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Official Committee Hansard

SENATE

RURAL AFFAIRS AND TRANSPORT LEGISLATION
COMMITTEE

ESTIMATES

(Supplementary Budget Estimates)

THURSDAY, 21 OCTOBER 2010

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BY AUTHORITY OF THE SENATE

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SENATE RURAL AFFAIRS AND TRANSPORT

LEGISLATION COMMITTEE

Thursday, 21 October 2010

Members: Senator Sterle (*Chair*), Senator Heffernan (*Deputy Chair*), Senators Crossin, Hutchins, Nash and Siewert

Participating members: Senators Abetz, Adams, Back, Barnett, Bernardi, Bilyk, Birmingham, Mark Bishop, Boswell, Boyce, Brandis, Bob Brown, Carol Brown, Bushby, Cameron, Cash, Colbeck, Coonan, Cormann, Eggleston, Faulkner, Ferguson, Fierravanti-Wells, Fielding, Fifield, Fisher, Forshaw, Furner, Hanson-Young, Humphries, Hurley, Johnston, Joyce, Kroger, Ludlam, Macdonald, McEwen, McGauran, Marshall, Mason, Milne, Minchin, Moore, O'Brien, Parry, Payne, Polley, Pratt, Ronaldson, Ryan, Scullion, Stephens, Troeth, Trood, Williams, Wortley and Xenophon

Senators in attendance: Senators Abetz, Back, Boyce, Colbeck, Forshaw, Heffernan, Hutchins, Ludlam, Macdonald, McEwen, Sterle, Williams and Xenophon

Committee met at 9.01 am

INFRASTRUCTURE AND TRANSPORT PORTFOLIO

In Attendance

Senator Carr, Minister for Innovation, Industry, Science and Research

Senator Feeney, Parliamentary Secretary for Defence

Department of Infrastructure and Transport

Executive

Mr Mike Mrdak, Secretary

Mr Andrew Wilson, Deputy Secretary

Ms Lyn O'Connell, Deputy Secretary

Corporate Services

Mr David Banham, Chief Operating Officer

Mr Paul Wood, Chief Financial Officer

Infrastructure Australia

Mr Michael Deegan, Infrastructure Coordinator

Nation Building–Infrastructure Investment

Mr Alex Foulds, Acting Executive Director

Mr Richard Farmer, General Manager, Policy, Planning and Development

Mr Neil Williams, General Manager, Rail and Intermodal

Mr Troy Sloan, General Manager, Major Infrastructure Projects Office

Mr Roland Pittar, General Manager, North West Roads

Australian Rail Track Corporation Ltd

Mr David Marchant, Chief Executive Officer

Surface Transport Policy

Ms Leslie Riggs, Executive Director
Mr Robert Hogan, General Manager, Vehicle Safety Standards
Mr Michael Pahlow, General Manager, Maritime Policy Reform
Mr Michael Sutton, General Manager, Road Transport Policy Reform
Mr Joe Motha, General Manager, Road Safety and Programs
Ms Donna Wieland, General Manager, Surface Transport Regulation Taskforce

Australian Maritime Safety Authority

Mr Graham Peachey, Chief Executive Officer
Mr Mick Kinley, Deputy Chief Executive Officer
Mr Allan Schwartz, General Manager, Maritime Operations Division
Mr Brad Groves, General Manager, Maritime Standards Division
Mr Yew Weng Ho, General Manager, Corporate Services Division
Mr John Young, General Manager, Emergency Response Division
Mr Jamie Storrie, Manager, Environment Protection

Policy and Research

Mr David Williamson, Executive Director
Mr Brendan McRandle, General Manager, Policy Development Unit
Dr Gary Dolman, Head of Bureau, Bureau of Infrastructure, Transport and Regional Economics
Mr Stuart Sargent, General Manager, Policy and Research Division

Office of Transport Security

Mr Paul Retter, Executive Director
Mr Peter Robertson, General Manager, Aviation Security
Mr Chris Appleton, General Manager, Analysis and Operational Support
Mr George Brennan, General Manager, Transport Security Operations
Mr Steve Dreezer, General Manager, Maritime, Identity and Surface Security

Aviation and Airports

Mr John Doherty, Executive Director
Mr Scott Stone, General Manager, Aviation Environment
Ms Karen Gosling, General Manager, Airports
Mr Stephen Borthwick, General Manager, Aviation Industry Policy
Mr Jim Wolfe, General Manager, Air Traffic Policy
Mr James Collett, General Manager, Sydney Aviation Capacity
Mr Marcus James, General Manager, Airport Economic Regulation

Civil Aviation Safety Authority

Mr John McCormick, Director of Aviation Safety
Mr Terry Farquharson, Deputy Director of Aviation Safety
Dr Jonathan Aleck, Associate Director of Aviation Safety
Mr Peter Cromarty, Executive Manager, Airspace and Aerodrome Regulation
Mr Gary Harbor, Executive Manager, Corporate Services Division
Ms Fiona Johnstone, Chief Financial Officer

Airservices Australia

Mr Greg Russell, Chief Executive Officer

Mr Jason Harfield, General Manager, Air Traffic Control

Mr Mark Rodwell, Manager East Coast Services, Air Traffic Control

Australian Transport Safety Bureau

Mr Martin Dolan, Chief Commissioner

Mr Ian Sangston, General Manager, Aviation Safety Investigations

Mr Julian Walsh, General Manager, Strategic Capability

Mr Michael Squires, Acting General Manager, Surface Safety Investigations

CHAIR (Senator Sterle)—I declare open this public hearing of the Senate Rural Affairs and Transport Legislation Committee. Today the committee will commence its examination of supplementary budget estimates with the Department of Infrastructure and Transport. The committee has fixed Friday, 10 December 2010 as the date for the return of answers to questions taken on notice. Senators are reminded that any written questions on notice should be provided to the committee secretariat by close of business this Friday, 22 October 2010. Under standing order 26, the committee must take all evidence in public session. This includes answers to questions on notice. Officers and senators are familiar with the rules of the Senate governing estimates hearings. If you need assistance, the secretariat has a copy of the rules.

I particularly draw the attention of witnesses to an order of the Senate of 13 May 2009 specifying the process by which a claim of public interest immunity should be raised and which I now incorporate in the *Hansard*.

The document read as follows—

Order of the Senate—Public interest immunity claims**That the Senate—**

- (a) notes that ministers and officers have continued to refuse to provide information to Senate committees without properly raising claims of public interest immunity as required by past resolutions of the Senate;
- (b) reaffirms the principles of past resolutions of the Senate by this order, to provide ministers and officers with guidance as to the proper process for raising public interest immunity claims and to consolidate those past resolutions of the Senate;
- (c) orders that the following operate as an order of continuing effect:
 - (1) If:
 - (a) a Senate committee, or a senator in the course of proceedings of a committee, requests information or a document from a Commonwealth department or agency; and
 - (b) an officer of the department or agency to whom the request is directed believes that it may not be in the public interest to disclose the information or document to the committee, the officer shall state to the committee the ground on which the officer believes that it may not be in the public interest to disclose the information or document to the committee, and specify the harm to the public interest that could result from the disclosure of the information or document.
 - (2) If, after receiving the officer's statement under paragraph (1), the committee or the senator requests the officer to refer the question of the disclosure of the information or document to a responsible minister, the officer shall refer that question to the minister.

- (3) If a minister, on a reference by an officer under paragraph (2), concludes that it would not be in the public interest to disclose the information or document to the committee, the minister shall provide to the committee a statement of the ground for that conclusion, specifying the harm to the public interest that could result from the disclosure of the information or document.
- (4) A minister, in a statement under paragraph (3), shall indicate whether the harm to the public interest that could result from the disclosure of the information or document to the committee could result only from the publication of the information or document by the committee, or could result, equally or in part, from the disclosure of the information or document to the committee as in camera evidence.
- (5) If, after considering a statement by a minister provided under paragraph (3), the committee concludes that the statement does not sufficiently justify the withholding of the information or document from the committee, the committee shall report the matter to the Senate.
- (6) A decision by a committee not to report a matter to the Senate under paragraph (5) does not prevent a senator from raising the matter in the Senate in accordance with other procedures of the Senate.
- (7) A statement that information or a document is not published, or is confidential, or consists of advice to, or internal deliberations of, government, in the absence of specification of the harm to the public interest that could result from the disclosure of the information or document, is not a statement that meets the requirements of paragraph (1) or (4).
- (8) If a minister concludes that a statement under paragraph (3) should more appropriately be made by the head of an agency, by reason of the independence of that agency from ministerial direction or control, the minister shall inform the committee of that conclusion and the reason for that conclusion, and shall refer the matter to the head of the agency, who shall then be required to provide a statement in accordance with paragraph (3).
 - (d) requires the Procedure Committee to review the operation of this order and report to the Senate by 20 August 2009.

(Agreed to 13 May 2009.)

(Extract, Journals of the Senate, 13 May 2009, p.1941)

CHAIR—I now welcome Senator the Hon. Kim Carr, Minister for Innovation, Industry, Science and Research, representing the Minister for Infrastructure and Transport; Mr Mike Mrdak, Secretary of the Department of Infrastructure and Transport; and officers of the department. Minister, do you or Mr Mrdak wish to make an opening statement?

Senator Carr—Good morning. I do not need to make a statement.

Mr Mrdak—Chair, with your agreement, I would like to make some opening comments just to provide some context information on the implications of the recent machinery of government changes on the department. The machinery of government decisions which took effect on 14 September this year have had a significant impact on the department. As you recognise, the department is now the Department of Infrastructure and Transport. This recognises the transfer of regional development and local government functions to the newly formed Department of Regional Australia, Regional Development and Local Government. With these changes, the primary responsibilities now set out in the administrative arrangements orders for the department include infrastructure, planning and coordination; transport safety; land transport; civil aviation and airports; transport security; maritime transport; and the facilitation and implementation of all non-defence major development projects. Additionally, the department will assume the role of the Office of the Coordinator-

General, which will transfer from the Department of Prime Minister and Cabinet to this department. The office staff of the Office of the Coordinator-General will transfer to this department next week.

On 30 September this year, 178 former employees of the department, including six SES officers, transferred to the new Department of Regional Australia, Regional Development and Local Government. We have put in place arrangements to facilitate the establishment of the new department and we continue to provide some shared services to the new department, particularly in relation to accommodation, finance and human resources systems support. My department structure has been amended to reflect the transfer of the former local government and regional development division and the Office of Northern Australia and a number of corporate support staff to the new department.

Senator COLBECK—Mr Mrdak, can you table that?

CHAIR—Mr Mrdak, could you please table your opening statement? Thank you.

Senator COLBECK—It gives me a good reference document.

CHAIR—No dramas there. Mr Mrdak has offered that.

Senator HEFFERNAN—I want to ask a question about the timing of answers to questions.

Senator COLBECK—I am happy to share that bunfight with you.

Senator HEFFERNAN—No. I would like to start by asking the department when answers to the questions that were put on notice at the last estimates were supplied to the government.

Mr Mrdak—The questions that were taken on 26 and 27 May this year were assessed, and answers were drafted by the department. Draft responses were provided to the minister's office on 15 July this year. The caretaker period intervened and the caretaker, which commenced on 19 July, saw the return of all of those questions back to the department on 21 July this year. There was obviously an extended caretaker period following the federal election, which was held on 21 August. Following the announcement of the ministry on 11 September and the swearing in of ministers, the department then went through a process of essentially disentangling the questions that would go to the department of regional Australia and those which belonged to this department. That process was completed and the draft answers were provided to the minister's office on 17 September.

Senator HEFFERNAN—And they would be the same answers that were sent in July?

Senator COLBECK—Were they updated for more recent data? Were they redrafted?

Mr Mrdak—There were some minor updates.

Mr Wilson—There were a number of minor textual changes to reflect the change in portfolio names and the split of responsibilities between ourselves and the department of regional Australia.

Senator COLBECK—So there were not any questions where the data may have been out of date and the information in the questions may have been out of date and had to be updated to reflect more current circumstances?

Mr Wilson—My recollection is that the only changes that we made were contextual changes in terms of the changes between the portfolios. I would have to go back and check the individual questions to ascertain whether or not we changed any data points in terms of an update of the data from 19 July through to 17 September.

Senator COLBECK—Sorry, I was called out of the room. So the date they came up to the minister's office originally prior to the election was 19 July. They were returned on 21 July?

Mr Mrdak—On 15 July. And they were returned to the department on the 21st.

Senator HEFFERNAN—So we received them on Tuesday this week.

Senator COLBECK—How many remain outstanding?

Mr Mrdak—An answer has been provided to each of the questions.

Senator COLBECK—An answer has been provided to the minister's office to all of the questions. My understanding is that we still have 29 that we have not seen.

Mr Mrdak—I am not aware of that.

Senator COLBECK—You might not be aware of it. I have made an inquiry this morning of the committee, and my understanding is that there are 29 that we have not seen.

Mr Mrdak—I think the 29 you refer to are the ones that have been transferred to the Department of Regional Australia, Regional Development and Local Government. Originally there were 109 questions taken on notice at the hearings and 102 written questions received a week later. Of those, once we did the split just after the swearing in of the new ministry, 182 were for this department and portfolio and 29 were transferred to the department of regional Australia. I think they are the ones that are outstanding.

Senator COLBECK—That lines up with the numbers, so I suppose we can take that as a rationale. Was there any redrafting of questions requested by the minister's office after they were returned to the minister's office on the 17th?

Mr Wilson—Yes, a number of amendments were made at the bequest of the minister.

Senator COLBECK—Can we get a sense of how many particular questions that involved?

Mr Wilson—I do not have that number with me, but I can get that number to you through the course of the day.

Senator COLBECK—Can you tell me when those changes were requested?

Mr Wilson—Again, I do not have those details. It is fair to say that the changes that came back from the minister will not have all come on the same date, so there will have been a number that came in over a period. I can take that on notice and provide you with it.

Mr Mrdak—We will get that information for you.

Senator COLBECK—I will tell you what I am trying to determine. Obviously there is a frustration that effectively across agencies questions on notice have been lobbed on committees within the last three or four days. Part of the purpose of this additional estimates process is to be able to reflect on information that was provided on notice and prepare our questions for this process today. It is very difficult when we get information two or three days

before the hearing. I know it is not your problem, Mr Mrdak—it is a function of the ministers that have created this problem—but it is a significant frustration. Even bearing in mind the fact that we had an extended period of negotiation through the parliament—and I do note that, unlike one minister, the questions were sent back for checking and redrafting before they were signed off—it is a huge frustration that we do not get this information and the parliament is effectively prevented from effectively questioning the government on the information that we take on notice. It is usually the more detailed information that you quite rightly take on notice during estimates, because there is information that you just do not hold with you as part of this process. It is a huge frustration.

Senator HEFFERNAN—Could it be a contempt of parliament? The difficulty that I have, Minister, with this is that we are continually putting acute points of interest for the taxpayers of Australia on notice rather than having them actively answered because we do not get the answers to the previous set of questions until it is too late and we have to put the next set of questions on notice. So we do not actually have this live, shall I say, question and answer session. A lot of it becomes a paper trail. I wonder whether the parliament should address the issue by having some sort of timetable that is civilised enough to have the committee processes of estimates function.

Senator Carr—Well, Senator, we have all been here a long time. We know that there is a requirement to have answers returned. Most committees manage to get that dealt with in a reasonable way. I have already raised it—I have discovered this material this morning—with the ministerial office. We will see where we go from here.

Senator HEFFERNAN—I am grateful to the chairman of the committee that we as a committee decided to facilitate the process. In view of the late answers to questions, the questions that we are going to put on notice this time will be given an extension of time to get them on notice, given that we have not even dealt with the answers to questions on notice from the last time.

CHAIR—Senator Heffernan, I am very happy to talk with the committee at the break.

Senator HEFFERNAN—Thanks very much.

Senator Carr—Well, it was the chairman that has drawn these matters to my attention. So there is no attempt by the chair to prevent you getting material. We will see what we can do about trying to—

Senator HEFFERNAN—He is a wonderful chair.

CHAIR—It will get you everywhere until lunchtime, Senator Heffernan, the praise.

Senator COLBECK—Mr Mrdak, I want to go through some questions from your opening statement on the impact of the changes on the department. So the department is effectively down 178 employees as a part of the restructure that occurred with the change in the government structure?

Mr Mrdak—That is correct, Senator. One hundred and seventy-eight employees formerly of my department transferred on 30 September to Regional Australia. That comprises two former divisions of my department—Local Government and Regional Development and the

Office of Northern Australia, and a proportion of my corporate support staff, who have gone across to be the corporate area for the new department.

