



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## **SENATE**

RURAL AND REGIONAL AFFAIRS AND TRANSPORT  
LEGISLATION COMMITTEE

ESTIMATES

**(Additional Estimates)**

MONDAY, 14 FEBRUARY 2005

CANBERRA

BY AUTHORITY OF THE SENATE



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**SENATE**

**RURAL AND REGIONAL AFFAIRS AND TRANSPORT LEGISLATION**

**COMMITTEE**

**Monday, 14 February 2005**

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

**Senators in attendance:** Senators Allison, Mark Bishop, Buckland, Ferris, Heffernan, Hogg, Johnston, McGauran, O'Brien and Stephens

**Committee met at 9.05 a.m.**

**TRANSPORT AND REGIONAL SERVICES PORTFOLIO**

**In Attendance**

Senator the Hon. Ian Campbell, Minister for the Environment and Heritage representing the Minister for Transport and Regional Services

**Departmental Executive**

Mr Mike Taylor, Secretary

Mr Peter Yuile, Deputy Secretary

Ms Leslie Riggs, Acting Deputy Secretary

**Corporate Group**

Mr Jeremy Chandler, First Assistant Secretary, Corporate

Mr Simon Ash, Chief Financial Officer, Corporate

Mr Leo Kennedy, Acting Assistant Secretary, People and Planning

Mr David Banham, Chief Information Officer, Corporate

**Policy and Research Group**

**Transport and Portfolio Policy**

Mr Mike Mrdak, First Assistant Secretary, Policy and Research

Dr Anthony Ockwell, Assistant Secretary, Portfolio Policy

Mr Jim Wolfe, Assistant Secretary, Strategic Transport Policy

Mr John Elliott, Assistant Secretary, Infrastructure Investment

Mr Nick Bogiatzis, Assistant Secretary, Transport Markets

**Bureau of Transport and Regional Economics**

Mr Phil Potterton, Executive Director, BTRE

Dr Judith Winternitz, Deputy Director, BTRE

**Programmes Group**

**Transport Programmes**

Mr John Doherty, First Assistant Secretary, Transport and Local Government Programmes

Mr Robert Hogan, Assistant Secretary, Transport Programmes (South East)

Ms Joan Armitage, Assistant Secretary, Transport Programmes (North and West)

Ms Diana Williams, A/g Assistant Secretary, AusLink Systems

Mr Ed Cory, Director, NSW and ACT

Mr Andy Hrast, Director, Rail Investment

**Regulatory Group****Office of Transport Security**

Mr Andrew Tongue, First Assistant Secretary, Office of Transport Security

Dr Andy Turner, Assistant Secretary, Aviation Security

Mr John Kilner, Assistant Secretary, Maritime Security

Ms Vicki Dickman, Assistant Secretary, Regional and Freight Security

Ms Sue McIntosh, A/g Assistant Secretary, Critical Infrastructure and Surface Transport Security

Mr Michael Werts, Manager, Operations Centre Surface Transport Regulation

**Airservices Australia**

Mr Hisham El-Ansary, A/g Chief Executive Officer

Mr Tom Grant, General Manager, Organisation Development and Corporate Secretary

Mr Andrew Fleming, General Manager, Air Traffic Management

Mr Alastair Hodgson, General Manager, Airport Services

**Aviation and Airports Regulation**

Mr Martin Dolan, First Assistant Secretary, Aviation and Airports Regulation

Mr Ted Milczarek, A/g Assistant Secretary, Aviation Operations

Mr Neil Williams, Assistant Secretary, Airport Planning and Regulation

Mr Mike Smith, Executive Director, National Airspace System Implementation

**Surface Transport Regulation**

Mr Michael Sutton, A/g First Assistant Secretary, Surface Transport Regulation

Mr Peter Robertson, Assistant Secretary, Vehicle Safety Standards

**Australian Maritime Safety Authority**

Mr Clive Davidson, Chief Executive Officer

Ms Dianne Rimington, General Manager, Corporate

**Safety and Investigation Group****Australian Transport Safety Bureau**

Mr Kym Bills, Executive Director

Mr Alan Stray, Deputy Director, Air Safety Investigation

Mr Joe Motha, Director, Safety Research and Education

**Regulatory Group****Civil Aviation Safety Authority**

Mr Bruce Byron, Chief Executive Officer

Mr Bruce Gemmell, Chief Operating Officer

Mr Rob Collins, Executive Manager, Regulatory Services

Mr Arthur White, A/g Executive Manager, Aviation Safety Compliance

Mr Peter Ilyk, General Counsel, Office of Legal Counsel (CASA)

Mr Neville Probert, A/g Executive Manager, Aviation Safety Standards

Mr Peter Boyd, General Manager, CASA Improvement Programme

Ms Betty Edwards, Chief Financial Controller

Ms Nicola Hinder, A/g Executive Manager, Corporate Affairs

**Programmes Group****Local Government Programmes**

Mr John Doherty, First Assistant Secretary, Transport and Local Government Programmes

Mr Adrian Beresford-Wylie, Assistant Secretary, Local Government and Natural Disasters

**Policy and Research Group****Regional Policy**

Ms Sema Varova, First Assistant Secretary, Policy and Research

Mr Daniel Owen, Assistant Secretary, Regional Policy

**Programmes Group****Regional Programmes and Territories**

Ms Leslie Riggs, First Assistant Secretary, Regional Programmes and Territories

Dr Leo Dobes, Assistant Secretary, Analysis and Performance

Mr Gary Dolman, Assistant Secretary, Regional Communities – Regional Office Network

Ms Karen Gosling, Assistant Secretary, Operations

Mr Bill Dejong, Director, Sustainable Regions

Mr Andrew Wilson, Assistant Secretary, Territories

**National Capital Authority**

Ms Annabelle Pegrum, Chief Executive Officer

Mr Graham Scott-Bohanna, Managing Director, Design

Mr Lindsay Evans, Managing Director, Business

Mr Phil Wales, Director Executive, Governance

Mr Ross Addison, Chief Finance Officer

Mr Ted Schultheis, Principal Planner

Mr George Lasek, Director, National Capital Estate

**CHAIR**—I declare open this public hearing of the Senate Rural and Regional Affairs and Transport Legislation Committee. On Thursday, 10 February 2005 the Senate referred to the committee the particulars for proposed additional expenditure in respect of the year ending 30 June 2004 for the portfolio area of transport and regional services. Today the committee will commence its examination of additional estimates with the Department of Transport and Regional Services. The committee is required to report to the Senate by Tuesday, 15 March 2005. I propose to call on the estimates according to the format adopted in the revised printed program. Answers to questions on notice and additional information should be received by the committee no later than Friday, 1 April 2005. The committee has authorised the recording and rebroadcasting of its proceedings in accordance with the rules contained in the order of the Senate dated 23 August 1990.

I welcome Senator the Hon. Ian Campbell, Minister for the Environment and Heritage, representing the Minister for Transport and Regional Services. Senator Campbell is accompanied by Mr Mike Taylor, Mr Peter Yuile, Ms Leslie Riggs, Acting Deputy Secretary, and other officers from the Department of Transport and Regional Services and related agencies. When officers are called upon to answer a question for the first time, I request that they state their full name and the capacity in which they appear.

Officers are reminded that the Senate has consistently decided by way of continuing resolution, that there are no areas in connection with the expenditure of public funds where any person has a discretion to withhold details or explanations from the parliament or its

committees unless the parliament has expressly provided otherwise. Further, I draw your attention to the resolution relating to the claims of commercial confidentiality. Under the resolution, a claim to withhold information that is commercial-in-confidence can only be made by a minister and must include a statement setting out the basis of the claim, including a statement of any commercial harm that may result from the disclosure of information.

Officers are also reminded that an officer of a department of the Commonwealth or of a state shall not be asked to give opinions on matters of policy and shall be given reasonable opportunity to refer questions asked of the officer to superior officers or to a minister. Finally, witnesses are reminded that the evidence given to the committee is protected by parliamentary privilege. I also remind you that giving false or misleading evidence to the committee may constitute a contempt of the Senate. Minister, do you or Mr Taylor want to make an opening statement?

**Senator Ian Campbell**—I think Mr Taylor would like to make an opening statement.

**Mr Taylor**—Thank you very much, Minister. Good morning Chair and senators. I would like to make a few brief opening comments regarding the portfolio. Importantly, in presenting to Senate estimates, we are going to outline some key measures as a way of providing what I would call ‘hooks’ for much of the discussion that will take place. These certainly open up the comment framework and help set the scene for the hearings. I would like to present those in two tranches: first, those about transport; and, second, those about regional services.

An important issue with respect to transport policy is airspace reform. It is a very high priority for our organisation and work is progressing in implementing the government’s decision to transfer airspace regulatory frameworks from Airservices Australia. There has been consultation with industry and further consultation will take place as we progress this matter. The National Airspace System Implementation Group has been integrated into the department’s aviation and airports subgroup and, importantly, it will be there to assist as we evolve the coordination of airspace reform and its future framework.

In respect of transport security, the department has been involved in implementing a series of very high priorities, in particular in the areas relating to aviation security and Securing Our Regional Skies, a government initiative of \$48 million which focuses on our response capacity, capacity building and deterrence. Some \$27.8 million from that package is being implemented over a range of issues including regional passenger security, police and aviation security, regional airport closed-circuit television to enhance security and an extensive range of improvements in terms of security training. The Aviation Transport Security Act will be proclaimed on 10 March and it will lift very strongly the level of security we provide for regional airports.

In respect of maritime security we are providing some \$4.4 million of expenditure that we are in the process of implementing through the Transport Security Operations Centre and also through the identification arrangements we are putting in place to provide better security to Australia. In addition, we are working very closely with the states and territories on surface transport security which we consider an important risk under the responsibility of state governments but one which we need to work jointly on to address. There is also to be a major forum on these matters later this year.



In respect of transport regulation, a very important commitment has been made as an interim measure to facilitate emergency towage and maritime salvage to reduce the risk to human life and to the marine environment. We are working on a long-term approach with state governments to be considered by the Australian Transport Council in the next few months.

With respect to transport safety there has been a very important commitment to allow the Australian Transport Safety Bureau to lift the number of safety investigations it carries out in respect of aviation and, importantly, its role with respect to rail safety is one of increasing capacity. Importantly, and this is a major focus, we have our transport programs and transport program implementation. AusLink has been considerably enhanced with major new funds being announced with respect to the Geelong bypass, the Townsville ring-road and important commitments to the Roads to Recovery program, as well as additional funding for black spots. Importantly, the initiatives in this area which the department is administering will bring the total land transport funding for the period 2008-09 to \$12.5 billion.

I would now like to turn briefly to the regional services program and to some emphasis there. Very importantly this is about giving greater recognition to the development opportunities for local, regional and territory communities. In respect of those development programs, we are undertaking some important administrative activities to extend the Bank@Post program, further commitment to the ICON program, broadening of the Sustainable Regions Program and also a very strong commitment to the strengthening Tasmania program in terms of its implementation. There is also additional funding that we will be administering in terms of services to local government.

Importantly, Services to Territory involve our commitments to Jervis Bay, Indian Oceans Territory, and on Norfolk Island we are in the process of facilitating the establishment of an environmental trust, work on the remediation of the pier and importantly the provision of a loan to help resurface the island runway.

In respect of natural disaster and relief and mitigation, we are in the process of administering a very important program on bushfire administration the funding for which is \$15 million over three years. There is continued commitment to the flood mitigation program of \$29.6 million in 2004-05 and of course the demand driven and continually underpinned activity of natural disaster relief. We also continue to administer the \$5.5 million a year program to assist aerial firefighting.

Those mainstems of our work are very importantly focused on delivering services for Australian communities. As part of the increased commitment that government has made in respect of both regions and transport, we have also been making a review of our current administrative and corporate structure, and we are in the process of identifying some changes to that. We have started a consultation process with our staff. We would expect to make those decisions in the next month or so. That followed a detailed consultation with both senior and other staff at the end of last year.

Our department team today will be led by Peter Yuile and Leslie Riggs, Deputy Secretary and Acting Deputy Secretary respectively, and, very importantly, supported by Jeremy

Chandler and Simon Ash from the corporate area. We look forward to assisting the Senate in its deliberations.

[9.15 a.m.]

**CHAIR**—I remind the committee that we are now on program 1.1. That is the Corporate Group. We will now go to questions.

**Senator O'BRIEN**—Firstly, congratulations on your appointment, Mr Taylor. I have some questions about matters of structure, but the first matter I want to raise is the fact that at a quarter past five on Friday, I think it was, one hard copy of answers to 63 questions was delivered to the secretariat of this committee. At 8.10 p.m. on Friday, an electronic version of those answers was delivered, resulting in the material reaching senators in electronic form at 8.29 a.m. today. That obviously makes it absolutely impossible—certainly this morning—for the committee to adequately deal with matters raised in those answers and difficult for the rest of the week. When were those answers prepared?

**Mr Chandler**—I think the questions that you are referring to were supplementary Senate estimates questions relating to regional program activities.

**Senator O'BRIEN**—They include corporate responses—AMSA, for example. There are responses relevant to the NCA as well. They are the answers that were delivered at 5.15 in a single hard copy and at 8:10 p.m. on Friday in electronic form. I am asking when they were prepared.

**Mr Chandler**—I will need to report back to you on that, if I can, in terms of the actual time.

**Senator O'BRIEN**—I presume they went to a minister for clearance?

**Mr Chandler**—They have been to the minister for clearance.

**Senator O'BRIEN**—Which minister?

**Mr Chandler**—They would have gone through Minister Anderson's office. Some of them I think would have gone through Minister Lloyd's office. But I would need to check that.

**Senator O'BRIEN**—Can you tell us when they went to those offices?

**Mr Chandler**—I will get that information for you.

**Senator O'BRIEN**—Can you tell me when the department received the clearance or clearances for those answers?

**Mr Chandler**—Yes.

**Senator O'BRIEN**—Are you saying that you do not know the answer even to that question?

**Mr Chandler**—I would need to check whether they were all cleared at the same time. I would rather give you a fulsome response than a partial response at this point.

**Senator O'BRIEN**—How long do you think you will need to get those responses?

**Mr Chandler**—I will be able to respond to you during the morning.

**Senator O'BRIEN**—I will come back to that then. Mr Taylor, what was the date on which you took up your current position?

**Mr Taylor**—I would need to check that formally. I think it was 24 or 26 October.

**Senator O'BRIEN**—The senior ranks of this department have changed considerably since our last hearing. Did Mr Matthews and Ms Briggs leave their posts in this department on the same day?

**Mr Taylor**—My recollection is that the changeover date was actually the Tuesday. If we have a calendar, we can probably check what the actual date was. Ken Matthews and I had spent considerable time following the announcement of the change which occurred on the Friday in organising that handover. It formally took place on the Tuesday. That is my recollection of events.

**Senator O'BRIEN**—Sometime in October you think?

**Mr Taylor**—Have we got a calendar? I can confirm it was the Tuesday morning.

**Senator Ian Campbell**—The 7<sup>th</sup> or the 14<sup>th</sup>?

**Mr Taylor**—No, the 26<sup>th</sup>.

**Senator O'BRIEN**—During two recent hearings of another committee, Ms Riggs introduced herself as Acting Deputy Secretary, alongside Mr Yuile. The department's organisation chart downloaded from your department's web site yesterday has Ms Varova listed as Acting Deputy Secretary in Ms Briggs former position. That is dated 10 January 2005. When did Ms Riggs assume her role as acting deputy secretary?

**Mr Taylor**—Perhaps it would assist if I was to explain a little of the background to the acting arrangements. In assuming responsibility as the secretary of the department around the end of October or the beginning of November, and with the departure of Deputy Secretary Lynelle Briggs, who has become the head of the Australian Public Service Commission, I wished to make some assessment of just how appropriate continuing the position of deputy secretary would be and, importantly, give myself a chance to assess a number of the senior colleagues in the department of transport. We sought applicants to that position on a rotational basis. We have had acting deputy secretaries in Mike Mrdak, Sema Varova and Leslie Riggs, each acting for a period of about three to four weeks. I think the date of that chart probably predates 10 January, the point in time at which Leslie Riggs took up that position, which was at the end of January.

**Senator O'BRIEN**—So you have had three officers acting as deputy secretary since you took over the position.

**Mr Taylor**—Yes. We subsequently announced and advertised for that position. Those applications for the position of deputy secretary close this Friday.

**Senator O'BRIEN**—What about the process of appointment to acting deputy secretary—I presume that is simply a decision that you make?

**Mr Taylor**—It is. Individuals were asked whether or not they wished to participate. A series of individuals applied and we have chosen to give an opportunity to each of those.

**Mr Yuile**—Going back to your earlier question about the departure of Mr Matthews and Ms Briggs, my recollection—and we will check the date—is that Lynelle Briggs left the department several days or a week later than the secretary. So, to be clear, they did not both depart on the same day.

**Senator O'BRIEN**—Concerning the process of appointment of the deputy secretary, the position will be advertised on Friday. Who interviews applicants?

**Mr Taylor**—Clearly, I lead the interview of those applicants. I will also be closely consulting with Lynelle Briggs in her role as the Australian Public Service Commissioner.

**Senator O'BRIEN**—Who makes the decision on the selection process?

**Mr Taylor**—The selection process is one of the criteria for band 3 appointments that have been clearly set down as part of the Australian Public Service, so it is made against that. I am clearly, as the Secretary and person responsible for the department, the person who ultimately gives judgment about that decision. But I certainly take that in consultation with key people—particularly Lynelle Briggs. I will consult with my ministers as I make that decision, but it is my decision.

**Senator O'BRIEN**—What would the role of the ministers be in the process?

**Mr Taylor**—I would be advising them of what my intent was.

**Senator O'BRIEN**—Does that mean you would advise them of what you have decided or you would consult them before making a decision?

**Mr Taylor**—It does, but I do not want to be seen in any shape or form to be rude about that. It is a proper courtesy that any chief executive in any organisation ultimately takes responsibility for the way the organisation runs and the people who are in it but, equally, seeks advice and input in terms of a wide range of people in making the senior decisions. I do not see myself as being any different in that course of action from other CEOs.

**Senator O'BRIEN**—What is the time line for filling the position?

**Mr Taylor**—The applications close at the end of February. I would hope we would make a decision by March and, with the formalities then completed, have the Public Service Commissioner—subject to her agreement to that, of course—agree sometime in March.

**Senator O'BRIEN**—What remuneration band applies to the deputy secretary position?

**Mr Taylor**—The band 3 remuneration.

**Senator O'BRIEN**—What is the range for band 3?

**Mr Taylor**—I will ask Mr Chandler to give us advice on that.

**Mr Chandler**—It is quite a wide band, depending, among other things, on which superannuation scheme people are in. It is about \$200,000 to \$250,000 as a total remuneration package.

**Senator O'BRIEN**—How is it decided where in the band the successful applicant will fit?

**Mr Taylor**—That will be made, first of all, recognising relativities to the other deputy secretary, Peter Yuile; the capacity of the individual; and any negotiations that we might enter into as part of that process. It will certainly be one that is merit based, wherever it falls.

**Senator O'BRIEN**—In December I asked a question on notice, No. 212, about the senior position within this department entitled 'Strategic adviser to the executive'. I understand that is a position held by Mr Roger Fisher. Is that correct?

**Mr Taylor**—It is.

**Senator O'BRIEN**—The answer from the minister tells me that the position is currently remunerated in SES band 2 range. What is the salary range for that position?

**Mr Chandler**—It would be of the order of \$170,000 to \$200,000, from memory.

**Senator O'BRIEN**—Has there been a change in the salary range for this position since it was created on 1 January last year?

**Mr Chandler**—I am fairly sure it would have been subject to an increase commensurate with the increase in our certified agreement. SES salaries, whilst they are not part of the certified agreement, are adjusted in line with that. I think there was a four per cent increase on 1 July last.

**Senator O'BRIEN**—So it has not moved bands.

**Mr Chandler**—It has not moved bands.

**Senator O'BRIEN**—But the range has moved by four per cent.

**Mr Chandler**—That would be correct.

**Senator O'BRIEN**—Was the position advertised or was Mr Fisher selected on the basis that he was the only person who could do the job?

**Mr Chandler**—The role was established by Mr Matthews; my recollection is that he spoke to that at the hearings in May. Mr Fisher was already at level and was transferred into that role.

**Senator O'BRIEN**—So the position was not advertised?

**Mr Chandler**—No, it was not.

**Senator O'BRIEN**—In the department's annual report, Mr Fisher's position is grouped with the two deputy secretaries' positions. Does that mean that the strategic adviser's position is senior to that of a first assistant secretary?

**Mr Yuile**—No, it does not mean that. Mr Matthews explained that he saw the role as one that provided advice to the executive, to himself and to the two deputies, and it was simply an indication of the reporting line rather than a question of hierarchy.

**Senator O'BRIEN**—Does anyone report to Mr Fisher?

**Mr Yuile**—He works with different teams on different issues.

**Senator O'BRIEN**—Does that mean that anyone reports to him?

**Mr Yuile**—Some staff are working with him on different projects, yes.

**Senator O'BRIEN**—Are they in other teams or in his?

**Mr Yuile**—We have used people from different teams working on specific issues, and they will then return to those teams.

**Senator O'BRIEN**—Mr Taylor, did your previous department have a special adviser position?

**Mr Taylor**—I think it is fair to say that each and every department has a unique set of arrangements. I do not think that comparativeness is necessarily the answer. It is a relevant test here. The fact is that the answer is no, but I want to make the point clear that each department's structure is unique, and it is appropriate for the time and circumstances in which it is constructed.

**Senator O'BRIEN**—In question on notice 212, I asked Mr Anderson what role the special adviser fulfils, because the job title does not give any clues. He said:

(1) The Special Adviser provides policy advice to the Secretary on various issues as directed by the Secretary.

I must assume from the answer that Mr Anderson does not know exactly what Mr Fisher does. For what particular type of advice is he engaged?

**Mr Taylor**—Leaving aside other projects previously committed to, he has been engaged to provide advice to both the secretary and the deputy secretaries on a range of regional and transport issues. The very nature of some of the advice he provides is policy advice to the minister—quite a breadth of things.

**Senator O'BRIEN**—Only on financial matters—

**Mr Taylor**—No.

**Senator O'BRIEN**—or on actual policy matters?

**Mr Taylor**—On actual policy matters—transport policy matters, regional policy matters and issues of concern to rural and regional communities.

**Senator O'BRIEN**—I understood he was a Treasury officer or a department of finance officer previously.

**Mr Taylor**—I think department of finance officers have shown over a long period of time a capacity to traverse a wide range of areas.

**Senator O'BRIEN**—He does not have a history in any particular transport field?

**Mr Yuile**—He does.

**Mr Taylor**—Importantly, he is bringing to the role his analytical skills and his ability to provide policy advice.

**Senator O'BRIEN**—Mr Yuile, you said 'he does'?

**Mr Yuile**—Yes, I think we discussed this maybe two or so estimates ago in terms of previous positions he has filled in the former department of transport, as well as transport related issues in the department of finance. I cannot recollect his exact CV but, besides working in the then Public Service Board, he then spent some years working in the department of transport before going then, I think, to the department of finance and working again on transport related issues there. So he certainly has a background and a history of working on transport policy issues, yes.

**Senator O'BRIEN**—A couple of years ago Mr Fisher was briefly famous when it was revealed he had gone to Sydney to seek insolvency advice for this department. Does he still do that kind of work as special adviser?

**Mr Taylor**—Yes, he has been travelling on our behalf to seek advice, as do all senior officers in our organisation.

**Senator O'BRIEN**—I will come back to that. Just let me be clear: the answer to question 212 says that the special adviser reports to the secretary. The department's organisational chart has him reporting to the deputy secretaries. Which is accurate, or is it some hybrid of those answers?

**Mr Taylor**—I think it is fair to say that the answer that you received was at a time sometime before that chart that you have been quoting from, from 10 January, was drawn.

**Senator O'BRIEN**—Not long before.

**Mr Taylor**—No, but there has been a change of secretaries in that time, and in that time I have seen the role of Roger Fisher as reporting both to the deputy secretary and to me. The role of a strategic adviser is not one that you automatically see in a day-to-day line sense but encompasses someone who would speak with either Peter or me as was appropriate to the issue.

**Senator O'BRIEN**—You said there has been a change of secretaries—since 21 December?

**Mr Taylor**—All I am saying is that, since Ken Matthews was there, rather than having him report directly to me on a day-to-day basis I have involved Peter Yuile in that process. I am telling you the practice in terms of how we now operate.

**Senator O'BRIEN**—Yes, but you just said that the chart predates the answer. The chart is dated 10 January; the answer is dated 21 December. Does that mean that it was drafted some time before the change of secretary and was just issued?

**Mr Taylor**—No, it does not. In terms of the chart being drawn, it means that the change took place after I had had some chance to assess, even as an interim measure, the way in which we might do things. So the chart has had some changes since that point of 20 October. It evolved over the months, including one post planning session that we held in December where we were working with both staff and senior staff to take a very strong view about how we would drive the implementation of the government program. Subsequently in December a new diagram was drawn, and I expect another one to be drawn sometime in March, which will be the formal one. There is an evolution going on here.

**Senator O'BRIEN**—What time in January was the new chart drawn?

**Mr Taylor**—I would hate to guess the time and date, but I am happy to go back and assess that for you.

**Senator O'BRIEN**—Your answer raises a reasonably serious question. You are suggesting that the minister's answer was—

**Mr Taylor**—No, I have not suggested that at all.

**Senator O'BRIEN**—Let me finish the question. You have suggested in your answer that the chart was drawn up after the question was answered. The answer to the question is dated 21 December; the chart on the web site is dated 10 January. What change took place between those dates?

**Mr Taylor**—I outlined the fact that we had been going through some consideration and decisions. I have to say that we kept working over the Christmas period. We also had at that point of 10 January, as you noted yourself, the deputy secretary taking over in an acting sense, and we put some further clarification in that chart. It took place after the minister's response came to you on 21 December.

**Senator O'BRIEN**—When was the answer to question No. 212 provided to the minister for his consideration?

**Mr Chandler**—I would have to take that on notice to get the precise date.

**Senator O'BRIEN**—While you are taking that on notice, can you tell us when the minister provided the answer back to the department for lodgment?

**Mr Chandler**—Yes, Senator.

**Senator O'BRIEN**—Could you also advise me of the structure as at 10 January, when the chart was placed on the web site?

**Mr Chandler**—Yes, Senator.

**Senator O'BRIEN**—Does Mr Fisher have any special role in relation to the department's finances?

**Mr Taylor**—No, he does not have any special role in relation to the department's finances. They are administered by Mr Chandler and Mr Ash.

**Senator O'BRIEN**—I have a few questions on the department's finances for Mr Chandler. I am sure Mr Chandler will recall discussions with Mr Matthews in the past about the parlous financial state of the department—so parlous that Mr Fisher, special adviser, went to see insolvency experts Prentice Parbery Barilla. Can you explain the financial position of the department during the year ended 30 June 2004? Is it true that in the year ended 30 June 2003 the department had a net surplus of \$20 million?

**Mr Chandler**—I just need to check the surplus for 2003.

**Mr Yuile**—Mr Chandler can obviously address the detail of the numbers, but I think we need to correct that the discussion with Mr Matthews in relation to departmental finances in 2003-04 and 2004-05 was around the question of future sustainability and wanting to make sure that we established the department on a good platform for the future. I do not know what the word 'parlous' means, but the point is that, as we looked out over the forward estimate years and thought about the investments we needed to make, there were some key concerns we had that we wanted to address before they became major issues. I just want to make sure that is clear.

**Senator O'BRIEN**—I am clear on your position. Let us get the answers and we will come back to that.



**Mr Chandler**—You made reference to the financial outcome at 30 June 2003. Yes, that was an operating surplus of \$20.1 million.

**Senator O'BRIEN**—And is it also true that for the financial year ending 30 June 2004 the department recorded a net deficit of \$59.4 million?

**Mr Chandler**—That is correct.

**Senator O'BRIEN**—So in round terms this is an \$80 million decline from the previous financial year?

**Mr Ash**—There are a number of factors that influence the movement between the two years. The first factor is that in the year ended 30 June 2003 there was still a capital use charge being paid by the organisation, to the value of about \$24.6 million, which came out of that profit. As you move into the year ended 30 June 2004 there is no capital use charge—the Department of Finance and Administration has removed that particular charge on agencies.

The major contributing factor to the \$59.4 million loss was the take-up very late in the year of a distribution of a whole-of-government asbestos related disease provision to the value of \$63.4 million. That had been taken up in the whole-of-government statements for the year ending 30 June 2003, and during the course of the year 2003-04, based on actuarial advice, that was distributed to a range of departments across the Commonwealth out of the administered side of the whole-of-government statements—of which Transport took up \$63 million. If you look at 'other expenses', 5E, you will see that \$63.58 million on the financial statements. That is on page 216 of the annual report.

**Senator O'BRIEN**—I am actually looking at the ANAO audit of the financial statements for the period ending 30 June. That report details \$27.4 million worth of reasons for the deficit but does not really explain another \$32 million.

**Mr Ash**—I am sorry, but I do not have that report in front of me.

**Senator O'BRIEN**—If I understand your earlier answer correctly, the year you had the surplus of \$20 million you were also required to pay a \$24.6 million charge on capital to the department of finance. Is that right?

**Mr Ash**—There was an appropriation of that. That was \$24.6 million. That was paid from that profit.

**Senator O'BRIEN**—Does that mean that after that payment the surplus was \$20 million?

**Mr Ash**—No—the payment comes out after that surplus. So it is from that surplus and obviously, given the payment was in excess, it comes from previous years' retained earnings.

**Senator O'BRIEN**—But there was not such a payment required in 2003-04?

**Mr Ash**—Correct, Senator.

**Senator O'BRIEN**—I suppose that is very fortunate, given that position. You say there was a \$63.4 million charge by the government?

**Mr Ash**—The Commonwealth government. I am not sure of the exact figure, but I think it is to the tune of \$800 million to \$900 million. There is a provision shown in the 2002-03 whole-of-government financial statements to cover future asbestos related disease claims. The

Department of Transport and Regional Services' contribution to that, or component of that, was estimated by the actuary to be \$63.4 million. So when you take that particular provision onto your balance sheet, there is an equivalent expense shown in the operating statement of the organisation. That is shown, as I say, as an 'other expense' on page 216, which is the operating statement for the organisation for last year.

**Senator O'BRIEN**—I cannot find reference to that in the ANAO report—

**Mr Ash**—I would be surprised if it were not there, because it is obviously a fairly major impact on the organisation. Also, if one refers to page 240 of our annual report, one sees that there is a further explanation of that particular liability. In the consolidated financial year to 30 June 2003, a \$0.9 billion provision was recognised as the best estimate of the potential cost to the Australian government of current and future asbestos related disease claims. The Department of Finance and Administration, on the basis of an actuarial analysis, advised DOTARS to recognise \$63.4 million of that provision. That was also agreed to by the ANAO as an appropriate expense.

**Senator O'BRIEN**—So all of that provision for future liability appears in the 2003-04 financial year?

**Mr Ash**—The contribution that makes up DOTARS' component of it. There is still an aggregate liability in the Commonwealth financial statements of \$900 million or thereabouts, of which \$63 million relates to this portfolio. There are other portfolios within the Commonwealth that have taken up other components of it. In 2002-03, when the actuarial analysis was done, it was unable to distribute it at that point in time. So it was only shown in the whole-of-government statements.

**Senator O'BRIEN**—I understand it in that sense. What you are saying is that the potential future liability of \$63.4 million attributed to this department appears as a current liability.

**Mr Ash**—I would not classify it as a current liability; I would classify it as a non-current liability. Those claims are anticipated to be made over the next number of, probably, decades. There is a large majority of them—if I remember rightly from the actuarial analysis—suggested for the next decade.

**Mr Chandler**—A significant point is simply that it was attributed to the liabilities of this department for the first time and, in total, in the last financial year, which therefore gave the presentation of an operating loss for the department for the year.

**Mr Ash**—The current accounting standards require you to bring that loss to book in the year that it becomes known.

**Senator O'BRIEN**—The ANAO report refers to 'an increase in supplier expenses due to the recognition of a \$3.4 million provision for the attribution of the Australian government's asbestos related disease claims'.

**Mr Ash**—I believe that is a typographical error in the ANAO statement. It should read \$63.4 million.

**Senator O'BRIEN**—It is more than a typographical error if the change amounts to \$60 million, isn't it?

**Mr Chandler**—It is. The figures that Mr Ash is quoting are from the audited financial statements.

**Senator O'BRIEN**—So you are saying that the ANAO report is totally misleading. If they omit \$60 million it has to be, doesn't it.

**Mr Chandler**—We have not got the report in front of us. It does sound as though—

**Senator O'BRIEN**—That is what it says. I read to you what it says. The difference between the figure that you are quoting and their figure is \$60 million—from \$3.4 million to \$63.4 million. You are saying that we should understand that ANAO have made a \$60 million error in the report.

**Senator Ian Campbell**—They made a \$36 million error on the Centenary House lease deal.

**Senator O'BRIEN**—When we are dealing with that then perhaps it might be relevant, but I am asking about this document.

**Senator Ian Campbell**—They do make mistakes.

**Mr Ash**—As I suggested, I think it is more of a typographical nature but you would have to raise that with the ANAO.

**Senator O'BRIEN**—Perhaps I should write to them and ask if they can explain that. What is the budgeted position for the department's finances for the current financial year? In other words, what are you expecting the surplus or deficit to be?

**Mr Ash**—At this point in time we are projecting a moderate surplus of around \$6 million, which is shown on page 64 of the portfolio additional estimates statements.

**Senator O'BRIEN**—What contingencies are there for achieving that? What risks are there in achieving that or is that expected to be very close to the actual result that is achieved?

**Mr Chandler**—That was the estimate at the time these statements were prepared. We are expecting it will be somewhat better than that outcome. That amount is not at risk.

**Senator O'BRIEN**—What factors would give rise to the view that it might be a better result?

**Mr Chandler**—The estimate is based on a conservative view assuming, if you like, worst outcomes in expenditures. Any underexpenditure within the year would increase that budgeted surplus. Any underexpenditure would certainly increase that amount.

**Senator O'BRIEN**—So it is based on savings and expenditure rather than additional income.

**Mr Chandler**—Income for the department is primarily appropriation revenue. There would be no further flow of funds from that source following the additional estimates. The independent source of income for the department is very small, so it would have a very marginal impact.

**Senator O'BRIEN**—Are savings expected to be made on the cost of staff?

**Mr Chandler**—No.

**Senator O'BRIEN**—What areas of expenditure would you expect to be likely to give rise to further savings?

**Mr Chandler**—Just to clarify my last answer: when I said 'savings expected from staff', there are no budgeted savings, reflecting my previous answer. If there is any underexpenditure against groups' employee expenses budget, yes, there will be some savings. So if positions are vacated and it takes a while to fill them, we will contribute, but there are no budgeted savings. The expectation is that groups work to approved budgets but invariably we find that groups both year end fall somewhat short of budgets, and that would contribute to a higher surplus. But there is not a strategy to cause or demand of groups further savings.

**Senator O'BRIEN**—I want to be clear in which areas questions I want to ask will fall, given there have been some changes to where some programs or matters have fallen in previous years. Where would I ask questions about the House of Representatives Transport and Regional Services report, *Regional aviation and island transport services*?

**Mr Yuile**—You could ask that question of our policy group, which I think is the next on the list.

**Senator O'BRIEN**—Does pricing for airport control towers come under Airservices?

**Mr Yuile**—Are you talking about the ACCC report?

**Senator O'BRIEN**—No, the Airservices review, which appears in item 4.

**Mr Yuile**—Yes, Senator. It is clearly an issue of interest to our aviation and airports regulatory group as well.

**Senator O'BRIEN**—They will appear together?

**Mr Yuile**—I think the sequence is Airservices, then Aviation and Airports Regulation.

**Senator O'BRIEN**—I want to ask some questions about the Bass Strait Passenger Vehicle Equalisation Scheme.

**Mr Yuile**—That would be under our Transport Programs area, which I think is 3.1.

**Senator MARK BISHOP**—I want to ask a few questions at the outset about a media release put out by Minister Anderson on 22 October, under the heading 'Anderson pays tribute to Ken Matthews and Lynelle Briggs'. That went out on 22 October. Was the release drafted in the department or elsewhere?

**Mr Yuile**—I could not be sure of that, but I think it was drafted in the minister's officer. I could confirm that for you.

**Senator MARK BISHOP**—In the minister's release, Mr Matthews is credited with his role in the development of AusLink and the National Water Initiative, paras 3 and 4. Did Mr Matthews, when in the department, play a significant role in the development and implementation of the government's national airspace policy?

**Mr Yuile**—He certainly was involved in that.

**Senator MARK BISHOP**—Was he the senior person with responsibility at the time?

**Mr Yuile**—At an early stage the secretary was asked to chair the aviation reform group, which involved senior individuals. He was the chair of that group.

**Senator MARK BISHOP**—Was he responsible from its inception through to its conclusion?

**Mr Yuile**—It was a government decision with respect to taking forward a national airspace reform. As the secretary of the department he clearly had a key responsibility, but there were others involved as well.

**Senator MARK BISHOP**—Who were the others involved?

**Mr Yuile**—Officers from the aviation and airports regulation area.

**Senator MARK BISHOP**—Are the NAS reforms as significant as AusLink and the National Water Initiative in terms of national interest? Are they of that scale of importance to the government?

**Mr Yuile**—They have been an important element in the government taking forward an aviation agenda. The question of relative importance is, I guess, one on which we can all have opinions. I do not think I should comment on that—or can comment on that.

**Senator Ian Campbell**—People in rail transport and trucking would probably think that AusLink is more important than airspace reform, but people in aviation would probably think airspace reform is more important. But we think that they are all important.

**Senator MARK BISHOP**—Of course.

**Senator Ian Campbell**—That would make you think that water reform was important.

**Senator O'BRIEN**—I asked a question, and I am not sure where I should follow this up, which related to the involvement of the department in the Council of Australian Governments Indigenous trial site in the far east Kimberly.

**Mr Yuile**—Yes, Senator.

**Senator O'BRIEN**—Can I ask that now?

**Mr Yuile**—I can try and answer it, but it would certainly come under the regional policy area of the department. That area has taken responsibility for that.

**Senator O'BRIEN**—Regional policy?

**Mr Yuile**—Yes. It has taken responsibility for our leadership—

**Senator O'BRIEN**—I am happy to pursue the matter. If you can give me your answer about your involvement there, I will pursue it there.

**Mr Yuile**—I am happy to do that, Senator.

[10.02 a.m.]

**CHAIR**—We will now move to output 2 Policy and Research Group and 2.1 Transport and Portfolio Policy.

**Senator MARK BISHOP**—I want to turn now to 2.1 Transport and Portfolio Policy. I want to refer briefly to some infrastructure matters. Has the department previously assessed or conducted a stocktake of infrastructure capacity problems affecting areas of the national economy?

**Mr Mrdak**—As you will be aware, over the last few years the department has been engaged in a fairly major process in developing the AusLink program. As part of that, a green paper was sent out for public consultation and there was a great deal of intense work with the states and territory governments and the transport industries in relation to the land transport infrastructure in Australia. That involved identifying a range of areas where future investment was required, and the most appropriate investment to take place in the network that was developed.

I would not say it was a formal stocktake as such, but certainly a great deal of information was gathered, both through the public consultation process and also through the intense work we did with the jurisdictions in relation to the infrastructure. It was not a stocktake but there was a fairly detailed analysis made of emerging or emergent problems of an infrastructure nature that affected capacity problems. Certainly in relation to the land transport network, yes.

**Senator MARK BISHOP**—Only in respect of the land transport network?

**Mr Mrdak**—As it impacted. In looking at the AusLink process, we also looked at the key links to our ports and airports in terms of the road and rail links and the like, yes.

**Senator MARK BISHOP**—So that land transport review extended to roads and rail?

**Mr Mrdak**—That is right.

**Senator MARK BISHOP**—And then back into ports.

**Mr Mrdak**—The way in which our national road and rail links linked into our key export points of the ports and airports was also part of the AusLink consideration.

**Senator MARK BISHOP**—That green paper was written in the department and it was a public consultation process?

**Mr Mrdak**—That is correct.

**Senator MARK BISHOP**—It was done in consultation with all of the state and territory governments?

**Mr Mrdak**—That is correct.

**Senator MARK BISHOP**—And private industry?

**Mr Mrdak**—That is right.

**Senator MARK BISHOP**—And from that derived the white paper?

**Mr Mrdak**—That is right.

**Senator MARK BISHOP**—And it went to road, rail, ports, airports. What other infrastructure areas?

**Mr Mrdak**—AusLink was principally focused on the Commonwealth funding and role in relation to land transport infrastructure. That is where the focus was. Mr Elliott, who was involved in that green paper process, may wish to add more.

**Senator MARK BISHOP**—I am familiar with the white paper deriving from the green paper. My question is of a broader nature, not simply about what the review involved in the green paper leading to the white paper. I am trying to find out whether the department has

been engaged in any other reviews—at that time or since that time—of an infrastructure nature that are not identified in AusLink or the previous green paper.

**Mr Mrdak**—The department has a constant overall research capacity through the Bureau of Transport and Regional Economics, and that looks at a whole range of industry analysis issues. And within my policy group, we do keep a watching brief in relation to infrastructure development. But our principal focus over the last two to three years has been on the national land transport network.

**Mr Elliott**—I have nothing in particular to add. We have not undertaken a thoroughgoing analysis of all infrastructure of the type that I think you are getting at.

**Senator MARK BISHOP**—Are there any plans to do so?

**Mr Elliott**—Not from our perspective at the moment, no.

**Senator MARK BISHOP**—You have not received any instructions or directive from the government to do so?

**Mr Elliott**—No, not so far.

**Senator MARK BISHOP**—Mr Mrdak, your area of concentration is currently implementation of the white paper?

**Mr Mrdak**—That is correct.

**Senator MARK BISHOP**—Exclusively?

**Mr Mrdak**—Not exclusively. As Mr Elliott has indicated, we do look more broadly at infrastructure in terms of the national economy, but our focus very much has been on the land transport linkages through the white paper process.

**Mr Elliott**—It might be worth just adding to what Mr Mrdak has already said that over the next few years—over the next three to five years—we will undertake a number of corridor studies on the land transport network, which is something that is flagged in the AusLink white paper. So we will be doing more work to look at the major parts of the transport system.

**Senator MARK BISHOP**—What is a corridor study?

**Mr Elliott**—Taking for example, Sydney to Melbourne, what we envisage is having a look at the major growth in that corridor, looking at the way the growth in the corridor might be catered for, looking at the transport links, asking whether they are adequate and then trying to divine, as it were, where the weak spots are going to be, whether we can get better outcomes from investing in rail as opposed to road, or vice versa, and trying to take a strategic overview of where the government's investment should best go.

**Senator MARK BISHOP**—Is that part of the white paper or really the next step on from the white paper? This white paper identifies a whole range of funding allocations for improving highways, networks, roads and that whole area. Are you talking about that or something different?

**Mr Elliott**—We are talking about the next step on as it were, and it is something that is flagged in the white paper.

**Senator MARK BISHOP**—So that is still in a planning or development phase?

**Mr Elliott**—Yes, it is in a development stage. We hope in the next few months to begin that sort of work in cooperation with the states.

**Mr Mrdak**—One of the key reforms of the white paper is to introduce that joint corridor planning approach with the state and territory governments. We have identified a number of corridors in the white paper and what we are now seeking to do over the next two to three years is, jointly with the states, undertake the sorts of analyses Mr Elliott has indicated. This will give us the basis for governments of all persuasions across the states, territories and the Commonwealth to make judgments about where our investment for the next phase of the 20-year plan should best be made.

**Senator MARK BISHOP**—So the next phase that Mr Elliott is talking about is currently in development work. Has a section of the department or bureau been allocated that responsibility?

**Mr Mrdak**—Yes, Mr Elliott's group within my organisation looks after the corridor strategies.

**Senator MARK BISHOP**—What is the name of your group, Mr Elliott?

**Mr Elliott**—Infrastructure Investment.

**Senator MARK BISHOP**—Is there a budget allocated to do that job?

**Mr Elliott**—There is no budget specifically allocated to do that job. We have about 10 or 12 people who are in the branch and they are mostly looking at things related to AusLink implementation—for example, there is legislation before the parliament at the moment so they provide advice to ministers and so on on that. There are perhaps half-a-dozen people looking at the corridor study work at the moment. More than that, in the programs group there will be a greater number of people who will be involved in undertaking the corridor study work.

**Senator MARK BISHOP**—Are those half-a-dozen people you referred to transport economists, finance people or what?

**Mr Elliott**—A mix, Senator. They may have economics degrees; they may have general degrees, I am not quite sure. It is a bit of a learning process for us.

**Senator MARK BISHOP**—Are they in consultation with their colleagues at a state or territory level or is that yet to occur?

**Mr Elliott**—We have had some early consultation with people in the states to try and identify some of the projects that we will do as pilots, but we have not started the major engagement yet.

**Senator MARK BISHOP**—So you are still to identify the pilot corridor areas?

**Mr Elliott**—No, we have identified four pilots and we will progress that work in the near future, I hope.

**Senator MARK BISHOP**—Which are the four pilots?

**Mr Elliott**—I will just check for you. I have it written down here.



**Mr Mrdak**—The four pilots we have agreed with the states and territories thus far are: Sydney to Melbourne, Adelaide urban links, Perth to Adelaide and Brisbane to Cairns. We have chosen those as four representative corridors. Overall, we have identified some 23 corridors in the white paper.

**Senator MARK BISHOP**—When you say ‘corridor’, do you mean highways and freeways or do you mean something else?

**Mr Mrdak**—It is much broader. As I said, one of the key reforms of AusLink is to start to look at a total transport solution along a corridor rather than simply having separate programs for road and rail. So what we look at, as Mr Elliott has indicated, is the total corridor. In a case like Brisbane to Cairns, obviously it is a very broad corridor and has many transport options available to it into the future. What we are trying to look at are the growth projections—looking at developments along that route into the future with a 20-year planning horizon. We are trying to identify, with the particular state government involved, whether we can get some joint objectives that the federal and state governments would have for that route over the next 20 years. They may be objectives such as road safety outcomes for the route, transit times for heavy vehicles and those sorts of things. Those are the sorts objectives we are trying to set through corridor strategies, which will then be the basis on which we can assess projects for the next five-year investment program by both the federal and the state governments along that corridor.

What we are trying to do is provide an objective mechanism which enables us to make an investment choice based on the optimal outcome; be that a road upgrade, a rail upgrade, other infrastructure or, in the case of urban outcomes, technology solutions—which may actually give us a better outcome than additional infrastructure. AusLink gives us the flexibility, for the first time, to fund a range of transport outcomes and not just focus solely on roads.

**Senator MARK BISHOP**—Does this development work on the corridors also extend out to seagoing transport or air transport, or is it just land based?

**Mr Mrdak**—AusLink is land transport based.

**Senator MARK BISHOP**—Yes, I understand that. But are sea transport—say for containers—or air transport options to be considered, or are they just not to be considered because they are not land transport?

**Mr Mrdak**—No. While the investment focuses on land transport into the future through this program, the corridor strategies will have to look at coastal shipping, for instance, in relation to particular routes—say Brisbane to Cairns—and also air transport. They are factors that you would have to look at in terms of your demand forecasts, the likelihood of modal share of transport—all of those things would have to be looked at as part of your corridor strategies to determine what your objectives would be for that corridor.

**Senator MARK BISHOP**—When, if at all, do you involve the private sector or private companies, logistics companies? Is that when you have made the decision as to the work that has to be done?

**Mr Mrdak**—No. What we are trying to design now through these pilots is a process to do that. We are talking to the states about initially determining some terms of reference and

agreed guidelines for how the corridor strategies would operate. Then we would like to take that out to some key industry players and forums and bounce that off them, get their reaction and consult them on what information they have, their views and the like, before we settle all those terms of reference and so on for the studies. We would like to set up forums and a process for engaging industry during the development of those corridor strategies as well.

**Senator MARK BISHOP**—But you would not see it as going as far, or being as significant, as consideration of another white paper?

**Mr Mrdak**—No.

**Senator MARK BISHOP**—It is the implementation of this.

**Mr Mrdak**—That is right.

**Senator MARK BISHOP**—All right, I have got that. I will just shift the topic a bit. Is the department involved in any way with the Treasury review of infrastructure facilities at the Dalrymple Bay coal terminal and the Newcastle terminals announced in parliament by the Treasurer on 8 February?

**Mr Mrdak**—Yes. We have been in discussions with the Treasury officials in relation to those matters, and we are providing them with information about the data and information we have. So we have been consulted on the work they are now engaging in.

**Senator MARK BISHOP**—If this is not beyond the pale, why is that review being done by Treasury and not by you? Why was that decision made?

**Mr Mrdak**—Treasury has carriage of the implementation of competition policy and also matters to do with OECD reports and the like in relation to the economy. I think this has flowed out of some findings in relation to the OECD reports and comments that the Reserve Bank has recently made about infrastructure bottlenecks. So, while we are very heavily involved with Treasury, Treasury has the initial lead in responding to government about those two reports in particular. Mr Wolfe, who is here with me, has been engaged in discussions with Treasury over the last few weeks in relation to those matters in terms of our transport knowledge and understanding of those issues.

**Senator MARK BISHOP**—Mr Wolfe, without going beyond the limits of what you are allowed to say, you might just outline the nature of your discussions with Treasury, the responsibilities of the department now and into the future and where the review is headed.

**Mr Wolfe**—Certainly. Treasury sought some advice from us in relation to our understanding of current issues, particularly around sea transport, involving the ports that you mentioned. I should add that work has also been going on with the Department of Industry, Tourism and Resources in relation to the coal industry and the movement through rail and sea, which arose out of blockages that occurred last year. The Department of Foreign Affairs and Trade was also involved in that work. So there is a body of work going on on this issue, but—

**Senator MARK BISHOP**—So is there an IDC headed by Treasury?

**Mr Wolfe**—There is a group headed by Industry, Tourism and Resources that was set up last year to look at the coal issue.

**Senator MARK BISHOP**—So how does that group headed by Industry, Tourism and Resources relate to this Treasury review?

**Mr Wolfe**—As Mr Mrdak has indicated, I think there was a wish from Treasury to look at the specific issues of those particular ports that were raised by the Reserve Bank.

**Senator MARK BISHOP**—The blockages issue?

**Mr Wolfe**—Yes. Given the fact that there was some existing work going on, we were able to feed into the requirements that Treasury were looking for. So it is a whole-of-government look at the issue.

**Senator MARK BISHOP**—Are the Treasury review of those two sets of infrastructure facilities and the previous committee set up by industry—as you refer to it now, it is a whole-of-government exercise—principally concerned with bottlenecks in the two ports or a broader focus?

**Mr Wolfe**—I can only speak about the work that we have been doing with industry. But the focus of that certainly has been to look at both the short-term issues and the longer term issues involved in the movement of coal through the rail and port links. So it is a broader examination than just blockages. What we are really looking at is what we can do in the short term to improve the infrastructure and at what is the best way in terms of long-term planning.

**Senator MARK BISHOP**—Is that set of committees—for want of a better description—that they are talking about currently being conducted only at a Commonwealth level or has that now been extended out to consultation with the states and the local councils? They would have an interest in this, too, wouldn't they?

**Mr Wolfe**—The work that we have been doing has involved discussions with the states and the industry representatives. It also included two site visits.

