will be a single system and we will migrate our system into an integrated transport security system over time.

Senator O'BRIEN—I am just trying to understand why the cost is so different. Is it because there is significantly more data input or is the system for Mr Tongue's division more complex or are there product licence costs at the start?

Mr Chandler—In the maritime sector there are not well-developed security arrangements in place at the moment, so we have to create a system that will enable us to interact with the 70 ports and the 300-odd port facilities that we estimate are going to be affected—and the port community. In aviation security, a lot of that work has already been done: existing arrangements are in place. So we are going to, if you like, learn from the aviation experience, but we have to play catch up. When we are at a similar level, we will blend the systems. So, when we are out in the market purchasing a system and developing our arrangements, we will have an eye to the fact that ultimately we will migrate the two together as far as we are able, given that the two sectors have slightly different requirements, to try to generate some synergy and save some money in the long run.

Senator O'BRIEN—Will stakeholders have access to this system or information?

Mr Chandler—Some of it in good policy we would want to make available to stakeholders so that we are building a system that assists us create capacity in the industry. Some of it we would not want necessarily to be sharing with people, because of its content.

Senator O'BRIEN—Presumably, shipping and freight companies would have access to some parts of the system.

Mr Tongue—That is right.

Senator O'BRIEN—The public?

Mr Tongue—Yes, there would be information in there that would be appropriate to be publicly available.

Senator O'BRIEN—Would that require industry to have any special software or hardware to do that?

Mr Chandler—At this early stage, our feeling is probably not. We believe we will be able to mount it on existing technology, but as we get further into those aspects that might need higher security we might need to look at some different arrangements to capture that data.

Senator O'BRIEN—Is the \$1.1 million over four years for the installation and management of the new aviation and security system basically labour costs?

Dr Turner—Yes, basically. There are some licences and things like that, but it is basically the operating expenses.

Senator O'BRIEN—I understand that, while this money will be administered by the Department of Transport, it actually comes from the Safer Australia program in the Attorney-General's portfolio. Am I right there?

Mr Dolan—In the sense that it was announced as part of a broader program of security interventions, that is true, but the appropriation is explicitly to the Department of Transport and Regional Services.

Senator O'BRIEN—Is there any plan to review the current specifications for the requirement for passenger screening at regional airports?

Mr Dolan—We regularly review our standards in relation to passenger screening in the light of the changing threat environment and the risks. There is no proposal at this point to have a fundamental review of the underlying standard. We review on the basis of temporary rather than permanent change at this point.

Senator O'BRIEN—So the department still does not believe that the level of risk associated with not screening at many regional airports is an issue?

Mr Dolan—Our assessment at this point is that at the underlying level of risk there is not a need for screening at those ports but, as I said, we regularly review in the light of the threat environment whether temporary or interim measures may be required. We have not come to a view at this point that that is required.

Senator O'BRIEN—Has the department heard that Ballina Airport has decided not to screen passengers?

Mr Dolan—I am aware of a range of press reports about the views of various stakeholders, including Ballina Council. I have not had any official contact from Ballina Airport in relation to this matter.

Senator O'BRIEN—What about someone else from the department: did the stakeholders seek advice from the department?

Mr Dolan—Not that I am aware of.

Senator O'BRIEN—Can you check that and, if there was advice given, can you let us know?

Mr Dolan—Certainly, Senator.

Senator O'BRIEN—What happens when financial reasons preclude an airport screening, even though they think the risk is significant? Is there any program available to fund that screening?

Mr Dolan—No. The government's policy decision is that the cost of screening is the responsibility of the operator.

Senator O'BRIEN—That is all I have for this division.

[2.36 p.m.]

CHAIR—Thank you very much, ladies and gentlemen, Minister. We now move to Transport and Infrastructure Policy Division.

Senator O'BRIEN—Thank you, Mr Feeney, Mr Elliott. Can you tell me what your division's budget is for 2003-04?

Dr Feeney—That budget has not been set for the coming financial year. We are in the process of determining that at the moment.

Senator O'BRIEN—What indicative figure did you come up with in the lead up to the budget process?

Dr Feeney—The indicative budget figure that we will have for this year has yet to be set. It will be set in the near future by the executive.

Senator O'BRIEN—What was your budget figure for last year?

Dr Feeney—For last year the budget was—

Senator O'BRIEN—Sorry—what was it for this year?

Dr Feeney—For this year it was a little bit over \$5.8 million.

Senator O'BRIEN—What has the staffing allocation been for this year?

Dr Feeney—Approximately 60.

Senator O'BRIEN—The development of AusLink was a new expense measure in the 2002-03 additional estimates year and the appropriated departmental output for 2002-03 was \$1.1 million. How much is it estimated will be spent on the development of AusLink this financial year?

Dr Feeney—In this financial year all of that \$1.1 million will be spent.

Mr Elliott—We would expect to spend all of that \$1.1 million that was allocated for this financial year.

Senator O'BRIEN—Can you provide us with a breakdown of how that money has been or will be spent?

Mr Elliott—Yes, on notice, Senator. I can give it.

Senator O'BRIEN—The 2003-04 additional expense measure for AusLink has been broadened to include national transport regulation and the amount has increased to \$2 million for the department in 2003-04 and \$1.8 million as an administered program in the same year—a total of \$3.8 million. Can you explain the increase in the department's expense of some \$900,000?

Mr Elliott—In those amounts there is \$1.8 million this year for the National Transport Commission, and the \$2 million refers to the Commonwealth contribution to the establishment of a National Transport Advisory Council. There is some money for the continuation of AusLink development, at least until the issue is considered by cabinet.

Senator O'BRIEN—Where is the \$900,000 taken up?

Mr Elliott—Sorry, where are you getting \$900,000 from, Senator? I am not quite with you.

Senator O'BRIEN—I am sorry, it should be \$700,000, over and above the \$1.1 million—it is going up to \$1.8 million.

Mr Elliott—Are you looking at page 21 of the—

Senator O'BRIEN—Yes.

Dr Feeney—Sorry, Senator, the \$700,000: where does that come from?

Senator O'BRIEN—I am looking at the AusLink development output for 2002-03 at 1.1, and comparing it to the 2003-04 figure. Sorry, I have got it the wrong way around, it is the \$2 million figure I should be looking at.

Dr Feeney—Yes.

Senator O'BRIEN—So it is \$900,000.

Mr Elliott—No, I think you are confusing this year's allocation with next year's. What you are looking at on page 21 is 2003-04—

Senator O'BRIEN—Yes.

Mr Elliott—and we received at additional estimates this year—2002-03—the \$1.1 million.

Senator O'BRIEN—Yes.

Dr Feeney—The \$2 million is additional to the \$1.1 million for this current financial year.

Senator O'BRIEN—So \$1.1 million was for part of the year?

Mr Elliott—Yes.

Dr Feeney—Yes.

Mr Elliott—It covered us for last year basically.

Senator O'BRIEN—What was the \$1.8 million as an administered program for again?

Mr Elliott—That is for the National Transport Commission, which is the evolution of the National Road Transport Commission.

Senator O'BRIEN—I see from the forward summary on page 21 that no money has been appropriated for the department for AusLink development of National Transport Regulation for the out years. Is that because the decision has not yet been taken?

Ms Briggs—Yes.

Mr Elliott—That is correct, Senator.

Senator O'BRIEN—So is the amount in the administered program line of \$2.5 million in 2004-05, \$2.6 million in 2005-06 and \$2.6 million in 2006-07—

Dr Feeney—That is the NTC as well.

Senator O'BRIEN—That is for the National Transport Commission.

Ms Briggs—Yes.

Senator O'BRIEN—When is it expected that the AusLink white paper will be finalised?

Ms Briggs—We would expect it to be finalised by August.

Senator O'BRIEN—Has a summary of all submissions been prepared?

Ms Briggs—Yes.

Senator O'BRIEN—Is that available to the committee?

Ms Briggs—Yes.

Dr Feeney—All the submissions are now on the departmental website—about 550 submissions

Mr Elliott—The summary of the submissions is on the website too.

Senator O'BRIEN—I am not going to read them, but someone else will. I understand the department conducted an extensive round of consultations on AusLink. Can you provide an up-to-date list of which organisations and individuals the department consulted in relation to the development of AusLink and when they were consulted?

Dr Feeney—Yes, I think we can. We should have that detail somewhere.

Senator O'BRIEN—Is it envisaged that the implementation of the white paper will require legislative change?

Ms Briggs—Yes.

Senator O'BRIEN—What should we expect?

Ms Briggs—We are working on the understanding that we will have a new bill which will become a new piece of legislation.

Senator O'BRIEN—Replacing the existing legislation?

Ms Briggs—In time, yes.

Senator O'BRIEN—Was this division involved in the preparation of the Australian Local Government Association's review of the Roads to Recovery program?

Ms Briggs—No, that is the Transport Programs Division, Senator.

Senator O'BRIEN—This division was not involved in any way?

Ms Briggs—The review was conducted between the Transport Programs Division and the Local Government Association.

Senator O'BRIEN—Yes. To the extent that that review touched on policy issues, was there any advice sought from this division?

Mr Elliott—Not really. The Roads to Recovery program does not expire until mid-2005, I think, so it has not really been considered in the context of AusLink.

Senator O'BRIEN—So questions about that go to transport programs?

Ms Briggs—Yes.

Mr Elliott—Yes.

Senator O'BRIEN—And this division had nothing whatsoever to do with that review?

Mr Elliott—I cannot recall us being involved in it. As Ms Briggs said, it was conducted by transport programs and the Australian Local Government Association. The report is on the website, I might add.

Senator O'BRIEN—Where did the funding for the ALGA to conduct the review come from?

Ms Briggs—You will need to ask the Transport Programmes Division that. Personally, I am not aware of us providing funding, but they will know if any funding was provided by the Commonwealth.

Senator O'BRIEN—In terms of transport policy, the report calls for a doubling of the current program allocation. Has that been considered by this division?

Dr Feeney—I am sorry, I did not hear the question.

Senator O'BRIEN—As a matter of policy, the report calls for the doubling of the current program allocation for Roads to Recovery. Is that a policy matter that this division is looking at?

Dr Feeney—No, it is a responsibility of transport programs. We do not deal with all policy matters; there is a lot of policy in programs and regulation. We just deal with certain selected items of policy.

Senator O'BRIEN—In terms of policy issues, which ones are you dealing with—related to AusLink particularly?

Dr Feeney—Which ones?

Senator O'BRIEN—Yes.

Dr Feeney—I have been heavily involved in infrastructure issues in AusLink, rail issues and ARTC shipping issues and the logistics of international transport activities. They are the broad policy areas we are involved in.

Senator O'BRIEN—Does the ALGA report deal with AusLink?

Mr Elliott—I do not think it does, Senator. If there is a mention, it would only be a passing mention. We received a separate submission from the ALGA on that.

Senator O'BRIEN—The website says:

This division's role is to develop policy and approaches to infrastructure of funding and options for pooling investment programs and identify investment priorities across modes.

What policy advice has been developed?

Dr Feeney—The principal vehicle for us developing policy advice of that nature is the AusLink proposal. As you probably recall, the AusLink green paper sets out an approach to investment funding that covers basically all of the land modes, so that is a representation of our role, in a way.

Senator O'BRIEN—Can you outline the options for pooling investment programs?

Dr Feeney—As I was saying, essentially AusLink is designed to do that, so in a future scenario—assuming the government agrees or continues to propel forward the AusLink idea in a white paper—investment will come from the AusLink program, as it were, to fund projects assessed on the basis of merit, whether they are road or rail or research or involve the application of a new technology.

Senator O'BRIEN—So no priorities have been determined?

Dr Feeney—When you say 'priorities', do you mean project priorities?

Senator O'BRIEN—Yes, for pooling investment programs.

Dr Feeney—Not at this stage, no. We are yet to introduce the program.

Senator O'BRIEN—The website also says:

The key responsibilities are to develop policy for future transport infrastructure investment framework, devise programs that will implement efficient infrastructure investment taking account of the investment framework that best meets Australia's needs.

Is there a copy of the transport infrastructure investment framework document that we could see?

Mr Elliott—In terms of a transport infrastructure investment framework, our view would be that there is not a—how can I describe it—thoroughgoing model of an investment framework in Australia. AusLink is effectively the first step in getting that kind of model into place because ultimately, to have a well-rounded investment framework, you need in effect a national transport policy.

Senator O'BRIEN—So the development of that framework is on the backburner?

Mr Elliott—No, what I am saying is that we are taking the first steps towards the development of that framework.

Ms Briggs—As part of the government's white paper on transport.

Senator O'BRIEN—In relation to the proposed \$870 million for rail infrastructure work, is that a matter for this division?

Dr Feeney—Yes.

Ms Briggs—Yes.

Senator O'BRIEN—I understand that is largely to be borrowed by the ARTC, if access arrangements are resolved. Did the division conduct an assessment of this funding model?

Mr Elliott—Yes, we did.

Senator O'BRIEN—Can you tell me how it works in a budget sense?

Mr Elliott—You mean from the Commonwealth budget perspective?

Senator O'BRIEN—Yes.

Mr Elliott—There is a contribution from the Commonwealth government. There is a proposed contribution from the ARTC. There is borrowing from the ARTC and there are contributions that are, in a sense, expected from other major stakeholders.

Senator O'BRIEN—You mean rail network users?

Mr Elliott—Yes.

Senator O'BRIEN—Will the Commonwealth be underwriting the borrowing?

Mr Elliott—It will need to underwrite a portion of the borrowing, yes..

Senator O'BRIEN—How much of it?

Mr Elliott—We do not know that yet, until the precise terms of the deal are done.

Senator O'BRIEN—Is it likely to involve a bonds issue?

Mr Elliott—No, it would involve borrowing from banks.

Senator O'BRIEN—Have you compiled any analysis of various private sector infrastructure financing models—I am assuming you did banks, but there may be others.

Mr Elliott—Sorry, I did not quite—

Senator O'BRIEN—I assume that you are compiling an analysis of the bank financing model, but what about others?

Mr Elliott—The financing model was one that was put forward by the ARTC, and we looked over it to make sure that it added up, as it were, in conjunction with the department of finance. If I take your implication, we have not gone out to seek alternative sources of funding.

Senator O'BRIEN—What is the current thinking on public-private partnerships?

Mr Elliott—From the Commonwealth's perspective, public-private partnerships involve a number of risks. The Commonwealth, through the department of finance, has a set of guidelines that are used to assess proposals that involve public-private partnerships. The proposal put forward by the ARTC involves a Commonwealth authority, so it is not quite a public-private partnership in the sense that the guidelines would necessarily apply to but it has all the same been assessed by the department of finance.

Senator O'BRIEN—On page 50 of the PBS of 2003-04, the indicator of the contribution to achievement of the outcome is progress implementation of the Australian Logistics Industry Strategy. Can you tell me what the financial allocation is to deliver this strategy?

Dr Feeney—Generally, the logistics strategy was meant to be industry led and the contribution that the department is putting towards logistics is towards a facilitative role in supporting the Australian Logistics Council. It will be some staffing—

Senator O'BRIEN—In kind?

Dr Feeney—No, staffing resources from the department in Dr Dolman's branch.

Senator O'BRIEN—Who funds the Australian Logistics Council?

Dr Feeney—Who runs it?

Senator O'BRIEN—No, who funds it?

Dr Feeney—They all attend at their own expense, but the costs of setting up the meetings and the secretariat services are a departmental expense.

Senator O'BRIEN—Does the department of industry have a role?

Dr Feeney—They are not involved directly in the council, no.

Senator O'BRIEN—Do they make any contribution—financial or otherwise?

Dr Feeney—No.

Senator O'BRIEN—The members of the council do not receive any remuneration for their participation.

Dr Feeney—No, they definitely do not receive remuneration, and in all cases they fund themselves.

Senator O'BRIEN—Is there a list available of the current members, their background expertise and the term of their appointment?

Ms Briggs—I am sorry, I would like to check that with Mr Dolman. I thought we provided that to the committee last time around, so I think the committee has that already.

Senator O'BRIEN—If you have done that, then we have got it. When the minister and his colleague Minister Macfarlane announced the strategy in July last year, they said that the

strategy would deliver significant benefits to the community in terms of reduced social costs through reduced urban congestion from transport, lower prices and greater choice of goods and services in rural and remote areas. Can you tell me what outcomes of the strategy to date have reduces urban congestion.

Dr Dolman—To go back to your previous question, in terms of membership there have been some changes in membership since the last time we had Senate estimates, so we can provide a revised list.

Senator O'BRIEN—That would be great.

Dr Dolman—There have not been any specific actions taken by the council so far to reduce urban congestion.

Senator O'BRIEN—So there are no outcomes on any of the aims of the strategy?

Dr Feeney—I think it is fair to say that the Australian Logistics Council has been involved in some infrastructure issues. They provided advice in the context of AusLink. One of AusLink's aims is to address the issue of urban congestion, so there is a link there. They have also made progress on some issues in relation to rail regulation and, if those things come to fruition, a better rail system will again improve urban congestion issues.

Senator O'BRIEN—But, as I say, there are no outcomes to date?

Ms Briggs—I do not feel that is an adequate representation of the achievements of the council to date. I think it would be worth Dr Dolman taking you through the things that they have done.

Dr Dolman—The council is working to implement the Australian Logistics Industry strategy, which has 36 actions identified, both for industry implementation and for joint implementation with governments. The council has taken action on roughly half of those actions. Included among the achievements to date, as Dr Feeney has just mentioned, is the provision of advice to Australian transport ministers on national rail regulatory reform. They have also provided advice relating to the security environment—in particular, the need to improve security of dangerous goods. That has also been mentioned earlier. It has identified infrastructure priorities to the AusLink team, and one of those priorities has been improving access to ports and improving access through urban areas. They have also taken a number of actions to improve electronic commerce and e-business in the logistics field, and they have taken leadership in terms of identifying training and education issues—and they have come up with a vision and process for improving education and training in the sector and also occupational health and safety measures.

Senator O'BRIEN—In terms of the announcement in July last year, can we identify any reduction in urban congestion from transport?

Dr Feeney—As a result of the Logistics Council?

Senator O'BRIEN—Yes.

Dr Feeney—That is probably a tall order for an advisory group. The activities of the ALC are awareness raising and highlighting issues that need to be addressed by all levels of government, and I think the benefits of that will take more than 12 months to come to fruition.

Senator O'BRIEN—This is the bar set by the ministers. I am quoting the minister's announcement in July last year. The minister set the bar, you say, too high?

Dr Feeney—No, I am talking about the timing. It is not going to happen in 12 months.

Senator O'BRIEN—I am asking you about now. You might come back in 12 months' time and say, 'These are the outcomes.'

Dr Feeney—The Logistics Council has done enough work so far to indicate that they will get substantial progress on all those measures over time.

Dr Dolman—The intention was always that this would be a three-year program, so the Logistics Council is implementing those actions over a three-year period. There are two areas where I think it is already starting to contribute and I guess successful implementation of actions could well help urban congestion. One is in terms of the e-business initiative where they are looking to implement standards that will enable more efficient transport of freight by, for instance, reducing the number of movements of freight from one point to another, because you can be more accurate in terms of identifying where it needs to go and planning routes et cetera for the freight. That has the potential to reduce urban congestion. Also, at its last meeting, the infrastructure group of the Logistics Council sought to look at the lessons learned through measures implemented during the Sydney Olympics and to see which of those could be implemented further in the future. Again, that would have a beneficial effect on urban congestion.

Senator O'BRIEN—Yes, some time down the track. When will you be seeking to measure the outcomes? In three years?

Dr Dolman—No. One of the recommendations when the council was established and when the agenda was endorsed by the government was that there be an annual review. At its last meeting, held on 22 May—last week—the council agreed that it would hold its first review at the end of October. That will be in the form of an open forum for industry participants and anyone who is interested, to come along and hear how they are progressing so far and also to contribute ideas to the future work program of the council.

Senator O'BRIEN—With regard to the occupational health and safety record, which is part of the strategy, when would you expect improvements to show up in the health and safety record in the industry?

Dr Dolman—Again, they are just at the beginning of that process. What the council has done, again at this last meeting last week, is recognise that the performance is fairly poor within the logistics industry and that there is a lot information available about that performance and that we have a national occupational health and safety strategy in place. At the last meeting, the council agreed to sign on to that national occupational health and safety strategy and also to get together experts from the individual companies represented on the council and from the broader industry to identify the top six or 10 action points that can really make a difference. So at its next meeting that submeeting I guess will have taken place and they will have identified those action points and be looking to initiate actions in each of those areas. As I said earlier, it has always been the intention that these things will take time and it is planned that over the three-year life of the council we should be able to see some positive outcomes.

Senator O'BRIEN—So about July there will be this assessment—or it will start shortly—and that will tick off the achievements against the benchmark or point to the initiatives which are likely to see future achievements in the benchmark?

Dr Dolman—It was at the end of October that there will be a forum that considers that, yes. Council members will be reporting on how far they have got with those achievements and looking to when they might achieve outcomes against the other actions and also seeking advice from the broader industry about gaps that might not be being addressed, so that they can take those on board.

Senator O'BRIEN—Without the latest changes, which you are going to supply me, it is difficult to know this, but what is the gender mix and age profile of the Australian Logistics Council?

Dr Feeney—The gender mix is quite easy. Unfortunately, the nature of the transport and logistics industries is that it is not populated by many females. As a result, there is only one female on the ALC, and that is much to our regret. But that is the nature of the industry. We will have to take the question of the age profile on notice.

Ms Briggs—It is probably also important to say that in putting together the council we did talk to a number of women, but as there are so few women in this sector and they were so busy that they found their time would not be made available. So how we manage this is an interesting challenge.

Senator O'BRIEN—Are any unions involved?

Dr Feeney—There are no union members on the ALC.

Senator O'BRIEN—Where would I find data on age and gender breakdowns of the logistics industry, by sub-industry? Is that available anywhere?

Dr Feeney—We might be able to find that.

Ms Briggs—I am not sure, but probably the best source of information on this would be in the material that was put into the action agenda. We will have a look at that and we will give you the best information we can but, as you would expect, the industry is primarily male, although increasingly in some of the areas where they are managing movement of goods electronically women are engaged in those fields and do very well. There are very few women representatives—train drivers, bus drivers and so on—but improvements are occurring. In terms of age profile, there are issues around the age of the sector. In particular, the normal blue collar elements of the sector are in fact ageing, and one of the things that the action agenda identified was the need to bring into it younger people and highly skilled people—and to take them forward. There continues to be a significant place there for less skilled workers as well, but the industry engages its people in a number of skilled grades as part of training programs and so on, as I am sure you are aware.

Senator O'BRIEN—You will be pleased to hear that the publicly run public transport system in Tasmania has a proactive program of engaging women bus drivers.

Ms Briggs—I am very pleased to hear that, Senator.

Senator O'BRIEN—But it is not without controversy.

Mr Dolman—As we indicated earlier, there is information on the age and sex distribution of the transport and storage industry within the logistics action agenda. It is on pages 48 and 49 of that document.

Ms Briggs—We can copy that for you and make it available today.

Senator O'BRIEN—Thanks very much. Is the Logistics Council doing any work on the significant skill deficiencies in the industry—truck driver shortages or the like?

Dr Dolman—What the council has done is identify that there skills shortages. Again, those are detailed in the action agenda report. What they have done is come up with a strategy for the industry to improve education and training. In particular, they are looking at a model proposed by the New South Wales government originally to develop an industry based training organisation that includes vocational, education and higher education for the industry.

Senator O'BRIEN—What about the strategy to bolster the logistics capabilities of small and medium sized business?

Dr Dolman—That is one of the actions the council has not addressed yet, but it will over the three years.

Senator O'BRIEN—Is there a small business representative—or representatives—on the Logistics Council?

Dr Dolman—Yes, there are. They are there, I guess, for their personal abilities, but there are members that have experience in small and medium enterprises.

Senator O'BRIEN—That detail will be included in the material you are going to supply?

Dr Dolman—Yes, we can include that.

Senator O'BRIEN—In announcing the logistics strategy, the ministers also announced that the Commonwealth will provide support to the strategy by doing a range of things. I want to take you through each of these commitments and ask if you can provide advice on any practical outcomes or achievements to date on each one and any immediate plans. Can you also tell me which department is responsible for each of these commitments. The first refers to exploring the potential use of export assistance programs to develop the global logistics chain capabilities of Australian business.

Dr Dolman—Yes. The way these are coordinated is there is an interdepartmental committee that is looking at the government led actions. On that particular action I think AusIndustry provided support through that interdepartmental committee. We are at early stages in terms of providing support for that action.

Senator O'BRIEN—Sorry, did you say the department of industry had done that?

Dr Dolman—Yes, and AusIndustry is the particular agency.

Senator O'BRIEN—The next point referred to helping industry address identified education and training challenges.

Dr Dolman—That is an area where the council has been very active in terms of identifying industries' priorities. Also through that IDC there has been consultation with the department of education and training and also with ANTA.

Senator O'BRIEN—The next point talked about supporting the industry's use of innovation and technology.

Dr Dolman—That is an action where the particular focus of the council has been on improving interconnectivity of systems—for instance, through adoption of standards for communicating information about freight, and in particular the ANUCC standards. The National Office for the Information Economy has been very supportive and they are providing joint secretariat support to the group that is working on that. They have also provided funding for a consultancy to support that work.

Senator O'BRIEN—What about improving access to data to aid decision making in the logistics sector?

Dr Dolman—We are at the early stages in that action. The council is identifying what data is key to the industry, and we have also had some preliminary discussions with the Australian Bureau of Statistics.

Senator O'BRIEN—How is the council going about encouraging sustainable solutions?

Dr Dolman—At the council meeting last week, on 22 May, the council passed a resolution to encourage companies in the logistics sector to implement environmental management systems based around international standards—ISO-14001 series standards. Minister Anderson put out a press release regarding that action.

Senator O'BRIEN—When was that?

Dr Dolman—It was just the normal press release process.

Senator O'BRIEN—Just roughly?

Ms Briggs—Last Thursday.

Senator O'BRIEN—Thank you. Are there any projects currently in receipt of benefits under the IBTOS scheme?

Mr Elliott—There were a number of projects approved under the IBTOS scheme. As the IBTOS scheme is a revenue offset scheme or a tax concession scheme, there would be some projects that are currently receiving a benefit under IBTOS.