Senator COLBECK—So what do you gain by virtue of the new areas that have come?

Mr Mrdak—The Office of the Coordinator-General, which is transferring to us from the Department of Prime Minister and Cabinet, is five staff.

Senator COLBECK—Five staff. What is the actual function of the Office of the Coordinator-General?

Mr Mrdak—Senator, it was established by the government in February last year to effectively coordinate and monitor the implementation of the economic stimulus plan that the government put in place in December 2008 and February 2009. It is an office which sits within the Prime Minister's portfolio. I was for a period the Coordinator-General while I was working in the Department of Prime Minister and Cabinet. Essentially the role is to ensure the coordination of the rollout of the various projects under the fiscal stimulus between the states and territories in the Commonwealth and across Commonwealth agencies to make sure the timeframes are being met and effectively any impediments or issues are dealt with speedily to get the rollout of the fiscal stimulus projects.

The office is a relatively small unit. It effectively largely undertakes a coordination and monitoring role now. The office only has resourcing for the balance of this financial year and a small amount into next financial year. So that function will cease towards the end of next year.

Senator COLBECK—So you really have not gained anything, in effect? I am just trying to get a sense of the role of the Office of the Coordinator-General and recognise that, as Coordinator-General, you would have some synergies with the people and the roles that they are doing. Why the decision to remove that from the department of the Prime Minister, from the Prime Minister's office?

Mr Mrdak—I think it is part of a broader role that our department is seen to be playing, which is essentially a project delivery role across the Commonwealth. We deliver some of the larger and more complex projects that the Commonwealth directly invests in. It was seen as appropriate that we had expertise in that area, so there seemed to be some synergies with the machinery of government changes to transfer that function to us.

Senator COLBECK—So is there a focus being taken off the delivery of the stimulus package from the Prime Minister's perspective, given that she no longer believes that the Office of the Coordinator-General, whose job was to administer the stimulus package, does belong in her office or department anymore?

Mr Mrdak—I do not think so. My understanding is certainly that we are to continue the work of the office in the way it has been operating.

Senator COLBECK—But it is certainly a downgrading from the Prime Minister's own department. Obviously there was a significant moment around the stimulus package. It was a major package and a major process. It has had its obvious problems. I do not think we necessarily need to go through all of them here now. If that process is winding down, why not leave the Office of the Coordinator-General there? Are you still the Coordinator-General?

Mr Mrdak—No, I am not, although—

Senator COLBECK—So who is the Coordinator-General?

Mr Mrdak—When we take on this function, either myself or one of my senior officers will again take on the role of Coordinator-General. Part of this transfer involves the current head of the Office of Coordinator-General. That is someone that we have actually recruited to head up our infrastructure division going forward. We had a vacant position, so Mr Andrew Jagers, who heads up the Office of the Coordinator-General, has been promoted to an executive director role in my department. The confluence of that promotion for him and the opportunity, under the machinery of government changes, was there to align the Coordinator-General with our role in project delivery across the Commonwealth. It is also fair to say that while there is certainly no downgrading of the need to coordinate the fiscal stimulus package, the bulk of the projects are all now up and running and into the final delivery stages of the program. Some of the initial coordination tasks that need to be done with the states and territories is not as intense as it was, say, 18 months ago.

Senator COLBECK—So Mr Jagers is currently the Coordinator-General?

Mr Mrdak—No. The current Coordinator-General was Ms Glenys Beauchamp, who has now been appointed as the acting secretary of the department of regional Australia. So there has been the transfer of Ms Beauchamp to Regional Australia from Prime Minister and Cabinet. Mr Jagers has transferred to our department. That provides an opportunity, then, to find the right and appropriate place for the Office of the Coordinator-General. It was decided that it was best placed in our department.

Senator COLBECK—So who becomes the Coordinator-General?

Mr Mrdak—I think in this instance it will probably be myself, or one of my deputy secretaries will take on that role, from next week.

Senator COLBECK—So what relationship will the Prime Minister's office or department—you might clarify that for me—play in continuing oversight of the stimulus package?

Mr Mrdak—We will continue to provide regular reports to the Prime Minister and senior ministers, as the office currently does, to make sure that that is provided to senior ministers as advice in relation to the implementation of the package. That will simply be done through our department and through the Prime Minister's department to senior ministers.

Senator COLBECK—So the Coordinator-General's role effectively disappears at the end of the financial year?

Mr Mrdak—It runs through until about the end of 2011 under the current arrangements, which is when the final projects are due to be delivered under the fiscal stimulus plan.

Senator COLBECK—Delivered or completed? My understanding is that the stimulus package runs for some period of time yet. You might be able to enlighten when the stimulus package is supposed to be finalised. It goes out to 2014, does it not?

Mr Mrdak—Certainly some projects that were announced as part of the fiscal stimulus in our portfolio do have a longer timeframe and in some areas, such as tertiary education and the

like. But the bulk of programs related to the schools program are all due to be completed by the end of next year.

Senator COLBECK—So things like BER?

Mr Mrdak—That is right.

Senator COLBECK—Along with the Coordinator-General's role, do you get all the problems that go with it? Who is looking after all the legacy items and coordinating the matters involving the legacy items like the pink batts program? Who is maintaining oversight of the repair of that mess?

Mr Mrdak—The Department of Climate Change and Energy Efficiency has carriage of that program. That portfolio has carriage of the program. The Office of the Coordinator-General is meant to monitor and provide coordination reporting in relation to progress on all of the stimulus projects.

Senator COLBECK—In relation to the pink batts program, then, what role does your office maintain for that program?

Mr Mrdak—I think at this stage, given that program has been terminated in the form that it was originally announced as a fiscal stimulus measure—

Senator COLBECK—But it is still effectively ongoing because you have this huge disastrous legacy to fill. Does the Office of the Coordinator-General maintain a role in oversighting that disaster?

Mr Mrdak—I think it certainly does not maintain the same sort of role it did when the insulation program was—

Senator COLBECK—I understand the role would be different. But the office was set up to oversight the stimulus package. This is still part of the stimulus package, an unfortunate part as it may be. So effectively you play no role in the oversight of the clean-up?

Mr Mrdak—No. As I said, that is the responsibility of the Department of Climate Change and Energy Efficiency.

Senator COLBECK—So what are the specific things that you are currently managing the oversight of at the moment within that particular element of the portfolio?

Mr Mrdak—My understanding—and, as I say, we will have a clearer picture when the resources transfer across to us next week—is that it oversees the implementation, particularly of the schools programs, the Building the Education Revolution program, and the various programs initiated under the education infrastructure fund, the health and hospitals fund as well as the programs that are in our portfolio relating to land transport infrastructure, boom gates, black spots and the bringing forward of the rail and road projects that were part of the fiscal stimulus.

Senator COLBECK—So the bringing forward of the infrastructure projects would be projects that were normally administered under your department?

Mr Mrdak—That is correct.

Senator COLBECK—So are you effectively responsible for coordinating and monitoring your own department in that context?

Mr Mrdak—We were providing information to the Coordinator-General's office previously on the progress.

Senator COLBECK—I know. Correct me if I am wrong, but the original rationale for the Coordinator-General's office was to ensure the effective rollout of projects in each of the agencies and to coordinate that process and ensure it was happening effectively.

Mr Mrdak—That is right.

Senator COLBECK—So now the agency that is responsible for the rollout of the majority of that work is now also the agency that is responsible for the oversight and coordination of it?

Mr Mrdak—That is right. It is also important to note that most of the land transport infrastructure projects either have been completed or are very close to completion. Ms O'Connell might want to give you the details. Essentially, the vast majority of the black spot, boom gate projects and all of the road projects and rail projects are either completed or well under construction. Our programs are very close to completion, probably ahead of those in most other portfolios.

Senator COLBECK—Well, Ms O'Connell could give me that information.

Ms O'Connell—Certainly. In terms of the stimulus package for the infrastructure and transport portfolio, the key elements were the bringing forward of 14 significant road projects. Those projects have clearly been brought forward and have commenced. And the delivery of them, along with the majority of road projects, has a timetable to fulfil that will go for a period of time yet. There were also 17 rail projects, many of which have been completed or are underway. There was a significant investment in terms of the black spots allocation for the stimulus. As a result of that—I will get the exact figure for you later—approximately 600 black spot projects have been completed. There is a significant investment in boom gates at level crossings around Australia. Approximately 300 boom gates have been delivered and constructed around Australia as part of that stimulus package.

Senator COLBECK—I just find it odd that the Prime Minister would devolve such a central role out to one of the agencies. It is no reflection on you or the agency, Mr Mrdak, because I know you better. But it is a bit like having the fox in charge of the hen house. I wonder whether the Prime Minister may have lost interest in that particular process or wants to set that aside from where she is at now.

Mr Mrdak—As I said, certainly in my discussions with the head of the Prime Minister's department, it is more about aligning the project delivery capability and skills with the portfolio for whom that is core business.

Senator COLBECK—Perhaps that might have been a reasonable proposal for the government to look at when it set it up in the first place. We may not have had some of the hassles we have had going through if they had given it to the people who actually knew how to do it in the first place instead of trying to do it somewhere that was not set up to do it. It

may have been a better outcome. We will never know. Can you just give me a sense of what your progress is in implementation of election commitments?

Mr Mrdak—The government made a number of election commitments in the portfolio. They would fall into three major categories. Firstly, there are significant commitments in relation to the Nation Building Program, which provides road, rail and infrastructure projects for the current program, which runs out to 2014-15. The government has also announced a number of nation-building projects which will form the basis of nation building 2, which is the investment program beyond 2014-15. So that is one element. The second element is that the government, in the election campaign, announced a major initiative in relation to shipping policy. The government has made a major statement in relation to its intention to introduce a number of fiscal support measures and measures to seek to grow the Australian registered fleet. So it is a major shipping reform package. The third part is that the government has made an announcement in relation to its intention to introduce significant environmental measures for Australian vehicles, which is the mandating of CO2 emissions standards. So a combination of infrastructure investment, shipping reform policy and a CO2 initiative are the major three areas of the government's election platform which will have implications for this portfolio.

In relation to the first, the nation-building investment program, we are currently working through the projects that have been announced by the government and how they are best handled under the existing program. Secondly, we are now, for projects that require working through with the state governments, in a process of negotiations with a number of state governments in relation to the delivery of those projects. In relation to the shipping reform package, we are now working on implementation arrangements, particularly our regulation impact statements for the implementation of the shipping reforms. Similarly, in relation to the new CO2 emissions standard, we are working on a regulatory impact statement on the implementation of those measures. So work is underway in implementing all three of those categories of the government's election commitments.

Senator COLBECK—What is the program for the finalisation of the RIS on the CO2 environmental vehicles program and the shipping policy?

Ms O'Connell—In terms of the CO2 emissions, there are some steps yet in terms of cabinet decisions about how to implement that. Following that, we would be planning on putting out a RIS. So it is still a decision for government in terms of timing around that RIS and how that package will be implemented.

Senator COLBECK—Minister Carr would certainly be interested in the CO2, obviously, as it has some crosspollination with his portfolio in respect of the manufacturing sector for motor vehicles in Australia. So you would be working pretty closely with Minister Carr's department on that process?

Mr Mrdak—Yes, we will be.

Senator COLBECK—And what about the program for the RIS for the shipping policy?

Mr Wilson—As Ms O'Connell indicated with the CO2 process, it is a decision for government in terms of the time frame. But we are working through the issues associated with

what builds into the RIS at the moment. Similarly, we are working with other portfolio agencies, given the breadth of the issues that are involved.

Senator COLBECK—So you have not been given a specific time frame? You are effectively working with other agencies and the government to determine what the time frame is going to be?

Mr Mrdak—The government has announced, Senator, that certainly the mandatory CO2 emission standards for light vehicles will be in place from 2015. In relation to the shipping reforms, the government has set a target of having the fiscal support measures for shipping in place by 2013.

Senator COLBECK—The fiscal support? So that is the funding that supports it?

Mr Mrdak—In the government's policy commitment, they have committed to the introduction of revised taxation arrangements for Australian registered shipping. This includes the option of shipping companies moving to what is called a tonnage tax rather than the current company and income tax arrangements. It also includes measures such as changes to certain other taxation measures and potentially accelerated investment allowances for investment in Australian shipping. They are obviously complex taxation matters which we and the Australian Tax Office and the Treasury will need to work through.

Senator COLBECK—Has the department been FOIed for its incoming government brief?

Mr Mrdak—Yes. We have, Senator.

Senator COLBECK—Red book and blue book?

Mr Mrdak—We have received a freedom of information application for the incoming government briefing.

Senator COLBECK—What about the blue book?

Mr Mrdak—No. I am not aware that we have been FOIed on that.

Senator COLBECK—So you are working through a process under the FOI act for deciding or determining whether that can be released?

Mr Mrdak—That is right. Mr Banham may correct me, but I think the current stage is: we have sent the applicant a schedule of proposed charges and we are awaiting advice from the applicant in relation—

Senator COLBECK—Can you share that information with me? How much is being—

Mr Mrdak—From memory, it is of the order of about \$1,800. That \$1,800 for the provision of the information is our estimate.

Senator COLBECK—What is the basis of that charge, can you tell me? How is that charge of \$1,800 determined?

Mr Mrdak—I might defer to Mr Banham, our chief operating officer.

Mr Banham—There are largely two components of the rate. One is the actual location of the document and the copying fee. The other one is to actually go through the document and root out the relevant components. It is an estimate of how much it will cost us when we do the full brief.

Senator COLBECK—So \$1,800. I would assume it would not be all that difficult to find it. I have no idea who has made the request either, just for the record. If it is us, I plead innocence on that. Can you give me an indication of how that cost is built? Obviously, you locate the document and copy it, but I would not have thought they were hugely onerous processes. The major project, I would have thought, would be going through the document. Can you give me a sense of how big it is and what size it is?

Mr Banham—The actual schedule of fees is set out under the act. It prices per page for copying. The incoming government brief is a fairly large document. There is also a large volume that talks about the portfolio and the department. The applicant has the right, once they see the estimate of charges, to reduce what they are asking for. So they may want to drop off a couple of the large volumes and then the cost will reduce.

Senator COLBECK—So it is set out and designed under a formula. Do you have to make an estimate of the time that it is going to take you to go through to do the selection process?

Mr Banham—Yes, Senator. The per page fee is fixed. The estimate is of how long it will take us to go through and edit the document and to review it.

Senator COLBECK—And the charge-out rate is also fixed under the act?

Mr Banham—It is, Senator.

Senator COLBECK—So what is the hourly rate?

Mr Banham—I would have to take that on notice.

Senator COLBECK—But that is something that is determined in the FOI process, or is it for the department to determine what the charge-out rate is?

Mr Banham—The charge-out rate, including the hourly rate, is actually determined under the act. We did a calculation of how many hours it would take us to actually identify the relevant components.

Senator COLBECK—And then apply the rate in the act to get the fee?

Mr Banham—Yes. And the applicant gets the full breakdown of the costs.

Senator COLBECK—Fine. How has the change in the structure of the department impacted on the ministerial structure?

Mr Mrdak—We have retained our senior minister, Minister Albanese, as the Minister for Infrastructure and Transport. We have had a change to our parliamentary secretary arrangements. We have a new parliamentary secretary in the portfolio, the Hon. Catherine King MP. She is also a parliamentary secretary in the health portfolio as well as within our portfolio. Ms King has been allocated responsibilities by the minister in relation to particular parts of our portfolio, particularly dealing with land transport. Road safety, vehicle standards and some of our remote and rural aerodrome programs are three specific matters which the minister has asked the parliamentary secretary to take carriage of.

Senator COLBECK—Did you previously have a parliamentary secretary in the portfolio?

Mr Mrdak—Yes, we did, Senator. We had the Hon. Gary Gray MP, who was the former parliamentary secretary for northern Australia and Western Australia. The Hon. Maxine McKew was also a parliamentary secretary.

Senator COLBECK—So there were formerly three?

Mr Mrdak—Formerly three, sorry.

Senator COLBECK—Three representatives in that portfolio. It is now down to two. Can you give me a breakdown of staffing to the portfolio—ministerial staff and DLOs in the portfolio?

Mr Mrdak—I do not have details of ministerial staff. We provide three DLOs—two DLOs to the office of Minister Albanese and one DLO to the office of Parliamentary Secretary King.

Senator COLBECK—What was that in the previous parliament?

Mr Mrdak—Previously we provided four DLOs. There are unchanged arrangements for Minister Albanese's office. Previously we provided a DLO to Ms McKew and a DLO to Mr Gray.