**Senator MARK BISHOP**—Do the shire councils have an input into this?

**Mr Wolfe**—I am fairly sure there has been some representation from local government, but the main players in this particular industry are in fact the state governments and, in some cases, private port providers.

**Senator MARK BISHOP**—You said earlier that the department of industry headed up this review process sometime last year. Can you be more specific?

**Mr Wolfe**—They are certainly the chair of the group. My recollection is that it commenced in June last year.

**Senator MARK BISHOP**—We now have the announcement by the Treasurer in February of this year. When do we think this process is going to be concluded and recommendations made to government—both the original one and the Treasurer's later announcement?

**Mr Wolfe**—I cannot speak for Treasury. In terms of the industry process, I think we have a meeting this week to discuss when we might finish our report. I would certainly hope that it is in the next few months or so.

**Senator MARK BISHOP**—So when we come back in June you would hope to have it done?

**Mr Wolfe**—Indeed.

**Senator MARK BISHOP**—It then goes to Minister Anderson?

**Mr Wolfe**—It will go to the three ministers—ministers Macfarlane, Anderson and Downer.

**Senator MARK BISHOP**—Mr Downer?

**Mr Wolfe**—As Minister for Foreign Affairs. I am sure Minister Vaile will be interested as well.

**Senator MARK BISHOP**—Do you have any idea of the time lines involved in the Treasury review?

**Mr Wolfe**—No, I do not.

**Senator MARK BISHOP**—Why is that?

**Mr Wolfe**—That is essentially a matter for the Treasury.

**Senator MARK BISHOP**—But there is a linkage, isn't there, of the Treasury review of these two terminals back to the broader issues identified by industry, which your department is having input into?

**Mr Wolfe**—Certainly there are linkages. I have not yet personally received the details of when Treasury are looking to finish their review. I would ask Treasury that one.

**Senator MARK BISHOP**—Would you be the appropriate person in this department to know that?

**Mr Wolfe**—Yes.

**Senator MARK BISHOP**—What is the role of DOTARS in the broader review done by Industry and now the current review recently started by Treasury?

**Mr Wolfe**—In the current review our role so far has simply been to provide advice to Treasury. We had a meeting with them, they asked us for some information in relation to the particular ports and we provided that information.

**Senator MARK BISHOP**—When they ask you for information, do you also guide them as to the sorts of questions they should be asking you? The Treasury perspective is a different perspective to that of a transport expert.

**Mr Wolfe**—We certainly provide them with transport policy advice, yes. In relation to the broader view, our role in essence has been to put forward—and, in some cases, facilitate—discussions with important transport operators, one of which obviously is the Australian Rail Track Corporation in relation to the Hunter Valley, to facilitate a meeting with Queensland transport officials and to provide, again, transport policy advice. And we obviously attend those discussions as well.

**Senator MARK BISHOP**—From the comments you have made, my take is that the Commonwealth, through this department, and certainly in terms of the level of involvement of the three or four other departments in both reviews, regards itself as having a fairly critical place in terms of identifying and finding solutions to these infrastructure problems. Is that a fair or unfair comment?

**Mr Wolfe**—I think we have to be careful in relation to those comments, mainly because in terms of who operates, owns and can provide the solutions to these facilities the clear responsibility does in general rest with state governments and, in one or two particular cases, private port operators. In relation to rail, certainly in Queensland, Queensland Rail is the predominant rail carrier, and I think carries all the coal. Again that is a state government corporation.

**Senator MARK BISHOP**—Western Australian Rail is not state any longer.

**Mr Wolfe**—The main rail avenue for the Commonwealth, for the Australian government, is through the Australian Rail Track Corporation. It has only recently acquired the Hunter Valley and New South Wales lease. I am pleased to report that there are already significant signs of improvement in that Hunter Valley service. But that is the main single outlet that we have in terms of being able to influence on the ground the solutions that are involved. The rest of the operations are generally provided either by the states or by private operators.

**Senator MARK BISHOP**—You have just told me that the states own the major terminals and some of the access routes. That is not news to anyone. But you have just spent half an hour discussing a series of what you described as whole-of-government, IDC or fairly major committees headed up in fairly major departments. It is clear that there is a heavy level of interest on the part of the Commonwealth.

**Mr Wolfe**—I think ‘interest’ is a good word.

**Senator MARK BISHOP**—We all have interests in a lot of things. It goes beyond interest, doesn’t it?

**Mr Wolfe**—Let me put the background in terms of the interest in relation to the coal industry. Obviously coal is a major export for the Australian economy. Clearly issues were being raised in relation to a number of ships sitting off Newcastle port at one point. Obviously the Australian government has an interest in how it can help to facilitate outcomes that benefit one of Australia’s major export industries.

**Senator Ian Campbell**—At the Commonwealth level I think we all have an interest in making sure we have a really efficient transport system all over—not only in bulk goods, but in all goods. That is what the focus on AusLink was. In my relatively short time in the department, which was during the development of AusLink, it became very clear to me that, if you look around Australia’s ports and our land transport links to our other ports, we have some massive constraints. AusLink seeks to address that, but you cannot do it unless you engage the states.

I do not want to make a political point here, but you would be aware of what we are trying to do in Western Australia with the Roe Highway. Subsequent governments—both the Keating government and the Howard government—put in in excess of \$100 million of Commonwealth taxpayers’ money to try to link the industrial areas to the east of Perth with Fremantle port by having the Roe Highway and then the Fremantle eastern bypass link into it. That sort of issue and that sort of solution are being pursued right around Australia in virtually every port. That is a classic one where the Commonwealth spent a lot of money trying to link Fremantle to the industrial areas and get a long-term solution, but the local state government, for local political reasons, has said it is not going to build that link—the last link into the port.

That is a demonstration of the stresses right around the country. The Australian government has to work very hard with the states. It has had a lot more success with, for example, South Australia recently. The Rann government has really identified the issues of linking its road and rail systems to Adelaide port, and the Commonwealth has worked very constructively with Mr Rann and Mr Conlon and their cabinet to build good linkages to that port. It has had less success in Western Australia, but generally it is going quite well. The overall issue of making sure we have got really efficient road, rail and port linkages, not only in those major ports but also in some of the big bulk ports, is going to be a significant determinant of Australia's economic advancement over the next couple of decades.

**Senator MARK BISHOP**—I agree with you; that is dead right. I am not arguing with you.

**Senator Ian Campbell**—No, I know.

**Senator MARK BISHOP**—We have had a lengthy discussion here, which I am about to bring to an end, about the Commonwealth's involvement and its guidance in this area. I take it that will continue.

**Senator Ian Campbell**—The other point I want to put on record is that one of the struggles we have with AusLink and that any Commonwealth government will have—if you go back through history the Keating government identified it in the One Nation statement; I thought that was a very good policy focus because the Keating government identified those infrastructure bottlenecks way back there in that cutely named One Nation document—is the need to get this right. Because you have got the states in control of planning, if you do not get long-term plans and agreements in place—and a couple of neatly drafted pages in AusLink identifies this—then state governments of either political persuasion tend to build housing developments around the infrastructure. The Commonwealth will come in and fund a bit of infrastructure like the Roe Highway or the Ipswich Motorway in Brisbane, which is a classic example; we will put in tens of millions of dollars. Laurie Brereton went out to the Ipswich Motorway about 10 years and six months ago and clipped the ribbon of the new double-the-size Ipswich Motorway and 10 years later it is all clogged again. It is clogged for one reason: the state and local governments have poured housing developments all around it and used it for local commuter traffic, so it is now stuffed as a major corridor. This is the sort of corridor planning we are trying to do while also trying to reach agreements with states whereby we say if we are going to put in \$1 billion—I suspect we will probably put \$3 billion or more into the south-east Queensland area over the next decade—then we need to know their plans. We need to reach an agreement with the Queensland government to say, 'Look, if we do this we want an agreement about how many intersections or interconnections you have with any corridor we put in.' We are building towards a far more strategic approach to these things, which we have to otherwise we will just keep having clogged arteries. It is fair to say that we are making pretty good progress, but it is frustratingly slow.

**Mr Yuile**—I would be glad to add to the point you were making, Senator. As Minister Campbell has said, Minister Anderson is on the public record saying he is very much committed to these infrastructure projects. Indeed that is why he drove the AusLink green and white paper processes. The fact that these infrastructure issues in the pipeline involve the Industry, Transport and Trade elements shows that it is a whole-of-government process and one that we are obviously critically committed to and the minister is critically committed to.

**CHAIR**—I want to interrupt here to say that I am going to impose the morning tea break on everyone. Have you got much to go?

**Senator MARK BISHOP**—I have about two minutes to go. What time were you going to impose morning tea?

**CHAIR**—We are overdue by 15 minutes now.

**Senator MARK BISHOP**—I will come back to them.

**Proceedings suspended from 10.34 a.m. to 10.48 a.m.**

**CHAIR**—The committee will resume. Senator Allison, you will have the floor in two minutes.

**Senator MARK BISHOP**—Just going back to that discussion on the varying roles of the Commonwealth in more recent times: are you aware of comments made by the Deputy Prime Minister on 18 November last year, when he said that the issue of capacity is something that shippers should take up with the port managers in the states? He went on to say that they were essentially matters for the states to look after, with no Commonwealth involvement. Is that the view of the department?

**Mr Wolfe**—I think the minister was stating a fact, and that is that the responsibility for ports rests with the states and the private port operators. I could not dispute what the minister has said.

**Mr Mrdak**—If I could put that into some context: I think those comments were made around the time of the release by the ACCC of a report into that.

**Senator MARK BISHOP**—Correct.

**Mr Mrdak**—That report clearly identified current and future capacities and constraints in relation to the provision of facilities—wharves and the like—for stevedoring operations, and also concerns about that industry. Quite clearly, the responsibility for the provision of that infrastructure rests with state governments and the state authorities that run those ports.

**Senator MARK BISHOP**—But our whole discussion for the last three-quarters of an hour has been about Commonwealth involvement—the Commonwealth establishment of committees, IDCs at a Commonwealth level, consultation across to government, whole-of-government discussions and then consultation with stakeholders and possibly with private sector implementers or providers. That suggests to me that there is a significant role for the Commonwealth.

**Mr Mrdak**—There is certainly an increasing view by the Commonwealth that we need to be involved in planning and such matters. For instance, through the AusLink planning work that we are doing in relation to our investment down in Melbourne through the Dynon, we are looking to take a greater role in the strategic planning of that port's precinct in Melbourne. That is a future role for the Commonwealth. I think what the minister was referring to is the immediate concerns in relation to infrastructure investment, or the lack thereof, by a number of port authorities at the state level. But certainly you are right, Senator—I think AusLink is built around a joint planning framework for the future. I think what the minister was referring

to was quite strictly in relation to some current infrastructure constraints which are within the purview of those port operators.

**Senator MARK BISHOP**—So is it the department's view that those matters—such as bottlenecks, constraints on capacity, slowness of delivery times and slowness of the exiting of material from those two ports I identified earlier—are solely matters for the states, or are they also matters for the Commonwealth?

**Mr Wolfe**—I think the major responsibilities that currently exist for improving the operations of ports clearly rest with the states and, in one or two cases, with private port operators. In relation to rail links to those ports, the responsibility in Queensland certainly rests with Queensland Rail and the Queensland government. In New South Wales, with the taking up of the New South Wales Hunter Valley lease by the Australian Rail Track Corporation, certainly there is a specific role there to help improve the rail shipments down to the port of Newcastle. That is an integrated response and it has been done, in the Hunter Valley's case, through an integrated logistics chain which has been set up and which involves the port operators, the rail operator—which is predominantly a private company, Pacific National—the Australian Rail Track Corporation as the manager and the mining operators themselves. So it is an integrated response.

**Senator MARK BISHOP**—Which has significant Commonwealth overview.

**Mr Wolfe**—Not so much overview. In essence, it is a part of a response. The best way to achieve the best response is to do it with an integrated supply chain approach.

**Senator MARK BISHOP**—Part of a response to a problem with constraints that has been identified.

**Mr Wolfe**—In the Hunter Valley. That is right.

**Senator MARK BISHOP**—And generally as well?

**Mr Wolfe**—Yes.

**Senator MARK BISHOP**—So a problem has been identified. There is constraint in supply, and exit problems in terms of product—for want of a better word. The Commonwealth has set up a series of committees across government to review problems. Recommendations will be made, and we would assume from that that there is going to be a level of ongoing Commonwealth activity in this area.

**Mr Wolfe**—Certainly there are Commonwealth interests in this area, yes.

**Senator MARK BISHOP**—Minister Campbell foreshadowed a minimum of \$3 billion in funds over the next few years for highways and corridor placements and all of those sorts of things. I would have thought \$3 billion was a little more than being a disinterested observer. That is getting right down there and dirty.

**Mr Wolfe**—Yes. That is in relation to land transport links. I think that the point that was being stressed—

**Senator MARK BISHOP**—What do land transport links do? Land transport links, in turn, link back to ports—don't they?

**Mr Wolfe**—That is right.



**Senator MARK BISHOP**—That is the efficiency exercise.

**Mr Wolfe**—Yes, and that is part of the integrated supply chain. Exactly.

**Senator ALLISON**—I would like to ask some questions about the Ansett levy scheme. Do we need other people at the table for that?

**Mr Yuile**—The area handling that is our programs group, which I think is the next group on.

**Senator ALLISON**—So no-one who might be required will have gone home?

**Mr Yuile**—No, they are waiting for that item.

**Senator ALLISON**—Does security also come under some other program?

**Mr Yuile**—Yes it does, Senator. It comes under item 4.1, the Office of Transport Security.

**Senator ALLISON**—So no questions are to be asked about any aspect of security at this point?

**Mr Yuile**—No; save those questions for the Office of Transport Security.

**Senator ALLISON**—Apart from some road transport questions, those are the ones I am interested in.

**Senator JOHNSTON**—I am interested in road transport too.

**Mr Yuile**—Are you interested in road transport in terms of programs?

**Senator JOHNSTON**—I am interested in the identification of and liability for particular roads.

**Mr Yuile**—Again, I think that would be at item 3.1.

**Senator MARK BISHOP**—I would like to turn now to the open skies agreement—Singapore Airlines and the trans-Pacific route. Mr Mrdak, can the department advise where negotiations on an open skies agreement with Singapore are currently up to?

**Mr Mrdak**—Australia and Singapore concluded a very expansive agreement—an open skies agreement—in September 2003. That agreement provided for open capacity between Australia and Singapore for carriers of both countries. It is one of the most open arrangements around. It is only the second open-capacity agreement which Australia has entered into. We now have two effective open skies agreements—one is with New Zealand and the other is with Singapore.

**Senator MARK BISHOP**—What does ‘open capacity’ mean?

**Mr Mrdak**—It means that there is no restriction on the number of flights that can take place between Australia and Singapore by Singaporean carriers and Australian carriers. As you would be aware, most of our bilateral treaties which set up air services provide some sort of capacity constraint or restriction. In relation to Singapore, we have removed all such restrictions on flights between the two countries, and also in relation to intermediate points between the two countries. That has been a very expansionary approach that Australia and Singapore have taken, and it builds on our FTA with Singapore.

Currently there is an issue in relation to access for Australian and Singaporean carriers to markets beyond each country, and, as you would be aware, there has been a great deal of discussion publicly over the last few months in relation to Singapore's aspirations to operate flights beyond Australia to the United States. That would be in addition to the open skies agreement we currently have in place. The Singaporean minister is in Canberra today for initial discussions with Minister Anderson. They will take place during the course of today and we will be meeting with Singaporean officials around that. Those discussions will really determine the next stages. They are really reopening the discussions that the ministers concluded in September 2003.

**Senator MARK BISHOP**—What has been the cause of the delay from the conclusion of the last round of negotiations until now, February 2005?

**Mr Mrdak**—In our agreement at that stage we agreed with Singapore that we would look at issues of further liberalisation, particularly in relation to flights across the Pacific, once the aviation industry stabilised, because in 2003 the global aviation industry was still suffering the severe effects of 9-11, the SARS outbreak and other factors affecting traffic globally, particularly in the Asia-Pacific region. Ministers agreed that any discussions on further liberalisation should take place once the aviation industry had stabilised.

**Senator MARK BISHOP**—Was the issue of stabilisation a decision for the determination of the Australian government or the joint governments?

**Mr Mrdak**—That was jointly agreed.

**Senator MARK BISHOP**—And when did they come to the view that the industry had stabilised enough?

**Mr Mrdak**—They jointly agreed in 2003 that they would revisit the issue. The discussions between ministers today will focus on our respective views of the position of the aviation industry. I imagine that will be one of the agenda items when ministers meet today, but that will be a matter for them.

**Senator MARK BISHOP**—So today's meeting between the two ministers is not a timetabling meeting, is it?

**Mr Mrdak**—No, it will reopen the discussions. The meeting today will build on the discussions the ministers had in 2003, principally about the shape of industry and the like, I would imagine. And then they will look at future directions in relation to the Singaporean interest in flying across the Pacific.

**Senator MARK BISHOP**—So there is going to be an exchange of information?

**Mr Mrdak**—There will be an exchange of information. I do not want to say what the agenda may be; that will be for the ministers to decide this afternoon when they meet. I think it is fair to say that the two ministers have a very strong, positive relationship coming out of their previous discussions in 2003, and I think they will probably look to rebuild, and work from that today.

**Senator MARK BISHOP**—From Minister Anderson's public comments—and correct me if I am wrong and it is not the view of the government—I understand that there is the ability

now for further entrants to go onto that route out of Singapore into North America. Is that correct?

**Mr Mrdak**—I think Mr Anderson's comments have recognised a strong interest by Singapore Airlines to fly that route, and certainly there is a view by some in, say, the tourism industry and other industries that the route could benefit from further competition. Whether that is by US carriers or Australian carriers or third party carriers is a matter for debate. But certainly I think there is a view in the tourism industry and trade industry that additional competition into the market would be beneficial. I think that down the track government will take a decision as to how that is best done.

**Senator MARK BISHOP**—Is that currently the view of the Australian government—that further competition on the out-legs of the Pacific route is warranted at the moment?

**Mr Mrdak**—I think that is something that the government is now undertaking some consideration of. We have done some analysis for government in relation to the route, and that will form part of Minister Anderson's consideration from today in relation to this matter.

Certainly, as you would be aware, Australia has a very liberal approach—we are one of the most liberalised countries in the world in relation to air services matters. We have over the last 10 years or so radically transformed the shape of our aviation policy, recognising the broader national benefit of a competitive environment. I think it has been recognised that, with the benefit that it has had for the tourism and trade industries, that has been very effective. But very much so the policy is couched in terms of individual route negotiations. Where it is in Australia's best interests to liberalise, we will certainly aim to do so.

**Senator MARK BISHOP**—Where it is in Australia's best interests to liberalise?

**Mr Mrdak**—Yes.

**Senator MARK BISHOP**—I take it that, in the lead-up to the discussions between Minister Anderson and his counterpart from Singapore, the department has been doing a level of consultation with other agencies and stakeholders?

**Mr Mrdak**—Yes. We have a number of formal consultative mechanisms with our stakeholders. They take place regularly. We do those every six months or so with tourism and other interests.

**Senator MARK BISHOP**—Can you put on the record what those formal consultative procedures are?

**Mr Mrdak**—Yes, I can certainly do that. Perhaps Mr Bogiatzis, who heads up the international relations area in the department, might want to outline the stakeholder process.

**Mr Bogiatzis**—There are several mechanisms by which we consult. For each negotiation, for example, there is extensive consultation undertaken with key stakeholders in tourism and aviation, which includes airlines and airports, that helps formulate the position which we may put in relation to that consultation. Following the consultation, there is extensive information made available to those stakeholders. In addition to consultation around specific negotiations, we regularly hold what we call a stakeholders' conference or forum. Until recently they have been held twice a year in the various regional capitals but, because of the growing interest in

relation to those, we are now proposing to hold one every year in Canberra and two in the regional capitals.

**Senator MARK BISHOP**—When will you start that annual meeting process?

**Mr Bogiatzis**—Our first major one in Canberra will probably be in June this year. We are settling the dates. I should also add that a committee has been established through Tourism Australia called NTAAAC—the National Tourism and Aviation Advisory Committee—which is also a consultative forum into the tourism industry in relation to these issues.

**Senator MARK BISHOP**—But your interests are much broader than just the tourism industry, aren't they?

**Mr Bogiatzis**—That is correct.

**Senator Mark Bishop**—It is input into your deliberations?

**Mr Bogiatzis**—That is correct.

**Senator MARK BISHOP**—Coming back to those half-yearly regional meetings that you have been having with the stakeholders: since the conclusion of negotiations in 2003, can you outline when you had the meetings, who attended and the issues that were on the agenda for resolution, if you are not breaching any confidences?

**Mr Bogiatzis**—I might assist if I explain a little bit more about the meetings. The meetings are relatively informal. We have an extensive list of invitees, which basically include airport interests, airline interests, tourism interests, Commonwealth agencies, state agencies and local government. So the people who attend can vary depending on in which city we hold the meeting. So there is quite a range of invitees. We would probably average 25 to 30 attendees at any one time, and they vary enormously with each meeting. Our last meeting was in Western Australia in Perth, and I cannot recall exactly when that one occurred. They have been held roughly on a twice-a-year basis. We would normally be holding one in Melbourne next month, but because of the Avalon air show which is on we thought it was inappropriate to hold that meeting, so we are cancelling that meeting and looking at an alternative one in one of the other capital cities prior to the June one.

**Senator MARK BISHOP**—Mr Mrdak, the Singaporean government has reportedly offered to lift all restrictions on Qantas flights beyond Singapore in exchange for an open skies agreement. Are you aware of that report?

**Mr Mrdak**—I have seen that media report.

**Senator MARK BISHOP**—It is from Thursday, 10 February.

**Mr Mrdak**—During our negotiations leading up to the 2003 signing of the memorandum of understanding, those issues were also canvassed. As I say, when we enter these negotiations it is very much on the basis of ensuring there is a commensurate benefit for Australia from greater liberalisation for foreign carriers. The issue has been the commensurate benefit for Australian carriers operating beyond Singapore vis-a-vis what Singaporean carriers would gain from being able to operate services through Australia.

**Senator MARK BISHOP**—So you are aware of that offer by the Singaporean government.

**Mr Mrdak**—I have seen the media report of that particular one, and, as I said, in previous rounds there were discussions about the whole issue of broader operating rights beyond each country.

**Senator MARK BISHOP**—Has the Singaporean government indicated to you in any way that the report in the media is inaccurate or does not represent their position?

**Mr Mrdak**—We have not raised that particular media report with the Singaporeans. As I say, they are in town today.

**Senator MARK BISHOP**—Do you have any reason to think that it is inaccurate?

**Mr Mrdak**—Based on previous discussions I have had with the Singaporeans, no, I have no reason to doubt that that may be their position. That will be ascertained through the course of today and tomorrow during official and ministerial talks.

**Senator MARK BISHOP**—I understand that. Has the department made any recommendation to the Deputy Prime Minister on that proposal?

**Mr Mrdak**—We have had discussions over a long period of time in relation to these matters. I do not think it appropriate that I go into what recommendations were made.

**Senator MARK BISHOP**—I am not asking you to tell me the detail of your recommendation to the minister or the cabinet; I am asking you whether you have made a recommendation.

**Mr Mrdak**—Not in the formal sense. Until these discussions commence today, we do not really know what the final position of either party may be in relation to these matters, so it is very difficult to know the shape of it. We have provided general advice to the minister on many occasions in relation to these issues, but there is no specific proposal at this point. The ministers today will start a process. As to whether we have provided a specific recommendation in relation to a proposal by Singapore to fly to the US which is currently in the media, the answer is no.

**Senator MARK BISHOP**—Has a cabinet submission been prepared yet on this proposal?

**Mr Mrdak**—No. Minister Anderson has publicly indicated his intention following the discussions today to chart a way forward in relation to this which involves a number of matters—one of which will be looking at Australia's position vis-a-vis end markets, as we see it, beyond Singapore—and then look to take a position to cabinet during the course of this year.

**Senator MARK BISHOP**—On 20 January this year, the minister issued a press release in which he said that he will be travelling to the United Kingdom and Europe in the near future to 'ascertain the situation'. I assume that is a reference to access arrangements for Qantas and other Australian carriers into those markets?

**Mr Mrdak**—That is correct. We are currently finalising arrangements for the minister's travel, potentially at the end of this month subject to finalising appointments. At this stage, that will cover a range of matters. International air service arrangements will be one of those, but other transport portfolio matters and regional portfolio matters are potentially also on the agenda. In relation to the issue of capacity, yes, we have been engaged in a process with the

European Community for several years looking at a liberalised arrangement with the European Community and the countries there.

**Senator MARK BISHOP**—Does the European Community in this context involve the United Kingdom, or is that separate?

**Mr Mrdak**—There is an ongoing battle, I suppose is the best way you could put it, between Brussels and its member nations in relation to who has legal coverage of international air service matters. Following a European Court ruling, the Commission believes it has primacy in relation to these matters. That is a position which a number of its member states take a different view on. My understanding is the Commission is now launching a further legal action against its member nations in relation to this matter. In relation to the UK, that is a country we are seeking to open bilateral discussions with. We have sought for some years to re-open discussions, negotiations, with the UK. Thus far, the UK has been unreceptive to re-opening negotiations in relation to capacity between Australia and the UK. Similarly, there are other nations in the EC which we would also like to see an expansion of capacity to—France being one of them, which we have had difficulty securing negotiations with. Hence we are adopting a strategy which involves discussions with Brussels in relation to the broader EC matters. I think we are developing a very positive relationship there in terms of future directions, but we are also continuing to seek bilateral negotiations with member states where we believe we would like to see an expansion of capacity.

**Mr Yuile**—Senator, I think it is fair to say that, not just in the area of aviation, but in a range of other areas, the whole issue of the competency of the Commission versus member states has been an ongoing debate within the Community for a long time. Air services have been more recently on the agenda in terms of the competency of the Commission across member states and then, within member states, their various responsibilities and indeed the authority they believe they have with respect to capacity issues. So it is an issue that I think is with us now for a little while to come.

**Senator MARK BISHOP**—Have you had any recent contact with European and UK governments over expanding Australian access to these ports, to these countries?

**Mr Mrdak**—We are engaged in a process of discussion trying to see if we can enter formal negotiations with the European Commission—

**Senator MARK BISHOP**—Engaged in a process of—

**Mr Mrdak**—‘Discussions with the EC’ at this point is probably the best way to put it. We are trying to see that the EC actually gets a formal negotiating mandate from its member nations to enter into formal air service negotiations with ourselves. That is a process we have been undertaking for the last two years. We think we have made some positive developments in the last couple of months. Mr Bogiatzis was in Brussels in December for discussions with them, and also we have been seeking continually talks with the United Kingdom, but to this point they have not been receptive to undertaking negotiations with us.

**Senator MARK BISHOP**—Are DFAT involved in those negotiations?

**Mr Mrdak**—Yes, they are.

**Senator MARK BISHOP**—Can you advise on how many occasions the department, or other agencies you are working with, have had contact with the United Kingdom and European governments regarding access arrangements?

**Mr Mrdak**—Over what period of time?

**Senator MARK BISHOP**—Over the last two years.

**Mr Mrdak**—We can certainly come back to you with that detail.

**Senator MARK BISHOP**—Do you mind taking that on notice.

**Mr Mrdak**—I am happy to do so.

**Mr Bogiatzis**—The last formal talks with the United Kingdom were in 1999. Since then, there have been a number of opportunities where we have talked to the UK. For example, we have tried to talk to the EC. In Singapore recently there was a UK representative there. So again, we use that as an opportunity over a coffee to have a conversation. So in terms of formal talks, the only formal talks were in 1999.

**Senator MARK BISHOP**—With the United Kingdom?

**Mr Bogiatzis**—With the United Kingdom. Since then we have used opportunities where we might happen to be in the same place to push for further talks and the minister's visit to the United Kingdom later this month should be the opportunity to try to lock the UK into an agreement to a formal negotiation with us.

**Senator MARK BISHOP**—So that is one of the purposes of the minister's trip later this month—to try to lock in the United Kingdom government to a formal round of negotiations on more open access.

**Mr Bogiatzis**—That is correct.

**Senator MARK BISHOP**—Let us go over to the European government. Can you provide me with a list of on how many occasions, and the locations, you have had contact with—is it the EC or the EU?

**Mr Bogiatzis**—It is the European Commission.

**Senator MARK BISHOP**—Do you mind doing that?

**Mr Bogiatzis**—Sure.

**Senator MARK BISHOP**—Are the problems with both the United Kingdom and the EC the same problems that we have been having for a range of years, or are there new problems emerging in terms of access?

**Mr Bogiatzis**—I would suggest that they are richer, deeper and more problematic than they have been in the past.

**Senator MARK BISHOP**—More detail is being outlined is it?

**Mr Bogiatzis**—No. It is more that in the past we had to deal with national interests, so Australia was negotiating with the United Kingdom in relation to our mutual national interests. Over the last half century we have gained some very modest access into the United Kingdom and the UK has been reluctant to increase that access for Australia. The EC's

engagement in the issue now adds yet another dimension on top of that. There is an issue, alluded to by Mr Mrdak, in relation to the split competencies between the EC and its member states as to who can do what in these negotiations. We still have the traditional bilateral negotiation difficulties with member state interests and the interests of the EC as an overlay above that. We have two competencies to deal with.

**Senator MARK BISHOP**—With the issue of increased access to the EC and the United Kingdom, is it necessary to have those issues resolved prior to resolving negotiations with Singapore, in terms of that earlier discussion we were having; that is, how are the two linked?

**Mr Mrdak**—I think it is fair to say, as I did earlier, that in looking at a further expansion of rights for Singapore Airlines to operate beyond Australia one of the things that we look at is what the commensurate benefit is to Australia in terms of our international aviation access. Qantas has rights beyond Singapore, such as flights through to the UK, under a number of bilateral treaties. Our ability to grow those markets is constrained by the unwillingness of our bilateral partners at the other end in the Northern Hemisphere to give us greater capacity. So, while we may get greater liberalisation through a hub like Singapore, it is not all that useful if we do not have capacity beyond Singapore under the bilateral arrangements with the end the country we are flying to. Qantas has flagged that Singapore, were they to be granted access across the transpacific from Australia, would have a greater benefit in market reach and the like—because they have an open skies agreement with the United States—than our carriers would have operating through Singapore as a hub to the Northern Hemisphere to either the US, northern Asia or Europe. It is part of a bigger picture, where our aviation policy is trying to strengthen our carriers, our international aviation relationships and our trade and tourism flows. While the two matters are not directly linked in terms of a decision on Singapore, they are linked in the sense that what we are trying to achieve overall is the best national outcome both for our carriers and for our broader interests.

**Mr Bogiatzis**—If I could answer your earlier question about meetings with the European Commission: we have met with them formally twice. We met with them in Brussels in 2003 and, meeting halfway, we met with them in Singapore late in 2004.

**Senator MARK BISHOP**—Late in 2004?

**Mr Bogiatzis**—That is correct.

**Senator MARK BISHOP**—Is it the department's belief that if these access arrangements—when I say 'access arrangements' I mean to the United Kingdom and/or the EC—can be finalised, Singapore's offer to lift restrictions on Qantas flights would be more attractive to the government?

**Mr Mrdak**—I do not think I could comment at this stage. We would need to put that whole picture to the cabinet for them to form a view. I do not think I could make that linkage at this point.

**Senator MARK BISHOP**—Right. According to an AAP report on 10 February, Minister Anderson and the Minister for Trade are scheduled to travel to Singapore this week. Is that correct?

**Mr Mrdak**—No. Parliament is sitting so the Singaporean minister is visiting Mr Anderson.



**Senator MARK BISHOP**—When is the minister scheduled to depart from Singapore? Is he at all?

**Mr Mrdak**—I am not aware of the minister having any travel plans to Singapore. We are currently trying to finalise arrangements for him to travel to Europe towards the end of this month, if possible. I am not too sure at this stage that we have settled where he might be transiting, whether that is to Singapore or not.

**Senator MARK BISHOP**—So there are no current plans for Minister Anderson to visit Singapore?

**Mr Mrdak**—Not that I am aware of, unless, as I have said, he transits Singapore on his way to Europe as part of his European trip.

**Senator MARK BISHOP**—The AAP reported, again on 10 February, that Singapore Airlines had made an offer to the 10 members of the House of Representatives Standing Committee on Transport and Regional Services to take an all expenses paid study tour to Singapore. The committee's chair, Mr Neville, said that the trip provided 'a unique opportunity to study Singapore's transport infrastructure'. On that basis, what work has the department been asked to do to prepare committee members for this trip?

**Mr Mrdak**—We have been asked to do no work in relation to preparing the committee members for such a trip. As has been reported in the media, the presiding officers of the Senate and the House of Representatives wrote to the committee chair last week and advised that they believed it would be inappropriate for the committee to accept the offer by Singapore Airlines. My understanding is that that is where the matter now lies. It becomes an individual choice for members as to whether they accept such an offer and declare it in accordance with the normal parliamentary requirements. I am not aware as to whether that trip is to proceed as a formal committee trip any longer. We have not been asked to do any work to support the committee on such a trip.

**Senator MARK BISHOP**—Was the department asked to do any work on the Pacific in the lead-up to Prime Minister's recent visit to Singapore?

**Mr Mrdak**—The department, as would all agencies who have an interest in matters in relation to Singapore, prepared advice that was coordinated by the Department of Foreign Affairs and Trade and Prime Minister and Cabinet for the Prime Minister's visit.

**Senator MARK BISHOP**—Did the request come from DFAT or PM&C?

**Mr Mrdak**—I think it would have come from PM&C, but I can check. Presumably it would have come from PM&C and DFAT jointly as they prepared the Prime Minister's travelling brief.

**Senator MARK BISHOP**—Since the Prime Minister's visit, have you been asked to revise that work or to provide further information?

**Mr Mrdak**—Building on from that visit is the meeting today between ministers. The work that we have been preparing is for that.

**Senator MARK BISHOP**—Is it fair to say that you clearly have an ongoing interest and there is ongoing work around all the issues associated with these negotiations?

**Mr Mrdak**—Yes.

**Senator MARK BISHOP**—Without going to ministerial advice, can you describe in general terms the nature of the work you have been asked to do since the Prime Minister's visit to Singapore?

**Mr Mrdak**—I am not aware of any specific requests since the Prime Minister's visit to Singapore but certainly in the lead-up to such ministerial discussions the department undertakes a range of analyses in relation to the picture of the airline industry, the current international picture vis-a-vis trade and tourism links—all of those trade and tourism issues—and the aviation picture more generally. We do a whole range of analyses in relation to the issues. We obviously closely follow public statements that are made by the various interested parties and provide some analysis for government in relation to those matters so the minister has a complete picture, as we would see it, of the situation in the lead-up to the discussions he is about to have.

**Senator MARK BISHOP**—Do you do that in house?

**Mr Mrdak**—Yes, we do.

**Senator MARK BISHOP**—Is there a sub-unit charged with that task or that responsibility?

**Mr Mrdak**—Yes. Within my group Mr Bogiatzis heads up a transport markets branch, and that provides an analytical capacity in relation to the aviation industry. It also undertakes all of our bilateral air services negotiations. We have a small team of eight or nine people who are specifically tasked with managing our bilateral issues and also our aviation industry analysis work.

**Senator MARK BISHOP**—Is that ongoing work?

**Mr Mrdak**—That is ongoing work. We also draw on the resources of the Bureau of Transport and Regional Economics, obviously, in relation to specific economic analysis required.

**Senator MARK BISHOP**—Can we now turn to some strategic funding issues associated with AusLink. If you turn to page 86 of the white paper, it says:

Before the end of 2004, the Australian Government will invite interested councils, regional groups and local government bodies to submit projects for consideration for the strategic funding stream.

How many submissions were received in terms of that?

**Mr Mrdak**—Perhaps if I can give you the context of that. The more detailed questions will need to go to our programs group as they manage the actual program. The white paper was released in June last year. It contained a proposal in relation to the operation of the regional strategic component of Roads to Recovery. Subsequently, in the lead-up to the election the government made a series of announcements in relation transport policy, one of which was a change to the focus of that program, which again changed the nature of the statements in the white paper. However, having said that and without being unhelpful, perhaps I could direct you to our programs group which has responsibility for the implementation of that particular program. They are next, I think, at 3.1.

**Senator MARK BISHOP**—Do you want to do it at 3.1, not now?

**Mr Mrdak**—Yes, if we can do it at 3.1 with our programs people.

**Mr Yuile**—If that is all you have on policy, programs would be the next group in—depending upon what other senators—

**Senator MARK BISHOP**—Let me take you through what I want to talk about.

**CHAIR**—The Bureau of Transport and Regional Economics, isn't it?

**Mr Yuile**—It depends if there are any questions for that group—that is all that I was thinking.

**Senator MARK BISHOP**—I want to go through changes to road funding for local councils, the location charter of the New South Wales government for the logistics centre of excellence—

**Mr Mrdak**—That is with us.

**Senator MARK BISHOP**—heavy vehicle emissions—

**Mr Mrdak**—That is here.

**Senator MARK BISHOP**—tax changes to depreciation of buses and trucks, issues associated with the failure of Rex on the Canberra route, planning for the next five years of AusLink, the Morris-Sharp review into shipping and ARTC. Should I do them now or take them into 3.1?

**Mr Mrdak**—Apart from those first two items in relation to local government road funding and the like, the rest of the items are with me and my group.

**Senator MARK BISHOP**—So should I do the strategic funding application assessment process and changes to road funding in 3.1?

**Mr Mrdak**—That is correct.

**Mr Yuile**—Senator, before you start again, do other senators have questions for the Bureau of Transport and Regional Economics?

**Senator ALLISON**—I have questions on the Ansett levy.

**Mr Yuile**—That is under 3.1. I was just clarifying, because there are officers who perhaps could go if the committee does not require them.

**CHAIR**—So you have nothing more for the Bureau of Transport and Regional Economics?

**Mr Yuile**—It sounds like they are all policy questions.

**Senator MARK BISHOP**—I will have some questions later on.

**CHAIR**—All right.

**Senator MARK BISHOP**—Let us talk about the logistics centre of excellence. Mr Mrdak, in May last year you told the committee that the department was working with the New South Wales government and ARTC on a logistics centre of excellence which would most likely be

in Sydney. Last May, the charter had not as yet been signed. Has that occurred and, if so, when?

**Mr Mrdak**—As part of the announcement in relation to the signing of the ARTC lease with New South Wales, the Australian government and the New South Wales government committed themselves to the centre of excellence. Mr Wolfe has been leading the negotiations. An amount of \$4 million was provided in the last budget—\$2 million this year and \$2 million next year—as Australian government seed funding for that centre. Mr Wolfe may wish to give you an update on the negotiations. We are very close to concluding those arrangements with New South Wales.

**Mr Wolfe**—We put a proposal to New South Wales in November. We have just received back their response. They have suggested some changes to it. Now that we have that, we intend to have a meeting with them in the next two weeks. I would hope that we could finalise the agreement shortly thereafter.

**Senator MARK BISHOP**—Has the location of the centre been agreed yet?

**Mr Wolfe**—Yes. It will be in Sydney.

**Senator MARK BISHOP**—If you sign off on the deal in two or three weeks time, would it be operational this financial year or will we wait until next year?

**Mr Wolfe**—It will be operational this year. We have the benefit of the fact that New South Wales already had some offices established that could take up the national centre for us. I could almost argue that it has already started now, but the formalisation of it could take place as soon as the agreement is reached.

**Senator MARK BISHOP**—How many staff does it have or will it have?

**Mr Wolfe**—I might just take that on notice, because that figure is held by my New South Wales colleagues. I will confirm that figure for you.

**Senator MARK BISHOP**—Is it going to be a jointly funded agency jointly reporting to New South Wales Transport and Commonwealth Transport?

**Mr Wolfe**—The intention is that the centre itself would essentially be run by New South Wales officials but our intention is that we would be on an advisory board that provides in essence the driving force behind the actual work that is done by the centre. It is a process of ensuring that, from the Commonwealth's point of view, we can ensure that the projects that are done have a national emphasis.

**Senator MARK BISHOP**—How many people will the Commonwealth have on board?

**Mr Wolfe**—There will be just one of us.

**Senator MARK BISHOP**—How many people will be on the board?

**Mr Wolfe**—That is still to be agreed with New South Wales. We would like to see a fairly significant level of industry representation.

**Senator MARK BISHOP**—Where I am heading here is this: what is to stop this becoming the Sydney or New South Wales centre for logistics excellence?

**Mr Wolfe**—That is exactly why we want some national industry representation on the board, reflecting the fact that we see it as a national centre.

**Senator MARK BISHOP**—Does New South Wales see it as a national centre?

**Mr Wolfe**—Yes, I think so. They are certainly aware of the fact. In terms of the negotiation of the agreement, the actual priorities that we have listed are national priorities.

**Senator MARK BISHOP**—And both the Commonwealth and New South Wales are throwing in \$2 million apiece, are they?

**Mr Wolfe**—That is correct.

**Senator MARK BISHOP**—They have a major input then.

**Mr Wolfe**—Yes.

**Senator MARK BISHOP**—Are any of the other states throwing any money at it?

**Mr Wolfe**—Not at this stage, but we would hope that in the future they would see that there was some benefit in doing so.

**Senator MARK BISHOP**—Have they been invited to?

**Mr Wolfe**—At officials level, they have certainly been invited to. Through the Australian Logistics Council, they have also been invited to participate in an organisation which we also want directly involved in the centre.

**Senator MARK BISHOP**—Was the Commonwealth commitment \$2 million over two years or \$2 million for each of two years?

**Mr Wolfe**—It was \$2 million in each year.

**Senator MARK BISHOP**—How much has been spent to date?

**Mr Wolfe**—We have not provided the \$2 million as yet because it is contingent on the signing of the agreement.

**Senator MARK BISHOP**—So it is all still there.

**Mr Wolfe**—That is right.

**Senator MARK BISHOP**—In the discussion with Mr Mrdak back in May last year, it was unclear to the person doing the questioning whether legislation would be required or whether you were going to set up a corporate structure. What has been the resolution?

**Mr Wolfe**—No legislation will be required.

**Senator MARK BISHOP**—So it will be a private company?

**Mr Wolfe**—From our point of view, it will probably be a memorandum of understanding between us and the New South Wales government.

**Senator MARK BISHOP**—So you are not going to set up a company.

**Mr Wolfe**—We specifically will not be, no.

**Senator MARK BISHOP**—Why is that?

**Mr Wolfe**—I think one of the reasons is the potential for the corporation to of itself absorb money. We would prefer the money to go to the actual centre.

**Senator MARK BISHOP**—In the discussion last time, you also said that the department was keen to pursue access to the centre by other states. We just had a bit of discussion about that. Have you done anything specifically apart from indicating that it would be nice if they threw some money at you?

**Mr Wolfe**—We would like to encourage other state representation on the board.

**Senator MARK BISHOP**—You said that. Have you made formal offers?

**Mr Wolfe**—When we finalise who is on the board, I think we will make some approaches to particular representatives.

**Senator MARK BISHOP**—Representatives of state governments or state interests?

**Mr Wolfe**—More concerned, I suspect, with national interests of industry bodies. At this point in time, we have not specifically targeted individual Victorian or Queensland government representatives. We are probably more keen to see people who represent their industries at a national level. They may well come from interstate.

**Senator MARK BISHOP**—Are we talking just about road or about rail as well?

**Mr Wolfe**—No, we are definitely talking multimodal.

**Senator MARK BISHOP**—Do you see the representation on the board as being determined after the agreement is signed between yourselves and the New South Wales government?

**Mr Wolfe**—Yes, we almost certainly want an agreement with New South Wales about who is on the board, because ultimately the two of us have to agree on the board.

**Senator MARK BISHOP**—And they have signed up to your path of going down the road of industry reps?

**Mr Wolfe**—Yes. They in fact already have an advisory body that includes representatives from a range of industries.

**Senator MARK BISHOP**—I turn now to heavy vehicle emissions. The budget provided \$1.7 million for conditional business credits to improve emissions from heavy vehicles. What progress has been made in developing measures to reduce emissions by the heavy vehicle fleet?

**Mr Mrdak**—We have been quite heavily engaged with the industry representatives in setting up forums to get their views initially on how our element of the package will work. As you would be aware, the tax office and Treasury have responsibility for the design of most of the scheme. Our role is in relation to two particular elements of the five areas of conditional credits, particularly designing a maintenance regime for certain categories of heavy vehicle to be able to access the excise credits regime. To that end, we have set up a consultative forum with industry. Dr Ockwell is chairing that, and I might hand over to him shortly.

The other thing I would add is that last week we formally sought tenders from technical experts to give us advice in relation to the design of the maintenance regime. So that work is

now under way with a view to having that package designed and through industry over the next few months. Dr Ockwell may wish to add some more.

**Dr Ockwell**—I do not think I have much to add to what Mr Mrdak has outlined. As he said, we have ongoing consultation with industry. We do have a fairly extensive group which is set up to provide that advice to us. We do need to seek technical advice on how we might be able to implement the criteria. We are also discussing that with the National Transport Commission, who some years ago developed, under the alternative compliance regime, the heavy vehicle maintenance module. So that is part of our thinking in terms of the criteria which we are looking at to implement this decision.

**Senator MARK BISHOP**—When do you think that criteria or those measures will be finalised or agreed and we will then move to the implementation? When is that going to occur?

**Dr Ockwell**—They are due to commence on 1 July 2006. I would hope that we would have most of our thinking around those criteria pretty well wrapped up by the end of this year.

**Senator MARK BISHOP**—In relation to the government's tax changes—which may or may not be a question for you, Mr Mrdak—which increase the deviation period on buses and trucks to 15 years, have you done any work on the expected impact of these changes on the age of the heavy vehicle fleet?

**Mr Mrdak**—There was a great deal of concern from the industry about the implications of any change to the current depreciation regime. Late last year our minister, Minister Anderson, and the Assistant Treasurer, Mr Brough at that stage, announced that the Australian government would introduce an effective cap through legislation which would cap depreciation rates at 7½ years for trucks, buses and light commercial vehicles, and 10 years for truck trailers. That would apply to vehicles purchased after 1 January 2005. My understanding—and Dr Ockwell may correct me—is that legislation was introduced into the House last week to give effect to that statutory cap. So, in essence, the government has taken the position that it will statutorily cap at those rates rather than adopt what was proposed in the draft taxation ruling—that is, to increase the depreciation life to the effective life of 15 or 20 years.

**Senator MARK BISHOP**—So the government had made announcements that they were going to extend the depreciation period on buses and trucks to 15 years, but they have now introduced a bill into the House to bring it back to 7½ years?

**Mr Mrdak**—There was a draft ruling by the tax commissioner which was out for consultation and comment which effectively looked at tying the depreciation period to the effective life of the heavy vehicle. That ruling raised a number of strong concerns with the transport industry about the implications for investment in new heavy vehicles and what that meant for the sorts of issues you were raising. My understanding is that, in August or September last year, the government announced its intention to effectively legislate a statutory cap which would obviate that tax proposal.

**Senator MARK BISHOP**—If you extended the depreciation period out to 15 years, that means that people would be writing vehicles off over a longer time; there would be less investment, and you would have higher emissions. Is that correct?

**Mr Mrdak**—That was our concern: effectively, it would impact on the investment decisions being made, particularly by the major line haul companies, in new equipment.

**Senator MARK BISHOP**—So were your concerns primarily about investment decisions or emission decisions?

**Mr Mrdak**—Investment was our primary concern. As you would be aware, the effective life of a vehicle—say, for prime movers—generally moves from the high-usage main line at the major trucking company end and then progresses through a variety of uses through its life. At each of those stages, it is governed by environmental regulations and licensing requirements set by the states. So our focus primarily was on the investment decisions being made by the major purchasers and on what that would do in terms of the renewal of fleets and the like. That was our major focus. Clearly, environmental implications were part of that. If we saw an ageing fleet, what would that mean in terms of the other initiatives we were trying to undertake? But, from a portfolio perspective, our primary interest was to ensure that the investment framework was not distorted by changing the depreciation rate.

**Senator MARK BISHOP**—Now that the government has made the decision, last August, to cap at 7½ years, is that maintenance of the status quo, or is that a change?

**Mr Mrdak**—My understanding is that it effectively maintains the status quo. I think the current depreciation is something around five to seven years. Dr Ockwell?

**Dr Ockwell**—The industry advises that the effective life of trucks is about five to six years, and by trucks I mean the prime mover component. My understanding is that the previous ruling was about five years. That is now 7.5 years. Just to clarify a point which Mr Mrdak raised, the amendments to the tax law were introduced on 10 February—last week.

**Senator MARK BISHOP**—Is that a TLA bill or the AusLink bill?

**Dr Ockwell**—It would be an amendment to the taxation law.

**Mr Mrdak**—It is a separate tax bill, outside our portfolio.

**Senator MARK BISHOP**—So, prior to August, the effective depreciation period for the heavier trucks and buses was around five years. The government has now made a decision to extend it to 7½, and the law will be amended to give effect to that. Is that correct?

**Dr Ockwell**—That is my understanding.

**Senator MARK BISHOP**—Still, that is an increase in the depreciation time of 50 per cent—2½ years, from five to 7½ years. That also raises issues related to investment, doesn't it?

**Mr Mrdak**—It may, although I think the advice from the Australian Trucking Association and other industry bodies is that they are comfortable that this effectively maintains the status quo for them. Since the decision was last announced last year, I have not heard any concerns raised by the industry about the effective categories—

**Senator MARK BISHOP**—No, I can see why they would not.

**Mr Mrdak**—Particularly when faced with the alternative of what was being proposed by Taxation. Certainly, from the advice we have received from industry, this will not have the impact on investment that we had perhaps thought the earlier proposal may have had.



**Senator MARK BISHOP**—Did your bureau do any work on this?

**Mr Mrdak**—No, it has been done largely within the department in Dr Ockwell's area.

**Senator MARK BISHOP**—Dr Ockwell, did your unit do any analysis work on the likely investment changes, if any?

**Dr Ockwell**—Not specifically. We did discuss the issue with industry. We had a look at the reports which were done by industry and went through those with industry. I could not see the need for us to do further work to complement what was done by industry. Going back to your question, I think the important point which Mr Mrdak raised is that trucks do have a series of lives. You are right in terms of extending that from five to 7.5, but at the same time you move from line haul to urban use and then to midi vehicles and up in terms of on-farm use. So they do certainly have a transport life which extends for some years.

**Senator MARK BISHOP**—Did you do any work on implications for safety from the change in the period from five to 7½ years?

**Dr Ockwell**—No, I did not.

**Senator MARK BISHOP**—Would that be done in your unit?

**Dr Ockwell**—It would actually be done in the Australian Transport Safety Bureau as part of their research activity.

**Senator MARK BISHOP**—Did they do any work?

**Dr Ockwell**—To my knowledge, no, they did not.

**Senator MARK BISHOP**—So there was no work done on possible safety implications?

**Dr Ockwell**—Again, going back to my earlier point, it was really a matter of having a look at the report, which was done for industry by consultants. We did discuss that. Again, I could not see the need to expend further resources to extend that work.

**Senator MARK BISHOP**—Could you provide the committee with a copy of that report.

**Dr Ockwell**—I will approach industry in terms of providing you with a copy.

**Senator MARK BISHOP**—It was not commissioned by the department?

**Dr Ockwell**—No, it was commissioned by the ATA. The Australian Trucking Association commissioned consultants to do that work, and it was that report which we discussed with industry.