Senator O'BRIEN—Is that scheme still available to investors?

Mr Elliott—Technically, I suppose, yes, it is, Senator, but there has been no announcement of IBTOS rounds now for several years.

Senator O'BRIEN—Has there been any change to the criteria for gaining access to the scheme?

Mr Elliott—No. As I say there have been no new rounds announced. Essentially, they were announced by, I think, either our minister or the Treasurer.

Senator O'BRIEN—Does that mean there are no funds available; the scheme is there but there are no funds?

Mr Elliott—I am not sure if it means that, because some schemes are currently being funded, as it were—

Senator O'BRIEN—No new funds then?

Mr Elliott—as revenue offsets. But there have been no new announcements, so I suppose there are no new revenue offsets.

Senator O'BRIEN—Ms Briggs, at the last estimates hearing you said the minister wanted the rail access negotiations with the New South Wales government settled before the middle of this year, and that is fast approaching. I understand the minister has now participated in a meeting on these issues involving Minister Anderson and Minister Costa in Sydney on 1 May. Is that right?

Ms Briggs—Yes, that is right.

Senator O'BRIEN—Who else attended that meeting?

Ms Briggs—Members of the staff of the three ministers. To my knowledge, no officials were present.

Senator O'BRIEN—Do you know what issues were discussed at that meeting?

Ms Briggs—The issues as outlined in the press release, I am assuming.

Senator O'BRIEN—I understand that the minister has agreed to involve the affected unions. Do you know if that has occurred?

Ms Briggs—Yes, it has.

Senator O'BRIEN—Which unions were represented and which individuals were representing them?

Ms Briggs—The New South Wales Labour Council and the union representing tram, bus and railway workers.

Senator O'BRIEN—I think I know the one you mean.

Senator O'BRIEN—Who from the Labour Council?

Ms Briggs—He was unable to get to the first meeting, but it was Mark Lennon, Senator.

Senator Ian Macdonald—Is he one of yours?

Senator O'BRIEN—I am not sure if I know Mark Lennon.

Senator Ian Macdonald—Must be the other faction.

Senator O'BRIEN—Wrong state. How many meetings between the ministers have occurred since the New South Wales state election and when?

Ms Briggs—To my knowledge, there have been two meetings—there was the one that was referred to in the press release and then there was another one last Wednesday.

Senator O'BRIEN—Are more scheduled?

Ms Briggs—I am sure that the ministers will continue to confer on these and other issues, as the minister does with other state ministers.

Senator O'BRIEN—Did Minister Anderson provide any undertakings or guarantees to the New South Wales ministers?

Ms Briggs—I was not present at the meeting, so I cannot speak on his behalf.

Senator O'BRIEN—Is it possible to find out and let us know?

Ms Briggs—That is really a question that the minister might like to consider.

Senator Ian Macdonald—Yes, I will think about that. I will put that to Mr Anderson and see if he is prepared to do that. I assume it was a private meeting. He may not want to, but we will see what he says. Or do you already have the information from Mr Costa?

Senator O'BRIEN—I suppose I could ask him, if you are suggesting I do that.

Senator Ian Macdonald—Perhaps you could do that, but I will also ask Mr Anderson for you.

Senator O'BRIEN—It would be useful, if the minister is giving undertakings or making guarantees on behalf of the Commonwealth, for the estimates committee know about it. There is a chance there are some financial implications, if nothing else.

Senator Ian Macdonald—Yes. If there is, of course it is very legitimate for the estimates committee to know when the allocation of finance has been made.

Senator O'BRIEN—Or whether it is being reprioritised from existing budgetary allocations, as is the wont of this government from time to time.

Senator Ian Macdonald—We learnt that from your government.

Senator O'BRIEN—I am sure you learned many, many things from our government.

Senator Ian Macdonald—If you can remember back that far.

Senator O'BRIEN—Yes, I can. What is the status of the \$50 million from Pacific National? Is it still on the table?

Ms Briggs—Yes.

Senator O'BRIEN—Is it subject to specific conditions?

Ms Briggs—I think we have been through this at previous estimates hearings, Senator.

Senator O'BRIEN—Have they changed?

Ms Briggs—No.

Senator O'BRIEN—Has Minister Anderson given the New South Wales government any commitments on regional jobs?

Ms Briggs—As I said, I am not aware of the minister undertaking any commitments on this issue.

Senator O'BRIEN—What is the Commonwealth's commitment to the quality of maintenance work on the track?

Mr Elliott—That would be something that the ARTC would take up. Obviously, in putting forward a proposal to invest money in the track, it is looking to improve the maintenance of the track. That is part and parcel of making the whole system more commercial.

Senator O'BRIEN—The Commonwealth does not have any intention of being involved in track maintenance?

Mr Elliott—No, the ARTC is a corporatised entity and it will determine the requirements for maintenance, as it does presently on the track that it controls.

Senator O'BRIEN—What level of consultation or involvement has there been of non-government rail operators in the negotiations? Have they been consulted; have they been involved?

Ms Briggs—Certainly they have not been involved in the negotiations we have had with the New South Wales Government, but as a matter of course there are discussions between the ARTC and various above rail users over time, and they continue. As you would imagine, this lease would be part and parcel of that.

Senator O'BRIEN—Can we get a breakdown of where the \$870 million investment—which is supposed to be ready to fly once these negotiations are completed—is coming from

Mr Elliott—I do not think we could give you that at this stage, because we could jeopardise negotiations that are effectively commercial negotiations until—

Senator O'BRIEN—That the Commonwealth is having?

Mr Elliott—Yes, with New South Wales. As I was saying before, because the ARTC will need to borrow, we will need to talk to other stakeholders. There are going to be commercially negotiable issues involved.

Senator O'BRIEN—I understand that only \$111 million has been guaranteed from the federal government. Is that right?

Mr Elliott—Not quite. There is \$111 million listed as an investment in the ARTC. There is also some additional money that was formerly part of the main line upgrading program—about \$32.75 million, from memory—that could be made available from the contingency reserve. So the direct Commonwealth investment would be of the order of \$143 million or thereabouts. I cannot quite do the sum in my head at the moment.

Senator O'BRIEN—Pretty close.

Mr Elliott—It would be that sort of order anyway.

Senator O'BRIEN—Does the \$870 million number still include the conditional \$50 million from Civic National that came out of the sale of the National Rail Corporation?

Ms Briggs—Yes.

Senator O'BRIEN—How much is factored in from the New South Wales government?

Mr Elliott—I think we are getting back to the question that I was dodging just a minute ago and that is about the make-up of the \$870 million.

Senator O'BRIEN—They might be prepared to match the Commonwealth dollar for dollar on this one.

Mr Elliott—That would be good, Senator. I am not necessarily optimistic that they will, but that would be good.

Senator O'BRIEN—Is it intended that the federal government may underwrite borrowings for this project?

Mr Elliott—Yes.

Senator O'BRIEN—How would that underwriting be handled in a budget sense? Would it affect the bottom line of the budget?

Mr Elliott—No. At least I could take some advice on this. It would be in the form of a Commonwealth guarantee to underwrite or provide a loan guarantee.

Senator O'BRIEN—A contingent liability.

Mr Elliott—So effectively there is a contingent liability, and that would need to be reflected in the budget papers I guess.

Senator O'BRIEN—When will that appear? It does not seem to have appeared yet.

Mr Elliott—No, it would not appear until such time as there is a signed agreement.

Senator O'BRIEN—Given the proposed timetable of concluding the negotiations by the middle of the year, does that mean the portfolio additional estimates statement will have to show that revision—if agreement is reached by the middle of the year?

Ms Briggs—It depends ultimately on the drawing down of any loan moneys—when that should occur and when the new arrangements would commence. So it is really an issue around timing for those guarantees, and we could not be specific that that would be in place by additional estimates—in fact, I would strongly doubt it.

Senator O'BRIEN—That concludes the questions I have for this division.

Ms Briggs—Thank you, Senator. If I may, I will table, for the benefit of the committee, the latest Australian Logistics Council membership.

[3.35 p.m.]

ACTING CHAIR—We will now meet officers of the Transport Regulation Division. I welcome the officers to the table. Senator O'Brien, are you leading the questions here?

Senator O'BRIEN—Unfortunately, I am. Can you tell me what the budget for the division was this year?

Mr Bill Ellis—Yes. Our divisional operational budget was \$14.7 million, broken down into employee expenses and supplier expenses.

Senator O'BRIEN—How much of that was employee expenses?

Mr Bill Ellis—About \$8.7 million.

Senator O'BRIEN—What was the staffing level?

Mr Bill Ellis—We have on deck at the moment about 115 staff. There are some staff who are inoperative—on long-term leave or secondments or whatever.

Senator O'BRIEN—Are they included in the 115?

Mr Bill Ellis—No, 115 is about what is at the desk at the moment.

Senator O'BRIEN—It seems you know where everyone is, Mr Ellis.

Mr Bill Ellis—I wish.

Senator O'BRIEN—Did the division prepare an indicative budget ask for 2003-2004?

Mr Bill Ellis—No, we are in the same situation as the earlier divisions that you asked. That budget development is still being developed within the department.

Senator O'BRIEN—What input does the division have to that?

Mr Bill Ellis—I will expect to have a recognition of the spend in the current financial year, and I will provide information and advice on priorities and commitments that cannot be slipped or changed.

Senator O'BRIEN—If I understand the process, you have discussions about your division's budget after the budget. Is that right?

Mr Yuile—The usual process is that the divisions work on all their business plans for the year. Typically, we start obviously with where divisions have been in the current financial year, looking out. We take account of what emerges from the budget, and then work that through again, in light of the priorities, as Mr Ellis has said—those things which are commitments or critical issues that we need to continue with and those things which may be more discretionary. Then there is an iterative process with the executive and the divisions, as we work through the numbers. Those are the processes we will be going through, particularly when the secretary returns, in order to develop the next year's budget.

Senator O'BRIEN—Does the department use information and research produced through the work of the Australian New Car Assessment Program?

Mr Robertson—Yes, we do use that for pedestrian testing. We do not use it so much for vehicular occupant protection testing, although we do contribute by way of advice and consultation in the development of the ANCAP processes.

Senator O'BRIEN—For vehicle compliance and vehicle safety research, what resources other than ANCAP does the department use in the assessment of vehicle compliance in relation to road safety initiatives?

Mr Robertson—I think there are two parts to that question. In terms of certification assessment, I will give a figure off the top of my head—it should be reasonably close. I believe we would have approximately 12 staff, who would be engaged primarily in the activities associated with the assessment of applications to gain approvals to fix identification plates to vehicles.

Senator O'BRIEN—What about safety research?

Mr Robertson—Working on safety research, we have the equivalent of 2½ full-time staff and we expect to spend about \$200,000 this year on physical testing.

Senator O'BRIEN—Is there an identifiable budget allocation for spending on vehicle compliance and vehicle safety research?

Mr Robertson—No, there is not. That is within the overall allocation for the division that Mr Ellis mentioned. The allocation for the branch is \$4.8 million, and that covers certification, research, the registered automotive workshops scheme, safety investigations and recalls and the administration of imports.

Senator O'BRIEN—Historically, what has been the trend with that allocation—has it been static or has it gone up or down? Has it moved with inflation or has it been all over the place?

Mr Bill Ellis—It has tended to be stable, but it certainly has not been increasing.

Senator O'BRIEN—In real terms or nominal terms?

Mr Bill Ellis—We would have to go back and check on the actual figures but there has—

Senator O'BRIEN—Can you supply the actual figures? They are obviously easily available.

Mr Bill Ellis—We have estimates, I suspect. But in terms of some of the questions you asked earlier of other parts of the department, there has not been any money going into this activity in recent years.

Senator O'BRIEN—Has the funding been maintaining its real value?

Mr Ellis—In broad, yes.

Senator O'BRIEN—I will look forward to that information you are going to get for me. In the National Road Safety Action Plan, there is a commitment to a campaign to promote awareness of the Australian New Car Assessment Program, safety ratings and used vehicle safety ratings. What will that entail?

Mr Robertson—That is really an ATSB question. The administration of that strategy is really shared between the Commonwealth and the states via the National Road Safety Strategy Action Panel.

Mr Bill Ellis—But we will take that on notice and refer it back to ATSB.

Senator O'BRIEN—What financial commitment has this government made to the Australia New Car Assessment Program?

Mr Robertson—For pedestrian testing, in the current year I think we spent \$50,000. I can confirm that for you, but that is the figure.

Senator O'BRIEN—Historically, there would not be much of a history.

Mr Robertson—Historically, in the previous year—again, I will have to have to confirm this—the figure that was committed was about \$300,000. Before that, we did not contribute to the program.

Mr Ellis—I am not too sure whether we have done this before for you. We might pull out a description of that assessment program. It is not a Commonwealth government supported, endorsed or promoted activity. Would that assist?

Senator O'BRIEN—I thought the Commonwealth promoted some of the work done through ANCAP?

Mr Ellis—Yes; but in terms of driving it forward, that is not my understanding.

Senator O'BRIEN—The National Road Safety Action Plan 2003-04 indicates that the Australian Transport Commission was to be presented with proposals relating to fatigue reform for heavy vehicle operators at the end of 2002. I understand legislation has been drafted. What has happened in relation to the issue of fatigue reform for heavy vehicle operators?

Mr Hogan—The fatigue reform that is currently being facilitated by the National Road Transport Commission has been through a substantial process of public consultation. The proposal is being finalised in preparation to submit it to transport agency chief executives and then on to ministers in the coming months. Subsequent to that and to the Australian Transport Council agreeing the policy parameters of the proposal, that would be turned into model legislation.

Senator O'BRIEN—When will that happen—subject to that caveat you put on agreement?

Mr Hogan—I could not project forward on that. The NRTC process is one which has to juggle a lot of competing priorities, but it is certainly reform that has a significant amount of resources devoted to it. The proposal was intended to go forward to ministers within the next couple of months. I cannot say how quickly that would be turned into draft legislation.

Senator O'BRIEN—I was wrong; I thought legislation had already been drafted.

Mr Hogan—No, it has not.

Senator O'BRIEN—Where do the Australia Trucking Association and the Transport Workers Union sit with regard to these reforms?

Mr Hogan—In general terms, they are supportive of both the fatigue reform and the compliance and enforcement reform. As you would probably expect, they have concerns with some of the detail of both those reforms and they have made substantial inputs into the public processes of consultation that have surrounded them.

Senator O'BRIEN—In the last round of estimates, Mr Robertson, you provided some information about a report received from the Monash University Accident Research Centre on intrusive portable seatbelt warning devices. That report from Monash University Accident Research Centre: is it publicly available?

Mr Robertson—I understand it is; it was on the department's web site—the ATSB component of it.

Senator O'BRIEN—The ATSB web site?

Mr Robertson—Yes. It was withdrawn for a short while just to make some minor amendments to some of the data. I understand it has now been circulated again.

Senator O'BRIEN—At the last estimates I think you said it was very early days at the time in relation to the report, but that the report was being examined. What considerations have been given to that report since the last estimates? Is there any official response to the Monash report that you can provide?

Mr Robertson—It does not need so much an official response. It has been taken into the process being managed for the review of the Australian Design Rules, with a view to examining it as part of the development of an ADR. It is at the stage now of development of a draft regulation impact statement.

Senator O'BRIEN—Is there now a timetable for the introduction of an Australian Design Rule on warning devices? The National Road Safety Action Plan clearly states that seatbelt locks or warning devices would be in place for all new vehicles from 2005.

Mr Robertson—I learned long ago to be very cautious about timetables. What has to happen is that, when it comes into the process of review, it gets captured by the same process that is required for the development of any regulation. The draft regulation impact statement phase is a fairly rigorous process—to which we are committed through an agreement between the Commonwealth and all the states—that runs the examination through an algorithm that tests whether a regulation is necessary to achieve the objective that you want to achieve. That is what is happening now. It is quite a detailed process and it is not as straightforward as you might think. Once it passes the draft regulation impact statement phase, assuming it passes that hoop, it can then go into the public consultation phase, and you have normally got four to six months, depending on whether any issues are brought forward there.

The other complication with this proposal is that it would involve developing a unique regulation, and our commitment under the WTO agreement on technical barriers to trade is that we will adopt international regulations where we can. So we would have an obligation to take this through the international process so it becomes an international regulation which we can then take into our domestic law.

Senator O'BRIEN—Cross out 2005, then.

Mr Robertson—I would not be that pessimistic.

Senator O'BRIEN—Not quite.

Mr Robertson—But I do not think we would be looking at a six-month introduction, no. Apart from that, you need to allow lead time for the manufacturers.

Senator O'BRIEN—And importers?

Mr Robertson—I would include that in the same context.

Senator O'BRIEN—Has any cost analysis been done on mandating of seatbelt warning devices or locks?

Mr Robertson—That is what is happening now as part of the draft regulation impact statement.

Senator O'BRIEN—What are the manufacturers saying about the proposal to have these devices in all new cars by 2005?

Mr Robertson—I do not think they have commented on the 'by 2005'. They are open to the idea. They are very insistent that it is an international regulation. What we are seeing is the market responding ahead of the need for regulation. There are a number of manufacturers that do include audible seatbelt warning devices as standard equipment and it is also a means by which manufacturers can gain credits in the ANCAP testing program. So we are starting to see some effect come through there as well.

Senator O'BRIEN—The National Road Safety Action Plan also indicates that an Australian Design Rule on underrun protection for heavy vehicles is in works. What progress has been made on the ADR on underrun protection for heavy vehicles?

Mr Robertson—That is pretty much at the same stage. There is a draft regulation impact statement being prepared. We are having a little bit of trouble with some of the underlying data, but the case is being examined there as well. Assuming the cost-benefit analysis can be

substantiated and other requirements are met, we would then be able to go to public comment with a proposal for a rule.

Senator O'BRIEN—Can you give me some idea of what this Australian Design Rule is designed to do?

Mr Robertson—The underrun proposals?

Senator O'BRIEN—Yes.

Mr Robertson—Essentially there are three parts to underrun: front, rear and side. The critical ones we are looking at are side and rear. In terms of side underrun protection, what you are really looking to do there is protect against motorcyclists, cyclists or someone else moving themselves between the wheels of a heavy vehicle. The rear underrun proposal is different. What you are really looking at there is antiscalping: you would not want to run a vehicle into the back of a tray top, for example, and have it come at you at, basically, eye height and cause serious injury or death.

Senator O'BRIEN—What work is currently under way on other Australian Design Rules?

Mr Robertson—There are over 80 Australian Design Rules. We are in the process at the moment of the final stages, we hope, of the review of the ADRs that has been in progress for the last four years. The policy intent there is to harmonise where possible with international regulations developed through the United Nations Economic Commission for Europe. We have been through a series of stages on lighting emissions and braking. We have just recently gazetted—in March this year—a number of amendments to remove redundant ADRs. Another package we hope to go for public comment within the next few weeks that will make other refinements to the ADRs. We have an occupant protection package to be finalised that will put in place amendments or affirmations of major crash test ADRs. We have a heavy vehicle package as well to go to public comment before the end of the year.

Senator O'BRIEN—Does occupant protection include lap-sash seatbelts in the rear of cars?

Mr Robertson—Yes, it does.

Senator O'BRIEN—What about bullbars? I am thinking of Senator Heffernan's vehicles. Is more research being done into bullbars on four-wheel drive passenger vehicles?

Mr Robertson—Yes, there is an Australian standard now—it has just been developed—on bullbars. It has a number of provisions, the main one being it removes sharp implements like fishing rod holders and that sort of thing from the front of the bullbar.

Senator O'BRIEN—There you go.

Senator Ian Macdonald—Bullbars will still protect you if you hit the side of a bull.

Mr Robertson—They will indeed. They protect you a lot better than if you did not have one.

Senator O'BRIEN—The pedestrian protection you talked about in relation to bullbars and motor vehicle safety design: is there general work being done there?

Mr Robertson—Yes, there is. In fact, in both Europe and Japan there is quite a bit of work being done to develop pedestrian protection standards. In Japan in particular some 28 per cent of vehicle fatalities are pedestrian related; in Australia it is 15 or 16 per cent. The likely outcome is the development of an international standard. Bear in mind we are pretty good at developing standards to protect occupants within cars, which can lead to fairly aggressive designs, but they are not so good at protecting the people they hit. A bit of work is being done there. Of course, once that is developed as an international standard, we look at incorporating it into our own legislation. It probably will not be necessary because we are about one per cent of the total vehicle market, so any cars that we get would meet the standard anyway.

Senator Ian Macdonald—Do you have any statistics on whether accidents with pedestrians involving four-wheel drives are greater or lesser than accidents with pedestrians in ordinary sedans?

Mr Robertson—ATSB would; that would be in the fatals file. We can take that on notice. I am sure there are breakdowns.

CHAIR—We will take a short break.

Proceedings suspended from 4.00 p.m. to 4.16 p.m.

ACTING CHAIR—We are waiting for the minister. Perhaps someone can make a call to his office to see whether he is on his way, please.

Ms Briggs—If it would help, I could pick up on some matters from previous sessions.

ACTING CHAIR—That would help, thank you.

Ms Briggs—The first matter is that this morning Senator Collins, in I think the first question of the day, provided us with a copy of a brief that was given to the Prime Minister, dated 24 October 2001. It covered, amongst other things, the sinking of SIEVX. Senator Collins asked whether the department had provided the information which was contained in the brief that SIEVX sank in Indonesian waters. We have checked our material, and the department did not provide any information or advice on this matter, nor did it provide any comments on this section of the brief to the Prime Minister. That is for the record.

There is another matter. Senator O'Brien asked whether or not the department had provided any money to the Australian Local Government Association in relation to the Roads to Recovery review. The answer is yes. Funding of the order of \$120,000 was provided.

I have the material in relation to the age and gender distribution of the transport and storage industry—the logistics sector, in other words. It is heartening in one way but concerning in another. It confirms what I was telling you earlier about the ageing of the population within the sector. For example, the 15- to 34-year-old age group has decreased as a component of the work force, from 41 per cent in 1990 to 35 per cent in August 2000. The graph that I have here is a little difficult to read, so I am getting it fixed. I will table this material. On the positive side, the gender representation of women has increased significantly. Women now in full-time employment are 20 per cent, and in part-time employment the representation has increased to seven per cent. As I said, improvements have been shown, but there is still some way to go there. The issue of encouraging more young people back into the work force is important.

Having clarified, the amount of funding that we provided the Australian Local Government Association was actually \$150,000. Sorry about that.

Senator O'BRIEN—The 20 per cent for females was 20 per cent of the full-time work force?

Ms Briggs—Of the total employees in the sector.

Senator O'BRIEN—And seven per cent was seven per cent of what?

Ms Briggs—Of the total number of employees. As I said, I will table this once I can get the graph to read a bit easier.

Mr Yuile—I think, Senator, you will probably have a copy of the report too. I think we have mentioned the pages. It is colour coded, so that might be easier.

Senator O'BRIEN—The minister is on his way—are we going or are we waiting?

Mr Yuile—I think we can start.

Senator O'BRIEN—On page 21, the current *National Road Safety Action Plan* indicates encouragement of the 'voluntary uptake of Intelligent Speed Adaptation in both light and heavy' vehicles. What is that—cruise control or something?

Mr Robertson—Not necessarily. It is more an ATSB issue, but I will talk about it generally if you like. There is a whole raft of technologies that are becoming available, both in-vehicle and external to the vehicle, through the development of intelligent transport systems. They give the option to have speed sensing, speed control, collision avoidance and a whole range of other measures. Probably the biggest development in the in-vehicle protection area now is the sensing of an impending crash and preparing within the vehicle—movement of seats, tightening of safety belts and things like that. I imagine that what that part of the strategy is angling for is better use of intelligent transport systems. I could be wrong about that. If that is not right, I will get further feedback from the ATSB and we can provide you with an update on that.

Senator O'BRIEN—I presume this action is directed towards manufacturers.

Mr Robertson—Yes.

Senator O'BRIEN—Is that the subject of international regulation activity?

Mr Robertson—That is a good question, Senator. No, it is not but it could well be. It is an emerging area. The international regulation makers are now just starting to get a good handle on it, driven principally by the Japanese, because there is a lot of development of the technology there. The challenge is how to capture it in a regulatory context. It is not easy, because the technology moves so quickly that it is very hard for regulators to keep up with it, but, by the same token, there may be issues that the regulator needs to be aware of. For example, the potential for distraction through the use of too many such as with in-vehicle navigation and the like, and the issue of standardisation, particularly when you have vehicles that might require the use of in the radio frequency spectrum or the like. It is a new area with a fair bit of work that needs to be done before we could really understand it well.

Senator O'BRIEN—Suffice to say that, given your answers, costs of such systems could not be known.

Mr Robertson—I am sure the manufacturers would be able to give some costs for the systems they have developed. I know in the case of the high-end development, particularly Mercedes vehicles, yes, it is very costly. That is one of the reasons the vehicles cost so much. Of course, as the technology becomes more widespread, you get the economies of scale that go with that and, eventually, the cost will come down.

Senator O'BRIEN—In general, what process is used to date to identify a safety concern that may be able to be addressed through an Australian design rule? Do you act on research already undertaken, or do you specifically commission research where there is potential for implementing an Australian design rule?

Mr Robertson—Both, Senator. These days it is very much a global process. The research that we do is globally coordinated. For example, Australia chairs what is called the Internationally Harmonised Research Activities Side Impact Working Group, so we can get the benefit of leveraging resources from other economies that are doing similar work and not duplicate it. All of that process feeds in to the specialist regulatory groups that are administered under the World Forum for Harmonisation of Vehicle Regulations, which is the body that develops the international vehicle regulations. There is a series of working groups, each with specialisations—emissions, brakes, running gear, lighting, occupant protection et cetera. They take that research and develop the regulations, which are eventually voted on by signatory nations, and they form an international regulation which then can be taken into domestic regulations.

Senator O'BRIEN—Are there general parameters when regulating something as an Australian design rule? Are there specific criteria that must be met, such as cost versus safety?