Senator COLBECK—Are all the ministerial positions completed in the ministers' offices? Do you know if all the appointments have been made? Do you have any staff acting in positions at this point in time while the minister completes his staffing arrangements?

Mr Mrdak—We do not have any departmental staff working in the ministerial offices at this time. I do not know the answer in relation to the finalisation of ministerial staff appointments. That would be a matter for the minister.

Senator COLBECK—Did you have any staff who previously were working in the minister's office on secondment coming back into the department?

Mr Mrdak—No. We only had our DLO positions in the minister's office.

Senator COLBECK—And you have none that have come from the department taking leave to work in the minister's office at the moment?

Mr Mrdak—No, Senator.

Senator COLBECK—I would like to ask some questions about the process for board appointments for the various statutory agencies that sit within the department. Can you give me a sense of the process that is undertaken for board and chair appointments within those agencies?

Mr Mrdak—Certainly. We have a number of boards and authorities and advisory councils within the portfolio. Generally, the process is that our governance area, located within our corporate group, has responsibility for maintaining a central register of all appointments. We monitor them and provide regular advice to the ministers in relation to upcoming appointments. We then generally provide advice to the minister and the relevant parliamentary secretary in relation to timing and process and potential applicants, if appropriate, who may wish to be considered, or certainly advice in relation to the reappointment of board or authority members or advisory council members. That process, as you will appreciate, is often an iterative process as we work through with the ministers what the shape and structure of the organisation may be and what the skill sets are.

Generally we also engage quite closely with the respective chairs of the authorities or bodies to seek their views. In keeping with good corporate governance practice, the chairs will usually provide advice independently to the minister in relation to their view of the skill sets of current board members and prospective appointments of new board members to their respective boards. So we go through that process. Once the minister has settled on prospective appointments, those appointments are then taken through a formal cabinet process for consideration before the minister makes the final appointments and, often following that, through the respective executive council processes, as required. That is an overall summary of the process.

Senator COLBECK—What about for a chair?

Mr Mrdak—In relation to a chair, again, the department would normally initially provide some advice in relation to prospective appointments and the process that the minister may wish to follow for that. That is then worked through by the minister.

Senator HUTCHINS—Is that practice you have adopted any different from that of the previous government?

Mr Mrdak—No. It is consistent with the practice of former governments.

Senator COLBECK—That is a good intervention. I was not looking for that. Obviously, there is capacity for ministers to make suggestions to departments as part of that process and for you to do your checking and provide advice back to the minister on qualifications and things of that nature as well?

Mr Mrdak—Yes, certainly.

Senator COLBECK—What sort of work do you do in respect of potential conflicts of interest that might arise as part of those appointments?

Mr Mrdak—Potential appointees to boards are required to provide clear statements, prior to the minister and the cabinet considering the appointments, of potential conflicts of interest to ensure that there are not any likely conflict of interests which are known. If they are appointed to a board, obviously the board has their own practices and procedures in place to ensure that conflicts of interest are not coming into effect in relation to the activities of those boards.

Senator COLBECK—Effectively, as would be expected. Obviously, I was leading to a particular line of questioning. I just want to put that stuff on the record to start with. I am interested in the appointment of the chair of AMSA. Can you tell me when that appointment was made?

Mr Mrdak—I will check that. I do not have that detail with me. I can find out very quickly for you, though.

Senator COLBECK—That is Mr Leo Zussino, as I understand it. Is that correct?

Mr Mrdak—That is correct.

Senator COLBECK—My understanding is that he is also the CEO of Gladstone Ports Corporation.

Mr Mrdak—That is right.

Senator COLBECK—It is the potential conflict between the two roles that I am interested in. As CEO of a port, he is obviously responsible for the day-to-day operations of that port and all of the events that go on in it. But is there not a potential for his role as chair of the Australian Maritime Safety Authority to come into conflict with his role as the chief operating officer of the port? AMSA has a fairly broad remit with respect to incidents that might occur in the maritime environment, quite rightly. I understand that. There was an incident, as I recall, which occurred outside of the time of this appointment, so it is a ‘for example’ circumstance. There was the tug that went under the *Global Peace* that AMSA was involved in doing some reporting on. This happened within that port environment. As CEO of the port, obviously there is an oversight role or a managerial role for operations of the port and yet there is an administration of maritime safety role at the next level up. Is that an issue that would cause concern?

Mr Mrdak—I think certainly we need to be clear on the role of a board member and the chair of the board vis-a-vis where the statutory responsibility for regulatory decisions is. It is with the chief executive officer of AMSA, who exercises, and his delegates exercise, the bulk of the regulatory decision making. In your theoretical example, potentially there may be an issue in certain circumstances you could see. But I think the fact is that the bulk of the regulatory decisions are taken by the chief executive officer. The board largely, quite rightly, under its corporate governance models, provides strategic direction and provides oversight of the organisation and specialist skills in relation to governance matters. So theoretically, yes, there could be an issue. But certainly I am aware from talking with the chair and the CEO over issues in my time as secretary that they are very conscious of ensuring that there could not be a perception or any real conflict of interest.

Senator COLBECK—As you would rightly expect them to be. So in the circumstance when the *Shen Neng 1* was damaged and towed into the port of Gladstone and then moved on to another site, which did happen—there is an overlap in that; that occurred during that—the operations of the port were clearly an issue that Mr Zussino would have had oversight of at that point in time. But there was certainly another issue that was being managed at that AMSA level in quite a public event.

Mr Mrdak—I think these are questions you may wish to put to the chief executive of AMSA when he appears later in the day. I am aware that, in relation to that matter, specific arrangements were put in place by the chair of AMSA to ensure that he did not become involved in any matters dealing with that vessel once it became clear that it would involve the operations of the port of Gladstone. I had discussions with the chair and the CEO around that process. We did ensure, and the chair took the initiative himself, that he was not involved in any discussions or decisions about the operational decisions of AMSA in relation to the *Shen Neng 1* and Gladstone port. So that was a situation. As I said, the chief executive of AMSA may wish to comment in more detail, but I am aware that that did take place.

Senator COLBECK—Look, I accept that that occurred, and that is well and proper. But is it a desirable situation that you have to make those sorts of arrangements when you have a serious circumstance occurring and you have to take one of the key players out of the process because of a perceived conflict of interest? I acknowledge the fact that processes were put into place—that is the right thing to do—but why would you take one of the key players out of the

game, whether it is from the management of the port or from the management of the oversight body? Why would you take one of those players out of the game because of that sort of circumstance?

Mr Mrdak—Well, as I say, I think the *Shen Neng I* situation was, we hope, rather unusual. We would not like to see that repeated. But in broader governance terms, you can never predict what issues may arise. Mr Zussino comes with a long established record and professional experience in the maritime sector. He brings operational experience. Certainly in his time as chair he has led a number of important reform agendas for AMSA. So he certainly brings a skill set. I recognise the point you make, but, as I say, I think with any board of governance and governance arrangements there are processes which can deal with what would certainly be regarded as the unexpected. It can be handled properly by a board through proper governance arrangements.

Senator COLBECK—So you cannot tell me when his appointment was made? You do not have that information? Can we get a rough period?

Mr Wilson—We will find out for you this morning and get that to you in the next hour or so.

Senator COLBECK—Is it six months, a year or two years?

Mr Wilson—I believe he was appointed in middle to late 2008. But I would need to check the exact dates.

Senator COLBECK—I am going to have to get someone to follow this up for me later in the day, unfortunately, because I have other commitments. But I appreciate getting this information now.

Mr Mrdak—We are just chasing that now.

Senator COLBECK—So roughly two years?

Mr Mrdak—I think that is right.

Mr Wilson—In that order of two years.

Senator COLBECK—Can you recall whether he was a candidate suggested by the minister or a candidate suggested by the department?

Mr Mrdak—I would have to take that on notice. I do not think any of the three of us were involved in the process, so I will take that on notice.

Senator COLBECK—Can you take on notice to give me as much detail as you can around that particular appointment. If it is appropriate, can you give me some background on the qualification that came with that.

Mr Mrdak—Yes.

Senator COLBECK—And you have said that he is recognised as having a significant role in the maritime industry over a period of time. I accept that. He was CEO of Gladstone Ports Corporation when the appointment was made, obviously.

Mr Mrdak—That is my understanding, yes.

Senator COLBECK—Do you know roughly how long he has held that role?

Mr Mrdak—Again, I will find out for you as quickly as possible, Senator.

Senator COLBECK—Thanks.

Mr Mrdak—Excuse me, Senator Colbeck. In answer to your question, I am advised that the AMSA chair was appointed by the minister from 10 November 2008. His appointment expires on 9 November 2010.

Senator COLBECK—So you have a process in place for either reappointment or replacement at the moment?

Mr Wilson—I have a feeling that that cease date is actually incorrect. I believe it was a three-year appointment, so it would be 2011.

Senator COLBECK—I was just trying to get rid of him too quickly.

Mr Mrdak—I should give greater consideration to that.

Senator COLBECK—That is fine. Thank you.

Senator ABETZ—I will be asking some questions about the Tasmanian Freight Equalisation Scheme later. This morning, in particular, I want to ask about the issue of the classification of applicants for the Tasmanian Freight Equalisation Scheme. Whilst you might not be across all of the detail of the ministerial direction and paragraph 9.1 et cetera, the classification is important. We know that Centrelink administers the Freight Equalisation Scheme on the department's behalf. Centrelink tell us that they do not determine classifications. If there is any question, they go to the client services department at Infrastructure. Is this the right area to ask about that in corporate client services?

Mr Mrdak—No. It sits under our surface transport policy division.

Senator ABETZ—That is the Freight Equalisation Scheme, but this is the general client services area, I understand.

Mr Mrdak—No, sorry. The whole handling of the scheme and that contact point for Centrelink is within our—

Senator ABETZ—Including client services?

Mr Mrdak—Yes.

Senator ABETZ—So I am not going to be told, 'If you want to ask something about client services, you should have been in the corporate sector this morning'?

Mr Mrdak—No.

Senator ABETZ—Good. Mr Mrdak, if you give your word on that, I will accept it and I will see you again after lunch sometime. Good on you. As I promised, I was finished in two minutes.

CHAIR—Thank you, Senator Abetz. If there are no further questions of corporate services, we now call Infrastructure Australia.

[9.55 am]

Infrastructure Australia

Senator IAN MACDONALD—Perhaps before my late arrival this has already been dealt with by my colleagues. I do not think we have any answers to questions that were taken by you in whatever capacity.

CHAIR—That has been dealt with, Senator Macdonald.

Senator IAN MACDONALD—I am sure you would have answered the questions by 10 July when you were required to. When did you send them up to the minister, and to which minister?

Senator Carr—We have dealt with all of these questions.

Senator IAN MACDONALD—It will not take you long, then, just to mention that.

CHAIR—In all fairness, Senator Macdonald, I have no problem with you asking, but we have done it. I think you will be happy with the answer. We are not trying to—

Senator IAN MACDONALD—To that specific question?

CHAIR—Senator Heffernan ran the argument for you.

Senator IAN MACDONALD—If it has been—

CHAIR—We have actually come to a resolution that the committee will talk among itself. The minister has been very supportive too.

Senator IAN MACDONALD—We have had a mea culpa from the ministers—from every minister with whom we have raised this. They have all said: ‘Oh, yes, this is awful. It should never have happened. It’ll never happen again.’

CHAIR—I think that, in all fairness, the minister can speak for himself. But there has been a genuine recognition that we have talked about this. As chair of the committee, I say that it is a problem that we want to try and sort out.

Senator IAN MACDONALD—It is the Peter Beattie approach: ‘Oh, yeah, look, I’m sorry about this. Look, it won’t happen again.’

CHAIR—I am trying to facilitate the goodwill in this committee as we normally do. Please feel free. If you want to take up more time, that is your time I have.

Senator IAN MACDONALD—I am sure Senator Heffernan would have done it well. I am just sorry I was not there to see him in action. But that is fine if you assure me he has. And I am sure I would have got the same response as I have had from three other ministers.

CHAIR—I think you would have done it better.

Senator IAN MACDONALD—Flattery will get you everywhere. Thanks.

CHAIR—Welcome, Mr Deegan. Do you want to make a brief opening statement?

Mr Deegan—No.

CHAIR—Okay. I will go straight to questions.

Senator IAN MACDONALD—First of all, thank you for responding to my inquiry about who can approach Infrastructure Australia. I think you have said to me that you do accept submissions from the general public. That is correct?

Mr Deegan—That is right. We actively encourage private sector proposals. We have had quite a few private sector proposals that we have spent a lot of time working on with the proponents.

Senator IAN MACDONALD—Just to recapitulate, your role is simply to identify reality and then, so far as governments are concerned, if governments do want to become involved, you prioritise issues for government?

Mr Deegan—That is right.

Senator IAN MACDONALD—In a nutshell, that is what your role is. What role has Infrastructure Australia played in connection with the National Broadband Network?

Mr Deegan—Under the Infrastructure Australia Act, the Infrastructure Australia organisation and council are required to provide or consider advice to the Commonwealth government on matters relating to transport, energy, water and telecommunications. We have provided some advice to the Commonwealth on individual projects that have come before us in the telecommunications space and have made comments in general terms about the opportunities that might arise from the National Broadband Network. That has been the extent of our engagement.

Senator IAN MACDONALD—So the advice was given to the infrastructure minister or to the government generally?

Mr Deegan—To the government through the minister. But that is the process, yes.

Senator IAN MACDONALD—Is it part of your role to observe the progress of the NBN?

Mr Deegan—No. That has been handled through—

Senator IAN MACDONALD—Mr Deegan, I suggest you move.

CHAIR—Maybe Senator Heffernan might want to move two rooms away.

Senator IAN MACDONALD—No. Please do not. We are all sorted this way. Because I could not see your lips, I did not hear the answer.

Senator HEFFERNAN—We did not know you could lip read.

Senator IAN MACDONALD—It is a remarkable skill. So what was the answer? Do you keep a watching brief?

Mr Deegan—No.

Senator IAN MACDONALD—You have not done any financial or economic assessment of the NBN?

Mr Deegan—No.

Senator IAN MACDONALD—And, as far as you are aware, you are never likely to get any brief in that regard? There has been nothing said or given to Infrastructure Australia that

suggests that you might be at some time asked to oversight some of the rolling out of perhaps Australia's biggest infrastructure project?

Mr Deegan—That is a matter for government.

Senator IAN MACDONALD—Can you detail the infrastructure projects identified as priorities in your report to COAG in June 2010? Are they in your report?

Mr Deegan—Yes, they are in this report, which I hope you have a copy of. If not, I will organise to get you one.

Senator IAN MACDONALD—When was that published?

Mr Deegan—In June 2010.

Senator IAN MACDONALD—I do not recall it.

Mr Deegan—I will make sure you get a personal copy. No doubt you will take it to bed for that late night reading you do.

Senator IAN MACDONALD—Are you happy with the pace at which they and the previous priority projects in December 2008 are developing at the Commonwealth government level? Are they developing?

Mr Deegan—Generally, yes, that is the case. Our role is to provide advice as to the priority of the infrastructure projects. The government then makes decisions about which projects they will fund. The department that Mr Mrdak leads is responsible for the delivery element.

Senator IAN MACDONALD—Mr Mrdak, of those projects recommended as priority projects, how many are actually underway at the present time? Just remind me how many there were in 2008 and 2010, without going through them one by one.

Mr Deegan—I think all up there were nine projects that Infrastructure Australia recommended in a category similar to 'ready to proceed'. The government made some decisions about a series of other projects as well.

Senator IAN MACDONALD—Of the nine that Infrastructure Australia recommended, Mr Mrdak, can you quickly run through each of them, perhaps, and tell me where we are at with them, if we are anywhere?

Mr Mrdak—Certainly. A number of them are well advanced. I can just take you through those, if you bear with me. I will run through the projects. The first is the Gawler line modernisation in Adelaide. That is now at the early construction stage. We have the Noarlunga to Seaford rail extension in Adelaide which, again, is underway. Early works are now being completed for that project. The request for tender closed in July, and that project is now moving to the finalisation of construction start stage. With the Hunter expressway in New South Wales, the work is now underway again. There are considerable roadworks now underway on that project. The Kempsey bypass is underway. That is due to be completed by 2014. Again, it is a major road construction project. The regional rail link in Victoria is at the preconstruction planning stage, with detailed design work now being completed. The Melbourne metro is a study that is still underway. That is the Melbourne metro project. The Gold Coast rapid transit project construction firms have been appointed and construction is at the preconstruction stage on that one. The Ipswich motorway is well underway and will

shortly complete. The Bruce Highway from Cooroy to Curra development is now underway and there are substantial works there. The final one is the study going on with Infrastructure Australia in relation to the Brisbane cross-city rail project. That is a study which is underway. There are two projects which are yet to commence because they are subject to further advice by Infrastructure Australia. They are the Oakajee port development in WA and the Darwin port development in Darwin, which are both subject to further analysis through Infrastructure Australia prior to the government making final funding decisions.