**Senator MARK BISHOP**—They provided you with a copy of that report?

**Dr Ockwell**—We got a summary of the report.

**Senator MARK BISHOP**—You got a sample of the report?

**Dr Ockwell**—A summary—the executive summary.

**Senator MARK BISHOP**—I thought you said earlier that you had a copy of the report and you had read it—

**Dr Ockwell**—I am pretty sure we have a copy of the report back in the department. I will have to get ATA's clearance in terms of disseminating it further afield.

**Senator MARK BISHOP**—Whatever the appropriate procedures are. That is fine. You will try and get it for me, and if you cannot you will give me reasons. That is fine. I understood you to say earlier that you received a copy of the report, that you or your unit had read and analysed it and that you were satisfied on the basis of that reading and analysis that you did not require any further work to be done. Is that an accurate summary?

**Dr Ockwell**—That is an accurate summary.

**Senator MARK BISHOP**—Then you just said that you had only received a summary.

**Dr Ockwell**—I have the executive summary. My staff, I am sure, still have a copy of that report on their hands.

**Mr Mrdak**—I think we have an executive summary which we could provide to you publicly now, but we would just need to seek clearance for the full report. We will track that down and come back to you on notice.

**Senator MARK BISHOP**—DOTARS did not do any modelling on the potential safety implications prior to the introduction of these changes?

**Dr Ockwell**—No.

**Senator MARK BISHOP**—I now turn to the failure of Rex on the Canberra-Sydney route. On 24 July, Minister Anderson and Minister Minchin announced that the Australian government would work towards the objective of 10 per cent of government travel on the Canberra-Sydney route going to small airlines. They did that in a joint media statement, 'Joint 10/2003'. Can I assume that this press release refers to revenue and fares, rather than the number of government employees using the service, when it refers to 10 per cent of government travel? What does that mean?

**Mr Bogiatzis**—My understanding is that it related to the number of bodies.

**Senator MARK BISHOP**—So it was the number of government employees. When did you become aware of that fact?

**Mr Bogiatzis**—When did I become aware that there was a 10 per cent—

**Senator MARK BISHOP**—No, that that 10 per cent of government travel referred to the number of government employees, not revenue.

**Mr Bogiatzis**—That has always been my understanding, and the data collected has been data around individuals travelling. I should point out that this is primarily the responsibility of the department of finance. They are the ones who have been collecting that data.

**Senator MARK BISHOP**—I presume this measure—10 per cent of government bodies—was directed to assist Rex and Virgin Blue?

**Mr Mrdak**—Yes, it was. It came out of concerns dating back to the collapse of Ansett in 2001. Quite a key concern of ours as a transport portfolio is to ensure that there would be competition on routes. I think it is fair to say that we spent much time and did a lot of work with other agencies about ensuring that there was an open system and that the best fare of the day was being applied across all carriers to ensure that smaller carriers would continue to be viable, given the importance of competition on the routes.

**Senator MARK BISHOP**—What is the relationship between Qantas and Qantas Business Travel—QBT?

**Mr Mrdak**—My understanding—I can check this—is that QBT is a fully-owned subsidiary of Qantas.

**Senator MARK BISHOP**—Yes, that is my understanding too. What proportion of DOTARS travel, and that of associated statutory authorities, does QBT book?

**Mr Yuile**—I will invite Mr Chandler to assist here. I do not think QBT is responsible at all for our booking.

**Mr Mrdak**—No, it is not.

**Mr Yuile**—I cannot speak for the portfolio agencies. That would something that we would need to ask them.

**Senator MARK BISHOP**—Who is responsible for yours?

**Mr Yuile**—I think it is American Express. Mr Chandler will confirm that.

**Senator MARK BISHOP**—Is American Express used for paying or for booking?

**Mr Yuile**—For all travel bookings.

**Senator MARK BISHOP**—Has DOTARS got a contract with American Express?

**Mr Yuile**—That is correct. It is a matter for each agency as to how they handle such matters and, in the case of DOTARS, we outsourced our travel management to American Express. Other agencies have taken other decisions, some of which use Qantas Business Travel as their booking agent. Arrangements vary from agency to agency. Some agencies may continue to do such matters in-house.

**Senator MARK BISHOP**—Do your associated statutory authorities make the decision themselves as to who will be their travel agent?

**Mr Yuile**—It is a responsibility of the CEOs.

**Senator MARK BISHOP**—Of the respective CEOs.

**Mr Yuile**—Yes. They are responsible for the running of their businesses.

**Senator MARK BISHOP**—In their statement of 17 December, Rex blamed the dominance of Qantas Business Travel dominance and high airport charges for their demise on this route. Does the department accept that assertion?

**Mr Mrdak**—The department has certainly been talking to Rex and also to Virgin when they operated the Sydney-Canberra route in some detail about these issues. There were two elements in the lead-up to the announcement last year by ministers: one was the setting of a target of 10 per cent of travel and also the commissioning of a report by Mr Len Early in relation to the arrangements. That found a whole range of areas where on the whole ‘best fare of the day’ was being applied, but there was a need for better information and coordination of matters. The department of finance has now taken on that role to improve the way in which government business travel is handled. In relation to those matters, I think that the government has accepted that, where there were issues, action has been taken to make agencies aware of the need to use ‘best fare of the day’ and value for money criteria.

**Senator MARK BISHOP**—Is ‘best fare of the day’ a euphemism for ‘cheapest fare of the day’?

**Mr Mrdak**—Not necessarily. It may be that. I think what it is about is to ensure that the booking provider is offering the full menu options to the particular traveller and then making sure that the best choice is made on not only price but also convenience and connections and all the other things which also impact on decisions. A lot of the work that has been done by the department of finance over the last year or so has been ensuring that the booking agent is providing the full options to the traveller. What we have been doing with other agencies and the department of finance is stressing the need to ensure that the government’s target is met—in fact, we would like to see the target exceeded obviously—to ensure that smaller carriers remain a competitive force in this market.

**Senator MARK BISHOP**—Do you have any idea how many Canberra-Sydney flights would DOTARS staff do this year?

**Mr Yuile**—I do not know. Mr Chandler may know.

**Mr Chandler**—Sorry, I missed that.

**Senator MARK BISHOP**—How many Sydney-Canberra flights would DOTARS staff do on an annual basis? Do you have any idea?

**Mr Chandler**—I do not think I have the total figures, but I could get those for you. It would be in the order of 100 a month.

**Senator MARK BISHOP**—What percentage of DOTARS staff who travel on this route does this represent?

**Mr Chandler**—I could not tell you that. I would need to take that on notice.

**Senator MARK BISHOP**—Similarly, would you have available the figures for the cost to DOTARS of this travel on the Sydney-Canberra route?

**Mr Chandler**—Not on the Sydney-Canberra route specifically, no. I have total figures but not on that route.

**Senator MARK BISHOP**—You have total airline staff figures?

**Mr Chandler**—I have figures on our total domestic travel spend.

**Senator MARK BISHOP**—Can you take on notice your total domestic travel spend in the financial year ended 30 June 2004 and how much of that went to Qantas and how much went to the other airlines. Can you also give me the cost for that financial year of domestic Sydney-Canberra staff transport—broken down into the cost, the percentage and trip numbers—between Qantas and the other airlines. Can you take those questions on notice and drag the information out of your computer.

**Mr Chandler**—Some of that information I will need to take on notice.

**Senator MARK BISHOP**—Yes, of course you do.

**Mr Chandler**—The total domestic travel spend though for 2003-04 was \$1.7 million. Of that, across all sectors, 85 per cent of that was Qantas, 6.5 per cent Virgin Blue, 6.4 per cent

Regional Express and 2.7 per cent other carriers. The breakdown of the Canberra-Sydney route I will need to take on notice.

**Senator MARK BISHOP**—I have a question for you, Mr Mrdak. Correct me if I am wrong, but you said that you have an exclusive arrangement with American Express to do your travel within the department. Are you aware if American Express has any contracts with Qantas to provide a specific amount of travel to that firm?

**Mr Mrdak**—I am not; Mr Chandler handles those contract matters. It is not within my group; it is in the corporate area of the department.

**Senator MARK BISHOP**—Mr Chandler, are you aware of that?

**Mr Chandler**—The answer is no.

**Senator MARK BISHOP**—The answer is you are not aware or the answer is they do not?

**Mr Chandler**—I am not aware of any. I would be surprised if there are any such arrangements, but I am not aware of them.

**Senator MARK BISHOP**—Those figures that I asked you to take on notice, can you do it for the last two financial years.

**Mr Chandler**—I can do that.

**Senator MARK BISHOP**—Thank you. According to the *Fin Review* on 22 December 2004 Mr Anderson released a statement stating that Rex received 13 per cent of government business on the Sydney-Canberra route. My office has been unable to find that statement and it is certainly indicatively inconsistent with the figures you gave me.

**Mr Yuile**—I think that is an all-of-government figure.

**Senator MARK BISHOP**—The article says Mr Anderson released a statement stating that Rex received 13 per cent of government business on the route.

**Mr Yuile**—This is the Sydney-Canberra route?

**Senator MARK BISHOP**—The article is by Mr Brenchley in the *Fin Review* on page 3 of Wednesday 22 December. It is in the third column, first paragraph, and it says:

Transport Minister John Anderson's office yesterday ... [issued] a statement from Mr Anderson, who is on leave, that Rex received 13 per cent of government business on the Sydney-Canberra route.

**Mr Yuile**—We would have to check that, obviously. If you could not find the press release then we will have to—

**Senator MARK BISHOP**—No, we have been unable to locate the statement in the newspaper article attributed to Mr Anderson's office. I am seeking a copy of that to be provided to the committee.

**Mr Chandler**—It does seem that the figures that were referred to there are whole-of-government, whereas the figures I quoted to you were specifically for Transport and Regional Services.

**Senator MARK BISHOP**—For DOTARS, yes; I accept that point.

**Mr Yuile**—My recollection of the Canberra-Sydney route and our department is in the order of 16 per cent, but we will need to absolutely confirm that with you.

**Senator MARK BISHOP**—If you could give us the figures then we will know what we are talking about.

**Mr Yuile**—It has fluctuated from month to month, as you would expect.

**Senator MARK BISHOP**—Do you know whether that figure of 13 per cent that the newspaper researched to your office refers to revenue or passenger numbers?

**Mr Mrdak**—My understanding is that it would be passenger numbers, but I will check that.

**Mr Bogiatzis**—It is passenger numbers.

**Senator MARK BISHOP**—Do you remember the statement?

**Mr Bogiatzis**—I do not recall the statement, but I am aware that this is managed by the Department of Finance and Administration. The department of finance have said that, from their estimates, Rex provided 10 per cent of capacity on the route and that it achieved 13 per cent of business by passenger; but Rex's own figures around September 2004 indicated that they were in fact achieving 18 per cent of government travel. So I am aware of that.

**Senator MARK BISHOP**—Did Rex provide any information to the department on the impact on profitability or services they may experience as a result of their failure to be able to make a go of the Sydney-Canberra route?

**Mr Bogiatzis**—Our understanding is that it improved the profitability for Rex and Rex announced a record profit.

**Senator MARK BISHOP**—If they cut out the losses, yes. Did you have any idea of the level of penetration of the market they would have to achieve to make that route profitable? Did they ever provide that information to you?

**Mr Bogiatzis**—No.

**Mr Mrdak**—No.

**Senator MARK BISHOP**—In the minister's joint statement on 24 July it states:

Government departments and agencies will be required to report regularly to their Minister and the Secretary of the Department of the Prime Minister and Cabinet on their performance against the objective.

The objective being 10 per cent of government travel. How often are these reports being made to the minister?

**Mr Chandler**—They have been provided on a monthly basis.

**Senator MARK BISHOP**—On a regular basis?

**Mr Chandler**—Correct.

**Senator MARK BISHOP**—Is it on a request basis or does that occur routinely?

**Mr Chandler**—There was a standard reporting regime in place.

**Senator MARK BISHOP**—Is that every three months or every six months?

**Mr Chandler**—The figures are being collated monthly.

**Senator MARK BISHOP**—And provided monthly?

**Mr Chandler**—Correct.

**Senator MARK BISHOP**—Are these reports published?

**Mr Chandler**—I am not aware of that. I think you probably need to refer that question to the Department of Finance and Administration for how that information is then published.

**Senator MARK BISHOP**—So if I wanted to get a copy of the reports from July 2003?

**Mr Yuile**—The department of finance.

**Senator MARK BISHOP**—Coming back to your department, Mr Mrdak: the release of the 24 July 2003 quotes Minister Anderson as saying:

The Government's approach to smaller airlines is realistic and achievable. My own department strengthened its travel management procedures last year, and its use of smaller airlines increased threefold.

Was this threefold increase maintained into 2004?

**Mr Mrdak**—My understanding is that it was. As Mr Yuile indicated, there are obviously monthly fluctuations. But my understanding is that, over that period of time, the department consistently maintained a level of patronage of that airline, until it ceased operating, well above the government's target.

**Senator O'BRIEN**—I have questions on the House of Representatives Standing Committee on Transport and Regional Services report entitled *Regional aviation and island transport services: making ends meet*. Has the department provided Mr Anderson with advice on options for responding to that committee report?

**Mr Mrdak**—Yes, the department undertook analysis of the report when it was released and has provided advice to the minister since that time in relation to the matters raised. There were 28 recommendations in that report and they cover a whole range of aviation and transport matters. We have provided advice in relation to those over that period of time, as appropriate.

**Senator O'BRIEN**—Can you tell me when the advice was provided? You say 'over that period of time'. Can you be more specific?

**Mr Mrdak**—I can. We provided an initial draft response to the report but, as you would be aware, circumstances in the aviation industry have changed and moved rapidly, so our work on that has been reviewed a number of times through the course of last year. Currently, a number of matters are still being considered. For instance, the government has made announcements in relation to the continuation of the RASS program, a regional aerodrome subsidy scheme. That was among the recommendations of the inquiry, and last year the government announced a \$7.5 million continuation of that program. Additionally, other recommendations went to the level of Commonwealth financial assistance for local aerodromes. Since that time, funding has been provided through the Office of Transport Security for regional security upgrades and the like, which covered aspects of the committee's recommendations. There has been ongoing work in relation to that and specific matters have

been announced. It is not clear at this stage when the government will provide a final response to that report.

**Senator O'BRIEN**—When was the initial response provided?

**Mr Mrdak**—I think it was provided early last year, in March or April.

**Mr Bogiatzis**—It was April or May.

**Senator O'BRIEN**—Around the end of April or the beginning of May?

**Mr Bogiatzis**—It was probably more May.

**Senator O'BRIEN**—And it has been reviewed a number of times? How many times?

**Mr Mrdak**—Certainly on two occasions that I am aware of we have had a look at the whole report again, in light of the consideration of matters by government. I will take that on notice and let you know if there is any change. I am aware of at least two occasions where we have reviewed the whole thing internally within the department.

**Senator O'BRIEN**—What matters are the subject of continuing assessment?

**Mr Mrdak**—As I said, the report was pretty broad. It covered a whole range of areas. We have dealt with issues relating to RASS and with security infrastructure aspects. Government has made clear decisions on those. There are other matters, such as shipping services and the like, which we are doing some more work on, as well as the whole response to the report.

**Senator O'BRIEN**—So we shouldn't expect a response any time soon? Is that what I should understand your answers to mean?

**Mr Mrdak**—That will be a matter for the minister. I cannot give you an exact timing on that. There are a number of—

**Senator O'BRIEN**—Is the department still working on matters or is the matter with the minister now?

**Mr Mrdak**—The department is still working on matters. I think we will continue that work over the next few weeks.

**Senator O'BRIEN**—Is there a requirement to consult with other agencies?

**Mr Mrdak**—Yes. In the preparation of any such response we do consult with other agencies, and we have done that in relation to the work done to date.

**Senator O'BRIEN**—Is there a need to further consult with those agencies, or has that consultation finished?

**Mr Mrdak**—No, there will be ongoing consultation, particularly with central agencies, in relation to a number of the recommendations which dealt with requests for additional funding for aerodromes and the like. They are matters which we obviously have to discuss with central agencies.

[12.10 p.m.]

**CHAIR**—We will move to 2.2 Bureau of Transport and Regional Economics.

**Senator MARK BISHOP**—I return to the provision of those reports to the minister outlined in Minister Anderson's press statement of July 2003. The minister's statement says



that departments are to report to their minister. Is that correct? Who was handling those questions?

**Mr Chandler**—I was.

**Senator MARK BISHOP**—So you have the reports?

**Mr Chandler**—We have figures for DOTARS, yes.

**Senator MARK BISHOP**—Can those figures be made available to the committee from July 2003?

**Mr Yuile**—Which figures are we talking about now?

**Senator MARK BISHOP**—I am talking about the figures in the minister's press release from 24 July 2003 in the second paragraph. It says:

Government departments and agencies will be required to report regularly to their Minister and the Secretary of the Department of the Prime Minister and Cabinet on their performance against the objective.

**Mr Yuile**—We will put that to the minister to seek his concurrence. We certainly have that material.

**Senator MARK BISHOP**—I had the impression that you did not have that material and that is why I was directed to Finance.

**Mr Yuile**—I think Mr Chandler does not have it here. I think that is the point.

**Senator MARK BISHOP**—Could the committee could be provided with that material. I return briefly to the discussion we had at the commencement, Mr Mrdak, about the corridor planning process for the next three to five years with the various states. Can you outline what developments have occurred to date on establishing the process by which corridor strategies and projects will be agreed with the state and territory governments so there is a smooth transition to the second tranche?

**Mr Mrdak**—Following the release of the AusLink white paper—and we had the period in the lead-up to the election where we were in caretaker mode so that slowed us somewhat—from October onwards we have taken a number of steps in relation to AusLink. Firstly, we have negotiated with the states in relation to bilateral agreements. Part of those discussions has been seeking a joint commitment by the states to the corridor strategies. So since October we have been discussing with each of the jurisdictions our thinking on corridor strategies, how those are best done and seeking a commitment that we work together on those. Some states are more advanced than others in that they are already looking at these transport issues on a corridor basis and have lots of research and other things ready. So they are at varying stages.

We have sought a commitment in the bilateral agreements that we will work together to produce them. We have proposed 23 corridors in the white paper. Because this is a new learning area, as Mr Elliott indicated, for the Commonwealth—it is not an area which we have traditionally been involved with—and we are trying to shift the focus in a number of states away from road planning to corridors, we have suggested to the jurisdictions that we do a number of pilots. Initially we suggested five, and the states have agreed to the four I

outlined previously. Those four pilots will involve all of the states in various ways. So we are doing this as a learning exercise. We are not doing these not only as four corridor strategies but also as a learning exercise which can then applied to all the other corridors. That is the stage we are at at the moment. I wrote to state officials about a week ago with some draft guidelines for corridor strategies more broadly and also for those four in particular. My office is continuing regular discussions with those offices to try and nail down the start of those four pilots.

We are also at the stage now where we are looking to agree with each of the jurisdictions what additional research advice and the like we may need so we can agree on a consultancy brief where we need to go outside for additional advice. We are also trying to agree with each of them the consultative process you and I discussed earlier in relation to how we best involve industry, local government and the like in relation to the work on those corridor strategies. So that is a picture of where we are at the moment. We are aiming to start the work on the four pilots within the next month with a view to having them completed, we would hope, by late this year or early next year—but that will very much depend on what we learn from that process. It may go a bit longer.

**Senator MARK BISHOP**—Do you have to conclude the bilateral negotiation process before you can commence the four pilots?

**Mr Mrdak**—No. While we have sought a commitment into the bilaterals by each of the jurisdictions to work with us on corridor strategies, we are proceeding with the corridor planning work in parallel with the bilaterals. They are not contingent on the bilaterals being signed.

**Mr Yuile**—I missed all of Mr Mrdak's answer, but your question was particularly in relation to processes and I thought it was important to also note that a huge amount of work has been done on methodological approaches for consistency. I think Dr Ockwell, in particular, has been a tower of strength in working with our state colleagues on the methodologies that sit behind and underpin the integrity of the work on AusLink. I thought it was important that you knew that as well.

**Senator MARK BISHOP**—I will ask you a personal question, Dr Ockwell. What is your PhD in?

**Dr Ockwell**—That is a good question. My undergraduate degree is in agricultural science—I have a major in agricultural economics—and my doctorate was in finance.

**Mr Yuile**—He is probably too modest to say, but Dr Ockwell has also spent a number of years at the OECD working on transport economic issues.

**Senator MARK BISHOP**—That is the expertise that he has brought to this project.

**Mr Yuile**—He brings a lot of modelling and transport economics expertise to the department and to the work on AusLink.

**Senator MARK BISHOP**—Is part of your brief, Dr Ockwell—and I will put this nicely—to assist your state colleagues?

**Dr Ockwell**—I think it would be fair to say that I have worked very closely and effectively with my state colleagues in the sense that over the past couple of years I have been chairing

two working groups under the Standing Committee on Transport. One working group has been concerned with developing an approach to transport planning and the appraisal of project proposals coming forward not only for AusLink but also to facilitate state planning and investment decisions. The second working group has been concerned with establishing a national transport data framework to try to better exchange and make available data for transport planning and investment decisions. Reports surrounding both of those SCOT working groups were released just prior to Christmas and they are in the public domain.

**Senator MARK BISHOP**—Your preparatory work over the last two or three years is really quite critical to the ongoing work three years out in terms of the efficiency aspects of corridor planning?

**Dr Ockwell**—That is correct.

**Mr Mrdak**—One of the reform breakthroughs of AusLink which is perhaps little heralded compared to some of the others has been the fact that Dr Ockwell and his state colleagues have developed for the first time a national assessment methodology for how projects are planned and assessed. For the first time nationally we can actually compare projects across the nation on a common benefit-cost ratio basis. It is something that we have been lacking in the past. There has been a huge amount of cooperative work and the methodology provides a very objective, evidence based framework for future investment and planning decisions.

**Senator MARK BISHOP**—It does.

**Dr Ockwell**—The other path that we have taken that work down which is also new has been a multimodal approach—to go beyond what we have seen in the past in terms of a roads focus to be able to identify and compare projects across modes. Going back to the work I did at the OECD, to my understanding, the work that we have done is the first of its nature and I put it into that context.

**Senator MARK BISHOP**—The work you have been doing and will continue to do is coming to form the empirical basis of government decisions on corridor planning. Is that fair comment?

**Dr Ockwell**—That is a fair comment.

**Senator MARK BISHOP**—Thank you, Dr Ockwell. Can we turn now to the Morris-Sharp review into funding. Mr Wolfe, last year you indicated to the committee that the government would advise the ATC of its response in due course to the *Independent review of Australian shipping*. I am advised that the ATC was due to meet on 19 November last year. Did this occur?

**Mr Wolfe**—It did meet on 19 November. The item on shipping was held over primarily because Western Australia minister, Alannah MacTiernan, unfortunately, was unable to attend. Given the fact that she was particularly behind the issue being raised, we thought it was appropriate that we would discuss the matter at the next meeting, which is scheduled for the end of May or early June.

**Senator JOHNSTON**—What was the reason for her nonattendance?

**Mr Wolfe**—Unfortunately, I think she had a conflicting commitment.

**Senator JOHNSTON**—She raised the issue and then just did not turn up?

**Mr Wolfe**—To be fair, the ATC forum covers a whole raft of transport issues and that was just one of them.

**Senator MARK BISHOP**—And Minister MacTiernan advised your office that she had a previous commitment?

**Mr Wolfe**—That is right.

**Senator MARK BISHOP**—So the whole discussion on the Morris-Sharp review was held over until May?

**Mr Wolfe**—That is right.

**Senator MARK BISHOP**—But for Minister MacTiernan's absence, would the agenda item have been dealt with?

**Mr Wolfe**—Yes, it would have been.

**Senator MARK BISHOP**—The government was ready to respond?

**Mr Wolfe**—Yes.

**Senator MARK BISHOP**—The minister had previously outlined a number of areas where a government response was going to be forthcoming—coastal trading permits, issues in relation to tax arrangements for seafarers and an offer to progress amendments to the shipping registration legislation if the stakeholders could agree. Was it proposed to address each of those issues?

**Mr Wolfe**—Yes.

**Senator MARK BISHOP**—A decision cannot be made until that report has been made in May—is that correct?

**Mr Wolfe**—I think it is important to understand that the Morris-Sharp review was in fact an industry report; it was not a government report. The issue of permits has been dealt with. The government has changed the guidelines to the system, as the minister indicated.

**Senator MARK BISHOP**—And the other two issues?

**Mr Wolfe**—They are both ongoing.

**Senator MARK BISHOP**—Could you provide me with a copy of the minister's response where he has made the decision and it has been implemented.

**Mr Wolfe**—I think we provided the Senate with a copy of the minister's speech to the Natship conference. Subsequent to that the permits should be on our intranet site, but I will check that for you.

**Senator MARK BISHOP**—Could you give us a web location of the new guidelines; that would be sufficient.

**Mr Wolfe**—Yes.

**Senator MARK BISHOP**—I would like to ask some questions now about the Australian Rail Track Corporation. The Commonwealth recently made \$450 million available to the Rail Track Corporation. Is that correct?

**Mr Wolfe**—That is correct.

**Senator MARK BISHOP**—Was that in the budget?

**Mr Mrdak**—Yes, it was. It was paid in the last financial year.

**Senator MARK BISHOP**—It has all been paid?

**Mr Mrdak**—That is correct. It has been paid across as a grant to the ARTC for track works in northern NSW.

**Senator MARK BISHOP**—Did they provide you with an expenditure profile once they had received the funds? Was that agreed beforehand?

**Mr Mrdak**—It was provided as an untied grant with the government wishing it to be applied to certain funds. We then sought a project list from the ARTC in relation to where they would do that. As Mr Wolfe indicated, they have a massive capital works program now under way for New South Wales rail track. They have provided us with details of where that expenditure will take place and that has been managed through that.

**Mr Wolfe**—The ARTC has just put out a report called the *North-South corridor strategy* about its intentions on that particular corridor. It would certainly help the committee if we provide you with a copy of that.

**Senator MARK BISHOP**—Does that have the expenditure profile of the \$450 million?

**Mr Wolfe**—Yes. It indicates their response to how they believe the money should be best spent.

**Senator MARK BISHOP**—Is that solely their decision?

**Mr Wolfe**—Certainly they have been charged to deliver that particular program.

**Senator MARK BISHOP**—But they have a board, don't they?

**Mr Wolfe**—That is right.

**Senator MARK BISHOP**—Does the Commonwealth have representatives on the board?

**Mr Mrdak**—No, it is a Corporations Law company, which is an independent board established under the Corporations Law. The Commonwealth has shareholder interests and we manage that through our shareholder relationship rather than through direct representation on the board.

**Senator MARK BISHOP**—Why is that? Is the Commonwealth the dominant shareholder?

**Mr Mrdak**—The Commonwealth is the only shareholder.

**Senator MARK BISHOP**—So the Commonwealth owns it wholly and solely but does not have board representation.

**Mr Mrdak**—We appoint the board. The chairman and the board are appointed by the government. They are representatives of the Commonwealth as the shareholders. Through the Department of Transport and Regional Services and the department of finance, we exercise joint shareholding oversight.

**Senator MARK BISHOP**—I have the picture.

**Mr Mrdak**—Just in legal terms, you can understand what I am saying about the Corporations Law responsibilities of the directors vis-a-vis the Commonwealth.

**Senator MARK BISHOP**—The Commonwealth has provided the funding to the entity; the entity is established; it has developed its work program; and you have an expenditure profile in terms of what it is doing.

**Mr Mrdak**—That is right.

**Senator MARK BISHOP**—Can you make that available to the committee?

**Mr Mrdak**—Yes.

**Senator MARK BISHOP**—On page 5 of the estimates from 26 May 2004, Mr Wolfe, you indicated that Mr Corrigan, through Pacific National, proposed to invest up to \$500 million in the eastern seaboard rail system. Mr Mrdak, you indicated then that senior departmental people had been discussing this with Mr Corrigan to determine the nature of the offer. Can you tell us what meetings have occurred since, who attended and the nature of Mr Corrigan's investment plans, if any?

**Mr Mrdak**—We have a regular meeting with Pacific National officers and the department. That is something that I chair. That takes place generally on about a monthly or six-weekly basis. They discuss with us their business strategies and investment platform; we talk about AusLink. That is to make sure we have a clear understanding of the industry's needs. Those meetings have been taking place pretty much every month or six weeks since about September or October of last year. That was partly in response to them wanting a greater understanding of our infrastructure investment program under AusLink but also us wanting to get a better feel of what their investment is. At those forums, Pacific National generally provides us with an update on its capital investment program. I am not sure how much of that is publicly available at this stage, but we can take that on notice and see what information can be provided to the committee.

**Mr Wolfe**—I might just add that I think our transport programs people can give you the latest information on those discussions in relation to that matter.

**Senator MARK BISHOP**—When should I ask that question then?

**Mr Wolfe**—At 3.1.

**Senator MARK BISHOP**—Could I ask you on notice to provide the minutes of those meetings to the committee. You can take advice on that.

**Mr Mrdak**—I am not sure we have formal minutes of the meetings in that sense. I will take that on notice, but I think on the whole they are very much ongoing discussions rather than formal meetings in that sense.

**Senator MARK BISHOP**—The committee would like to get an idea of the relationship between the parties, the investment proposals and the linkages where they are occurring, if they are occurring. On 26 May, Senator O'Brien asked how the Rail and Track Corporation would fund requirements beyond the \$143 million Commonwealth injection for New South Wales and Victoria. You advised in response that ARTC borrowings would be underwritten by

the government. Has this occurred and, if so, what is the size and term of the Commonwealth's contingent liability?

**Mr Mrdak**—My understanding—

**Mr Wolfe**—That would be another question that transport programs would be best placed to answer—3.1 again.

**Senator MARK BISHOP**—I have no questions for the Bureau of Transport and Regional Economics, so I am happy to head into—

**CHAIR**—You are happy if they all go home?

**Senator MARK BISHOP**—I have no questions for the Bureau of Transport and Regional Economics; I cannot speak for my colleagues.

**CHAIR**—Senator Johnston, do you have questions?

**Senator JOHNSTON**—I have questions, but not for this group. I have questions on 3.1.

**CHAIR**—We will excuse the officers of the Bureau of Transport and Regional Economics and get them back if necessary. We will move to 3.1.

**Mr Yuile**—While those officers are coming, I would like to respond to a question from Senator Bishop. Senator, you asked about the preparation of a press release of 22 October last year.

**Senator MARK BISHOP**—Yes.

**Mr Yuile**—I can confirm that that press release was drafted in the minister's office. There was a clarification of one factual point about Ms Briggs's role in the department; otherwise, it was developed in the minister's office.

**Senator MARK BISHOP**—So, apart from that, there was no involvement of the department?

**Mr Yuile**—No. I do not have the *Hansard*, but I want to refer to part of the conversation that took place between Senator O'Brien and the secretary in relation to the other deputy secretary position in the department. As I said, I do not have the precise *Hansard* in front of me, but I want to be clear that the secretary will lead the selection process: he will chair the selection committee and he will be the one who makes the recommendations. The formal instrument of appointment is signed by the Public Service Commissioner. I just wanted to make the distinction clear.

[12.31 p.m.]

**CHAIR**—Thank you very much, ladies and gentlemen. We will move to 3.1. I welcome the Transport and Local Government Programs group.

**Senator JOHNSTON**—I would like to ask questions about the funding jurisdictional responsibility for a road in Perth: the Great Eastern Highway between Brierly Avenue, which is the access road to the domestic terminal of the airport, and the Graham Farmer Freeway, which is just before you get to the Burswood Casino if you are driving into Perth. There has been some longstanding dispute as to who has funding responsibility for this road. It is a particularly narrow but very heavily trafficked road. It has been said to me that the

responsibility for work on the Great Eastern Highway lies with the federal government as part of the national highway system. Who can tell me whether that is a true or false statement?

**Senator Ian Campbell**—It is not a national highway.

**Senator JOHNSTON**—No. I am quoting the state Minister for Planning and Infrastructure. I would like to know who has responsibility for it, because the people living adjacent to that are having a lot of trouble. Who can help me?

**Senator Ian Campbell**—We will confirm that, but I asked the same question when I was the minister and I know what the answer is. The answer is that it is absolutely and entirely a state road.

**Senator JOHNSTON**—Minister, what is the process for the determination of what roads are whose jurisdiction?

**Mr Doherty**—Under the AusLink program there is a defined AusLink national network, which includes a series of important roads as well as rail links. That incorporates all of the pre-existing national highway network plus a number of additional roads. That is published in the AusLink paper and is available. That is essentially the document that we would check. If a road is on the AusLink national network, it would then be eligible for a Commonwealth funding contribution under the AusLink project arrangements. If it is not on the AusLink national network, it would not be a road that is funded from the AusLink national program.

**Senator JOHNSTON**—How do you publish to state ministers in charge of roads what is in and what is out? How do you go about it? Do you send them the web site or send them a document? What is the process?

**Mr Doherty**—In relation to the release of the AusLink paper, there would have been copies circulated to all states—I think it would have been under the cover of correspondence from our ministers—as well as advice on where the document could be accessed on the web site.

**Senator Ian Campbell**—I think in the case of Western Australia that already the National Highway was an agreed road. That section of the Great Eastern Highway was not on it. Then the AusLink document, as I recall, added the Kwinana Freeway extension and the Peel Deviation—which you would be familiar with, Senator—

**Senator JOHNSTON**—Yes.

**Senator Ian Campbell**—which the state government was not going to start construction on until 2009. We said we would provide funding under AusLink as long as construction was started in 2006, on the basis of advice we received from the main roads department that they would be able to start construction then. We had negotiations that I think finally got the state government to bring forward the construction date to the end of 2007, which I still regard as unacceptable, quite frankly. That road should be built now; it is long overdue. We also added to the network the continuation of the Roe Highway through the Fremantle Eastern Bypass and into the port, for very good environmental and transport efficiency reasons.

So I think the fact in WA is that the routes over and above the National Highway—Joan can correct me—are all of the existing National Highway, plus the extension of the Roe Highway



into Fremantle, works around Fremantle port, the rail improvements and of course the extension of the Kwinana Freeway and Peel Deviation.

**Ms Armitage**—That is correct.

**Senator JOHNSTON**—Mr Doherty and Ms Armitage, I will ask you to provide me with some information about the publication, to the state government of Western Australia, of the AusLink road responsibility pertaining to the Commonwealth: when that was published and, if it is appropriate, a copy of the correspondence to the Western Australians telling them where the line lies in terms of responsibility. This road is a very important road, and we are told that it is a Commonwealth responsibility. You can see that the background to that is, I think, very emotionally charged, given that we are told that it is ours and I am now convinced—as I have been for some long time—that it is in fact a state responsibility. I would like to see the evidence so that I know just what is actually going on in terms of the denial of liability.

**Mr Doherty**—We will certainly do that. My understanding is that the document includes a map showing the roads which are part of the AusLink network, so we can certainly provide that with the information.

**Senator Ian Campbell**—I think there is a bigger question here as well, because they have not signed on to AusLink yet. They have refused to sign on to it at this stage, as I understand it. So it is worth going back to the original question: what is a national highway? If you have not signed on to AusLink, then I guess you are under the old regime. It is not even part of the national highway system. It never has been a Commonwealth responsibility. It would be worth actually getting the information as to where the National Highway was in Western Australia prior to AusLink.

**Ms Armitage**—Yes, we can do that. The AusLink network was published in the AusLink white paper. When the AusLink announcement was made in early June last year, all state ministers were written to, giving an indication of the network plus the AusLink allocations.

**Senator JOHNSTON**—I would appreciate a copy of that.

**Senator MARK BISHOP**—When do you intend to provide that information—in the context of requests in respect of funding and development of particular highways in Western Australia—to the committee?

**Ms Armitage**—We can look to providing it by the end of the day. I cannot make a firm commitment to that, but that is one of the things that we will do. But, as I said, the AusLink white paper has actually got the—

**Senator MARK BISHOP**—Is that information currently available?

**Ms Armitage**—In the white paper.

**Senator MARK BISHOP**—It is in the white paper?

**Ms Armitage**—Yes.

**Senator MARK BISHOP**—The information you are going to provide to Senator Johnston is in the white paper?

**Ms Armitage**—No, not the letter to the state minister, obviously, but the—

**Senator MARK BISHOP**—I am talking about the information that Senator Johnston has asked you to provide to the committee in terms of correspondence, signed documents or undertakings between the Commonwealth and the state government of Western Australia—I am talking about what is available in AusLink—because he is going to use it for political purposes, because we are two weeks out from an election date.

**Senator JOHNSTON**—Don't verbal me. You do not know what I am going to use it for.

**Senator MARK BISHOP**—That is what you are going to use it for. That is why you want it.

**Senator JOHNSTON**—You have no idea what I am going to use it for.

**Senator MARK BISHOP**—That is why you have asked for it: the minister put you up to do it.

**Senator JOHNSTON**—You are just guessing.

**Senator MARK BISHOP**—I am guessing 100 per cent accurately.

**Senator JOHNSTON**—You would not know what I am going to use it for.

**Senator MARK BISHOP**—So, Ms Armitage, are you going to provide information in that context? Because that is the point of the debate.

**Ms Armitage**—I am not—

**Senator JOHNSTON**—I must have struck a nerve, to have you guess at what I am—

**CHAIR**—Thank you—

**Senator Ian Campbell**—Mr Chairman, the department will provide information to the committee as soon as it can, whether it is a question asked by a Liberal senator or a Labor senator.

**CHAIR**—Thank you very much.

**Senator MARK BISHOP**—Will that information be provided on the same basis as answers to all other questions or only in this context? At the beginning of today's hearing Senator O'Brien made a complaint that answers to questions on notice from the last session were provided in hard copy after 5 p.m. last Friday and in electronic copy at 8.30 a.m. this morning. So the department seems to have a number of ways of answering questions. It takes months to get routine answers to questions, but when there is an election campaign on in a particular state I understand the material can be provided on an urgent basis. Is that the case?

**Senator Ian Campbell**—It is not for the department to answer that question. The department provides—

**CHAIR**—I am now about to impose a bit of discipline—

**Senator Ian Campbell**—I am not going to allow the departmental officers to be abused like this.

**CHAIR**—and remind everyone that it is a long camp. We have got until Friday, and we should all pull together. I think, Senator Bishop, that to assume things and to put things into people's minds and words into their mouths is beyond reasonable conduct. Let us get back to

a normal way of doing business. If you want to pull a few tricks that is your business, but leave Senator Johnston to his own tricks. I do not think it helps that you have a little breakout like that too often.

**Senator MARK BISHOP**—I am concerned, Chair—

**Senator FERRIS**—Oh, let's move one.

**Senator MARK BISHOP**—that the committee is being misused for political purpose in the middle of a state election campaign. You seem to be allowing that to occur, Chair. I want to pursue this.

**Senator JOHNSTON**—Point of order, Chair. Misuse is an allegation that I reject. It is not misuse. I sat here listening to you go on a fishing expedition with no bait, no hook and no—

**CHAIR**—Order! If the committee would like to retire to a private meeting to consider this question, I suggest we do so. It is pretty unedifying to air publicly your various political nuances and territorial jealousies for all and sundry to see, so let us just get on with the business of estimates.

**Senator MARK BISHOP**—Is it normal to release that correspondence without consultation with the relevant state government?

**Mr Doherty**—It is not correspondence we would normally release, except when requested by a committee such as this.

**Ms Armitage**—Also, we would obviously have to seek the agreement of our minister.

**Senator Ian Campbell**—The document that Senator Johnston wants is at page 61 of the AusLink white paper. The correspondence would just reflect what is on the map on page 61, which shows explicitly that the AusLink corridor includes the Great Eastern Highway until it gets to the Midland interchange, where it intersects with Roe Highway. Then it follows the Roe Highway right through to where the state minister decided to stop it. It shows the Leach Highway, the Kwinana Freeway and the Peel Deviation. Then of course it shows the Great Northern Highway heading north to Darwin out of Midland. So it is quite a clear map, and the correspondence to the state minister would have reflected that.

I think the important thing that we should bring to the committee's attention is the existing national highway, which I know from my period in the portfolio the Great Eastern Highway was not on that either. The last work that was done on the Great Eastern Highway was done when the coalition state government were in power last in Western Australia. I do not think you will find a dime has been spent on it since, like most other roads in Western Australia. They are spending all their transport money on a hole in the ground at the bottom of William Street.

**Senator MARK BISHOP**—We might go back to the earlier discussion we were having concerning the matters that should be dealt with in 3.1, because we are now heading into 3.1. Firstly though we could conclude the discussion on the planning for the next five years of AusLink.

**Mr Doherty**—The officers at the table should be able to handle those questions.

**Senator MARK BISHOP**—Previously we were talking about the Rail Track Corporation.

**Mr Doherty**—The ARTC \$450 million?

**Senator MARK BISHOP**—Yes, the ARTC funding requirements beyond the \$143 million Commonwealth injection for New South Wales and Victorian tracks.

**Mr Hogan**—Could you specify your question again.

**Senator MARK BISHOP**—I am just trying to remember where we exhausted the questioning. At the previous estimates, Senator O'Brien asked how ARTC would fund requirements beyond the \$143 million Commonwealth injection for New South Wales and Victorian tracks. The department advised that ARTC borrowings would be underwritten by the government. My question is this: has this occurred and, if so, what are the size and terms of the Commonwealth's contingent liability?

**Mr Hogan**—ARTC has not required any borrowings from the Australian government.

**Senator MARK BISHOP**—Was that advice incorrect then or is it just that ARTC has not yet had to avail itself of borrowings?

**Mr Hogan**—It was something that was potentially in prospect at that stage, but ARTC, now with the funding that is available from the New South Wales lease, the \$450 million grant and various funding streams under the AusLink investment program, has substantial capital to undertake works. At this stage there is no question of borrowings being sought.

**Senator MARK BISHOP**—Could we now turn to the application process for strategic funding application and the assessment process. At page 86 of the AusLink white paper, it states:

Before the end of 2004, the Australian Government will invite interested councils, regional groups and local government bodies to submit projects for consideration for the strategic funding stream.

How many submissions were received and what was the aggregate amount sought in terms of funding?

**Senator Ian Campbell**—I think it is fair to say that we reviewed the strategic part of the program almost continuously after the white paper went out. It was unresolved really. We were basically consulting with people and looking at potential projects. You might recall people like the Outback Highway. That is of interest to Western Australia. That is a proposal to link WA through South Australia and the Northern Territory out to Queensland. There were proponents for those sorts of proposals. There were others around the country. I was doing consultations with the Local Government Association on it. When I left the portfolio, it was a work in progress as to how you would deal with it. Then my other understanding—I guess the department would have the facts on this—is that during the election campaign the government made a series of commitments using that strategic fund. So they became election commitments. That probably brings us to where we are now.

**Senator MARK BISHOP**—Is the government still receiving submissions in terms of strategic funding? It had received applications prior to the election commitment. Was it still receiving them subsequent to that?

**Mr Doherty**—There has been no call for invitations since the election. The priority in terms of administration is in relation to those projects identified during the election campaign

as election commitments. The decision about how to proceed with funds remaining in the pool following that is one still for the government to make.

**Senator MARK BISHOP**—When was the white paper published?

**Mr Doherty**—In June.

**Senator MARK BISHOP**—When, after June, did the Commonwealth invite interested parties to submit projects for consideration for the strategic funding streams?

**Senator Ian Campbell**—I said we did not do that. What we did after the publication of the white paper was to look at how we would progress with that, how the whole program would work. A number of people did not like the strategic program because it took away some of the money that was just given on a formula. It is fair to say that some people in local government would have preferred just to get their money and not have to put up strategic projects. We, as a government, decided that the strategic program was a good one because it helped to ensure that money went out to regional areas that really needed it. But in the lead-up to the election there was still a policy decision going on about how the strategic fund would operate, and what I said in my last answer was that we decided not to proceed with a formal calling of submissions.

**Senator MARK BISHOP**—I am just trying to pin this down.

**Senator Ian Campbell**—So what I am saying is that that did not occur.

**Senator MARK BISHOP**—So in June we had the white paper and it had that paragraph at page 86 about calling for submissions, there was dialogue within government between interested parties as to the utility of the strategic funding application, and some time after July and prior to the election period proper the government made a decision not to seek applications. Is that what you are saying, Minister?

**Senator Ian Campbell**—No, I do not think that decision was ever made. A decision about how we would progress with the strategic part of the program was being discussed when I left the portfolio—it was still being discussed the day I left—and I presume those discussions would have continued. I presume a decision was not made to not call for submissions; it is just that a decision to call for submissions was not made either.

**Ms Riggs**—That is right.

**Senator Ian Campbell**—It may well be—and the department can tell me this—that the government will call for submissions at some stage in the future. But it was not made.

**Senator MARK BISHOP**—I am starting from the point that the white paper has, in effect, a mandatory directive: ‘The government will do so and so before the end of 2004.’ You are now telling me—and it is the first time I have heard it—that the government has made a decision to neither proceed nor not proceed. And, as I understand it, discussion on the approach for the strategic funding is still under review within the department. Is that correct?

**Senator Ian Campbell**—I do not know whether ‘review’ is the right word.

**Senator MARK BISHOP**—Under ‘assessment’ perhaps? Maybe the department can tell us what is going on.

**Mr Doherty**—At the moment the priority work is around responding to the election commitments to the 18 projects. The decision about how to proceed with the balance of the fund is one that we will advise ministers on in that context.

**Senator MARK BISHOP**—In the context of allocation of the funds to those 18 identified projects?

**Mr Doherty**—In the context of the fund remaining after those 18 projects have been satisfied.

**Senator MARK BISHOP**—Okay, I understand now. When will those 18 funding projects be satisfied?

**Mr Doherty**—At the moment we are at the stage of getting in detailed proposals from the proponents of those projects so that they can be assessed for value for money, technical effectiveness and those sorts of things, and a sensible cash flow can then be set up about how the funding can be provided to the proponents.

**Senator MARK BISHOP**—How long do you expect the time frame in respect of the 18 projects to last?

**Mr Doherty**—We expect that to be completed within the next couple of months so that some of those projects will receive funding this financial year.

**Senator MARK BISHOP**—So the government is committed to the 18 projects it identified in its electoral undertakings?

**Mr Doherty**—Correct.

**Senator MARK BISHOP**—And you have now requested the various proponents of those 18 schemes to provide information. You referred to technical issues. What are you going to do when you receive those applications?

**Mr Doherty**—Essentially we will make sure that they come through with a full, detailed technical proposal behind them. There is a process of working with the people who are putting them forward. Essentially we are doing an accountability exercise to make sure that, for the money that is being paid out from public funds, there is a serious proposal which is effective and will work and against which we can establish a process for monitoring payment and measuring payments to meet progress. It is something to measure success against.

**Senator MARK BISHOP**—Does the technical process you have just outlined involve a cost-benefit analysis of each of the 18 projects?

**Mr Doherty**—No, I would not envisage there would be a benefit-cost analysis involved. The benefit-cost analysis would normally be part of leading to the selection of a project.

**Mr Yuile**—The difference is that a commitment has been made by the government and, in the same way, we are then in the process of providing advice to the minister as to the implementation of that decision and, as Mr Doherty said, whether there are any other issues around the proposal that we need to bring to the minister's attention in terms of the accountability in the delivery of the project against the commitment.

**Senator MARK BISHOP**—What degree of work had been done by the department on each or any of those 18 proposals prior to the government making its electoral commitment?

**Senator Ian Campbell**—I guess that is a question for the minister, not the department. I think there would be a list of the commitments available. They are clear on the public record, which we could make available. I am familiar with two of them. Joan can correct me if I am wrong, but is Pambula Bridge one?

**Mr Yuile**—Yes, it is.

**Senator Ian Campbell**—The department would have done quite a bit of work on that, because it is one that has been put up. That was one of the projects that the Labor Party also committed to.

**Ms Armitage**—The Outback Highway.

**Senator George Campbell**—The Outback Highway is one we have done a hell of a lot of work on.

**Ms Armitage**—There is some requirement at Sisters Hill.

**Senator Ian Campbell**—That is the one up on the border.

**Ms Armitage**—In Tasmania.

**Senator MARK BISHOP**—I am familiar with the government's undertakings during the election campaign to fund the projects—that is a public document, and there is a copy of it here—but that is not my question. What, if any, work has been done in respect of each of the projects by the department? I do not know that any has been done at all, so that is my question.

**Ms Armitage**—Since the government was elected, we have had contact with all of the project proponents, and a number of them are more advanced than others. As Mr Doherty said, there will be some that may be able to commence. In terms of previous work, the way the National Highway Program has worked previously is that states and territories have put up proposals. To outline the work on those that we have mentioned, I know that, in the case of the Outback Highway, the term 'work' would cover the fact that the department has been approached and briefed on the Outback Highway, but we have not done any engineering assessment because the direct proposals have not come through.

**Senator MARK BISHOP**—I think that is the point of the discussion. What I want to know is the degree of work the department has done, if any—

**Senator Ian Campbell**—Since the election?

**Senator MARK BISHOP**—No, in respect of each of the projects prior to the election announcement by the government during the election period. The answer may well be none. If that is the answer, give me that.

**Mr Yuile**—We will take that on notice and try to get you an answer.

**Senator Ian Campbell**—Let me make it clear for the record that decisions announced during the election campaign are not necessarily made on departmental advice. They are decisions that we make, we go to the electorate with them and we obviously implement them if we get elected.

**Senator MARK BISHOP**—I have not offered any criticism to date on this.

**Senator Ian Campbell**—I am just saying that whether the department has done any work on any one of those projects would be irrelevant to that decision-making process. We do not rely on that.

**CHAIR**—Senator Bishop, I take it that you have some more questions on this program.

**Senator MARK BISHOP**—Yes.

**CHAIR**—I have just had a note passed to me saying that, as we are all having such fun, we should abandon lunch. Do you agree that we should forget about lunch and just go straight through?

**Senator Ian Campbell**—If it saves us coming back on Friday, that is a good idea.

**CHAIR**—We will come back at 2.00 pm.

**Mr Yuile**—Before we break, there were some questions from Senator O'Brien around question on notice 212 which related to the strategic advisor position in the department, and there was some exchange around the timing of organisational charts on web sites. I want to clarify that the current organisational chart was published on 10 January. It shows that the strategic adviser reports to the deputy secretaries, who in turn report to the secretary. The response to the question on notice went to the minister's office on 19 January. It was signed by the minister on 21 January and went to the tabling office on 28 January. In hindsight, certainly in reflection of the discussion this morning, perhaps this should have reflected the reporting to the secretary as being through one or other of the deputies. But clearly the secretary, as the chief executive officer, allocates duties to any and all officers of the department. I just wanted to clarify that exchange.

**Proceedings suspended from 1.01 p.m. to 2.00 p.m.**

**CHAIR**—We now reconvene the committee. I hope that everyone enjoyed their lunch and, for those who went to the gym, that you feel better than the rest of us! Senator Bishop went to the gym for half an hour—you can tell—and I will pass over to him for further questions.

**Senator MARK BISHOP**—Thank you, Chair. It is a shame I did not see you at the gym. We were talking about strategic funding. We had a discussion prior to lunch about the commitment on page 86 of the white paper not proceeding in that form. I think that is the best we can say on it. On page 87 it says:

Project development and assessment guidelines will be published later in 2004. The guidelines will specify the project objectives, assessment methodology, format and process for submitting applications and other relevant information.