Mr Robertson—Yes, there are. There is a series of domestic requirements—governed through the Council of Australian Governments' principles for regulation setting—which also take into account other requirements that are given effect through international agreements, particularly those of the WTO. For example, regulations should be international, they should be performance based where they can be and they should be subject to rigorous cost-benefit assessment. The COAG principles that I mentioned take you through a set of steps that you would need to cover off to determine why the regulation is necessary, such as establishing whether there is an example of market failure, whether the market is responding and whether there is any other way that the intent of the regulation can be achieved without actually putting a regulation in place. So it is quite rigorous. In terms of an Australian design rule, once that process is gone through there is a process of, normally, three months' public consultation and another two months for consultation with state regulatory authorities. Then it goes to vote at the ministerial council. That includes all of the state and territory ministers as well as the Commonwealth minister.

Senator O'BRIEN—Thank you for that. The minister for transport asked the House of Representatives Standing Committee on Transport and Regional Services to inquire into the potential to apply variable speed limits on the F3 Freeway and the Hume Highway between Sydney and Canberra as case studies of the effectiveness of intelligent transport systems. The report was completed in December 2002 and the government is yet to respond. The committee has recommended these highways not be used as case studies for variable speed limits. Is the department aware of the standing committee inquiry into the minister for transport's proposal

to do a case study on intelligent transport systems, namely variable speed limits on sections of the national highway?

Mr Robertson—I am sorry; that is not within my area. I think that would be a question for the ATSB.

Ms Briggs—I will correct that; it is the Transport and Infrastructure Policy Division. If you have some questions around that, we can take those on notice.

Senator O'BRIEN—Did the department make any submissions to the inquiry?

Ms Briggs—I am not aware of us making a submission but I would like to confirm that.

Senator O'BRIEN—What information does the department have in relation to variable speed limits and the implementation of intelligent transport systems, and can it be supplied to the committee?

Ms Briggs—We will take that on notice.

Senator O'BRIEN—Has the minister for transport requested the department do any research on intelligent transport systems and variable speed limits in relation to the national highway?

Ms Briggs—I will take that on notice.

Senator O'BRIEN—Has the minister asked the department to undertake an investigation into increasing the speed limit on sections of the national highway?

Ms Briggs—I will take that on notice.

Senator O'BRIEN—Has the department undertaken any research in relation to the effect of increasing speed limits on any roads?

Mr Yuile—We will have to confirm that as well.

Senator O'BRIEN—On the issue of single and continuing voyage permits, is this division responsible for issuing these permits to foreign shippers?

Mr Yuile—Yes.

Senator O'BRIEN—How much does that function cost to administer? How much did it cost this year and how much do we expect it to cost next year?

Mr Ellis—I think I answered a similar question about 12 months ago and I will try to answer it in the same context if that is sufficient.

Senator Ian Macdonald—I am sure we answer the same question every estimates committee, don't we?

Senator O'BRIEN—It cannot be the same question because we are talking about different periods of time.

Senator Ian Macdonald—Okay.

Mr Ellis—The cost to the department is the question. The cost to the department is, effectively, of one officer working full time processing the applications with the oversight of a more senior officer and some engagement by SES officers operating as the delegates. In broad

terms, that cost, off the top of my head, including some sort of overhead, would be about \$150,000 a year. That is a ballpark figure.

Senator O'BRIEN—Where is the revenue from these permits shown in the budget papers?

Mr Ellis—It is on page 98 in the PBS, in the top list, 'Taxes, Fees & Fines'.

Senator O'BRIEN—'Navigation Act 1912 - Coastal Trading'?

Mr Ellis—Yes. Six or so down shows a figure of \$250,000 estimated in those permit fees for this coming year.

Senator O'BRIEN—Can you update me on the statistics on the number of permits issued this financial year, by category?

Mr Ellis—I think we last provided the committee with information up to December 2002. In terms of single voyage permits issued for January to March 2003, there were 188. I will give you the tonnage estimate as well because I think at one stage you asked about tonnage. That is close to 2,800,000 tonnes in round figures. For the same quarter, continuing voyage permits issued from January to March this year, the figure is 18 and the equivalent tonnage figure is 563,000 tonnes.

Senator O'BRIEN—Does that mean that there were 170 single voyage permits or 188 single voyage permits? I am just not sure.

Mr Ellis—Sorry, no. The first figure I gave you was for single voyage permits for the January to March quarter 2003, and that figure was 188. In that same quarter, continuing voyage permits issued totalled 18.

Senator O'BRIEN—Is there an indicative trend by quarter that you can tell us?

Mr Ellis—No. The spread over the last 18 months to two years shows that the SVP numbers on a quarterly basis look about the same. In terms of the CVPs, they are a bit all over the place. There is nothing I can see on the face of it here.

Senator O'BRIEN—So that is the document that you have supplied us with before this but updated, is it?

Mr Ellis—Yes. That is why I gave you the figure in numbers and in tonnage, because I think you asked a similar question previously.

Senator O'BRIEN—Would it be easy to give us that document?

Mr Ellis—With the minister's permission, what I would do is look at what we gave you last time and update it.

Senator O'BRIEN—That is fine. At the last estimates, just before the closing date for submissions, the review of the Airports Act had not generated any. What was the final tally? How many submissions were received?

Ms Addison—We have received 60 submissions. The last submission was received on 1 May. We have accepted submissions after the closing date.

Senator O'BRIEN—There was a very late surge, by the sound of it. How many were received after the close of submissions?

Ms Addison—I will just check for you, Senator. I think it was in the order of 15. I will make sure that is absolutely correct.

Senator O'BRIEN—Is it the intention to publish those submissions at any stage?

Ms Addison—At the last hearing I indicated that, subject to people putting submissions in, we thought we would publish them. However, having received the submissions and having obtained legal advice, we now have agreement to put the names of the people who have put submissions in on the web site, but the submissions themselves will not be put on the department's web site. So the names of the people are there if you wanted to get a submission, and the people are willing to make their submissions available.

Senator O'BRIEN—Is that a holding pattern until the review is completed or is that intended to be the position?

Ms Addison—No, that will have to be the position, unfortunately.

Senator O'BRIEN—Why?

Ms Addison—We received a number of submissions that had certain material in them. Our legal advice was that, if we put them on the department's web site, the department could potentially be held liable. In the way that defamation laws operate, the department could become liable for having published the material. We chose the safer course—to not put the submissions up.

Senator O'BRIEN—It is a broad approach where, irrespective of the contents, you are not going to publish.

Ms Addison—That is correct.

Senator O'BRIEN—I understand in relation to those that contain potentially defamatory material, but I do not understand why you would not be able to publish the others.

Ms Addison—It really came down to the way the legal advice was framed as to the potential for liability. Even with those that you might not regard as being something that people might take offence to, placing them on our web site would create the potential for liability. If anyone had a concern about it, it would fall back on the department in terms of liability. It would expose the department in terms of liability.

Senator Ian Macdonald—The department would have enough to do without having to make assessments on every submission they get as to whether it might be defamatory or not.

Ms Addison—Yes, it is unfortunate.

Senator O'BRIEN—Has there ever been an occasion where a submission published in that way has led to action?

Ms Addison—I would have to take that on notice.

Senator O'BRIEN—If you would, please. Who made that policy decision?

Mr Ellis—I did, on advice.

Senator O'BRIEN—Who provided that advice?

Mr Ellis—It was generated within the division and within the department.

Senator O'BRIEN—So it was internal legal advice?

Mr Ellis—Yes.

Senator O'BRIEN—That is all I have for this division if no-one else has anything. We are moving to the Transport Programs Division, as I understand it.

[4.40 p.m.]

CHAIR—I welcome witnesses from the Transport Programs Division to the table.

Senator CROSSIN—Just to give you an idea of where we are going, my question looks at the Roads to Recovery and the AusLink area. Ms Briggs, you said before that the division was involved in the preparation of the ALGA review of the Roads to Recovery program; is that correct?

Ms Briggs—Yes, that is right.

Senator CROSSIN—Did the department engage a consultant to prepare the report on behalf of ALGA and the department?

Ms Varova—The department did the review collaboratively with the Australian Local Government Association and provided funds for that purpose to the ALGA.

Senator CROSSIN—There was no consultant involved between yourself or ALGA?

Ms Meakins—My understanding is that the Australian Local Government Association did employ a consultant to work on the review.

Senator CROSSIN—That was a consultant employed by ALGA rather than by the department or employed jointly by you?

Ms Meakins—The consultant was employed by the Australian Local Government Association.

Senator CROSSIN—Do you know who that was?

Ms Meakins—My understanding is that Mr Peter Rufford was engaged by the Australian Local Government Association, and possibly one or two others.

Senator CROSSIN—The ALGA were funded \$120,000.

Ms Briggs—I have corrected that, Senator; \$150,000.

Senator CROSSIN—Was it \$150,000 to conduct the review; is that correct?

Ms Varova—That is right.

Senator CROSSIN—Was the department satisfied that this report was an impartial assessment of the program?

Ms Varova—Yes. It was an analysis of how the funds had been expended. There were widespread consultations with local governments, which were reflected in the report. The analysis, in essence, looked at the value that the funds had brought to local government. We were satisfied that an attempt to ensure that all views on the program and all activities in the program were reflected.

Senator CROSSIN—You believe it was an impartial assessment of the program?

Ms Varova—Yes, I do.

Senator CROSSIN—What was the final costing of completing it?

Ms Varova—We have paid out to date \$140,000. There is \$10,000 yet to be provided to the ALGA.

Senator CROSSIN—Have the ALGA acquitted the grant yet? Do they need to acquit it?

Ms Varova—I will have to check that. I do not think they have acquitted the full grant yet because we have not paid out all the moneys, but I will check. We obviously have regular reports from them but not full acquittal.

Senator CROSSIN—When is the outstanding amount due to be paid?

Ms Varova—It will be this financial year.

Senator CROSSIN—By 30 June?

Ms Varova—Yes.

Senator CROSSIN—What is causing the delay in paying that? Was the money paid in stages?

Ms Varova—Yes, it was.

Senator CROSSIN—What are you waiting on to pay this last stage?

Ms Varova—I think it would be the final report, but I will confirm that.

Senator CROSSIN—Do you have a breakdown of how that money was spent? How was it given to the ALGA?

Ms Varova—I would have to take that on notice, Senator.

Senator CROSSIN—In what way does this report relate to AusLink? How does the department see it being related to AusLink?

Ms Varova—This report has been conducted in the context of the Roads to Recovery program. It was not conducted in the context of AusLink at all.

Ms Meakins—We did ask for the review timetable to be brought forward so that any lessons learnt from the Roads to Recovery program could be utilised in the development of AusLink. The review was planned to be conducted and completed somewhat later than this, but we did ask for the review to be brought forward so that the lessons learnt could be utilised in the planning for AusLink.

Senator CROSSIN—But the department sees the Roads to Recovery program as being quite separate from AusLink? Or, because of your answer, Ms Meakins, do you in some way now find that one can lead or could possibly lead into the other?

Ms Briggs—The minister has indicated that consideration of the future of the Roads to Recovery program would not be had in the context of the preparation of the AusLink white paper. In other words, the program does not end at the moment. It ends at the end of—

Ms Varova—2004-05.

Ms Briggs—Yes, at the end of 2004-05. So there is no urgency to take a decision on the future of that program.

Senator CROSSIN—I guess I am not actually asking about the future of the program but about whether or not you see that program being linked to AusLink in some way.

Ms Varova—It is a self-contained program.

Senator CROSSIN—So the answer is no, that you do not see it linked to AusLink?

Ms Varova—Insofar as all of the transport programs are linked and need to come together in an integrated fashion, but only in that broad strategic sense. However, the Roads to Recovery program is a separate program for a specific purpose and is therefore not specifically linked to AusLink.

Senator CROSSIN—Are there any things out of this report where the department has made an assessment that might inform the AusLink white paper?

Ms Varova—The AusLink team has obviously been provided with a full report. They have been able to analyse the outcomes of the report, and I understand that has fed into their thinking to some degree. Similarly, as Ms Meakins has touched upon, in the consultations with local government, people were free to express views on AusLink in that context as well. So any comments or feedback that have come through from local government on that particular topic have been fed through to the AusLink development team.

Senator CROSSIN—Do you know what particular aspects of the report have been picked up by the AusLink team?

Ms Briggs—The preparation of the white paper is not yet complete and we would not be saying one way or the other what might be in the final version of the AusLink white paper.

Senator CROSSIN—So at this stage you see the programs as being totally separate? Roads to Recovery and AusLink are two totally separate program areas? Is that right?

Ms Varova—Yes, we are managing the Roads to Recovery program on that basis.

Senator CROSSIN—Roads to Recovery ends in the 2004-05 period.

Ms Varova—That is correct.

Senator CROSSIN—Is its future beyond that date receiving any consideration either as part of the AusLink paper or in a separate forum?

Senator Ian Macdonald—I can say that it has been one of the Howard government's most successful programs. As you would know, it was legislated for. It is something that we all voted for in the Senate with respect to specific rules and regulations and amounts, but it was only ever a four-year program. Obviously it is something that the government would be looking at closely for the future, but as far as I am aware there have been no decisions made.

Senator BUCKLAND—On the point about concluding in 2005, a lot of the projects are listed for a 10-year period that goes beyond the 2005 date—they have a completion date later than 2005.

Senator Ian Macdonald—That would surprise me somewhat, but the officers might be able to comment on that.

Ms Varova—I would certainly have to check that. Certainly, by 30 June this year we would have paid out \$650 million. Our advice from local government is that we will be able to expend our funds on projects that they have put forward in the time specified. However, I am happy to check that.

Senator Ian Macdonald—I am going on some anecdotal local knowledge here, but I think a lot of councils said, ‘We’ll do that length of road over a 10-year period,’ acknowledging that the first four years would be paid for by Roads to Recovery and that they would either cajole the state governments or find their own funds to finish it in the out years. I suspect that could be an explanation.

Senator BUCKLAND—That could be an explanation. I think the concern is that projects have been listed that have gone well beyond—12 and 18 months beyond—their due completion date, even until now. The Eyre Peninsula is a region where projects had a completion date of April or May last year, and those projects look to be a long way from being completed.

Ms Varova—If you are talking about the slippage of some of the projects—

Senator BUCKLAND—I am. But if that project is behind then funding for future projects, under the Roads to Recovery program, will slip behind also. The fear of local government is that the money will not be there to even start the projects, because it goes beyond the 2005 financial year. So the replacement that Senator Crossin was asking about is vital—to have some idea of what is there to replace that money.

Senator Ian Macdonald—You would have to look at the act, which as I said went through the Senate, and what was provided with that. I do not remember that. Local government are very well aware of what the rules are, and local government have the ingenuity and flexibility to make sure. I bet there are not too many of them that do not get the full amount legislated for by the appropriate date, whatever it is.

Ms Holub—I can add to that. Slippage, obviously, does occur, but the quarterly payment and reporting takes account of that. So, in terms of any payments that we make, we look at the work schedule and the timing of that work, and then adjustments are made to the payment schedule each quarter. As our minister said, it does provide some flexibility if there is a need in a particular council area from time to time.

Senator CROSSIN—So at this stage, though, no decision has been made about any consideration to extend it beyond June 2005—is that right?

Ms Briggs—That is correct, Senator. I think it is also important to remind the committee that, in the budget last year, the government reprofiled the spending under the program so that there is an extra \$100 million in the year 2004-05. That is designed to take account of things like slippage that might occur.

Senator CROSSIN—The report calls for a doubling of the current program allocation, doesn’t it? That is one of the recommendations that I read in the executive part. It says:

A number of themes emerged—
including—

To maintain the asset at its current level of service the *Roads to Recovery* funding would need to be not only continued but twice its current level.

The report is recommending that not only should the funding continue but it should be doubled. Is that right?

Ms Meakins—Are you referring to the conclusion on page 42, Senator?

Senator CROSSIN—That is right. That is correct, isn't it?

Ms Meakins—Yes, that is certainly as it is reported.

Senator CROSSIN—Does the department support that particular finding? Given that this is a joint report prepared by this department that is before me, is that something that this department endorses? I am not asking if it is something the government is going to do; I am asking if it is something the department endorses.

Senator Ian Macdonald—Could I clarify which number this is?

Senator CROSSIN—It is No.1.

Senator Ian Macdonald—There are 15 conclusions. Is it No.1 of the conclusions? If you look, it says:

A number of themes emerged from the review. They are listed as follows—

So what they are saying is that people who made a contribution to the review—

Senator CROSSIN—I can read it, Minister, and I am sure the people sitting next to you can as well. My question is: does the department support those words in No.1?

Senator Ian Macdonald—The government will make a decision on road funding in the fullness of time, as it does every year. You are trying to say that this is the department's report and they have said it should be doubled. I am pointing out to you that they are not saying it should be doubled and neither is the review. What they are saying is that a number of themes came up during the course of the review. Obviously, people who contributed to the review are very keen on it and of course would love to see it doubled.

Senator CROSSIN—This is a report that is owned jointly by the department and ALGA. Is that correct?

Ms Varova—Yes, that is right.

Senator CROSSIN—Are the words in No.1 something that the department would dissent from?

Ms Varova—Certainly but, as the minister has said, these are the things—

Senator CROSSIN—You have dissented from it then.

Ms Varova—No, we have not dissented from it.

Senator CROSSIN—You just said 'certainly'.

Ms Varova—It is one of the themes that certainly came out. There was a very strong set of views and opinions put forward by local government about what they believe to be the adequacy of funding for maintenance. Now, where this came from might be another question.

Senator CROSSIN—You are saying that this reflects the findings? You agree that this reflects the findings; is that right?

Senator Ian Macdonald—It reflects the themes that emerged from the review. It is like saying from a review of the general public that people think that Simon should be replaced as a leader. I could report that, but it does not mean to say that I agree with it.

Senator CROSSIN—Ms Varova, I do not see in this report where the department has actually dissented from this view. You are saying that you agree that, in conducting the review, there was a view out there that the road funding should be doubled. Is that correct?

Ms Varova—Yes.

Senator CROSSIN—Is that a view that the department also believes should be the case; not the government, the department?

Senator Ian Macdonald—The department does not have a view or an opinion. In fact, as you know, under the rules of the estimates committee process, the officers are not to be asked to provide an opinion on what they think might be the situation. This is simply a report of what others said. The department put together the report, with the ALGA, and, as Ms Varova has said, certainly a theme came through from local government that that was the case. You do not need to be Einstein to know that that would be accurate.

Senator CROSSIN—What happens with these themes? What is the department going to do with them? Is this another report that will sit on the shelf and collect dust? What do you do with these themes? Are you going to look at them, analyse them and make recommendations or otherwise to the government about whether or not they should be supported? Where does it go from here?

Ms Varova—With these sorts of reports we always take into account the themes, the information and the feedback that has come through. We use not only these reports but other sources of information as strong sources for advice to the government and to ministers. We use them as bases for further research. There are multiple uses for these sorts of reports.

Senator CROSSIN—Have you done your own research as to whether or not the level of funding is adequate and whether or not it ought to be doubled if the program is offered again?

Senator Ian Macdonald—Look, Senator—

Senator CROSSIN—No, I asked if they had done research as to whether or not the program funding is adequate.

Senator Ian Macdonald—I am answering for them. Again, you do not need research—and I have said this many a time—you could spend the whole federal budget for the next 10 years on roads in one year, and there still would not be enough money for roads. The states have cut back their contribution to roads quite dramatically in the last few years, local government struggle to continue theirs and the federal government increases its contribution. You ask anyone: yes, we need more money on roads, but you have to balance that against what taxpayers are prepared to pay and what we have to pay for hospitals, health and so on. It is a question of preparing a budget. It is a contribution to roads that I know was not there and which your former leader described as a boondoggle, if I remember. Remember that—when

he opposed this, he called it a boondoggle? He obviously thought it was not necessary, but we have been committed to this and we will continue to look at road funding across the board.

Senator CROSSIN—So you have finished, have you?

Senator Ian Macdonald—I think the chair is talking.

CHAIR—Could I interrupt and just say, while you reload your gun, that Senator Allison has got a couple of questions.

Senator CROSSIN—I still would like to actually finish the questions I have got in relation to this, and I still have my previous question—

CHAIR—Senator Allison wants to have—

Senator CROSSIN—I understand that, but I have—

CHAIR—There is plenty of time, but—

Senator ALLISON—Chair, I am happy to wait for Senator Crossin.

Senator CROSSIN—Perhaps if I could get my questions answered succinctly and quickly by the people who might know about the programs, we might progress a bit faster than we are now. My question was: has the department actually conducted any research as to whether or not the amount of money allocated in the Roads to Recovery fund was adequate? The answer is either yes or no, I think.

Ms Varova—We have not conducted any specific research on that question.

Senator CROSSIN—Thank you. Page 34 of the review looks at the allocation of the Roads to Recovery between the states and territories. The report confirms that the allocation was done in two steps. The first step was to determine the allocation to each state, but it also confirms that the first step allocation was not based on the historic FAGS formula. That is correct, isn't it?

Ms Varova—Yes.

Senator CROSSIN—It was actually based on a modification of the current relativities between states in the roads financial assistance grants. Is that correct?

Ms Varova—That is right.

Senator CROSSIN—So can you provide me with information on how the relativities were modified?

Senator Ian Macdonald—Senator, when I was a minister in the relevant department—which seems light-years ago now—we went through all this and it was a decision of government. You do not have to look for any background or analysis. It was a decision of government at the time that we introduced the program. We based it upon certain criteria, and the end result was that the government made a decision. I recall that because I was involved in it at the time but, if you want a more precise thing, you should go back to the estimates at the time that we went through this—for days at an end, as I remember.

Senator CROSSIN—Ms Varova, can you provide me with information on how the relativities were modified?

Senator Ian Macdonald—No, it is well outside the area of this estimates committee, Senator. It is something that was done and fully investigated by you, as I recall, and many others three or four years ago. It is not in this year's estimates, and no work has been done this year—

Senator CROSSIN—That may well be the case, but is the department able to provide that information?

Senator Ian Macdonald—No.

Senator CROSSIN—Is the department able to provide that information?

Senator Ian Macdonald—The department will not be providing it.

Senator CROSSIN—Do you need to take that on notice?

Senator Ian Macdonald—It is not relevant to this estimates, Senator. It is something that happened three or four years ago.

Senator CROSSIN—Minister, with all due respect, there are many questions that we ask that are not perhaps particularly related to this estimates, where departments take them on notice and provide us with past figures, past advice or past information. I am simply asking if you are able to provide us with information on how those relativities were modified.

Senator Ian Macdonald—They must have got past me, because I try to keep this committee on the straight and narrow and on what it is required to do. I can assure you, Senator, if you get your research staff to go back through the estimates two, three and four years ago, you will find everything you want to know about this, because it has all been fully answered before. Your research staff are equally as competent as the department to look that up, and the department should not be put to that cost.

Senator CROSSIN—The report is labelled February 2003, so we are actually talking about money that is appropriated in this budget, because the Roads to Recovery program is still going on. Page 34 of the review talks about these relativities. Is that information able to be provided to this committee at this point in time?

Senator Ian Macdonald—I have answered that for you twice. It is a decision that was made three or four years ago. It is not something that this report is reviewing at this stage. They are saying what happened, but it is on a historical basis. Get your staff to have a go at finding all that from two or three years ago and, if they cannot, come back to me and I will get my staff to have a look at it.

Senator CROSSIN—We will simply put the question on notice. The second step, though, on page 34 talks about the standard interstate distribution methods. Is that correct?

Senator Ian Macdonald—It talks about what?

Senator CROSSIN—The standard interstate distribution methods. If you have read the report you would, of course, know that that is the case.

Senator Ian Macdonald—Just identify it for us. Which paragraph and which line?

Senator CROSSIN—We are talking about page 34 of the review, where they analyse the first and second steps in the distribution of the money to the states and territories.

Senator Ian Macdonald—Which paragraph are you talking about? We have the report in front of us.

Senator CROSSIN—The whole of page 34 talks about the analysis between step 1 and step 2. The second step followed the standard interstate distribution methods. Is that correct? That report also confirms the view that the allocation for some states, such as South Australia, has historically been low. The report confirms this. It goes on to say:

In recognition of this, the Government gave South Australian Councils a 112 per cent increase in funding under the *Roads to Recovery* Programme, well above the national average increase of 75 per cent. As a result, South Australia is receiving 8.3 per cent of the *Roads to Recovery* funds compared with 4.7 per cent under the Financial Assistance Grants Scheme.

Can you tell me how that adjustment was calculated?

Senator Ian Macdonald—It was a decision of government at the time. The FAGS distribution for roads has always been done on what I have always called a historical basis. When I became the minister, I asked what that meant and how it was put together. Nobody could tell me, because it has no basis except that that is what has always been done. When we became the government we inherited that from the previous government, which had been there for 13 years using the same sort of allocation. Nobody knew why it was there or what it was about. We simply adopted it, and it has always been too difficult to really address. What we did recognise was that South Australia was not getting a good deal, and a decision of government at the time was to try to make some adjustments in this new program that the government was determining at the time.

Senator CROSSIN—That is right. It was done to redress the problems in the Roads to Recovery program.

Senator Ian Macdonald—No, in the general FAGS money—not the Roads to Recovery.

Senator CROSSIN—So the same adjustment applies in the regular FAGS allocations. Is that correct?

Senator Ian Macdonald—No. I have just explained that. The FAGS grants for roads to each state are done on a formula that is different from the general FAGS grants. The general FAGS grants are done purely on a per capita basis. The FAGS grants for roads were done on a basis that no-one could really explain to me five years ago; it was simply a historical formulation. Nobody quite knew how it got there; it was vaguely based on length of roads and cost of doing roads. There was an agreement between governments back in the dim, dark past when the previous government was in charge. We just adopted that, but it has become obvious that South Australia was not being treated as equitably as perhaps it should have been, so the government in looking at this program made a decision to try and compensate a bit for South Australia by the formulas we adopted for this.

Senator CROSSIN—Is there any consideration being given to applying this adjustment to the regular FAGS allocations?

Senator Ian Macdonald—If you do that, you have to take it away from someone else.

Senator CROSSIN—So is that answer no?

Senator Ian Macdonald—Sorry?

Senator CROSSIN—Is that a no answer?

Senator Ian Macdonald—Has it been considered? Was that the question?

Senator CROSSIN—That is right.