Senator IAN MACDONALD—Are there any others in active consideration, Mr Mrdak? I think Mr Deegan mentioned there were some the government was dealing with that had not come through Infrastructure Australia.

Mr Mrdak—Some of the projects that I have just outlined were established by the government as part of the budget last year. The bulk of those are funded from the Building Australia Fund and did come through the IA process. There are a couple of projects which are outside that. But the bulk of those are.

Senator IAN MACDONALD—Which are the ones outside it, and where are they at?

Mr Mrdak—I think the major one the government decided to fund was the bringing forward of the nation building projects, which are outside the IA process as part of the fiscal stimulus.

Senator IAN MACDONALD—Which ones?

Mr Mrdak—There were 14 road projects and a number of rail projects brought forward as part of the fiscal stimulus which were not done as part of the Infrastructure Australia process.

Senator IAN MACDONALD—On notice, could you let me have a list of those? I suspect we have got this before. If we have, you will have it readily at hand.

Mr Mrdak—Certainly.

Senator IAN MACDONALD—Could you give me that? Are there any projects that are destined for support which have not yet started?

Mr Mrdak—You say ‘started’. There are commitments to all of the projects and work is underway for all the ones I have outlined. Major construction is yet to commence on projects like the regional rail link project in Victoria. There has been some early work on Spencer Street station and some preliminary work and design on other parts of the element, but they are underway. The bulk of the other projects are up and running. One other project—I think it is the O-Bahn project in South Australia—is still at the planning stage.

Senator IAN MACDONALD—For those that have not yet started, the shovel has not yet been turned, can you give us a list of the estimated costs of those projects in the pipeline?

Mr Mrdak—Certainly. We will take that on notice.

Senator IAN MACDONALD—Have you received advice from the department regarding the availability—this is to Mr Deegan or to Mr Mrdak—of future Commonwealth funding for future infrastructure projects? Mr Deegan, do you get told by the government that for the out years, ‘There will be X available and don’t waste your time going beyond that?’ Do you get some indication of parameters which you should work within?

Mr Deegan—The framework under our legislation, and the approach taken by the Infrastructure Australia council, is to build a long-term pipeline of major infrastructure projects for the nation. That is not a one-, two- or three-year approach alone; it is a one-, two- and three-decade approach taking a long-term view of how we might build the nation's productivity. So, to that extent, we are involved in the funding discussions looking at a range of sources of funds. Some of those will come inevitably from state and federal governments. Some of those will come from private proponents, and there are a number of projects under consideration in that vein. There will be issues, as you have seen in the media and during the election campaign, and discussions about everything from infrastructure bonds to the greater use of superannuation, which in turn will require some decisions by governments about pricing mechanisms. So our approach is a long-term view.

As to whether the government says, 'Oh, look, we've got this sort of money available', they are clearly matters that are articulated in each of the budgets. But because we are taking a longer term view, these things will be developed over time. So, for example, at previous meetings of this committee we have spoken of a national port strategy and a national freight strategy. That is a long-term view of what the nation may need. Those funding mechanisms may go back to the private sector rather than necessarily just government funding. So that is a sort of overarching national view that we are seeking to take.

Senator IAN MACDONALD—With the projects that you have assessed and recommended—perhaps I will confine this to the June ones—is it your intention to release your modelling and analysis of those projects? Is that something you do as a matter of course?

Mr Deegan—We have released the cost-benefit analysis with those projects that we have recommended as ready to proceed. That data is in our June 2010 report.

Senator IAN MACDONALD—It is in that report?

Mr Deegan—Yes.

Senator IAN MACDONALD—Thank you. I understand before I got here there was a discussion about the questions on notice. All of the questions that were asked of Infrastructure Australia, I take it, were answered and submitted to the government within the time allowed by the Senate?

Mr Deegan—That is my understanding, yes.

Senator IAN MACDONALD—I am sure they would be. Mr Mrdak, are the budget allocations to 2013-14 for the Major Cities Unit available? Were they listed in this year's budget papers?

Mr Mrdak—The individual budget allocations by division for the department. The Major Cities Unit is a unit within the department. It was formerly, until recently, sitting with Infrastructure Australia, with the secretariat, but it is now integrated into the department. It has a budget of around \$1 million per annum, which is departmental expenditure.

Senator IAN MACDONALD—How many staff are in that unit?

Mr Mrdak—Four.

Senator IAN MACDONALD—And at what level are they?

Mr Mrdak—We have one SES officer, and three other staff at APS levels.

Senator IAN MACDONALD—Has any money been spent on consultancies by the Major Cities Unit?

Mr Mrdak—I believe so, yes, in relation to some of the work that has been done. I do not have that information with me.

Senator IAN MACDONALD—Could you let me have on notice a list of any consultancies that have been commissioned by your unit?

Mr Mrdak—Certainly.

Senator IAN MACDONALD—Is it possible to give tangible evidence of outcomes of the unit to date? Have they achieved anything? What is their success rate, or what have they been doing?

Mr Mrdak—Certainly. Since it was established about 18 months ago or so, the unit has done a lot of analytical work in relation to the issues around Australia's cities. It is looking at a range of about 17 or 18 cities of over 100,000 people across Australia. Its major product thus far has been the *State of Australian cities* report, which was released in March this year. It was the first compendium of analytical research which actually brings together data in relation to key indicators of Australian cities benchmarked against international practice and performance indicators and key data in relation to some of the major issues and trends that need to be addressed by governments in dealing with urban issues. That work was the first stage of a process. The government has committed to releasing a national urban policy statement. That work is now underway. The first stage of it was a release of that analytical work in March this year.

Senator IAN MACDONALD—So the only published outcome of that unit is the *State of Australian cities* report?

Mr Mrdak—That is correct.

Senator IAN MACDONALD—And you are working on that national policy for urban areas? That is work currently underway?

Mr Mrdak—That is right.

Senator IAN MACDONALD—When do you expect that will be out?

Mr Mrdak—Unfortunately, work has been somewhat delayed by the extended election and caretaker period. I think it is most likely that that will now take place in 2011. The other piece of work which the cities unit in the department is closely engaged in is the COAG Reform Council review of Australian capital city planning arrangements, which has been undertaken by the COAG Reform Council. The Major Cities Unit in the department is coordinating the Commonwealth engagement in that process.

Senator IAN MACDONALD—Why was that taken out of Infrastructure Australia and brought back into the department?

Mr Mrdak—It was my view. We had disparate pieces of work happening across the Commonwealth. We had my department looking after the COAG Reform Council work. Prior to the issuing of government changes, we also had in my department work in relation to

planning and local government ministers. We had the Major Cities Unit, which was separately undertaking the analysis of major cities issues. It was my view that it was best that we brought this work together into the department. So the unit now operates across the department in relation to urban and city issues. So it was really, in my view, an opportunity to integrate the Major Cities Unit into the broader work of planning reform which the department has responsibility for.

Senator IAN MACDONALD—I will not ask Mr Deegan for a comment on whether he thinks that is a good or bad idea. Prior to the 2007 election, there was a commitment made for the Major Cities Program. Has there been money spent to date? If so, can you give me that amount? If there has not, when is that program likely to commence? Can you also tell me what the projected costs of the program are to 2013-14?

Mr Mrdak—There has not been a specific Major Cities Program established. The government has, however, made a number of investment programs and decisions in relation to investment in cities. The most notable is the investment in public transport and urban renewal, which took place in the budget last year. The Australian government has funded a number of urban public transport projects ranging from the regional rail link project in Victoria, the Gold Coast light rail project, the O-Bahn project in Adelaide, the electrification of Gawler rail line in Adelaide and, most notably, projects such as the Perth city rail project in the Northbridge area redevelopment precinct project. So the government has invested through its nation-building programs in both public transport and urban renewal projects. That has been the major investment undertaken by this portfolio. Obviously, the government overall has a range of other programs which invest in urban areas in water, housing affordability and those other areas.

Senator IAN MACDONALD—I want to now become a little parochial and ask some questions about some Queensland projects promised in the election. Mr Mrdak, you do, as is the way, an assessment on election promises made by the incoming government. Can you tell me where the government is at with the \$40 million new Civic Theatre for Cairns? I appreciate that it would be at fairly early stages, the election being but two months ago. Can you tell me as much as you can, of course, about your incoming minister's brief on what the Civic Theatre in Cairns might be?

Mr Mrdak—I can give you a view, which is now somewhat dated. That project has transferred to the responsibility of the Department of Regional Australia, Regional Development and Local Government as part of its program suite. It will be delivered as an election commitment under the regional Australia portfolio.

Senator IAN MACDONALD—So I have missed an opportunity there. Would you say the same about the upgrade to the local AFL Cazaly stadium and the Indigenous AFL academy?

Mr Mrdak—Yes. They currently reside with the department of regional Australia following the machinery of government changes. They are being developed as potentially part of Better Regions projects.

Senator IAN MACDONALD—We should put a question on notice to that department. What about the next stage of the Townsville ring road? That would still be yours, no doubt?

Mr Mrdak—That is one of ours. The government's proposal is that is a project that will be funded out of the Regional Infrastructure Fund. The government has made a commitment of up to \$160 million for the Townsville ring road stage 4. As you are aware, the Regional Infrastructure Fund is a fund which has been established contingent on the conclusion of the mineral resource rent tax arrangements. So that commitment is being delivered as part of that Regional Infrastructure Fund.

Senator IAN MACDONALD—After yesterday's spat by BHP, that is looking increasingly unlikely. Perhaps I should ask you this, Mr Mrdak, or the minister. I take it that if the mining tax broadly, so-called, does not go ahead, that Townsville ring road will not proceed?

Senator Carr—You have based your question on an assumption which I am not certain is valid at all. What I will do is take your question on notice.

Senator IAN MACDONALD—Remind me who your minister is, Mr Mrdak.

Mr Mrdak—It is Minister Albanese.

Senator IAN MACDONALD—That is right. Of course. What is the status of the \$10 million ring road planning study around Mackay?

Mr Mrdak—Again, that is an election commitment. It is a study to be funded, again, out of the Regional Infrastructure Fund. Details of when that study will commence are now being settled. It is a matter for government, which we are now working through.

Senator IAN MACDONALD—Sorry?

Mr Mrdak—It is a matter for government.

Senator IAN MACDONALD—You said the timetable has been settled?

Mr Mrdak—The timetable is being settled. We are still in the process of settling that, Senator, as to when that study will start. It is a study that will be funded from the Regional Infrastructure Fund.

Senator IAN MACDONALD—So until the Regional Infrastructure Fund comes into being, there will be no action on that—is that what you are saying?

Mr Mrdak—There is an amount of funding which is available in the forward estimates, which is being provided. The government has to settle which of the commitments will be funded out of that amount or which will await the passage of the relevant tax legislation.

Senator IAN MACDONALD—Do you have any idea when those decisions are likely to be made?

Mr Mrdak—We are currently starting the budget process, so they will be taken in the context of the 2011 budget process.

Senator IAN MACDONALD—So they will be not be announced. It is pointless me saying to you to take it on notice because you would expect that there would be no definitive announcement prior to the budget.

Mr Mrdak—The government may make some decisions ahead of that, but at the moment we are working through the election commitments in the budget process.

Senator IAN MACDONALD—There was a commitment of \$5 million for the Airlie Beach village main street revitalisation. Can you tell me where that is at?

Mr Mrdak—Again, I apologise, that is a project which would have gone to the regional Australia department.

Senator IAN MACDONALD—The \$1.5 million Bowen water park project, ditto?

Mr Mrdak—Again, that would be a regional commitment which was transferred under the machinery of government arrangements.

Senator IAN MACDONALD—And is the Mackay basketball stadium something of yours or, again, is that—

Mr Mrdak—No, Senator. All of those community infrastructure projects have gone with the machinery of government changes to Regional Australia.

Senator IAN MACDONALD—Okay. There is the \$40 million upgrade to the intersection of the Bruce and Capricornia highways near Rockhampton. It is what is called locally the Yeppen crossing.

Mr Mrdak—Yeppen Lagoon bridge and roundabout is one of ours. That is a project which is an election commitment, which is again a commitment under the Regional Infrastructure Fund.

Senator IAN MACDONALD—My information and understanding of the election commitment is that \$500,000 would be made available to plan, scope and cost that. The total project, thought to be in the vicinity of \$50 million, would then depend on the Regional Infrastructure Fund. Do you know anything about the \$500,000 planning, scoping and costing program?

Ms O'Connell—Yes, Senator. Work on all of those election commitments is part of the Regional Infrastructure Fund. Again, as Mr Mrdak outlined, they are considerations in the budget preparation decisions. But we are preparing work in terms of things like the early work studies for approval by government for a decision to be made on that.

Senator IAN MACDONALD—Just while we are on that, who will be doing the \$500,000 planning, scoping and costing work? Do you get the Queensland government to do that, or do you employ directly qualified engineers or consultants of some sort?

Ms O'Connell—We do not normally directly employ. It is through the state government, so the Queensland Department of Transport and Main Roads will certainly take a lead hand in it. They are likely to employ consultants and engineering firms to participate in some form in the study, but it will be through the Queensland department.

Senator IAN MACDONALD—Why does the Commonwealth not directly engage qualified consultants to do that planning work? Under what arrangement is it that we always get the state governments to do that? I only mention that because, from my own local experience, the Queensland government is just hopelessly outmanaged in that, and perhaps for all the right reasons. But it takes so long for the Queensland department to do anything. When they do, my assessment is that they do not do it terribly well. I am not suggesting the Commonwealth should actually build the things, but where you are doing assessment and

costing works, is it not easier just to engage one of the national engineering firms or someone appropriate to do it? What is your rationale behind all that?

Mr Mrdak—Generally, Senator, as you have outlined, essentially these roads are owned by the state. They generally have all of the planning and design engineering background in relation to particular sections. Often individual projects that we fund form part of a larger construction piece or upgrade of a corridor. So, essentially, traditionally we have relied on the state road authorities, who have the skills and expertise. We do not at the federal level have the skills and expertise. We do not have access to the plans and the sites, often, without working through the state. If we have issues with particular projects, we do often engage quite closely in the planning process. My officers do attend a lot of those planning and scoping meetings and engage in those processes to make sure we not only track progress but also put the Commonwealth's position and to make sure it is meeting our needs. At times we have undertaken independent assessments of work being done where we have been uncomfortable or unhappy with the way it has been done by state agencies to ensure that we have a better knowledge base to influence those. But, on the whole, Senator, the answer to your question is that we do not have either the technical expertise or the resources or the access to the information that resides with the states.

Senator IAN MACDONALD—But you do have the experts who can commission a study and then read the report from people who are qualified. As some of you may know, my interest in this predates the current government and the previous government. I get frustrated with the Commonwealth government allocating money for these things and the work never happening because of the reasons you just mentioned. Is it something that has ever been raised at COAG or could it be raised to urge the states to agree that that preliminary planning, scoping and design work should be done by the Commonwealth because you are paying for it anyhow?

CHAIR—I am sorry, Senator Macdonald. I thought you had finished. I am just giving notice that there is two minutes until the morning tea break. Please continue.

Mr Mrdak—Certainly, Senator, over many years that I have been involved in the portfolio, we have always tried to look at better ways to engage to make sure that the process is smooth. To this point, we do rely heavily on trying to leverage where we can with the state road authorities, recognising that they do have the skills and expertise. Often it is very difficult, as you will appreciate, even when we do hire our own consulting engineers. They are very reliant on the state main roads departments for information and the like.

Senator IAN MACDONALD—I bet.

Mr Mrdak—If I may, I want to add to an earlier answer. You asked about the \$500,000 for the Yeppen Lagoon bridge. I am advised that that money has already been provided to Queensland under the Black Spot Program to enable that design work to take place.

CHAIR—On that, I think, Senator Macdonald and Mr Mrdak, we will take a 15-minute break and be back at 10.45.

Senator IAN MACDONALD—I will indicate for perhaps Senator Ludlam that I have about 10 minutes more of parochial questions.

Senator LUDLAM—Well, I have to be gone at 11.