In light of the earlier discussion, have the guidelines been developed and published?

**Mr Doherty**—At this stage no guidelines have been finalised for that program. Again, that discussion relates to the proposal as it was envisaged, with a public invitation for proposals. At this stage we are looking for the decision about whether that will proceed in that form, and we will be developing guidelines to give effect to the direction the government decides to go.

**Senator MARK BISHOP**—Is that a decision of the minister's or of cabinet?

**Mr Doherty**—I guess that is a matter for the minister as to whether he would take that to cabinet.



**Senator MARK BISHOP**—I want to turn to the change to road funding for local councils, which is really an extension of this current discussion. On page 10 of the government's election document 'Building our national transport future', there is a table summarising the new arrangements for the program. It talks about a funding formula. Can you describe that formula for the committee?

**Mr Doherty**—Is this the funding formula in relation to the normal Roads to Recovery element?

**Senator MARK BISHOP**—The government put out a document during the election headed 'A stronger economy, a stronger Australia: the Howard government election 2004 policy—building our national transport future'. On page 8 of that document there is a heading 'Roads to Recovery', and further into that section there is a table summarising the new arrangements for the program. In that table, under 'Roads to Recovery', it talks about a formula for allocation of funding. Can you describe that formula for the committee?

**Mr Doherty**—Thank you, I have now been provided with a copy of the document as well. The existing Roads to Recovery distribution of funds proceeds essentially on the basis of two elements. Firstly, there is a division between the various states and then, secondly, there is an allocation to individual councils. That allocation to individual councils is set out in legislation. Essentially what we mean by formula driven is that it is an allocation which is not subject to discretionary decisions by ministers. There is no decision-making role once the legislation is set. What is envisaged is that, for the new Roads to Recovery funding, there will be mirror arrangements. There will be an allocation of funding to councils set up in advance—it will be on the same sort of basis as the original allocation was set—and then the councils will be able to claim up to that amount of money over the period of the program.

**Senator MARK BISHOP**—Do you have that table on page 10 before you, Mr Doherty?

**Mr Doherty**—I do, thank you.

**Senator MARK BISHOP**—The top line of that table seems to indicate that originally, under AusLink, local government could expect to share in \$200 million per year in road funding under the formula. Is that correct?

**Mr Doherty**—That is right.

**Senator MARK BISHOP**—Now they will share in \$300 million per year in road funding under the formula?

**Mr Doherty**—That is correct.

**Senator MARK BISHOP**—The second row of the third column of that table seems to indicate that every council will receive 50 per cent more funding on top of that announced in AusLink. Is that correct?

**Mr Doherty**—That is correct. I note the word 'around' there. It is not going to be a flat 50 per cent addition.

**Senator MARK BISHOP**—It says:

Around 50 per cent increase on top of that announced in Auslink for every council.

So give or take a few?

**Mr Doherty**—Yes, and I think that reflects that there is \$300 million rather than \$200 million to be distributed.

**Senator MARK BISHOP**—Is this because the formula driven funding has been topped up at the expense of the \$100 million previously available for the strategic element? Has that been transferred over into this process?

**Mr Doherty**—Yes. As I understand it, the decision by government was to increase the formula element from \$200 million to \$300 million, and the strategic element—then \$100 million—was reduced to \$150 million over five years.

**Senator MARK BISHOP**—So we are cutting the pie in a different way from that which was previously proposed?

**Mr Doherty**—Increasing the pie by \$150 million but cutting it differently, yes.

**Senator Ian Campbell**—The whole pie is bigger but, in terms of the shape of the pie, there is more for formula and a bit less for strategic over a four-year period. It was going to be \$200 million and \$100 million; it is now going to be \$300 million plus \$30 million, roughly. Councils are happy because basically they got the money they wanted.

**Senator MARK BISHOP**—If you go down to the third row of the second column of that table, it says:

An additional \$100 million a year—

so, for a four-year program, \$400 million—

is available for strategic projects ...

Now that has changed to an additional \$150 million over five years.

**Mr Doherty**—That is right.

**Senator MARK BISHOP**—It was \$500 million for five years—\$100 million by five; it is now \$150 million over five years?

**Mr Doherty**—Yes. I think the \$100 million commitment was actually only for four years, but in terms of annual rates that is correct. What was originally a \$100 million per year program became a \$30 million per year program, but that \$30 million was in addition to the addition of \$100 million per year to the formula driven element, which is the first one. So, instead of \$200 million plus \$100 million per year, funding under the Roads to Recovery program will now be \$300 million plus \$30 million.

**Senator MARK BISHOP**—So the aggregate is almost the same?

**Senator Ian Campbell**—It is not, actually, because over the five years of AusLink you are a total of \$150 million above what you were prior to AusLink. Is that right?

**Mr Doherty**—That is correct.

**Ms Armitage**—Yes, that is correct.

**Senator Ian Campbell**—Roads to Recovery used to be \$300 million a year up until now—and you can multiply it by four or five, depending on how many years you want to put the program over. It is now \$300 million plus \$30 million. So it is a 10 per cent increase per annum in Roads to Recovery.

**Senator MARK BISHOP**—So you have taken the top row and the bottom row of the table—the \$300 million plus \$30 million?

**Senator Ian Campbell**—Yes.

**Senator MARK BISHOP**—And the \$200 million plus \$20 million has gone to \$300 million plus \$30 million, as indicated in the first and fourth rows, but in the third row the \$100 million per year for strategic projects has altered to \$150 million over five years?

**Senator Ian Campbell**—Yes.

**Senator MARK BISHOP**—So the aggregate is almost the same?

**Senator Ian Campbell**—No. Roads to Recovery, prior to the announcement of AusLink, was \$300 million a year and had no strategic component. When we announced AusLink in June we said we will make it \$200 million under the formula and \$100 million for a strategic fund. We have had that discussion about why there was a bit of stress there, which you could all understand. Council saw themselves missing out a bit, but they also recognised a need for a strategic fund.

During the election the government made a decision to keep the \$300 million under the formula. They have restored the funding and made a smaller strategic component, but the strategic component is effectively \$30 million a year over five years—\$30 million times five years is \$150 million. The whole Roads to Recovery program is, over five years, \$150 million bigger than it would have been prior to AusLink and \$30 million bigger on an annual basis.

**Senator MARK BISHOP**—The \$30 million a year you are talking about—is that the bottom right box of the table?

**Mr Doherty**—That explanation that the minister has just given covers your first three boxes—the first three lines of the table. I draw your attention to the fourth box about the unincorporated areas. Up until now, there has been an amount provided for roads in the unincorporated areas; that is, roads which are outside local government areas. Because Roads to Recovery funding is directed to local governments these roads would have missed out otherwise.

**Senator Ian Campbell**—They are predominantly in the Northern Territory or South Australia.

**Mr Doherty**—Under the original arrangements, there was \$20 million over four years—\$5 million a year—in addition to the Roads to Recovery funding to cover those unincorporated areas. The decision now is that that unincorporated area funding will be incorporated within the \$150 million, so that will become \$30 million of the \$150 million. In terms of the mathematics, there is that extra \$20 million that needs to be taken into account. In truth, it is probably \$130 million rather than \$150 million extra.

**Senator MARK BISHOP**—The existing program, in the first column, had \$300 million a year allocated by formula. Under column 3 ‘Coalition transport policy’ it says:

Councils will receive \$300 million a year, allocated by formula.

That is the same.

**Mr Doherty**—That is right.

**Senator MARK BISHOP**—In column 1 ‘Existing programme’ it says:

Every council receives funding.

Then, in column 3 ‘Coalition transport policy’—in the second row—it says that there had been around a 50 per cent increase of the previous funding.

**Mr Doherty**—That 50 per cent increase was on top of what was previously announced when it was envisaged that it would be \$200 million rather than \$300 million. While that is correct in relation to the previous proposal, in fact, the funding that councils will get in total is the same on the formula element. They will now get \$300 million under the existing scheme and \$300 million under the new proposal.

**Senator MARK BISHOP**—The first row is not in dispute—that is the same. The first and third columns are the same, so we are not in dispute about that.

**Mr Doherty**—Yes.

**Senator MARK BISHOP**—The point I do not understand goes to the second and third column of the table. In the second column there was \$100 million a year available for strategic projects through a bidding process—\$500 million over five years. In the next box that \$500 million for five years seems to be an additional \$150 million. Is that an additional \$150 million on top of that previous \$500 million or is it in substitution of the previous \$500 million?

**Mr Doherty**—Essentially, we have two steps here. The first is the step to the original proposal, which was in the white paper. The second is the step to the new proposal. The additional \$150 million is over the pre-existing program arrangements, not above the step announced in the white paper, so it is less than the second column. The third column is about \$30 million a year, the second column is \$100 million a year and the first column ‘Existing programme’ had no provision.

**Senator MARK BISHOP**—Yes, the existing program ended in June of this year. The AusLink white paper proposal was, as you say, \$100 million a year.

**Mr Doherty**—Yes.

**Senator MARK BISHOP**—And that has now come down to \$30 million a year.

**Mr Doherty**—Correct.

**Senator MARK BISHOP**—So that is a reduction.

**Mr Doherty**—Correct. And then the fourth line of that table is the complication of the unincorporated areas, which previously was a separate, additional \$20 million over four years—or \$5 million a year—and now will become \$30 million out of the \$150 million in the previous line.

**Senator MARK BISHOP**—So, in terms of row 3 and row 4, under the coalition’s transport policy there has been a net reduction over the five-year period.

**Mr Doherty**—Compared to the proposal in the AusLink white paper, that is correct—yes.

**Senator MARK BISHOP**—Okay. That is what I wanted to establish; that is fine.

**Mr Doherty**—But that is more than counterbalanced by the increase in the first and second lines—

**Senator MARK BISHOP**—The first line is the same—although there is the \$2 million going to \$3 million.

**Mr Doherty**—That is right; the \$2 million going to \$3 million.

**Senator MARK BISHOP**—Then there is the increase of 50 per cent in the formula.

**Mr Doherty**—Yes; that is right.

**Senator MARK BISHOP**—One way of looking at it is that there has been a reduction in the aggregate in rows 3 and 4, and there has been an increase in row 2.

**Mr Doherty**—Correct.

**Senator MARK BISHOP**—Okay.

**Senator Ian Campbell**—The bottom line is that the total under the Roads to Recovery segment of AusLink is bigger now than it was this time last year.

**Senator MARK BISHOP**—Okay. What was it this time last year?

**Senator Ian Campbell**—It is bigger than it was this time last year, and it is bigger than it was in June.

**Mr Doherty**—Essentially \$300 million a year flat, plus the four or five—

**Senator Ian Campbell**—Plus the unincorporated areas money. It has all gone up; it is just that there was rebalancing away from the strategic fund, that is all.

**Senator MARK BISHOP**—Yes—there has been a shift away from schedule—

**Senator Ian Campbell**—The total money available for Roads to Recovery, the total money available to all councils in Australia, has gone up.

**Senator MARK BISHOP**—How much is allocated to council funding—the second row? Do you have a figure for each of those boxes?

**Mr Doherty**—The figure for council funding will be \$300 million per year under the new program.

**Senator MARK BISHOP**—Under the heading ‘coalition transport policy’?

**Mr Doherty**—That is right.

**Senator MARK BISHOP**—Okay.

**Mr Doherty**—Under the AusLink white paper proposal, it would have been \$200 million. Under the existing program it was \$300 million, but subject to some annual adjustments.

**Senator MARK BISHOP**—Okay—that is clear. Did the department or the minister receive representation from local councils or the ALGA in relation to changing this funding mix?

**Senator Ian Campbell**—Yes, it did. I think it is fair to say that when I was the minister, up till about eight weeks before the election—I think John Anderson and I both would have received submissions, or lobbying, or whatever they like to call it—there was a general

agreement that the way we were going towards a strategic component was well received generally. But I guess if anyone can have their cake and eat it, they prefer having their cake chopped up.

**Senator MARK BISHOP**—I understand. On page 91 of the white paper it states:

The Australian Government will seek to conclude an infrastructure and funding agreement with each State, Territory and infrastructure manager.

On page 92 it says:

The Australian Government aims to finalise these agreements, firm project specifications for 2004-05 and provisional project details for the following four years, as a matter of priority.

Could you advise the committee what deadline the department has been given to conclude each agreement within each jurisdiction?

**Mr Mrdak**—We are currently in those negotiations with each jurisdiction, and we are trying to have those done as quickly as possible. We initially went out with a Commonwealth draft of a bilateral agreement to each of the jurisdictions in October, and our hope was to have those completed by Christmas. But that was hopeful, given the complexity. We are well advanced in negotiations with some of the jurisdictions, and less well advanced with some others, but our hope is to be able to conclude them this financial year.

**Senator MARK BISHOP**—So it has blown out from December to June?

**Mr Mrdak**—I would have hoped to have concluded them all by now. I certainly believe we can enter into some of them earlier than that. So, over the next few months, I would hope to conclude them.

**Senator MARK BISHOP**—Can we now shift to the Tasmanian Wheat Freight Subsidy Scheme, which has been shifted over to your department from the Department of Agriculture, Forestry and Fisheries. Mr Hogan, the last budget included an announcement that the Tasmanian Freight Equalisation Scheme would be extended to include wheat shipments, but it still appears to be unclear. You reminded the committee that Senator Abetz had made statements to the effect that this decision would be overturned. Can you advise where that is at now?

**Mr Hogan**—I will go back a little in history because I think it will be useful as we go further forward. Going back to 2003-04, when the Tasmanian Wheat Freight Scheme was operating in the DAFF portfolio, the scheme provided a subsidy for both bulk and containerised wheat shipments to Tasmania in the context of a capped amount of \$1.2 million per annum. In last year's budget, the government announced that it was going to end the Tasmanian Wheat Freight Scheme and that henceforth, like all other grains, wheat would be eligible for a subsidy in containerised shipment under the Tasmanian Freight Equalisation Scheme. Subsequently the government revisited that decision, and the outcome of that has been that containerised shipment of wheat will continue to receive a subsidy under the Tasmanian Freight Equalisation Scheme. However, the Tasmania Wheat Freight Scheme has been reconstituted so that it continues to provide a subsidy for bulk shipments of wheat to Tasmania.

**Senator MARK BISHOP**—So we have subsidies both for containers and bulk?

**Mr Hogan**—That is right.

**Senator MARK BISHOP**—So there is no change?

**Mr Hogan**—The change is that, under the Tasmanian Wheat Freight Scheme in 2003-04, containerised shipment of wheat to Tasmania was subsidised and there was a rebate of about \$16 per tonne. Under the Tasmanian Freight Equalisation Scheme, containerised shipment of wheat receives a rebate of about \$34 a tonne.

**Senator MARK BISHOP**—Let me ask the question in a different way: has the aggregate net outlay, whether it be by subsidy or rebate, by the Commonwealth changed under the two schemes?

**Mr Hogan**—The additional estimates statements show a decrease in the amount expected to be paid under the Tasmania Freight Equalisation Scheme and, obviously, a new amount for the reconstituted Tasmanian Wheat Freight Scheme. If you net those two figures out, it actually shows a reduction in the level of subsidy, but that is quite misleading because, while you get a higher subsidy for containerised shipment of wheat to Tasmania than you do for bulk, bulk shipment of wheat is much cheaper. So the thought is that many shippers will still continue to prefer to ship their wheat by bulk.

**Senator MARK BISHOP**—Because it is cheaper?

**Mr Hogan**—That is right.

**Senator MARK BISHOP**—Will bulk wheat continue to attract the subsidy?

**Mr Hogan**—Bulk wheat will continue to attract the subsidy as per the arrangement that was operating in 2003-04. The cap has been reduced from \$1.2 million down to \$1.1 million for the scheme. That is a reflection of the fact that the Tasmanian Wheat Freight Subsidy Scheme no longer has to pay the subsidy for containerised shipments—

**Senator MARK BISHOP**—Yes, because there is a shift to bulk.

**Mr Hogan**—of wheat to Tasmania, because the Tasmanian Freight Equalisation Scheme is now paying that subsidy for the containerised shipment of wheat.

**Senator MARK BISHOP**—Is the department doing any work to prepare for the inclusion of the Tasmanian Wheat Freight Subsidy Scheme into the Tasmanian Freight Equalisation Scheme?

**Mr Hogan**—No, the Tasmanian Wheat Freight Subsidy Scheme has not been included in the Tasmanian Freight Equalisation Scheme. The Tasmanian Wheat Freight Subsidy Scheme is its own separate scheme dealing with the subsidisation of bulk shipments of wheat to Tasmania. We are in the process of finalising ministerial directions to put to the minister for his agreement.

**Senator MARK BISHOP**—This minister?

**Mr Hogan**—The Minister for Transport and Regional Services.

**Senator MARK BISHOP**—When do you think that process will be concluded?

**Mr Hogan**—Over the next few weeks.

**Senator MARK BISHOP**—Will they then be published on your web site?

**Mr Hogan**—Yes, they will.

**Senator MARK BISHOP**—When the minister signs off on them?

**Mr Hogan**—That is right.

**Senator MARK BISHOP**—Has the application for funding for the Wilmington rail crossing been considered and, if so, what was the outcome of the application?

**Ms Armitage**—We have had some discussions with the Queensland Department of Main Roads about work on the Bruce Highway under the \$210 million, and Wilmington is being looked at as part of that. No decision has been made at this point in time, because we have to receive the detailed paperwork plus any other previous work that has been done. So it is still under consideration.

**Senator MARK BISHOP**—So you have received an application for the funding?

**Ms Armitage**—We have had a letter from Queensland which has raised Wilmington as one of a series of projects that could be considered.

**Senator MARK BISHOP**—As part of the upgrade of the Bruce Highway?

**Ms Armitage**—Exactly, yes.

**Senator MARK BISHOP**—But not as a stand-alone item for consideration?

**Ms Armitage**—It is part of the program of works that we will be looking at for the first year, or maybe the first year and a half, for the upgrade of the Bruce Highway. There is a range of other projects that they are looking to consider. As I said, they have been looked at but not finalised in terms of advice on that range of projects.

**Senator MARK BISHOP**—When will it be finalised? Do you have any time frame?

**Ms Armitage**—We are having a meeting with Queensland on planning for a range of their programs, plus the Bruce, on 21 and 22 February, so we will have some further discussions with them at that stage.

**Senator MARK BISHOP**—Thank you, Ms Armitage. We might turn now to investment priorities for the Sydney-Brisbane corridor under the AusLink proposed funding. I think my office foreshadowed to some officers of the department the line of questioning we were going to pursue. Turning firstly to the Pacific Highway: can you provide the projected expenditure profile for the Commonwealth's \$120 million contribution for the bypass at Tugun?

**Ms Armitage**—The expenditure for that is in the out years. Somebody will bring it to me in a minute. As you are probably aware, the environmental impact statement for Tugun is actually in the public domain for consultation at this point in time.

**Senator MARK BISHOP**—So what is the expenditure profile? Do you have that table?

**Ms Armitage**—Yes. For 2006-07 it is \$60 million and for 2007-08 it is \$60 million, so it is \$120 million.

**Senator MARK BISHOP**—Can you also provide the projected expenditure profile for the \$480 million for the Pacific Highway in the five-year period.



**Mr Hogan**—I can respond to that one. It is \$160 million per year, starting in 2006-07 and going through to 2008-09.

**Mr Doherty**—To clarify, that is for the Pacific Highway in New South Wales. The Tugun bypass is mostly on the Queensland side of the border. The \$480 million is all for work within New South Wales.

**Senator MARK BISHOP**—The New South Wales government is partnering you in that, aren't they?

**Mr Hogan**—Sorry, I missed that question.

**Senator MARK BISHOP**—Is there a contribution from the New South Wales government to the \$480 million for the Pacific Highway in New South Wales?

**Mr Hogan**—The white paper announced an intention to seek a partnership arrangement with New South Wales. That is something that is currently being discussed in the context of the bilateral agreement.

**Senator MARK BISHOP**—So you have allocated \$320 million for that particular task.

**Mr Hogan**—No, it is \$480 million.

**Senator MARK BISHOP**—Sorry, yes: starting in 2006-07 and going through to 2008-09.

**Mr Hogan**—That is right.

**Senator MARK BISHOP**—Page 37 of the white paper talks about the Australian government being committed to funding the balance of \$97 million to complete a number of projects on the New England Highway and says:

The Government will also invest \$5 million to commence a bypass of Muswellbrook.

Can we have the expenditure profile for those projects?

**Mr Hogan**—I will find those for you. One thing I should say about that is that we redo these expenditure profiles each year. As you understand, land transport projects are dynamic things. We do not always spend the amount of money predicted, so they do get revised each year.

**Senator MARK BISHOP**—I understand that.

**Mr Hogan**—For Muswellbrook the profile is for an expenditure of \$1 million in 2007-08 and \$4 million in 2008-09. What was the other one?

**Senator MARK BISHOP**—It was \$97 million to complete a number of projects on the New England Highway.

**Mr Hogan**—The way I have the projects disaggregated on the New England Highway does not quite accord with \$97 million. I suspect that would be for the package works. I will give you a number of figures, because I am not quite sure how they square with your aggregation. You will have them all that way. For Devils Pinch we have a cost of \$24.8 million—\$15 million in 2004-05 and \$4 million in 2005-06. For the Halcombe Hill realignment and safety works we have a total cost of \$16.3 million—\$5 million in 2004-05 and \$10 million in 2005-06. For Duval Creek we have \$3.6 million in 2004-04 and \$0.35

million in 2005-06. For Sunnyside we have \$0.3 million in 2005-06, \$3.2 million in 2006-07 and \$5 million in 2007-08.

**Senator MARK BISHOP**—So that is \$8.5 million altogether?

**Mr Hogan**—That is right. Some of these have had previous expenditure. For Weakleys Drive, we have \$1.5 million in 2004-05 and \$22.5 million in 2005-06. For the package works for the New England Highway there is \$8.16 million allocated in 2004-05 and \$13.57 million allocated in 2005-06.

**Senator MARK BISHOP**—What do you mean by ‘package works’?

**Mr Hogan**—They are packages of relatively minor works that do not get a line item in our program in their own right. They might be projects of several hundred thousand dollars in size up to several million dollars.

**Senator MARK BISHOP**—One hundred and nineteen million dollars over the next five years will go to the ARTC to:

... increase passing opportunities and improve signalling systems on the rail track between Newcastle and Brisbane.

**Mr Hogan**—Sorry, for the what?

**Senator MARK BISHOP**—For the North Coast rail link; it is on page 37 of the white paper.

**Mr Hogan**—It is \$119 million, is it?

**Senator MARK BISHOP**—It says:

The [ARTC] proposes to invest an estimated \$119 million over the next five years to increase passing opportunities and improve signalling systems on the rail track between Newcastle and Brisbane.

**Mr Hogan**—I heard you asking earlier about investment of the \$450 million. I think the best thing is to provide you with the proposal on that, and that will show the intentions with regard to that project as well.

**Senator MARK BISHOP**—Is that \$119 million part of the \$450 million?

**Mr Mrdak**—Yes, it is.

**Senator MARK BISHOP**—So it has been subsumed in that?

**Mr Hogan**—That is right.

**Senator MARK BISHOP**—If you could provide that, it would be appreciated. I now want to talk about the Hume Highway. It says:

In the next five years the ... Government will provide the balance of \$124.4 million for the Craigieburn bypass ... and \$341 million for an upgraded route through Albury and a second Murray River crossing.

Have we got the profiles for those?

**Mr Hogan**—Yes, I will first get you Craigieburn because that is the easier of the two. For Craigieburn there will be \$80 million in 2004-05 and \$44.4 million 2005-06. I have got the Albury-Wodonga upgrade disaggregated into works on the Victorian and New South Wales sides, so I will give them both to you in turn. On the Victorian side—this is the budgeted

figure; I will make a comment once I have read the figures out—it is \$29 million in 2004-05, \$46 million 2005-06, \$29 million in 2006-07 and \$2 million in 2007-08. On the New South Wales side it is \$41 million in 2004-05, \$100 million in 2005-06, \$80 million in 2006-07 and \$14 million in 2007-08. I want to add that since these figures were budgeted there has been an increase in the anticipated cost of this project.

**Senator MARK BISHOP**—Have the figures been rebudgeted?

**Mr Hogan**—Not on a year by year basis as yet.

**Senator MARK BISHOP**—That would be for May, would it?

**Mr Hogan**—That is right.

**Senator ALLISON**—Can I interrupt with a couple of questions. What is the increase?

**Mr Hogan**—The total budgeted allocation for the project, including work prior to this financial year, was \$402 million. The revised figure is now \$518 million.

**Senator ALLISON**—Did you say \$518 million?

**Mr Hogan**—That is right.

**Senator ALLISON**—There was a press release put out by Sophie Panopoulos saying it was \$540 million. What is the difference?

**Mr Hogan**—I am not aware of the media release saying \$540 million. I have a copy of the Sophie Panopoulos-Sussan Ley joint media release here and it actually says \$524 million. The difference in that is that there is a contribution of nearly \$6 million dollars from the Victorian government for the Bandiana link.

**Senator ALLISON**—So it is just the Victorian contribution.

**Mr Hogan**—That is right.

**Senator ALLISON**—Has the contract been signed with New South Wales for the New South Wales section?

**Mr Hogan**—Yes, it has.

**Senator ALLISON**—What is the value of that contract?

**Mr Hogan**—I am unable to specify the value of the contract.

**Senator ALLISON**—Why is that?

**Mr Hogan**—That would be a matter of commercial-in-confidence.

**Senator ALLISON**—The value of the contract? Is this not a matter that has gone onto the web site? Aren't we required to publish details of government contracts over a certain figure?

**Mr Hogan**—I am told I can give you the value of the contract, Senator.

**Senator ALLISON**—Excellent.

**Mr Hogan**—It is approximately \$286 million, including contingency provisions on the New South Wales side.

**Senator ALLISON**—So how does that stack up against the budget that you have just read out? It does not look anything like \$286 million. The figures you have just given us—\$29

million plus \$46 million plus \$29 million plus \$2 million—would barely be over \$100 million.

**Mr Hogan**—For New South Wales the figures I read out for the four years equal \$235 million.

**Senator ALLISON**—Can I go through those again? There was \$29 million for 2004-05, \$46 million for 2005-06, \$29 million for 2006-07 and \$2 million for 2007-08?

**Mr Hogan**—No, those are the Victorian figures.

**Senator ALLISON**—I see.

**Mr Hogan**—So the New South Wales figures are \$41 million, \$100 million, \$80 million and \$14 million and they add up to \$235 million.

**Senator ALLISON**—So what is the difference between the budget and the contract—that is, \$51 million?

**Mr Hogan**—That is right, but the budget would not solely comprise the contract.

**Senator ALLISON**—So what in addition to the contract needs to be added?

**Mr Hogan**—I will ask Mr Cory if he can add some detail, but for instance there has been pre-construction work undertaken by New South Wales this financial year.

**Senator ALLISON**—Do you have the value of that?

**Mr Cory**—This year we have provided New South Wales with approximately \$1.5 million. That would be expenses incurred by the RTA themselves, and expenses on things such as perhaps finalisation of land acquisition, any consultancies and the service relocations which commenced last year.

**Senator ALLISON**—And this \$1.5 million covers all of those items?

**Mr Cory**—This \$1.5 million is the payment to New South Wales, which would include elements of those—

**Senator ALLISON**—So what is the total amount?

**Mr Cory**—The total amount that has been spent so far on New South Wales—

**Senator ALLISON**—No, the total amount of all of those costs spent or otherwise.

**Mr Cory**—The total amount spent so far by New South Wales is approximately \$42.5 million.

**Senator ALLISON**—And budgeted for the remainder?

**Mr Cory**—As Mr Hogan indicated, the budget that was provided in last year's budget processes has now been overtaken by the revised costs, and those figures have not yet been budgeted for. That will be, presumably, incorporated in this year's budget.

**Senator ALLISON**—Can you give us a comparison of the \$42.5 million already spent and the budget for those items at that point—so we can get some idea of whether this is an overspend in the order of 50 per cent or something less than that and whether we can expect that to be applied to the other budgetary figures?

**Mr Cory**—I do not think I am able to provide a disaggregated budget for those individual elements of the planning and preconstruction expenses. They were budgeted for on what I guess you could call an en globo basis.

**Senator ALLISON**—But you expect to have those budgets by May; is that correct?

**Mr Cory**—No. What will be provided by May will be a budget for the project in both New South Wales and Victoria accommodating both the current estimates of the completion cost.

**Senator ALLISON**—At the last estimates I raised a number of questions about the costs of various aspects which had been excluded from the contract. Are there any updates on some of those costs?

**Mr Cory**—Which ones in particular?

**Senator ALLISON**—In particular the costs of acoustic treatment.

**Mr Cory**—No.

**Senator ALLISON**—There is no update on those?

**Mr Cory**—No.

**Senator ALLISON**—Will we expect an update on those by May?

**Mr Cory**—No.

**Senator ALLISON**—Why is that?

**Mr Cory**—They are part of the contractor's costs. There is a provision in the construction contract for noise amelioration measures, and that will be a matter for the contractor and the New South Wales authorities.

**Senator ALLISON**—So there is a discrete figure within that contract for noise amelioration?

**Mr Cory**—I am not aware that there is a discrete figure, but the provision of noise amelioration is a part of the contractor's responsibilities. As I have indicated before, there will be a design provided by the contractor which will be passed by the New South Wales authorities and assessed. Subsequent to completion of the project, the efficacy of those measures will be assessed and appropriate action taken subject to what that assessment shows.

**Senator ALLISON**—What specifications are the contractors working to? Is there a maximum noise level to be achieved? Is it an outcome based performance contract, as it were?

**Mr Cory**—I understand that the contractor is required to meet the relevant New South Wales standards.

**Senator ALLISON**—Is it possible to provide the committee with a copy of those standards?

**Mr Cory**—I presume they would be available from the New South Wales authorities.

**Senator ALLISON**—I am asking you if you could provide them to us.

**Mr Cory**—I will take that on notice.

**Senator ALLISON**—Presumably they are in the file somewhere.

**Mr Cory**—I will take that on notice.

**Senator ALLISON**—There was another question about fill, as I recall—whether all the fill requirements had been taken into account in the budget arrangements.

**Mr Cory**—I do not think there is anything further that I can add to that.

**Senator ALLISON**—Are there any aspects of this contract which are subject to further design and variation of the contract sum?

**Mr Cory**—I do not believe so. The contract is what is known as a ‘design, construct and maintain’ contract.

**Senator ALLISON**—So there are no contingency sums within that for as yet unresolved aspects of the construction?

**Mr Cory**—I do not know that there is anything that is what we would call unresolved. I guess if you say that the contractor is yet to provide a design, obviously the design is unresolved. However, the broad elements of the design are fairly well known. As you are aware, they have been subject to very public review. That documentation is in the public domain.

**Senator ALLISON**—So you would be confident that that \$235 million for the New South Wales contract will be the final figure?

**Mr Cory**—Not at all.

**Senator ALLISON**—I am just trying to understand what it is likely to be varied by.

**Mr Cory**—I think we can say that, with the signing of contracts, we know what the contract outcomes are likely to be. State agencies have made provisions for—and they are incorporated in our budget—various other expenses, such as their own expenses in managing the contract and, obviously, the expenses already incurred in developing the project. There is provision for things such as rise and fall due to inflation and also—

**Senator ALLISON**—Are you saying that their administration may be in addition to the contract which has been signed? Is there some cost-plus contract with them on administration?

**Mr Cory**—No. The road agencies, in respect of these road projects which previously we would have referred to as national highway projects, would be reimbursed the costs of administering that contract through the—

**Senator ALLISON**—Are you referring to the New South Wales transport department and the federal transport department?

**Mr Cory**—No, I am referring to the New South Wales Road and Traffic Authority, their Victorian equivalent and their equivalents in the other states.

**Senator ALLISON**—So what they charge is on top of the contract and the Commonwealth picks up the tab for it. Is that what you are saying?

**Mr Cory**—That is right. The contract is a contract with a commercial firm, simply to build a road.

**Senator ALLISON**—So, other than the administrative costs that would be provided or at least charged by state transport authorities and rise and fall, you would expect that to be a final figure?

**Mr Cory**—I would expect the figures quoted earlier by Mr Hogan to reflect the final cost of the project, based on our knowledge at the present time.

**Senator ALLISON**—I am referring to the New South Wales section, the \$235 million contract. That was my question.

**Mr Cory**—The contract with Abbey Group, the company that is building both the Victorian and the New South Wales sections, with adjustments for rise and fall will be the figure that was mentioned before.

**Mr Hogan**—The contract figure on the New South Wales side is \$286 million. The \$235 million was the figure we had budgeted.

**Senator ALLISON**—I am sorry; I am looking at the wrong figure. What about the contract for the Victorian side? When is that to be let?

**Mr Cory**—That has been let.

**Senator ALLISON**—And what was that figure?

**Mr Cory**—That figure is approximately \$97 million.

**Senator ALLISON**—So that is close to the budgeted figure?

**Mr Cory**—As indicated by Mr Hogan earlier, the aggregate cost in both New South Wales and Victoria is significantly higher than the previously budgeted figures.

**Senator ALLISON**—If I look at the \$29 million, \$46 million, \$29 million and \$2 million, they add up to something close to \$90 million.

**Mr Cory**—The overall cost increase is in the order of \$116 million.

**Senator ALLISON**—I can see that, but where is that extra cost? There is \$50 million in New South Wales but there is not another \$66 million in the Victorian contract.

**Mr Cory**—In New South Wales it is just shy of \$100 million—\$96 million.

**Senator ALLISON**—But we have gone from \$235 million in the budget to \$286 million. That looks to me like \$51 million extra.

**Mr Cory**—They are not like-for-like comparisons. The figure that was quoted earlier—\$518 million—is the expected aggregate cost of the project based on the contracts that have now been signed. The figure in New South Wales is \$374 million. The figure in Victoria is \$138 million plus \$5.8 million for the Bandiana link. I have rounded a little there if they do not quite add up. But is it \$518 million versus the previous figure of \$402 million.

**Senator ALLISON**—How does all that compare with the first estimate that was prepared, upgraded for CPI or whatever indexation you apply?

**Mr Cory**—Perhaps I can go back and walk you through a few figures. In 2001 when Connell Wagner reviewed the project—and that was the review that was oversighted by Flagstaff—the figure was \$335 million. That was in year 2000 dollars.

**Senator ALLISON**—So we have seen an almost \$200 million—

**Mr Cory**—No, Senator. That figure was then updated in 2003—

**Senator ALLISON**—Yes, I understand that. Going back to the earlier estimate, wasn't there an estimate that was earlier again? It was the point at which a decision was made to go internal or external. What was the estimate at that point?

**Mr Cory**—The estimate at that time would have been \$335 million. That was the Connell Wagner review. That was then updated for inflation.

**Senator ALLISON**—Yes, I understand that it was updated. I am just trying to see what the comparison is.

**Mr Cory**—As I say, that is not an accurate comparison.

**Senator ALLISON**—Why not?

**Mr Cory**—Because that is comparing prices in year 2000 dollars with prices which we are now talking about in what we now call out-turn dollars.

**Senator ALLISON**—So the \$335 million in 2004—are these figures 2004 dollars?

**Mr Cory**—No, they are year 2000 dollars.

**Senator ALLISON**—So the \$335 million is year 2000 dollars?

**Mr Cory**—Year 2000 dollars.

**Senator ALLISON**—So compare it to what we now have as the \$518 million. That \$518 million is in what year dollars?

**Mr Cory**—That is what we call out-turn dollars. The relevant comparison there would be with the figures that were given in 2004, which were out-turn dollars for the same project of \$408 million—that is to say, an increase of \$116 million.

**Senator ALLISON**—I understand.

**Senator O'BRIEN**—I have a couple of questions on the Bass Strait Passenger Vehicle Equalisation Scheme. Why does the department's latest annual report note that the \$34.3 million cost of the Bass Strait Passenger Vehicle Equalisation Scheme for 2003-04 was 'slightly more than expected' whilst also noting that the cost of the scheme was 11.9 per cent below the revised budget estimate?

**Mr Hogan**—Could you please give me the page reference for that?

**Senator O'BRIEN**—I can. It is page 93. Page 39 has the table and page 93 has the comment about it being slightly more than expected.

**Mr Hogan**—We would have to say that there was some clumsy wording there. I think the wording goes to the point that the \$34.3 million was higher than the original figure in the budget of \$30.8 million but of course then you have an additional estimates figure of \$39 million. I take the point that I think you are making that that is confusing.

**Senator O'BRIEN**—So the figure on page 39 of \$39.98 million is a revised figure.

**Mr Hogan**—That was the figure that was published in additional estimates.



**Senator O'BRIEN**—What was the increase based on?

**Mr Hogan**—As you would be aware, the Bass Strait Passenger Vehicle Equalisation Scheme is essentially focused on the operations of TT Line. We do provide some rebates in respect of the operations of some other operators, but they are a relatively small part of the quantum. To a large extent our figures were based on forecasts by TT Line.

**Senator O'BRIEN**—So the budget figure was largely based on the TT Line forecasts?

**Mr Hogan**—My understanding is that the budget and the additional estimates figures were based on TT Line forecasts, bearing in mind that the Sydney-Devonport ferry came online in January 2004.

**Senator O'BRIEN**—Yes, I accept that. It was slightly more than expected in May 2003, when the budget was struck, and less than expected at the end of that financial year.

**Mr Hogan**—That is right.

**Senator O'BRIEN**—What is the estimated expenditure on the scheme for 2004-05?

**Mr Hogan**—My recollection is that we have a figure of \$43.15 million in the budget. I think it is fair to say, as everyone who reads the newspaper would know, that there has been a level of underperformance by TT Line relative to those forecasts, certainly in the first half of the year. However, at this stage we have not seen it fit to revise those budget estimates, particularly in light of the fact that TT Line, as of halfway through January, has undertaken an aggressive marketing campaign that has included cutting the cost of the fares on the Sydney-Devonport ferry.

**Senator O'BRIEN**—So what has been the expenditure to date this financial year?

**Mr Hogan**—I will give you the figure to the end of December, because these figures are not clear to me. It was \$12.2 million to the end of December.

**Senator O'BRIEN**—Is that a historically low cost period? I would have thought that January and February would be the highest cost periods.

**Mr Hogan**—Compared with last year, the figure does not look so bad. Last year the figure to the end of December was \$12.68 million. But I think you have to bear in mind in that comparison that the Sydney-Devonport ferry was not working in the previous year, whereas it was in the most recent year to the end of December.

**Senator O'BRIEN**—Can you give me the figure to the end of December for the Sydney-Devonport subsidy.

**Mr Hogan**—I would have to take that on notice.

**Senator O'BRIEN**—Just one clarification: you were answering some questions regarding the Tasmanian Freight Equalisation Scheme and the Tasmanian Wheat Freight Subsidy Scheme. The Wheat Freight Subsidy Scheme's cap has been lowered from \$1.2 million to \$1.1 million.

**Mr Hogan**—That is right.

**Senator O'BRIEN**—Is there an expectation that a substantial amount of wheat will be carried by container?

**Mr Hogan**—That calculation was framed on the assumption that the wheat freight scheme was at \$1.2 million in 2003-04 because it was dealing with both containerised and bulk shipments. As we have moved into 2004-05, the wheat freight scheme which deals just with bulk has been decreased to \$1.1 million. That was based on some analysis of historical figures about what proportion of wheat was being shipped by container. So, because we were leaving the containerised shipment of wheat with the Tasmanian Freight Equalisation Scheme, the Tasmanian Wheat Freight Subsidy Scheme has a slightly lower cap.

**Senator O'BRIEN**—Can you give me the figures on notice comparing the subsidy between bulk and containerised wheat for the previous three years?

**Mr Hogan**—Yes, I can.

**Senator O'BRIEN**—Does the wheat freight scheme now apply only to wheat, or are other grains included?

**Mr Hogan**—The Tasmanian Wheat Freight Subsidy Scheme applies exclusive to wheat, and in so doing wheat is the only grain that receives assistance for bulk shipment.

**Senator O'BRIEN**—There were some proposals to expand it to other grains, were there not?

**Mr Hogan**—I am not personally aware of that.

**Senator O'BRIEN**—I am pretty sure there were.

**Senator MARK BISHOP**—I would like to go back to the question about expenditure profiles. Turning to page 38 under the heading 'The Hume Highway': can you give me the project expenditure profiles for the \$43.5 million for those several projects identified in the dot points there?

**Mr Hogan**—Which dot points are you looking at, Senator?

**Senator MARK BISHOP**—Donnybrook Road, north Gundagai, the truck facility at Tarcutta, the Towrang and Carrick intersection upgrades and the additional ramps at Campbelltown. It is halfway down page 38 under the heading 'The Hume Highway'.

**Mr Hogan**—Again, I am dealing with a document that has the Victorian and New South Wales figures disaggregated, but I should be able to capture everything you want, Senator. For New South Wales, the figures I have not so far provided for the Hume Highway are as follows. There is \$5 million budgeted in 2004-05 and \$2 million budgeted in 2005-06 for the F5 ramps.

**Senator MARK BISHOP**—Is that for the Campbelltown thing?

**Mr Hogan**—That is right. There is \$5 million budgeted in 2004-05 and \$1 million budgeted in 2005-06 for the north Gundagai grade separation. There is \$3 million budgeted in 2004-05 for the Tarcutta truck packing facility. There is \$0.5 million budgeted in 2004-05 and \$5 million budgeted in 2005-06 for the Towrang-Carrick intersection upgrades. For the upgrading of the bridge at Paddy's River to enable it to bear heavy vehicles carrying high mass limits—

**Senator MARK BISHOP**—Where is the bridge at Paddy's River?

**Mr Hogan**—It is between Marulan and Mittagong.

**Senator MARK BISHOP**—No, which dot point is it under of those five we are discussing?

**Mr Doherty**—I do not think it is mentioned in the white paper.

**Senator MARK BISHOP**—What is it then?

**Mr Hogan**—Without a photocopy of the white paper in front of me—

**Senator MARK BISHOP**—On page 38.

**Mr Hogan**—I think it might be in the long list that is at the end of that chapter.

**Senator MARK BISHOP**—We will come to that at the end then. We are talking about those five dot points halfway down page 38.

**Mr Hogan**—It is clearly not mentioned there.

**Senator MARK BISHOP**—No. So we have done Campbelltown, Gundagai, Tarcutta and Towrang.

**Mr Hogan**—It is actually mentioned on page 72 in the complete list of projects.

**Senator MARK BISHOP**—We will pass over the point and come to it later. Let us finish off those five dot points.

**Mr Hogan**—Going onto the Victorian ones, Donnybrook grade separation, \$5 million in 2005-06, \$7 million in 2006-07, \$5 million in 2007-08 and \$5 million in 2008-09.

**Senator MARK BISHOP**—Can you also provide the projected expenditure profile for the additional \$205 million proposed for further duplication of the Hume Highway and for other safety works? That is also on page 38.

**Mr Hogan**—The Hume Highway duplication and safety works is \$5 million in 2004-05, \$46 million in 2005-06, \$89 million in 2006-07, \$40 million in 2007-08 and \$25 million in 2008-09.

**Senator MARK BISHOP**—Are you going to provide on notice the \$432 million that ARTC has undertaken to invest on the mainline track between Sydney and Melbourne?

**Mr Hogan**—Yes. I think, again, that that is part of the \$450 million.

**Senator MARK BISHOP**—What about the \$20 million for the rail bypass at Wodonga?

**Mr Hogan**—That is currently profiled in 2005-06.

**Senator MARK BISHOP**—The whole \$20 million?

**Mr Hogan**—That is right, yes.

**Senator MARK BISHOP**—What about the \$25 million to fund standardisation of the broad gauge rail track from Melbourne to Albury? Have the other parties committed to that as yet?

**Mr Hogan**—That is the subject of discussions currently underway between the ARTC, the Victorian Department of Infrastructure and Pacific National.

**Senator MARK BISHOP**—When will they be concluded?

**Mr Hogan**—I would like to say I believe they will be completed in about four to five weeks. That is the sort of timing we have had from Pacific National.

**Senator MARK BISHOP**—Can you give me an indicative figure, then, of the proposed expenditure profile for that \$25 million?

**Mr Hogan**—It is \$10 million in 2005-06 and \$15 million in 2006-07.

**Senator MARK BISHOP**—Turning now to the Melbourne-Adelaide corridor, what about the \$80 million to commence construction of a bypass at Deer Park and the grade-separated interchange at Leakes Road?

**Mr Hogan**—That is \$40 million in both 2007-08 and 2008-09.

**Senator MARK BISHOP**—What about the \$14.8 million for shoulder sealing and to complete pavement reconstruction east of Bordertown on the Dukes Highway?

**Ms Armitage**—There is \$8 million in 2004-05 and \$6.3 million in 2005-06. Plus there is some shoulder sealing as well on the Dukes Highway of \$500,000 that is finishing off the project.

**Senator MARK BISHOP**—What about the \$106 million for the Newell Highway upgrading works on the Melbourne-Brisbane inland corridor?

**Mr Hogan**—The Newell, again, is heavily disaggregated—

**Senator MARK BISHOP**—Three states, is it?

**Mr Hogan**—No, but it is heavily disaggregated. The Moree heavy vehicle bypass is \$20 million in 2004-05 and \$8 million in 2005-06. Completion of a higher mass limits bridge on the Newell Highway is \$0.6 million.

**Senator MARK BISHOP**—Where is the bridge?

**Mr Hogan**—The main one is the Troy bridge just north of Dubbo.

**Senator MARK BISHOP**—What were the figures?

**Mr Hogan**—They was \$0.6 million in 2004-05. Then there is Bogan to Coobang—I always wanted to say that in Senate estimates—which in 2004-05 is \$1.5 million and, in 2005-06, \$16 million. There is the Newell Highway upgrading program, which was \$18.18 million in 2004-05 and \$8.01 million in 2005-06. The bridge widening package was \$8.2 million in 2004-05 and \$6.4 million in 2005-06.

**Senator MARK BISHOP**—Is that for one bridge or many bridges?

**Mr Hogan**—That is for a number of bridges.

**Senator MARK BISHOP**—How many? Which bridges?

**Mr Cory**—I have a range of works identified here. It is not always clear whether they are bridges, causeways or works on the roadway in the vicinity of those particular landmarks. Therefore, that is the name by which they are known.

**Senator MARK BISHOP**—How many sites will be upgraded or widened?

**Mr Cory**—I have eight here.

**Senator MARK BISHOP**—There are eight on the Newell Highway? Do you have the locations handy?

**Mr Cory**—Yes. Bulldog Creek; Ten Mile Creek; Myall Creek; Lagoon Creek, Narrabri; Eathers Creek, Narrabri; Wallumburrawang Creek—I take that back; that has actually been transferred to a separate project by that name—Five Mile Creek, Sandy Creek, Bulga Creek, Caragatel flood plain, Mirrool Creek No. 3 and Colombo Creek.

**Senator MARK BISHOP**—Where are all these places?

**Mr Cory**—Along the Newell.

**CHAIR**—He does not have any idea.

**Mr Cory**—It is a long road.

**Senator MARK BISHOP**—Whereabouts? What state? Tell me where? I want to know where the money is being spent.

**Mr Cory**—I would have to cross-reference with other material to give you a geographic location.

**CHAIR**—Which Colombo Creek crossing? Morundah?

**Mr Cory**—It is 33 kilometres south of Narrandera.

**CHAIR**—That is Morundah.

**Senator MARK BISHOP**—It is heartland stuff—

**CHAIR**—Yes, I notice there is nothing in there for the Booligal-Coorong Road, but that is really homeland.

**Mr Cory**—Nothing I have here, Senator.

**CHAIR**—You cannot get along it if you have 20 points of rain.

**Mr Hogan**—Moving along from the bridge widening package, the causeway replacement, \$3.43 million in 2004-05 and \$12.12 million in 2005-06. Then, under the heading 'Widening and reconstruction program' the Ardlethan realignment, \$8 million in 2004-05; \$2.8 million in 2005-06 and works other than Ardlethan, still on the Newell, \$3 million in 2004-05 and \$1.9 million in 2005-06.

**Senator MARK BISHOP**—Do you have the profile for the Coonabarabran Bypass, \$1 million?

**Mr Hogan**—Coonabarabran Bypass, \$0.4 million in 2004-05 and \$1 million in 2008-09.

**Senator MARK BISHOP**—So \$0.4 million 2004-05 and \$1 million 2008-09 and nothing in the in-between years?

**Mr Hogan**—That is right.

**Senator MARK BISHOP**—Why are you starting and then waiting three years?

**Mr Hogan**—The fact that there is 0.4 in 2004-05 enables the work to be parked at a convenient stage. It is for the start of the EIS, as Mr Cory reminds me. Then, having been parked for three years—and I will come back to that—money begins to flow again in

2008-09. The fact that there is no funding in the intervening years reflects the fact that AusLink endeavours to provide funding to a large number of projects, and it is not possible to provide all of them with a continuous stream of funding.

**Senator MARK BISHOP**—That is the first one we have had where there has not been a continuous stream of funding, isn't it?

**Mr Hogan**—I think it could easily have been just a four-year gap to 2008-09, but, because there is current work in hand which lends itself to completion of the EIS, it was felt that that would be a convenient place to park it, if you like, for the intervening period.

**Senator MARK BISHOP**—Is it going to be east or west—or is that commercial in confidence?

**Mr Cory**—Without looking at the papers, I would not want to commit myself on east or west.

**Senator MARK BISHOP**—The \$1 million to commence the Trewilga realignment?

**Mr Hogan**—That is 2008-09.

**Senator MARK BISHOP**—The full \$1 million?

**Mr Hogan**—That is right.

**Senator MARK BISHOP**—The Cootamundra to Werris Creek rail track—the \$57 million, the ARTC proposal?

**Mr Hogan**—Again, that is in the \$450 million.

**Senator MARK BISHOP**—That \$450 million is way beyond \$450 now, isn't it? Is it \$450 million over four years or \$450 million over one year?

**Mr Hogan**—I am reminded that that is out of the \$870 million associated with the New South Wales lease negotiations rather than the \$450 million, but we will provide you with the whole story that shows both the \$870 million and the \$450 million.

**Senator MARK BISHOP**—That \$450 million we keep talking about—over what period is that to be expended?

**Mr Hogan**—The intention is that it be fully expended by 2008-09.

**Senator MARK BISHOP**—So it is a four-year thing, is it?

**Mr Hogan**—It is getting close to four years.

**Senator MARK BISHOP**—And that \$57 million is part of the lease money, not the \$450 million?

**Mr Hogan**—That is right.

**Senator MARK BISHOP**—I now turn to the Sydney-Adelaide corridor, the Sturt Highway. There is \$29 million to upgrade the Sturt Highway, as described on page 41.

**Ms Armitage**—There is the Truro Hills realignment, which is \$6.5 million, which is \$3 million in 2006-07 and \$3.5 million in 2007-08; and there is the Riverland passing lanes, which is \$7.34 million and which is completing in 2004-05. That is the South Australian part of it.

**Senator MARK BISHOP**—And the additional \$44 million for the further upgrades between Gawler and Paringa?

**Ms Armitage**—That is \$10 million across four years, 2005-06 to 2008-09.

**Senator MARK BISHOP**—Where is the other four?

**Ms Armitage**—The four is in 2004-05 and the tens are across 2005-06 and 2006-07. That is a five-year period—four in the first year and 10 in the following four.

**Senator MARK BISHOP**—The \$21 million track between Parkes and Broken Hill—the Sydney-Adelaide rail—what is that part of?