Senator Ian Macdonald—Again, I cannot say whether Mr Anderson or Mr Tuckey has considered it, but I certainly did. It really would then require a complete relook at the whole FAGS system, and I do not think that is on the agenda of this government.

Senator CROSSIN—Why was that anomaly allowed to continue? If it is five years old, why was that anomaly allowed to continue under the Roads to Recovery program. Why wasn't the adjustment made prior to the money being allocated?

Ms Verova—Are you talking about the general financial assistance grants for local government?

Senator CROSSIN—No, I am talking about the anomaly that is stated in this review—why was that anomaly not corrected prior to this program being implemented?

Senator Ian Macdonald—Prior to the Roads to Recovery?

Senator CROSSIN—Yes.

Senator Ian Macdonald—I have just explained that, Senator. It is a grant that we inherited from the previous government, which was then an agreement between the Commonwealth and the states, back in the early nineties, if I recall.

Senator CROSSIN—So there is no consideration of actually changing this anomaly to any FAGs allocations in 2003-04?

Ms Verova—It is not a matter for our area to consider.

Senator Ian Macdonald—I can put that to Mr Anderson, whose area this is nowadays, and see if they want to contribute to that. All I can say is that we did think of it and I am sure it has been considered.

Senator CROSSIN—The report also only reviews the local road component of the Roads to Recovery announcement. There was also an additional \$400 million allocated, I understand, to the national highways in this announcement. Is that correct?

Ms Meakins—Roads to Recovery is a completely separate program to the National Highway funding. I am sorry, I need to correct my answer. There was a simultaneous announcement of additional funding for the National Highway.

Senator CROSSIN—It was for \$400 million, wasn't it?

Ms Meakins—That is right.

Senator Ian Macdonald—It has got nothing to do with Roads to Recovery.

Senator CROSSIN—I am actually after a breakdown of where that additional National Highway money has been spent.

Ms Meakins—We can provide that on notice.

Senator CROSSIN—Thank you. The report, I notice, goes to quite a number of statements about the Northern Territory. In fact, in the conclusions on page 46, item 10 actually talks

about the Northern Territory having unique circumstances that will need separate consideration in a future program. Were these unique circumstances ever considered when the program was being put together?

Ms Verova—I think that was one of the learnings that actually came out of the review—that all of the particular circumstances of the Northern Territory were not comprehensively addressed at that stage.

Senator CROSSIN—Has any research been done on what these unique circumstances are and what impact they have on a funding program such as this?

Ms Verova—It relates very much to the unincorporated areas in the Northern Territory. There was an understanding that the Local Government Association of the Northern Territory did execute some responsibility in administering some of the functions that a local government body might. It is quite complex and certainly it seems that there was not a full understanding of how those activities operated on the ground.

Senator CROSSIN—As a result of this review, is there going to be a much more comprehensive look at what that particularly means—other than there being a broad sweeping statement that it has got to do with the unincorporated areas? We know all that. If this program is continued, are you going to look, in detail, at what those unique circumstances are and what impact they will have on any future funding and programs such as this? Have your department done any research on it? Are you planning to look at it in more detail?

Ms Verova—We are not planning to look at it in any more detail. As I said, we have received this analysis and an understanding of the management of the program. That has provided us with a good deal of information. When it comes to preparation for any future program, that is a hypothetical situation. I am not in a position to comment on that.

Senator CROSSIN—So what has the department done to actually recognise these unique circumstances?

Ms Varova—Within the context of this program, there is very little that we could do—the legislation is in place. However, that understanding—in the general management of the broader programs and responsibilities that we have in our relationship with the Northern Territory—has been an important input over the years.

Senator CROSSIN—I think you answered me that you might look at this in terms of any future funding.

Mr Yuile—In the normal course of events, reports such as these are of course taken into account by government when it takes decisions in the future. I am sure this will be another one of those reports which will be considered carefully in that context.

Senator Ian Macdonald—If the government should decide to continue a program—and I say if because it was a four-year one-off program—then obviously we would look at ways of improving it. Certainly what is in this review would be taken into account by governments and, no doubt, the opposition. This actually went forward as legislation in the Senate. I am not sure whether you voted for it or against it, but all those things would have been considered, I am sure, by you and your colleagues at the time it went through the Senate, in the same way that it was considered by us.

Senator CROSSIN—Ms Varova, will this item that has now been brought to your attention actually influence future work in general road funding, national highway funding or any road funding?

Ms Varova—Yes, as I said.

Senator CROSSIN—Will that now be informed by the fact that it has finally been acknowledged that the Northern Territory has unique circumstances? Rather than waiting to see whether or not this particular bucket of funding will continue, will the facts of the increased isolation and the remoteness, which consequently result in higher costs, actually inform any road funding that now goes to the Territory?

Ms Varova—As I said earlier, this report will certainly feed into how we operate on a day-to-day basis in our work. The feedback we have received from local government on this particular program, and the broader feedback that they have provided, assists us in working in this program. It also assists in our relationship with our state colleagues in the national highway program and other programs. When it comes to the unique circumstances of the Northern Territory, I acknowledge that there were some specific circumstances, but we have also obviously learnt about unique circumstances in different states. So it is always a contribution to our learning process.

Senator CROSSIN—It is the Northern Territory, though, that is specifically itemised in this report, isn't it?

Ms Varova—It is, very specifically. That there needs to be a better addressing of that in the future was certainly acknowledged in the very early days of the program.

Senator CROSSIN—What is your department going to do to be ready to better address that in the future?

Ms Varova—It really depends on what we are dealing with. If we are dealing with the national highway program or the Roads of National Importance program in the Northern Territory then obviously our views, our analysis and our advice can be informed by elements of this report and other research that we do. That is how we operate.

Senator CROSSIN—So are you doing other research, or do you have plans to do other research, that might better inform your input about the uniqueness of the Territory and the circumstances there?

Ms Varova—That is not specifically on the agenda at this stage, no.

Senator CROSSIN—That is all I have in that area.

Senator ALLISON—If I could start by talking about the road safety target. As I understand it, as late as May Senator Boswell put out a release suggesting that the government was still working towards that 40 per cent decrease from 1989. What is the latest estimation of the chances of us reaching the target of 5.6 deaths per 100,000 of population by 2010?

Mr Yuile—The relevant officers were here in an earlier session of the estimates. If there is a series of questions on road safety which is part of the work of the Australian Transport Safety Bureau, we could perhaps take them.

Senator ALLISON—I will put them on notice. I was not aware of that. That is fine. Can I then turn to questions about the Albury-Wodonga national highway bypass—do we have the appropriate officers?

Senator Ian Macdonald—I would have been disappointed if you had not raised that, Senator Allison.

Senator ALLISON—Mr Cory is here in anticipation—excellent.

Senator Ian Macdonald—For a moment I thought, ‘Good heavens!’

Senator ALLISON—Could I start with the cost benefit calculations for the EIS process. As I understand it, a lot of the errors in those calculations were sorted out by the federally appointed auditors—I believe their name is Flagstaff—but that there were still some errors in the final report that was sent to the department. Can you firstly confirm that? Secondly, could you indicate which areas of the cost and benefit calculations remain unresolved to the satisfaction of Flagstaff?

Mr Cory—I am not aware that there were any remaining issues. Flagstaff signed off the Connell Wagner review of the project and they were broadly satisfied with all aspects of that review.

Senator ALLISON—So you can assure the committee that there are no remaining unresolved errors or anomalies in the costs and benefits calculations?

Mr Cory—There are none that I am aware of—certainly none that I can think of.

Senator ALLISON—Would somebody else here be more aware than you of the detail?

Mr Cory—Probably not, Senator. If I could elaborate a little: there may well be issues that have arisen or there may be views subsequent to the publication of that report and Flagstaff’s consideration and approval of it, but I am not aware of that. At the time, there were certainly no substantial issues outstanding that needed to be resolved—otherwise that clearance by Flagstaff would not have been given.

Senator ALLISON—Okay. If I can just be clear on that: you think that whatever issues might have subsequently arisen would not be from Flagstaff?

Mr Cory—No, certainly not from Flagstaff.

Senator ALLISON—If you discover that there are, could you let the committee know?

Mr Cory—Yes, Senator.

Senator ALLISON—Thank you. I understand that the costs for stage 1 of the internal bypass have now increased from \$335 million to \$400 million. Can you confirm that and can you indicate the reason for the cost increase?

Mr Cory—The figures that were given in the Connell Wagner report were in year 2000 dollars. Subsequent to that report, the RTA continued to work on further refining the design and preparing it for the initial calling of tenders.

Senator ALLISON—How many dollars are attributable to the 2000 value being upgraded to 2003? Is \$400 million the 2003 estimate?

Mr Cory—It is \$399 million. That figure is an estimate of the cost in current year dollars—that is to say, dollars as they are spent in each of the years up to—

Senator ALLISON—So it projects forward?

Mr Cory—Yes, it projects forward to approximately 2007. An inflation factor is applied to that on a year by year basis.

Senator ALLISON—So the previous estimate of \$335 million did not look forward to the 2007 date?

Mr Cory—The work of the Connell Wagner review was essentially to cost a number of options for the project. All of those options were costed as at year 2000 values, and that was the basis on which the decision was taken and the announcements were made subsequently.

Senator ALLISON—Can you advise then how much was due to further refining and how much was due to the dollar value by 2007?

Mr Cory—We have asked the RTA, which has done these calculations and done further work on the project, to give us further information to allow us to reconcile the two numbers.

Senator ALLISON—Thanks. I have heard it said that it is because concrete costs have doubled in recent times. Is there any truth to that suggestion?

Mr Cory—I do not know. I do not think I will be able to answer that until we have got the information from the RTA.

Senator ALLISON—Can you also provide the most up-to-date estimated cost currently—or is that it? Is it \$399 million as of today?

Mr Cory—I cannot give you the exact date, but it is quite a recent figure—in the last few months.

Senator ALLISON—So that is the best estimate that we currently have?

Mr Cory—It is currently the best that we have.

Senator ALLISON—Okay. Can you provide the committee with an estimate for stage 1 excluding the Bandiana link?

Mr Cory—I think I have amongst my papers figures for the Bandiana link, but we would be talking of oranges and apples, given that the information that I have on the Bandiana link in here would be Connell Wagner figures. The \$399 million is the later figure, and I do not have with me a figure for the Bandiana in a consistent form.

Senator ALLISON—Perhaps we can work it out pro rata, if you provide that figure—not here and now, you can take that on notice. Maybe you will need to take this on notice as well: what difference would the new costing arrangement, which brings forward those figures to 2007 in terms of expenditure, make to the external bypass option?

Mr Cory—I can only speak generally, because obviously the exercise has not been done. It would have broadly similar impacts. Regarding the impacts on construction, it would be a staged construction. The number from memory was \$280-odd million for that, so one could assume for the purposes of discussion that it would increase roughly on a pro rata basis.

Senator ALLISON—That assumes, of course, that all of the additional costs have been identified in the internal route option.

Mr Cory—That would be subject to the advice that we get from the RTA on the reconciliation of those two numbers. Until we get that advice, I cannot really elaborate.

Senator ALLISON—Do you have any undertakings from the RTA that all the additional areas of cost have now been identified?

Mr Cory—I do not know that we have it in so many words. I think that we would go back to the exercise that was undertaken with Connell Wagner and audited by Flagstaff. On the basis of that, I think that we are confident that the estimates that were produced at that time were a reliable basis for going forward.

Senator ALLISON—So this committee could not expect you to come before it next year and tell us that there has been another increase of \$65 million or more?

Mr Cory—I could not speculate on that.

Senator ALLISON—Well, what stage is the further refining at? Has everything been included in this refining, or are we still refining?

Mr Cory—We have done a lot of work to identify what the costs of that project are. At this stage, we have no expectation that there are any costs that have not been identified. If, as a result of the ongoing work—and that work will continue basically up until the time that the contracts are let—something comes to light, then that is what will happen. But we can only do the job that we have in front of us at the time on the information that we have—and work on that basis.

Senator ALLISON—So you are quite satisfied that it would only be completely unforeseen variations to the design which would cause any further cost increases?

Mr Cory—I am not aware of any identified areas of cost that have not been included in the Connell Wagner work.

Senator ALLISON—Mr Cory, I did not ask you that question. I am not asking whether you are aware of it; I am asking how certain you are—I am asking whether the committee can be assured that there are no further costs that might be foreseen at this point in time?

Mr Cory—I cannot really give you any greater assurance than I have to date. We have put a lot of effort into analysing the project, and we are as confident as we can be on the basis of that estimate that we have a handle on the costs of the project.

Senator ALLISON—Thank you. After stage 1 of the internal so-called bypass, when will the remainder of the bypass be completed? Will that commence at some stage in the future? At this stage, what is the thinking in terms of an external bypass? What happens at the end of stage 1? Presumably it is called stage 1 because there is a stage 2 or a stage 3”

Mr Cory—It would be envisaged that the ultimate configuration of the highway between Albury and Holbrook or, ultimately, to the Sturt Highway junction—that will eventually be duplicated in the vicinity of Albury—

Senator ALLISON—Sorry, what do you mean by ‘eventually’? Are you saying that this is not included in the current budget projection of four years?

Mr Cory—No, it is not. In the vicinity of Albury, the original EIS and the Connell Wagner work looked at the internal route from Albury—from Wodonga, to be precise—through to Mullengandra, which is about 40 kilometres. There is a commitment, which is stage 1, for approximately 17 kilometres of that from Wodonga to Billy Hughes Bridge. That will be done as stage 1. There has been no decision on anything further in relation to the length of road to Mullengandra.

Senator ALLISON—And what is the time frame for making that decision?

Mr Cory—I do not think there is a time frame, Senator. It is a matter for government.

Senator ALLISON—So it is quite possible that this stage 1 will be the only stage. That might be a question for the minister. Minister, would you care to just comment on whether the Albury-Wodonga internal bypass, stage 1, is likely to in fact be stage 1? What is the government's policy with regard to the long term—and stages 2 and beyond?

Senator Ian Macdonald—Senator, I am sorry, but I am not personally familiar with that. I will pass that on to Mr Anderson and see if he can give a response for you.

Senator ALLISON—Quite a lot of the statistics used in justifying the internal bypass solution relate to statistics collected about this area. I wonder if I can draw your attention to one, which is in the Connell Wagner report. The so-called medium range estimate of population growth was used for Albury-Wodonga, and on page 52 it says that the growth figure in Albury starts at below one per cent and 1.8 per cent in Wodonga. I do not expect you to have these in your head, but the figures would appear to be very different from the actual population growth figures published by the ABS, which are more like 0.32 per cent for Albury for 1996-2001. Could you comment on why there is that anomaly?

Mr Cory—There was some discussion about the appropriate growth rates to be used for the calculations. After consulting various sources, including the local councils, a number was—

Senator ALLISON—So the council gave you a more optimistic view of the likely population projections over time—would that be fair to say?

Mr Cory—I cannot recall whether their view was more optimistic or more pessimistic, but I do know that they were consulted.

Senator ALLISON—You have come up with a figure which is more optimistic than the ABS data so, if a council had some influence on the outcome, presumably that is what they said.

Mr Cory—I cannot exactly comment on the range of people who were consulted and the range of views that might have been given on the appropriate figures to be used, but certainly the council was one of those consulted.

Senator ALLISON—Could I request that you give the committee a more detailed account of the factors that were provided to the department that led them to believe that this population growth was likely?

Mr Cory—That information was not provided to the department; it was provided to Connell Wagner, who were undertaking the review.

Senator ALLISON—And Connell Wagner did not outline what those influences were in their report?

Mr Cory—I cannot recall precisely what was said about that in the report.

Senator ALLISON—So you have just accepted Connell Wagner's figures without requiring justification?

Mr Cory—The first thing I would say is that those figures were in fact reviewed by Flagstaff, and Flagstaff professed themselves satisfied with those figures. Certainly the department was aware of the discussions, but I do not believe that we were across the detail of them.

Senator ALLISON—I turn to the question of truck movements each day. As I understand it, since the Connell Wagner report was completed there is now a new retail distribution centre for Woolworths at north Barnawartha—at least according to the local press—and that is likely to generate about 1,000 to 1,200 additional B-double truck movements per day. I understand that is about half north and half south. Has that now been taken into account? Can you confirm that this is the case?

Mr Cory—No, I cannot confirm that it is the case, and so it has not been taken into account, and I am not sure in what context it would be taken into account.

Senator ALLISON—Nonetheless, that is a substantial number of truck movements, is it not, in the scheme of things?

Mr Cory—There are projections built into the modelling for the growth in the amount of traffic, including heavy vehicles. What impact a particular development, if it happens, has on those figures can probably only be assessed with some hindsight.

Senator ALLISON—I wonder if you could advise the committee whether those growth patterns could accommodate such a significant increase in truck movements as this would suggest, and also whether it is possible to indicate whether there are any cost implications, in terms of additional noise proofing or sound barriers?

Mr Cory—I cannot answer those questions at the moment.

Senator ALLISON—I am asking if you could take them on notice.

Mr Cory—Yes, we will do that.

Senator ALLISON—Does the stage 1 construction include the Bandiana link?

Mr Cory—The \$335 million, I believe, excludes the Bandiana link.

Senator ALLISON—So the Bandiana link will not be included in stage 1—is that what you are suggesting?

Mr Cory—No. It will not be funded by the Commonwealth. There are, at least potentially, some synergies between the Bandiana link and the highway upgrade. The possibility exists that the Bandiana link will be constructed at the same time, perhaps even as part of the contract, but it will not be funded by the Commonwealth.

Senator ALLISON—So this will be funded by the New South Wales state government?

Mr Cory—The link is in Victoria, so presumably it would be funded by the Victorian government.

Senator ALLISON—Okay. And what indications are there about the likelihood of it being included or constructed at another time?

Mr Cory—I think that is a matter for the Victorian government to comment upon.

Senator ALLISON—So this has nothing at all to do with the federal government?

Mr Cory—I think it is fair to say that the ball is in the Victorian court at the moment.

Senator ALLISON—Sorry?

Mr Cory—The Victorian government, I understand, may be considering their position on the Bandiana link element of the project.

Senator ALLISON—Nonetheless, it may still be included in the contract—or at least added to the contract. When is that due to be tendered?

Mr Cory—We would expect tenders to be called later this year.

Senator ALLISON—In December? In August?

Mr Cory—Probably around about the August-October period. Somewhere in that vicinity, I believe.

Senator ALLISON—So you would be expecting a decision from the Victorian state government by then?

Mr Cory—A decision would be required on the inclusion of the Bandiana link prior to the advertising of tenders and the release of tender documentation.

Senator ALLISON—I am sorry?

Mr Cory—The tender documentation that is released would need to specify what is to be built. If the Bandiana link is to be part of the project then it would need to be included in that documentation—or, alternatively, excluded.

Senator ALLISON—Is the Victorian state government doing that documentation? Who is doing that?

Mr Cory—The Victorian government is doing that. VicRoads are preparing that documentation.

Senator ALLISON—The Victorian state budget came out just before the federal one. Did it, to your knowledge, include funding for this link?

Mr Cory—I am not aware of that.

Senator ALLISON—Are you not aware of the budget—or was it not there or did you not notice?

Mr Cory—I am not aware that it is included in the Victorian budget.

Senator ALLISON—Did you look?

Mr Cory—No.

Senator ALLISON—Why not?

Mr Cory—That is a matter for the Victorian government, not for the Commonwealth.

Senator ALLISON—So you are a totally disinterested party in the matter?

Mr Cory—We are building a national highway in that location. If the Victorian government wishes to associate some of their works with that, that is a matter for them.

Senator Ian Macdonald—Perhaps I should take that and refer it to Mr Anderson. I guess his office will have been closely watching the Victorian budget to see what will be happening to the Scoresby freeway and other things where I think the Victorian government has been renegeing on promises. I am sure you will be attacking them over that—going back on promises. Obviously it is not a matter for the officers, but I will take it as a question on notice to Mr Anderson and see if I can get you a response.

Senator ALLISON—Thank you. The benefit-cost ratio for the internal bypass was \$1.27 million, I understand, with a total cost of \$479 million. If stage 1 has increased from \$335 million to \$400 million then that makes the total project cost at least \$570 million. What does that do in terms of the cost-benefit ratio?

Mr Cory—The purpose of the BCR was to assist in the decision-making process at a particular point in time, and therefore the calculations are made at similar values and adjusted back to those values. To that extent, increases in costs that are attributable to inflation have little or no impact on the BCR.

Senator ALLISON—I think that is all I have on Albury-Wodonga.

Senator BUCKLAND—From what I see of the Roads to Recovery program, I would say generally it has been very effective in what it has done in trying to catch up with a great backlog of roadworks that have been required over many years. But can somebody tell me how that backlog occurred and what was the great cause of it? Lack of funds is one thing—even I can answer that—but there must be a reason that these things were not done.

Senator Ian Macdonald—Unfortunately, Australia is a huge country with a huge road network and a relatively small population and economic base. We are not like European countries—or even Victoria, might I say—that are small and have big tax revenue sources. It has always been the arrangement in Australian governance that the Commonwealth government would look after the national highway, state governments would look after arterial roads and major connecting roads and local governments would look after minor roads. Over the years, the Commonwealth has entered into additional funding through the Black Spots program and the RONIs, the Roads of National Importance—we have entered into that a bit more. Always—back in the days of the previous government and, I think, back in the days of the government that was previous to the previous government—we have provided money to local governments to help them with roads, acknowledging that ratepayers really are not capable of fixing all the local roads and maintaining them as is required. So it has been a historical thing and those areas have been roughly adhered to.

The Commonwealth did see that local government was struggling and, in the face of the states cutting back on their contributions to their roads and to local government funding for roads—that is as a general comment, and there are reports and evidence to support that—the Commonwealth thought it would help local government out with this brand-new program of

Roads to Recovery. As I have said previously—and I have said this many times—you could spend a whole federal budget for 10 years on roads in Australia and there still would not be enough money. What governments at all levels have to do is try to determine that balance between what you can spend on roads and what the taxpayers are prepared to pay.

Senator BUCKLAND—I speak reasonably well of the program, but my view is not shared by local government in many areas. I am well aware of the reasons that you point out—this is a big country with low population rates and a lot of roadworks—but there was a backlog. How many years of backlog were there to prompt the implementation of the Roads to Recovery program? What was the factor that prompted this?

Senator Ian Macdonald—I do not know that anyone ever quantified a backlog. It was the local government minister and Mr Anderson, as the roads minister, over a period of time. There was a roads summit, the Moree roads conference. At every local government I went to, and obviously every local government you go to as well, councils were saying that they simply were not in a position to get more rates to look after roads. It was just a government initiative to try and help out a bit. It was not specifically meant to catch up any calculated backlog; it was just something that had come through recognition, and it was a policy of this government. That is really the background.

Senator BUCKLAND—I appreciate that, but it is very rare that a government does something just to help out. There is something that prompts a government to act to help out. What I am asking is: what prompted the government to institute this program? Was there such a backlog of roadworks that needed doing, assistance that was required by local governments? There must have been a factor that convinced the government that this needed to be done.

Senator Ian Macdonald—I do not think so. I am sure that you and your colleagues would have raised it with the government a number of times. I know all of our colleagues, particularly those in rural areas, would have approached the government. Every local government I went to would say to me: ‘We can’t afford this. The states are cutting back on what they’re giving us for our roads. Please help.’ We have taken the message on board. It was just a question of policy development over a number of years; that is how governments operate and how the system operates. There was not any specific calculation done.

Senator BUCKLAND—I wonder if you could tell me where the areas of backlog existed? That cannot be too hard a question to answer.

Senator Ian Macdonald—The states and the local authorities are the ones with the records. The Commonwealth do not have records which would enable us to work that out. We would have some records on the national highway, which is our main responsibility. We just would not have that. But it has come through at conference after conference, and you would be getting the same calls. It is the process. People approach you for changes in policy, and they always want more money for everything, as you know. But this was a program that the government thought was worthwhile and should be supported.

Senator BUCKLAND—Ms Varova, were you going to say something?

Ms Varova—I was just going to indicate that the majority of the projects were very much focused on maintenance issues. That is really where the major spending occurred. If you

wanted a further breakdown, I am not sure how easy that might be for us, because there are over 10,000 projects. That would need wider analysis.

Senator Ian Macdonald—You are talking about after the event.

Ms Varova—That is right.

Senator BUCKLAND—I understand that.

Ms Varova—Previous to the event we do not have the records or the data. I also doubt whether many of the local governments would be able to provide us with that comparison, particularly some of the smaller councils. They would have great difficulty in being able to go through their records to find the data that we might require if we should so require it.

Senator BUCKLAND—Are you able to give us a breakdown of the ratio of metropolitan versus non-metropolitan spending and projects?

Ms Meakins—Yes, we can do that.

Senator BUCKLAND—Could you take that on notice and provide that for us on a state by state basis. I am certainly not crying poverty on the part of South Australia at this point, because there have been a number of projects that I am aware of.

Ms Varova—I could give you a global figure: \$850 million out of the \$1.2 billion is being spent on what we would term rural and regional areas. However, if you want a state breakdown, we would need to take that on notice.

Senator BUCKLAND—Yes, I would appreciate that.

Senator Ian Macdonald—To be helpful, Senator, I will again remind you of how we organised it when we determined this policy. You heard the discussion before about how we determined how each state would get a certain amount, but once it got to the state level we simply allocated it to councils in accordance with the then existing state government assessment committee's formula for distributing amongst the various states. So the distribution from the state level to the individual councils went in accordance with the normal distribution of FAGs moneys, and, as you know, that is determined by the local government grants commissions.

Senator BUCKLAND—What occurs in the Commonwealth's consultation process with local governments when the submissions are made for funding? What is the process? Is it simply an application?

Senator Ian Macdonald—For Roads to Recovery?

Senator BUCKLAND—Yes.

Senator Ian Macdonald—Senator, as you will recall, in the legislation that went through the parliament there was a schedule that had an amount for every council in Australia. That is their allocation. They bid to the government about what they want to do and what their priorities are, and, providing it fits the broad guidelines, we give it to them to do what they choose to do with it. Our main requirement is that they put up a sign.