Senator IAN MACDONALD—Let us say you start straight after morning tea.

Senator LUDLAM—Yes.

CHAIR—Thank you.

Proceedings suspended from 10.29 am to 10.46 am

CHAIR—Questions for Infrastructure Australia?

Senator LUDLAM—I have some broad questions about the operations of IA with particular regard to the ANAO's recent performance audit. I will just do a quick trip around the country and fill in some of the issues that Senator Macdonald raised around different parts of the country. I will go first to the recommendations of the audit report. IA has agreed to 1 and 2. With regard to recommendation 1, which just says that there be greater transparency over the development of the priority lists, IA has agreed to that, which is good. Can you tell us what that is going to look like in future funding rounds? What can we expect to be different?

Mr Deegan—As you know, I invited in the Australian National Audit Office to look at our processes. We are a new organisation with a new structure and a new approach to the assessment of infrastructure priorities across governments and, indeed, how the funding issues would be addressed in both the short, medium and long term. So I welcomed the ANAO involvement. It was a very active engagement we had with their office. We are currently in discussions with them about updating our guidelines, which will appear hopefully on our Infrastructure Australia website very shortly. Those guidelines will go to a range of issues that have been raised at this committee and elsewhere about the sorts of factors that we might consider in the assessments of infrastructure projects.

In the June 2010 report, to which I referred earlier, we list the cost-benefit ratios for those projects that we deem ready to proceed. We intend to continue undertaking that work and increasing the transparency around those sorts of issues so it is clear to the community the benefits versus the costs of these major pieces of work.

Senator LUDLAM—That is great. What can you tell us about an issue that I have raised before, which is the idea that at the moment it is up to the discretion of the states and territories, who you are taking most of your substantive proposals from, as to whether they release their bids into the public domain or not? There has been a bit of a patchy response. There has been some push and pull through freedom of information in Victoria, for example. I know you are not in a position to compel the states and territories to do that, but do you have a view about that, or have you expressed that, or did it come up in the Audit Office's work that it would be beneficial to have a greater degree of transparency upstream of where you are involved?

Mr Deegan—There are some issues associated with this, as you know. We have had a very productive discussion with the states on this issue. What we have asked them to do is push for the release of more of their work and their reports where that is possible. A number of states have raised some quite genuine issues around some commercial-in-confidence approaches and projects that are at an early stage of thinking where they need to work out how to engage the community in that process properly. So they are working on how they align those two

systems—putting ideas for us to work with them on and then how they bring their communities with them in that discussion. So it is a proactive discussion about engagement with communities and, indeed, industry on the sorts of issues that are before us but also some sensitivity around some of the funding mechanisms that do lead to some commercial-in-confidence discussions.

Senator LUDLAM—Is there a chance that we might see in future funding rounds a greater degree of transparency on behalf of the states and territories?

Mr Deegan—We are already seeing a much greater level of transparency. The states are seeing a virtue of publishing, where it is possible, of more of their work, and I think that is a healthy thing.

Senator LUDLAM—Indeed. I would not disagree. I am going to paraphrase what was in the study because I would probably put it a little more strongly than the Audit Office would. You have at the moment two lists of priority and pipeline projects, your A and B lists, which have then been brought forward for funding. In some instances, do you tell proponents, be they states or anybody else, not to bother? Is there a ‘don’t bother bringing this back’ list?

Mr Deegan—Senator, what we have done is, in our June 2010 report and in following discussions with the Audit Office and the Infrastructure Australia council, create four key categories for the assessment of our projects. Again, this is published in our June 2010 report. It is publicly available. I have offered Senator Macdonald his own copy. I will make sure you get one as well.

Senator LUDLAM—Thanks.

Mr Deegan—Those categories are in four areas. There are initiatives that are at an early stage that address a nationally significant issue or problem, but the identification or development of the right solution is at an early stage. We list a range of projects in that category. There are those with real potential, where they clearly address a nationally significant issue or problem. There has been a considerable amount of analysis of potential solutions but they obviously need more work. Then there is a threshold category, moving across and up this scale, where they have both strong strategic and economic merit and are only not ready to proceed due to a small number of outstanding issues. The final category is where we believe that they are ready to proceed. The work has been undertaken. That is where we publish the cost-benefit ratio with our recommendation. So across those categories we try to build things in.

We have a fairly frank discussion with the states about which projects we believe are likely to move from the threshold category to the ready-to-proceed category. Of course, many of the states would like for their own reasons to have them in that final category, but we are quite firm about the rigor of our process and that they do need to meet our criteria to get into that category.

Senator LUDLAM—But the do-not-bother category is still done one on one with the proponents?

Mr Deegan—It would perhaps be put in terms of, ‘Make sure you allocate the resources to the best effect,’ Senator.

Senator LUDLAM—Diplomacy. I want to pick up on a couple of specific projects, if I can. We will start in Victoria. By far the largest fraction of urban public transport funding thus far is the Werribee to Melbourne line, the regional rail link in Victoria, which was, I think, at about \$3 billion. That has been quite heavily critiqued by a range of commentators. As a result, I think in response to some of those critiques, you have indicated that you will change the way that you assess projects. Were there issues arising with the funding of that project that have caused you to change the way that you evaluate and prioritise projects, or is that not strictly true?

Mr Deegan—No, Senator.

Senator LUDLAM—Are there any substantive changes, whether they are related or not, with the way you would evaluate projects such as a major rail link like this one that would be different to how they were when that project was prioritised?

Mr Deegan—No. Essentially, what we are still insisting upon in our strategic approach is a clear identification of the problem that the state or private proponent is seeking to resolve and the various options that might sit around alternative solutions. Some of those, for example, in the road area are about pricing. We then move through to whether the proposed solutions are the best fit for the problem. So that is a very strategic overview of where that goes before we get into the cost-benefit analysis. So clearly we have learnt a lot in the first two years. We are continuing to refine our process and operation. But it is not a criticism or indeed anything negative about particular projects that we have supported. In fact, it is quite to the contrary; it has reinforced our view.

Senator LUDLAM—I will stay with that rail link. Did you evaluate at the time or publish anything that said, 'For \$3 billion we could put this rail link in or this is what else we could do for Melbourne's public transport network for \$3 billion'?

Mr Deegan—That was part of the assessment, yes.

Senator LUDLAM—Did you ever publish what those alternative options were and how you decided against them?

Mr Deegan—There were a range of proponents. Our analysts looked at those proposals. The recommendation we put to the Infrastructure Australia council was the one that ended up being funded by the government. I maintain that position.

Senator LUDLAM—Well, you prioritised it and then they chose to fund it. Have you determined a minimum set of standards or a minimum benefit-cost ratio baseline that has to be met for a project to proceed with Infrastructure Australia funding?

Mr Deegan—Generally, Senator, we are looking for, in a benefit-cost ratio, a minimum level of 1.5 to one. That is the basis upon which we work. That is around a host of risk issues. Part of our assessment deals more strongly with the deliverability risk issues than perhaps previous assessments from governments have undertaken. There will be opportunities where people have spent a lot of time designing risk out of the projects. You may in fact decide that the extra space that you have left in the cost-benefit ratio has been dealt with by dealing with the risk. You might adopt a lower benefit-cost ratio. That margin is around how the risk issues are being assessed. So we spend a lot of time looking at the risk and how that might be best

managed and whether it might bring down that risk and, therefore, improve the performance of the project.

Senator LUDLAM—But, to be specific, the material that was received eventually under FOI—the Victorian government’s initial submissions—showed that the road project’s benefit-cost ratios were always lower than the public transport proposals yet the projects are the ones that end up getting funding.

Mr Deegan—I think in Victoria the regional rail project is a significant amount of Commonwealth support for public transport, which is—

Senator LUDLAM—I certainly do not disagree.

Mr Deegan—a huge change of approach.

Senator LUDLAM—I do not disagree at all. But it is one rail line for a very, very large city. It is not actually going to make a material difference to most of Melbourne’s residents. It will make a difference in the area where it is going, but it is one rail link for \$3 billion compared with network scale improvements that could have been carried out across the entire metropolitan area. The benefit-cost ratios for the road projects that were put forward generally were lower than some of those more holistic public transport proposals that came forward.

Mr Deegan—I would be happy to talk to you separately about that. There is a different range of views. Some of the critiques that you mention, we believe, have some holes in them as well.

Senator LUDLAM—I might take you up on that opportunity.

Mr Deegan—Certainly when you look at the network rail benefit, which is something that we do across the system, we spend a lot of time thinking about where you might best spend money. This regional rail express project, in my view, will transform Melbourne. Melbourne has then other significant rail projects that they are proposing that will deal with a whole host of the congestion issues and the opportunity to bring more people to public transport. I am sure you would agree that is a worthy goal that we should pursue.

Senator LUDLAM—Yes. I think the ends we are in complete agreement with. Maybe it is the means where we are at odds. But I will take you up on that opportunity to discuss that stuff further.

Mr Deegan—We go down into looking at timetables. We look at operating plans. We spend a lot of time on the current operations thinking about when there are improvements that could be made without spending any money. That is always a good position to start. We then build up from there rather than simply accept a proposal to spend a lot of other people’s money.

Senator LUDLAM—Do you get to think about governance arrangements and the mix and public operation and coordination of the network?

Mr Deegan—Indeed.

Senator LUDLAM—Let us pick these up maybe outside the committee process at some stage. Do you have a view on whether the BCRs can be published prior to a funding decision being made rather than post decision?

Mr Deegan—They are now published, Senator. We propose to put a report to government each June. The June 2010 report has those projects we consider ready to proceed, with the benefit-cost ratio published as part of that. Those projects would be considered in future funding rounds.

Senator LUDLAM—So that is on the table before the government gets to make a decision?

Mr Deegan—Yes, Senator, and public and transparent.

Senator LUDLAM—And that is one of the outcomes of the discussion through the audit?

Mr Deegan—Indeed.

Senator LUDLAM—I always ask you about this, so I am going to ask you again about future oil prices. How are you working that into your models and your benefit-cost ratios?

Mr Deegan—Senator, we have been having a series of discussions with the Department of Climate Change and with Commonwealth Treasury in relation to the carbon price.

Senator LUDLAM—That is not the question I asked you. I am interested in the answer, but it is not what I asked you.

Mr Deegan—Let me give you an answer to the carbon price first and then we will move from there. We have agreed with Treasury to reference their series in our updated guidelines. I mentioned before that we are just finalising those guidelines and consulting the audit office on those. We hope to have those back up on our website shortly. You may be aware that the Treasury projections on carbon price are contained in the report *Australia's low pollution future: The economics of climate change mitigation*, which was released jointly by the Treasurer and the then Minister for Climate Change in 2008. We are building that work into our model on the carbon price issue.

Senator LUDLAM—BITRE has done some work that showed that the carbon price is not trivial—it is important—but it is dwarfed by week-to-week movements in petrol prices.

Mr Deegan—And there are a host of issues with that, yes.

Senator LUDLAM—I do not want to dismiss its importance, but compared with some of the projections, grading from the benign to the apocalyptic on near future world oil price movements, I am still interested to know how on earth, if you bother—if you do—you factor such things, including, for instance, some pretty reputable organisations like the IEA into a decision about whether to fund a freeway or a railway project?

Mr Deegan—They are things that we have not come to a landing on but we continue to talk to the range of players in that field.

Senator LUDLAM—When you are doing a benefit-cost analysis, as BITRE does, for example, when it is calculating future freight movements and then we are using those assumptions to design our freight network, they just feed into what ABARE think the long run world oil price will be. Are you forced into a position where you are doing that as well, or can you look at some of the more high-risk scenarios?

Mr Deegan—Do you mind if I take that on notice and come back to you with a more detailed response?

Senator LUDLAM—I have asked you a variant on this question for 2½ years.

Mr Deegan—No. You have asked for a lot more detail this time—

Senator LUDLAM—That is true.

Mr Deegan—about the BITRE and ABARE processes, so I will come back to you on that.

Senator LUDLAM—All right. What I am seeking to get at, though, is what your assumptions are if you are just importing wholesale what other agencies are doing. I will now move to the topic of Sydney. There was an election commitment relating to the Epping to Parramatta rail link, which was made during the election campaign. Did IA attach any conditions, or what kind of role did you have in that \$2.1 billion funding commitment for Epping to Parramatta?

Mr Deegan—Senator, that was an election commitment. We were not involved in that process.

Senator Carr—I think, Senator, the standard rules apply here. If it is an election commitment, it is a matter for the Labor Party at the time. The officers were not involved in the preparation of the Labor Party's election commitments.

Senator LUDLAM—All right. I am not trying to be cute. Did that proposal come through the regular IA process, or was it totally outside that?

Mr Deegan—We received a submission from the New South Wales government on that project, from my recollection, during the election period.

Senator LUDLAM—How will that then make its way through your regular process of assessment and evaluation?

Mr Deegan—The government has made, as it was then, as a political party an election commitment that they intend to deliver on.

Senator LUDLAM—That is fine. I understand that. Does that mean you will not be assessing it, or you will?

Mr Deegan—The government has made an election commitment that they intend to deliver.

Senator LUDLAM—I understand, but will you assess it or not? It is a yes or no question.

Mr Deegan—We have not been asked to assess it, Senator.

Senator LUDLAM—That is fine. It is not within your purview to call it in, presumably.

Senator IAN MACDONALD—But what about if the New South Wales government asks you to do it?

Mr Deegan—They have given us more detail on that. There is an election commitment. As I understand it, the department is in negotiation with the New South Wales government about the delivery of that election commitment.

Senator LUDLAM—That is a \$2.1 billion infrastructure commitment which should quite squarely sit with your office. Minister, maybe I will put this to you, if it is not within Mr

Deegan's purview to call it in. Will you be submitting that project through Infrastructure Australia's normal process of review?

Senator Carr—Look, Senator, I have only just taken responsibility here. I would have to get further advice from the minister on that.

Senator LUDLAM—All right. The degree to which Infrastructure Australia will be required to assess this project as it normally would.

Senator Carr—My apologies.

Senator LUDLAM—That is all right. The question I am asking you, I guess, is whether you will be requiring Infrastructure Australia to run its normal process of review.

Senator Carr—Look, I will take advice on the administrative arrangements associated with implementation of the election commitment. I am sorry, but I cannot be any more helpful than that.

Senator LUDLAM—But if it is an election commitment, they are the magic words you can put back to me which means normal rules of assessment and evaluation do not apply?

Senator Carr—Well, there are processes within government for the implementation of election commitments, so it is not true to say normal rules do not apply. The method of implementation of election commitments is a matter for the minister and the government as a whole. I will take further advice on what his plans are in that regard.

Senator LUDLAM—Mr Deegan, how far down the track have you got? The New South Wales government submits it to you during the election campaign while we are in caretaker mode. Have you just parked it for the time being, or have you actually begun a process of evaluation?

Mr Deegan—The department will be involved in discussions with the New South Wales government about the implementation of that election commitment.

Senator IAN MACDONALD—The answer is no.

Senator LUDLAM—The answer is no. It is a rail project. I did not come in here to bag it out. But it is also a \$2 billion commitment. It is interesting if Infrastructure Australia and the expertise that you have developed in there over the last couple of years will be set aside just because it was thrown into the debate during an election campaign. Anyway, we will leave that there. Have you commenced your monitoring of the renewable energy sector? This is a new one that we have not traversed with you before. What is IA's role going to be in monitoring, I guess, the regulatory arrangements and the effectiveness of the renewable energy certificate scheme? How does that relate to the expertise that you have developed around infrastructure funding?

Mr Deegan—Senator, our involvement in the energy space has been primarily around transmission issues. There are a host of other sections of government dealing with the sorts of issues that you have raised. Certainly as part of our monitoring of election commitments we are aware that your party may have sought the involvement of Infrastructure Australia in mapping renewable resources, but they are matters between, no doubt, your party and the government.

Senator LUDLAM—Can you just give us maybe a time line on whether you have any specific reporting obligations around those things, or is it still too early?

Mr Deegan—We have been involved, and continue to have some involvement, in the proposals for a transmission link between Townsville and Mount Isa and the potential for renewable sources of energy as part of that project. We are involved with the Commonwealth Department of Resources, Energy and Tourism in those discussions and they are then liaising with the proponent involved, a group called CopperString. I understand the government is having further discussions as to where they might go with that particular project.

Senator LUDLAM—I might put some of these on notice, I think, and move on. Finally, you mentioned Oakajee in WA at the outset. Where is that project sitting?