**Mr Hogan**—It is part of the \$870 million.

**Senator MARK BISHOP**—Perth-Adelaide—an additional \$15 million for widening and rehabilitation of the Eyre Highway.

**Ms Armitage**—For the additional work—widening and rehab—the \$15 million is in 2007-08 but it continues work under the program. There is \$10 million in 2004-05, \$10 million in 2005-06 and \$10 million in 2006-07, so the \$15 million picks up on 2007-08.

**Senator MARK BISHOP**—Then there is an increase in the year 2007-08. What part of the Eyre Highway?

**Ms Armitage**—There are a range of projects. A number of them are still to be determined depending upon actual need. We could get you some details of that if you wish.

**Senator MARK BISHOP**—Can you take it on notice.

**Ms Armitage**—Yes.

**Senator MARK BISHOP**—Which areas are under consideration.

**Ms Armitage**—It may very well be that some of them will be a bit later on and will not be identified til they work a program up. That is often the case.

**Senator MARK BISHOP**—The information you currently have on file would be appreciated.

**Senator Ian Campbell**—It needs every dollar of it.

**Senator MARK BISHOP**—What about this \$3 million for the shoulder sealing and passing lanes on the Port Augusta to Adelaide section of the Princes Highway?

**Ms Armitage**—For the shoulder sealing there is \$1 million in 2004-05 and \$2 million for the passing lanes in 2004-05.

**Senator MARK BISHOP**—So all up \$3 million in 2004-05?

**Ms Armitage**—Yes.

**Senator MARK BISHOP**—The Great Eastern Highway in the west is getting \$64 million for the duplication of the Sawyers Valley and the Lakes sections and then the rehabilitation and passing lanes between Midland and Northam.

**Ms Armitage**—For Sawyers Valley to the Lakes there is \$28 million in 2004-05, \$5 million for the rehabilitation from Tammin to Walgoolan and for the Midland to Northam

passing lanes \$1.2 million in 2004-05. For the Tammin to Walgoolan stretch there is also \$18 million in 2005-06, \$5 million in 2006-07 and \$5 million in 2007-08. There is also the Great Eastern Highway-Roe interchange in 2006-07, which is \$10.5 million, and there is the Clackline bypass on the Great Eastern Highway, which is \$3 million in 2004-05.

**Senator MARK BISHOP**—What is the \$3 million towards the bypass at Clackline for?

**Ms Armitage**—It is a fairly small project. I am always conscious that Senator Campbell, being a Western Australian—

**Senator MARK BISHOP**—Is this a bypass around Clackline or is it bypassing the bridge?

**Ms Armitage**—I will take that on notice as I do not have the detail here.

**Senator MARK BISHOP**—Okay.

**Senator ALLISON**—If I could go back to the penalty rates that Mr Cory mentioned—what are the penalty rates? Can you provide the committee with that information.

**Mr Cory**—I do not recall saying penalty rates, Senator. If I did, that was a misstatement.

**Senator ALLISON**—There are no penalty rates?

**Mr Cory**—I do not know what is in the contracts as regards the rates of pay.

**Senator ALLISON**—Can you find out?

**Mr Cory**—I can take that on notice.

**Senator ALLISON**—Can you also indicate what penalty rates apply in different circumstances, for instance, whether delays presumably would attract penalty rates—that is delays that cause the contract to be longer than previously agreed?

**Mr Cory**—Just to clarify, are we talking here about the payments to the contractor that might flow from—

**Senator ALLISON**—Delays outside the control of the contractor.

**Mr Cory**—Yes. I will take that on notice.

**Senator ALLISON**—And I am assuming that the penalty rates that apply if the contractor goes over time are paid by the contractor not by the government. Further to our discussion earlier, I am interested in the way in which the contract might be increased. Do you remember the conversation we had?

**Mr Cory**—Yes.

**Senator ALLISON**—Can you indicate what the penalty rates are—whether they cover construction delay due to administration delays, weather, protest action or court action? Can you indicate whether there is in the contract the provision whereby such delays would be subject to payments and, if so, how they are calculated?

**Mr Cory**—Yes. I will take those matters on notice.

**Senator ALLISON**—In relation to land acquisitions, how much of that was not budgeted but is now required to be made?



**Mr Cory**—Yes, Senator. I will take that on notice.

**Senator ALLISON**—Can you also indicate what the estimates were for land prices at the time of the budget and what the actual land prices have turned out to be, and whether there is further money to be spent on land acquisition outside—

**Mr Cory**—Further to what, Senator?

**Senator ALLISON**—Further to the contracts that have been let or to commitments already made.

**Mr Cory**—The budget for land acquisition is part of the sums I mentioned earlier.

**Senator ALLISON**—So part of the contract sums?

**Mr Cory**—Not part of the contract sums. The New South Wales government acquires the land and is therefore funded for that by the Australian government directly. No other parties are involved in that.

**Senator ALLISON**—But for the overall estimate that you have provided of \$518 million, is land acquisition included in that?

**Mr Cory**—That is correct.

**Senator ALLISON**—Are there land acquisition requirements that are not included in that budget?

**Mr Cory**—Not as far as I am aware. There may be acquisitions that are still in progress that are yet to be completed, but they would be budgeted for within that sum.

**Senator ALLISON**—And if we could have a comparison between the budget as it now stands, or as it previously stood, and the actual cost of the land acquisition, that would be useful. Is that possible?

**Mr Cory**—I do not know. I will take that on notice, but I am not aware that we had a separate budget for land acquisition so I cannot give a comparison between what land acquisition is now and what it was at another point in time.

**Senator ALLISON**—But you must at least be able to measure whether the land acquisition costs now are higher than anticipated. Surely there is some baseline or benchmark on which you are operating.

**Mr Cory**—I guess that is a bit of a moving feast in that, as you well know, the project has taken a considerable time to bring to this point. The land acquisition costs have obviously changed over that period. It is not something that I am aware we have the information on, but I will take the question on notice.

**Senator ALLISON**—The land that was acquired for the external route, has that now been sold?

**Mr Cory**—Instructions have been given to the RTA to dispose of that land in an orderly manner.

**Senator ALLISON**—Was that owned by the Commonwealth or by the New South Wales state government?

**Mr Cory**—The New South Wales government.

**CHAIR**—That all sounds pretty ominous to me. If there were enough people who platted their armpits, sat in the middle of the road and protested so that you did not eventually do the work, that implies that if there were penalty rates to the company you could break the company through that method so the project would not go ahead.

**Senator ALLISON**—No, the government pays if it is out of the contractor's hands.

**CHAIR**—I think you have a dastardly plot.

**Senator MARK BISHOP**—Can you provide me with the detail on the bypass at Clackline, in due course, on notice? In terms of the road access to the East Arm Port in Darwin

**Senator Ian Campbell**—They will not be protesting there—

**Senator MARK BISHOP**—No, they will not; I know.

**Senator Ian Campbell**—they will be cheering us on.

**Senator MARK BISHOP**—Are you going to fix up the bridge there, too?

**Senator Ian Campbell**—All I know is that I met with the locals when I was the minister, and they are all very happy with what we are doing up there.

**Senator MARK BISHOP**—They do not like the truck noise through the town.

**Senator Ian Campbell**—I think that is what it is, but I am not sure.

**Senator MARK BISHOP**—I think it is to avoid the truck noise of the loggers through the town. But there is a bridge up that way, as well—that old wooden bridge—and they are always on about getting that replaced as well. I wondered whether that was part of this—

**Ms Armitage**—As I said, we will get back to you on that with the detail.

**Senator MARK BISHOP**—They are always writing letters about that too.

**Ms Armitage**—You were talking about Tiger Brennan Drive—was that right?

**Senator MARK BISHOP**—I was talking about the East Arm Port.

**Ms Armitage**—It is \$7 million in 2006-07 and \$6.7 million in 2007-08.

**Senator MARK BISHOP**—The \$20 million for the five-year widening and rehabilitation of the Stuart Highway?

**Ms Armitage**—Yes, there is \$5 million in 2004-05 for bridges—that is the early program that I am now talking about—and there is \$3.5 million for Cox Peninsula Road. There is \$2.5 million for overtaking lanes—they are in 2004-05—and then the additional funds kick in in 2006-07, 2007-08 and 2008-09 and that is \$8 million, \$6 million and \$6 million respectively.

**Senator MARK BISHOP**—What about the Great Northern Highway—the balance of the \$44.3 million to replace bridges in the Kimberley?

**Ms Armitage**—There is \$15 million in 2004-05, \$10 million in 2005-06, \$10 million in 2006-07, \$5 million in 2007-08 and \$4.3 million in 2008-09.

**Senator MARK BISHOP**—Are they all replacement bridges or are they new bridges?

**Ms Armitage**—It varies. They are all across existing structures or else they might be replacing them. It depends on how strong or how good or on the utility of the present structures. Sometimes it might be realigning.

**Senator MARK BISHOP**—Are any of those bridges up there still timber bridges or are they all cement?

**Ms Armitage**—I cannot answer that question. The Western Australian government did a report on the Kimberley bridges, and they vary from the Fitzroy one, which is quite a large one, to pavements to just culverts; they vary.

**Senator MARK BISHOP**—What about the \$13.8 million for the works on the section between Midland and Wubin?

**Ms Armitage**—That is on the Great Northern Highway—\$10.1 million in 2006-07, \$16 million in 2007-08 and \$25 million in 2008-09.

**Senator MARK BISHOP**—That is a damned sight more than \$30 million.

**Ms Armitage**—It is \$57 million. Are we talking about Muchea to Wubin—the widening, the overtaking lanes?

**Senator MARK BISHOP**—No, we are talking about the \$30.8 million between Midland and Wubin.

**Ms Armitage**—That is the Lennard to Muchea, Miling to Wubin and Muchea to Wubin—is that what you are referring to?

**Senator MARK BISHOP**—No. There are two different projects. There is \$30.8 million for the works on the section between Midland and Wubin and a further \$51.1 million for the works between Muchea and Wubin.

**Ms Armitage**—Could we just have a discussion and come back to that?

**Senator MARK BISHOP**—In the white paper there are two separate fund allocations.

**Ms Armitage**—I think that in our cash flow we have put them together, which comes to \$51 million.

**Senator MARK BISHOP**—In the document you have two separate paragraphs.

**Ms Armitage**—I am aware of that.

**Senator MARK BISHOP**—So you will check that and come back to us at the end of this session?

**Ms Armitage**—Yes.

**Senator MARK BISHOP**—I turn now to the Victoria Highway and the \$20 million for bridge replacement and road upgrades across the Victoria and Lost Creek areas.

**Ms Armitage**—In 2004-05 it is \$4 million; in 2005-06, \$4 million; in 2006-07, \$4 million; and in 2007-08, \$8 million.

**Senator MARK BISHOP**—And the \$11 million for upgrading the Warrego Highway intersection with Plainland Road on the Brisbane-Darwin corridor?

**Ms Armitage**—In 2004-05 it is \$3 million and in 2005-06 it is \$7.8 million.

**Senator MARK BISHOP**—And the \$3 million for reserving a corridor for the future Toowoomba bypass?

**Ms Armitage**—That is in 2004-05. There was an election committee of a further \$4 million for that, so that makes it \$7 million in total in 2004-05.

**Senator MARK BISHOP**—And the \$112.4 million for improvements on the Barkly Highway?

**Ms Armitage**—In the current commitments for the Barkly Highway there is \$12 million in 2004-05 and \$4.8 million in 2005-06, as well as \$11 million in 2004-05 for another stage—there are different stages of the Barkly—plus \$1.8 million. There is \$2.8 million for some other additional roadworks in 2004-05. In terms of AusLink, the upgrading is a total of \$80 million, which in 2005-06 is \$15 million, in 2006-07 is \$20 million, in 2007-08 is \$20 million and in 2008-09 is \$25 million.

**Senator MARK BISHOP**—What about the \$428 million for widening the Caboolture Motorway section of the Bruce Highway?

**Ms Armitage**—In terms of the new AusLink, that is \$190 million. Again, this is actually split across previous years and new money. The new money is \$36 million in 2004-05, \$34 million in 2005-06, \$50 million in 2006-07 and \$71.6 in 2007-08.

**Senator MARK BISHOP**—How much does that come to?

**Ms Armitage**—It should come to \$191.6 million.

**Senator MARK BISHOP**—I was looking for \$428 million.

**Ms Armitage**—This is the AusLink additional money, but there has been an expenditure, or there will be by the time the AusLink money is spent.

**Senator MARK BISHOP**—So there is \$128 million in new funding as part of this \$428 million?

**Ms Armitage**—There is \$191 million in new money as part of AusLink.

**Senator MARK BISHOP**—As part of the \$428 million?

**Ms Armitage**—Yes.

**Senator MARK BISHOP**—What about the \$150 million for the Peel deviation on the Perth-Bunbury Highway? Is that new money?

**Ms Armitage**—It is AusLink new money, yes.

**Senator MARK BISHOP**—All of it?

**Ms Armitage**—Yes. In fact, there was an additional \$20 million committed in the election period to bring it up to \$170 million. It is \$2 million in 2004-05, \$3 million in 2005-06, \$15 million in 2006-07, \$60 million in 2007-08 and \$90 million in 2008-09.

**Senator MARK BISHOP**—The \$90 million is in 2008-09, is it? That will be reannounced in the next election.

**Senator Ian Campbell**—The Labor Party actually took \$20 million out during the election campaign. They promised \$170 million and then came back to \$150 million.

**Senator MARK BISHOP**—You have promised \$80 million in 2008 and \$90 million in 2009, I think, so \$170 million of it is three or four years out. So it will get reannounced.

**Senator Ian Campbell**—There is an election announcement where you actually drop \$20 million off the Peel deviation, which went by with little notice, unfortunately. I tried to draw attention to it.

**Senator MARK BISHOP**—Well, try again.

**Senator Ian Campbell**—Since the local member now lives over in Sydney—

**Senator MARK BISHOP**—In Sydney?

**Senator Ian Campbell**—Mr Beazley, you know that guy—

**Senator MARK BISHOP**—I thought the deviation was down in Prosser's seat. It is on the other side, isn't it?

**Senator Ian Campbell**—It goes from Canning down to Brand and down to Forrest. It is on three of them.

**Senator MARK BISHOP**—The deviation is on the Forrest side, isn't it?

**Senator Ian Campbell**—One of the members moved to Sydney.

**Senator MARK BISHOP**—Not in this discussion, they didn't. Unless Mr Prosser is living there—he could be. There has been \$26.4 million for the duplication of the Bass Highway between Penguin and Ulverstone.

**Mr Hogan**—There is \$12 million in 2004-05, \$6.9 million in 2005-06 and \$7.5 million in 2006-07.

**Senator MARK BISHOP**—And the profile for the \$42 million for the stage 2 duplication?

**Mr Hogan**—It is \$0.3 million in 2005-06, \$10 million in 2006-07, \$15 million in 2007-08 and \$16.7 million in 2008-09.

**Senator MARK BISHOP**—The \$57 million for the construction of the new bridge over the Derwent River, and the Midland Highway?

**Mr Hogan**—It is \$5 million in 2004-05, \$5 million in 2005-06, \$10 million in 2006-07, \$10 million in 2007-08 and \$27 million in 2008-09.

**Senator MARK BISHOP**—Where is the new bridge over the Derwent River going to be?

**Mr Hogan**—The proposal is that it be very close to the current Bridgewater bridge.

**Senator MARK BISHOP**—What are they going to do with the existing bridge?

**Mr Hogan**—The proposal is that the existing bridge continue to operate.

**Senator MARK BISHOP**—So it is both ways.

**Mr Hogan**—Both as a feeder of local traffic, and also it carries the rail line across it, the AusLink rail network.

**Senator MARK BISHOP**—Let us turn to the Melbourne Mildura corridor now for the Commonwealth contribution to duplicate the Calder Highway between Kyneton and Faraday.

**Mr Hogan**—It is \$12 million in 2004-05, \$16 million in 2005-06, \$50 million in 2006-07 and \$11 million in 2007-08.

**Senator MARK BISHOP**—What was the total there?

**Mr Hogan**—The total is \$89 million.

**Senator MARK BISHOP**—What about the \$25 million to commence the duplication between Faraday and Ravenswood?

**Mr Hogan**—It is \$5 million in 2007-08 and \$20 million in 2008-09.

**Senator MARK BISHOP**—The \$186 million towards the construction of the Western Bypass, Geelong?

**Mr Hogan**—It is \$50 million in 2006-07, \$60 million in 2007-08 and \$76 million in 2008-09.

**Senator MARK BISHOP**—The \$93 million for the construction of Westlink and the Sydney urban corridor, the M7?

**Mr Hogan**—That is \$71 million in 2004-05 and \$21.98 million in 2005-06.

**Senator MARK BISHOP**—The \$22 million for the new link from the F3 to the Westlink?

**Mr Hogan**—It is \$2 million in 2004-05; \$2 million in 2005-06; \$2 million in 2006-07; \$5 million in 2007-08 and \$15 million in 2008-09.

**Senator MARK BISHOP**—That is \$26 million. The \$110 million to improve rail access between Port Botany, the intermodal facilities at Chullora/Enfield and the interstate connections to these facilities?

**Mr Hogan**—It is \$20 million in 2006-07, \$40 million in 2007-08 and \$50 million in 2008-09.

**Senator MARK BISHOP**—The \$110 million towards improving interstate rail connections to the Dynon intermodal precinct and the Port of Melbourne?

**Mr Hogan**—That is \$40 million in 2006-07, \$35 million in 2007-08 and \$35 million in 2008-09.

**Senator MARK BISHOP**—What about the \$40 million for the new bi-directional rail line between Tottenham Junction and the Bunbury Street tunnel?

**Mr Hogan**—That is \$10 million in 2006-07 and \$30 million in 2007-08.

**Senator MARK BISHOP**—Going up to Brisbane:

... \$574 million towards developing an integrated urban solution embracing the Pacific Motorway, the Gateway Motorway and Bridge, the Logan Motorway and ... the Ipswich Motorway.

**Ms Armitage**—That is \$26 million in 2004-05, \$10 million in 2005-06, \$80 million in 2006-07, \$235 million in 2007-08 and \$220 million in 2008-09.

**Senator MARK BISHOP**—I will turn to the urban corridors in Adelaide. Firstly, there is \$4.2 million for the Port Wakefield Road between the Salsibury Highway and Virginia.

**Ms Armitage**—For 2005-06 it is \$1.5 million and for 2006-07 it is \$2.8 million.

**Senator MARK BISHOP**—What about the \$36 million to develop a new AusLink national network alignment north of Adelaide—the Sturt Highway extension? How far north of Adelaide is that going to be?

**Ms Armitage**—It is north of Gepps Cross and it goes across the urban network, which is on page 58 of the white paper. It is near Angle Vale road. It connects from where the Sturt Highway comes into Main North Road across to the Princes Highway, which is basically around Heaslip Road. It is the black dashed line.

**Senator MARK BISHOP**—Does that go from Wakefield Road to the Main North Road?

**Ms Armitage**—That is right. In fact, there was an election commitment that now increases that funding to \$146 million, which will comprise \$37 million in 2006-07, \$72 million in 2007-08 and \$37 million in 2008-09. It is the new northern access.

**Senator MARK BISHOP**—What about the \$16.8 million towards the construction of stage 1 of the Port River Expressway?

**Ms Armitage**—For stage 1 of the Port River Expressway, that is \$15 million in 2004-05 and \$1.8 million in 2005-06. Stages 2 and 3 of the Port River Expressway were rephased to \$15 million in 2004-05, \$40 million in 2005-06 and \$25 million in 2006-07.

**Senator MARK BISHOP**—I take it that the Port River Expressway goes down to Port Adelaide?

**Ms Armitage**—Yes. If you look at Port Wakefield Road, it comes down through Dry Creek and takes you right through to Outer Harbour. It is that black line that has Dry Creek highlighted on it on the map on page 58. Stages 2 and 3 are the building of two road and rail bridges over the Port River and going through to—

**Senator MARK BISHOP**—Is that where those purple dots are?

**Ms Armitage**—No, it is that black line that takes you through towards the west. You come down from Port Wakefield Road, turn and head towards Dry Creek and follow the black line to Outer Harbour.

**Senator MARK BISHOP**—Did you outline the stages 2 and 3 profile?

**Ms Armitage**—Yes, I did.

**Senator MARK BISHOP**—Is there funding available after the next five years? Is that identified anywhere? Are stages 2 and 3 going out past five years?

**Ms Armitage**—No. It is intended that stages 2 and 3 would be completed in 2006-07.

**Senator MARK BISHOP**—Are there ongoing discussions with the South Australian government on these later stages?

**Ms Armitage**—Yes, there are.

**Senator MARK BISHOP**—Are those discussions finalised?

**Ms Armitage**—No.

**Senator MARK BISHOP**—Are there any problems with those?

**Ms Armitage**—There are some issues around opening bridges and tolling of the road bridge.

**Senator MARK BISHOP**—What does ‘tolling of the road bridge’ mean?

**Ms Armitage**—It refers to the bridge over the Port River that the South Australian government had proposed—and I will say ‘had’. We have not had any discussions with them since prior to Christmas. We are going into discussions in the next couple of weeks about the Port River Expressway.

**Senator MARK BISHOP**—Are you saying there was a proposal to have a toll for the use of the bridge?

**Ms Armitage**—One of their earlier proposals, their business case, did in fact look at tolls for the bridge.

**Senator MARK BISHOP**—In the latter stage have they withdrawn that proposal?

**Ms Armitage**—As I said, we are having discussions with them and we are aware that they have been going through an in-confidence tender process, of which the outcome has not yet been announced.

**Senator MARK BISHOP**—An in-confidence tender process?

**Ms Armitage**—The South Australian government, yes.

**Senator MARK BISHOP**—For the construction?

**Ms Armitage**—Yes.

**Senator MARK BISHOP**—Are those bridges to provide access to the marshalling yards down there?

**Ms Armitage**—Yes, right down to the port.

**Senator MARK BISHOP**—Would the issue mainly be container trucks?

**Ms Armitage**—Yes. It is also to upgrade the rail track on the Le Fevre Peninsula. At the moment it is very slow; it cannot go much more than 12 or 15 kilometres.

**Senator MARK BISHOP**—I know that area now. Let us turn to the Perth urban corridors and the expenditure profile for the balance of the \$20 million to be invested in the Roe Highway—that is on page 62.

**Ms Armitage**—The \$20 million for the Roe Highway is actually for 2004-05.

**Senator MARK BISHOP**—The \$10.5 million for upgrading the interchange between the Roe Highway and the Great Eastern Highway out there?

**Ms Armitage**—That is \$10.5 million in 2006-07.

**Senator MARK BISHOP**—The new rail loop to Fremantle port? A new road access to gate 3 to the port, the \$14 million there?

**Ms Armitage**—That is \$6 million in 2004-05 and \$8 million in 2005-06.

**Senator MARK BISHOP**—The \$30 million for upgrading rail communications systems on interstate rail lines, on page 64?



**Mr Hogan**—That is part of a package of unallocated rail funds at this stage, and we did not have a year-by-year allocation of those funds.

**Senator MARK BISHOP**—So that \$30 million for the upgrade of the rail communications is unallocated at the moment?

**Mr Hogan**—We have not allocated it to particular years as yet.

**Senator MARK BISHOP**—So \$30 million is just sitting there, is it?

**Mr Hogan**—It is part of an unallocated rail pool. It is one item which was notionally earmarked for funding. What I can give you instead is the year by year for that national rail projects pool. It was \$20 million in 2004-05, \$10 million in 2005-06, \$25 million in 2006-07, \$30 million in 2007-08 and \$60 million in 2008-09. That will cover a range of projects, of which rail communications is one and an automated train management system is another. Indeed, \$20 million worth of work is taking place within AusLink this year, some minor track works.

**Senator MARK BISHOP**—On page 66 there is \$14 million for the essential bridge upgrade of the AusLink national network. Do you have the profile for that?

**Mr Hogan**—That is \$2 million in 2005-06, \$5 million in 2006-07, \$5 million in 2007-08 and \$2 million in 2008-09.

**Senator MARK BISHOP**—Can we go back to the strategic—

**CHAIR**—I know it is very interesting, but it is time for a break. Mr Yuile, do you have anything you want to put to the committee?

**Mr Yuile**—Yes, if I may. You would be aware from the conversation we had this morning that we have the Singaporean minister meeting with our minister, Mr Anderson, this afternoon. Some officers from the aviation and airports regulation area will be involved in that discussion. With the indulgence of the committee, I ask if, when we get to item 4, the Regulatory Group, Office of Transport Security, we might do 4.4 and 4.5.

**CHAIR**—The only drawback will be if there are senators who are in other committees expecting this to be the timetable. Subject to that—

**Mr Yuile**—It is also subject to how many more questions there are on 3.1.

**CHAIR**—Senator Bishop, how much longer will you be?

**Senator MARK BISHOP**—I have about another 10 minutes on 3.1. Then I go into 4.1, Office of Transport Security; I want to deal with shipping and security there. That will take half an hour. Then I want to do bulk ships, which will take five minutes. Then I want to do vehicle safety—four-wheel drive stuff—which will take 20 minutes. Then I want to do airport security, AFP, Protective Service and rapid deployment teams.

**Mr Yuile**—That sounds as though it will take us through to at least six o'clock.

**Senator MARK BISHOP**—I would think so, yes.

**Mr Yuile**—Vehicle safety, depending on the questions, might come under the 4.4 item.

**Senator ALLISON**—Where does the Ansett levy fit in?

**Mr Yuile**—The Ansett levy is still in this item, 3.1.

**CHAIR**—When will these people be back.

**Mr Yuile**—I would expect that they will be available after dinner—the people from aviation and airports.

**Proceedings suspended from 4.04 p.m. to 4.21 p.m.**

**Senator MARK BISHOP**—Heading back to Queensland, can you give me the projected expenditure for the Gateway Bridge project?

**Ms Armitage**—When I gave you the figures for the Brisbane urban connectors, they covered a range of potential projects, of which the actual allocations to specific projects have not yet been made.

**Senator MARK BISHOP**—If I give you the names of five projects, can you tell me if you have the profiles for them as yet? The Gateway Bridge?

**Ms Armitage**—No.

**Senator MARK BISHOP**—The Brisbane urban corridor through Mount Gravatt?

**Ms Armitage**—No.

**Senator MARK BISHOP**—The Ipswich Motorway capacity upgrade?

**Ms Armitage**—No.

**Senator MARK BISHOP**—The Ipswich Motorway-Logan Motorway interchange?

**Ms Armitage**—No, but we are expecting that within the next couple of months.

**Senator MARK BISHOP**—Can you take that on notice and provide the answer on notice when you have it. And the traffic management programs through the Brisbane urban corridor?

**Ms Armitage**—They are not finalised yet, but we would anticipate that they would be in 2004-05 and 2005-06.

**Senator MARK BISHOP**—What sums are we talking about there?

**Ms Armitage**—Those sums have not been tied down specifically yet, but that is when we would expect. For instance, the beginning of the trial to remove night-time tolls from the Logan Motorway is due to commence on 28 February. We would expect about \$500,000 or \$600,000, with the remainder, maybe up to \$1.4 million, in the following year. But that will depend on traffic et cetera.

**Senator MARK BISHOP**—That is in substitution of the existing toll regime, is it?

**Ms Armitage**—That is night-time tolls—for lorries only, not for cars.

**Mr Doherty**—It is a relaxation of the current toll.

**Senator MARK BISHOP**—What about the projected expenditure for the Goodna bypass?

**Ms Armitage**—Again, the whole urban corridor is within the expenditure that I gave you. There will be around \$500,000 on a very early study on that in this financial year.

**Senator MARK BISHOP**—On the Goodna bypass?

**Ms Armitage**—On that northern option, yes. Sometimes people call it the Goodna bypass, but—

**Senator MARK BISHOP**—So half a million for a proposed study in 2004-05.

**Ms Armitage**—Yes.

**Senator MARK BISHOP**—And the others are still under review within the department?

**Ms Armitage**—We are having planning meetings, particularly around the expenditure for the Brisbane urban connectors for south-east Queensland, particularly for this south-west Brisbane area. As I said, we are having an extended meeting with Queensland next week to have some discussions and move forward on the planning for the expenditure over the five years.

**Senator MARK BISHOP**—With that meeting you are having with the Brisbane department next week, are we getting close to the end or is that really the beginning of the process?

**Ms Armitage**—That is more or less the beginning.

**Senator MARK BISHOP**—What is our experience on time lines in terms of this sort of exercise?

**Ms Armitage**—It is similar to corridor strategies. It is rather new. This is what AusLink is about—joint planning—and obviously we need to move forward so that this expenditure can meet the profile up to a point. Obviously with the Logan interchange being the one that is coming online, there will be expenditure on that earlier in the year. I would not like to put a time frame on it.

**Senator MARK BISHOP**—Is this one of those pilots that was referred to earlier in the discussion?

**Ms Armitage**—No, it is a commitment that was made between the Commonwealth minister and Minister Lucas to look at because this amount of money was actually put for Brisbane urban connectors and they decided a joint study on the expenditure of this would be sensible.

**Senator MARK BISHOP**—Do you have any idea of the aggregate figures we are talking about for those five particular projects?

**Ms Armitage**—I gave you the profile for the Brisbane urban connectors before afternoon tea; I can give it to you again if you wish.

**Senator MARK BISHOP**—Yes, if you do not mind.

**Ms Armitage**—It is \$26 million in 2004-05, \$10 million in 2005-06, \$80 million in 2006-07, \$235 million in 2007-08 and \$222 million in 2008-09.

**Senator MARK BISHOP**—All right, so we are just at the beginning of the process really. We are talking the best part of \$500 million, aren't we?

**Ms Armitage**—Yes, we are talking about \$573 million.

**Senator MARK BISHOP**—When the negotiations are finalised between yourselves and Queensland?

**Ms Armitage**—Yes.

**Senator MARK BISHOP**—At this stage that is just proposed; that is not signed off.

**Ms Armitage**—That is correct.

**Senator MARK BISHOP**—I want to talk about the strategic regional projects under AusLink. What is the process to be applied to election promises that were subsequently announced to be funded under the strategic regional projects?

**Mr Doherty**—We envisage that the next stage in the process will be a letter from ministers to the proponents seeking more detailed proposals, as we discussed earlier, in a formal stage so that we can assess them. The other step in relation to some of these proposals is that there is an expectation of contributions from the states, so there will be correspondence from ministers to settle that aspect.

**Senator MARK BISHOP**—We are talking about a serious amount of time here then, aren't we? It is about 12 months or so?

**Mr Doherty**—No, we think those can move quite quickly.

**Senator MARK BISHOP**—Okay.

**Mr Doherty**—The intention is that we will have some funding towards those projects before the end of this financial year.

**Senator MARK BISHOP**—Is that money already appropriated or is that money that will have to come through in due course?

**Mr Doherty**—That would be money appropriated through the additional estimates process.

**Senator MARK BISHOP**—Will the same process apply to local government or regional organisations who bid for funding under this program?

**Mr Doherty**—Again, that is the issue that we discussed earlier. The way that future projects will be handled is a matter that we need to settle with ministers. But I guess I could say that, in relation to the process, the accountability and getting detailed proposals and checking those is likely to be part of any proposal that we put up.

**Senator MARK BISHOP**—The government has signed up to 18 proposals. Is that right?

**Mr Doherty**—I think that is correct.

**Senator MARK BISHOP**—There are 18 proposals, but you then have to have bilateral negotiations with each of the states and the territories, don't you?

**Mr Doherty**—Not necessarily—a number of these were dealt with by the local government proponent. There is no necessary contribution from the states.

**Senator Ian Campbell**—Although we welcome any contributions—and from the private sector as well, I think it is fair to say. We welcome private sector investment in these.

**Senator MARK BISHOP**—The regional business development analysis conducted for DOTARS recommended that an independent national advisory body be established 'to set priorities for national infrastructure development in an integrated and transparent fashion'.

This is probably a question for the minister: why did the government drop this recommendation from AusLink?

**Senator Ian Campbell**—I do not think we have.

**Senator MARK BISHOP**—Is it still in there? Is it still live?

**Senator Ian Campbell**—To use your words, it is still ‘live’; it is under consideration by the Standing Committee on Transport and the Australian Transport Council.

**Senator MARK BISHOP**—So negotiations are still proceeding on that issue with the various states and territories?

**Mr Doherty**—That is right, Senator. It was raised in that environment, and the indication was that the need for an advisory body to look at these issues could be dealt with further through that forum as necessary.

**Senator MARK BISHOP**—Is it wrong to assert that one or more of the states and territories agreed to drop that recommendation on strategic priority setting?

**Mr Doherty**—I am sorry; I did not understand the question, Senator.

**Senator MARK BISHOP**—What you are telling me now is that those two committees you referred to are still involved in discussions or negotiations with the states and territories for the setting of priorities for national infrastructure development. Is that correct?

**Mr Doherty**—Yes. The Australian Transport Council is the group of ministers; the Standing Committee on Transport is the senior officials group that sits underneath that. They are both Commonwealth and state bodies. Through that forum, there was a discussion about the best form for setting the future directions of infrastructure planning by governments. The sorts of options they were considering included an external body of experts to come and provide advice. They will continue those discussions.

The change was as follows. Initially, in the white paper development there was thought of that body being the body to advise on the first investment program. In fact, the investment program has now been announced, and the initial implementation of AusLink can proceed without the establishment of that. So it becomes, if you like, a longer term issue to be addressed through the Commonwealth and the states.

**Senator MARK BISHOP**—So the utility of establishing such a body is still under negotiations between the Commonwealth and the various states?

**Mr Doherty**—It is still under consideration; that is right.

**Mr Yuile**—Before we go on, I think we need to clarify that there are two different things here. You quoted the report from the regional business development analysis, which was a piece of work which Minister Anderson commissioned. The analysis group reported to him on a range of issues, and a number of those have been pursued and taken up in government policy and announcements subsequently.

Separately to that, you had the processes of the development of the AusLink white paper. In that context, there had certainly been discussion of establishing a national transport advisory council, NTAC. That is what we are talking about here in relation to the considerations within

the transport ministers council and the officials group. I just wanted to make sure that we do not get the two confused.

**Senator MARK BISHOP**—Thank you, Mr Yuile; I understand the distinction. As I understand it, the key tool proposed to negotiate funding formulas for road construction and maintenance and to develop priorities for national transport corridors with the states and territories is bilateral agreements. That is correct, isn't it?

**Mr Doherty**—Yes, that is correct.

**Senator MARK BISHOP**—Can you provide a proposed timetable for when each of these bilateral agreements will be concluded?

**Mr Doherty**—It is a bit hard to be definite about that; it will depend upon the success of the negotiations. I think Mr Mrdak provided information earlier about that.

**Mr Elliott**—He said at the time that he hoped to have them completed by the end of this financial year.

**Senator MARK BISHOP**—That is right; he did. When that negotiation process has concluded and all the parties have signed off, will the bilaterals be made public?

**Mr Elliott**—That would be a matter for a decision by the minister and the government, I think.

**Senator MARK BISHOP**—There is nothing intrinsically secret about it, is there?

**Senator Ian Campbell**—No, I do not think there is anything secret about it. All these negotiations were pretty public.

**Senator MARK BISHOP**—There were parties of 30 or 40 participants involved.

**Senator Ian Campbell**—I think that is actually part of the answer to your previous question about whether some external strategic body would add much value, because it is the state and federal governments that are ultimately responsible to their citizens for how they deliver transport policy. I think both levels of government consult with all of the key stakeholders. It is a very transparent process. I suspect that is the sort of discussion that is going on.

**Senator MARK BISHOP**—Has the decision been made to go down this path of bilateral agreements in preference to intergovernmental agreements? Would you rather have eight bilateral agreements with the state and territory governments as opposed to one agreement with all of the states and territories?

**Mr Doherty**—That is correct, particularly for agreements which go to funding arrangements for projects. That has not ruled out the possibility of a more general intergovernmental agreement should the need arise.

**Senator MARK BISHOP**—Page 104 of the white paper says:

... an intergovernmental agreement might be an appropriate way to do this. Such an agreement would be broader in coverage and additional to the infrastructure and funding agreements envisaged for implementing the National Land Transport Plan in each State.

Would an IGA deal with setting formulas for road construction, and maintenance and development priorities for national transport corridors, or is that simply done through bilateral agreements?

**Mr Doherty**—Technically I think you could include anything in an intergovernmental agreement. There is really an issue about the practicalities of getting all states to agree to exactly the same sort of terminology. So I think the bilateral agreements are a more efficient process.

**Senator MARK BISHOP**—Can the department supply the committee with funding by electorate for the last financial year for the Roads to Recovery program and the Roads of National Importance program?

**Mr Doherty**—We can certainly do that for the Roads of National importance, but in relation to Roads to Recovery the practicality of that becomes an issue of the way the program works. We have a program which distributes a range of funding to individual councils. So, to the extent that we could translate local government areas to electorates, we could certainly provide that funding. That would give you an indication of how much went there. I guess the issue will be around the areas where there are electorate boundaries that do not line up with local government electorates. In those areas, with a huge number of projects decided by councils, we are not going to be able to map individual projects to electorates.

**Senator MARK BISHOP**—Is DOTARS's computer system baseline around local council areas?

**Mr Doherty**—In relation to Roads to Recovery, it certainly is. Our Roads to Recovery arrangement is administered by what is currently a separate system from the others that we use in road funding. We are looking at a process to bring those together into a common system to support AusLink.

**Senator ALLISON**—I have some questions on the Ansett levy. Could we start with a brief explanation of the responsibilities of the two departments—the Department of Transport and Regional Services and the Department of Employment and Workplace Relations—on administering the air passenger ticket levy?

**Ms Armitage**—DOTARS have been responsible for the levy collection to consolidated revenue. Our aviation policy area has participated on the committee of creditors with transport security—the funds that came from the surplus to the levy. The rest of the administration of the levy and the payment through SEESA and SEES is with the Department of Employment and Workplace Relations.

**Senator ALLISON**—So you collect the levy but you are not in any way responsible for decisions about the rules of the scheme, for instance, which govern relationships between various organisations.

**Ms Armitage**—That is correct.

**Senator ALLISON**—So you do not know anything about SEES Pty Ltd?

**Ms Armitage**—No. We know obviously—

**Senator ALLISON**—Or the contracts or—

**Mr Yuile**—It is all the responsibility of the Department of Employment and Workplace Relations.

**Senator ALLISON**—So you do not have any contact with Korda Mentha or SEES?

**Ms Armitage**—No.

**Mr Yuile**—That is handled by that department.

**Senator ALLISON**—You have no contact whatsoever with those organisations?

**Mr Yuile**—Not on this issue, that I am aware of.

**Ms Armitage**—No.

**Senator ALLISON**—Do you do, for instance, forward calculations on the expected income from the levies?

**Ms Armitage**—The levy was terminated in June 2003—

**Senator ALLISON**—I understand that.

**Ms Armitage**—and the amount of levy collected was \$286.4 million.

**Senator ALLISON**—Back when decisions were being made about how the repayments would work, did you provide the Department of Employment and Workplace Relations with estimates of what the levy would collect?

**Ms Armitage**—I am not aware of that.

**Ms Riggs**—Perhaps I can help. Yes, the Department of Transport and Regional Services did provide such estimates to the Department of Employment and Workplace Relations at that time.

**Senator ALLISON**—Is it possible to provide a figure as to what was calculated?

**Ms Riggs**—I will have to take that on notice. It is somewhere in the files from a couple of years ago.

**Senator ALLISON**—Were you involved in the decision to stop the levy at a point in time?

**Mr Yuile**—It was a decision of the government, I think.

**Senator ALLISON**—Yes, I know, but was your advice sought?

**Ms Armitage**—I would have to take that on notice. The people who were involved with the program at that stage are not in the department.

**Ms Riggs**—Yes, this department provided advice to the Minister for Transport and Regional Services about that matter.

**Senator ALLISON**—And that advice was in relation to the estimate compared with the revenue—

**Ms Riggs**—I do not think I will be discussing the terms of the advice from the department to the minister.

**Senator ALLISON**—All right. So your department had nothing to do with determining worker entitlements?



**Ms Riggs**—No, those matters were managed by the Department of Employment and Workplace Relations.

**Senator ALLISON**—How was that income tracked under the scheme?

**Ms Riggs**—I am not sure that I understand the question.

**Senator ALLISON**—Did you report monthly on the amount of the levy coming in or did you collect that information less frequently?

**Ms Riggs**—I think the reality was that each of the airlines that were liable to pay a levy had to provide data on a monthly basis to this department and subsequently make appropriate payments into consolidated revenue.

**Senator ALLISON**—So you were able to compare the revenue that was coming in with the estimate for each of those months and provide advice to—

**Ms Riggs**—I believe that would have been possible. I cannot tell you if that was how the program was administered. As Ms Armitage has already said, regrettably those who were involved in the detail of the operation of the levy receipt at that time have since left the department.

**Senator ALLISON**—But presumably you have records of the information that was provided. Is that available?

**Mr Yuile**—Yes. As Ms Armitage was saying earlier, we would need to check the records. As Ms Riggs said, I am quite sure that that information was collected. How it was handled—the advice and the timing of the advice—

**Senator ALLISON**—I understand that you may not be able to give the committee the advice that was given to government; however, there is presumably a schedule of some sort that shows the estimate month by month and the amount of revenue that came in month by month.

**Ms Armitage**—We will go through the records to see exactly what process was followed in the monitoring of the levy, and we will inform you of that process.

**Senator ALLISON**—Did the department have any involvement whatsoever in asset sales?

**Mr Yuile**—By the administrator?

**Senator ALLISON**—Yes, asset sales by Ansett.

**Ms Armitage**—That would have been the responsibility of the administrators.

**Senator ALLISON**—So the department of transport would not have been involved in any estimates of the value of those assets?

**Ms Armitage**—No. Under the Corporations Act, those are matters that are entirely the responsibility of administrators.

**Senator ALLISON**—But it is the other department that has oversight of that, not your department?

**Ms Armitage**—That is also true.

**Senator ALLISON**—I just do not want to go to the department of workplace relations and be told that it is all your responsibility, not theirs.

**Mr Yuile**—I am sure they would not do that.

**CHAIR**—They wouldn't do that to you.

**Senator ALLISON**—It would not be the first time, Chair. So this department is not involved in questions to do with administrative costs by SEES?

**Ms Armitage**—No, that is the responsibility of the Department of Employment and Workplace Relations.

**Senator ALLISON**—Was there a member of the department on the board of either Korda Mentha or SEES?

**Ms Riggs**—No, not of this department.

**Senator ALLISON**—Was there any other involvement of any personnel in SEES Pty Ltd?

**Ms Riggs**—This department was not involved in the dealings between the government and SEES.

**Senator ALLISON**—Did the department have anything to do with any shareholding in that company?

**Ms Armitage**—No, this department did not.

[4.48 p.m.]

#### **Office of Transport Security**

**Senator ALLISON**—I have questions about pilot licensing. Is there any indication yet about the level of fees to be levied on pilots? It was said to be around \$200. Has that amount been set yet?

**Mr Tongue**—That was a number that I used in these estimates hearings early on, soon after the announcement. We have subsequently been working with the industry and with CASA to get the number down. The answer is that we have not finally arrived at a definite number, but we believe it will be considerably less than \$200.

**Senator ALLISON**—By getting the number down, do you mean less than \$200 or less than some other figure?

**Mr Tongue**—Below \$200.

**Senator ALLISON**—What are the considerations in getting the figure down?

**Mr Tongue**—There are some fixed costs in the process, and they are principally costs charged by the Australian Security Intelligence Organisation and the Australian Federal Police. The policy decision that was taken in implementing the measure, though, was that it would be fully cost-recovered. The issue for us in finalising a number is the question of production of cards and administrative costs that might be borne by us or CASA. We are aware that the issue is of concern in the industry, and, as I say, we are trying to drive the cost as low as we can.

**Senator ALLISON**—I did not quite catch what you said. Do those costs include the ASIO check?

**Mr Tongue**—The ASIO check and Australian Federal Police check are both set fees run by those organisations. We have to start with those two costs, and then there is the physical production of an identity document, which is a cost, and any costs that might pertain to ourselves or CASA. That is the issue.

**Senator ALLISON**—So the answer is yes. Whatever the fee is—

**Mr Tongue**—It will be one fee.

**Senator ALLISON**—It is entirely the cost of the operation?

**Mr Tongue**—Yes, that is right.

**Senator ALLISON**—And you think it will be something less than \$200?

**Mr Tongue**—Yes.

**Senator ALLISON**—Has there been any consideration of pilots themselves not paying that fee but the cost being borne, say, by the employer? Was that considered and, if it was, why was it rejected?

**Mr Tongue**—There are various groups of pilots affected by the measure. There are pilots who work for RPT—regular passenger transport—operators who, in most instances, would have the costs of background checking and production of an identity document borne by their employer. There is a group of pilots who are involved in other commercial activities but who may not be carrying passengers and whose employers may choose to bear the cost. And then there is a wider group of pilots who may be affected by the measure who will probably end up bearing the cost themselves. That issue is really an issue for the marketplace to sort out. With the pilots employed by Qantas, Rex or any of the airlines, typically the employer will pick those costs up.

**Senator ALLISON**—So the fee will be paid in the first instance by the pilot, and whether or not they have negotiated something with their employer is up to them. Is that what you are saying?

**Mr Tongue**—Or, if the pilot is working for a larger employer, the employer may strike a deal with the background checking organisations, become an issuing authority and then just do it as a job lot.

**Senator ALLISON**—Do you have a feel for where those negotiations are going or what is likely to happen?

**Mr Tongue**—We are talking about an affected population that may be as big as 35,000. It is a bit early to say how we might break that number down between the RPT group and the other groups.

**Senator ALLISON**—Have you broken that figure down into those pilots that are active and those that are not?

**Mr Tongue**—That is a difficult question, because people can still have their pilot qualification but not be active. Until we write out and say to people, ‘Here’s the deal,’ we do

not quite know. Ms Dickman has written me a note saying that 35,000 have a current medical. The current medical is a bit of an indication of who is active. Until we have actually written out to people and said, 'This is the impact,' we will not know how many people might have a medical but might say, 'I'm not going to do that,' and withdraw.

**Senator ALLISON**—Can someone who is inactive ignore this requirement until they choose to fly again?

**Mr Tongue**—No, because the way the regulations will be crafted by us and CASA will drive the process. It will eventually be illegal to fly without a ground check.

**Senator ALLISON**—Has the department yet determined how often pilots will need to have an ASIO check?

**Mr Tongue**—Effectively, it will be a process where—

**Dr Turner**—There are essentially two things that we are trying to do here. One is to ensure that you do not get a pilot's licence without a background check and then, because pilots have to have access to the security controlled parts of airports, there is an access control issue. Many pilots will not require access to the airport; they will only require a check to go with their licence.

**Senator ALLISON**—Sorry; they will only—

**Dr Turner**—A check associated with their licence.

**Senator ALLISON**—I see. So there is a different ASIO check if you are coming into certain airports. Is that right?

**Dr Turner**—You will only require one ASIO check that will have a shelf life of two years. To paint a scenario, let us assume that a pilot works principally in rural areas without access to an airport. That pilot will require a background check as part of getting a licence. That background check has a shelf life of two years, so if that person applies for an Aviation Security Identification Card because they need it for access to the secure parts of airports, assuming that the ASIO check is less than two years old, they will not have to go through another background check.

**Senator ALLISON**—And the other group?

**Dr Turner**—If you are a pilot who requires both a licence and access to the secure parts of airports, you will have to go through the check every two years in order to retain your Aviation Security Identification Card.

**Senator ALLISON**—I am sorry; I thought you said that there was a two-year shelf life on licences for rural pilots as well. What is the difference?

**Dr Turner**—The difference is that there is a five-year return period for a background check on a licence but if, as a pilot, you need access to the secure parts of airports and require an Aviation Security Identification Card, the return period for those background checks is two years.

**Senator ALLISON**—Can you just take us through what happens when a pilot has been favourably approved through the security check by ASIO? Is the pilot informed about that?

**Dr Turner**—Yes. And automatically, assuming we are talking about a background check for a licence, the licence will be issued by CASA. If the pilot then requires access to the secure parts of airports, the pilot will have to apply for an Aviation Security Identification Card but they will not need a separate background check as part of that process. The background check itself will not need to be duplicated so they will not have to pay twice for a check. The check itself has a shelf life of two years.

**Senator ALLISON**—Will there be a file on each individual pilot on the ASIO database?

**Dr Turner**—There will be a record of who has applied, who has been granted a licence and who has an Aviation Security Identification Card.

**Senator ALLISON**—Will matters considered by ASIO in declaring that there is no security risk be recorded on the database or will ASIO keep a file?

**Dr Turner**—They may be recorded by ASIO; that is a matter for ASIO. They will not be recorded by us.

**Senator ALLISON**—But they will be recorded by ASIO.

**Dr Turner**—I do not know about ASIO's record keeping; I presume they will. Commonsense tells me that they will, but those details will not be shared with us.

**Senator ALLISON**—What is the process for informing the department where a security risk has been discovered, say, after the pilot has been approved?

**Dr Turner**—In circumstances where we are talking about evidence becoming clear after the pilot has been granted a licence or an ASIC, those circumstances differ depending on the information. If it is part of the ASIO check, the ASIO records are, as it were, live. If you have been granted a licence and in 12 months time something came to ASIO's attention that would lead them to qualify or otherwise be concerned about your clearance, that information is, as it were, live and we will be told immediately. That is not the case with police record checks which is why the cycle is every two years. We would not know that a criminal record—there is an obligation on the person to tell us, but if they do not we will not become aware of it necessarily until a new check is done.

**Senator ALLISON**—If a security risk arises in the case of a pilot who has already been approved, can the department revoke the ASIC once it has been issued?

**Dr Turner**—With regard to both the ASIC and the status check for a pilot's licence, there are powers for revocation, yes.

**Senator ALLISON**—And, as I understand it, there is an appeal process as part of that?

**Dr Turner**—There is. There is an appeal process to the Administrative Appeals Tribunal.

**Senator ALLISON**—Does the pilot get stood down during the appeal? What are the arrangements?

**Dr Turner**—I think the answer is no, but I will have to take that on notice.

**Senator ALLISON**—It is my understanding that no pilots have been declared security risks so far—is that right?

**Dr Turner**—That is right.

**Senator ALLISON**—How many pilots have been through the process already?

**Dr Turner**—After September 11, ASIO did a sweep of all current pilot licences. How many have been through the process since then, I am not quite sure, but the pilots who were around in late 2001 have been subject to an ASIO check. Less than a handful attracted any attention at all and none had qualified.

**Senator ALLISON**—Is it the case that the pilots do not yet have to go through the ASIO check until after March under the new system—is that right?

**Dr Turner**—There has been some checking in place since July last year, but that would have applied only to commercial pilots—the pilots from the big end of town, as it were, who were reapplying for their ASICs—and trainees at the moment. So the new system is not fully fledged until 10 March—that is correct.

**Senator ALLISON**—How long will it take to undergo an ASIO check?

**Dr Turner**—It depends on the flow of work through ASIO, but in the great majority of cases it is a matter of days. It can take longer if, for example, the person spent a long time overseas and more checking has to be done, but the advice from ASIO is that, with 80 per cent or 90 per cent of the cases, it is a few days—four, five or six days. Other cases can take much longer; it depends on how much background checking has to be done.