Ms Holub—I will just add to the minister's answer. We do get a schedule of works from each council. We go through that schedule to ensure that it is consistent within the act and,

once those projects are approved, they can then start spending that money on building or maintaining those roads. As I said earlier, the quarterly reports we receive from each council then indicate progress, and payments are made accordingly.

Senator BUCKLAND—Do you review the tendering process, as far as costings are concerned?

Ms Holub—The tendering process?

Senator BUCKLAND—Yes, to ensure that they are getting the best value for money.

Ms Holub—We are not involved in the tendering process.

Senator BUCKLAND—Do you review their costings, though? Is it a requirement for that to come to you?

Ms Varova—No, we would not have the capacity for that.

Senator Ian Macdonald—Also, we have confidence in local government to determine their own best interests. It is in their interest to make sure the money goes as far as it can on their priority projects, so we have confidence in local government to make those decisions.

Senator BUCKLAND—The program ends in June 2005. I want to go to that a little bit further. There was an existing backlog at the beginning of the program. Has any thought been given to, or have there been any discussions with local governments on, what will replace that program? The question might have been asked by Senator Crossin or me earlier. What is in place to replace that, because we are still in catch-up mode, despite what is being done?

Senator Ian Macdonald—The government made a policy decision that we would have this program for four years. The government is making decisions every day on what we might do next year or the year after. That is all part of policy development. But certainly no decision has been made. I think Mr Anderson has quite clearly indicated that he would be giving more thought to the program once the legislated program is close to its termination point. I can assure you that, like you, councils everywhere keep telling us it is a marvellous program and they would like it extended. That is very clearly their view and I can well understand that, but the government has made no decision.

Senator BUCKLAND—Has any funding been withdrawn from the Roads to Recovery program or from projects that have been approved? Has funding been wound back or withdrawn from any of the projects that you are aware of?

Senator Ian Macdonald—No, it cannot be. Again, it is an act of parliament, and so the total amount of money committed in the act is there. Even if the government wanted to—and we do not want to—we could not alter that, because it is an act of parliament. It is quite unusual in the way that it was done. It has been rephased, but I think you were here when that was discussed further. There was some money taken out, or deferred from this year to next year, but the total amount will be paid in the four years.

Senator BUCKLAND—I recall that. That was to fight the war on terrorism—I think that was the reason the councils were given.

Senator Ian Macdonald—I do not think that is right.

Senator BUCKLAND—I think it is. I think I raised that at the last estimates.

Senator Ian Macdonald—I am sure we would not have said that.

Senator BUCKLAND—That is what local government have been told.

Senator Ian Macdonald—I would like to see where they were actually told that. Certainly there was a comment made that the cost of the drought and the war on terrorism and other pressing problems required some refocusing of a number of programs across all sections of government. But I do not think it would have been related specifically to the war on terrorism.

Senator BUCKLAND—Well it is a reason that was given, but we will not debate that now—it may be for a later time.

Senator ALLISON—Minister, I know you would be disappointed if I did not ask you a question about the Scoresby Freeway. The Victorian state government appears to have decided to proceed with the freeway being a tollway. At what point will the federal government determine that that money should be redirected—allocated to other projects? Is that decision imminent?

Senator Ian Macdonald—I had better let the officers answer this, because they are much more familiar with it. But, as a general comment, we made an arrangement with the Victorian government that we would both commit some money to it, and the arrangement certainly was not that it would be a toll road. The officers would know better than I what Mr Anderson's view is, but I would be very surprised if the Commonwealth government would be very happy with the breaking of what was an arrangement.

Senator ALLISON—That is my understanding, too, Minister. I am just wondering what the next step is.

Ms Briggs—The Commonwealth funds for the project have been frozen until Victoria fully meets its commitments under the memorandum of understanding it has with us.

Senator ALLISON—So at what point will you say, 'The Victorian state government has committed to a tollway?' Do we wait until it is up and running? When does the Commonwealth decide?

Ms Briggs—That is a matter for the government to decide.

Senator ALLISON—That is what I thought. Minister, can you enlighten us on this. I am wondering at what stage the federal government will accept that the Victorian government means what it is saying in terms of a tollway. It has already made a public announcement. At what point will you say, 'Clearly they're going ahead with this; we're not going to be in it; we'll find something else to do with the money'?

Senator Ian Macdonald—I will really have to refer that to Mr Anderson. But it is a sad state of affairs when two governments can make an agreement and then one government, after an election, unilaterally changes that agreement without consultation. I would be fairly confident that the Commonwealth will not be proceeding unless the Victorian government honours the promise it originally made. But I will find out from Mr Anderson. It would be better to get a comment from Mr Anderson.

Senator ALLISON—It would be useful to know at which stage you will determine what to do with that money—whether it will be at the tendering stage, at the actual construction stage or when the toll gates go in.

Senator Ian Macdonald—I would be confident that, for so long as the Victorian government continues with its toll proposal, the Commonwealth would not be prepared to make a decision. But how long—

Senator ALLISON—That I understand; it is the point at which you determine that they are serious that interests me.

Senator Ian Macdonald—How long we are prepared to allow the Victorian government to meet the promise it made is the question I will put to Mr Anderson: is he going to wait two months, three months, one year or whatever. I will see what Mr Anderson has to say about that—let me not speculate.

Senator ALLISON—Is the department doing any work on alternative expenditure for this area—for instance on public transport or other local roads projects?

Ms Varova—The balance of the \$421 million that has been allocated is budgeted, and therefore we are not doing any work on how that might be spent. It is budgeted for Scoresby.

Senator ALLISON—Yes, I understand that.

Senator Ian Macdonald—Here is your chance, Senator. If you have a good project, you should start lobbying now.

Senator ALLISON—I have indeed. That is what I am doing, Minister. Perhaps you can ask the minister if there is any thought at the present time of alternatives—whether Victoria is going to miss out altogether, despite promises by the federal government that this would flow our way.

Senator Ian Macdonald—We are very keen to get last year's budget and this year's budget through the Senate, you know. I am sure if you had a good idea we would be very receptive to that when the budget was passed.

CHAIR—Thank you very much for that but we are not in.

Senator Ian Macdonald—I will refer that to Mr Anderson.

Senator BUCKLAND—I have a few final questions on the Road to Recovery program. You will recall earlier that I mentioned some projects that are 10 years out. I only have one here that I can put my hand on at the moment, and if I have misrepresented that I apologise. But more than one is well out past the June 2005 date. One of the roads that strikes me, because I know the area particularly well, is the Kimba to Cowell road in South Australia. It is scheduled for completion in December 2010, under the Roads to Recovery program. There is also local government money being diverted from their own funds to assist in this program. That in itself worries me—that a program that finishes in 2005 can have money committed to a project that will not conclude until 2010. How do you account for that?

Ms Varova—I will get further details on that specific project, because I do not have that level of detail with me. However, having said that, in general terms when we jointly fund a project—perhaps with the local government concerned—they may use the Commonwealth

money being provided within that specified period for specified outcomes that can be delivered within that period. Therefore, it can happen. However, as I said, I will get the detail of this particular one for you.

Senator BUCKLAND—I am assuming that is the situation, but it is not the way that it appears here. The other thing that is worrying me about that date of June 2005 is that there are a number of projects—and I certainly do not have the full list, although I believe it is accessible on your web site—that are more than 12 months overdue for completion. And, because those projects are overdue, projects starting later will also go over time. Will they be funded to conclusion, even though they will have gone past that June 2005 date?

Ms Varova—We will be limited by our legislation, of course, about what sorts of moneys we can pay out. Therefore, that could be a problem. However, again within the context of that previous question, I can provide that detail as well.

Senator BUCKLAND—I would appreciate it if you would, because it is concerning a number of councils that I have spoken to. Before going on to another specific area that I want to address on road funding, I want to say that a number of local government areas have made submissions in relation to funding for maintenance of roads that are little utilised except during grain harvest periods, and the cost to them of maintaining those lengthy stretches, particularly now with the use of road trains and the heavy traffic and climatic conditions. This could have been a question raised earlier today. I did not raise it before because I am not entirely sure—I have not spoken to sufficient people. There is talk that on the Eyre Peninsula—and it is the only place that I have heard it raised—the road trains may be moving to a triple-trailer arrangement. It has been suggested by at least two local government areas on the Eyre Peninsula that they will close their roads and deny access to such vehicles unless they can get some assistance in road maintenance. Do you have a position on that? Is there something in line to assist local government?

Senator Ian Macdonald—Senator, the issue you raise is a very important one and it is also relative to forestry, which is in the same category as the wheat roads.

Senator BUCKLAND—I believe that, due to a committee that I am dealing with, but I can only raise the question in relation to this committee. There are no trees of substance there.

Senator Ian Macdonald—No, I appreciate that. But there is in the east of your electorate. It is a real problem there too. It has been raised with me a number of times, both in my former responsibilities and this one. I wish I had a magic solution for it. I can understand that local governments really cannot afford it. The state governments get all the registration from those big trucks and trailers that run along the roads. One might well ask why the federal government cannot help. We look after the national highways; local governments and state governments have traditionally looked after these other roads.

I do not have a solution, Senator. If you have one, I would seriously say this to you: we would be very happy to look at it. I have spoken with forestry people and others about possibly having a get-together involving the state and local governments to see if we can come up with some solutions. It is a real problem. Exacerbating the problem, of course, is that, except for the specific industries, the roads are not often used and they are not required

to be of a particularly good standard. But with big trucks using them for forestry and wheat sales it is a problem. I do not know what the answer is.

Senator BUCKLAND—The difficulty that arises, Minister—and I do not know if you have plans to meet with such local government areas to discuss a way of managing it—is that it comes back to what you said earlier on: a lot of roads, low populations and the cost of that. I understand that they are the responsibility of state and local governments; I also understand that the federal government has responsibility also. If indeed the large trucks—be they road trains or the larger triple-trailer road trains—are using these roads, they traverse the highways, which are federally funded, to get to the properties.

Senator Ian Macdonald—Some, not many. Anyhow go on.

Senator BUCKLAND—This is an important issue. They then have to leave those highways to access the farms. Because of low populations, there is no funding within local governments' own funding stream to pay for maintenance. What I am asking is: is there a program that the government is considering, or has in place, to assist local governments in maintaining these important routes for the cartage of livestock and grain harvests?

Senator Ian Macdonald—The answer is no. There is no specific program. Are we considering it? As I say, I am considering the issue but I do not have a solution. The states and local governments are responsible for these roads, not the federal government. This is why I genuinely say to you that, if you or your party have a proposal to solve this problem, I would be very keen to work with you on it. I have thought about it a lot; I just do not know what we can do without a massive injection of funding into an area which is not principally the Commonwealth's responsibility.

CHAIR—If I could take that up. My experience in my local government area is that the shire runs a grader over the roads before harvest; it is the only time of year we get the grader down the road! Really, it does not matter if it is a B-double, a double or a road train; it is the actual weight and the speed that does the damage. An eight-tonne truck—a little single tipper—with 13 tonnes of wheat on it actually does more damage to the road than a road train does. So I know where you are coming from.

Senator BUCKLAND—I understand all of that, but there is concern among local government authorities that they cannot manage to maintain their road networks—which goes back to that question of the backlog. How do you manage that when there is a backlog now? The funding for Roads to Recovery ceases in June 2005 and the projects may not be funded to their conclusion.

Senator Ian Macdonald—That is a matter for the local governments and the state governments. If you have a solution, I would be interested to hear it. I do not, and I am being quite frank about that. We did provide all of this money with the Roads to Recovery program to help local governments deal with difficulties we recognised they were having, but beyond that I do not have a solution. If you or your colleagues do, I would be very interested to see what it is. It is a very complex problem—and I understand and agree with everything you say—but what the solution is I am not sure.

Senator BUCKLAND—I will move to the FAGS.

Ms Varova—Senator, we do not have responsibility in this particular area for the FAGS. That would be our territories and local government colleagues.

Senator BUCKLAND—In that case, we could get Senator Crossin back.

CHAIR—He's going to wing it!

Senator BUCKLAND—No, we have got Indigenous roads. Do you deal with that?

Ms Varova—Not specifically.

Senator BUCKLAND—The roads for Indigenous communities, which again is—

Ms Varova—Local areas may cover Indigenous communities but we do not have a specific program for Indigenous communities.

Senator BUCKLAND—The funding arrangements do not appear to be adequate to recognise the vast size of the areas we are looking at and the additional cost that is associated with maintaining those roads in those outback areas. Is there anything that the department is looking at that caters for the inequity that exists? Where I live, if you want the road fixed it gets done fairly quickly. After 12 months, the road will be fixed. They have programs. Here, you cannot expect that rolling program of road maintenance.

Ms Varova—But the roads you are talking about specifically are, in the main, state and local government responsibilities. The Roads to Recovery program happens to be a four-year Commonwealth injection.

Senator BUCKLAND—This is not necessarily linked to Roads to Recovery, is it? It is providing access for Indigenous communities. What federal money is available for such road funding? Or is there simply none?

Senator Ian Macdonald—None specifically. As you know, Senator, we substantially fund Indigenous communities through a number of programs through ATSIC, and there may be something in ATSIC that I am not familiar with. So there is substantial funding going to Indigenous people and communities, but there is no specific road program—nor would I think really in Australia that there should be specific road programs on that basis. But as far as I know there isn't—and I am fairly confident in saying that there isn't.

While we wait for Senator Crossin, if you did want to try some of the FAGs things, you could, if they are broad general policy questions—providing you promise not to ask them again later. But, if there are issues of detail that require specific figures, we will have to wait.

Senator BUCKLAND—We can just stay with Roads to Recovery, because I have other questions that I am sure you will be delighted to address. The review that was carried out looked at the allocation of funding for Roads to Recovery—funding between the states and the territory. That report confirmed that the allocation was done in two steps, and it also confirmed that the first step of the allocation was not based on the historic FAGs formula—it was a different formula. What was the formula that was used for Roads to Recovery?

Senator Ian Macdonald—We have actually dealt with these questions before.

Senator BUCKLAND—I understand that, but what was the actual formula?

Senator Ian Macdonald—It was a decision of the government at the time. It was based upon the historical formula for FAGs grants, but it was amended by government as a policy decision. And, as I said earlier, it was to acknowledge that under the historical formula that we had inherited from the previous government it appeared that your state, Senator, was not being treated as fairly as perhaps it should be. I have been through all this before and, with respect, there is no need to ask these just to fill in time.

Senator BUCKLAND—We certainly do have other questions, if these issues need to be raised later. I am quite happy to continue on. Looking at Eyre Peninsula in particular—or South Australia, if we continue to look at that for a moment—only 5 per cent of the road network on the Eyre Peninsula is sealed. That compares quite unfavourably with the average of 20 per cent throughout the state. The roads, as I have already said, are important in the region because of their usage. Has that inequity, when compared to the state average of unsealed roads, been addressed, or is there a process to address it?

Senator Ian Macdonald—Those are matters for the state government.

Senator BUCKLAND—Not necessarily: if that falls under the Roads to Recovery program, the federal government has some input into that.

Senator Ian Macdonald—Because we thought it was helpful to local government, we had a one-off program for four years, to give them a top up—because the states were cutting back on their responsibilities. We have been through that. Questions dealing with the national highway are the Commonwealth's responsibility, but questions relating to those other roads are really questions for the South Australian state government and the South Australian local authorities.

Proceedings suspended from 6.24 p.m. to 7.50 p.m.

CHAIR—We will make a start.

Senator CROSSIN—I have some questions about the Remote Air Services Subsidy Scheme, the RASS Scheme. I understand that the RASS Scheme was reviewed in 1999. Can you tell me if all of the recommendations and changes have been implemented?

Ms Holub—I am afraid that I cannot tell you that. I have not been involved in the program for that long. We can take that on notice. Most of the recommendations have been picked up but I would have to go through each specific one to see in what way.

Senator CROSSIN—I want to know which of the recommendations have been implemented and what changes have been made and which recommendations are outstanding.

Ms Holub—We can take that on notice.

Senator CROSSIN—I understand one of the changes was to allow mail and freight operators to also carry passengers and, of course, that then requires the operators to have a regular public transport air operators certificate. Do you know if that is a recommendation that has been implemented?

Ms Holub—That is reflected in the current guidelines.

Senator CROSSIN—Do you have an idea of what additional requirements this placed on air operators?

Ms Holub—We do not require anything additional to what CASA regulations require. That is what is required.

Senator CROSSIN—So those operators that did not have that air operators certificate would have been required to get it if they wanted to take mail?

Ms Holub—To take mail, no; to take passengers.

Senator CROSSIN—Sorry; to take passengers.

Ms Holub—I am not that familiar with the CASA arrangements, but there is a mechanism for a charter operation in that case. But I understand that there is a process for them to acquire that RPT licence, and they are in the process of obtaining those licences. That varies from operator to operator. Sometimes it is to do with the airstrips; sometimes it is to do with the operations themselves. So it varies—and, where necessary, the charter arrangement can be used.

Senator CROSSIN—But basically you are saying that, if there are additional requirements, that is a matter between those operators and CASA, not yourself?

Ms Holub—That is right. We do not impose any different regulation. We would not be in a position to anyway.

Senator CROSSIN—Have there been any instances where the subsidy has stopped being applied to any operator because they were not in a position to get this RPT licence?

Ms Holub—Not that I am aware of, because there is the charter mechanism that can be used. I understand that the CASA regulations allow that as a fallback in some cases, but I am not familiar enough with all the CASA arrangements. But we have not had to stop subsidies for that sort of reason.

Senator CROSSIN—Can you just check and take that on notice?

Ms Holub—Yes, I will check to make sure but I am pretty clear about that.

Senator CROSSIN—For my clarification can you tell me whether a charter company is able to take just mail alone on a charter if it is other than on an RPT service? Is there a subsidy provided to a charter company to just take mail?

Ms Holub—Yes.

Senator CROSSIN—Or is it only on an RPT service?

Ms Holub—No; it depends on what the needs of the communities are. They would not necessarily always have passengers to take. What is required is a weekly service. In some instances, there may be some passengers some weeks, but not every week. So, yes, there would definitely be services where there is just a mail run that is undertaken.

Senator CROSSIN—The guidelines of the scheme also require an eligible community to have an aerodrome that is up to CASA minimum standards. Are you aware of any RASS operators that have lost a subsidy because this is not the case?

Ms Holub—No, I am not aware.

Senator CROSSIN—That are not able to fly in to certain communities, for example?

Ms Holub—I am not aware that we have had to stop a subsidy for that reason, but I will check that out.

Senator CROSSIN—The actual budget in 2002-03 was \$2.687 million, increasing to \$3.04 million in 2003-04, but I notice in the PBS that it drops to \$2.487 million in 2004-05 and then drops further to \$1.495 million in 2005-06. Is there an explanation for the drop in this funding and the uneven funding profile?

Ms Holub—Yes, there is. In the 2000-01 budget, the government announced an additional \$5.2 million commitment over four years; that is, from July 2000 through to the end of the 2003-04 financial year. That is why the profile went up. It then took some time to get some of the new arrangements put in place for those communities, so it has not been a flat line. And then after those four years it drops off again to the original levels.

Senator CROSSIN—What was that injection of \$5.2 million used to do?

Ms Holub—Essentially to expand the program and to increase the number of communities being serviced through the subsidy.

Senator CROSSIN—So won't there be a need to maintain that level of funding from 2004 onwards? Won't in fact reducing the budget mean that you are reducing the number of services and going back to the pre-2001 injection of funds?

Ms Varova—It will mean that. It will be a matter for the government to consider any ongoing changed arrangements. That funding was provided for four years, and our contractual arrangements with operators also reflect that funding arrangement.

Senator CROSSIN—So for the current number of operators who are subsidised, and therefore the level of services communities receive, you would expect the government to make an announcement before 2004-05 that the current level of funding will be maintained rather than there being the anticipated drop in the PBS. Is that right?

Ms Varova—I would not presume to expect either a continuation. The government would have to consider that in the appropriate budget context.

Senator CROSSIN—But for the current level of services to continue beyond 2004-05, the budget will need more than the \$2.487 million currently against it in the PBS—is that right?

Ms Varova—To maintain the current level of services into the forward years, yes; we would need further funding.

Senator CROSSIN—I see. How is the actual amount for each operator and for each service calculated?

Ms Holub—What happened at the expansion phase is that there was a call for communities to apply for support through the program. There was a process where it was advertised, notices were sent to organisations that might have an interest in or connection with communities like the Isolated Children's Parents Association and that sort of thing. Communities applied and their eligibility for the program was assessed. Based on that number of communities, we undertook a tender process to identify operators that were prepared to provide the sorts of service required; that is, a weekly service to those communities. So one operator may, for example, stop at quite a number of communities on a run.

Senator CROSSIN—What makes a community ineligible? Is it the state of their airfield or aerodrome?

Ms Holub—I do not have all the criteria with me, but I can provide that. For their eligibility we will look at, for example, their remoteness from access to a populated centre. I do not have the exact description but I think it is some two hours. So there is that sort of analysis done first before there is an issue about the operators.

Senator CROSSIN—As well as the state of the airstrip, the aerodrome—

Ms Holub—Yes, and that is after we have assessed the eligibility of communities.

Senator CROSSIN—Whether or not they have an RPT service?

Ms Holub—That is right. Those communities would not have had a regular service to be eligible.

Senator CROSSIN—If they do not have a regular RPT, does it preclude them? They may well be a charter company that would—

Ms Holub—No, because, as I said, we would then go to tender with a list of communities that we want serviced. That would be the process to then provide the service. They would not be excluded for that reason; definitely not.

Senator CROSSIN—Is there a time frame on the approval for each operator?

Ms Holub—We have a contract with each operator.

Senator CROSSIN—And that varies, I suppose. Each operator would have a different time frame?

Ms Holub—Because the expansion program happened after that enhancement to the program, I think that they all expire at the end of the next financial year—June 2004—because they were all put in place at that time.

Senator CROSSIN—So all the operators would have a ‘contract’, for want of a better word, until June 2004. Is that right?

Ms Varova—Yes, they do have contracts.

Senator CROSSIN—They all pretty much came on line at the same time and they all finish at the same time, I take it?

Ms Varova—That is right.

Senator CROSSIN—Is there a way in which there is any variation in that contract? I am assuming a contract might specify that a certain company is going to take mail once a week to these 12 communities. Is that right?

Ms Holub—There is scope for variation. For example, when communities apply for or seek support through the program, we would then assess those communities and, after they are assessed, there is scope to seek to vary a contract with an operator to service those additional communities. There have been a number of communities that have come on stream subsequent to that expansion phase where we have added a community to a run, for example.

Senator CROSSIN—Let me take you to the Northern Territory and the situation that has occurred this year where two communities, Borroloola and Numbulwar, have had a reduction in their airmail services to only two mail deliveries per week. Has that operator come back to you to vary their contract to reduce that service?

Ms Holub—I understand—I do not have the details here—that the weekly service that is subsidised under the RASS Scheme has continued. Australia Post has its own separate arrangements with in some cases the same operators and in other cases other operators to deliver mail. If they had a twice-weekly service and they have pulled back to once a week, that could have been because of the separate Australia Post arrangement.

Senator CROSSIN—What is the current contract for provision of a RASS service into Borroloola and Numbulwar?

Ms Holub—I do not have the individual contract details here.

Ms Varova—We will take that on notice.

Senator CROSSIN—My understanding is that this is a RASS service, not an Australia Post service, and that it has been pulled back to only twice a week.

Ms Holub—We subsidise a once a week service. Australia Post uses the infrastructure that are available through this program and other programs to provide a mail service. For example, they may have been subsidising the operator to do additional services.

Senator CROSSIN—So your RASS Scheme, no matter where it is around this country, is only to subsidise a mail service once a week?

Ms Holub—A service once a week.

Senator CROSSIN—So anything over and above that is a private arrangement that Australia Post might have; is that right?

Ms Holub—Or other arrangements, that is right. Generally it would be Australia Post, but there could be other reasons—mining companies, for example.

Senator CROSSIN—You are not certain if at this point in time that reduction is your reduction or Australia Post's reduction. Would your RASS subsidy have ceased for Borroloola and Numbulwar? Could it be that it is just the Australia Post's delivery that is going in there twice a week?

Ms Holub—I am fairly certain, but we will confirm, that our once a week service is continuing; that the service that we are subsidising once a week is being maintained. But I will clarify that.

Senator CROSSIN—Do you know of any communities that have suffered a reduction in services? You are obviously saying 'no', because your once a week service continues regardless.

Ms Holub—I am not aware of any others.

Senator CROSSIN—So the arrangements that Australia Post has are quite outside and separate from any contracts that your department has; they at no time consult with you or inform you of what programs they have going as well?

Ms Holub—Sorry; I did not mean to imply that there is not a connection. We have a close collaborative arrangement with Australia Post, but the requirement for RASS service is separate from the specific arrangement that Australia Post might make. As I said, I understand that Australia Post piggybacks whatever mechanisms are available to deliver mail, but they might add to that—in this case with two services a week or three or whatever. We do meet with them. There is reasonably close contact with Australia Post, so we are definitely aware of their services and they are aware of the RASS services.

Senator CROSSIN—You can appreciate that, given the large number of people in the Borroloola region, there is a fair degree of angst about the fact they are now only getting mail twice a week when it was much more often than that prior to the reduction in services. We are just trying to investigate who is responsible for that reduction and why, because at this point in time we still do not have an answer to those questions.

Ms Holub—Certainly tomorrow morning I can confirm that that weekly service is still in place, but that is my understanding.

Senator CROSSIN—There must be some weekly service in place because they are getting mail twice a week now instead of four or five times a week. We are just looking at why the reductions occurred and through which department, I suppose. You are suggesting to me that it could be Australia Post.

Ms Holub—No, I am suggesting that it is not our service. It could be the Australia Post arrangement.

Senator CROSSIN—In meantime I might see if we have had a response back from Australia Post that says otherwise. I am wondering if there is a bit of buck-passing going on here between the departments here; that would not be unusual. The information on your web site actually says that the RASS Scheme currently subsidises eight air operators, providing regular air services to approximately 250 communities in Queensland, the Northern Territory, South Australia, Western Australia and Tasmania. Is that correct? Is that still the case: eight air operators servicing 250 communities in those five states?

Ms Holub—That is correct.

Senator CROSSIN—There has been no increase or decrease in any of those numbers?

Ms Holub—No.