Mr Deegan—Mr Mrdak mentioned Oakajee as one of the projects that Infrastructure Australia is required to provide further advice to the Commonwealth on. I am meeting with the Western Australian officials tonight in Perth for further discussions around Oakajee, which goes to the currency of the bankable feasibility study that the proponents are engaged in. So we continue to discuss with WA. WA are still undertaking their consideration of that project. While we work very closely with them, it is quite appropriate that they consider their position before they seek our further advice.

Senator LUDLAM—Thank you. I will just skip back to New South Wales and the north-west rail link, the M4 east extension and the M2 to F3 connection. That is three projects forwarded to you by the New South Wales government. Can we get a quick rundown, please, on where those three are at and when a decision will be made by your office in relation to each of them?

Mr Deegan—Senator, during the last couple of months we have been engaged with each of the jurisdictions and other proponents talking about a vast array of projects that have been considered by individual state governments that might warrant further either Commonwealth or private support down the track. As part of the current government's election commitment, they have asked Infrastructure Australia to look at the funding options for the M2 to F3 and the M5 east projects. In terms of the other projects—and there are a range of those from New South Wales, including some freight projects that came in yesterday—we have had two workshops with each of the jurisdictions in the last six to eight weeks and we are just planning a third round of discussions with the jurisdictions about where these projects might fit and, as I responded to your earlier question, where they might best apply their resources.

Senator LUDLAM—Can some of those be on the do-not-bother list?

Mr Deegan—For some of them we might suggest to them that the resources may be better applied in other areas.

Senator LUDLAM—That is what I meant. Can we get the timetabling, particularly on the Sydney urban freeway proposals? You have an annual reporting cycle that is tied into the budget cycle. Is that when we would expect to see them?

Mr Deegan—We have two processes. One is that the councils agreed that they would publish a report each June for further community engagement on some of the processes that

we are involved in. Where appropriate, we will provide advice to the government in the budget process as well.

Senator LUDLAM—Well, June is after we have seen the next Commonwealth budget.

Mr Deegan—Sorry, both those processes are going. One is the budget process and the next is the sort of annual report process.

Senator LUDLAM—Great. We will pick up some of these issues next year and maybe we will be in touch about a conversation about the issues we raised earlier.

Mr Deegan—We will always talk to you about public transport and rail systems.

Senator LUDLAM—Indeed. And oil.

Mr Deegan—And oil. We go to a lot of trouble looking at the detailed operational issues around it. While there are all sorts of people with views on it, we try to get the best possible advice to the Commonwealth in those areas.

Senator LUDLAM—Well, some of the people with views are pretty well-informed.

Mr Deegan—Indeed.

Senator LUDLAM—Thanks very much for your time. Thanks, Chair.

CHAIR—Thanks, Senator Ludlam. Do you have further questions, Senator Macdonald?

Senator IAN MACDONALD—Yes, Mr Chairman. Mr Deegan, can you just remind me who is on your board?

Mr Deegan—Yes, Senator. We are very fortunate to have six of Australia's most senior public servants and six of Australia's leading private sector individuals. I will have a go at naming them. Sir Rod Eddington is the chair; Mark Birrell and Garry Weaven are from Victoria; Jim Hallion is from South Australia; Anthony Kannis and Peter Newman are from Western Australia; Phil Hennessy is from KPMG in Queensland; from Sydney, there is Ross Rolfe, Kerry Schott and Heather Ridout; and from Canberra there is Ken Henry and Terry Moran. It is a fine group of people, Senator.

Senator IAN MACDONALD—Yes. It certainly is. I love the connections of some of them too. They are very influential.

Mr Mrdak—It is us you are talking about.

Senator IAN MACDONALD—Well, I was not actually, no. I understand the board is reasonably independent. We have established that private citizens or non-government parties can make submissions to you. There was a newspaper report—some deny its accuracy—about the Northern Land and Water Taskforce. There was a comment reported that the taskforce said, 'We did not bother looking at dams because it is against federal and state government policy, so we did not look at it.' Let us not go into that. Some people challenge the veracity of that. But in an instance where you know that it is against the policy of the government, state or federal, using Senator Ludlam's term, do you put that on the do-not-bother list and send it back to them and say, 'Don't waste our time?'

Mr Deegan—Senator, our remit is long-term infrastructure needs for the country. We are an advisory body. We will provide advice on those matters that the council deem appropriate.

I am sure that they would feel if there was a worthy infrastructure project, they would consider it on its merits.

Senator IAN MACDONALD—So, in a similar vein, if you got something to do with uranium power and if you thought it in the national interest, would you have a look at it, even though the government has expressed, as I understand it, no inclination to look at that at the present time?

Mr Deegan—We do not have any of those projects at this stage. Again, it is a merit based approach.

Senator IAN MACDONALD—I just want to go back quickly to where we were before the break. I suspect these questions were mainly to Mr Mrdak. Can you tell me where the Peak Downs Highway in Queensland is up to at the present time?

Mr Mrdak—Yes, Senator. That is also a commitment under the Regional Infrastructure Fund. It was an election commitment by the government. That is now being considered in the context of the establishment of the fund.

Senator IAN MACDONALD—So work has started on planning?

Mr Mrdak—We have started, I think, discussions with Queensland in relation to the project. Final funding decisions and how they will take place and over what time frame are yet to be settled.

Senator IAN MACDONALD—Is that going to Infrastructure Australia?

Mr Mrdak—Senator, the government, in makes these election commitments, has asked that Infrastructure review these projects, so that process will take place.

Senator IAN MACDONALD—Sorry? You were telling Senator Ludlam that they were not going to be involved in another project that he raised. You are now saying that most of these election commitments will be submitted to Infrastructure Australia?

Mr Mrdak—In relation to these projects that were made under the Regional Infrastructure Fund, the government has stated in its election commitments that they will be considered by Infrastructure Australia.

Senator IAN MACDONALD—So have you got those yet, Mr Deegan, or are you still waiting with bated breath? This is the Peak Downs Highway.

Mr Deegan—I would have to check, Senator. We have a range of projects as part of the process.

Senator IAN MACDONALD—Well, do you recall having received election promise projects under the Queensland infrastructure fund, without remembering which one is which?

Mr Deegan—I would have to check. It has been very varied.

Senator IAN MACDONALD—There was a commitment made to complete two stages of the Gladstone Port Access Road for \$50 million. Is that also part of that same Queensland infrastructure fund?

Mr Mrdak—It is called the Regional Infrastructure Fund. In announcing the fund, the government made clear that its expectation would be that a large proportion of the fund would

be made available to the resource states—Queensland and WA in particular. But it is a Regional Infrastructure Fund which is national. The Gladstone Port Access Road is one of the projects for which in the election campaign the government committed to fund up to \$50 million of work from that fund.

Senator IAN MACDONALD—And where is that in your department at the moment? Has work started or has anything been done?

Mr Mrdak—Again, we are in discussions with Queensland. Again, that will await funding decisions by the government in the budget process and in the context of the fund's establishment.

Senator IAN MACDONALD—Mr Deegan is unsure but, in relation to both of those that I have mentioned, do you recall if you have submitted them to Infrastructure Australia yet—or is it a bit premature?

Mr Mrdak—Not as yet. We are currently in the process of putting these together as part of the budget proposals. Then they will go to Infrastructure Australia from there.

Senator IAN MACDONALD—I am struggling a bit. The Sydney rail project election commitment is not to go to Infrastructure Australia. These other election commitments are going to Infrastructure Australia.

Mr Mrdak—In announcing these projects, the government made a commitment that these would be considered by Infrastructure Australia. In relation to the rail project that Senator Ludlam raised, the government has asked that we work with Infrastructure Australia on the implementation of the project.

Senator IAN MACDONALD—So are you not relying on their assessment but just seeking their advice on the best way to go about it?

Mr Mrdak—That is right.

Senator IAN MACDONALD—Is the \$95 million upgrade of the Calliope crossing in the same category as those other two we have mentioned?

Ms O'Connell—The Calliope Crossroads was a commitment during the election campaign for up to \$95 million. We are in discussions at the moment with the Queensland government around the exact scoping of that and the work that needs to be done.

Senator IAN MACDONALD—But that will not go to Infrastructure Australia—or will it?

Ms O'Connell—No.

Mr Mrdak—No. That is not one to be funded under the Regional Infrastructure Fund. That is one which has been set out for nation building 2.

Ms O'Connell—Yes.

Senator IAN MACDONALD—To save a lot of time later on, none of the nation-building projects are going near Infrastructure Australia?

Mr Mrdak—The government has announced a number of projects in the current program as election commitments and nation building 2 beyond 2014-15. No, my understanding is that

they will be projects the government will progress as election commitments under the program.

Senator IAN MACDONALD—One of the final two election commitments that I want to ask about is the \$240,000 for the Gary Larson Oval at Miriam Vale. That would be the department of—

Mr Mrdak—Regional Australia.

Senator IAN MACDONALD—In the electorate of Solomon based on Darwin, there is a commitment to spend \$1.5 million on an all-weather world champion level BMX track. Where is that to be funded from?

Mr Mrdak—Again, Regional Australia. All of those community infrastructure projects have transferred to the department of regional Australia.

Senator IAN MACDONALD—I think that is probably all I want specifically with Infrastructure Australia, although I suspect some of the nation-building projects may cross over. Again, it is up to the department, of course, but I do not know that we necessarily need to detain Mr Deegan on them.

CHAIR—Should we get caught, Senator Macdonald, are you comfortable? We can always put them on notice if we do need them.

Senator IAN MACDONALD—Yes.

CHAIR—Okay. In that case, Senator Macdonald, thank you. Mr Deegan, thank you very much. I now call witnesses for Nation Building—Infrastructure Investment.

Mr Mrdak—While we are waiting for the officers to come to the table, can I add to an answer I provided to Senator Colbeck this morning.

CHAIR—Please.

Mr Mrdak—He asked how many questions on notice taken at the last hearing and provided in writing were amended at the request of the minister's office. Of the 182 questions received and answered, I am advised that 44 requests for amendment were made by the minister and his office.

CHAIR—Thank you, Mr Mrdak.

[11.21 am]

Nation Building—Infrastructure Investment

CHAIR—I welcome Mr Foulds to the table.

Senator IAN MACDONALD—We were just talking about election promises. We have been specific in relation to Queensland. What election promises were made by the government that will be carried out under the Nation Building Program? There is probably a readily available list of that, is there?

Mr Mrdak—I am happy to give you that now if you like. Are you looking specifically at just Queensland?

Senator IAN MACDONALD—No, Australia-wide. If you have a list there that you could table, would that save time?

Mr Mrdak—I can give it to you very briefly, into the *Hansard*. There were a number of projects committed under the election campaign in nation building 1. They were the Richmond Bridge project, the Eden port feasibility study project, the Princess Highway West planning project, the Great Eastern Highway project and the Tasman Highway project. The government, also in the election campaign, announced its intention to establish a second Nation Building Program beyond 2014-15 and announced funding for a number of projects under that new program beyond 2014-15. They include the preconstruction work on the inland rail project; the Parramatta-Epping rail link, which we discussed this morning; further funding for the Richmond Bridge project; further funding for the Princess Highway West construction; the Moreton Bay rail link in Brisbane; the Calliope Crossroads project; further funding for the Great Eastern Highway project; and further funding for the Tasman Highway project.

Senator IAN MACDONALD—So that last lot are not likely to see the light of day until, at the very earliest, 1 July 2014?

Mr Mrdak—That is correct. They are projects for the second Nation Building Program beyond 2014-15.

Ms O'Connell—A number of those projects have a contribution, so it is not just Australian government funding. There is also state funding. What Mr Mrdak has read out was the profile of the Australian government contribution. Some of those projects will indeed start earlier than the Australian government contribution based on the co-contribution of a state.

Senator IAN MACDONALD—Could you tell me which of those that you have mentioned that would be.

Mr Mrdak—Certainly those including the state contribution are the Parramatta to Epping rail link, the Moreton Bay rail link and, I think, the Great Eastern Highway. We can get that detail for you, certainly.

Senator IAN MACDONALD—Do you have any information on when they are likely to start the two railway projects?

Mr Mrdak—In relation to the Parramatta-Epping rail line, the agreement that has been reached and the commitment that has been made in the election campaign by the Australian and New South Wales governments is that work will commence in 2011 funded by the New South Wales government. The Commonwealth funding will be available from 2014-15. So the intention is that work will commence next year on that project. I will just defer to my colleagues in relation to the other projects.

Senator IAN MACDONALD—The Moreton Bay one and the Princess Highway I am interested in.

Ms O'Connell—Certainly, in terms of the Princess Highway, there is a contribution from the Victorian government. So that will commence ahead of the Australian government contribution starting. With the Moreton Bay rail link—

Senator IAN MACDONALD—Do you know when? Do you have that information?

Mr Foulds—I do not have that information. I can get that to you shortly.

Senator IAN MACDONALD—Thanks.

Ms O'Connell—In terms of the Moreton Bay rail link, that also has a contribution from the state government of Queensland and the Moreton Bay council. The start date for the Moreton Bay rail link—

Mr Sloan—The initial funding will be, as Ms O'Connell said, supplied by the Moreton Bay Regional Council and some money from the state government. The initial works will be finalising a business case and meeting any land acquisition costs as well as getting the project to procurement stage. At this stage I do not have a start date of actual commencement of the project.

Ms O'Connell—We are in discussions with the state government for an intergovernmental agreement that will set out the time lines, the cash flows et cetera for the Moreton Bay rail link.

Senator IAN MACDONALD—I was going to ask if you could, on notice, give me a time line. Is that agreement likely to be done by the time that we have set for answers to questions, which I guess would be early December?

Mr Mrdak—We would anticipate that we should have a time line settled. But if we—

Senator IAN MACDONALD—Okay. In that case, take it on notice.

Mr Sloan—Sorry, Senator, but I missed a point. Construction is expected to start in 2012. I apologise.

Senator IAN MACDONALD—That is Moreton Bay?

Mr Sloan—Yes, that is correct.

Senator IAN MACDONALD—That is 2012?

Mr Sloan—Yes.

Senator IAN MACDONALD—But you still have not done the business case? The business case has not yet been done but we have a start date?

Mr Sloan—Well, the detailed business case and the way the project will be rolled out is being developed, yes.

Senator IAN MACDONALD—So we are assuming in advance that the business case will be positive, are we? If the business case comes up and says, 'This is a dog—you should not spend a cent on it,' are we still going to start? I suppose that is hypothetical, you would rightly say. But it seems to me odd to be making the commitment before the business case is even done. Are these things subject to a favourable case?

Mr Mrdak—I think in this situation, as you know, this project has been much researched over many years.

Senator IAN MACDONALD—It was promised before I was born, Mr Mrdak. I have some association with it. In fact, I would have gone to hospital across it had it been there at the time. For those reasons, there is a lot of cynicism about government promises on this.

Mr Mrdak—In this situation, the business case is really focusing on implementation and how you do the delivery of the project rather than—

Senator IAN MACDONALD—So it is an implementation study rather than business case?

Mr Mrdak—That is correct, Senator.

Senator Carr—Senator, did your party not match this commitment?

Senator IAN MACDONALD—Senator Carr, all parties have promised this since at least 1950.

Senator Carr—So you do not support your party's matching of it?

Senator IAN MACDONALD—I would have thought that the government of the day might have had a look at the business case.

Senator Carr—I was just interested in your view. Are you now backing away from your party's commitment?

Senator IAN MACDONALD—Senator, in case you do not know, estimates committees are about me asking you questions, not you asking me questions.

Senator Carr—I am just trying to be helpful to you, Senator. You seem a bit confused about the standing of the project.

Senator IAN MACDONALD—Thank you for worrying about my confusion. I am most appreciative. I am really interested in the government's view. It just seems a little odd that the business case supersedes the decision to start. Anyhow, we will watch this with great interest, as we have watched it for the last 60 years. Good luck.

Does the inland rail project have any state government contribution required? If so, which state government?

Mr Mrdak—At this stage the Commonwealth contribution is for an initial \$300 million for preconstruction and preliminary land acquisition. At this stage we have not got to the stage of working through what contribution will be made by either New South Wales or Queensland to that project.

Senator IAN MACDONALD—So it is a commitment that something will be done after 2014-15 but no real specifics on what is to be done?

Mr Mrdak—Certainly it builds on the Australian Rail Track Corporation's assessment of the project, which identified the benefits of starting on acquiring sections of the corridor and doing the detailed planning. The Australian government has decided to fund up to \$300 million at this stage to enable that to take place.

Senator IAN MACDONALD—Where does this end? What is the current thinking on where it starts in Queensland?