**Senator ALLISON**—Is there different checking for different pilots or circumstances?

**Dr Turner**—No, I think it is a question of, for example, many pilots having common names and, if ASIO have to go and sort out whether it is that John Smith or that John Smith, it can take longer.

**Senator ALLISON**—So it would not be out of the question for it to take months rather than days?

**Dr Turner**—It would be very unusual but it would not be unknown.

**Senator ALLISON**—For such a pilot with a common name taking months, is there an arrangement in the meantime? After March, when this is required, what if someone's checking takes months—are they able to fly or are they grounded? What happens?

**Dr Turner**—My understanding is that, if they are seeking a licence, the licence will not be issued. If they are seeking an aviation security identity card, the body issuing the card may well decide to issue them a visitor's card. It is a matter between the pilot and the issuing body.

**Senator ALLISON**—Is it the case that pilots are renewing licences in the rush to beat the deadline, as it were, for ASIO checks? Is that what is going on at present?

**Dr Turner**—I do not know the precise details off the top of my head, but we would certainly be encouraging pilots to seek a photographic licence sooner rather than later. I do not know that I would describe that as beating the rush, but I hope they are applying sooner rather than later.

**Senator ALLISON**—So, if they apply before the end of March, there is no need for a security check for what period of time, assuming they have been part of the sweep?

**Dr Turner**—Any ASIC issued to a pilot prior to 10 March will continue to be a valid ASIC until 31 August 2006.

**Senator ALLISON**—There is some suggestion that it is going to be very difficult to perform ASIO checks on all of the 35,000 pilots that are out there. Is that a concern that the department has?

**Mr Tongue**—We completed a process with the relevant agencies to do 65,000 people at major airports. It took a couple of months longer than we thought, simply because it took a little longer than we had anticipated to get all the names in, but we completed it to a reasonably rigorous deadline. At this stage there is nothing to suggest that we are going to have a hold-up.

**Senator ALLISON**—And they were similar?

**Mr Tongue**—Yes, the same checking procedure.

**Dr Turner**—It was about 65,000 people.

**Senator ALLISON**—Those people were not charged a levy—is that right?

**Dr Turner**—They had to pay for their ASIC.

**Mr Tongue**—Their ASIC was still charged. It is just that in most instances their employer chose to pick up the cost.

**Senator ALLISON**—Including the cost of the security check?

**Mr Tongue**—The cost of the security check, the cost of production of the card, any administrative fees and so on.

**Senator ALLISON**—And they were all employed by airports and the like? Were there any who you might describe as being similar in self-employment arrangements as pilots?

**Dr Turner**—There might have been a few, but you are right: the great majority of those people were employees of fair-sized companies, yes.

**Senator ALLISON**—How many ASICs have been issued already in Australia?

**Dr Turner**—Sixty-five thousand is the number we normally use. It may be a few more than that now—65,000 or 70,000.

**Senator ALLISON**—How many of those have now been re-issued with ASIO checks?

**Dr Turner**—They were all issued in the months prior to August of last year, so all 65,000 were re-issued. Basically there was a higher standard check applied.

**Mr Tongue**—Issued or re-issued.

**Dr Turner**—Issued or re-issued, yes.

**Senator ALLISON**—What considerations are currently being given to other licences or other transport related occupations for ASIO and other checks?

**Mr Tongue**—The government has announced that a maritime security identity card will be issued in the maritime sector and the government is currently in the process of considering its policy settings around the extent of that card and consulting with the various affected parties—unions, employers and so on.

**Senator ALLISON**—That will include ship's captains, for instance?

**Mr Tongue**—It would include Australian crew, people working in the secure areas of major ports and port facilities and possibly others working in ports where they interact with the secure areas of those ports and port facilities.

**Senator ALLISON**—Would it also include people like ferry masters?

**Mr Tongue**—Where they are people on security regulated vessels—that is, above 500 tonnes and on the Australian register—it would. If it is ferry masters coming into interaction with secure areas of major ports or port facilities, it is possible that that is one of the policy settings that the government will need to consider.

**Senator ALLISON**—Are there non-Australian crew that have access to secure areas?

**Mr Tongue**—You mean foreign vessels coming into Australian ports?

**Senator ALLISON**—You said 'Australian crew'.

**Mr Tongue**—Yes.

**Senator ALLISON**—I am asking about non-Australian crew.

**Mr Tongue**—Yes, because, at the moment at least, we have a lot of foreign vessels berthing in Australian ports; however, access arrangements for those crew are things covered in port security programs.

**Senator ALLISON**—Have you done a study on the likely risk to Australia's security of Australian crew versus foreign crew?

**Mr Tongue**—The government made some announcements prior to Christmas about a review of maritime security settings. That is certainly one of the issues that was looked at and is still under consideration.

**Senator ALLISON**—Sorry, I have not read that report. Can you just answer the question.

**Mr Tongue**—It was basically a review by the Secretaries Committee on National Security of maritime security settings. Out of the review came a proposal to extend the Maritime Transport Security Act to the offshore oil and gas sector to create the joint offshore protection command and a range of associated measures. The issue with foreign seafarers is that it is principally a border control issue and it is really the responsibility of the Department of Immigration and Multicultural and Indigenous Affairs working with the Customs Service. They are continuing to look at the question of foreign seafarers.

**Senator ALLISON**—Obviously, it is not practical for them to have a security check done on them. Or is that what you are suggesting may be likely?

**Mr Tongue**—Just as the immigration department would process the name of a person climbing on a plane at a foreign airport before the person gets on the plane, one of the policy questions is whether it is possible to do that for foreign seafarers. There are some significant differences between ships and planes. People live on ships, so there are some technical issues there. The question is: do our border control settings give us comfort that we have what we call 'domain awareness' of who is coming towards Australia?



**Senator ALLISON**—What role does DIMIA currently play in ships that have foreign crews?

**Mr Kilner**—All foreign ships coming to Australia are required to submit information to Customs, who act on behalf of DOTARS and DIMIA, concerning the ship, the crew and the cargo. For example, 48 hours prior to a ship seeking to berth in an Australian port, information is provided concerning the crew list as well as the cargo on board. Those lists are then checked against databases to see whether there are people of interest and there is a risk profiling undertaken by Customs of the cargo contained on that vessel. Those steps are taken as part of the normal compliance checking arrangements, the border security arrangements, prior to a ship arriving in Australia.

**Senator ALLISON**—Are those details checked against passports on arrival?

**Mr Kilner**—Customs do a first-port boarding of somewhere between 70 and 80 per cent of all ships arriving on the Australian coast. In particular circumstances, face-to-passport checking will be done. That is based on risk profiling.

**Senator ALLISON**—Is it likely that truck drivers will be brought under this umbrella of security?

**Mr Kilner**—That is one of the policy considerations that is currently before government.

**Senator ALLISON**—When will we see a proposal or a decision to do with truck drivers?

**Mr Kilner**—I would expect it to be soon, but I cannot give a date.

**Senator ALLISON**—Are you looking at all truck drivers or just those in airports and maritime related activities?

**Mr Kilner**—I do not think it is going to cover all people who have a licence to drive trucks. I think the actual settings will be related mainly to unescorted access arrangements within secure zones, but that is a decision that is yet to be made by government.

**Senator ALLISON**—What about bus drivers?

**Mr Kilner**—I do not think bus drivers have unescorted access into secure zones, so my understanding is that we are not looking at bus drivers at the moment.

**Senator ALLISON**—Is the parliamentary area a secure zone by your definition?

**Mr Kilner**—It is not under the Aviation Transport Security Act or the Maritime Transport Security Act.

**Senator ALLISON**—What informed the decision making about pilots versus truck drivers versus ferry masters and others? What assessment was made of the security risk in Australia of those personnel in particular?

**Mr Tongue**—Both the aviation sector and the maritime sector have been subject to the Secretaries Committee on National Security review process. Typically, the way we ‘tune’ the regulatory settings is that we rely on what we call sectoral threat assessments produced by ASIO that I could best describe as overall pictures of the threat environment pertaining to each of the sectors. We use that information and, working with the security agencies, state police and industry, we expose that part of the information that is not national security

classified to discuss our view of the implications of the information. From there, we develop policy advice which we put to government. From there, the government takes a series of decisions that we go away and implement.

The background checking is not dissimilar to the background checking that was done for the Olympics or, I would imagine, that will be done for a range of people associated with, say, the Commonwealth Games or possibly APEC 2007. It is a risk associated with insiders who may be involved in conspiracies that might affect ships, planes, ports or airports.

**Senator ALLISON**—Obvious comparisons have been drawn between these arrangements and the World Trade Centre terrorism attack; those who took the planes into the World Trade Centre obviously had no pilot's licence. Doesn't that suggest that it is not this group that ought to be targeted?

**Mr Tongue**—I will be a little circumspect in how I answer this. We try to build the security system around a range of layers. Some of them are to do with physical security, some of them are to do with personnel security and some are to do with border security. The general rationale for background checking relates both to specific events that we have observed and to our general concern about personnel security. In dealing with a threat that we describe as our need to expect the unexpected, one of the layers that is generally regarded as important in the national counter-terrorism context is the layer of personnel security; hence the focus on new pilots, for example, as well as existing pilots.

**Senator ALLISON**—Can you explain why those who pilot ultralight aircraft are not part of this process?

**Mr Tongue**—All powered aircraft are under the regime.

**Senator ALLISON**—Is it the United States that has excluded ultralight aircraft?

**Mr Tongue**—The United States has a slightly different regime from us. There is a variety of reasons for that.

**Senator ALLISON**—Could you expand on those?

**Mr Tongue**—They have a range of resources available to them to interdict aircraft, track aircraft and deal with emerging security threats that we do not have on the same scale or with the same geographic spread. So, in our process of risk assessment, we have come up with a slightly different pattern of measures reflecting what we think is appropriate for our economy to bear.

**Senator ALLISON**—Can we talk about the security training and joint agency antiterror exercises at regional airports? What will those exercises entail?

**Mr Tongue**—I might ask Ms Dickman to talk about that.

**Ms Dickman**—Essentially those exercises will be joint events between ourselves and state police forces. Those exercises will be based on identified needs. We have been through an extensive consultation process with state police to identify specific projects. The types of exercises and events will vary based on jurisdiction and based on the airports at which they are delivered. Contributing to the types of exercises and drills that will be delivered have been analyses of the transport security programs that airports are submitting.

**Senator ALLISON**—These exercises are being funded through the Ansett ticket levy, as I understand it.

**Ms Dickman**—No. My understanding is that the funding for the regional skies package did not come from the Ansett levy.

**Senator ALLISON**—Is it in the budget already?

**Ms Dickman**—It is on page 48, I think, of the portfolio additional estimates statement.

**Senator ALLISON**—Who is doing the security training? Who conducts it? You said you are doing it with the police, but what part of your department is doing it?

**Ms Dickman**—It will be a combination. The first training exercise is actually occurring later this month, in Western Australia. That will be led by the Western Australian police and we will have a specific role within that event. It will bring in a range of airports as well as airport operators and basically aviation industry participants from a particular region to work through some initiatives. At the end of that, they will also produce a drill and exercise template that can be used by local police to work with their local airport.

**Senator ALLISON**—Will all of the cost be borne by the Commonwealth?

**Ms Dickman**—Yes, in these cases, though we will not be paying for already existing costs. For example, we will not be paying for the wages of the police officers that are involved in delivering the training in addition to what they would already be getting.

**Senator ALLISON**—And will the airports themselves contribute to the cost?

**Ms Dickman**—No, they will not need to contribute to the cost apart from literally getting themselves to the event.

**Senator ALLISON**—Is there a summary of the consultation that has gone on so far with the regional airports with regard to what they can expect?

**Ms Dickman**—We have not produced a formal document. We have a series of trends that have indicated where training needs exist. That has been basically discussed and refined with the local police forces. There is quite a customised approach based on each jurisdiction.

**Senator ALLISON**—Will each regional airport in some way be involved or will there be somewhere this is not being used?

**Ms Dickman**—Each of the airports will have access. It depends on how that is delivered in each jurisdiction. We will also be producing some standard training material that will be available on a CD and also as a self-paced course off the internet from a secure site. That will be available to all airport and aircraft operator staff as well.

**Senator ALLISON**—Can you confirm the total amount that is to be spent on the regional airport security exercise?

**Ms Dickman**—For regional airport security exercises, the total amount this financial year available is \$1.7 million.

**Senator ALLISON**—How many separate exercises will that fund?

**Ms Dickman**—It will vary across jurisdictions, but there will be funding provided to each police force in each state, based proportionately on the number of airports that they have.

**Senator ALLISON**—What happens the following year?

**Ms Dickman**—There is \$1.7 million in the following year. It is \$1.7 million each year, starting this financial year and through to 2007-08.

**Senator ALLISON**—So there is the same number, or roughly so.

**Ms Dickman**—Yes, that is correct.

**Senator ALLISON**—Are you starting with the bigger ones? How do you determine which comes first?

**Ms Dickman**—As part of working out the priority in terms of where funding will be delivered, each of the state police forces have worked with us in terms of risk profiling. That has identified particular areas of focus, but each airport will have access to training during the duration of the next four years. They should also have multiple training opportunities within that time.

**Senator ALLISON**—Was there any discussion about why the costs should be borne by the department of transport and not some other department?

**Ms Dickman**—Not that I am aware of.

**Senator ALLISON**—Is there some logic to this?

**Mr Tongue**—The logic has tended to be that aviation security is really the purview of a wide range of agencies. Our link to funding of this nature has tended to focus on our responsibility to approve security programs at airports. With some aspects of the Securing our Regional Skies package, for example, the AFP has received funding for its operational responsibilities; but where it is not to do with the direct operational responsibilities of another agency, the funding has tended to come to us. That has generally been the rule of thumb.

**Mr Yuile**—The emphasis that we have had has been more at the preventative end—the preventative security end as opposed to the operational response. To the extent that we are helping airports prepare, that tends to be the involvement of this department.

**Senator ALLISON**—Is there a breakdown of the \$162 million altogether, I think, that the government is spending on regional aviation? Is it \$48 million as part of that? Is there a breakdown of that \$48 million?

**Mr Tongue**—I am not quite sure of the derivation of your number.

**Senator ALLISON**—I am looking at a press release from the minister for transport that says, ‘Regional aviation security targeted with \$48 million security boost.’

**Mr Tongue**—I suspect that that number would, from memory, involve the \$48 million of the Securing our Regional Skies initiative and an amount of \$93 million that was the enhanced aviation security package—and some further funding associated with some international activities, strengthening cockpit doors—

**Senator ALLISON**—Has that been achieved now? Have all the cockpit doors been strengthened now?

**Mr Tongue**—There have been some supply problems at the small end of the market. At the big end of the market—major jets—all major jets have hardened cockpit doors, including

international carriers. The cockpit door initiative was for smaller planes over 30 seats. Of the 11 companies eligible for the initiative, we have contracts with seven. The other four have their contracts with them.

**Dr Turner**—There are 11 companies. Seven have signed contracts and have received first payment. With three companies, we have concluded the contract with them and I expect the payment within the next few days. And there is a fourth company where the aircraft they operate have some more complex design issues to address. We have yet to conclude the contract with them.

**Senator ALLISON**—Have the hand wands been distributed to all regional airports now?

**Ms Dickman**—Not at this stage. We are about to release a major tender to cover off the supply of the hand wands and the training associated with those. The actual design of the hand wand initiative has been based on analysis of transport security programs.

**Senator ALLISON**—Thank you. I have finished.

**Senator MARK BISHOP**—I want to talk about the shipping security aspects of transport security. On page 45 of the annual report of the Maritime Safety Authority, it refers to the definition of a high-risk ship. What is a high-risk ship?

**Mr Kilner**—A high-risk ship is one that fits a particular risk profile that has been developed in consultation with other agencies and internationally. It usually involves issues concerning its safety record. There are other issues associated with ship management and ownership as well as the issues associated with the nature of the cargo and also of the crew. I do not want to go into the specifics in regard to that, but there is a risk profiling approach that we take in regard to all foreign ships visiting Australia.

**Senator MARK BISHOP**—Does that include passport visitation?

**Mr Kilner**—There is separate profiling with regard to the crew, but I cannot go into details in an open session.

**Senator MARK BISHOP**—Why not?

**Mr Kilner**—I am sure that is obvious.

**Senator MARK BISHOP**—It is not to me.

**Mr Kilner**—There are a number of issues looked at in terms of any ship arriving in Australia. We look at the ship—the arrangements concerning that particular ship—we look at the crew and we look at the nature of the cargo. Those three factors affect the risk profiling. What I do not want to do is talk about the particular weighting that is given to a particular ship with regard to those components.

**Senator MARK BISHOP**—What about the other classifications there—medium to high risk, low to medium risk, low risk?

**Mr Kilner**—Those same factors are taken into account in creating that risk profile.

**Senator MARK BISHOP**—Is port visitation one of the matters counted in the risk profile?

**Mr Kilner**—One of the factors we take into account is the previous 10 ports of call of ships.

**Senator MARK BISHOP**—On that particular voyage or on all previous voyages?

**Mr Kilner**—When a ship requests entry to an Australia port, we count back the previous 10 port calls and look at those particular ports.

**Senator MARK BISHOP**—Are criminal records of the crew considered in the risk profile?

**Mr Kilner**—Which crew?

**Senator MARK BISHOP**—The crew of the ship seeking to entry to an Australian port.

**Mr Kilner**—The crew are run through a particular alert list. I cannot go into details concerning whether that is the criminal record or other information concerning a particular crew member.

**Senator MARK BISHOP**—But an analysis is done of the crew?

**Mr Kilner**—Yes.

**Senator MARK BISHOP**—Of the total number of ships visiting Australian ports each year, what proportion and what number fit this definition of high risk?

**Mr Kilner**—In the previous year, there were 22,300 ship visits to Australian ports, of which there are 11,000 ships, because some of them make multiple calls. As to the percentage of ships that would fit that, I cannot give you an exact percentage but it is very low.

**Senator MARK BISHOP**—You said there were 22,000 visits, some of which are multiple ship visits?

**Mr Kilner**—There are over 22,000 port visits involving 11,000 ships.

**Senator MARK BISHOP**—Are we talking about fewer than 1,000?

**Mr Kilner**—In the high-risk category, yes.

**Senator MARK BISHOP**—So that is less than five per cent. Of those in the high-risk category, what percentage is inspected?

**Mr Kilner**—Seventy per cent of all ships arriving in Australia are first-port boarded by Customs. There are specific ships that we have requested Customs to board, and we have boarded certain ships ourselves. I do not want to go into the number in that regard because of the nature of that information. All ships are looked at; all ships are risk profiled. All the ships that we have issues with regarding ship, crew or cargo—and that might be as minor as particular information missing from their records right through to other security issues—are boarded and questions are asked or other actions are taken with regard to them.

**Senator MARK BISHOP**—What you have said to me, Mr Kilner, is that there are fewer than 1,000 high-risk ship visitations to Australian ports out of a total of 22,000 per year. That is the first point. The second point is that 70 per cent of those are subject to a first-port call visitation by you or Customs.

**Mr Kilner**—No. Seventy to 80 per cent of the 11,000 are inspected.

**Senator MARK BISHOP**—If that is the case, you might then put on the record detail of the various grades of inspection. There is a striking difference between a full search of every aspect of the ship and every crew member and someone checking the paperwork, isn't there?

**Mr Kilner**—Yes. There are a range of actions taken on board each ship that is boarded, based on the nature of information that is being verified.

**Senator MARK BISHOP**—I am talking about the high-risk ships. How many of the high-risk ships, in number and percentage, are inspected? Let us get that out first.

**Mr Kilner**—All high-risk ships are boarded.

**Senator MARK BISHOP**—How many of those are there per year?

**Mr Kilner**—A very small percentage.

**Senator MARK BISHOP**—Of the 22,000?

**Mr Kilner**—Yes—of the 11,000.

**Senator MARK BISHOP**—Sorry—of the 11,000. Is that less than 10 per cent?

**Mr Kilner**—Ten per cent of what, Senator?

**Senator MARK BISHOP**—Of the 11,000. Mr Kilner, I am happy to go through to eleven o'clock and come back on Friday to do this exhaustively. You can play as many smartypants games as you like. This information is on the public record; I want to establish it here from your department, so I am happy to do it.

**Mr Kilner**—I am trying to understand what your question is.

**Senator MARK BISHOP**—No, you are not. You are trying to avoid answering the question. How many high-risk ships—

**Senator Ian Campbell**—Senator, I do not think that Australian public servants need to be badgered like this by hot under the collar Labor senators. The department has been trying to help all day. Because the senator cannot make himself understood coherently perhaps he should try and reword his questions and be a little more cautious rather than getting hot under the collar and losing his temper.

**Senator MARK BISHOP**—I am not hot under the collar and I have not lost my temper.

**Senator Ian Campbell**—Well, it shows from here.

**Senator MARK BISHOP**—I have asked the same question five ways.

**Senator FERRIS**—Senator Bishop, let us see if Mr Kilner can answer your question now.

**Senator MARK BISHOP**—Okay. How many high-risk ships visit Australian ports each year?

**Mr Kilner**—Under the definition of high-risk ships that we have gone through previously, a very small percentage of those ships. In rough terms, about five per cent of the 11,000 ships that come to Australia would be considered high risk for one reason or another.

**Senator MARK BISHOP**—So we are talking about 550 ships, give or take?

**Mr Kilner**—Yes.

**Senator MARK BISHOP**—Are all of those 550 ships visiting boarded by your department?

**Mr Kilner**—No.

**Senator MARK BISHOP**—Of the 550, how many are boarded by your department?

**Mr Kilner**—There are two parts to this answer. The first part is that Customs boards the predominant majority of all vessels; that is, they board 70 to 80 per cent, as I have indicated previously. Any ship that we have a concern about we will ask Customs to board. The second part of the question is how many ships officers of the Office of Transport Security have boarded. Since 1 July, which is when the regime was up and running, we have conducted 11 ship inspections.

**Senator MARK BISHOP**—Eleven ship inspections since 1 July 2004?

**Mr Kilner**—That is correct.

**Senator MARK BISHOP**—In addition to saying that the Office of Transport Security has boarded 11 ships you say also that Customs have also boarded 70 to 80 per cent of high-risk ships that have come in that time.

**Mr Kilner**—No, what I have said is that Customs have boarded 70 to 80 per cent of the 11,000 ships that come to Australia. All high-risk ships have been boarded. So where we have not boarded them Customs have boarded them. Specifically, where we have had a particular issue with a ship, we have requested Customs, on 21 occasions, to board those particular vessels.

**Senator MARK BISHOP**—Okay; sorry.

**Mr Kilner**—It is not just concerning the Office of Transport Security; there are other issues, as you would be aware, that Customs will board ships for.

**Senator MARK BISHOP**—Yes, I have had detailed discussions and briefings from Customs as to their role, so I am aware of their role. What I am trying to establish is the role of the Office of Transport Security. What you are telling me is that your office has boarded 11 ships since 1 July.

**Mr Kilner**—That is correct.

**Senator MARK BISHOP**—Were the decisions to board those ships done on the basis of information received or the security profiling that you do?

**Mr Kilner**—Both. Some of it has been as a result of compliance information that we have done through the compliance checking and risk profiling, and on other occasions it is as a result of specific information that has been received.

**Senator MARK BISHOP**—You have told us that Customs board 70 to 80 per cent of ship visitations, and then you have identified 550 high-risk ship visitations, and then the particular inspection is done by you or by Customs in conjunction with you. In terms of those high-risk ships and the visitations by you, or which you have requested Customs to do in conjunction with you or on their own, does your department retain information on previous inspections of those ships around the world with respect to times of inspections, quality of those inspections, outcomes and those sorts of things?



**Mr Kilner**—There is a sharing of information concerning ships. Mainly at the moment it is around the safety record of ships, which is generally available, which is one of the elements that we use in risk profiling. The sharing of information on inspections by ships in other ports is really a matter for that contracting government and is not normally shared.

**Mr Yuile**—Just on your recounting of what Mr Kilner was saying, I am sure also that he said that all of those high-risk vessels are boarded either by Customs or us.

**Senator MARK BISHOP**—The 550?

**Mr Yuile**—Yes. I think 550 is an approximation.

**Senator MARK BISHOP**—Within that boarding of 550, there are varying grades of inspection, as well. They are not all full inspections.

**Mr Kilner**—No, they are not. There are normally specific pieces of information we are seeking.

**Senator MARK BISHOP**—I understand that. Does the department hold information, where it is possible to obtain it, on the ownership of those 550 high-risk ships that are identified?

**Mr Kilner**—We have a range of databases available to us that are used in this process. Those databases do include the ship ownership and ship management information.

**Senator MARK BISHOP**—Is there are similar answer for charters and operators of those ships?

**Mr Kilner**—There is some information in terms of ship owners and charters, yes.

**Senator MARK BISHOP**—If an unsound operator is found as a person of unknown or suspicious circumstances, either deriving from your analysis or upon receipt of information, what action does AMSA take with respect to security agencies? Do you then put that out through your networks?

**Mr Kilner**—AMSA?

**Senator MARK BISHOP**—Sorry, the Office of Transport Security.

**Mr Kilner**—We share information with the other Australian agencies that need to know that information, for example Customs, so they can perform their particular roles. However, we do not normally share data more broadly than with those that have a particular requirement for it.

**Senator MARK BISHOP**—With regard to the agencies you share data with, has that emerged by way of practice over time or is it subject to legislative direction?

**Mr Kilner**—No, it is not subject to legislative direction. It tends to be those agencies that have, in a sense, legislative functions within courts, for example Customs, AMSA, Immigration, ASIO and so on, but not more broadly than that. We have in place a series of agencies and a working group that look at issues associated with maritime security intelligence.

**Mr Tongue**—This new global security regime has only been in existence for eight months. We are in the process of building an infrastructure, and those government announcements

before Christmas went to the emergence of further bits of infrastructure around the maritime security problem. In terms of sharing information with our overseas partners, I think it is fair to say that most countries are still building the public administration infrastructure to do a better job in maritime security.

**Senator MARK BISHOP**—Yes, that is right. We are relatively advanced in that respect, aren't we?

**Mr Tongue**—We have certainly put a lot of effort into benchmarking ourselves against the Americans, the Canadians and the British. With the announcements before Christmas, we are starting to put in place some of the key building blocks.

**Senator MARK BISHOP**—When is it expected that the new AMIS will be operational for all shipping?

**Mr Kilner**—Do you mean the Australian Maritime Identification System?

**Senator MARK BISHOP**—Yes.

**Mr Kilner**—That is the responsibility of the Customs portfolio, and of Coastwatch in particular.

**Senator MARK BISHOP**—Right. Where is your contribution to the annual report to be found?

**Mr Kilner**—Page 48, I believe.

**Senator MARK BISHOP**—Of the Maritime Safety Authority?

**Mr Kilner**—Page 48 of the department's annual report 2003-04. There is a case study on page 48 and there is further information on page 51 and pages 54, 55 and 56.

**Senator MARK BISHOP**—Is the Office of Transport Security responsible for voyage permits?

**Mr Kilner**—Yes. The operations centre within the Office of Transport Security issues the permits.

**Senator MARK BISHOP**—Can you tell me how many single and continuous voyage permits were issued in each six-month period over the past three years?

**Mr Kilner**—I cannot tell you for the previous financial years; I can only give you the number in financial year 2002-03 and 2003-04 for the whole financial year. Since 1 July, I have a breakdown of the figures for that six-month period. In fact, I can give you the figures up to February.

**Senator MARK BISHOP**—That would be fine.

**Mr Kilner**—Which ones would you like first?

**Senator MARK BISHOP**—Single first.

**Mr Kilner**—For the period 1 July 2004 to 31 December 2004, there were 361 single-voyage permits issued—correction, 414 single-voyage permits issued till 9 February 2005 and 95 coastal voyage permits issued from 1 July 2004 to 9 February 2005.

**Senator MARK BISHOP**—And for the previous financial years?

**Mr Kilner**—I will see if I can find it.

**Mr Yuile**—They were single.

**Senator MARK BISHOP**—Could you identify again what those figures were that you just gave me.

**Mr Kilner**—Yes: 414 single-voyage permits have been issued from 1 July 2004 to 9 February 2005 and 95 continuing voyage permits have been issued also for that period, 1 July 2004 to 9 February 2005. Looking at previous years, for single-voyage permits for 2003-04 there were 725 and for 2002-03 there were 748. For continuing voyage permits, there were 139 in 2003-04 and 101 in 2002-03.

**Senator MARK BISHOP**—Do you retain records of the cargo carried by the vessels issued with those permits?

**Mr Kilner**—Yes, we do.

**Senator MARK BISHOP**—Can you take that on notice and provide that information going to the breakdown of the cargo carried by the vessels issued with the permits?

**Mr Kilner**—That is the nature of the cargo you are interested in?

**Senator MARK BISHOP**—What form do you hold the information in?

**Mr Kilner**—I have the tonnage of the cargo, which I can give you now, but in terms of the breakdown, if you are looking for particular types of cargo—whether it is cars, containers or general cargo—I will have to take that on notice.

**Senator MARK BISHOP**—Could you give me the tonnage now and take the more detailed information on notice.

**Mr Kilner**—For 2003-04 for single-voyage permits, 11.7 million tonnes. For 2002-03, 10.5 million tonnes for single-voyage permits.

**Senator MARK BISHOP**—And for continuous?

**Mr Kilner**—For continuous voyage permits, for 2003-04, three million tonnes; and for 2002-03, 2.2 million tonnes. For this financial year, there was 12.6 million tonnes for single-voyage permits and 3.5 million tonnes for continuous voyage permits so far. That is for the period 1 January to 2 February. Correction; I apologise—

**Senator MARK BISHOP**—You were referring to this financial year, so from 1 July until the present date?

**Mr Kilner**—I will get you that information in a minute. The information I have goes back to 1 January, which is unhelpful. I will get you the information for the period 1 July to 2 February.

**Senator MARK BISHOP**—On those figures, there appears to be a significant increase.

**Mr Kilner**—Yes, that is because I am using a different time frame. We will get you that.

**Senator MARK BISHOP**—Since the introduction of the maritime security regime in July 2004, has there been a reduction in the permits issued to vessels carrying high consequence dangerous goods?

**Mr Kilner**—I cannot give you that answer, because I have to find out what happened prior to 1 July in terms of those carrying high consequence dangerous goods. What I can tell you, though, is that, in terms of continuing voyage permits with the carriage of fertiliser or ammonium nitrate, 20 coasting trade permits have been issued.

**Senator MARK BISHOP**—For continuous voyage?

**Mr Kilner**—Yes, of which six were for the carriage of ammonium nitrate.

**Senator MARK BISHOP**—Is the carriage of ammonium nitrate only done on continuous voyage permits or is that also done on single-voyage permits?

**Mr Kilner**—It is all single-voyage permits. The total tonnage from 1 July 2004 to 9 February 2005 is 10,841 tonnes.

**Senator MARK BISHOP**—So 10.8?

**Mr Kilner**—Approximately 10,800 tonnes.

**Senator MARK BISHOP**—And that is for single-voyage permits?

**Mr Kilner**—Single-voyage permits of ammonium nitrate.

**Senator MARK BISHOP**—I thought you were going back to that other information you were trying to establish.

**Mr Kilner**—No.

**Senator MARK BISHOP**—How many permits have been issued to vessels carrying ammonium nitrate?

**Mr Kilner**—Five.

**Senator MARK BISHOP**—Are they all single-voyage permits or are they continuous voyage permits?

**Mr Kilner**—They are all single-voyage permits.

**Senator MARK BISHOP**—Five single-voyage permits have been issued to vessels carrying ammonium nitrate since 1 July 2004?

**Mr Kilner**—That is correct.

**Senator MARK BISHOP**—And there have not been any continuous voyage permits issued to vessels carrying ammonium nitrate in that period.

**Mr Kilner**—That is right.

**Senator MARK BISHOP**—Since the introduction of the maritime security act in July last year, has the department issued any infringements or undertaken any prosecutions for breaches of the act?

**Mr Kilner**—No.

**Senator MARK BISHOP**—Are all ports, port facilities and ships now operating under approved maritime security plans?

**Mr Kilner**—Yes.

**Senator MARK BISHOP**—They have all been finalised?

**Mr Kilner**—Yes.

**Senator MARK BISHOP**—Do all ports and port facilities have operating security committees?

**Mr Kilner**—Yes.

**Senator MARK BISHOP**—Is the transport and security operational centre now operating 24 hours a day, seven days a week, as announced by the Prime Minister back in July?

**Mr Kilner**—Yes.

**Senator MARK BISHOP**—How long has it been operating on that basis?

**Mr Kilner**—Since 1 July.

**Senator MARK BISHOP**—I assume there is not a constant demand for the services of those staff, so how are they being utilised in down time? Do they have other functions as well?

**Mr Kilner**—Other than maritime security, yes. The operations centre are also responsible for aviation security. They also undertake the coasting permits out of that operation centre. They do prisoners in custody. They do aviation cabotage. They also manage the aviation curfew arrangements for the four airports involved.

**Senator MARK BISHOP**—Do you know how many staff are now employed in the OTS, broken down by function, level and geographic location?

**Mr Kilner**—As at 31 January 2005, OTS had 216 staff—or 214.36 FTE, if you want to get to that level. Of those, 149 are located in Canberra, 62 are located interstate and five are located overseas.

**Senator MARK BISHOP**—And their levels? Perhaps you can provide the levels in bands.

**Mr Kilner**—As at 31 January there were one APS2, seven APS3s, 35 APS4s, 23 APS5s, 76.4 APS6s, 43.2 EL1s, 24.8 EL2s, three SES band 1s and one SES band 2, for a group total of 214.4 FTEs.

**Senator MARK BISHOP**—What is the total budget for OTS, operational and staff?

**Mr Tongue**—This financial year it is in the order of \$27 million. That is the total budget, which is broken down between what we call staff and suppliers—so all the support costs. I do not know if I have the breakdown for support costs.

**Senator MARK BISHOP**—Did you say staff and supply?

**Mr Tongue**—Staff and, if you like, the other costs associated with the operation of the office.

**Senator MARK BISHOP**—So the total budget for the operation is \$27 million?

**Mr Tongue**—Yes, that is right.

**Senator MARK BISHOP**—That includes office leasing, capital equipment, wages—everything?

**Mr Tongue**—Not quite. In the appropriations that are provided for the office, a proportion is siphoned off for our corporate support costs—that is, leasing and those sorts of things. But the budget that I am accountable to the secretary for is in the order of \$27 million.

**Senator MARK BISHOP**—Where will we find that in the PBS?

**Mr Tongue**—There is no breakdown of that in the PBS.

**Senator MARK BISHOP**—There is no separate identification in the PBS?

**Mr Tongue**—No.

**Senator MARK BISHOP**—I suppose the annual report is a bit early for that as well.

**Mr Tongue**—Because we have been growing so quickly as part of this function, the annual report would be out of date.

**Senator MARK BISHOP**—Would you intend 12 months from now to have separate line identification for the \$27 million, or whatever the equivalent is, or not?

**Mr Yuile**—Certainly within our own budgeting arrangements we establish employee and supplier expenses, as Mr Tongue has mentioned. Because the PBS is constructed on an outputs basis, it will sometimes involve OTS or may involve other parts of the organisation. It will not necessarily be as completely aligned as what I think you are asking for.

**Senator MARK BISHOP**—I am looking to know where my office should go in the future to do an analysis of the costs of OTS. I think I am hearing you say that you do not intend to depart from current practice.

**Mr Yuile**—No, I did not say that.

**Senator MARK BISHOP**—Okay. Where will we go next year then?

**Mr Yuile**—For a start, as the secretary mentioned this morning we are looking at the structure of the department and therefore one of the things we will be addressing in the next PBS—and we do already of course—is that we will try to align the departmental structures with the outputs. That information is certainly in the PBS, but the more fine grained breakdown has typically been something that we have either provided in the annual report, which is retrospective, or in some of these estimates hearings, where we have gone through these figures group by group or division by division to give you the latest, up-to-date numbers of full time equivalent staff and so forth.

**Senator MARK BISHOP**—But the annual report provides broad and general information on the appropriation costings of the department. OTS is established as a separate centre with a particular charter, but it is not currently possible to do an analysis of its costings, is it?

**Mr Chandler**—The reporting to parliament is on an output basis rather than an organisational unit basis. If you look at the PAES document on page 47, under our current output structure the Office of Transport Security is caught under output 1.2 ‘Transport regulation and standards’. That includes a number of other regulatory activities. It includes corporate overheads as well. The annual report reports back as a report card against those output splits. That is the formulation for budgeting and reporting purposes. So in the documents that we provide to parliament, consistent with other agencies, the reporting is purely on this output basis. It does not necessarily reflect individual organisational units.

Under current budgeting and reporting arrangements, OTS will never show up in these documents as a discrete entity. The only way, in effect, under this reporting arrangement for you to obtain that information would be to ask through this process. We can obviously provide our organisational split, but it does not reflect in the reporting arrangements we have to parliament.

**Senator MARK BISHOP**—So roughly a quarter of the ‘Transport regulations and standards’ output is allocated to OTS.

**Mr Tongue**—In the 2004-05 budget it is possibly closer to a half.

**Senator MARK BISHOP**—I was just putting \$27 million over \$77 million.

**Mr Tongue**—I see, in terms of the revised budget. Yes, that is correct.

**Mr Chandler**—It would still be higher, because the figures that Mr Tongue has been quoting to you have been the costs which are directly paid—the employee costs and supplier costs—by OTS. The \$77 million includes, of course, an attribution of corporate costs as well. The OTS component—and do not hold me to this figure—would be of the order of \$8 million on top of the OTS number. So it would be of the order of \$32 million to \$35 million.

**Senator MARK BISHOP**—So it would be \$27 million plus \$8 million—okay, I have got that. Can you tell me what progress, if any, has been made in relation to the development of the maritime security identification card?

**Mr Kilner**—Before I do, I will give you the tonnages you asked for. For 1 July 2004 to 2 February 2005, SVPs is 7.5 million tonnes and CVPs is 2.1 million tonnes.

**Senator MARK BISHOP**—So it is on track with previous years?

**Mr Kilner**—Yes. In regard to the maritime security identity card, the government made the announcement in July and we have commenced industry consultations on the introduction of that card. We, together with industry and other Commonwealth government agencies involved in the port environs, have formed a working group. That working group has met on a couple of occasions and there has been considerable work out of session in developing the parameters for the maritime security identification card. Those recommendations have now gone to the minister for his consideration, and we are awaiting the outcome of that process.

**Senator MARK BISHOP**—Was the model that you developed an indigenous model or was it modelled on overseas cards?

**Mr Kilner**—We took into account Australia’s circumstances in the design of the card. As Mr Tongue has previously outlined, there was a process, led by the Secretaries Committee on National Security, which undertook a review of maritime policy to reach that conclusion. The particular circumstances of the card for Australia will reflect Australian circumstances, but what we have done is benchmark that against other countries that either have introduced or are introducing similar arrangements.

**Senator MARK BISHOP**—And the principal ones would be the United States, Canada and the United Kingdom?

**Mr Kilner**—Yes.

**Senator MARK BISHOP**—Singapore?

**Mr Kilner**—Not Singapore.

**Senator MARK BISHOP**—Was the US office of homeland security involved in the development of the MSIC?

**Mr Kilner**—They were not involved in the development of the MSIC.

**Senator MARK BISHOP**—I might ask the question a different way: what was their role, if any?

**Mr Kilner**—We have had communications at the officer level with the transport security administration within the Department of Homeland Security to understand their model. There is a range of information available publicly concerning their transport worker identification card and the trials that are under way. We also engaged a consultant, BearingPoint, to do some work. Part of that work also looked at the scheme that the Americans are introducing.

**Senator MARK BISHOP**—Who was the consultant you retained?

**Mr Kilner**—BearingPoint.

**Senator MARK BISHOP**—Is that a transport consultancy firm?

**Mr Kilner**—No, it is the new name for KPMG Consulting.

**Senator MARK BISHOP**—Did you bring out Mr Cassidy to do some work with your working group?

**Mr Kilner**—The name is not familiar to me.

**Senator MARK BISHOP**—Did OTS bring Mr Jack Cassidy from the US Department of Homeland Security to Australia?

**Mr Kilner**—Not that I am aware of.

**Senator MARK BISHOP**—Did you bring anyone from the US Department of Homeland Security?

**Mr Kilner**—We engaged BearingPoint. They are also doing work for the Department of Homeland Security. There may have been—

**Senator MARK BISHOP**—Are you aware whether BearingPoint brought out Mr Cassidy to assist in Australia?

**Mr Kilner**—No, I am not, but I will check and come back to you on that.

**Senator MARK BISHOP**—Do you mind checking, because my advice is that Mr Jack Cassidy from the US Department of Homeland Security was retained and brought out as an American security expert to work with the MSIC working group. You have no knowledge of that?

**Mr Kilner**—No, but I will confirm that with the director of that team.

**Senator MARK BISHOP**—If you would just take on notice whether you, BearingPoint or any other consultants you may have retained brought out Mr Cassidy or any other official from the United States Department of Homeland Security, the duration of his time in Australia, the cost attached to his visit and, in the most general terms, his purpose and his role for either BearingPoint or your office. You said to me that the MSIC working group had



concluded its work and, I think you said, had sent a recommendation to the minister and that you were awaiting a decision from the minister. Is that correct?

**Mr Kilner**—No, the working group has not concluded its work, but we are at the point now where we have taken some recommendations to the minister in terms of finalising the government's position in terms of MSIC. We are due to meet with the working group on 16 February, which is two days time, in Melbourne, to further discuss MSIC. So the working group has not yet concluded its work.

**Senator MARK BISHOP**—So it will continue meeting until the MSIC is concluded, finalised?

**Mr Kilner**—I am hoping that at the next meeting on the 16th we will be able to finalise most of the arrangements. I think that there will still be a small number of arrangements that need to be sorted in terms of the design and implementation arrangements, but we are in a tight time frame. We are trying to get legislation into parliament so that we can implement the MSIC.

**Senator MARK BISHOP**—What implementation date are you aiming for?

**Mr Kilner**—We are looking to commence roll-out from 30 September.

**Senator MARK BISHOP**—That is 2005?

**Mr Kilner**—Yes.

**Senator MARK BISHOP**—Do you anticipate an ongoing role for that committee to provide input into maritime security issues?

**Mr Kilner**—Not that particular working group, because effectively they will have completed their brief. But they are drawn from a larger committee which is called the maritime security industry consultative forum. That has an ongoing remit. They next meet on 11 March in Melbourne. We try and meet twice a year to go through a range of maritime security issues with the key industry players. That includes industry, unions and government officials.

**Senator MARK BISHOP**—What progress has been made in relation to the detailed examination of security arrangements for transporting high consequence dangerous goods, also announced by the Prime Minister in July last year?

**Mr Tongue**—The transport of high consequence dangerous goods is proving to be one of the most complex areas we have looked at in transport security because it deals both with our responsibilities, particularly under the Maritime Transport Security Act and to some extent under the Aviation Transport Security Act, though that is fairly limited, and issues of rail, trucking, storage and distribution. We have now linked up the work that we have been doing around high consequence dangerous goods with a review of hazardous materials that is reporting to COAG, the PM and the premiers, so that we are able to get what I will call a sensible solution down the supply chain that does not have overlapping Australian government and state government regulation. We—the national counterterrorism committee—are trying to bring all the various work that pertains to high consequence dangerous goods and hazardous materials together to try to get a workable solution.

**Senator MARK BISHOP**—Would the purview of that committee extend as far down the supply chain as neighbourhood hardware stores? Is that one of the problems you have?

**Mr Tongue**—It depends a bit on the nature of the material that we are talking about.

**Senator MARK BISHOP**—Ammonium nitrate?

**Mr Tongue**—COAG has already made a series of decisions on ammonium nitrate, about a licensing regime. I will have to come back to you on the nature of that regulation specifically for ammonium nitrate, but there is a supply chain issue: why regulate the ship or the container when it is elsewhere? The container may be moving around on a rail car that then gets put on a truck that then goes to a depot and so on. I think that the debate is tending to focus on what threat information we have and whether we can risk assess a supply chain before we come in with very heavy-handed and perhaps expensive regulation that may not actually achieve the security outcome we are trying to achieve.

**Senator MARK BISHOP**—So that is a work in progress?

**Mr Tongue**—It is a work in progress.

**Senator MARK BISHOP**—I understand that it is a complex task. What sort of time frame before you get close to the end.

**Mr Yuile**—The other complexity is that it is not just transport departments or transport companies; it can be mining companies.

**Senator MARK BISHOP**—Yes.

**Mr Yuile**—It is a very broad ranging—

**Senator MARK BISHOP**—And that is a particular problem in Queensland, and I suppose all—

**Mr Yuile**—Western Australia, sure.

**Mr Tongue**—Anywhere with a mining industry.

**Senator MARK BISHOP**—Anywhere there is mining, yes.

**Mr Tongue**—There are a couple of pieces of work that we hope to have around midyear.

**Senator MARK BISHOP**—What are they?

**Mr Tongue**—The National Transport Commission is doing some work on model legislation to do with just the transport part of dangerous goods, but that is being done with the states so that we do not get this ‘trip over’ problem. Dangerous goods features in the intergovernmental agreement about surface transport that we are developing with the states and that is close to being signed. So there are some short-term deliverables, as I will call them, but I would not want to overplay their significance, because they are really just feedstock to a wider debate.

**Mr Yuile**—I think that the challenge before us, in short, is trying to draw those strands together in a constructive way that does not have duplication, both for industry and for government, but that gets to the security outcomes you are looking for.

**Senator MARK BISHOP**—Your focus is the security.

**Mr Tongue**—Absolutely.

**Mr Yuile**—Yes, it is.

**Senator MARK BISHOP**—Just shifting now slightly, what involvement has DOTARS had in the PM&C task force established by the Prime Minister to review security arrangements for Australia's offshore oil and gas facilities and assets? Where are we on that one?

**Mr Kilner**—There was a task force formed by PM&C, headed by Mr Rob Tonkin. We provided comments, and we were involved in the development of the arrangements, but we did not provide a member to the task force itself.

**Senator MARK BISHOP**—So your department is not on that committee?

**Mr Yuile**—There were officers seconded to work in a secretariat in PM&C. We did not supply officers to that—

**Senator MARK BISHOP**—I see.

**Mr Yuile**—but, in terms of the interdepartmental considerations, we certainly were on that. Just to be clear: it was not just about oil and gas, was it?

**Mr Kilner**—It was just on oil and gas.

**Mr Yuile**—Sorry, it was just on oil and gas.

**Senator MARK BISHOP**—Did you say pipelines as well?

**Mr Kilner**—No, I said oil and gas.

**Senator MARK BISHOP**—The facilities and the assets offshore?

**Mr Tongue**—Yes.

**Senator MARK BISHOP**—So PM&C have established a task force and you have had input into its deliberations, but you have not provided officers to that committee?

**Mr Kilner**—That is right. We did not have any officers seconded to the task force, but we were involved as one of the departments in providing input to the task force. Our secretary of course was involved in the Secretaries Committee on National Security that looked at the recommendations that the task force made, prior to the government's decision on 15 December.

**Senator MARK BISHOP**—How do industry groups, industry associations and relevant unions, for example, have an input to the deliberations of this task force established by PM&C, prior to decisions being made? Does the task force call for public submissions?

**Mr Kilner**—I think that is really a question for the task force. I am not aware of the nature of its consultation arrangements. I know that there was consultation with industry, but I am not sure of the extent or timing of the arrangements.

**Senator MARK BISHOP**—When do you anticipate that the task force will report?

**Mr Kilner**—The task force has reported to the Secretaries Committee on National Security. That in turn made a recommendation to the National Security Committee of cabinet, and then the government made the announcement arising from that report on 15 December.

**Senator MARK BISHOP**—Is DOTARS involved in implementing any of the recommendations?

**Mr Kilner**—Yes, we are.

**Senator MARK BISHOP**—Which ones?

**Mr Kilner**—The Maritime Transport Security Act will be extended to cover those offshore oil and gas facilities, so it will be the responsibility of the Office of Transport Security, DOTARS, to organise the development of security plans—the assessment and approval of security plans—for those facilities.

**Senator MARK BISHOP**—So that major task has been given to your department?

**Mr Kilner**—Yes.

**Senator MARK BISHOP**—When do we anticipate that bill will come before the parliament?

**Mr Kilner**—We are looking to introduce the bill in the winter session of parliament. Our target, as the Prime Minister announced on 15 December, is to have a security regime in place by 30 September.

**Senator MARK BISHOP**—Are you going to be developing a new model ab initio, or are you going to use the existing model that is in place for the various ports and container terminals?

**Mr Kilner**—It is a combination of the two. A separate part of the act will be specifically related to oil and gas facilities, because sometimes they resemble ports and sometimes they resemble ships. It is a bit unclear, so there will be a separate part to the act. The process, though, will be similar to that which we used to get the ports and ships over the line—that is, the development of a risk context statement which the industry then uses as the basis for carrying out a risk assessment, the development of guidance material and what we would call model plans that they can then utilise so that there is some consistency of approach across the various operators of those facilities. But it is an outcomes focus, so, because of the differing nature of the facilities, different security plans will be developed.

**Senator MARK BISHOP**—So, essentially, you could have different plans for different sites?

**Mr Kilner**—There will be. We are still working with industry and others with regard to the exact break-up of plans to facilities. There are about 56 facilities around the Australian coastline, from some small, unmanned monopods to much larger facilities, and they will require security plans that are commensurate with the nature and level of the risk.

**Senator MARK BISHOP**—Is your task limited to offshore oil and gas or does it also embrace the immediately adjacent onshore oil and gas facilities, particularly up in the—

**Mr Yuile**—Are you talking about Burrup Peninsula?

**Senator MARK BISHOP**—Yes, in the north-west—that stuff up there.

**Mr Kilner**—We are focusing only on offshore oil and gas. The onshore facilities—if I can call them that—come under the critical infrastructure protection regime.

**Senator MARK BISHOP**—Does offshore include any area up to the low tide mark? Are we essentially talking about those big facilities that are hundreds of kilometres out bringing up the oil and gas?

**Mr Kilner**—It is to the low tide mark, though that definition is a little loose, of course—but, effectively, the territorial sea boundary. Some of the facilities are already covered. In the north-west there are already security plans, because they have been considered to be ports. So we have, I think, four or five oil and gas facilities, particularly in Western Australia, that are already covered under security plans.

**Senator HOGG**—How does this impact on the Department of Defence?

**Mr Kilner**—In his announcement, the Prime Minister established two elements to this: one was the extension of the Maritime Transport Security Act in terms of preventive security, if I could call it that—the security plans required on these facilities; the other was the establishment of a joint offshore protection command. That joint offshore protection command falls under Coastwatch, which is headed by Rear Admiral Russ Crane, so he will become the commander of the Joint Offshore Protection Command. My understanding is that he will have assets assigned from both Coastwatch and Defence as necessary. So, in that sense, it will involve Defence and, of course, as he is a senior naval officer, Defence is involved.

**Senator MARK BISHOP**—Turning now to transport regulation, did the department provide a submission to the Productivity Commission review of national competition policy reforms in relation to the issue of cabotage in the Australian shipping industry?

**Mr Yuile**—Senator, have you finished your security questions, as such, because it sounds as though you are moving on to a different area of transport regulation?

**Senator MARK BISHOP**—I will take you through where I am going to go in the remainder of 4.1. I have some questions on visitations and ageing of bulk ships; vehicle safety, which I might put on notice; airport security; AFP Protective Service rapid deployment teams; the theft of the \$100,000 at Perth airport; the airport security breach on the United Emirates airline flight; and the \$150 million election commitment for regional radar—all in 4.1. In 4.2, I have some questions for Airservices Australia—also some further stuff on regional radar. Does that answer your question, Mr Yuile?