Senator CROSSIN—And those eight air operators have a contract that lasts to June 2004; is that right?

Ms Holub—That is correct.

Senator CROSSIN—Are there any services that have received a benefit from the subsidy in each of the past five years; the value and length of each subsidy? For example, are you able to tell me when those eight air operators signed their contract with you and how much they have got over the last few years?

Ms Holub—We should be able to do that.

Senator CROSSIN—If you can take that on notice then.

Ms Holub—Yes.

Senator CROSSIN—Are you able to give me also a breakdown of those eight air operators and the communities in each of those five states and territories?

Ms Holub—Yes.

Senator CROSSIN—So you can break that down by state and territory; can you also break it down by federal electoral division?

Ms Varova—We may not be able to do it by electorate; we can do it by state.

Senator CROSSIN—And communities by state?

Ms Varova—Yes.

Senator CROSSIN—Are there any circumstances under which an individual subsidy is reviewed? Would that be if more communities came on board or there was a variation in the contract?

Ms Varova—Certainly if there was a variation in the contract with the operator.

Senator CROSSIN—What sort of variation would you be looking at?

Ms Varova—It depends on whether the parameters have changed when it comes to the number of communities that might be included in the service et cetera. It would depend on the variation in that regard.

Senator CROSSIN—Have you had a need to vary any of the contracts of any of the air operators?

Ms Holub—Not varied down. We have varied up, as I said, where an additional community has come on stream and has been added to a run. I am not aware that there have been any other changes.

Senator CROSSIN—The service has been reduced. What happens if, for example, competition commences on or is contemplated for an approved route? Is that provider automatically open to competition or are there some protocols in place that prohibit that?

Ms Holub—The communities are asked to advise us of any changes to the circumstances within the community. One of the factors I talked about earlier was any other service being available. So if a service did become available, they would be required to notify us and we would have to look at the eligibility of that community. But that has never arisen and, given the sorts of very remote locations, it would be a rare circumstance. I am not aware that it has ever happened.

Senator CROSSIN—What occurs when another air operator decides to commence operations on a subsidised route? Are there any limits on that?

Ms Holub—I am not aware that the situation has arisen. I would have to take that on notice and check for you.

Senator CROSSIN—So even though two operators might be flying into the one community, only one of those would be getting the RASS subsidy and carrying the mail; is that correct?

Ms Varova—I do not think we have that situation.

Ms Holub—There might be, for example, a service going on because of a mining company. That might be relevant to the question you are asking. But I cannot think of the number of communities where that might have arisen and what the impact has been. I am not aware of that happening.

Senator CROSSIN—What level of flexibility is available to the air operator as to what they can carry on board?

Ms Holub—Freight, mail and passengers.

Senator CROSSIN—And you are saying that is subject to CASA regulations rather than—

Ms Varova—Yes; we do not monitor that at all. They operate within the appropriate regulatory framework. From our perspective, we provide the subsidy so that freight, passengers and mail can actually be delivered on a particular route. And, as I said, it is very unlikely that there is another operator or it would be unlikely that we would be subsidising.

Senator CROSSIN—Are you aware whether or not air operators are always required to keep space available for fare paying passengers or can they utilise that space with freight or mail? Or, again, is this something under CASA's domain?

Ms Holub—I would have to take that on notice and confirm. Our interest is that things like educational materials and general freight are carried, but I do not think they have to reserve space. They do, though, have to give preference to community members rather than anyone else that might have an interest in travelling. There is that sort of priority in terms of passengers.

Senator CROSSIN—Can you just check that out for me and take it on notice?

Ms Holub—Sure.

Senator CROSSIN—Can the operator choose to carry other non-bulky freight if space is available?

Ms Holub—Yes, they can.

Senator CROSSIN—So there is no—

Ms Holub—When you say 'other', they can carry freight, mail and passengers. We do not differentiate the type of freight.

Senator CROSSIN—The guidelines for approving communities to be admitted to the RASS Scheme—I think we have gone through this—contain certain criteria. Can you provide us with an outline of those criteria, please?

Ms Holub—Yes.

Senator CROSSIN—Is the approval also limited by the budget—that is, the number of communities that can be serviced? Is that restricted by the amount you have in your appropriations?

Ms Varova—Certainly. The contractual arrangements are based on paying a certain amount, and obviously we have to keep within the constraints of our budget.

Senator CROSSIN—How many applications for approval as an eligible community under RASS have you actually received in the past five years compared with those that have been given approval?

Ms Holub—I do not have those numbers with me, but there have been very few applications outside that expansion phase, when I said we advertised that expansion and sought applications. There would be a handful only.

Senator CROSSIN—Can you take that on notice for me and break it down by, perhaps, state and territory?

Ms Holub—Yes.

Senator CROSSIN—I would like to know how many have actually applied, how many were successful and how many were unsuccessful. Can you also give me a reason as to why they were unsuccessful; whether they did not meet the criteria or whether the allocation of budget was inadequate and therefore they just were not able to be included in that round?

Ms Holub—Okay. I know that there have not been any communities that have been excluded because of the amount of funding available. We have had capacity within the expansion allocation to include all communities that have applied and that have been considered to be eligible.

Senator CROSSIN—So, then, reasons as to why they were rejected would be fine.

Ms Holub—Sure.

Senator CROSSIN—I do not think the next question is relevant then: the list of communities that were rejected and an indication of what the additional cost to the scheme would be to approve each one of them. You are saying to me they were none that were rejected because of budget constraints.

Ms Holub—There were none that were rejected because of budget constraints. I think two—I will check that number, though—were rejected because of eligibility considerations. They could certainly have been incorporated in the funding profile that we had.

Senator CROSSIN—I just want to clarify this for my own sake here, because I think there is a lot of confusion out in communities about this. RASS is set up only to ensure that communities get one mail delivery a week; it is only there to provide subsidy for one service a week. Is that correct?

Ms Holub—That is correct.

Senator CROSSIN—There must be an awful lot of misinformation out there, because people who have had three or four mail deliveries a week and suddenly are now getting two are blaming it on cuts to RASS services. That is not a correct assumption, then.

Ms Holub—That is correct; it is not a correct assumption.

Senator CROSSIN—So that would be a matter that those communities would need to take up with Australia Post?

Ms Holub—If that is the provider of their mail. But I will check out those particular ones you mentioned and let you know what we can tomorrow.

Senator CROSSIN—Thanks very much.

Senator O'BRIEN—Can you tell me what your division of the budget was for this year?

Ms Varova—Yes; \$6.76 million for departmental expenses. That includes staffing and other expenses.

Senator O'BRIEN—What is the staffing component?

Ms Varova—We have 51 staff on our books.

Senator O'BRIEN—But how much of the \$6.76 million was a staffing component?

Ms Varova—The breakdown is \$4.57 million.

Senator O'BRIEN—What is the process for your budget for this year?

Ms Varova—That is still being worked through by the executive. We will get an indicative budget quite soon but we have not yet received our indicative budget for next year.

Senator O'BRIEN—This division does not put in a bid?

Ms Varova—We certainly advised the executive of our priorities and what we believe we would need, but it has not been worked through yet.

Senator O'BRIEN—Can you indicate the amount of money you need for your budget to meet your priorities?

Ms Varova—It will depend. Moving to the group structure in the department will mean that the groups and the divisions within those groups will need to focus on the products that we will be delivering together, whether there will be any synergies that we can make use of when it comes to efficiencies and what sorts of changes we may introduce as a result of that structure. We have not had an opportunity to actually work through those issues yet, and I think that will impact quite significantly on what we will be saying to the executive that we will need to deliver on our priorities. So it is a bit premature for me to be able to tell you that.

Senator O'BRIEN—When does that process normally happen?

Ms Varova—We are moving right into it.

Senator O'BRIEN—It starts after the budget, does it?

Ms Varova—It certainly does.

Senator O'BRIEN—The budget appears to allocate an additional \$25 million to National Highway and Roads of National Importance programs in 2005-06.

Ms Varova—Yes, it does.

Senator O'BRIEN—That tallies with the \$25 million that appears to have been removed from those out years in the additional estimates earlier this year.

Ms Meakins—Senator, the additional \$25 million which appears in the budget is actually funds allocated specifically for a major upgrade to the intersection of the New England Highway and Wheatleys Drive in the lower Hunter.

Senator O'BRIEN—But the additional estimates statement 2002-03, at page 24 under the heading 'Special appropriations', shows a reduction of \$25 million in 2005-06.

Ms Meakins—The reduction, I am told, relates to a rephrasing of out-year estimates for the Scoresby Freeway. So the two are unrelated.

Senator O'BRIEN—It is just a coincidence that the precise amount has been put back into the allocation for 2005-06 in the budget?

Ms Meakins—I believe so.

Senator O'BRIEN—So what came out for 2005-06 goes back into the budget?

Ms Varova—Yes, but for a different purpose.

Senator O'BRIEN—Can you provide a table showing the individual projects funded under the National Highway and RONI programs in each state and territory, showing the complete picture of financial commitment for each project in each of the next four years?

Ms Meakins—I am sorry, I missed some of your question, could you repeat that?

Senator O'BRIEN—Can you provide a table showing the individual projects funded under the National Highway and RONI programs in each state and territory, including the complete picture of financial commitment for each project in each of the four years, the subject of the portfolio budget statement?

Ms Meakins—We can do that for all the major projects, Senator. To do that for every minor project under the safety and urgent minor works category would be an excessive workload for the department, but for the specific major projects for the National Highway, we are happy to provide that on notice.

Senator O'BRIEN—And the RONI program?

Ms Meakins—And for the RONI program of course.

Senator O'BRIEN—Is the table able to show not only the total cost of the project but also an indication of whether all funding is available? For example, where a project requires state, territory or local government funding, can it show whether that tier of government has committed that?

Ms Varova—We will be able to provide most of that information, Senator.

Senator O'BRIEN—Presumably you would not be able to tell me it had been committed by another tier if it had not been?

Ms Varova—No.

Senator O'BRIEN—I understand that.

Ms Varova—No, we would be able to advise if we had been formally advised of a commitment by a state or territory government.

Senator O'BRIEN—Yes. I believe that sort of information may already have been sent to the states and territories. Would that be the normal process?

Ms Meakins—Yes, it is normal process on budget night for letters and a table, similar to what you just described, to go out to each state and territory minister.

Senator O'BRIEN—So perhaps the easiest thing would be to supply a copy of the letters?

Ms Varova—We would have to consult with the minister before we did that, because they are letters from minister to minister and he would have to authorise any such disclosure.

Senator O'BRIEN—I believe there has been a reduction in funding to Victoria. Is that so?

Ms Meakins—The figure for the coming financial year is lower than the figure for the current financial year, yes.

Senator O'BRIEN—What is the reason for the reduction in funding?

Ms Meakins—The funds allocated to Victoria are largely according to the needs of the particular projects and the phasing and sequencing of work on those projects.

Senator O'BRIEN—So were there particular projects in 2002-03 that elevated their need and that disappeared? I am just looking at whether there is a level of funding trend.

Ms Meakins—As far as I am aware, there was no deliberate cut to Victoria's allocation this year per se. Funding was largely according to the needs of particular projects.

Senator O'BRIEN—So what was the funding this year?

Ms Meakins—The total funding for 2003-04 for Victoria for the National Highway and Roads of National Importance programs is \$138.2 million.

Senator O'BRIEN—And for the coming financial year?

Ms Meakins—I am sorry, that is the figure for the coming financial year.

Senator O'BRIEN—The current year then.

Ms Meakins—For the National Highway it was \$109.74 million and for Roads of National Importance, \$142.9 million.

Senator O'BRIEN—That is quite a fall—over \$100 million.

Ms Meakins—I think it is rather that the current financial year was abnormally high rather than that this year is abnormally low.

Senator O'BRIEN—Do you have the figure for 2001-02?

Ms Meakins—Yes, for the National Highway in 2001-02, it was \$121.57 million, and for Roads of National Importance it was \$101.97 million.

Senator O'BRIEN—So it was \$123.54 million in 2001-02 and \$152.64—

Ms Meakins—\$223.54 million was the total for National Highway and RONIs in Victoria for 2001-02.

Senator O'BRIEN—It was \$252.64 million in 2002-03 and \$138.2 million in 2003-04.

Ms Meakins—Yes, Senator.

Senator O'BRIEN—If you are saying that 2002-03 was normally high, it was certainly \$30 million higher than the previous year but then drops by well over 40 per cent in 2003-04. What is the projected funding for 2004-05?

Ms Meakins—For 2004-05 it is 160.6.

Senator O'BRIEN—That is for both combined?

Ms Meakins—The 160.6, the figure I have just quoted, is for the National Highway and there is also an additional amount that has just been pointed out to me for RONIs in 2004-05 of \$93.1 million.

Senator O'BRIEN—Then the aberration is 2003-04, is it not? We have \$223.54 million, \$252.64 million, \$138.2 million and \$253.7 million.

Ms Meakins—It could be portrayed as an aberration but roads funding, as you are probably aware, is very lumpy in terms of its requirements.

Senator O'BRIEN—This is more of a pothole than a lump, and a very deep one at that. How is the \$138.2 million made up—National Highway and RONI—for 2003-04?

Ms Meakins—For 2003-04 RONI is \$68.2 million and it is \$70 million for the National Highway.

Senator O'BRIEN—Do you know of any special reason for phasing of works which would lead to that outcome?

Ms Meakins—Nothing in particular. It is really the cash flow requirements of the individual projects.

Senator O'BRIEN—Are there any projects which have been delayed at the request of the Victorian government?

Ms Meakins—There have been some delays—obviously for very public reasons—in the Scoresby Freeway and some in Pakenham but, apart from that, no.

Senator O'BRIEN—How does the Scoresby Freeway impact on the 2003-04 figure?

Ms Meakins—There is an allocation of \$63.3 million for the Scoresby Freeway, which was slightly less than the allocation for the current financial year.

Senator O'BRIEN—There cannot be much else then. That is in the RONI, is it?

Ms Meakins—Yes, that is in the RONI category.

Senator O'BRIEN—So \$63.3 million of the \$68.2 million is the Scoresby Freeway?

Ms Meakins—It has just been pointed out to me that one of the major reasons for the drop is the completion of the work on the Geelong Road and the funding for that, which was obviously a very large project.

Senator O'BRIEN—Have any projects been moved forward to 2004-05 that were originally intended to be undertaken in 2003-04?

Ms Meakins—I have been told that there is some work that has been completed early on the Murchison East Deviation and money would have been shown in the last year's budget for the coming financial year which is no longer needed for the coming financial year.

Senator O'BRIEN—So was last year's budget overspent?

Ms Meakins—My understanding is that the Murchison Deviation in fact came in under budget.

Senator O'BRIEN—How much money is involved in that? How much money from 2003-04 was brought forward to 2002-03?

Ms Meakins—There was \$30 million that previously appeared in 2003-04.

Senator O'BRIEN—So does that \$30 million appear in 2002-03 in the \$252.64 million?

Ms Meakins—I would have to take that one on notice. It is just too hard for me to determine that at present.

Senator O'BRIEN—Okay. I will look forward to the information that you have undertaken to provide. Can you advise me on notice whether there are any projects which were scheduled for 2003-04 which have been delayed into one of the subsequent out years and, if so, why?

Ms Meakins—Yes, we can provide that on notice.

Senator O'BRIEN—For National Highway and RONI.

Ms Meakins—Yes.

Senator O'BRIEN—I am not sure what you have been asked about the Pakenham bypass, because I took the opportunity of not being here for a little while, but I wanted to ask about the Pakenham bypass which is a RONI, as I understand it.

Ms Meakins—Yes, it is.

Senator O'BRIEN—What is the total value of the project?

Ms Meakins—The most recent information I have about the cost of constructing the Pakenham bypass is that the total cost is \$242 million.

Senator O'BRIEN—What is the Commonwealth contribution?

Ms Meakins—The Commonwealth has committed a total of \$100 million to that project.

Senator O'BRIEN—When was that contribution determined?

Ms Meakins—The original commitment was in September 1998 for \$30 million and there was a further commitment of \$70 million made in 2001.

Senator O'BRIEN—Do you know what the calculation of that contribution was based on?

Ms Meakins—I would have to take that on notice. I do not have that on my briefing. I presume it would have been half of the estimated costs at the time of the commitment but I will check on that for you.

Senator O'BRIEN—So there were two calculations, the September 1998 calculation and the calculation some time in 2001, I take it?

Ms Meakins—There would have been assessments made at both stages, yes.

Senator O'BRIEN—So you think the \$30 million was a 50:50 contribution, dollar for dollar, was it?

Ms Meakins—Well before my time, Senator, I would have to check.

Senator O'BRIEN—Okay, if you can take that on notice. And the \$70 million, was that the same? That is, when the contribution became \$100 million, was that on the basis of a fifty-fifty contribution?

Ms Meakins—I would have presumed so, but I will check that.

Senator O'BRIEN—Is that the normal for the RONIs?

Ms Meakins—It is a rule of thumb, but there are exceptions.

Senator O'BRIEN—Do I correctly presume that the cost of the project in 2001 was expected to be \$200 million?

Ms Meakins—I would have to check that.

Senator O'BRIEN—If you would. If that is the case, can you indicate where the costing of \$200 million came from at that time?

Ms Meakins—I can certainly check that but I presume we would have got those costings from VicRoads.

Senator O'BRIEN—I would have thought that is where you would get the costing, yes. Would VicRoads normally communicate their costings in writing?

Ms Meakins—Generally, yes.

Senator O'BRIEN—We are talking hundreds of millions of dollars here.

Ms Meakins—Indeed. It would be rare that we would accept a costing other than in writing.

Senator O'BRIEN—Absolutely. I would be very surprised if you were prepared to do so. Have there been costings subsequent to 2001? There obviously have, as the project value is \$242 million. When was that number known?

Ms Meakins—I do not have that in my briefing. I would have to take that on notice as well.

Senator O'BRIEN—Can you tell me where that information came from and how it was communicated?

Ms Meakins—Certainly.

Senator O'BRIEN—With regard to National Highway maintenance, can you confirm that the state and territory allocations do not include maintenance funds—that is, for those amounts in the PBS for next year and the out years?

Ms Meakins—Maintenance would be included in those figures for the coming financial year but not for the year. It is in the budget but I think you may be aware that, in our information to the states, we have flagged some intention to renegotiate those arrangements.

Senator O'BRIEN—What is the basis for the current arrangement? Is that a matter of agreement between the Commonwealth and the states? Or is it a responsibility that has been assumed by the Commonwealth in the past?

Ms Meakins—The allocations for maintenance?

Senator O'BRIEN—Yes.

Ms Meakins—The allocations between states for maintenance are largely historic in terms of shares between states, and the total amount and the split is determined by the Commonwealth.

Senator O'BRIEN—Would you be able to tell us, perhaps on notice, how much was provided to each state and territory in each of the past five years for National Highway maintenance?

Ms Meakins—I think we may have provided that in an answer to a previous question but we can certainly provide that again.

Senator O'BRIEN—Thank you. Is similar data available for safety and urgent minor works?

Ms Meakins—Yes, Senator.

Senator O'BRIEN—Presumably the minister has told the states and territories that he wishes to hold some negotiations about that funding in the out years. I think that is what you have just told me.

Ms Meakins—Yes, Senator.

Senator O'BRIEN—Does that mean that no decision has been taken about funding for the out years?

Ms Briggs—That is correct.

Senator O'BRIEN—So in terms of the future there are no formal new arrangements?

Ms Briggs—No, Senator, there are not. What the minister has indicated to the states is his intention to consider this issue, along with many others, in the context of the AusLink white paper.

Senator O'BRIEN—What is the problem with accountability and transparency as the program currently operates?

Ms Briggs—Could you repeat the question?

Senator O'BRIEN—I want to know what the problem was with accountability and transparency of the program as it currently operates.

Ms Meakins—Senator, you might be aware of ANAO audit report No. 21 and I think you have a copy of a review conducted subsequent to that. The Audit Office certainly observed that the allocation and split of funds between states needed to be, I guess, recalculated on a more rational rather than purely historic basis, and they were looking for a closer link with performance.

Senator O'BRIEN—What sort of performance? I can look this up in the report but you can probably help me now.

Ms Meakins—With performance generally we would be looking at things like average roughness levels.

Senator O'BRIEN—Okay. Who conducted the subsequent review?

Ms Meakins—Martin Dolan and myself.

Senator O'BRIEN—When was it conducted?

Ms Meakins—We completed that review in March and April of 2001.

Senator O'BRIEN—When was it provided to the minister?

Ms Meakins—I would have to check that, but shortly afterwards.

Senator O'BRIEN—Did that review include recommendations?

Ms Meakins—Yes, from memory there was something like a total of 41 observations and recommendations from that review.

Senator O'BRIEN—Can we ask the minister if he is prepared to give us a copy of the review?

Ms Meakins—This committee has already been provided with a copy of that review.

Senator O'BRIEN—Okay, we do not need to ask the minister then. Has the government a preferred model for a new system of allocating maintenance money?

Ms Briggs—The government has not taken any decisions yet on those matters. As I indicated earlier, that is the sort of thing that will be considered in the context of the AusLink white paper.

Senator O'BRIEN—Has any guarantee been given to any state or territory that they will not receive less money for maintenance under the revised arrangements?

Ms Briggs—Not that I am aware of. I do not think guarantees have been made either way.

Senator O'BRIEN—Have any decisions been taken about the amount of money to be made available for maintenance?

Ms Briggs—As I said, Senator, no.

Senator O'BRIEN—The PBS, on page 53, has a performance indicator for National Highway maintenance:

Percentage of smooth travel exposure on the National Highway classified by % vehicle kilometres exposed to <110 NRM (NAASRA roughness measure).

How far is our National Highway from achieving that performance? Is that an average figure?

Ms Varova—I am advised that we did meet that target for last year and we are expecting to meet that again this year.

Senator O'BRIEN—Is there a performance breakdown against that measure for each state and territory?

Ms Varova—Yes, it is provided in the ALTD annual report tabled in parliament and it is set out by state in graphical form.

Senator O'BRIEN—I understand that each year each state and territory government send the Commonwealth a list of National Highway and Roads of National Importance road priorities for the forthcoming year. At what time of the year are they due, if there is such a time?

Ms Varova—Usually December—that is only for the National Highway. With Roads of National Importance, there is no specific time of the year when they might put forward their priorities. That is more sporadic.

Senator O'BRIEN—Can copies of each request from each state and territory government be made available?

Ms Varova—It is their communication to us. I think we would have to check with the minister. It is an application putting forward their strategic request, so I would not be comfortable in guaranteeing we could provide a copy of it. I will check.

Senator O'BRIEN—Thank you for that. Can you provide me with a list of programs that have expired or terminated this year—that is, that have not been refunded for 2003-04?

Ms Varova—Expired or terminated meaning?

Senator O'BRIEN—Meaning there is no money for them in 2003-04, they are concluded, they are lapsing, expired, finished, not to be funded again.

Mr Yuile—We will double-check that, Senator, and come back to you.

Senator O'BRIEN—Could I have the same list for the programs expected to terminate or expire at the end of the coming financial year?

Mr Yuile—That is 2003-04?

Senator O'BRIEN—Assuming there is no budgetary decision to refund them or extend them or rephrase them.

Ms Briggs—Yes.

Senator O'BRIEN—With regard to Melbourne airport additional quarantine infrastructure, this budget allocates \$7.7 million in 2003-04 from Customs and AFFA, which comes to this department, and this is to complete infrastructure works at Melbourne airport to facilitate increased quarantine intervention. Why has it come to Transport?

Ms Varova—It was a decision by the government, Minister—Senator, sorry.

Senator O'BRIEN—That is all right. I will forgive you this time.

Senator Ian Macdonald—It will be a long time.

Senator O'BRIEN—Do not do it again. You will get into trouble with Senator MacDonald.

Ms Varova—I thought I would cheer you up at this late hour.

CHAIR—Every time you say that, he gives us a 10-minute early break.

Ms Varova—This is what I am hoping, Senator.

Senator Ian Macdonald—The only good thing about that ever happening is that he will have to sit here where I am, listening to these interminable questions that seem to go nowhere.

Senator O'BRIEN—It would be a change, Minister.

Senator Ian Macdonald—I can guarantee you, Senator, I will take a quarter of the time you take, if our positions are ever reversed.

CHAIR—Settle down.

Senator O'BRIEN—That is in *Hansard* now; that is good.

Senator Ian Macdonald—By the time that happens, neither you nor I will have the eyesight to read. We will be too old.

Ms Varova—Could you repeat the question, please?

Senator O'BRIEN—How old is the minister? You just told me that the money was shifted because it was a decision of the government.

Ms Varova—Yes.

Senator O'BRIEN—Is there any intrinsic logic that you understand for the change?

Ms Briggs—Senator, it is not new. There has been work done, which was announced in a previous budget, to strengthen Australia's quarantine borders against exotic pests and diseases. That involved the completion of work in Sydney, Brisbane, Perth and Adelaide, and work is still continuing in Cairns and Darwin. So this is an additional element of that.

Senator O'BRIEN—The PBS says:

The work at Melbourne airport will complete the program of works at international gateway airports.

Ms Briggs—That is correct.

Senator O'BRIEN—I presume that the list of airports you just gave us is the list at which airport work has been completed?

Ms Briggs—Work has been completed in Sydney, Brisbane, Perth and Adelaide and is nearing completion in Cairns and Darwin.

Senator O'BRIEN—What was the budget for the work in each of those airports?

Ms Briggs—I think it was of the order of \$29 million in total.

Senator O'BRIEN—Can you give us a breakdown by airport?

Ms Briggs—I have not got that, but we can take it on notice.

Senator O'BRIEN—I presume it is not hard to get.

Ms Holub—We recently provided a breakdown by airport.

Senator O'BRIEN—Is that in an answer to a question on notice?

Ms Holub—Yes.

Senator O'BRIEN—Whose question was it? I have not read all mine yet. I am happy for you to give me the reference, if it is difficult to find now. If it is the answer to a question on notice and I can get adequate reference, we will find it. Are the quarantine screening machines proposed the same as those to be used to screen passenger baggage and passengers?

Ms Holub—I do not have information about the machines. Our role involved the infrastructure changes, so I do not have any details about the machinery.