Mr Mrdak—Essentially this will provide a link from northern New South Wales through to Toowoomba and to Brisbane. The project as a whole involves a significant upgrade to the existing rail track between Toowoomba and Brisbane. It is a combination of new track in New

South Wales through new corridors in western New South Wales leading through northern New South Wales, Toowoomba and then down into Brisbane.

Senator IAN MACDONALD—There was at some stage a proposal that it go through to Bundaberg or Gladstone or perhaps even further north. That is not now part of the current thinking?

Mr Mrdak—The initial stage of work that the Australian Rail Track Corporation is focused on is Melbourne-Brisbane. We are not looking at this stage to any connections. I know there are consortia that have been looking at that issue of Toowoomba-Gladstone, but at this stage the work has been done on Toowoomba-Brisbane.

Senator IAN MACDONALD—So they are all for the future, post 2014. I think you have named five. Perhaps with all of them, what stage are we at with them? Has the planning work been done? Will they appear in this year's budget or have they appeared in a budget already?

Mr Mrdak—They have not appeared as yet. We are now undertaking work in relation to, as part of this forthcoming budget process, the profiling and the timeframes for those projects.

Ms O'Connell—Senator, there is an expectation that the election commitments would appear in the Mid-Year Economic and Fiscal Outlook document to be issued soon. We are in discussions—

Senator IAN MACDONALD—To be issued soon? Other people will know this, but I do not. When is that expected?

Mr Mrdak—I do not think we have a date set as yet.

Senator IAN MACDONALD—Before the end of the year?

Mr Mrdak—That is the intention, I believe.

Ms O'Connell—And we are in discussions with the states on those projects to now go and look at the detail of scopes, alignments, project time lines and phasings.

Senator IAN MACDONALD—In relation to all of them, is there a total value listed? It would obviously only be an estimated value, but do we have that in relation to each project?

Mr Mrdak—Yes. The additional projects for the current Nation Building Program are \$51.1 million. Commitments for Nation Building 2 are some \$3.6 billion.

Ms O'Connell—Senator, that is the Australian government contribution, so not including the various state government contributions.

Senator IAN MACDONALD—This is for Richmond Bridge, Eden, the Princes Highway, the Great Eastern Highway and the Tasman Highway?

Mr Mrdak—That is right.

Ms O'Connell—All 10 projects.

Senator IAN MACDONALD—All 10 projects?

Ms O'Connell—It is \$51.1 million up to 2013-14, and from 2014-15 onwards it is \$3.5 billion.

Senator IAN MACDONALD—All right; I am with you. There are only five that are in the prior 2013-14 category—is that right?

Ms O'Connell—That is true for the Australian government contribution.

Senator IAN MACDONALD—And that total contribution is \$51.1 million?

Ms O'Connell—Yes.

Senator IAN MACDONALD—And the state contribution—do you have that figure?

Ms O'Connell—I do not have them for each. I have them for the projects, but I do not have the sum of them. We can do that and provide it to you.

Senator IAN MACDONALD—Okay. There is only five. Perhaps you could just quickly run through the five state commitments—if it is easy. If it is not, it can be on notice—yes, take it on notice.

Ms O'Connell—Okay.

Senator IAN MACDONALD—So we will hear more about start and completion dates as they go through the budget process.

Ms O'Connell—And it is also an expectation, Senator, that at that point they will be added into the nation building memorandums of understanding with each of the states. That will outline the Australian government and the state government contributions.

Senator IAN MACDONALD—With regard to the Regional Infrastructure Fund that we were talking about, as publicly reported, the Treasury has just released part of its legal advice suggesting some constitutional doubt. Is there any plan B for the Regional Infrastructure Fund if those constitutional doubts become more than doubts?

Mr Mrdak—We are not familiar with those.

Senator IAN MACDONALD—So there is not an alternative? I guess it is a bit soon. But if the Treasury's legal advice turns out to be accurate—that has only recently been released, I understand—you have not done any work on an alternative to fund the Regional Infrastructure Fund?

Mr Mrdak—Not in this portfolio, Senator.

Senator IAN MACDONALD—Where would that be done if there were work being done? In Treasury?

Mr Mrdak—Presumably. It is a fiscal matter. But we are not aware of any alternative options.

Senator IAN MACDONALD—Of the projects in the Nation Building Program, are they all funded out of the regional infrastructure program? I think you mentioned one or two to me earlier that were not.

Mr Mrdak—No. The ones that Ms O'Connell has been discussing are the ones that are in nation building. Then there is a list of projects which have been committed by the government as part of the Regional Infrastructure Fund. I am happy to run through them if that would assist. They are the Blacksoil Interchange project in Queensland, which is a \$54 million funding commitment; the Townsville ring road stage 4 in Queensland, which we discussed, of

\$160 million; the Peak Downs Highway in Queensland of \$120 million; the Yeppen Lagoon bridge and roundabout project in Queensland of \$40 million; the Gladstone port access road in Queensland of \$50 million; the Perth airport roads projects in WA of \$480 million; the Mackay ring road study in Queensland of \$10 million; and the Scone level crossing study in New South Wales of \$2 million. Those are commitments under the Regional Infrastructure Fund totalling \$916 million.

Senator IAN MACDONALD—And any other of the nation-building programs will be funded from other sources?

Mr Mrdak—That is correct.

Ms O'Connell—From the nation-building appropriations.

Senator IAN MACDONALD—I think you would probably need to do this on notice. Of the money being spent from the old AusLink program, or nation building 1, from 2008-09 to 2013, can you just give me, perhaps on notice, a bulk figure on what is being spent (a) on roads, (b) on rail, (c) on other projects and (d) in total? Is that possible to do?

Ms O'Connell—Certainly. We can handle some of that now. In terms of the total envelope for nation-building funding over the years 2008-09 to 2013-14, as you outlined, it is \$37 billion in terms of the total funding. That is divided up through a number of projects in terms of the nation-building investment projects, including off-network, black spots, Roads to Recovery and the heavy vehicle safety package. So the total over those six years on those direct road funding projects, associated black spots et cetera is \$22.7 billion. There are a number of equity injections for the Australian Rail Track Corporation. Over the six-year program they total some \$2.4 billion. There are the major nation-building plans for the future projects, which were 15 projects announced in the 2009 budget. They represent \$7.8 billion. There are a series of untied local roads grants, so they should probably be added back into the roads funding. They represent about \$3.9 billion over those six years. There is an amount set aside for studies on the Moorebank intermodal terminal. That is \$70 million.

Senator IAN MACDONALD—And that all adds up to?

Ms O'Connell—Approximately \$37 billion. I did use some rounding during that.

Senator IAN MACDONALD—That is fine. Thanks for that. How much of those amounts has gone to contract at the moment? Is there a figure for that?

Ms O'Connell—All of those are in the memorandum of understandings with each of the states along with the co-contributions for the state governments, where relevant. For example, it is not in relation to the ARTC equity injection. But all of those projects are outlined in the memorandum of understanding with each state government setting out that Nation Building Program envelope.

Senator IAN MACDONALD—So that total \$37 billion is accounted for?

Ms O'Connell—That is correct. It is committed.

Senator IAN MACDONALD—Thank you very much for all that. I will now take you to South Australia. With regard to the national highway network sections from Port Wakefield to Port Augusta to Pimba and from Port Augusta to Ceduna, what is the share of the financial

responsibility for maintenance and improvement that is the responsibility of the federal government? Is that easily obtainable, or do you need to take advice?

Ms O'Connell—Was your question going specifically to the maintenance funding or the funding for the road overall?

Senator IAN MACDONALD—It was about the overall commitment by the federal government to that highway, if the numbers could be broken up into maintenance and capital improvement, please.

Ms O'Connell—All right. We make an allocation to the state in terms of maintenance funding. So without going to the state, we would not be able to divide up exactly the precise amount that they are spending in maintenance on that particular road. But we can talk about the overall funding for that road.

Senator IAN MACDONALD—All right. The overall funding would be good. Could you say how much you will be putting in and how much the South Australian government will be putting in?

Mr Pittar—If I understood your question, you are asking about the Eyre Highway running from Port Augusta to Ceduna?

Senator IAN MACDONALD—Remember: I am a north Australian. Port Wakefield to Port Augusta, Port Augusta to Pimba and Port Augusta to Ceduna. One says Eyre Highway and one says Stuart Highway. For Port Wakefield to Port Augusta I am not sure. They are not a continuous highway, I take it?

Mr Pittar—No. That is correct.

Senator IAN MACDONALD—Well, in relation to each of those three, are you able to tell me what part the federal government is paying for and what part the state government is paying for?

Mr Pittar—I will just go back a little for a moment. As Ms O'Connell was saying a little earlier, the roads that you are talking about are subject to the Commonwealth making a contribution to maintenance. We have no specific discrete projects happening on those highways at this stage of the game. So the money that we are paying to South Australia for those highways that you mentioned that are on the national network are covered by the maintenance funds that we contribute to South Australia for those roads.

Senator IAN MACDONALD—But does the Commonwealth government separate them and say, 'You will spend X dollars on these three particular highways?'

Mr Pittar—We do not go down to that level of detail with the individual states.

Senator IAN MACDONALD—You just give a state wide allocation for maintenance and leave it to the state government to spend it as appropriate?

Mr Pittar—We provide a state wide allocation for maintenance.

Mr Foulds—But they must spend it on the national transport networks.

Senator IAN MACDONALD—Sure. Yes, of course. And what about capital upgrades?

Mr Pittar—We do not have any particular capital upgrade works happening on the highways that you mentioned at the moment. Those highways, as I understand it, would be covered by the maintenance element of our contributions to South Australia.

Senator IAN MACDONALD—Okay. And this is all part of the Nation Building Program?

Mr Pittar—That is correct.

Mr Mrdak—One of the changes that was brought around with AusLink and now nation building is that we make a contribution to maintenance, and we do expect the states to also contribute to maintenance, which is different to what used to take place under the former national highway program, where it was only a Commonwealth contribution to the former national highway.

Senator IAN MACDONALD—And are you able to tell me in the case of South Australia what the state government is required to spend? Is it dollar for dollar?

Ms O'Connell—No, Senator. We do not have that information. We are happy to take it on notice.

Senator IAN MACDONALD—Perhaps you could do that on notice for all of the states, not just South Australia. That would be helpful. That is in some sort of agreement with the state government, is it?

Ms O'Connell—That is correct. It forms part of the nation building MOU in terms of the maintenance allocation to the state.

Senator IAN MACDONALD—Are those documents publicly available?

Ms O'Connell—Yes, they are. They are on the Internet.

Senator IAN MACDONALD—Do you have the link?

Mr Mrdak—We can provide it in the course of today.

Senator IAN MACDONALD—Are you aware of a two-lane bridge over the Spencer Gulf at Port Augusta which is apparently heavily used? There is apparently the expansion of the mining industry in that area, particularly at Roxby Downs. Are you in any way involved in upgrading that bridge with the expected increase in traffic? Is that something that the Commonwealth government is aware of or focussing on?

Mr Pittar—Again, that bridge over the top of the Spencer Gulf would be on the national network, but there is nothing in the current Nation Building Program which is pointing to upgrading that bridge crossing the Spencer Gulf.

Senator IAN MACDONALD—There is apparently an alternative route around Yorkeys Crossing. Is that part of the national highway system?

Mr Pittar—I do not believe that it is. My understanding would be that the national network would stick to the existing bridge that crosses the Spencer Gulf.

Senator IAN MACDONALD—Could you just double-check that? If that answer is not correct, could you get back to me? We will leave it at that. You might just let me know, on

notice, if Yorkeys Crossing has come to the knowledge of the department in any shape or form.

Mr Pittar—My recollection with Yorkeys Crossing is that it goes, if you like, above where Spencer Gulf goes to Port Augusta, so it is not actually crossing the water as such. My understanding, as I say, is that it is not part of the national network, but we will confirm that and come back to you on that.

Senator IAN MACDONALD—But the suggestion is that it is the alternative when things happen on the bridge. With regard to maintenance work along the Bruce Highway, and specifically on the Bruce Highway between Townsville and Ayr, I am told by Queensland Main Roads people that they have just received a substantial sum of federal money that they had to spend quickly. Could you perhaps confirm that for me? Could you put that in more precise language as to just what the arrangement was there?

Ms O'Connell—We provide an annual allocation for maintenance funding for that state, as we outlined before. The expectation is that it is acquitted within that financial year. As we said, with nation building 1 covering 2008 to 2013-14, there is a series of six financial years for which there is an annual allocation for maintenance within the state. Priority is to be set in the state, but it must be spent on the national network. So it is fair to reflect that we would expect that the funding allocated in a financial year is spent within that financial year if it is a maintenance activity.

Mr Foulds—There are, however, some maintenance allocations that have been specifically allocated to maintenance on the Caboolture to Sunshine Coast route. That is maintenance funding for the Bruce Highway with an Australian government commitment of \$20 million. That is currently under construction. Then there is some maintenance from Curra to Sarina. That is an Australian government contribution of \$75 million, and that is under construction. Then there is a project for maintenance allocation for the Sarina to Cairns section of the Bruce Highway, and that is \$150 million. That is currently under construction.

Senator IAN MACDONALD—Is there some requirement to spend by a certain date?

Mr Pittar—I will answer that question second and perhaps go back to your original question. I understood that you are also asking about specifically works between Townsville and Cairns?

Senator IAN MACDONALD—Townsville and Ayr, actually.

Mr Pittar—Townsville and Ayr. Well, I can comment on Townsville to Cairns. There will be some common areas, of course. There was—

Senator IAN MACDONALD—Well, there are none, actually. Cairns is north of Townsville and Ayr is south of Townsville but, anyhow, go ahead.

Mr Pittar—Sorry, Senator. There are accelerated Bruce Highway upgrade works between Townsville and Cairns which are designed to address safety amenity and some of the flood issues on that stretch of road. There is \$220 million that was provided by the Australian government for that. That work is expected to be completed in the relatively near future.

Senator IAN MACDONALD—But was there any Commonwealth government directive that this money had to be spent by a certain period of time? I appreciate that might occur in

this financial year. But outside that, was there any requirement that it be spent by a certain time as part of perhaps overcoming the global financial crisis?

Ms O'Connell—With any of our road projects, as I outlined with the maintenance funding, we reach agreement with the state over the timing and when the contributions will occur. It is our expectation that, having reached that agreement and embraced it into the memorandum of understanding between the Commonwealth and that particular state, those timetables will be met. So they are not open-ended agreements that you build the road or do a particular work whenever the state might choose to schedule it. There is an agreement about the financial years in which the work would be done and the funding that would go with that. So that is the case for all of the nation building projects. Where there are exceptions—weather conditions that might have prevented work taking place—then we do enter into discussions with the state about potentially changing that funding contribution and the milestones and the delivery, where there is a reason to do so.

Senator IAN MACDONALD—So if I were told on a query to state officials, 'This work is being done now because we have only just got it from the Commonwealth, and if we do not spend it immediately, it will disappear', that is not likely to be accurate?

Mr Mrdak—It may well be accurate because, as Ms O'Connell says, in our monitoring we do rigorously look at the state programs to make sure they are meeting our time frames. We do track them on this. Obviously there will be situations where works are delayed for weather or other reasons—contractors and the like—but we do closely monitor the delivery of these projects according to the time frames.

Senator IAN MACDONALD—Look, I for one have been very frustrated that no work has been done on the Cardwell Range between Cairns to Townsville because the yellow tailed caterpillar might have been impacted upon. But I am pleased to see that that work on one of the most dangerous areas of that road is now proceeding through the rainforest. They have eventually adopted the principle that human lives are more important than the yellow tailed butterfly grub, or something. So it is pleasing to see—I think it was committed to some six or seven years ago—that it is eventually happening, so that is good. Can you just check the Ayr to Townsville project? You say there may have been some reason. Another thing I just want to raise, because government is all about people, is that there was work being done on the Ayr to Townsville section of 80 kilometres. In a period of about six months, there has been work going on at seven different projects along that road. It is good to see the work happening. It happened in the run-up to the federal election; I will make no comment about that except to say there were seven different stop signs on an 80-kilometre stretch of road. I think I have written to Mr Albanese in frustration over this. I live in Ayr and work in Townsville, so this is a very personal thing, but it applies to literally hundreds of thousands of other users of that same piece of road. I was given the excuse that the Commonwealth provided the money. If they did not spend it, they would lose it. I did not believe that, but I just want to make sure that I am not wrong.