**Mr Yuile**—Yes, it does. A number of those elements about aviation security that you mentioned are relevant to this team of people. Others relate either to our aviation and airport regulation area or to our surface transport regulation area. They are still within this regulatory group within item 4, but they are on the agenda for later on. But the questions in relation to aviation security are appropriate now because the people here can answer those.

**CHAIR**—They will be appropriate after 7.30 p.m. Are you quite clear about who has to go and who has to stay?

**Mr Yuile**—I think time has elapsed and we can return to the order as it was—if that is the committee's wish. Given what Senator Bishop has just said, maybe it is better to stick with the order and take those questions on surface transport regulation and on aviation and airport regulation in the relevant items.

**CHAIR**—All right.

**Proceedings suspended from 6.31 p.m. to 7.35 p.m.**

**CHAIR**—I can confirm that programs 7, 8 and 9 can go home. We have to make a phone call about ATSB, so we will continue until we get that phone call.

**Senator MARK BISHOP**—We are going to have some questions now on transport regulation.

**Mr Yulle**—I thought there were two questions on transport security, in relation to Perth Airport and Emirates incidents. Before we proceed, Senator, one bit of information we followed up over the dinner break was the question you asked in relation to the BearingPoint consultancy. Mr Kilner has the answer for you.

**Mr Kilner**—We followed up that information concerning Mr Jack Cassidy. Mr Jack Cassidy is the managing director of identity management, Homeland Security—a consultant engaged by BearingPoint as part of the consultancy that we commissioned for BearingPoint to have a look at and benchmark identity card systems around the world. Mr Cassidy came to Australia on 29 November and presented to the maritime security identification card working group on the transport workers identity credential system being trialled in America. The total cost of the BearingPoint consultancy was \$96,000 and that included costs associated with Mr Cassidy.

**Senator MARK BISHOP**—Thank you for that, Mr Kilner.

**Mr Yulle**—It was about how the experience they had that might inform us as to how we proceed in this country.

**Senator MARK BISHOP**—No worries. The first thing we will talk about is the airport security AFP Protective Service rapid deployment teams. On 23 August I am advised Ministers Anderson and Ellison announced \$20.7 million over five years for rapid deployment teams to assist with regional security. Have all four of these eight-person teams been established?

**Ms Dickman**—I can answer those questions. Half of the Securing our Regional Skies package, or \$20.7 million as you have outlined over five years, went to the Australian Federal Police Protective Services, which is part of the Attorney-General's Department. They run the regional rapid deployment teams, not this portfolio.

**Senator MARK BISHOP**—So this portfolio has nothing to do with—

**Ms Dickman**—Not directly in terms of their operation at all.

**Senator MARK BISHOP**—You said half. What about the other \$20.7 million?

**Ms Dickman**—The other initiatives were the ones that Senator Allison asked about earlier on, about joint police training and those initiatives.

**Senator MARK BISHOP**—So questions about that \$20.7 million should be directed to A-G's?

**Ms Dickman**—Yes, it has actually been appropriated to the Australian Federal Police Protective Services within Attorney-General's.

**Senator MARK BISHOP**—So if I asked you questions about teams travelling, reliance on commercial or chartered aircraft, funding, that is all elsewhere?

**Ms Dickman**—That is part of AFP's running of the initiative.

**Senator MARK BISHOP**—Thank you, Ms Dickman. That was quick and easy. Let us turn now to allegations of airport security breach on the Emirates Airline flight EK421. I am advised on Friday, 23 July 2004—last year—a passenger was able to board Emirates Airlines international flight EK421 without going through the correct screening and security checking procedure. The passenger has been described to me as an unlawful noncitizen. What has been done to investigate that particular incident?

**Dr Turner**—That incident was dealt with at the time between the department and the airline management and the ground handling agent. Whether the passenger concerned is rightly described as an unlawful noncitizen I am not sure, because I am not sure of the definition of unlawful noncitizen. I understand the person concerned had overstayed a student visa.

**Senator MARK BISHOP**—So it was a young man, was it?

**Dr Turner**—It was a young Kenyan woman. She was a student in Australia. She had overstayed a student visa. She bought her own ticket, left of her own accord. She was of no particular concern to the department of immigration.

**Senator MARK BISHOP**—You correct me if my facts are wrong, Dr Turner. You do not know what an unlawful noncitizen is, that is fine; but she was an overstay. I am advised that the aircraft was still on the ground when the relevant authority, Skystar Airport Services, were advised of the breach of security, Customs and Immigrations checking procedure. Is that correct?

**Dr Turner**—Those are not the facts that we have. We understand the airline was not advised until 40 minutes after the plane had taken off.

**Senator MARK BISHOP**—Okay, the aircraft was not advised until 40 minutes.

**Dr Turner**—The airline was not advised until 40 minutes after.

**Senator MARK BISHOP**—When did relevant departmental officials of either this department or allied departments become aware of the potential breach of security—after the woman had boarded the plane and prior to take-off?

**Dr Turner**—No. We were not made aware until something like—I cannot be precise off the top of my head—2½ hours after the plane had taken off. It was well beyond Learmonth by the time we found out.

**Senator MARK BISHOP**—I am advised—and correct me again if I am wrong—that the staff member of Skystar Airport Services who made the error in judgment was employed on a casual basis and still on her three-month probationary contract, and once aware of her error she advised her supervisor of the problem. I presume that was prior to take-off. Are you aware of that?

**Dr Turner**—Off the top of my head I am not entirely sure of the relevant employee's employment status. I certainly know it is true that we were told she was a comparatively

recent employee, but again the facts that we have are that by the time she told her employer the plane had been in the air for 40 minutes.

**Senator MARK BISHOP**—After 40 minutes from when the plane took off relevant officials became aware that there was a breach of security processes in gaining entry to the airport. Why was the aircraft then not directed to return to Perth? What is SOP in that circumstance?

**Dr Turner**—As I understand the facts of the matter, the employee told her supervisor what had happened. Her supervisor understood that that was a breach of security. Her supervisor told the airline. The airline then contacted its head office and only after the airline had contacted its head office, which took us to about 2½ hours into the flight—I cannot be precise with the times at the moment—then we were told. That is not what we would expect in terms of reporting requirements. The plane was not ordered to return because in those circumstances we do not have a legal power to order a plane to return.

**Senator MARK BISHOP**—Because it is outside Australia's airspace?

**Dr Turner**—No. This is a power that will be changed in the new legislation but under the existing legislation we do not have a power to direct a plane to land. We can certainly, as we did in this case, discuss the issues, negotiate with the airline and if the assessment is sufficiently serious we have some fairly serious consequences that we can talk to the airline about not doing something, but we do not actually have a legal power to direct them to—

**Senator MARK BISHOP**—When you became aware of the potential breach and the plane was in the air, where was its next land point?

**Dr Turner**—It was on its way to Dubai, I think, but the closest airport that could have taken a plane of that size would have been Jakarta.

**Senator MARK BISHOP**—Where was its first scheduled port of call?

**Dr Turner**—I would have to check that, but I think it was flying direct to Dubai.

**Senator MARK BISHOP**—Did we then make contact with either the pilot or Dubai airport officials to advise them of the potential breach?

**Dr Turner**—We dealt with the airline, which is standard practice in those proceedings, and the airline dealt with the pilot.

**Senator MARK BISHOP**—You deal with the airline and the airline then deals with the pilot.

**Dr Turner**—The airline has a number of obligations imposed on it to assess the risk in those circumstances. We certainly had discussions with the airline at about three o'clock in the morning Canberra time, about the nature of those risks, what had been done, what we would have expected to be done, what the precise circumstances were—and for obvious reasons I would rather not go into those details in a public place—and the airline made an assessment of what to do in those circumstances.

**Senator MARK BISHOP**—Is that properly within the call of the airline?

**Dr Turner**—That is as the law is written, yes.



**Senator MARK BISHOP**—Does the airline pilot make that call or do the airline head office people make that call?

**Dr Turner**—It varies from airline to airline. The culture with most airlines is that the head office security people make the call, although they obviously do that in consultation with the captain, and from time to time, depending on the circumstances, the captain may well be the person who makes the final call.

**Senator MARK BISHOP**—And did they make the decision that there was low risk or no risk involved with this?

**Dr Turner**—I would not say that they made a decision that there was no risk. In consultation with us—talking through what had been done, our understanding of the circumstances, what information we could gather at the time—their assessment was that the risk had been mitigated in such a way that they believed the best thing to do was proceed to their destination.

**Senator MARK BISHOP**—I understand that. How did the woman get onto the aircraft without going through all of those inspection points at Perth International Airport?

**Dr Turner**—This is where the procedural failure came in. The woman passenger arrived quite late. She was on crutches with a broken leg. The airport provided her with a wheelchair. The employee of the ground handling agent misunderstood the direction when advised to take her onto the aircraft and took her through the inward customs line rather than through the screening point. That is a failure of procedure, a failure of training and a failure of reporting. All those matters were taken up with the airline and with the ground handling agent at the time.

**Senator MARK BISHOP**—Has any action been taken against Skystar Airport Services?

**Dr Turner**—If you mean in the sense of what I would call punitive action, we have not mounted a prosecution, because all of our experience is that prosecution does not help in questions of human error of that sort, but certainly they have been directed to improve their training procedures. Customs and the West Australian Airport Corporation have been looking at the design of the airport flows to mitigate the risk of people being taken through in that way, so a number of actions arose from the incident, but not prosecution.

**Senator MARK BISHOP**—I understand. Can we turn to the \$150 million election promise for regional radar.

**Mr Dolan**—That goes to Airservices. Is that the last of the questions on OTS, Senator?

**Senator MARK BISHOP**—Yes, because bulk ships and transport regulations is in surface transport regulation. That is done.

**Mr Dolan**—Have you got many questions on surface transport regulation? Were there only two?

**Senator MARK BISHOP**—On surface regulation, only a couple of sets—on transport regulation, the Productivity Commission and bulk ships.

**Mr Dolan**—I wonder, with the chair's indulgence, whether we could deal with that and then go to all the Airservices questions.

**ACTING CHAIR (Senator Buckland)**—I am happy to go whatever way you like. We will have to check that any senator that is not present—

**Mr Dolan**—I will leave the order. I understand, Senator. Go to Airservices as the next item.

**ACTING CHAIR**—We will go to Airservices Australia. We thank any of the folk at the table that are leaving us now. Thank you for your help. Those who are required for Airservices can come to the table. Can we also advise that we have no questions for 5.1. That is the safety and investigation group. They can be released.

**Mr Dolan**—I understand that. I think that Senator Heffernan was trying to check with Senator Allison to make sure she had no questions before letting those people go.

**ACTING CHAIR**—Provided that is the case, you can get word to them once we know.

**Mr Dolan**—Thank you for that.

**ACTING CHAIR**—It has been done and she does not have any questions.

**Mr Dolan**—The ATSB officers can go?

**ACTING CHAIR**—They can go.

**Mr Dolan**—Thank you, Senator.

[7.50 p.m.]

**ACTING CHAIR**—I thank the officers from Airservices Australia for attending tonight.

**Senator MARK BISHOP**—Thank you, Chair. I want to talk about the \$150 million election promise for regional radar. During the election campaign—and correct me if I am wrong—I understand Minister Anderson issued a directive that \$150 million would be spent installing radar at 10 regional airports. Is that correct?

**Mr Dolan**—The minister issued a direction to Airservices that where existing class E airspace class C airspace there should be an approach radar service for that airspace. There has been a series of questions following that as to expense associated with that direction and how it would be implemented, which my colleagues from Airservices should be able to answer.

**Senator MARK BISHOP**—Would you mind outlining for the committee how these directives were or are issued and, after they are signed by the minister, how they are then distributed.

**Mr Dolan**—It is a direction under section 16 of the Air Services Act, which gives the minister a power to direct Airservices, subject to certain conditions. That is a legal instrument under the authority of the act which is then sent to Airservices as a direction and tabled in the parliament.

**Senator MARK BISHOP**—What authority or power was the minister relying upon? Had the decision previously been to cabinet?

**Mr Dolan**—The minister was relying on his power as a minister under the relevant legislation.

**Senator MARK BISHOP**—Let me ask the question: had that decision to issue the directive been to cabinet or was it a unilateral decision by the minister?

**Mr Dolan**—That is not a matter that I personally can answer. Certainly I did not prepare, nor did anyone in the department that I am aware of prepare any material for cabinet, but I cannot comment on what may or may not have been discussed in cabinet. I do not have knowledge of it.

**Senator MARK BISHOP**—No, and I understand that, Mr Dolan. I am not asking you in any way to comment on policy matters under the decision of cabinet, but I am entitled to ask if the matter has gone to cabinet and if a decision has been made.

**Mr Dolan**—I am not questioning your right to ask that, Senator. What I am telling you is I do not know.

**Senator MARK BISHOP**—Does anyone else know? Who would know that?

**Mr Dolan**—The minister would know that.

**Senator MARK BISHOP**—The minister would know that, and no departmental officials would know that? I am not trying to be rude here. I find it surprising that you are unaware as to whether a decision has been made by cabinet or not.

**Mr Dolan**—What I am saying is, I have no knowledge of a discussion in or a decision by cabinet on this matter. I know that in a legal sense the decision was made by the minister; the direction was made by the minister. That is all the information I have.

**Senator MARK BISHOP**—Would the Secretary of the department be aware as to whether a decision was made by cabinet?

**Mr Dolan**—I do not know that either, but I am happy to take the question on notice.

**Senator MARK BISHOP**—Could you make some inquiries, whilst we are still here this evening, of the Secretary of the department or his delegated nominee as to whether cabinet made a decision on this matter?

**Mr Dolan**—I will determine whether anyone has that knowledge, yes.

**Senator MARK BISHOP**—Someone will have that knowledge. The minister issued this directive. Is this one of the two directives signed by the minister on 31 August 2004 at about 1.20 p.m.?

**Mr Dolan**—Yes.

**Senator MARK BISHOP**—Is this one of the same directives which were apparently posted to the Dick Smith Flyer web site at around about 3.30 on the same day?

**Mr Dolan**—I am aware that it was posted on a web site in the course of the afternoon. I do not have any knowledge of precise times.

**Senator MARK BISHOP**—What time was the directive sent to Airservices and what time was it received by them?

**Mr Dolan**—That is one I think my colleagues from Airservices should be able to answer.

**Mr El-Ansary**—My advice is that we received the direction late afternoon on 31 August.

**Senator MARK BISHOP**—And how did you receive it—by email or—

**Mr El-Ansary**—By fax.

**Senator MARK BISHOP**—From where?

**Mr El-Ansary**—I presume from the minister's office.

**Senator MARK BISHOP**—Do you still have a copy of the fax?

**Mr El-Ansary**—I do.

**Senator MARK BISHOP**—And is it with you now?

**Mr El-Ansary**—Yes.

**Senator MARK BISHOP**—And was it from the minister's office?

**Mr El-Ansary**—There is a whole series of numbers there. Yes, I assume it was.

**Senator MARK BISHOP**—Which number are we talking about?

**Mr El-Ansary**—They seem to be telephone numbers or fax numbers, but there is no actual description.

**Mr Grant**—It was my office that received the—I think it came from interstate.

**Senator MARK BISHOP**—Where are you located, Mr Grant?

**Mr Grant**—I am located in Canberra. I know the minister was interstate. I did receive a phone call from one of his staffers to say that the direction would be sent to us and, reading this, I think it came from a Sydney phone number.

**Senator MARK BISHOP**—Have any investigations been conducted as to how Mr Smith seemed to get the directive prior to Airservices? What are the findings of those investigations?

**Mr El-Ansary**—We have not conducted any investigations.

**Senator MARK BISHOP**—Why is that?

**Mr El-Ansary**—I do not believe it is a matter that is of interest to us, whether Mr Smith got a copy or did not get a copy. It is not really something for me to comment on.

**Senator MARK BISHOP**—It is really something for?

**Mr El-Ansary**—It is not something that Airservices could comment on.

**Senator MARK BISHOP**—My colleague asked would it be a matter for the AFP.

**Mr El-Ansary**—I have no idea. We received the direction from the minister's office and we purported to act on that direction. Who else may have got that direction is not something that we are in a position to comment on.

**Senator MARK BISHOP**—Mr Dolan, do you have a comment on that?

**Mr Dolan**—In answer to your question, we undertook no investigations. I am not aware of any matter that would have merited a police investigation in that this was not a confidential document. I am not aware of any reason why it would have been necessary to investigate.

**Senator MARK BISHOP**—It is not a confidential document but it was a directive issued by the minister and apparently leaked by someone to Mr Dick Smith's organisation. That would be an unusual occurrence, would it not?

**Mr Dolan**—I have no knowledge as to whether the word 'leaked' is an appropriate one. It is clear that it became available to Mr Smith in the course of the afternoon.

**Senator MARK BISHOP**—Is there any suggestion that Mr Smith was entitled to receive the directive?

**Mr Dolan**—In that—

**Senator MARK BISHOP**—What is Mr Smith's interest in receiving a directive on the issuing of radar permits?

**Mr Dolan**—This would lead me into fairly speculative territory, but I certainly know that Mr Smith has had a long and abiding interest in a whole range of airspace issues.

**Senator MARK BISHOP**—We all know that. So neither the department nor the unit has initiated any investigations as to how Mr Smith received the directive?

**Mr Dolan**—No.

**Senator MARK BISHOP**—And you do not have any intention to do so?

**Mr Dolan**—As I indicated, we saw no basis on which to undertake an investigation. We could not see that any offence had been committed, or that anything had happened that might have fitted within the other area that we would take an interest, which is the APS code of conduct.

**Senator MARK BISHOP**—How much of that \$150 million to be spent on installing the radars at the 10 regional airports is going to come from the over-collection of the Ansett ticket levy?

**Mr Dolan**—The question of funding is one that remains to be resolved. The direction power that the minister has under section 16 of the act says that Airservices can seek compensation for financial detriment as a result of carrying out the direction of the minister, and the question of how Airservices would go about that and in what time frame is something that is still being worked through by Airservices.

**Senator MARK BISHOP**—You made the point earlier, Mr Dolan, that the minister, you believe, had lawfully issued a directive to Airservices to engage in certain conduct.

**Mr Dolan**—Yes.

**Senator MARK BISHOP**—His directive, being lawful, would be acted upon by relevant officers. That directive we know involves a large amount of expenditure of funds; I am suggesting in the order of \$150 million. That \$150 million has not been appropriated to date to either the department or Airservices, has it?

**Mr Dolan**—No.

**Senator MARK BISHOP**—Do you have any submissions going forward to seek appropriation of that money?

**Mr Dolan**—No.

**Senator MARK BISHOP**—Do you intend to prepare any submissions for appropriation of those funds?

**Mr Dolan**—I have no basis at this point for making such a proposal to government. I have not received a formal proposal as to the costs of complying with such a direction nor, as far as I know, has the minister, although there has been a fair amount of work that my colleagues from Airservices no doubt can take you through in relation to the direction.

**Senator MARK BISHOP**—Before they do that: the minister has issued a directive. How do you spend \$150 million installing the radar for 10 regional airports without an appropriation of some funds? How can that occur?

**Mr El-Ansary**—It might be useful if I interject at this time. Airservices raises its own capital from private equity markets and, to that extent, we have over the next five years, a capital investment program in excess of half a billion dollars. None of that is funded by government. All of it is funded by our own internal user charges that we source from the marketplace or from debt that we would engage. I should also point out, given the flavour of the discussion that was taking place a little while ago, that in order to implement the minister's direction, it would take some years. It is not something that would be spent and implemented in a matter of months. To install 10 terminal radars around the country would take several years to put into effect—to source the equipment, plan for the transition and to train pilots and air traffic controllers.

**Senator MARK BISHOP**—Let us take your plans prior to 31 August of this year. You would have had forward plans to raise certain amounts of equity and you would have had forward plans to raise certain amounts of debt to run your business. In either case—equity or debt—did that take into account spending all or part of that \$150 million over a period of years to do the radars?

**Mr El-Ansary**—I cannot say that it did directly. We have, in fact, a program that is quite firm in the early years and quite generic in the later years, because we are talking about new technologies that we anticipate will come onto the horizon. In this case, there are new technologies that perform, for all intents and purposes, the same functionality as radar, which is surveillance. Our forward program did contain, and does contain, an amount of money for what we call ADSB technology, or automatic dependent surveillance broadcast.

**Senator MARK BISHOP**—Were you going to raise those funds by debt or by equity?

**Mr El-Ansary**—Off the top of my head, I cannot recall the split, but as an organisation we tend to run at about 40 per cent debt funded. If you apply that general gearing ratio to the rest of the organisation, that gives you some indication.

**Senator MARK BISHOP**—It does. Let us take that as a general formula. In the next two years, were you going to be raising any debt or equity for the purpose of fulfilling radar implementation at any of those 10 regional airports?

**Mr El-Ansary**—No.

**Senator MARK BISHOP**—Year three?

**Mr El-Ansary**—I cannot recall the five-year program. What we do have is, in the first two years, an amount of money for ADSB technology in what we call the upper airspace, which is

above 30,000 feet. The terminal radar would be in a lower airspace, which is subsequent stages of our investment program for this.

**Senator MARK BISHOP**—The ADSB is for above 30,000 feet?

**Mr El-Ansary**—No. It can be for both. We have immediate money in our program for upper airspace for ADSB, and there is money also being anticipated to be spent in the medium to long term on ADSB in the lower airspace.

**Senator MARK BISHOP**—How much do you have in your forward budgets for the next two years in terms of the ADSB technology?

**Mr El-Ansary**—I could not tell you offhand. Perhaps one of my colleagues may have the capital program.

**Mr Fleming**—For the upper airspace program, the project cost was budgeted at \$14 million. Some of that money has already been spent and the balance will be spent over this calendar year. For the lower airspace projects, I am not sure of the numbers. I would need to look into that further.

**Senator MARK BISHOP**—Was the \$14 million going to be the formula of debt and equity that you have outlined, or just part of the generic borrowings?

**Mr El-Ansary**—I think it is part of the generic borrowings. We do not fund each project in a debt equity; just across the balance sheet generally.

**Senator MARK BISHOP**—For the next two years you have allocated \$14 million for implementation of the ADSB technology, some of which has already been allocated and spent and some is yet to be spent. That still leaves the entire \$150 million referred to by Minister Anderson as yet to be either raised in the debt or equity markets or appropriated by the Commonwealth.

**Mr El-Ansary**—Yes, or substitutions made in respect of other items on the program.

**Senator MARK BISHOP**—Okay.

**Mr El-Ansary**—I should also point out that the \$150 million that is often talked about is a preliminary number. In fact, our internal figurings talk about it being between \$100 million to \$140 million for 10 radars. Without doing the detailed design work and without going to the marketplace to source these radars, it is very difficult to put a firm number on it. I did not want the \$150 million to be locked in.

**Senator MARK BISHOP**—It could be less.

**Mr El-Ansary**—It is a general number—\$100 million to \$150 million or \$140 million.

**Senator MARK BISHOP**—We have no debt or equity raised, no appropriations to date, and you properly raise that it could occur from within substitution of other items that might have been expended by Airservices. Has any decision been made on substitution?

**Mr El-Ansary**—No.

**Senator MARK BISHOP**—If a decision was to be made on substitution, is that a decision for the agency, the department, the minister, or does it have to go back to cabinet?

**Mr El-Ansary**—That is an interesting question. I will not purport to answer all of that. In terms of the current situation, the minister issued to us the direction on 31 August, as you pointed out earlier. Airservices responded to the minister's direction with some information that he did not have available at the time. This suggested that there were better ways in which the minister could address the concerns he had. The minister is still considering that advice. At this point in time, depending on the minister's view, no decision is required to be made as to whether or not it is to be replaced with another technology. It is a hard question to answer, if you can see what I mean.

**Senator MARK BISHOP**—I understand. What is the annual budget of Airservices?

**Mr El-Ansary**—We receive very little funding from government. We receive \$7 million in total. The remaining \$620-odd million is raised through commercial charges.

**Senator MARK BISHOP**—The \$620 million is, give or take, your annual budget?

**Mr El-Ansary**—It is our revenue, yes.

**Senator MARK BISHOP**—If you are going to pull out up to \$150 million over a period of three or four years, that would have significant impact on other aspects of your work if you chose to substitute, would it not?

**Mr El-Ansary**—I do not believe so. We have a very strong balance sheet. Before you asked that question, I was going to say that we have the capacity to fund significantly more capital investment than the \$500 million or so that we currently have in the program because our gearing ratio is 40 per cent. It is even less than that as we sit here today, because we have had a very good year in terms of financial performance and profitability is ahead of budget. I do not know the exact figure but my guess is that it is even less than the 40 per cent.

**Senator MARK BISHOP**—I should not be so gauche as to suggest that industry users might be interested in lower industry charges if you are such an efficient organisation, should I?

**Mr El-Ansary**—It comes down to taking the medium-term picture, which is what we did with the five-year ACCC process that we have just gone through. Over five years you see ups and downs in profitability, gearing and in returns—all those factors. That is a normal outcome for a business that is interconnected with the aviation industry.

**Senator MARK BISHOP**—What work has the department done that you are aware of since the directive was issued to establish the impact on regional airlines and fares? Have you done any work in those areas?

**Mr El-Ansary**—I do not believe we have done any significant work on that because, as I mentioned, we responded to the minister's direction with some additional information that we believed would enable the minister to address his concerns in a more efficient way than by putting radars in place.

**Senator MARK BISHOP**—What was the thrust of your advice to the minister in terms of additional information?



**Mr El-Ansary**—Just that: that there were ways of addressing the minister's concerns about potential safety through the ADSB technology rather than necessarily putting in place terminal radars at those 10 class D towers.

**Senator MARK BISHOP**—If we went down the path of the ADSB technology, what would be the spend?

**Mr El-Ansary**—Off the top of my head, an ADSB unit would be one-twentieth of the cost of—

**Senator MARK BISHOP**—One-twentieth?

**Mr El-Ansary**—Yes. A typical terminal radar is about \$10 million to \$12 million, and we believe that an ADSB at a particular site would cost around \$500,000. It does rely on aircraft operating in and out of that area also having the equipment on board.

**Senator MARK BISHOP**—To receive the signal?

**Mr El-Ansary**—To receive and to send the signals. As part of an overall strategy, whilst we could not put it in place today, it is a better way, in our view, of dealing with the safety issues that the minister has. That is currently under consideration, as we understand it.

**Senator MARK BISHOP**—That has been the nature of your advice to the minister.

**Mr El-Ansary**—Correct.

**Senator MARK BISHOP**—That there are better and cheaper ways of satisfying his purpose for safety at these regional airports.

**Mr El-Ansary**—That is right.

**Senator MARK BISHOP**—Are you aware of any confusion within Airservices regarding this directive, particularly as to the altitudes at which radar coverage is required—for example, at ground level, 500 feet, 1,000 feet?

**Mr El-Ansary**—I am not personally aware of any confusion.

**Senator MARK BISHOP**—Was the directive clear on that aspect?

**Mr El-Ansary**—It is fairly general. I presume you have a copy of it.

**Senator MARK BISHOP**—I am not aware that we do. You might make it available to the committee.

**Mr El-Ansary**—Where we change the classification of airspace from E to C above an area where we provide air traffic services, it says that there should be an approach radar service in place. 'Approach radar service' would have certain definitions from a technical perspective. Normally, an approach service is between 30 and 45 nautical miles from a particular terminal area. I do not know about the altitude issues, but that gives the general idea.

**Senator MARK BISHOP**—When you received the minister's directive during the afternoon of 31 August, did Airservices contact the minister's office during the day to seek clarification of a rumour that the directives were about to be issued? Did you contact the minister's office prior to receiving the directive?

**Mr Grant**—I did.

**Senator MARK BISHOP**—You did?

**Mr El-Ansary**—My colleague did.

**Mr Grant**—Yes, that is correct. We did.

**Senator MARK BISHOP**—What time did you do that?

**Mr Grant**—It may have been very early on that day—I do not remember exactly—but I did ask whether there was a direction being prepared to send to us.

**Senator MARK BISHOP**—And what were you told?

**Mr Grant**—The first answer was no. I am not sure if that was on the 31st or the day before. That is something I would like to check.

**Senator MARK BISHOP**—Who told you no?

**Mr Grant**—It was the minister's aviation adviser.

**Senator MARK BISHOP**—His or her name is?

**Mr Grant**—Peter Markey.

**Senator MARK BISHOP**—When did they come back to you with that answer?

**Mr Grant**—In relation to the message I talked about earlier, which was received about mid-afternoon on the 31st, Peter Markey rang me and told me then that the minister, whilst travelling, had signed a direction and that it was to be transmitted to us.

**Senator MARK BISHOP**—When you received the directive regarding the installation of regional airport radar systems, was it, in the opinion of AA, adequately clear?

**Mr Grant**—We took the direction and basically wanted to sit down and understand exactly what it meant. I would not say that it was unclear, but we wanted to sit down. Our first obligation was, of course, to bring that to the board's attention and have a discussion in the boardroom.

**Senator MARK BISHOP**—Did you need to seek legal advice to determine whether you could implement option 3 on 27 November 2004, as planned, or did you have to wait until the radar systems were in place and operational?

**Mr Grant**—We sought legal advice on that question. The answer was that, in the view of our legal advisers, we could proceed with option 3 as long as we moved to implement the radar as soon as practicable. It was not a prerequisite for implementation of option 3 on 25 November.

**Senator MARK BISHOP**—I understand. So you could proceed without the radar being fully installed.

**Mr Grant**—That is correct.

**Senator MARK BISHOP**—Doesn't this then back your argument that these radar systems are not required to safely implement NAS 2b?

**Mr Grant**—The minister said that he wanted us to consider radar as a means of improving the safety of, or minimising the risks in, that airspace. You can always provide more services

in these situations, so it was not a question of whether we should proceed or should not proceed without the radar.

**Senator MARK BISHOP**—What was it a question of then?

**Mr Grant**—If we analysed this, there would be no question that having radar would reduce the risk in a particular type of airspace. As our acting CEO pointed out, there may be other ways of doing it to achieve a similar safety outcome.

**Senator MARK BISHOP**—At a much lower cost.

**Mr Grant**—That is correct.

**Senator MARK BISHOP**—Did your legal advice go to that issue?

**Mr Grant**—No. The only question that we asked immediately was, ‘Can we proceed on 25 November without having put the radar in place, even if we were acting to put it in as soon as practicable?’—which, as Mr El-Ansary said, could take up to three years—and the response we got was that, as long as we were complying with the direction to put it in as soon as practicable, there was nothing to prevent us moving on 25 November with option 3.

**Senator MARK BISHOP**—The legal advice you sought did not seek to go behind the directive issued by the minister pursuant to section 16 of the act to see that it was necessarily accompanied by funding for appropriation?

**Mr Grant**—I do not recall that. I think it was simply the point that we talked about.

**Senator MARK BISHOP**—I find it odd that any minister in any circumstance can issue a directive to spend money without there being a lawful appropriation acting in support of the spend.

**Mr Grant**—Remember, we were looking at it from the Airservices side. We knew we had the capacity to fund this or charge the industry for it, if we had to. We also knew that there was an avenue to seek the minister to do a review under section 16 to see whether or not the Commonwealth would fund it. Those were questions that could be dealt with later.

**Senator MARK BISHOP**—Yes, they are. Is that power under section 16 subject to review by the AAT?

**Mr Grant**—I would like to take that on notice, but I would imagine that any decision of that type would be subject to AAT jurisdiction.

**Senator MARK BISHOP**—Can you help, Mr Dolan?

**Mr Dolan**—As far as I am aware, there would be no provision for appeal to the AAT. The decision is not an administrative decision; it is a regulatory one.

**Senator MARK BISHOP**—In that case, it would be subject to injunction proceedings in the Supreme Court or the Federal Court most likely.

**Mr Dolan**—That is certainly possible, yes.

**Senator MARK BISHOP**—For regulatory decisions?

**Mr Dolan**—Yes.

**Senator MARK BISHOP**—Why do you say it is a regulatory decision and not an administrative decision, Mr Dolan? Does the act say so?

**Mr Dolan**—Under the act it is a power of the minister to direct an agency. We can certainly confirm that with you, Senator. That is our understanding of it.

**Senator MARK BISHOP**—I do not say you are wrong. I just inquire as to the basis for your belief.

**Mr Dolan**—The power under section 16 is the minister's power to direct one of his agencies to undertake certain things. It is not an administrative decision in the sense that there is a set of processes out there under which a decision is made and there is not power that I am aware of in the act that allows recourse to the AAT for decisions under section 16.

**Senator MARK BISHOP**—Fine. I understand there have been some trials of ADSB at Bundaberg. Is that trial still going and what are the results to date?

**Mr El-Ansary**—Yes, the trial is still going. The results have been very encouraging. From memory the trial commenced in August of last year, or it could have been 2003, and has been going since then. The data that we have been able to extract from those trials and present to CASA has enabled them to approve a five-mile separation standard, which is very similar to the standard that is applied where you have radar coverage. Essentially what we have done to try and prove the concept is to equip a certain number of aircraft with this technology, put in a ground station in the Bundaberg area, at Burnett Basin, and compare that to the same area where we have radar coverage. So we are comparing the tracks with ADSB versus the radar tracks and have been able to show very minimal difference.

**Senator MARK BISHOP**—They are both working at the same time on the same aircraft?

**Mr El-Ansary**—Both working at the same time and both presenting essentially the same data. On the basis of that, one can have a degree of confidence that the ADSB system provides positional information that is at least as good as radar.

**Senator MARK BISHOP**—Have any shortcomings or deficiencies emerged in the ADSB trial?

**Mr El-Ansary**—I am not across the detail of it, but in broad terms I would have to say that it has been a successful technology and, as a consequence of that trial, we are now proceeding to implement ADSB in the upper airspace, right across the country.

**Senator MARK BISHOP**—It is this sort of result of this sort of trial that you are now directing to the minister as additional information to review his radar spend directive?

**Mr El-Ansary**—Yes. It is the broad concept of the technology. I should point out that it is a number of years away before we could get ADSB—get all aircraft in the Australian system equipped and enough ground stations and transponders—to operate radar-like across the whole country, so we are talking about a medium- to long-term proposition, so that there is an issue of timing here.

**Senator MARK BISHOP**—In this industry, what is long term—10 years?

**Mr El-Ansary**—That would be my view. Short term is one to two, medium term about five.

**Senator MARK BISHOP**—In September of 2003 Minister Anderson announced the government would place 20 ADSB ground stations in regional and remote Australia. Is this still planned?

**Mr El-Ansary**—Yes. Those are the 28 ground stations that I spoke of earlier. We are putting those in place to facilitate upper airspace ADSB, which is essentially the tracking of aircraft above about 30,000 feet, across the whole Australian continent.

**Senator MARK BISHOP**—The project to place radar at regional airports has not resulted in any expenditure of funds yet, has it?

**Mr El-Ansary**—No.

**Senator MARK BISHOP**—If the minister chooses to go ahead with his directive, will any of the funding that has been allocated to this ADSB project be shifted over for the regional radar airports?

**Mr El-Ansary**—I would have to think about that. The suggestion in the question is similar to the way government appropriations operate, whereas in our kind of environment we have a much greater degree of flexibility as to how we fund our capital program and how we substitute elements of it. One would talk about a surveillance strategy that is embodied in our future capital investment program. That surveillance strategy would say, ‘How are we going to manage surveillance in the short, medium and long term?’ As a consequence of changing technology and changing policy positions, we would adapt that strategy and make modifications going forward, in consultation with our customers obviously, who are funding it essentially through charges. There is a lot greater degree of flexibility and an ability to accommodate changes in the environment, whether they are policy changes or technology changes over time.

**Senator MARK BISHOP**—Is it possible to contemplate that you might run the two systems side by side?

**Mr El-Ansary**—It is possible but I would hope that would not be the case.

**Senator MARK BISHOP**—Would that be a silly decision?

**Mr El-Ansary**—It certainly would not be optimising the use of our funds.

**Senator MARK BISHOP**—Both are effective systems in terms of surveillance; one is just more efficient than the other.

**Mr El-Ansary**—Yes, recognising that we are in the early stages of that development of ADSB, so there is a proof of concept issue that we are just getting over. Certainly in the medium term one would see ADSB as being an effective replacement to traditional radar systems, certainly what we call secondary radar systems and, to a lesser extent, primary radar if we have a situation where transponders are mandated in all aircraft.

**Senator MARK BISHOP**—Do you have the power to issue such a mandate?

**Mr El-Ansary**—No, that would come from CASA.

**Senator MARK BISHOP**—Are CASA giving any consideration to that?

**Mr El-Ansary**—We have not yet put it to them but as part of our long-term strategic discussions with industry, and CASA is a part of that industry, they understand that a future ADSB environment across the whole continent would require the mandatory fitment of transponders for all aircraft operating in that system. To get the maximum benefit from surveillance, you need to know that every aircraft has one and it is required by law to be turned on.

**Senator MARK BISHOP**—You would logically only make that decision when all of your trials on the ADSB technology were completed and you were satisfied that it was 100 per cent effective.

**Mr El-Ansary**—Correct.

**Senator MARK BISHOP**—Then it becomes a cost argument and you would then have the discussion with CASA and like bodies to make the recommendation.

**Mr El-Ansary**—Yes, that is basically right.

**Mr Dolan**—If I could add to that: CASA has turned its mind to this issue and has put out a discussion paper about the use of ADSB which at least alludes to the possibility of mandating the fitment of ADSB to the entire Australian fleet; so that is something that is out in the public domain at the moment.

**Senator MARK BISHOP**—But we would not be thinking about mandating ADSB until another three years at least?

**Mr El-Ansary**—It would be several years down the track.

**Mr Fleming**—In the discussion paper it talks about five years, so 2009—that sort of period.

**Senator MARK BISHOP**—Yes, which is part-way through the implementation of the alternate system that Minister Anderson is currently attracted to, isn't it?

**Mr El-Ansary**—Yes.

**Senator MARK BISHOP**—I think you said earlier, Mr El-Ansary, that that was a medium- to long-term implementation strategy.

**Mr El-Ansary**—Correct, to have ADSB across both the lower airspace and the upper airspace.

**Senator MARK BISHOP**—Sorry. If you move to implement Minister Anderson's directive on the radar in the regional airports, the implementation phase is five to 10 years?

**Mr El-Ansary**—No, three years, I said.

**Senator MARK BISHOP**—That is a little bit quicker.

**Mr El-Ansary**—It would be progressive. There are 10 locations. It might take a year and a half to put the first one in, then after that there will be a program of maybe doing one every three months, four months, so that to do the whole 10 would take about three years.

**Senator MARK BISHOP**—So we have the trade here of timing, safety, costings.

**Mr El-Ansary**—Exactly, yes.

**Senator MARK BISHOP**—According to the *Australian* on 17 December last year, the review of Airservices Australia will look at the problems of implementing national airspace systems reform, and I note that the Secretary is to engage an independent consultant to undertake that review. Is that still the case or is the review going to now be conducted internally?

**Mr El-Ansary**—I believe that the review is still being managed by the department. There is a possibility that some elements of the terms of reference may be matters that could be passed to our board, recognising that we have a new board and a new chairman, for input.

**Senator MARK BISHOP**—So the terms of reference are not yet finalised?

**Mr El-Ansary**—No, I believe they are.

**Senator MARK BISHOP**—Are they public?

**Mr El-Ansary**—Yes. They were issued in that same press release that announced the appointment of the new directors.

**Senator MARK BISHOP**—So the terms of reference are out there in the public domain. Your board can still have input and the review is, as you understand it, not going to be conducted internally. Is that correct?

**Mr El-Ansary**—That is correct.

**Senator MARK BISHOP**—Who is going to conduct the review?

**Mr El-Ansary**—I do not believe a consultant has yet been identified but really that is a matter for the department.

**Senator MARK BISHOP**—Has the department identified a consultant to do the review, Mr Dolan?

**Mr Dolan**—Not at this point. The review was essentially to cover a range of issues, some of which are more the province of the board of Airservices than the department, in terms of the internal governance and management of the organisation. There have been discussions between the secretary of the department and the new chair of the Airservices board about an appropriate division of responsibilities in providing advice to government consistent with the terms of reference of the review.

**Senator MARK BISHOP**—Tell me, is the chief officer of Airservices the chairman, or is there a secretary?

**Mr El-Ansary**—It operates very much like a corporate structure, so we have a chief executive, myself acting at the present time, reporting to a board of directors, and that board of directors is headed up by a chairman.

**Senator MARK BISHOP**—And his role is part time?

**Mr El-Ansary**—Yes, non-executive.

**Senator MARK BISHOP**—What is the process to attract a consultant? Is that by invitation or a public tender process or what?

**Mr Dolan**—It depends on the assessed value of the consultancy. There is a range of options to achieve best value for money between sole source for seeking tenders from limited

parties to full public tender, and once we get the agreement on the terms of reference and therefore the likely cost of it, we will work out what is the best way of getting a value-for-money consultancy.

**Senator MARK BISHOP**—Who makes that decision? Does the department make a recommendation to the minister?

**Mr Dolan**—I am sorry, Senator?

**Senator MARK BISHOP**—Does the department make a recommendation to the minister as to the process to be followed?

**Mr Dolan**—The minister has requested the Secretary to undertake the review and so the decision will be one for the Secretary.

**Senator MARK BISHOP**—So the Secretary has power to tender it out or to do it himself or delegate it within?

**Mr Dolan**—Correct.

**Senator MARK BISHOP**—When will the Secretary make that decision?

**Mr Dolan**—We hope shortly. The question has been having the capacity for the new chairman, who only officially took up his appointment on 20 January, to understand the issues and therefore to work it out. We are conscious that the government indicated it wished to have the review complete by the end of June.

**Senator MARK BISHOP**—Concluded by the end of June?

**Mr Dolan**—Yes.

**Senator MARK BISHOP**—Have we done the costings from the budget for the review as yet?

**Mr Dolan**—Not at this point but, as I say, once we have a clear view on what we will require a consultant to do—

**Senator MARK BISHOP**—Do you have an indicative figure, Mr Dolan?

**Mr Dolan**—Not at this point. If you are asking me to put a ballpark figure, I would say up to about \$200,000. That includes departmental support costs and arrangement of other matters.

**Senator O'BRIEN**—When did Airservices commence its review of pricing arrangements for airport control towers?

**Mr El-Ansary**—Off the top of my head, it was around August 2003, following the failure of our original pricing proposal with the ACCC.

**Senator O'BRIEN**—Has a draft report of the review been presented to the minister or his office?

**Mr El-Ansary**—I am not sure what you mean, Senator.

**Senator O'BRIEN**—Well, has the review been completed?

**Mr El-Ansary**—We went through a very public process of reviewing our pricing structures, in consultation with our customers. The end outcome of that was then presented to



the ACCC, who made it public as well, and invited submissions. We received something like 600 submissions from interested parties, mainly customers. We took into account the arguments put forward and then presented out final submission to the ACCC. The ACCC, again from memory, came back with the preliminary view in October, or it could have been September of last year, and a final decision was made just before Christmas of last year, which essentially endorsed our pricing proposal for all terminal locations for en route services, and requested that we do further work in relation to the rescue and firefighting charge, which we are currently still working on.

**Senator O'BRIEN**—What is the status of the outcome of the review? Is it awaiting implementation?

**Mr El-Ansary**—We have implemented the ACCC endorsed prices from 1 January this year.

**Senator O'BRIEN**—In 2003-04, 14 airports received transition subsidies, I think, and the annual report says 14 airports will receive subsidy at a cost of \$8.68 million this financial year. Are they the same 14 airports getting the subsidy?

**Mr El-Ansary**—I believe they would be.

**Senator O'BRIEN**—And is the cost estimate of \$8.68 million on track?

**Mr El-Ansary**—That one I would have to take on notice.

**Senator O'BRIEN**—If you could, please. How is the subsidy amount for each airport determined?

**Mr El-Ansary**—There was a combination of factors that had to do with the level of loss that was associated with each operation and I think, from memory, there was an aspect of activity that was taken into account as well. The objective was to try and allocate that amount in a proportionately equitable manner across all of those locations.

**Senator O'BRIEN**—So is the actual formula for each airport able to be made available to the committee?

**Mr El-Ansary**—We can certainly make that available.

**Senator O'BRIEN**—What subsidy was paid to each of these airports under the scheme in the last full financial year, 2003-04?

**Mr Hodgson**—The figures that I have are \$7 million as the subsidy for this year. Do you want the breakdown of airports?

**Senator O'BRIEN**—Yes, please.

**Mr Hodgson**—These are approximate: \$400,000 for Albury, \$800,000 for Archerfield, \$900,000 for Bankstown, \$300,000 for Camden, \$500,000 for Coffs Harbour, \$900,000 for Essendon, \$600,000 for Jandakot, \$200,000 for Launceston, \$100,000 for Mackay, \$200,000 for Maroochydore, \$500,000 for Moorabbin, \$700,000 for Parafield, \$300,000 for Rockhampton and \$800,000 for Tamworth.

**Senator O'BRIEN**—Would it be fair to assume that moving the subsidy to \$8.68 million there would be a proportionate increase in those amounts, roughly?

**Mr Hodgson**—It is my understanding that the subsidy disappears next year.

**Senator O'BRIEN**—I meant for this current financial year, the \$8.68 million.

**Mr Hodgson**—The \$7 million is for this current financial year.

**Senator O'BRIEN**—Sorry. I am confused.

**Mr El-Ansary**—It has been \$7 million for a number of years. I am not sure where the \$8.68 million you were referring to comes from.

**Senator O'BRIEN**—I can see where the error is. I have transposed the price cap which appears above the \$7 million. It does not have an 'm' next to it. That is my error, I am sorry. That subsidy concludes on 30 June.

**Mr El-Ansary**—Correct.

**Senator O'BRIEN**—Are there any plans to revisit the issue?

**Mr El-Ansary**—No. Given the five-year pricing plan that we put in place with the ACCC, that does not foresee any requirement for government subsidy.

**Senator MARK BISHOP**—I want to pursue the National Airspace System, arising out of the admission that Airservices made to the Senate that they had approved the National Airspace System part 2b based on 'flawed safety advice from CASA and without performing safety analysis'. Mr Smith told the committee last year that NAS 2c had been delayed by the changes required to 2b, which were launched in November last year. Do you expect 2c will be launched this financial year?

**Mr El-Ansary**—I do not know if it is going to be this financial year. My understanding is that it is going to be put into effect in November of this year.

**Senator MARK BISHOP**—November.

**Mr El-Ansary**—It is a matter for CASA and the department. It is not characteristic that Airservices is putting it in place, even though we are supporting some of the changes.

**Senator MARK BISHOP**—It is a joint decision of CASA and the department.

**Mr El-Ansary**—That is my understanding.

**Senator MARK BISHOP**—What is your role?

**Mr El-Ansary**—I believe we are providing some pilot and controller training and education associated with the changed arrangements.

**Senator MARK BISHOP**—That has to be done prior to November.

**Mr El-Ansary**—Yes.

**Senator MARK BISHOP**—When the NAS reform agenda began, what was the original projected cost to the Commonwealth?

**Mr El-Ansary**—I do not have any knowledge of that.

**Senator MARK BISHOP**—Mr Dolan, do you have knowledge of that?

**Mr Dolan**—At the time government made a decision, there were a range of estimates as to the costs and benefits of the recommendation. I do not have in front of me or recall precisely

what that range was, but it went from a substantial cost to the Commonwealth overall, to substantial benefit.

**Senator MARK BISHOP**—What do you mean, ‘went from a substantial cost to a substantial benefit’?

**Mr Dolan**—There was a range of possible outcomes in terms of costs and benefits for the system that the government took into account when it came to its policy decision to implement the NAS.

**Senator MARK BISHOP**—Do you know what the revised price tag is in the wake of the failure of the November 2003 2b changes?

**Mr Dolan**—No. We are in the process of reviewing the future implementation of a National Airspace System, both in the light of what has happened to date and what difference new technology such as ADSB will make, and that is the point at which we will have a view as to future costs and future benefits.

**Senator MARK BISHOP**—But the ADSB technology will not be online in November of this year, will it?

**Mr Dolan**—No. There is a specific change that is proposed for introduction in November this year, which is a change to common traffic advisory frequency arrangements to get consistency of procedure across the range of aerodromes, where currently there are mandatory broadcast zones and other arrangements. It is quite specific and just one characteristic of the NAS that we are talking about for November.

**Senator MARK BISHOP**—Can you give me an indicative figure of the increasing costs arising from the requirement to make a change decision?

**Mr Dolan**—The costs for the CTAF change will essentially be the costs of charting, of training and education for pilots, plus the actual staff costs of developing the design and the regulatory activity, but I do not have an actual number on it available in front of me at the moment. I can take it on notice.

**Senator MARK BISHOP**—Do you mind taking it on notice and providing it to me. Are we up in the seven-figure area, over a million? You would be, wouldn’t you?

**Mr Dolan**—My assessment would be that, once you take account of the full costs, you are heading towards \$1 million, yes.

**Senator MARK BISHOP**—Would you take it on notice and provide us more exact detail when you have it.

**Mr Dolan**—Yes.

**Senator MARK BISHOP**—On 26 November, Minister Anderson announced the retirement of Mr Bernie Smith. Did Mr Smith provide a written letter of resignation?

**Mr Dolan**—That is not something I can comment on. The employment relationship was between Mr Smith and the board of Airservices Australia.

**Senator MARK BISHOP**—I probably should correct that. Mr Smith did not announce his resignation to the minister. He announced it to the board.

**Mr El-Ansary**—And then Minister Anderson made an announcement.

**Senator MARK BISHOP**—After the event.

**Mr El-Ansary**—I cannot really add anything to what Mr Smith indicated in his press release at the time, which is that he brought forward his date of retirement by some 10 months or so in order to give the new board and the new chairman maximum flexibility in setting the strategic course of the organisation and moving it into its next stage of development.

**Senator MARK BISHOP**—Did Mr Smith provide a letter of resignation to the board?

**Mr Grant**—He did.

**Senator MARK BISHOP**—Mr Grant says he did. Could a copy of that be made available to the committee?

**Mr Grant**—That is correspondence between the CEO and the board. That is something I would have to take on notice and ask the board.

**Senator MARK BISHOP**—That is fine with me, if that is the procedure. What reasons did Mr Smith provide for the timing of his retirement? Did it include the implementation of NAS?

**Mr El-Ansary**—It may be best to quote his own words. Mr Smith said he decided to bring forward his previously announced retirement date from December 2005 to allow the incoming chairman and corporation board of directors the greatest flexibility in determining the corporation's future directions, strategy and structure. 'The new Board will be able to select a new CEO, and together take the Corporation into the next stage of its future, Mr Smith said. That is a direct quote from Mr Smith's public release at the time.

**Senator MARK BISHOP**—There was no reference to NAS in his public release?

**Mr El-Ansary**—Not at all. Clearly he oversaw the changes that took place on 25 November and that was an appropriate milestone as well.

**Senator MARK BISHOP**—Before we head into aviation and airports regulation, that is done prior to surface transport regulation, isn't it? We are now heading to 4.3, Aviation and airports regulation.

**ACTING CHAIR (Senator Ferris)**—I thank the officers at the table for their assistance this evening. We are about to move on to 4.3, Aviation and Airports Regulation. Minister, I wonder if we should perhaps take a tea break now instead of in four minutes time.