Mr Yuile—My recollection is that it is different equipment.

Senator O'BRIEN—Is it X-ray equipment?

Mr Yuile—Yes. But we will just check if there is someone here who might have a bit more technical detail for you on that. If not, we can let you know.

Senator O'BRIEN—Who is organising the purchase of the machines, this department?

Ms Varova—No, either AQIS—

Senator O'BRIEN—It is not in the \$7.7 million then?

Ms Varova—No, it is not. That is specifically for the expansion of the international arrivals hall and also some additional operational equipment, office space, et cetera. So AQIS and Customs are really going to be managing those sorts of purchases.

Ms Briggs—Excuse me, Mr Chair, Mr Dolan has joined us and he can talk about the kinds of screening facilities and how they compare with the security arrangements.

Mr Dolan—As I understand it, the question is whether the foot-and-mouth disease infrastructure at airports bears any relationship to the security infrastructure that has also been put in place. Foot-and-mouth disease infrastructure is for incoming inspection of passengers and it is integrated into the incoming passenger stream. Therefore, it is totally separate from both the baggage and the other arrangements, which are essentially on the security side designed for outgoing passengers.

Senator O'BRIEN—So it is a passenger not a baggage screening?

Mr Dolan—No, it is passenger and baggage, but incoming. But there is a distinction between incoming and outgoing, obviously.

Senator O'BRIEN—I think there was a misunderstanding.

Mr Yuile—I misunderstood your question.

Senator O'BRIEN—I am assuming that, if you are screening with X-ray for customs purposes, the same machines are perhaps able to be used for screening to discover items that might carry foot-and-mouth disease or other quarantinable matters.

Mr Dolan—Certainly the technology that is used for screening incoming for Customs is a comparable technology to that which is used for screening for foot-and-mouth disease, yes.

Senator O'BRIEN—Thanks for trying to help me.

CHAIR—In other words, if someone had a cow in their baggage, it would pick it up?

Senator O'BRIEN—Either you would hear it or you would X-ray it.

Mr Dolan—I am confident that a quarantine officer would pick it up, Mr Chairman. I thought you were asking if the machinery was exactly the same. I knew it was X-ray but I did not know whether it was precisely the same.

Proceedings suspended from 9.04 p.m. to 9.21 p.m.

Senator O'BRIEN—Please advise me which programs are still in receipt of IBTOS arrangements?

Ms Briggs—An earlier witness covered this earlier.

Senator O'BRIEN—Did he? I know there were questions about IBTOS. Were they relevant to the other program and not this one?

Ms Briggs—It is his division that that is covered in, I am afraid.

Senator O'BRIEN—If I have mucked up where they should be, I will put them on notice for the appropriate section. With regard to the Sydney noise amelioration program, the Sydney noise levy has been extended in this budget to collect an additional \$17 million to be

spent over the next four years. That will require the \$3.40 ticket levy for passengers in and out of Sydney to be in place until April 2007, as I understand it. Is that right?

Ms Varova—Correct.

Senator O'BRIEN—When was the program intended to finish—that is, prior to this budget announcement?

Ms Varova—This extension means that the levy has been extended for just less than six months.

Senator O'BRIEN—So you collect the \$17 million in six months?

Ms Varova—We are just having a debate about whether it is six or 10 months. We will confirm that. My understanding is six months, but we will confirm that in case it is a little longer.

Senator O'BRIEN—So how much a year has the government received in each year since the levy commenced?

Ms Varova—In 1995-96 the revenue collected was \$22.1 million. In 1996-97 it was \$38.7 million. In 1997-98 it was \$39.4 million. In 1998-99 it was \$37.6 million. In 1999-2000 it was \$37.1 million. In 2000-01 it was \$38.8 million. In 2001-02 it was \$35.6 million. For 2002-03 our estimated revenue is \$36.1 million.

Senator O'BRIEN—So the projection is for collection until April 2007. How much more needs to be collected?

Ms Varova—For 2003-04 we are projecting \$36.5 million. For 2004-05 we are projecting \$36.5 million. For 2005-06 we are projecting again \$36.5 million. For 2006-07 it is \$36.5 million.

Senator O'BRIEN—That is up to April?

Ms Varova—That is correct.

Senator O'BRIEN—Do you know how much has been spent on the insulation activities since the program commenced?

Ms Varova—Our spending of the levy proceeds in 1994-95 was \$24.2 million. In 1995-96 it was \$62.4 million. In 1996-97 it was \$49.1 million. In 1997-98 it was \$68.4 million. In 1998-99 it was \$60.6 million. In 1999-2000 it was \$63.2 million. In 2000-01 it was \$37.6 million. In 2001-02 it was \$29.7 million. Our estimated expenditure this year is \$9 million.

Senator O'BRIEN—That is the end of the expenditure?

Ms Varova—We do project expenditure for forward years. In 2003-04 we are projecting \$9.9 million. In 2004-05 it is \$6.3 million. In 2005-06 it is \$0.6 million. In 2006-07 it will be \$0.1 million.

Senator O'BRIEN—Thank you for that. What has been the cost of administration of this program? I presume that is covered in part by the collection of the levy?

Ms Varova—Yes, that is. I do not know if I have that separately.

Senator O'BRIEN—If you could give us that breakdown, I would appreciate it.

Ms Varova—I will take that on notice.

Senator O'BRIEN—Thank you. I have not had time to do the addition. The minister's press release said the total cost is now estimated to be \$420 million, which I assume includes the additional \$17 million of work over the next four years.

Ms Varova—Yes, that is correct.

Senator O'BRIEN—Does that \$420 million include the cost of administration?

Ms Varova—Yes. My understanding is that it does but, again, I will confirm that.

Senator O'BRIEN—The funding 'will enable us to complete the insulation'—this is the minister's budget media release—'of the remaining residences and public buildings that are eligible for assistance under the program'. It says there are a high school, an aged care centre, three churches and about 10 residences.

Ms Varova—That is correct.

Senator O'BRIEN—So they are going to cost \$17 million?

Ms Varova—The funding is also going to enable some necessary seismic upgrading work to be undertaken on up to 40 blocks of multistorey units, previously insulated flats, and that is consistent with recent advice about the application of Australian standards on earthquake protection on such properties.

Senator O'BRIEN—Can you tell me which high school it is? Where is it located?

Ms Varova—It is Tempe High School.

Senator O'BRIEN—The aged care centre?

Ms Varova—The Harold Hawkins aged care centre.

Senator O'BRIEN—Which suburb is that in?

Ms Varova—I am not sure. I just have the name. I understand that the funds used for insulating this property will be provided as a contribution towards the construction of a replacement facility.

Senator O'BRIEN—How much is going to that aged care centre?

Ms Varova—It is about \$2.5 million.

Senator O'BRIEN—So \$2.5 million was the expected cost of insulation, was it?

Ms Holub—The \$2.5 million was the contribution to the replacement. Yes, it equated to what the insulation cost would have been.

Senator O'BRIEN—What is the insulation cost of the high school?

Ms Holub—I think it is about \$5.7 million. I have some handwritten notes here and I cannot quite make it out, but I think it is about \$5.7 million. I will confirm that if it is not correct.

Senator O'BRIEN—The three churches?

Ms Varova—St John's Church in Rockdale, All Saints Church and Metropolitan Community Church in Petersham—

Ms Holub—The third one is St John's Anglican Church.

Senator O'BRIEN—Somewhere. Where is it?

Ms Holub—I do not have the suburb.

Senator O'BRIEN—I suspect there is more than one St John's Anglican Church in Sydney.

Ms Holub—I think it is in Rockdale.

Senator O'BRIEN—Which suburbs are the 10 residences in?

Ms Holub—I do not have the suburbs for those houses.

Senator O'BRIEN—How were these premises determined as being eligible to receive insulation now? Presumably they were not eligible before.

Ms Holub—No, they were eligible before. With the funding that was available at that time, we were not able to complete all the eligible houses.

Senator O'BRIEN—Was the high school eligible before?

Ms Briggs—That is my understanding, yes.

Mr Yuile—Having grown up in that area, I am positive it would be eligible.

Senator O'BRIEN—It was your alma mater, was it?

Mr Yuile—Not quite.

Ms Holub—There were no residences or buildings added as a result of this funding. Rather, they had been deemed to be eligible previously. This funding is allowing us to complete that program of works. I will provide a response to an earlier question you asked about the breakdown on the figures for the airport infrastructure works. I refer to a question on notice. It was actually 1158. It was one that you actually tabled.

Senator O'BRIEN—That is more thorough than I thought. Do I presume correctly that all of these owners had previously requested the insulation program be applied to these properties?

Ms Holub—They fell within the contours that made them eligible. Offers were made to house owners, so in that context yes.

Senator O'BRIEN—Why are they being done now? There was not money available for them before, I think you were saying, if I understood you correctly?

Ms Holub—That is right. There was a program of works. To complete that program, the government agreed to this additional funding, and now we can complete them.

Senator O'BRIEN—Are there any properties eligible for funding that remain unapproved—that is, for the insulation program?

Ms Holub—Not within the current contours, no.

Senator O'BRIEN—When were the current contours set?

Ms Holub—I think they would be based—I would have to check—on the 2001 assessments.

Senator O'BRIEN—That is the ANEF contour you are talking about?

Ms Holub—That is correct.

Senator O'BRIEN—In relation to the levy, the minister said in his release that it is recovered through the Sydney airport noise levy, which the airlines have chosen to pass on to passengers as a \$3.40 charge on most flights through Sydney airport. How does the Commonwealth charge and recover this levy from airlines? Is it a monthly bill or annual, or do the airlines just hand over whatever they collect on a regular basis?

Ms Holub—It is passed through on a monthly basis.

Senator O'BRIEN—They tell you how many passengers that have travelled and you bill them?

Ms Holub—That is right.

Senator O'BRIEN—Are airlines permitted to retain any of the \$3.40 to cover their expenses in the collection of the levy?

Ms Holub—Not that I am aware of.

Senator O'BRIEN—Is it open to the Commonwealth, the airlines or any particular airline to vary the quantum of the levy?

Ms Holub—Could you repeat that?

Senator O'BRIEN—Is it open to the Commonwealth, the airlines or any particular airline to vary the quantum of the \$3.40 levy? Can the Commonwealth vary it for an airline or airlines generally at any time?

Ms Holub—The act sets out the formula for the calculation of the amount of the levy for different types of aircraft landings. So it is set out in the formula.

Senator O'BRIEN—So it is collected by aircraft type, not by passenger? Is that what it means?

Ms Holub—Yes, that is right, on jet aircraft landings.

Senator O'BRIEN—Does it assume a level of occupancy of that aircraft type?

Ms Holub—I am not sure about that. I would have to check.

Senator O'BRIEN—I am just wondering: if the airline collects \$3.40 per passenger and you levy it not per passenger but by aircraft type, does that mean there is a win-loss situation for the airlines which is intended to be averaged?

Ms Varova—It is the formula that is specified, by aircraft type. I will check that out.

Senator O'BRIEN—A formula for payment. So depending on the aircraft type, per landing or take-off, there is a payment—is that right?

Ms Varova—Per passenger on that aircraft.

Senator O'BRIEN—So is it \$3.40 per passenger?

Ms Holub—It is done on aircraft type. I think what you are suggesting is correct about the variation that can occur with the passenger load. That is how it is passed on by the airlines, or

that is how they have worked it out. But they pay per jet aircraft landing. I will confirm how that works with the variations.

Senator O'BRIEN—If you would, please. So if it is based on a certain load factor, that would be what you are explaining—how the \$3.40 per passenger is hypothecated into a charge per aircraft landing?

Ms Holub—That is correct. I will clarify how that works.

Senator O'BRIEN—Therefore, it isn't a ticket levy as such?

Ms Holub—No.

Senator O'BRIEN—If the airlines collect a certain amount per ticket, do they have to acquit how much they have actually collected from the passengers to the Commonwealth?

Ms Holub—I have to confirm that. My understanding is that different aircraft types pay a different amount. How that is passed on is a matter for the airlines. They have worked out an average. I could be wrong, but that is my understanding of it. I will clarify that tomorrow.

Senator O'BRIEN—Can you tell me when that was worked out? How long has that formula been in the act?

Ms Holub—I am not aware that it was done subsequent to the original introduction. I am not sure.

Senator O'BRIEN—I could think of one airline that has had an incredibly high load factor into and out of Sydney since Ansett collapsed. Depending on what the load factor was originally intended to be, it could lead to an interesting outcome for that airline. I imagine they would be screaming if they were behind. I have not heard them scream. It would be interesting to see that information. Thank you for that. Presumably, the levy is expected to end in April 2007. What happens if the collections are less than expected?

Ms Varova—That would be a matter for the government to consider.

Senator O'BRIEN—In relation to additional premises and dwellings approved for insulation with the works now approved and the levy extended, have there been any requests or representations to insulate additional buildings in Adelaide?

Ms Holub—I will have to take that on notice.

Senator O'BRIEN—If there have been, could you identify the buildings, who has made the representations, and when and what response if any has been made to those representations?

Ms Holub—Certainly.

Senator O'BRIEN—Is the Adelaide noise amelioration program levy collected through the same sort of formula as the Sydney airport levy?

Ms Holub—I believe so. Yes, that is what I understand.

Senator O'BRIEN—So it is an amount per aircraft type?

Ms Holub—Yes.

Senator O'BRIEN—Do you know how the airlines choose to recover this cost?

Ms Holub—I do not have that information with me.

Senator O'BRIEN—So you do not know whether it is another ticket levy collection method for Adelaide?

Ms Varova—I understand that the cost is recouped by the airlines through applying a charge to each passenger ticket.

Senator O'BRIEN—Can you provide a breakdown of how much we have received in accordance with the legislation in each year since it commenced?

Mr Yuile—Could you say that again?

Senator O'BRIEN—I had to change my thinking mid-way through because I was thinking of a ticketing levy. But they are not passing on the levy; they are passing on the prescribed fee per landing.

Mr Yuile—It is the way the airlines choose to prescribe the cost.

Senator O'BRIEN—Yes. So how much has been remitted to the Commonwealth each year since the charge arrangements were put in place?

Mr Yuile—For both Adelaide and Sydney?

Senator O'BRIEN—For Adelaide, not Sydney.

Ms Holub—In 2000-01 it was \$0.5 million. In 2001-02 it was \$5.5 million. This year it is estimated to be \$5.6 million.

Senator O'BRIEN—Can you give me the spending profile as well, please.

Ms Varova—The spending for 2000-01 is \$1.9 million. In 2001-02 it was \$11.1 million. We estimate it in 2003 to be \$16.8 million.

Senator O'BRIEN—Does that spending include administration costs for the department?

Ms Holub—No, I do not think so. I think that is what we have actually spent.

Ms Varova—Again, it is like the Sydney levy. We would need to check that because we do not have the information on the departmental costs in here.

Senator O'BRIEN—If it is an additional amount, could you give me the administration costs and tell me whether they are included in the figures you have given me or whether they are additional to that?

Ms Varova—Yes, we will do that.

Senator O'BRIEN—What are the projections for collections and expenditure for the program for Adelaide?

Ms Holub—For Adelaide?

Senator O'BRIEN—Yes, please.

Ms Holub—For Adelaide, \$5.6 million is the projected revenue.

Senator O'BRIEN—In 2003-04?

Ms Holub—Yes. Then through each year to 2010 and 2011 it is the same; it is a flat line. The projected spending for the next financial year, 2003-04, is \$21.6 million. The following year, 2004-05, it is \$5 million.

Senator O'BRIEN—And that is the end?

Ms Holub—That is correct.

Senator O'BRIEN—Is the works program known for those out years? Have all the applications for insulation been received and a works program constructed over that period to see that the noise amelioration program work is completed by then? Could more applications be lodged that have not been envisaged by these figures?

Ms Holub—It is not so much the likelihood of receiving additional applications. We have had to, from time to time when the new contours come out, have a look to see whether any more residences or buildings become eligible as a result of the flight path changes that might have occurred in the previous year.

Senator O'BRIEN—Has the department received requests for insulation around any other airport in Australia?

Ms Holub—Not to my knowledge since I have been involved in these two programs. But I would have to check whether they have come through elsewhere.

Senator O'BRIEN—Could someone explain the three per cent increase in the revenue from motor vehicle compliance plates? Is it an increase in the price or an increase in the number sold? The officers are not here?

Ms Varova—No.

Mr Yuile—I think it is a vehicle standards question.

Senator O'BRIEN—Okay, I will put it on notice.

Mr Yuile—Sure.

Senator O'BRIEN—The revenue from rental properties in Badgerys Creek: is that three per cent?

Mr Yuile—We have had them here, but I think the person required is still here.

Senator O'BRIEN—Net gains from the sale of assets?

Ms Briggs—Senator, could you ask the question again.

Senator Ian Macdonald—When you finish this, can you go home so we do not have to bring you back again, please.

Senator O'BRIEN—This is to save questions on notice, Minister. I thought you said at the outset that you wanted to avoid them.

Senator Ian Macdonald—I expect the committee to be ordered in their questioning and to know when they should question different areas.

Senator O'BRIEN—Mostly we meet your expectations. With regard to Sydney west airport rental properties, the PBS on page 98 appears to reveal a three per cent increase in revenue. Does that reflect an increase in rent or some other factor?

Ms Addison—No. We actually just build an adjustment—a CPI or other kinds of inflators—into that figure.

Senator O'BRIEN—Does that mean that the rentals will rise by the CPI?

Ms Addison—In terms of constructing the estimate, we put an adjustment in there having regard to the CPI, essentially. In terms of the rental properties, the residential leases are renegotiated on a yearly basis and the commercial ones on a three- to five-year basis. To the extent that they are renegotiated on a yearly basis, there generally would be an adjustment of the rent when the leases were renegotiated.

Senator O'BRIEN—Is a list of rental properties and the rent they pay available?

Ms Addison—I would have to take that on notice.

Senator O'BRIEN—Are they mostly domestic accommodation premises?

Ms Addison—Of the 254 properties, about 230 of them are residential and the balancing 30 are commercial. But I can get the exact breakdown for you.

Ms Briggs—Senator, do you really need 250-odd addresses? Could we say it is better that the department does not spend some time on that?

Senator O'BRIEN—I am not sure how it would be expressed in your records at present.

Ms Addison—We would not hold the copies of the actual individual leases. We actually engage a property agent. The property agent is responsible for the day-to-day dealings in terms of the leases. So, yes, it would be a reasonable amount of work for us to pull out the details of all those individual leases.

Senator O'BRIEN—Let's assume that the domestic properties are fairly standard. That is probably simple. The commercial properties may not be.

Mr Yuile—Could I clarify that. You wanted the—

Senator O'BRIEN—I do not necessarily want a street number—certainly not for the domestic properties—but for the commercial properties, I do not think that would be a difficult ask.

Mr Yuile—At Badgerys Creek we are talking about?

Ms Addison—Yes.

Senator Ian Macdonald—You want the addresses of the tenant?

Senator O'BRIEN—No, the premises. For the 24 commercial properties, but not for the 230 domestic residences.

Senator Ian Macdonald—But you want—

Senator O'BRIEN—I just want the rentals by property. The way you identify property is normally by address, unless there is another title. But, given that 230 of the 254 are residences, if there is an indication of rentals by number of properties, that would be adequate.

Senator Ian Macdonald—Rentals by the number of properties?

Senator O'BRIEN—If they are all paying the same rent, it will be 230 properties paying \$200 a week, or whatever it is.

Senator Ian Macdonald—With the commercial properties, would 24 properties paying \$23.50 a square metre be sufficient?

Senator O'BRIEN—If you want to express it as that. But I imagine there will be different square metre rentals for different properties.

Senator Ian Macdonald—I am just a fraction concerned. I have not been listening as intently as I should. If I knew the basis for why you needed this, we might be able to assist you in getting the information without breaching what might be seen to be—

Senator O'BRIEN—Put it in such a way that does not breach individual, commercial or personal interests. There might be five properties of a variety of sizes where the square metre rate is such and such, giving a rental of such and such, and seven of another kind—

Senator Ian Macdonald—That is fair. There should be some rationale. I imagine a number of the commercial rental properties would be rented as a certain value because they are doing certain things and there would be a number of others—

Senator O'BRIEN—Where it is a square metre rental, it is an annual rental. You would be saying that the annual rental for a property of such and such a size is X.

Senator Ian Macdonald—Perhaps if we said property No. 1, annual rental X, property No. 2, annual rental Y, without actually identifying them.

Senator O'BRIEN—I am happy if they are not identified. I would like the area of the commercial properties.

Senator Ian Macdonald—The officers understand the information you need. We will try to get something to you that gives you what you need without breaching any commercial-in-confidence or individual privacy issues, should there be any. We think it is about that. We will try to give Senator O'Brien what he is seeking.

Senator O'BRIEN—Thank you. Can you explain where the \$2.288 million under the item sale airport land comes from—that is, which land is referred to?

Ms Addison—Can you direct me to where you are looking at?

Senator O'BRIEN—It is page 98.

Ms Addison—Page 98—the very last item on that page?

Senator O'BRIEN—Yes.

Ms Addison—That comprises three land exchange arrangements. One is in relation to the M5 in New South Wales. It is in Sydney. It was related to land sales associated with the construction of the M5 and land being sold off near the airport. If we are looking at the \$2.288 million, that is the estimate into 2003-04?

Senator O'BRIEN—Yes.

Ms Addison—That amount for the M5 is \$2,647,000. That amount is net of GST. Going to 2003-04, the composition of the \$2.288 million is Hoxton Park airport. This is for the Western Sydney Orbital. There was land sold from Hoxton Park airport for the Western Sydney Orbital. The amount there is \$2,285,000. The balancing figure for the \$2.288 million is related

to the sale of airport land to the Tasmanian state government for slip lanes. The estimate is \$3,000.

Senator O'BRIEN—Thank you for that. I think the only question I have for this division, unless it is yours, Ms Addison, is the Ansett tax. There is one more, which is about the ARTC.

Ms Briggs—Have we dealt with them under the transport and infrastructure policy division? I was surprised when you said earlier in the day that you wanted to ask a question around the accounting treatment and that it didn't arise.

Senator O'BRIEN—That was because I put it in the wrong division.

Ms Briggs—Try us out on that question. The chief financial officer is here. If it is a straight accounting question, he may well be able to answer it. Otherwise, we will take it on notice.

Senator O'BRIEN—It is about the accounting treatment of the \$111 million ARTC equity injection.

Ms Briggs—Let's see if he can.

Senator O'BRIEN—This amount of money is appropriated by the Commonwealth from the mainland interstate track program and provided to the ARTC as an equity injection, which is first mentioned in the budget in 2003, as I understand it.

Ms Briggs—Yes.

Senator O'BRIEN—I understand the expenditure of the money is contingent on the finalisation of the access arrangements with the New South Wales government. As soon as the deal is done, the money goes to the ARTC account and disappears from the Commonwealth budget. Is that the case?

Ms Briggs—It would be the arrangement that it would be paid to the ARTC, yes.

Senator O'BRIEN—And it would disappear from the Commonwealth budget?

Ms Briggs—Yes, because the moneys would be expensed. Sorry, it would be an equity investment.

Senator O'BRIEN—The figure of \$111 million has remained the same, even though it was first mentioned in the budget in 2002-03. Does that mean that, whatever the money has earned for the Commonwealth, if any, it is being retained by the Commonwealth? For example, the money has been parked in consolidated revenue?

Mr Chandler—The funds have been held within consolidated revenue. How those funds are applied over time is a matter for the Department of Finance and Administration.

Senator O'BRIEN—Can you also explain the item in table 2.3 entitled 'Departmental capital funded from equity injections'? Where does that equity injection come from? It is table 2.3.

Mr Chandler—This is the \$5.003 million figure that you are referring to?

Senator O'BRIEN—Yes.

Mr Chandler—If you turn to page 27 of the PBS, it is the second dot point under ‘Departmental equity injections’. The description under the second dot point relates to equity injections across both outcomes 1 and 2. The \$5.003 million that you are looking at in table 2.3 is outcome 1 specifically. It is made up of the items: A Safer Australia—maritime security arrangements of \$3 million; the enhanced screening at Christmas Island and Cocos (Keeling) Islands for \$1.3 million; the \$0.4 million for the ATSB; and the \$0.3 million for the aviation security information management system.

Senator O’BRIEN—That is to the department as an equity injection?

Mr Chandler—It is an equity injection because the funds are to go to capital purposes.

Senator O’BRIEN—I return to the Ansett ticket tax. Could someone tell me the latest total of funds paid to former Ansett workers through the SEESA fund? The last hearing revealed that \$332.9 million had been paid to 12,930 workers.

Ms Holub—It was \$335.6 million and it is 12,983 former employees.

Senator O’BRIEN—The latest figure available of a total collected by the Ansett levy was \$196.6 million as at 5 February this year. What is the most current figure?

Ms Holub—We reconciled to 30 March, and it was \$240.2 million.

Ms Briggs—I want to clarify something. It is April.

Ms Holub—I have a breakdown by month. I think it is the March figure, not the April figure. We have two different months, but I think it is the March figure I have just given you.

Senator O’BRIEN—Has the government got updated information on total Ansett asset sales to date and final costs of the Ansett administration?

Ms Holub—There has not been an update since the last hearings. I understand the September report to creditors is still the most current report.

Senator O’BRIEN—The latest information provided to 31 January was asset sales of \$630 million and costs to date and to complete the administration it was \$340 million. Are they the last figures you have?

Ms Holub—That is what I understand to be the status at the moment.

Senator O’BRIEN—So those January figures indicate net administration proceeds of \$290 million?

Ms Holub—I do not have that sort of breakdown.

Senator O’BRIEN—I am just taking \$340 million from \$630 million.

Ms Holub—Yes, that is correct.

Senator O’BRIEN—Leaving the superannuation case aside or assuming the superannuation appeal is dismissed or lost, is it fair to say that on those figures the government would get the \$290 million, being the first in line of creditors?

Ms Varova—We cannot really speculate on how much the administrator will have to disperse at this stage.

Senator O'BRIEN—I think we know they will have at least \$290 million on those numbers that we have, because the administrator's costs are finalised, aren't they? If they have \$630 million and the costs to date and to complete the administration was \$340 million, that leaves \$290 million. So they are going to have at least \$290 million, I would think.

Ms Varova—But I understand there may be other potential future costs of administration that they need to take into account. I do not have an estimate of that. I do not know what that might be.

Senator O'BRIEN—Whose costs are we talking about?

Ms Varova—Potential costs of administration.

Senator O'BRIEN—I thought the figure of \$340 million was to complete the administration.

Ms Holub—I think that is the current estimate.

Ms Briggs—That is correct, as I understand it.

Senator O'BRIEN—If the appeal is won by the appellant, I understand approximately \$200 million would go to the super trustees. Is that correct?

Ms Varova—Well, we understand it is a potential liability of about \$200 million to \$250 million.

Ms Holub—Because of the nature of the scheme, there would need to be an actuarial assessment of the final figure, but that is an estimate. It could be higher.

Senator O'BRIEN—What is the agreed understanding on how any net administration moneys would be distributed?

Mr Bogiatzis—I did not actually hear the question clearly.

Senator O'BRIEN—What is the agreement or understanding on how any net administration moneys would be distributed—that is, after the administration costs have been deducted from the sale of assets?

Mr Bogiatzis—That is an issue for the administrator.

Senator O'BRIEN—Is there an agreement or understanding?

Ms Briggs—I think we should clarify that. I gather under the Corporations Act there is a required order of precedents in these cases, and the administrators are, of course, bound by that.

Senator O'BRIEN—But I understand that the Commonwealth is first in line.

Ms Briggs—It is the issuers before the employees. The administrators are before the employees, for example. Within the employee entitlements, there is an order as well. Superannuation is higher, for example.

Senator O'BRIEN—What is the exact order? After the administrator, it is the employees. The Commonwealth stands in the shoes of the employees.

Ms Briggs—The Department of Employment and Workplace Relations deals with this. It is probably better to direct those questions to them. I do not believe they have been to their estimates hearings yet.

Senator O'BRIEN—What is the process for ceasing the collection of the levy?

Ms Briggs—That can be gazetted. That is my understanding.

Senator O'BRIEN—How long would it take to activate?

Ms Briggs—It can be done very quickly.

Senator O'BRIEN—A matter of days?

Ms Briggs—Yes.

Ms Varova—The *Gazette* specifies the cessation month. For example, if it was gazetted now, it could gazette June or July as the cessation month.

Senator O'BRIEN—Is there a capacity to suspend the levy?

Ms Varova—Not in the act.

Senator O'BRIEN—Is there a capacity to adjust the level of the levy?

Ms Briggs—No.

Senator O'BRIEN—The PBS for 2003-04 has a table of administered receipts other than appropriations at page 98. Under the item 'Taxes, fees and fines' there is a figure of \$140 million estimated to be collected from the air passenger ticket levy in 2003-04. How many months in 2003-04 have been factored into that calculation?

Ms Holub—Eight.

Senator O'BRIEN—So it continues until the end of February?

Ms Varova—That is correct

Senator O'BRIEN—Subject to a gazettal of an order to cease it at that time?

Ms Varova—Yes, that is correct.

Senator O'BRIEN—Isn't it the case that it is more than likely that the collection of the levy is unnecessary to allow the Commonwealth to collect all the money it has paid employees?

Ms Varova—Until we are aware of the outcome of the court case, we are not in a position to recommend the cessation of the levy.

Senator O'BRIEN—Couldn't the legislation be amended to permit a suspension of the levy?

Ms Varova—Yes, it could. That would be a matter for the government to consider.

Senator O'BRIEN—If the funds collected currently—that is, at this time—were found to have exceeded the amount necessary to reimburse the Commonwealth for its expenditure, is that additional money hypothecated for any particular program or activity?

Ms Holub—No.

Senator Ian Macdonald—That is really hypothetical, isn't it? That is something that would have to be determined—

Senator O'BRIEN—I am asking in relation to whether a decision has been made. I understand the question of whether the money will be available is a matter of debate. I think it is. But I am asking if there is a decision which is already made about what will happen with money in that circumstance.

Senator Ian Macdonald—Well, I would have thought it would be unlikely that there would have been any decision. That is what I would have thought. I am advised by the officers that that is in fact the case. There is not any decision on that.

Senator O'BRIEN—Hopefully, that is all I have for this division.

Mr Dolan—In response to an earlier question, the aircraft levy as reflected in legislation is based on the noise characteristics of given aircraft, which are reassessed annually. So it varies depending on the type of aircraft and the noise impact they have on the environment. It is a per aircraft charge based on a formula related to that noise assessment. It is only dependent on whether or not the aircraft flies in and out of an airport; it is not dependent on the number of passengers or whether it is a domestic or international aircraft. How airlines convert that into a per passenger charge is a matter for them and how they construct their ticket prices.

Senator O'BRIEN—That is included in the legislation?

Mr Dolan—The formula is included in the legislation. The variable element of it, which is the noise level rate, is reviewed annually.

Senator O'BRIEN—Does that mean there is a formula which relates to the noise level rate and then particular aircraft are rated separately but not in the legislation? Where do I see all of the information? Where do I put all the information together?

Mr Dolan—All the information is in the legislation, including the basis on which the noise level is assessed. But the actual technical assessment is not expressed, as far as I am aware, in the legislation.

Senator O'BRIEN—Where is that expressed? In regulations?

Mr Dolan—In regulations, as I understand it, but I would like to confirm that.

Senator O'BRIEN—Thank you. I appreciate that. In a doorstep in Sydney on 1 May this year, the minister said he had written to Airservices Australia asking them to defer for three months a proposed increase in their charges. Is it possible to see a copy of that letter?

Mr Dolan—That is a matter I would have to refer to the minister, I think.

Senator O'BRIEN—Do you know the reason the minister took the decision to make that request?

Mr Dolan—Only based on comments that I am aware of, which is a concern about the current state of the aviation environment and the impact of increased charges on the industry.

Senator O'BRIEN—Did the minister agree with the decision by Airservices to propose an increase in charges?

Mr Dolan—I am not aware of the minister's view on that. I understand that the legislation, in terms of the Airservices act and the Prices Surveillance Act, gives the ACCC a role to play in determining whether price increases are appropriate.

Senator O'BRIEN—The proposal was circulated for public discussion by the ACCC, as I understand it.

Mr Dolan—Yes.

Senator O'BRIEN—Ultimately, the ACCC rejected Airservices's request to increase their charges?

Mr Dolan—The ACCC has issued a draft determination which expresses concerns about some elements of what is proposed, yes.

Senator O'BRIEN—I understand the ACCC's Allan Fels is reported in the *Sydney Morning Herald* as saying the 'increase in the charge'—that is, Airservices's—'when the aviation industry was under pressure was not appropriate'. That is what the *Sydney Morning Herald* quotes. Can you give me an outline of the reasons for the ACCC decision, as you understand them?

Ms Ellis—The ACCC has released an interim decision in relation to the proposal by Airservices to increase their charges. They have actually put their decision up on the web site. A media release was put out by the ACCC. They issued a preliminary decision to oppose the proposal by Airservices Australia to temporarily increase prices. The media release states:

ACCC Chairman, Professor Allan Fels, said that while Airservices has shown a willingness to lower charges where possible, it is now seeking to increase prices at a time when the aviation industry is experiencing a downturn in activity.

"This stems from the short-term nature of its pricing policy", he said.

"As the ACCC indicated 12 months ago, it expects Airservices to provide a pricing proposal that takes into account likely developments over the medium term. A longer-term approach to pricing would provide better incentives for Airservices to innovate in order to minimise costs.

"Airservices' current pricing approach tends to result in the highest charges when airlines are under the greatest financial pressure.

Senator O'BRIEN—Did the minister or the department make a submission to the ACCC in relation to the Airservices proposal?

Ms Ellis—The department did not, and I have no knowledge of the minister making any submission.

Senator O'BRIEN—Can you find out?

Ms Ellis—I will take that on notice.

Senator O'BRIEN—Does the web site tell us which organisations opposed the Airservices charge increase?

Mr Dolan—My understanding is that the submissions made to the ACCC are available on the web site, but I could not give you a list or a summary of the various comments.

Senator O'BRIEN—If the department did not and if the minister did not make a submission on the Airservices rationale, can we assume that the government supported the Airservices rationale and decision to increase their charges?

Mr Dolan—I would say that the view taken was that the matter was one for the ACCC. It was about the commercial relationship between Airservices and their customers. That is the way it would see it.

Senator O'BRIEN—So the ACCC has effectively done the job for the minister, where he told the media he had written to Airservices asking them not to increase their charges.

Mr Dolan—The ACCC has undertaken the review it was required to in terms of the Prices Surveillance Act and has come to a view in accordance with that.

Senator O'BRIEN—When did Airservices advise the ACCC that they proposed to increase their charges?

Ms Ellis—On 1 April.

Senator O'BRIEN—When was the minister advised of Airservices's proposal to increase charges?

Mr Dolan—We would have to confirm that. My understanding is that it was at the time it was made available to the ACCC.

Senator O'BRIEN—When did the minister first contact Airservices asking them not to increase their charges?

Mr Dolan—In early May. We could confirm the precise date. Could I just clarify one point here, which is probably important in terms of the overall relationship. The minister's request was couched to Airservices in terms of a circumstance where the ACCC agreed to the price increase. He requested a deferral for three months.

Senator O'BRIEN—Effectively the minister was saying, 'If your increase is approved, will you defer it for three months? If you get through the ACCC test, will you defer the implementation of the charge increase for three months?'

Mr Dolan—Yes.

Senator O'BRIEN—What amount of foregone revenue would Airservices have faced by agreeing to the minister's three-month deferral? I understand it is \$3.5 million. Is that the right figure?

Mr Dolan—That is not a figure I have available to me. It is probably a question that would be better asked of Airservices.

Senator O'BRIEN—What was the basis of the request for a three-month deferral?

Mr Dolan—I do not have available to me the basis of the minister's decision. I would be reluctant to speculate as to the range of matters he took into consideration.

Senator O'BRIEN—I certainly would not ask you to speculate about that if you do not have an understanding of the basis of it. Did the minister set out the basis in his letter to Airservices, to your knowledge?

Mr Dolan—Yes.

Senator O'BRIEN—And you have not seen that letter?

Mr Dolan—I have to seek the minister's views on whether the letter should be provided, yes.

Senator O'BRIEN—Do you know if the minister believes that the current crisis faced by the aviation industry will have passed in three months?

Senator Ian Macdonald—I am having trouble hearing you. What was that again?

Senator O'BRIEN—I asked whether Mr Dolan knew whether the minister believed the current crisis in the aviation industry would have passed within three months?

Senator Ian Macdonald—What crisis?

Senator O'BRIEN—The crisis the minister referred to in his doorstep on 1 May.

Senator Ian Macdonald—Okay, that crisis.

Mr Dolan—This is a difficult area in that I have not had any full conversation with the minister about the range of elements he perceives constituted the crisis. To the extent that the impact of SARS was expected to be a temporary issue, which was a major impact on the overall aviation industry, that is the sort of time frame that it was hoped the SARS issues would be dealt with in. But I am sure a range of other considerations were taken into account.

Senator O'BRIEN—Does the minister support a further application by Airservices to increase its charges in three months?

Senator Ian Macdonald—I do not know whether the minister has made any public announcement on that.

Mr Dolan—Not that I am aware of.

Senator Ian Macdonald—I would perhaps put that to Mr Anderson.

Senator O'BRIEN—Thank you for that. Did Airservices Australia respond to the minister's request before the ACCC decision?

Senator Ian Macdonald—Wouldn't you ask that of Airservices?

Mr Dolan—My understanding is that the minister received a response from Airservices.

Senator O'BRIEN—Do you know what that response was?

Mr Dolan—The letter was a letter to the minister. I am not sure I am in a position to comment on a letter exchanged between Airservices and the minister.

Senator Ian Macdonald—I am uncomfortable with that. Again, if you insist on the question, we will take it on notice and get some better advice.

Senator O'BRIEN—I do insist on the question.

Senator Ian Macdonald—We will see whether it involves advice to the minister. Anyway, we will take it on notice.

Senator O'BRIEN—Is the minister prepared to provide a copy of the Airservices response, if it is written?

Senator Ian Macdonald—I will ask the minister.

Senator O'BRIEN—Does the minister have the power to compel a positive response to his request?

Mr Dolan—The minister has a fairly wide-ranging power in terms of the Airservices Act to direct Airservices in a range of ways, including in relation to prices.

Senator O'BRIEN—So is the answer to my question yes?

Mr Dolan—Yes.

Senator O'BRIEN—Thank you. A requirement of such would have to be a written direction, wouldn't it, under section 16(1)?

Mr Dolan—That is correct.

Senator O'BRIEN—Is the letter sent by the minister asking them to defer their charges considered a direction under the act?

Mr Dolan—No.

Senator O'BRIEN—What is the difference? Does he have to use specific terminology? Does he have to refer to the act?

Mr Dolan—My recollection—and I do not have the legislation in front of me—is that both would have to use a specific legal terminology in terms of a direction and it would be tabled in the parliament.

Senator O'BRIEN—That being the case, the board of Airservices saying no to the minister has no ramifications? They are not doing anything illegal by saying no, in other words?

Mr Dolan—They would not be doing anything inconsistent with the legislation were they to say no to the minister, no.

Senator O'BRIEN—Has Airservices made any claim that they would suffer financial detriment as a result of the minister's request?

Mr Dolan—Not to my knowledge.

Senator O'BRIEN—If the minister had given a direction under section 16(1) of the act, would there have been an obligation on the government to make good any financial loss by Airservices?

Mr Dolan—My understanding is there is no obligation on the government to make up financial loss in relation to a direction, although it is open to the minister to do so.

Senator O'BRIEN—I recall the situation at the last estimates round where we discussed the circumstances around the minister's 26 November 2002 announcement that air traffic control en route charges would be cut by 3.6 per cent from 1 January this year. This committee was told on 11 February that the minister had written to the chairman asking if there was scope to provide additional relief to the industry through a reduction in prices. We also had Airservices telling the committee that the board was considering a reduction already. Would you say that the November 26 decision was a direction or a request?

Mr Dolan—It was a request.

Senator O'BRIEN—The impact of that decision was \$5 million for this financial year and \$10 million for the full year, as I understand it. Was there any budget provision for this government requested reduction in charges?

Mr Dolan—No. It was a matter within the overall financial management of Airservices.

Senator O'BRIEN—So, as I understand it, the deferral of the Airservices charge would have been potentially a cost to Airservices of \$3.5 million over three months. That is \$8.5 million to \$13.5 million out of Airservices's budget at the minister's request?

Senator Ian Macdonald—Is this the one last year you are talking about?

Senator O'BRIEN—Yes.

Senator Ian Macdonald—Is that figure a public figure, is it?

Senator O'BRIEN—That is my understanding of the figure. Is that right, Mr Dolan?

Mr Dolan—I do not have available in front of me the details of the impact on Airservices. It sounds within the ballpark. It would be expressed in terms of a reduction of the revenue available to the Airservices business rather than a budgetary issue. So the balance there is not any business between revenue and expenses and the management of the balance sheet.

Senator O'BRIEN—Well, there is another decision related to a government intervention in Airservices's charging budget, a \$6 million election commitment to reduce en route charges for regional airlines. That government intervention in Airservices's charges was, as I understand it, a formal direction under the act.

Mr Dolan—That is correct.

Senator O'BRIEN—That resulted in financial detriment. Is that why it is funded in the budget?

Mr Dolan—In essence, yes. It was seen as a matter that was appropriate to be funded through the budget rather than to be borne by Airservices.

Senator O'BRIEN—Well the potential certainly is there for the minister's requests and directions to tally an amount approaching \$20 million not available to Airservices through a reduction in revenue. The government is only directly paying for \$6 million. How will the government's plan to corporatise Airservices Australia impact on their ability to intervene in their pricing and charging arrangements?

Mr Dolan—That would depend on the nature of the legislation that the parliament passed in relation to a corporatised Airservices.

Senator O'BRIEN—Have drafting instructions been issued for that legislation?

Mr Dolan—No, Senator.

Senator O'BRIEN—Has the ability of the government to intervene in the pricing and charging arrangements of Airservices been factored into government planning for corporatisation as a forgone cost?

Senator Ian Macdonald—Has any decision been made on that?

Mr Dolan—Other than a broad policy decision on the principle of corporatisation of Airservices, I am not aware that any decision has been made on that, no.

Senator Ian Macdonald—I do not think we can answer that.

Senator O'BRIEN—The decision to increase aviation fuel excises to the industry in this budget: is it a reasonable assumption that the ACCC would have rejected those fuel tax increases to the aviation industry if they had the opportunity?

Mr Dolan—That is not something that I am in a position to speculate on.

Senator O'BRIEN—I suppose the reason I put it is that the parallel is their refusal to allow Airservices to increase their charge—

Senator Ian Macdonald—But you are asking these officers to speculate on what the ACCC might do. Not only is it hypothetical—

Senator O'BRIEN—I suppose are you right, Minister. It just seems that it flowed fairly logically. The subsidy for transition to location-specific pricing for airport control towers: this is in the PBS and it appears only to have been continued for one more year.

Mr Dolan—That is correct.

Senator O'BRIEN—It has been \$7 million each year, as I understand it. Is that correct?

Mr Dolan—Yes.

Senator O'BRIEN—And 14 airports currently benefit from the subsidy. According to the PBS, the minister's press release advises that those airports are Albury, Coffs Harbour, Launceston, Mackay, Maroochydore, Rockhampton, Tamworth, Archerfield, Bankstown, Camden, Jandakot, Moorabbin, Parafield and Essendon. Are they the correct 14 airports covered by the subsidy?

Ms Ellis—I do have a list if you can just bear with me. There is a potential of 15, but only 14 currently receive it. Hobart does not.

Senator O'BRIEN—Why is Hobart only a potential?

Ms Ellis—Hobart is eligible for the LSP subsidy, but tower services have operated profitably; so they have sufficient through-traffic. The airports that do benefit are Albury, Archerfield, Bankstown, Camden, Coffs Harbour, Essendon, Jandakot, Launceston, Mackay, Maroochydore, Moorabbin, Parafield, Rockhampton and Tamworth.

Senator O'BRIEN—I think they are the same as in the press release. Is there a breakdown available of the amount of subsidy incurred for each of the airports?

Ms Ellis—I think that would be a question for Airservices, as far as providing those sorts of figures is concerned. We do not have that sort of breakdown.

Senator O'BRIEN—Has the number of airports to which the subsidy has been attracted varied since the subsidy was put in place?

Ms Ellis—My understanding is that it has not.

Senator O'BRIEN—Are there any plans to add airports to this list—for example, the new requirement for services Uluru?

Ms Ellis—I am not aware of any plans.

Senator O'BRIEN—The minister's budget press release says that the charges at the 14 airports:

... will remain \$7.42 per tonne (including GST) even though the actual cost of running the towers is much higher. For example, Airservices would have to charge the users of Mackay Airport an extra \$261,000 a year without the subsidy.

Do you know what the cost per tonne to land at other airports such as Townsville would be?

Ms Ellis—No, I am sorry.

Mr Dolan—Those are calculations we would rely on Airservices to undertake.

Senator O'BRIEN—The announcement that Hobart airport tower charges would be set at \$7.42 per tonne: can you explain to me what that means? Does that mean that Airservices have artificially set the price at Hobart for all aircraft, for example?

Mr Dolan—It means, in the case of Hobart, that the price per landed tonne at an amount at or below \$7.42 is economical for Airservices and so a subsidy is not required.

Senator O'BRIEN—Is that the case also for Cairns, Coolangatta and Canberra—that is, that setting the charge at \$7.42 per tonne allows—

Ms Ellis—The charges are not capped. The charges are only capped at those 14 airports.

Mr Dolan—Just to clarify: they are capped at 15 airports, and at one of those the charges are below the cap.

Senator O'BRIEN—How did the government determine that it would apply the subsidy to, say, Mackay and not Cairns?

Mr Dolan—That was a matter that was decided in around about 1998, and I do not have in front of me detailed information on the basis of the decision.

Senator O'BRIEN—Is there any process in place to revisit the level of the subsidy if safety determines services should be provided at additional airports?

Mr Dolan—The basis on which there was only a further year is that, before the next budget process, the department is required to review the operation of the scheme, and obviously there will be a range of considerations taken into account when the scheme is reviewed.

Senator O'BRIEN—Is it possible to obtain information on the number of aircraft landings and MTWs for aircraft types so that we can understand why the subsidy is required at some airports and not others? Is that something that you have, that this division has or that Airservices has?

Mr Dolan—Again it is something that we would rely on Airservices to provide to us. They are the ones that manage the towers and the towers are the ones that keep track of the aircraft and keep the statistics.

Senator O'BRIEN—The PBS at page 45 says:

This subsidy will continue to be funded by the excise and customs duty on aviation gasoline and aviation turbine fuels.

That remains at 0.26c per litre, as I understand it.

Mr Dolan—Yes.

Senator O'BRIEN—And will that remain in place until 31 August 2004 to pay for the subsidy?

Mr Dolan—Yes.

Senator O'BRIEN—Do you know how much was collected from excise and customs duty on aviation gasoline and aviation turbine fuels in the current financial year?

Mr Dolan—That is a matter that would still be under calculation by I think Customs, and so a figure is not yet available for this financial year.

Senator O'BRIEN—Where will I find details for the collections of excise and Customs duty on aviation gasoline and turbine fuels in the year since the location-specific pricing subsidy was put in place?

Mr Dolan—They are reported in the revenue side of the budget in the Treasury portfolio, but we should be able to supply the information on notice.

Senator O'BRIEN—Thank you. By mathematical calculation, we can determine from those figures how much fuel it has been applied to, I take it?

Mr Dolan—Yes.

Senator O'BRIEN—It is a simple calculation; I am just checking that there are no tricks in that calculation.

Mr Dolan—None that I am aware of.

Senator O'BRIEN—I hope you would be aware of them if there were. I understand that the subsidy will be boosted by a new source, because Budget Paper No. 2 at page 40 also points out that 0.36c per litre on aviation fuels is currently collected to pay for the ACCC's administration of price controls on airport services. That will be reallocated to the location-specific pricing subsidy. Is that correct?

Mr Dolan—That is correct.

Senator O'BRIEN—How much of that excise has been collected in the past 12 months?

Mr Dolan—It is a comparatively small amount, from my recollection. I do not have a precise figure; perhaps Ms Ellis does.

Ms Ellis—No, I am sorry; I do not have the figure.

Senator O'BRIEN—It is available somewhere, I take it?

Mr Dolan—Yes.

Ms Ellis—I am sure we can undertake to get it.

Senator O'BRIEN—Thank you. Why has that supplement to the excise been required? Is it a reflection of reduced aviation activity?

Ms Ellis—Yes. It is the reduced consumption of Avgas. There is basically a shortfall and it is to make up the subsidy.

Senator O'BRIEN—The minister's press release foreshadows a review of the subsidy over the coming months to check that it is the best and most effective way to provide affordable tower services. Who will conduct that review? Will it be the department, Airservices Australia or someone else?

Ms Ellis—The department will be carrying out the review in consultation with appropriate portfolios like Treasury and Finance.

Senator O'BRIEN—When will that review commence and when will it be finalised, do you expect?

Ms Ellis—Initial discussions have been had with portfolios and terms of reference are being formulated almost as we speak.

Senator O'BRIEN—The minister's statement also says:

The review will involve extensive consultation with regional airlines, the flying training industry and airport operators.

Is that an exhaustive list? What about Virgin Blue and Qantas; and shouldn't Airservices and CASA also be involved?

Ms Ellis—We would obviously consult with Airservices. The subsidy applies to a number of regional and general aviation airports that do not have the through-traffic and so do not necessarily have large operators coming through. Obviously, no, the list is probably not exhaustive, but the idea is to consult with all stakeholders who are impacted upon.

Senator O'BRIEN—I can tell you that Qantas and Virgin Blue fly into Launceston.

Mr Yuile—Yes.

Senator O'BRIEN—And probably others.

Mr Yuile—As Ms Ellis said, it was clearly an indication of the kinds of stakeholders; it was not an exhaustive or exclusive list.

Mr Dolan—It is not an exhaustive list and obviously those that pay the excise have an interest in the outcome.

Mr Yuile—My experience is that, if they wish to make a submission, I am sure they will.

Senator O'BRIEN—The government announced in the budget papers that a review of CASA's funding will be conducted in the coming financial year. Is this because it can see inconsistency with increasing the industry's costs when activity is low?

Mr Dolan—There are a range of considerations. There is an overall downward trend in fuel excise that is used to fund CASA because of the introduction of more fuel efficient aircraft, the consolidation following the collapse of Ansett, higher load factors and a range of other issues. So the available revenue is reducing. Also the government is of the view that the time has come to more broadly review the issue of whether an excise is the most effective way of generating the appropriate level of revenue for CASA.

Senator O'BRIEN—Who will conduct that review?

Ms Ellis—The review will be conducted by the department of finance, DOTARS and CASA, in consultation with Treasury and PM&C.

Senator O'BRIEN—Will public submissions be called for?

Ms Ellis—Initially the decision or the outcome of the review is to be taken before ERC; that is my understanding. There is an undertaking for full public consultation. So the timing of the public consultation will depend on whether the proposals have to be put to government and for government to be allowed to make a decision before the public consultation is then pursued.

Mr Dolan—To be clear, there is a commitment to public consultation on the review, and that will happen in the course of the review.

Senator O'BRIEN—How many reviews of CASA's funding have been conducted since it was established? One every year?

Mr Dolan—In terms of a review of the basis for revenue from excise and the policy that supports that, no, by no means has it been an annual review. The effect on the overall CASA budget of variations in revenue, particularly from fuel excise, is an annual consideration.

Senator O'BRIEN—Does it follow that the funding model was last reviewed last year?

Mr Dolan—There was no review of the funding model last year, although some of the difficulties associated with the reduction in excise revenue were clearly apparent, as is obvious from the budget papers, and that led to the government's decision to have a review this year.

Senator O'BRIEN—When was it last reviewed then?

Mr Dolan—My recollection is that last time there was a review it would have been around about 1998 or 1999, but I would have to confirm that.

CHAIR—Thanks very much, everybody. See you all tomorrow.

Committee adjourned at 11.00 p.m.