**Senator Ian Campbell**—It is a perfect time, yes.

**ACTING CHAIR**—That will enable the officers to come to the table and get organised.

**Proceedings suspended from 8.56 p.m. to 9.12 p.m.**

**CHAIR**—The committee has now recommenced and we are now considering 4.3, Aviation and Airports Regulation.

**Senator MARK BISHOP**—I want to consider the establishment of the Airspace Directorate. On 16 December, Minister Anderson reiterated a commitment to move airspace's regulatory function to the yet to be formed Airspace Directorate. Earlier this year, the

committee was told by Mr Smith that Airservices was hopeful that the separation would occur internally by 1 July. Had that occurred?

**Mr Dolan**—My understanding is that there has been separation within Airservices. They have set up an airspace and environment regulatory unit separate from the rest of the organisation, reporting direct to the chief executive.

**Senator MARK BISHOP**—Media reports say that the legislation to establish the electorate is due to be introduced in February and that the legislation is not contingent on the current review of Airservices Australia. Has the legislation been drafted?

**Mr Dolan**—We have prepared an initial draft of the legislation. It drew out some issues in terms of interaction between safety, efficiency and environmental issues and the various elements of the current regulatory framework that we needed to put some more work into. We have not finalised drafting at this time.

**Senator MARK BISHOP**—We do not have a sign-off by the minister yet?

**Mr Dolan**—No.

**Senator MARK BISHOP**—Has a review exposure draft been circulated to stakeholders?

**Mr Dolan**—An exposure draft at this point has been circulated to agencies within the Commonwealth who are affected, to try and tease out some of those issues that I was referring to. At this point, no paper as such has been exposed to industry. We have informally, in various forums, raised some of the key issues, but nothing more.

**Senator MARK BISHOP**—Are you still waiting for feedback to some extent on the issues that have come out, before you can do a further exposure draft?

**Mr Dolan**—The process from this point is that we hope within the next few weeks to have finalised a policy paper for the minister's agreement. If that meets his policy objectives then the proposal is that it be circulated to stakeholders before the legislation is introduced so that there is some understanding of the context.

**Senator MARK BISHOP**—Do you have any idea when we are likely to see the legislation introduced into the parliament?

**Mr Dolan**—I think it is looking less likely that it will be introduced in the current sittings; it is more likely to be in winter.

**Senator MARK BISHOP**—I want to talk about Badgerys Creek—still a proposed site—and there is a reference to it at page 61 of the annual report. According to TTF—the Tourism and Transport Forum—in a report by Australian Associated Press dated 8 February this year, there has been an overall overseas visitors arrival increase of almost 10 per cent in 2004. How far below pre-September 2001 levels are we currently at? Are we back to September 2001 or are we still below?

**Mr Milczarek**—I understand that the passenger numbers at Sydney airport have exceeded the 2001 figures.

**Senator MARK BISHOP**—From overseas?

**Mr Milczarek**—I am not sure about overseas. That is a total figure.

**Senator MARK BISHOP**—Can we have a break-up on domestic and international?

**Mr Milczarek**—We can certainly provide one but we do not have one on us.

**Senator MARK BISHOP**—Can you provide that on notice?

**Mr Milczarek**—Yes.

**Senator MARK BISHOP**—The aggregate figures are now in excess of September 2001. That is what you are telling us, Mr Milczarek?

**Mr Milczarek**—I believe so.

**Senator MARK BISHOP**—How much in excess are they? Do you know—marginal or significant?

**Mr Dolan**—My understanding is marginal at this point, but certainly over the 2001 figures.

**Mr Yuile**—I think the milestone was the fact that they had returned to those levels, which was the key issue; not that there was a massive increase.

**Senator MARK BISHOP**—In a media release on 13 January this year, Minister Anderson said:

A second Sydney airport will not be needed into the foreseeable future for a variety of reasons, many related to changes in the aviation market since September 11 and the collapse of Ansett.

He outlined two reasons. Is this still the department's understanding of the government's position?

**Mr Dolan**—The public comments I have seen from the government would indicate that the government remains of the view that a second Sydney airport is not needed for the foreseeable future.

**Senator MARK BISHOP**—Based on current predicted growth rates in overseas arrivals and associated aircraft movements, when in the department's view does a second airport for Sydney need to be seriously considered again?

**Mr Dolan**—On what we have in front of us, which largely relates to material in the approved master plan for Sydney airport, there is nothing certainly within the time frame of the plan, or for a fair period past that, that would lead to the conclusion that there is a need for a second Sydney airport.

**Senator MARK BISHOP**—What is the time frame for that plan?

**Mr Dolan**—The core of it is five years, but it looks within an overall 20-year framework.

**Senator MARK BISHOP**—Are you saying certainly not within the next five?

**Mr Dolan**—Correct.

**Senator MARK BISHOP**—After those next five, it is problematical?

**Mr Dolan**—I think it would be fairer to say that after those five the figures become less reliable in terms of projections.

**Senator MARK BISHOP**—We might turn to the Maritime Safety Authority.

**Mr Dolan**—Before we do, Senator, I thought it might be useful, having listened to the conversation about the direction in relation to radar in C, to put a bit of context around that from the department's role in this. The minister indicated that he issued the direction in the first place in response to safety concerns arising from analysis that Airservices had done in relation to the risk around class-C towers. Since then, Airservices has adjusted the modelling that led to the conclusion that there were some elements that were close to the area of unacceptable safety. That material has been with the minister and, because the safety analysis has been contentious, the minister has asked the department through the NAS interagency group to review that material and advise him. The minister has indicated that, if his safety concerns are met—which is to say that the analysis is reliable—then he will reconsider the position of the direction.

**Senator MARK BISHOP**—Reconsider?

**Mr Dolan**—His position in relation to the direction with that radar.

**Senator MARK BISHOP**—If the additional material you have provided is looked at again and found to be accurate, he will review his decision of 31 August.

**Mr Dolan**—Correct.

**Senator MARK BISHOP**—That is a work in progress.

**Mr Dolan**—That is a work in progress.

**Senator MARK BISHOP**—Has the minister indicated any sort of time frame in which he might be making his mind up?

**Mr Dolan**—He has asked us to pursue that as quickly as possibly. We are about to let a consultancy do it because it is a quite complex statistical analysis required to verify these figures. We are hopeful that can be done by the end of March.

**Senator MARK BISHOP**—Thank you for that, Mr Dolan. Before we go to the Maritime Safety Authority, I have a couple of issues on surface transport regulations.

[9.22 p.m.]

**ACTING CHAIR (Senator Ferris)**—We will now move on to program 4.4, Surface Transport Regulation.

**Senator MARK BISHOP**—Did the department provide a submission to the Productivity Commission's review of national competition policy reforms in relation to the issue of cabotage in the Australian shipping industry?

**Mr Sutton**—Senator, I understand the department provided a submission to that review, but it did not cover the issue of cabotage.

**Senator MARK BISHOP**—Why is that?

**Mr Sutton**—The priorities for the department, in the context of the review—it is handled by another area, and I can check on this and take it on notice, if necessary—certainly were issues to do with road and rail reform, as opposed to cabotage types of issues.

**Senator MARK BISHOP**—Who handles cabotage types of issues?

**Mr Sutton**—That is my area of the department.

**Senator MARK BISHOP**—But that NCP inquiry did not address issues related to cabotage.

**Mr Sutton**—No. As I understand it, the draft report that the Productivity Commission has put out has a recommendation about reviewing cabotage, but the issue was not covered in the submission that we made to the review.

**Senator MARK BISHOP**—Did other parties submit material on the issue of cabotage to that NCP review?

**Mr Sutton**—I am not aware of that.

**Senator MARK BISHOP**—They made a recommendation seeking a review of cabotage.

**Mr Sutton**—That is my understanding, in the draft report.

**Senator MARK BISHOP**—Is there a final report out?

**Mr Sutton**—Not to my knowledge. We are still at the draft report stage.

**Senator MARK BISHOP**—What was their reasoning for seeking a further review on the issue of cabotage?

**Mr Sutton**—I am not across the details of the review itself. I am aware of the recommendation, but I am not aware of the detail.

**Senator MARK BISHOP**—Can you take that on notice—

**Mr Sutton**—Certainly, yes.

**Senator MARK BISHOP**—because it is your area of responsibility. You did not make a submission on that issue, and you are not aware that others did, yet the NCP has come up with a recommendation.

**Mr Sutton**—That is my understanding, Senator, yes.

**Senator MARK BISHOP**—You might take it on notice and let us know why the NCP made that recommendation. Is the Productivity Commission recommending a broad based review or a review limited only to the provisions of the Navigation Act?

**Mr Sutton**—Again, I am not across the detail of the actual recommendation. We will certainly take that on notice and it will be very apparent.

**Senator MARK BISHOP**—You might provide to the committee a copy of the recommendations and, as a secondary matter, explain what the department intends to do in response to that recommendation.

**Mr Sutton**—Yes, certainly, we will have a look at that.

**Senator MARK BISHOP**—Page 49 of the annual report has a reference to bulk ships over the age of 12 years visiting Australia. What proportion of those ships over the age of 12 years is being inspected?

**Mr Yuile**—Did you say page 49 of the annual report?

**Senator MARK BISHOP**—Yes.



**Mr Yuile**—I am having trouble locating the reference, Senator. That looks like security, that is all.

**Senator MARK BISHOP**—It does too; you are right.

**Mr Yuile**—Is it in AMSA's annual report?

**Senator MARK BISHOP**—Yes, it must be, because it is not in the department's annual report. I do not have the AMSA report with me.

**Mr Yuile**—Could I suggest that we invite AMSA to the table. It might help accelerate things.

**Senator MARK BISHOP**—In any event, do you know what I am talking about?

**Mr Yuile**—I think so. This is the ageing bulk vessels and the safety issues?

**Senator MARK BISHOP**—Yes.

**Mr Yuile**—Mr Davidson, can you give me the background on that.

**Senator MARK BISHOP**—Have you got the AMSA annual report there, Mr Davidson?

**Mr Davidson**—I have, Senator, yes.

**Senator MARK BISHOP**—Is there a reference to the ageing of bulk ships at page 49?

**Mr Davidson**—Yes, there is.

**Senator MARK BISHOP**—You might read that out to the committee so that everyone else knows what we are talking about.

**Mr Davidson**—It says:

The Tokyo MOU Committee—

which is the memorandum of understanding committee—

instituted a Concentrated Inspection Campaign from 1 September until 30 November 2003 targeting structural safety of bulk carriers, particularly inspection of bulk vessels more than 12 years old to test their compliance with international structural standards.

**Senator MARK BISHOP**—Are we doing any inspection of those bulk ships over the age of 12 years?

**Mr Davidson**—Yes, we certainly are.

**Senator MARK BISHOP**—What proportion are being inspected?

**Mr Davidson**—We have a risk targeting system, which takes into account age, and we do not pick 12 as being the break point or the key point. In Australia our high-risk vessels are 15 years of age, by our measure of history. In the high-risk group which were eligible for port state control, according to 2004 inspection rates, we targeted 80 per cent and actually achieved 96 per cent.

**Senator MARK BISHOP**—Are these bulk oil and iron ore carriers or what?

**Mr Davidson**—By far, the majority would be bulk iron ore and coal carriers. The next most prevalent group would be grain carriers.

**Senator MARK BISHOP**—On how many occasions in the last year have bulkies over 15 years been detained?

**Mr Davidson**—I can give you the statistics for the vessels in 2003, not 2004. The shift has been very slightly down, because we are experiencing a lower detention rate in 2004 than we did in 2003. I would need to give you an answer to that, taking into account the averages in our report, but I will refer you to AMSA's port state control inspection reports, which come out annually. The 2003 report is published, while the 2004 report is being finalised at the moment. A vessel with a 70 per cent risk factor on arrival was 100 per cent detention. The 60 per cent risk factor with 50 per cent detention—that probably means there were two and we did not detain one—and a vessel with a 55 per cent risk factor or thereabouts with 100 per cent detention. It may have been a single arrival. We are talking about very low numbers of ships.

**Senator MARK BISHOP**—Does 'detained' have a technical meaning? What does it mean?

**Mr Davidson**—Detention means that the vessel is held and cannot sail without our approval, until it is released from the particular deficiency that we are holding it for.

**Senator MARK BISHOP**—Are you suggesting there might have been up to half a dozen such ships in 2003?

**Mr Davidson**—We will come back to you on how many vessels there were in the high-risk category. We can break that down to each of the particular groups.

**Senator MARK BISHOP**—That would be appreciated. Is it true that, in the current climate of a shortage of ships and the huge increase in demand for bulk exports from Australia, these ships are in great demand and more likely than not to be working beyond their normal life expectancy?

**Mr Davidson**—I think that is a pretty fair working assumption at the moment. We have been monitoring that very closely.

**Senator MARK BISHOP**—Have you increased your inspection rates of these ships?

**Mr Davidson**—We have not changed our inspection profiles. We aim to inspect 80 per cent of the high-risk ships. At a rate of 96 per cent, we are publicising to charterers, agents and shipowners that if they bring a vessel in that is over 15 years they can expect it to be inspected. Therefore, it had better be of good quality.

**Senator MARK BISHOP**—So the message is out.

**Mr Davidson**—Yes.

**Senator MARK BISHOP**—Thank you, Mr Davidson. We might now turn to 4.5, the Australian Maritime Safety Authority.

[9.32 p.m.]

#### **Australian Maritime Safety Authority**

**Senator MARK BISHOP**—You might turn to page 81 of your annual report under the issue of emergency beacons, Mr Davidson, and the change from the EPIRBs from 121

megahertz to 406 megahertz due to take place, as I understand it, on 1 February 2009. How many EPIRBs are now estimated to be operational in Australia?

**Mr Davidson**—I actually do not have the total number of EPIRBs that we currently estimate in the 121.5. I can tell you that we estimate in Queensland, which is the greatest density of them, about 70,000. Nationally, it is in the 200,000-odd, I would think. I will come back to you with the actual number that we estimate, because we do not know precisely.

**Senator MARK BISHOP**—All right. Do you know what proportion of maritime craft are understood to carry them and what proportion of light aircraft?

**Mr Davidson**—In the regulations CASA require all aircraft carry an EPIRB.

**Senator MARK BISHOP**—All light aircraft carry an EPIRB?

**Mr Davidson**—All light aircraft, yes. You would need to qualify that with CASA because I am not whether some sports aviation, such as hang-gliders and powered hang-gliders do, but a lot of people also carry personal EPIRBs, which are on the 121.5 frequency. Bushwalkers carry personal EPIRBs. A lot of people in the yachting fraternity carry an EPIRB on the vessel and in life rafts, and carry personal EPIRBs. So there are an awful lot out there.

**Senator MARK BISHOP**—The penetration is extensive.

**Mr Davidson**—It is extensive. The states regulate that anybody going two miles offshore in any motorised boat at all will have to carry an EPIRB in the 121.5 and hence in Queensland there is a large number of them.

**Senator MARK BISHOP**—And all the states have similar regulations, do they?

**Mr Davidson**—Pretty much the same. I think in WA, if you go between Rottnest and Fremantle, you do not have to necessarily carry it. There are some dispensations in different areas.

**Senator Ian Campbell**—It is two kilometres on the seaward side of Rottnest and Garden Island.

**Senator MARK BISHOP**—Is it two? I thought it was three. So it is two.

**Senator Ian Campbell**—It might be three.

**Senator MARK BISHOP**—What are the significant differences in technology which have seen the move to the devices of 406 megahertz? Why is that?

**Mr Davidson**—The 406 EPIRB is a digital signal. It carries a GPS position so it tells you where it is. It has an identification carrier on it. It also has a 121.5 signal, so when it fires off it goes to the satellite; the satellite records it, holds it in the satellite, will dump it down to the next base station that it arrives at, because it is a communication system. It will tell you where the EPIRB was, the 406, who it is registered with, and it will show other data. That allows you to go straight to a location and home in on it.

**Senator MARK BISHOP**—It is a very exact identification placing system.

**Mr Davidson**—It gives you a position to go to with timing. The 121.5 is a reflection system so you have to be under the footprint of the satellite for it to be picked up, and therefore you may wait up to four hours for a satellite pass where somebody is actually within

the footprint of the satellite and the base station is in the satellite footprint—so it has nothing like the same quality or timeliness or response.

**Senator MARK BISHOP**—Is the carrying of EPIRBs mandatory in all of the states?

**Mr Davidson**—Yes, it is mandatory.

**Senator MARK BISHOP**—Are the penalties for noncompliance substantial or are they minor?

**Mr Davidson**—I am not sure what the penalties are at the state level on that, Senator. We would need to come back if you want that.

**Senator MARK BISHOP**—In the conversion up to 2009, has any thought been given to educational campaigns?

**Mr Davidson**—We are already starting on an education campaign, Senator. The life of a battery on a 121.5 is five years and we are saying to people who are about to replace their 121.5, ‘Go up to the 406,’ and on our internet site and in conjunction with the states we are conducting campaigns to encourage people to carry 406.

**Senator MARK BISHOP**—And the cost of that campaign?

**Mr Davidson**—I do not have that with me directly. I will just check. We spend approximately 300,000 per annum on all our public education campaigns, so it is under that. It is less than that, although I will say the states contribute to this program as well.

**Senator MARK BISHOP**—Will the two systems operate in tandem during the switch-over and, if so, for how long?

**Mr Davidson**—The systems will operate until—I think the date at which the 121.5 is being turned off is 1 February 2009, and so our intention is to have everybody converted to the 406 by that date.

**Senator MARK BISHOP**—And so the new system will be operational from when?

**Mr Davidson**—It has been operational for—

**Senator MARK BISHOP**—So it is now operational?

**Mr Davidson**—It has been operational for many years, Senator. It has been there for the large end of town, but the beacons were \$3,500 a copy. They are now coming down to something in the order of \$500 to \$800.

**Senator MARK BISHOP**—What is the current proportion of search and rescue where EPIRBs have not been carried or were not operational? Do you have that data?

**Mr Davidson**—We will have that data, Senator. I would have to come back to you with that answer.

**Senator MARK BISHOP**—You take it on notice. That is fine. We might move to 7.1, Civil Aviation Safety Authority.

[9.39 p.m.]

### Civil Aviation Safety Authority

**Senator MARK BISHOP**—Welcome, Mr Byron, and officers of CASA. Mr Byron, we might return briefly to the \$150 million election promise for the regional radar and get your attitudes on the public record. According to media reports that have been provided to me, CASA does not believe that the minister's decision to spend \$150 million or up to \$150 million installing radar at regional airports is a good idea. Is that still the case?

**Mr Byron**—Senator, I do not believe I actually said that. I think what you may be referring to is perhaps some advice that I gave to the minister at his request back in October-November.

**Senator MARK BISHOP**—I am referring to an article in the *Australian* on Friday, 5 November, commenting on 'assessment of the changes provided to Mr Anderson this week by CASA chief executive Bruce Byron'.

**Mr Byron**—I certainly did not make any public announcements about advice of the need for radar or otherwise. What I think that article is probably referring to is a response I gave to the minister to a number of questions that covered a wide range of issues to do with the National Airspace System. If you have any more detailed questions specifically about—

**Senator MARK BISHOP**—We may as well cut to the chase and not refer to newspaper articles. What is CASA's assessment of the utility of Minister Anderson's decision to spend \$150 million installing radar at regional airports? Do you think it is a good idea, a bad idea or do not have a view?

**Mr Byron**—I have not really assessed it. I was not asked to assess it, Senator, and I have not assessed it. That is a matter for the minister.

**Senator MARK BISHOP**—Does CASA have any opinion on the merit of the idea?

**Mr Byron**—CASA has given various input over the last 12 months on issues related to the National Airspace System, some of which related to the use of radar. We have never concluded that there was a need to increase the use of radar, so I am not really sure what that reference is to. We have not actually come to a position. I have not done any assessments of it. We have relied fairly heavily over the last 12 months to research done by Airservices Australia and where we have had the time we have looked at it.

A lot of our time has been spent looking at whatever change processes are proposed and looking at what we have thought is going to be the impact on the aviation industry. Where there have been planned changes, such as there were last year, we have given fairly firm advice about what we think are the likely risks of the change process. That has been the focus of most of what we have said. The allocation of radar is not something that CASA controls. We have not been asked to provide any particular position on that.

**Senator MARK BISHOP**—Did you hear the discussion earlier this evening with Airservices Australia?

**Mr Byron**—Not all of it, Senator. I caught snippets of it.

**Senator MARK BISHOP**—Basically, Airservices Australia were of the view that the objective of the minister of increasing or maintaining safety levels at airports could be better

or more properly achieved at significantly lower cost using alternative technologies. That was their position. Do you have any reason to suggest that that approach of theirs is flawed in any way?

**Mr Byron**—Are you talking about ADSB?

**Senator MARK BISHOP**—Yes, I am.

**Mr Byron**—As presumably has been discussed with Airservices, you would be aware that there is a trial being undertaken about ADSB. CASA's role in anything like this is not to be the proponent of new technologies or application of radars or whatever but to look at the standards, particularly the safety standards, associated with it. Our involvement to date has purely been to look at the proposal for the trial that Airservices is using and to assure ourselves that the safety standards being used in that trial are appropriate. I would like to wait until we see the results of that trial to see whether or not the wider application of that technology is definitely the best way to go.

Because it is a trial and we are not involved in managing the trial, I do not have a position on the relative safety or relative economics of it. That is not our role. We have not done that. What I would say is that I take a fairly objective and cautious approach to anything that is on the table. We have a role to look at things very carefully. In aviation there are generally no magic bullets. You need to look at things fairly carefully and that is the way I am asking CASA to look at this one. Certainly, on the basis of a lot of the discussions to date, it has a lot of promise. We are the safety regulator. We will sit back, wait and see what the objective information tells us before we come to a conclusion.

**Senator MARK BISHOP**—In that, you are referring to the trial that is going on in Bundaberg?

**Mr Byron**—Yes, Senator.

**Senator MARK BISHOP**—Has CASA made any attempt to persuade the minister to review his decision as to the funding for the radar systems at the 10 regional airports?

**Mr Byron**—No, Senator.

**Senator MARK BISHOP**—You have had no input to the minister at all?

**Mr Byron**—We had a lot of input at the working level throughout last year on a range of issues related to airspace. Some of them were interagency discussions, some of them were formal letters that I received from either Airservices or other players. I am assuming that perhaps some inputs that CASA had may have formed part of the evaluation. I do not know. I certainly was not privy to any formal advice on that particular issue.

**Senator MARK BISHOP**—I might try to pin you down here, Mr Byron, because I do not quite understand the role of the Civil Aviation Safety Authority. Clearly from your title safety in the aviation industry is a prime concern and you are the regulator that makes the regulations to achieve that end. You currently have the trial up in Queensland being done for new technologies to be implemented in the medium term and we have this announcement by the minister to go down a different path which the officials have told us might be under review. Is it not the role of your organisation to have a view on the merits of the safety arguments of both systems? Isn't that properly within your purview?

**Mr Byron**—Senator, you are not on your own in wanting clarification of the role of CASA. I am clear what the role of CASA is because the last 12 months has made it pretty clear to me that we needed to very carefully look at it. The generic assumption that CASA has safety regulatory control over all aspects of aviation is incorrect. It is incorrect on the basis of the legislation.

What the last 12 months have shown us is that legislation—which split the aviation regulatory function between CASA and, in relation to airspace matters, Airservices Australia—that was obviously enacted in good faith many years ago worked well for a while until there came a point at which there may have been differing opinions. That is a bit of background and that is something that, to be quite honest, I had to spend quite a bit of time educating people about last year. We are clear about what the limits of our authority are. It is important that we obviously work strictly within those limits.

**Senator MARK BISHOP**—Why don't you tell us then what the limits of your authority are?

**Mr Byron**—We are not the airspace regulator in terms of declaring the different types of airspace nor indeed necessarily for the use of some technologies within that airspace. Where it comes to the point where, for example, we are talking about a new technology which may or may not have a safety impact, then it is appropriate for CASA to be involved under the legislation to look at the standards associated with that.

In simple terms we can regulate on the procedures to be used in airspace but as far as declaring different parts of airspace in different parts of the country is concerned, that is not our role. That has been an area of confusion for a lot of people. It has been important for us in the last six to eight months to make sure we know what our boundaries are and we stick within them.

However, that has not excluded the possibility of other participants asking our opinion. But I could not, for example, last year impose my view on another regulator. I certainly responded when I was asked about our views, which we were in a couple of cases. It was a bit of a two-hatted situation there.

**Senator MARK BISHOP**—It sounds to me like you are having 50c each way: you do not volunteer a view but if you are asked you will give it.

**Mr Byron**—It is not having a bob each way, or 50c each way; it is doing the job that you are allowed to do under the legislation. If I have a firm view about the safety of airspace matters that are under the regulatory control of another authority that I think are going to definitely impact on aviation safety I will, as I have said to the minister, put my hand up and have a say.

**Senator MARK BISHOP**—I understand those constraints, so within those constraints is it proper to ask whether you have a view on the utility in terms of safety of the two systems that are under discussion?

**Mr Byron**—At this stage we have not evaluated ADSB. Down the track we will be delighted to be a party to that.

**Senator MARK BISHOP**—Have you evaluated the alternative which is the subject of the direction by the minister?

**Mr Byron**—No, Senator, we have not evaluated it.

**Senator MARK BISHOP**—You have not made any attempt to persuade the minister to change his position on the directive?

**Mr Byron**—I have responded to questions from the minister at various times, but apart from that we have not made any attempt to persuade the minister to go down a particular path, no.

**Senator MARK BISHOP**—And he has not asked your organisation to comment on his decision to issue the directive?

**Mr Byron**—Probably indirectly. He sought CASA's view about aspects related to the use of radar in class E airspace in October last year and we provided that response.

**Senator MARK BISHOP**—What was your advice then?

**Mr Byron**—That was that the use of radar in any environment, any class of airspace, will result in a higher level of safety.

**Senator MARK BISHOP**—Will result in a higher level of safety, yes. But you did not do the comparison between the two systems?

**Mr Byron**—We did not do any analysis, no.

**Senator MARK BISHOP**—All right, just stating the obvious there. We might turn now, Mr Byron, to the CASA establishment review. Were you the CEO in February of 2004?

**Mr Byron**—Yes. I had been in the job about two months at that stage.

**Senator MARK BISHOP**—You initiated the establishment review to restructure CASA resources to better meet new stated priorities?

**Mr Byron**—I initiated the establishment review to better understand what it was that CASA does and who does it. That was at that time.

**Senator MARK BISHOP**—That review covered a whole range of areas. From that review are you able to give us the current death rates for a range of industry sectors regulated by CASA—passenger transport, large aircraft?

**Mr Byron**—I could give you some recent information, yes.

**Senator MARK BISHOP**—What are the death rates for passenger transport, large aircraft?

**Mr Byron**—The classifications that we normally use are high-capacity air transport and low-capacity air transport, which is most of the airline sector. I have figures up to 2001. Fatal accidents in high-capacity air transport in Australia is zero and has been consistently zero for some years. Low-capacity air transport is low but there have been a number of years in the last decade in which there have been some fatal accidents.



**Senator MARK BISHOP**—They are the subject of some public notoriety. Does that low-capacity classification cover other commercial operations which carry passengers, such as joy-flights?

**Mr Byron**—No, it would not.

**Senator MARK BISHOP**—Do you have the figures on that?

**Mr Byron**—Not specifically joy-flights, but we have a number of classifications that would capture that. For example, general aviation charter would be the classification that I would put that in.

**Senator MARK BISHOP**—How many classifications do you have there?

**Mr Byron**—High-capacity air transport; low-capacity air transport; GA charter; GA agricultural; GA flying training; other aerial work; private business. They are the ones that the ATSB put out.

**Senator MARK BISHOP**—You might go through each of the classifications you have, identify them and give us the death rates that are relevant for that document.

**Mr Byron**—We need to be clear about what we are talking about. Would you like the number of accidents or the rate per 100,000 hours? I can give you both, if you want.

**Senator MARK BISHOP**—Yes, give us both.

**Mr Byron**—Let us look at the fatal accidents. We will look at the last few years up until 2001. Last year I did some analysis on this myself and looked at rolling averages. Raw figures every years are sometimes a bit misleading but the rolling averages in GA charter were around about three to four fatal accidents per year; in aerial agriculture, probably around about two or three; flying training, one to two. For other aerial work it varies a bit. There are a few spikes there but just looking at this, eyeballing it, it would be an average of about two per year. There is certainly a spike for private business—I would estimate the rolling average, the last three years up until 2001, to be about 10 or 12 fatal accidents per year. They are classified as private or business: a private pilot who uses the aircraft for recreation or a private pilot who uses the aircraft to fly himself or herself around on business.

**Senator MARK BISHOP**—People out on the stations in the west and north?

**Mr Byron**—Not necessarily. I think you are alluding to the outback.

**Senator MARK BISHOP**—Yes.

**Mr Byron**—It could be people based in Melbourne, flying themselves to regional Victoria or New South Wales.

**CHAIR**—But not charter?

**Mr Byron**—No, that is private and business.

**CHAIR**—The mob who went from Sydney to Wodonga into the hill—

**Mr Byron**—That was a private operation. That one is not included in my figures because I have ATSB figures up to about 2001 here. That was a recent one.

**CHAIR**—What about ultralight?

**Mr Byron**—I do not have the figures for ultralight.

**CHAIR**—They would be pretty scary.

**Mr Byron**—There are a number. We look at them, we see them, I get them reported to me. Off the top of my head I could not give you a figure but there are certainly some ultralight accidents on a regular basis.

**Senator MARK BISHOP**—What is the reason for the private transport rates—10 and 12—being so high?

**Mr Byron**—That is very complex. I can give you what my views are. One of our obligations under the Civil Aviation Act is to do a review of the civil aviation system. Early last year I discussed this in CASA and I came to the conclusion that we had not really done it. From a system point of view we had not really looked at a lot of the stuff underlying the basic facts.

Everyone sees accident statistics, and I have just read some to you. These are raw figures where we have a certain number of accidents happening and a certain number of fatal accidents happening. In terms of relating to the question that you asked as to why they happen, I do not believe that over the years we did enough analysis of that until last year. We took a look at what we are classifying as general aviation fatal accidents. It struck me that there was the blip on the radar; there was the figure that stood out. It was not really good enough to say that sector of the industry has a higher rate and, therefore, that means we do certain things, because we have not analysed the detail underlying it.

We did that; we had a look at the causal factors or findings that had been recorded by the ATSB to look underneath it, to see what the likely factors were. We came up with quite a few interesting ones. One of them was the fact that there was a very large incidence of uncontrolled flight into terrain. This is an aeronautical safety term. On the flip side, controlled flight into terrain is quite a common term with safety analysts and regulators around the world; it has been for years. We have been very fortunate in this country that we have not suffered the degree of controlled flight into terrain—that is, the aircraft being manipulated by the crew, who run into something that they did not expect to run into. We have not had that incidence of those accidents that have plagued other parts of the world, particularly with large aircraft.

In this particular analysis that we did, the uncontrolled flight into terrain as a factor implied the fact that the pilot lost control of the aircraft prior to hitting the ground. That could be because of a range of things. It could be the pilot manoeuvring the aircraft in such a way that they stalled the aircraft, lost control and flew into the ground—that type of thing. In some cases there were one or two training accidents where people in multi-engine aircraft were training with an engine failure, which is normal procedure—I have done it thousands of times myself—and subsequently lost control of the aircraft and it crashed. To me it is pretty clear that with that degree of incidence of uncontrolled flight into terrain, the underlying handling characteristics of the aircraft and—digging a bit further back—training issues potentially could be a factor in that.

Our approach to that was that in accordance with our regulatory requirement to analyse the system—and this was our first bite of the system, looking at the next layer down—we have

put a lot of focus in the last six months on the possibility that there could be an issue with training contributing to some people losing control of aircraft. We have done two things: one is that we have now formed a group of specialists within CASA, at each major location around the country, to be flying training specialists. These are generally people that are flying operations inspectors in CASA and up until recently they probably were looking at a lot of charter companies and various types of aerial work. What we are now doing with these specialists is totally focusing them on flying training, providing them with additional training so that they can spend time at the flying schools and ideally, through a process of osmosis or whatever, gradually influence the training standards.

I have also commissioned an industry panel which has drawn together industry experts. Those are the practitioners of flying training. Basically the brief I gave them was, 'You come together and you tell me how best I can spend the money that I've got available for this activity to improve aviation training so that has a direct down-the-track impact on those sorts of accident statistics.' The industry have risen very well to that challenge. They have some good ideas and we are evaluating them. Ideally, it will provide us with the types of things that we can do—at reasonable cost but not intensive manpower costs—that will have an impact on that sort of thing. That is what I was talking about earlier with respect to an objective approach to our job. I am hoping that that is going to pay some dividends down the track. It is providing a focus on it.

What it is not doing is providing an army of CASA inspectors to go out there and walk all over the private pilots in the industry. It is providing them with the tools to lift their own game. In fact, it has a direct relationship to one of our core functions under the Civil Aviation Act, which basically makes the point that the ultimate duty of care is with the operator, the pilots and the engineers, and this is a way of us assisting them to satisfy their obligations. That has really come from, initially, an analysis of the stats that you were asking about.

**Senator MARK BISHOP**—That is clear. We might get a further update on that next time we meet. See how it goes.

**Mr Byron**—Certainly.

**Senator MARK BISHOP**—On 8 February this year you announced the new structure for CASA and that structure is based on a policy, as I understand it, which states that the allocation of CASA's resources to a sector will correspond to that sector's position on the list we have just been through. Is that correct?

**Mr Byron**—Effectively, yes.

**Senator MARK BISHOP**—You also say:

Passengers are the number one priority for the Civil Aviation Safety Authority.

I presume you mean 'the safety of passengers'.

**Mr Byron**—Yes.

**Senator MARK BISHOP**—And further down in the document entitled *CASA priorities for aviation safety* it states:

A risk-based approach has been taken to setting the priorities based on factors such as public concerns about their control over risks, their safety expectations and the potential for multiple fatalities.

It has been put to me that that could be construed as CASA being more interested in avoiding public relations disasters, by setting priorities based on public concerns ahead of scientific risk analysis. How would you respond to that criticism?

**Mr Byron**—I disagree with that. Let us look at some figures. We are funded partly by the taxpayer; we are funded partly by industry appropriations. We have to spend that money to best effect and, under the Civil Aviation Act, we have to do our job so that we ultimately can have a positive impact on reducing accidents and incidents. Over many years I spoke to a lot of people before I came to this job, and even more since, and my view is that there is an expectation that CASA will, first of all—not to the exclusion of everything else—look after the sort of people who you were describing there in our statements: those who do not have any control over the risks—that is, the people who pay for a ticket to board an airline, the people who are in the air most of the time.

We did some analysis last year, and it was interesting. We took a snapshot of the sky on a given day. In our analysis we determined that, of all the people in the air on a given day, 94 per cent of them in Australia are in large to medium airline aircraft, even down to some of the small regional airline aircraft. Six per cent are in the rest, and that six per cent actually included some people in the small general aviation charter area as well.

What I have said is that, in the absence of an articulated priority within CASA about how we should be spending our money for safety effect, we need to basically do a little bit of research, a little bit of thinking—which we did last year—and come up with a list of priorities for the guidance of people in management who have to do the job on my behalf in various parts of the organisation. Any organisation—certainly any organisation that I have worked in—has to provide guidance to let managers know, within a box, what they have to do. ‘They are the boundaries within which you can operate, but, within those boundaries, these are the priorities.’ I do not think there are many jobs that I have seen where, at a management level, you do not at some stage have to prioritise. You cannot be all things to all people all the time.

We did not have, articulated in CASA, that sort of guidance for management about how to look after their patch. It seemed to me—and we worked on this late last year—that providing those priorities to management and supervisory staff was the best way of making sure that, when there was a decision to be made about allocating resources to priorities, we did not miss the big one first. That is the basic principle.

What I said a moment ago is, I think, a relevant point. These are priorities to be used within the boundaries of a manager’s responsibility. I will sit back from a whole of CASA point of view and satisfy myself that we are doing our job in accordance with those priorities, but I expect that people in the future general aviation group and the airline group will also allocate their resources in the same way. The argument that it is not based on—I forget the words you used, Senator—

**Senator MARK BISHOP**—I used the words ‘public concerns about their control over risk as opposed to a scientific risk based approach’.

**Mr Byron**—We have established two areas of research within CASA. Last year I set up a strategic research capability. We did not have it at the policy level. It is really that function that did that analysis that I spoke of earlier, the general aviation focal areas. Under our

proposed new structure, the chief operating officer, Mr Gemmell, will also have a safety research and analysis function so that we can constantly test these ideas. We need that sort of guidance to start with, and I would say that we have in fact taken a risk based approach to doing this in the first cut. If over a period of a year, with our continuing analysis, we need to change our tack, we will do that, but we have to have a baseline—we have to start somewhere.

**Senator MARK BISHOP**—You say it is a risk based approach?

**Mr Byron**—Yes, I say it is.

**Senator MARK BISHOP**—In the context of your earlier statement that 94 per cent of custom—

**Mr Byron**—No, 94 per cent of people. So when I am flying in an aircraft, I am in the same boat.

**Senator MARK BISHOP**—You and I are in the same boat.

**Mr Byron**—Yes, that is right. Sorry. Mr Gemmell advised me it's not a boat; it's a plane!

**Senator MARK BISHOP**—Whatever, at this hour of night! What is the role of the regulatory services branch in the ongoing design and roll-out of NAS?

**Mr Byron**—It has got absolutely nothing to do with it.

**Senator MARK BISHOP**—Nothing to do with it at all?

**Mr Byron**—Nothing to do with it.

**Senator MARK BISHOP**—No role?

**Mr Byron**—No role at all. The two things are totally unrelated. The regulatory services branch is part of CASA's structure at the moment that looks after the issuing of operator certificates, mainly for general aviation operators. Under the proposed new structure, it will work with the current compliance area for the general aviation sector but they will have no accountabilities for the National Airspace System.

**Senator MARK BISHOP**—Is it correct to say that the general aviation operations group will be focused predominantly on the regulatory needs of that sector of the aviation industry which does not include the major airlines and military aviation—that is, the general aviation sector?

**Mr Byron**—It is correct to say that it will not have anything to do with the major airlines. That will be with the air transport operations group. Did you mention military aviation?

**Senator MARK BISHOP**—I did, yes.

**Mr Byron**—We have no regulatory control over military aviation at the moment under the legislation. I am happy to elaborate further on the proposed structure.

**Senator MARK BISHOP**—No, that is fine, Mr Byron. CASA has been engaged in recent years in reforming the regulatory environment and regulations to get better outcomes for industry, as well as for safety. Page 20 of the 2003-04 annual report gives as a highlight this fact:

The Regulatory Reform Program was refocused on quality rather than timely completion.

When did the regulatory reform program begin and when was it originally scheduled to conclude?

**Mr Byron**—The regulatory reform program commenced—and I might need to take advice from Mr Gemmell, who was in CASA at the time—in about 2002.

**Mr Gemmell**—The regulatory reform program in various guises has been going for many years. The last formal kick-off for the current program was 1999. It was reviewed in 2001, a review done by me—in fact, I was newly joined to CASA—and we set ourselves a target of completing it by December 2003. Mr Byron joined as CEO on 1 December 2003, and it was at that point it was refocused from the time to the quality.

**Senator MARK BISHOP**—Had you, by and large, concluded your work when Mr Byron joined CASA in December 2003?

**Mr Gemmell**—We had done an enormous amount of work. We were close to completing where we were. We were probably about to put a lot of material to the minister, but it was felt it was not of the right quality. We were rushing—pushing to meet the timetable—and industry was a bit disturbed by that, I guess. It was decided it would be appropriate to take more time, to get the quality right.

**Senator MARK BISHOP**—Now that it has been refocused away from a timely conclusion, what is the new completion date and how is it proposed to stop it drifting along forever?

**Mr Byron**—We do not have a firm completion date at this stage, but we should be able to generate that fairly soon. Mr Gemmell mentioned the refocus, I suppose, that I imposed on the organisation in late 2003-04 on getting the rules right and getting the quality. I found it necessary late last year to articulate in a bit more detail some guiding principles about how I wanted that done and who I wanted to be involved in the process.

I have issued some guiding principles on the formulation of new regulations and, if necessary, manuals of standards that accompany them. I have, I suppose, imposed on the system an additional layer of consultation, to assure me that the final draft rules that I send to the minister for consideration by the parliament are the right ones and that they address very carefully risks that are real and necessary issues that must be picked up by regulations. I felt it was necessary to do that to make sure that I have the right rules. I am not going to put my signature to anything that I do not think adequately addresses safety issues.

**Senator MARK BISHOP**—When do you think those regulations will go to the minister?

**Mr Byron**—I anticipate we would start sending some of them from about the middle of this year. I do not see this delaying the overall program excessively. We have an action item to develop a plan to forward to the minister about when we plan to have them to the minister, and I assume that plan would be done in the next couple of months. I would be hopeful that it would not be long after early 2006 that most of the draft rules are delivered to the minister.

**Senator MARK BISHOP**—The *Financial Review* carried an article on 26 November reporting the rapid departure of a number of senior managers—Sue-Ellen Bickford, Bill McIntyre and Ray Comer. I understand Mr McIntyre was heavily involved with the regulatory reform program. Is that correct?

**Mr Byron**—He was the executive manager of the standards division, which had carriage of the working level development of the rules, yes.

**Senator MARK BISHOP**—Were the other two persons involved?

**Mr Byron**—Not directly in the standards function, no.

**Senator MARK BISHOP**—Were they involved with other functions within the regulatory reform program?

**Mr Byron**—Peripheral to that, in that they had financial/human resource functions, but support areas primarily of CASA's operations.

**Senator MARK BISHOP**—I understand. Does the loss of Mr McIntyre have an impact on the future of the program?

**Mr Byron**—No.

**Senator MARK BISHOP**—I would now like to get an update on drug and alcohol testing in the aviation industry in the wake of the Hamilton Island tragedy. Who is on the review team established by CASA and DOTARS?

**Mr Byron**—Of course, DOTARS have carriage of this particular program. We are a participant and we have input to it. I am not directly involved in this. In the operations area, I will ask Mr Gemmell to answer that. If you wanted a further update on the old program, it would be better to ask Mr Dolan from the department. To answer your question first, I will give you the name of whoever was dealing with it at CASA.

**Mr Gemmell**—The CASA representative was Nicola Hinder, who is the acting executive manager of corporate affairs.

**Senator MARK BISHOP**—Perhaps you could update us on the progress of the review team. Mr Dolan, it has been handballed to you.

**Mr Dolan**—The CASA review is the responsibility of Dr Doug Hartley, who works in my area of the department. He is leading the review team. There has been a public seeking of responses to the proposal. There is a draft report that is currently with the minister for his consideration. The aim is that that report, if it meets the minister's agreement for release, will go out as a final draft for consultation with industry and we will make a final report to the minister by the end of April.

**Senator MARK BISHOP**—The review team's work will be done by the end of April. Is that what you are telling me?

**Mr Dolan**—That is the plan at the moment.

**Senator MARK BISHOP**—What is the projected cost of the review?

**Mr Dolan**—I would have to take that on notice.

**Mr Yuile**—Do you mean the cost of the review or the cost of implementation?

**Senator MARK BISHOP**—The cost of the review. When were the terms of reference finalised?

**Mr Dolan**—I cannot remember. It was approximately the middle of 2004, Senator, but I would have to take that on notice and confirm it for you.

**Senator MARK BISHOP**—Were they, at that time, signed off by the minister?

**Mr Dolan**—Yes. The minister approved the terms of reference for the department and CASA to conduct the review.

**Senator MARK BISHOP**—How were the terms of reference made public and submissions sought for the review?

**Mr Dolan**—Largely electronically, as I recall it, but there was also some correspondence to a range of agencies.

**Senator MARK BISHOP**—How many submissions were received?

**Mr Dolan**—I do not have that information in front of me. I will take it on notice.

**Senator MARK BISHOP**—What is going to be the expected output of the review? Will it be a report to the minister?

**Mr Dolan**—Yes.

**Senator MARK BISHOP**—You are hoping to have the whole thing done by the end of April. Is that right?

**Mr Dolan**—Yes.

**Senator MARK BISHOP**—At page 82 of the CASA annual report, Mr Byron, under the heading 'Investigation', it states:

In April 2004 CASA commissioned Mr Stephen Skehill, Special Counsel with Mallesons Stephen Jacques, to investigate allegations made about CASA's North Queensland Area Office.

What are the allegations exactly that have been made?

**Mr Byron**—The allegations are an internal matter, effectively, by CASA officers regarding CASA officers. They are fairly sensitive personal issues that I took seriously at the time and believed, in the appropriate way to manage the staffing issues within CASA, that I needed an independent investigation.

**Senator MARK BISHOP**—Do they go to issues of impropriety?

**Mr Byron**—I would need to check on that. Our considered view is that it went close to impropriety, without checking the detail.

**Senator MARK BISHOP**—It strikes me as being somewhat unusual that you regard the behaviour as so serious that you have got an independent investigation of CASA employees in relation to other CASA employees and you have commissioned senior counsel to do it.

**Mr Byron**—The issue was such—I would need to double-check the detail of the allegations—that at the time it was serious enough for me to make sure that there was a proper, thorough, independent investigation and it was seen to be done independently and thoroughly.

**Senator MARK BISHOP**—Does it go to improper personal behaviour or issues of misuse of resources or financing?



**Mr Byron**—To the best of my recollection it is related to behaviour.

**Senator MARK BISHOP**—Where is the investigation up to?

**Mr Byron**—I have received the report. I have considered it in conjunction with the chief operating officer and other senior managers and we have put in place an action plan that requires a number of people in the management organisation to do a certain number of things to sort the issues out that were raised.

**Senator MARK BISHOP**—It has been considered by the senior management team; the investigation has concluded; its recommendations have been considered; you have devised an action plan; and the action plan is in the process of being implemented.

**Mr Byron**—Yes.

**Senator MARK BISHOP**—Is there any potential liability to CASA or the Commonwealth as a result of the findings?

**Mr Byron**—We do not believe so.

**Senator MARK BISHOP**—What was the cost of that investigation?

**Mr Byron**—I am advised approximately \$50,000.

**Senator MARK BISHOP**—I am in the wrong business! What was the process by which Mr Skehill and Mallesons were selected to carry out the investigation?

**Mr Byron**—Mallesons are part of CASA's legal panel. We have an approved list and they were on the legal panel.

**Senator MARK BISHOP**—Mr Skehill is a former secretary of the Attorney-General's Department. Has the investigation now concluded? Are Mr Skehill and Mallesons making other inquiries into CASA operations?

**Mr Byron**—No. As I mentioned, the inquiry is complete. I received the report some months ago and my orders are to get on and get the action items sorted out.

**Senator MARK BISHOP**—It is a one-off up in North Queensland?

**Mr Byron**—Yes.

**Senator MARK BISHOP**—Which is now concluded.

**Mr Byron**—Yes.

**CHAIR**—There are no implications under the Crimes Act?

**Mr Byron**—No.

**Senator MARK BISHOP**—Were any staff dismissed or disciplined?

**Mr Byron**—There was no-one dismissed. The summary is that there were a range of peripheral issues related to behaviour that need to be sorted out and that forms the core of the action items. That is pretty well the summary of it.

**Senator MARK BISHOP**—If I want more detail I will do it on a confidential basis.

**Mr Dolan**—Mr Chairman, it has been drawn to my attention that I may have been slightly ahead of the game in describing the stage that was reached in the drug and alcohol testing

review. While we have a draft report, we have not finalised it and given it to the minister for his consideration yet. That will happen in the next little while.

**Senator MARK BISHOP**—We are still heading for April, though?

**Mr Dolan**—That is the minister's expectation of what we are heading for.

**Senator MARK BISHOP**—Thank you, Mr Byron, and your officers. Thank you also, Mr Yuile and Mr Dolan. Thank you, Chair, for your assistance.

**Mr Yuile**—Chair, could I pick up a question that Senator O'Brien asked us this morning in relation to the answers to the questions which we provided to the committee. May I go through the information I have, and I know that Senator Bishop was also interested. There were some 51 questions from Senator Allison, Senator Crossin and Senator Carr in relation to regional programs. I am advised that we did alert the secretariat on 4 February that we could be running late on those because people were also tied up with responding to the Senate inquiry of another committee.

**Senator MARK BISHOP**—Is this the issue that Senator O'Brien raised first thing this morning?

**Mr Yuile**—Yes, it is. Those questions were cleared in the department on 8 February. They were cleared by the minister on 10 February and they were returned to the department and forwarded to the secretariat as discussed this morning. At 5 p.m. on Friday, 11 February, hard copies were sent to the secretariat. That was for those 51 questions. There were 11 questions asked by Senator Crossin in relation to territories matters which were cleared in the department on 8 February. They were cleared by Minister Lloyd, in this instance, on 10 February. As per the regional programs questions, we forwarded those to the secretariat on Friday, the 11th.

There were six questions from Senator Murray and four from Senator Ludwig. They were what I would call corporate affairs questions which were cleared in the department on 27 January, cleared by the minister on 28 January, and I believe emailed to the secretariat on 4 February. There were then some 22 questions—again I would characterise them as corporate type questions—from Senator Ludwig which went to issues such as vehicle accidents, diversity issues, questions of publications, theft and fraud questions. They were questions which were directed not just to the department but to all budget funded portfolio agencies, so we gathered information from AMSA, CASA and the National Capital Authority. We were also required to clear that information with central agencies. We received the clearances from the central agencies on the 7 February and they were then sent to the minister on 8 February and subsequently received back from the minister's office and communicated to the secretariat on 9 February. The majority of responses from CASA were forwarded to the secretariat by the department on 14 February 2005.

There were three questions from Senator Ludwig (PROJ 64-67) and I am not sure of the substance of those. I am trying to track those to clarify where they are in the department. There were a further three questions from Senator Ludwig, again on corporate matters, which again we had to seek clearance from central agencies on. I believe that clearance was received this morning and we will be forwarding those to the secretariat. The short answer, Senator, is that we were late as a department in finalising the answers to these questions. I can only

express our regret to the committee that it has taken us that long in a couple of those areas but in some cases we were depending on clearances from other agencies.

**Senator MARK BISHOP**—Mr Yuile, Senator O'Brien did not raise this but I will, in terms of the way you conduct yourself in the future. In all the other departments and agencies that I have had to deal with in more recent years, questions of notice have all been delivered in email form and received back from the committee in electronic form after being ticked off by the responsible minister. Senator O'Brien raised this morning that they were delivered in hard copy form. Might it be possible for your organisation to look at the utility of delivering them by electronic means once they are signed off?

**Mr Yuile**—I think we deliver in both, Senator.

**Senator Ian Campbell**—I think we said this morning they were delivered electronically but for some reason there was a delay over the weekend. I think the hard copy was eight o'clock on Friday night and the electronic version was eight o'clock this morning.

**Senator MARK BISHOP**—So why couldn't the electronic copy have been sent at eight o'clock on Friday night?

**Mr Yuile**—My information is that electronic copies of overall consolidated responses were emailed to the secretariat at 8.10 p.m. on Friday, 11 February. Hard copies were delivered at 5 p.m. on 11 February 2005.

**Senator Ian Campbell**—I would not expect the secretary to be there at eight o'clock on Friday night. That is the answer. I understand.

**CHAIR**—Thank you.

**Committee adjourned at 10.35 p.m.**