Recognising that government is about people, does the Commonwealth have any sort of broad general policy that where roadworks are being done with Commonwealth funding, they will try and look at the convenience of road users, including, again, literally tens of thousands of long-haul transports, who had to stop for up to 10 minutes with line-ups of about 20

kilometres in an 80-kilometre section of road? I just suggest that had this been in Brisbane or Sydney, it would, of course, not have been tolerated. I wonder if there is any broad general policy of federal government that the convenience of road users has to be taken into account when Commonwealth funded maintenance work is being done?

Mr Mrdak—Obviously, we, like Queensland, would want to minimise disruption. But essentially those scheduling and operational decisions are matters for Queensland Main Roads. We do not get engaged at that level, to be honest.

Senator IAN MACDONALD—Okay. I appreciate that it is scheduled by Queensland Main Roads. I appreciate there are some savings of doing things together, although there were separate contractors doing it. It just seemed to be particularly bad management. My question to the Commonwealth government is, I guess: is there any precedent to funding money that the state governments go out of their way to make sure the travelling public, being both individuals and the transport industry, which is particularly important, are not subjected to that sort of inconvenience over a space of about four or five months? If it happened for a week, fine. Is there no sort of condition precedent?

Mr Mrdak—No.

Senator IAN MACDONALD—If not, perhaps it is something that might be looked at for the future.

Mr Mrdak—Certainly when we receive the project proposals and the implementation reports, we would expect that they are the sorts of things that Queensland Main Roads would have factored in. But we do not have a condition precedent per se, Senator, no.

Senator IAN MACDONALD—Thank you for that. Money that is being spent on the Bruce Highway in the central Queensland area I am particularly referring to and the Capricorn Highway. I have a public document saying, for example, intersection upgrade Capricorn Highway and Jellicoe Street four kilometres south of Rockhampton, \$500,000. It is said to be pending. Similarly, with the Clareview South access, 30 kilometres north of St Lawrence, which is about 130 to 150 kilometres north of Rockhampton, \$150,000 is pending. Do you have any idea what ‘pending’ means?

Mr Foulds—Senator, I suggest that with the value that you have mentioned there, it is likely that it is either a project under the Black Spot Program or perhaps under Roads to Recovery funded by a local council. But we do not have a project in the Nation Building Program by that name that I can see. So I suspect that it could be one or other of those.

Mr Mrdak—We will check. I suspect the pending may well be that approval has been given for the project to take place. They are in the planning and preconstruction stage or in the process of going to tender for the construction.

Senator IAN MACDONALD—Actually, there are a lot of figures—\$100,000, and \$100,000 underway. Some of them are \$2½ million pending. You would suggest they are Black Spot projects?

Mr Mrdak—Some will be. Some may well be maintenance projects if they are on the national network. They will be a range of projects. We will have agreed with Queensland in those situations but they are yet to get to the construction stage, I would suggest.

Senator IAN MACDONALD—Is there published somewhere a list of Black Spot projects?

Mr Foulds—Yes, every black spot is on our website and you will see them as pending if they are in that planning and preconstruction phase. Would you like the link?

Senator IAN MACDONALD—Yes, please. That will also show if they are underway.

Mr Mrdak—That is right, Senator.

Ms O'Connell—On that website they are identified by state as well.

Senator IAN MACDONALD—Excellent.

Mr Foulds—And should you be interested in nominating a project for a Black Spot recognition or anything like that, that information is also there for anybody who wishes to nominate a Black Spot or an area that they think might result in Black Spot funding.

Senator IAN MACDONALD—I have a question on notice from May that we have an answer to. It is about the Jubilee Bridge at Ingham. I was asking you if there had been funding for that. The answer is that the Jubilee Bridge is a local government responsibility. Is it fair to say that many of the projects under the Nation Building Program are in fact local government responsibilities?

Mr Foulds—With respect to local government responsibilities, the Nation Building Program generally funds on network and some off-network projects. Off-network projects would be usually a responsibility of a local government or a state as opposed to being on the national land transport network. So it is possible, but it is generally national land transport network projects that are funded under the Nation Building Program, with some off net.

Senator IAN MACDONALD—Apart from my asking about this at the May estimates, is the department in any way conscious of the Jubilee Bridge at Innisfail?

Mr Mrdak—Certainly. I think as I indicated in May, we are aware of it. We are aware of the proposal sought by the council and the state government funding. At this point the Australian government has not made a commitment of funding to that project.

Senator IAN MACDONALD—The department was not asked for advice on that in relation to the Prime Minister's negotiations with the local member, Mr Katter? Perhaps the minister might be able to answer this. Was that one of the areas that was raised between Mr Katter and Ms Gillard in the conversations held prior to the formation of the government?

Senator Carr—There is nothing in the agreement to that effect.

Senator IAN MACDONALD—Nothing in the agreement that relates to it. Minister, could you tell me perhaps on notice whether it was raised at all?

Senator Carr—I cannot tell you now. I will seek further advice on the matter.

Senator IAN MACDONALD—Thank you, Minister. I appreciate that. Mr Mrdak, you have been approached, I think you said, by the local authority, the Cassowary Coast Regional Council, for some assistance. Are you aware of that?

Mr Mrdak—I am certainly aware. I have followed, I think earlier in the year, some of the media commentary and debate around the Jubilee Bridge. Certainly it was raised here at

estimates, from recollection. I will check. I think there was an approach from the council for Commonwealth assistance.

Senator IAN MACDONALD—I am sure there was, which confirms what you are saying. I asked you on notice to give me the reason why the request from the Cassowary Coast Regional Council was rejected. In the answer you gave to my question when I raised it before, you said the Jubilee Bridge is a local government responsibility. That was the answer. I am sure it was a very accurate answer, but it did not really answer anything. Perhaps I could pursue that. To explain, the Jubilee Bridge runs through Innisfail. It is not part of the national highway. But as a result of the Jubilee Bridge being out because it practically fell down, and it is a major thoroughfare between two suburbs of Innisfail, you might say, it meant that all the traffic had to go around onto the main road quite a way along the main road over a bridge along the main road to a dangerous intersection and then come back to get to the other side of Innisfail. So whilst it was not part of the main road, its absence certainly put a great wear factor on the main road but, more importantly, a human life factor on the main road. So with that background, I ask you on notice to let me know the reasons why the government was not able to accede to the request of the regional council for assistance.

Mr Mrdak—Certainly.

Senator IAN MACDONALD—Thanks for that. I go again to an answer to questions on notice about Giles and Laverton. I was given some information. This is question No. NB-II 10, if that identifies anything. There was some information given. I see I also mentioned Boulia to Tobermory in Queensland. I was given some information on allocations. But my follow-up question is: has construction work actually started? If it has not, do you have any information as to when it will?

Mr Foulds—Are you talking about the Roads to Recovery element of the answer, which is the \$1.7 million to the Laverton and other councils? It is in the second paragraph.

Senator IAN MACDONALD—The strategic regional program.

Mr Foulds—That has already been paid out—in 2004.

Senator IAN MACDONALD—You say that, yes.

Mr Foulds—That is for work that was done. Then, under the Roads to Recovery program, there is \$1.7 million which has been allocated to those councils in the period 2009-10 to 2013-14. Those councils have between then and 2013-14 to expend that money on projects of their choosing, because that is the purpose of Roads to Recovery funding—to deliver funding directly to local councils to use for projects that they determine. So, in short, I cannot answer that question.

Senator IAN MACDONALD—That is fine. Do not take that any further. If it is Roads to Recovery money, it will be spent. In answer NB-II 25 about the Sarina to Cairns road—you mentioned this just previously—it mentions the three sublinks of Caboolture to Curra, Curra to Sarina and Sarina to Cairns. Has work actually started on these priority spots? Are you aware of that?

Mr Foulds—The answer details that, in fact, four of the projects are in the construction and delivery phase, a further 51 are in the development phase, while eight are in the scoping

phase. That is on the second page of the answer. In Caboolture, for the Curra sublink between Cooroy and Gympie, the work being done is painting a centre median supplemented by reflective raised pavement markers. On the Traveston Crossing road intersection, there is work to improve the intersection through benching the face of the cutting north of the intersection and clearing of vegetation et cetera.

Senator IAN MACDONALD—I will not enter into the Traveston Crossing dam, which this road was partly meant to skirt, because it is not happening now. You say there was a page 2 to that answer, which I do not seem to have.

Mr Foulds—I have a page 2 here.

Senator IAN MACDONALD—I will check my records. It is not in my file. We are going to be grossly ahead of time here, Mr Chairman, which I know you will be disappointed about. Here is Senator Heffernan. He might fix that problem.

CHAIR—I just want to correct the record, Senator. There is no way I am disappointed about that.

Senator IAN MACDONALD—Again, in relation to Queensland—I am not sure whether it is easier to take this on notice, or perhaps you have the information there—can you give me an update on a series of projects. There is the Gairloch floodway near Ingham, where \$40 million was promised in the 2007 election. I understand it has not yet started. Is there a timeline yet for a start and finish on that?

Ms O'Connell—You have mentioned three projects. One was the Gairloch floodway?

Senator IAN MACDONALD—No. That is the only one I have mentioned so far. I will run through a series of them. There is Gairloch in nation building roads. Can you tell me anything about the Gairloch floodway as to start and finish times?

Mr Pittar—At this stage, that project is a planning study. As you might be aware, in relation to the Gairloch floodway or the Herbert River floodplain, which it is a part of, that study commenced in 2008. We understand that that study is nearing completion and that the preferred realignment options will be made public toward the end of this year. I understand that there has been community consultation over the various options in relation to that Herbert River floodplain or Gairloch floodway study. So we would expect to see that study pretty shortly—by the end of this year.

Senator IAN MACDONALD—What I am quoting from is the 20 October—yesterday—website update from the department. It shows Gairloch not started. The next one is an overtaking lane from Sarina to Cairns. It says that is in planning. Is there anything more you can tell me about that?

Mr Pittar—No. My understanding is that that is still in planning.

Senator IAN MACDONALD—Okay. There is the Vantassel Street to Flinders Highway upgrade in Townsville. It says here it is not started. It says on your website it is not started. I do not think that is right.

Mr Foulds—That is a future project. The Vantassel Street to Flinders Highway duplication on the Bruce Highway is a future project. The start and end dates are not yet determined and the total project cost is not yet determined.

Senator IAN MACDONALD—Okay. That was a \$110 million promise for the 2007 election and you say no work has even been done on that?

Mr Foulds—No. That is not what I am saying. I am saying that the start and end date—

Senator IAN MACDONALD—What are you telling me?

Mr Foulds—That there has been work on the project, but we have not got a project proposal report at this time.

Senator IAN MACDONALD—So no proposal? You would be waiting for the Queensland government for that?

Mr Foulds—That is right.

Senator IAN MACDONALD—Hence my comment an hour or so ago. You should do it yourself. So it has been around for at least three years now. When do those funds run out? The Commonwealth does not leave them there timelessly.

Mr Foulds—This is a project for the nation building 1 program, which is due to be completed in 2013-14.

Senator IAN MACDONALD—So there is a six-year time frame for it. So any time up to 2013-14, the Commonwealth will provide the money?

Mr Foulds—When roads are developed, depending on what the start point was, it can take two to three years to go through planning phases to provide a project proposal report. When the project proposal report comes, that is, if you like, the driver for obtaining the funding approval. Then you have an idea about the project timelines, the scope of the project and all of those things are then agreed. This project has not reached that point yet.

Senator IAN MACDONALD—Can you just update me? The Townsville port road, which, again, was a promise in the 2007 election, has been completed from the western highway through to the Bruce Highway. But from the Bruce Highway through to the port, there is no activity happening at all. Are you able to tell me when it is contemplated that that section might work? I think it might involve a bridge across Ross Creek as well.

Mr Pittar—I might need to take that on notice.

Mr Mrdak—We will get that for you.

Senator IAN MACDONALD—I am not sure whether that was in nation building. It was a specific election promise in 2007. The southern approach to the Mulgrave River in Cairns is said to be not started. Is there anything you can tell me about that?

Mr Pittar—If that is information you are getting off the department's website, it should be correct.

Senator IAN MACDONALD—But do you know why it has not started? Again, these are 2007 election promises. Whilst I take it from your previous answer they have until the

financial year 2013-14 to do it, one would have hoped there might have been something more than a comment 'not started' after three years.

Mr Pittar—I think the southern approach to Cairns, the connection to Mulgrave Road—

Senator IAN MACDONALD—Mulgrave River, I think. It is further south.

Mr Mrdak—It is Edmonton into what becomes Mulgrave Road as it goes into Cairns. That area has been quite contentious.

Senator IAN MACDONALD—I think this is a different thing. That part is contentious, Mr Mrdak. You are quite right.

Mr Mrdak—Are you referring to the Mulgrave River bridge?

Senator IAN MACDONALD—Yes.

Mr Mrdak—The first stage has been completed, which is the bridge. It is the approach, I think, which is the next stage which is underway.

Senator IAN MACDONALD—Yes, the southern approach.

Mr Mrdak—My understanding is that that is still is at the planning and preconstruction stage, from memory from the last time I drove there, which was about six months ago.

Senator IAN MACDONALD—You should do it more often. It is a lovely part of the world.

Mr Mrdak—It is.

Senator IAN MACDONALD—You do take your life in your hands travelling on the roads.

Mr Mrdak—I visit it every year, as you know.

Senator IAN MACDONALD—Yes. I am pleased to see you do. You have some appreciation of what people talk about. Curra to Sarina, it is said on the website, is under construction. Do you have some information on when it is intended this might be completed? There are no details on the website.

Mr Pittar—I might have to take that one on notice.

Senator IAN MACDONALD—If you would, please. The Burdekin Road Safety Audit project? The website says it is not started. Again, \$25 million was promised in the 2007 election. Is there any anticipated update of when that might be?

Mr Pittar—We will take that one on notice.

Senator IAN MACDONALD—Okay.

Mr Foulds—Senator, I have the information that you asked for, the web link to the black spot projects.

Senator IAN MACDONALD—Yes.

Mr Foulds—It is www.nationbuildingprogram.gov.au/projects/projectsearch.aspx.

Senator IAN MACDONALD—Okay. I will get that off the *Hansard*. Thanks for that. The Dampier Highway and the Burrup Peninsula your website shows is in planning. Again, that

was a 2007 election promise. Is there anything more you can tell me about expected commencement and completion times for that?

Mr Foulds—Is that the Dampier Highway duplication of Broadhurst Road to Dampier?

Senator IAN MACDONALD—Mine has Dampier Highway-Burrup Peninsula, north-western Western Australia, in planning.

Mr Foulds—That is the one. The total Australian government contribution is \$80 million.

Senator IAN MACDONALD—That is the one, yes.

Mr Foulds—The construction start date was July 2009. The construction end date is expected in late 2012. It involves the construction of stage 1B between Broadhurst Road and Balmoral Road West, which commenced in July 2009 and was completed in December 2009. Construction in the remaining stages is expected to commence early 2011 and be completed in late 2012.

Senator IAN MACDONALD—Thank you for that. I will slip to the Northern Territory. There was a \$52 million 2007 election promise. Some of them, I see, are underway. But there is a \$10 million flood immunity program from Port Keats to Wadeye, which says it is in planning. Is there any other information?

Mr Foulds—That is part of the Community, Beef and Mining Roads Improvement Program. That is where the AGC is an \$11 million commitment, and the tender for stage 1 has been let, with construction completed by the end of this year, it is expected, notwithstanding the weather. The stage 2 tender is being let in September 2011, with completion expected in December 2012.

Senator IAN MACDONALD—I am looking at my own notes here. I see now there is port access to Townsville. Again, your website shows it as under construction. As I say to you, half of it from the Bruce Highway west has been completed. The other half from the Bruce Highway east to the port has had no activity at all. You did say you would take it on notice. Now that I have identified it better, you might be able to tell me what some time lines are.

Mr Pittar—As you were mentioning, the Townsville port access road includes two stages of work. Stage 1 is the 2.5-kilometre section bypassing a portion of the Flinders Highway that passes through the residential areas by connecting the Bruce Highway south of Townsville. Stage 2 is a further 7.5-kilometre section of greenfield alignment from the Bruce Highway to the Townsville port access road. Construction of stage 1—that is, the Stuart bypass—commenced in 2008.

Senator IAN MACDONALD—That has finished, yes.

Mr Pittar—Stage 2 commenced in July. At this stage, we are anticipating completion around the middle of 2012.

Senator IAN MACDONALD—So they say it started in July this year?

Mr Pittar—That is the information that I have. It might be some preconstruction work and that sort of thing.

Senator IAN MACDONALD—Yes. I am sure someone is sitting in an office planning it. That is fine.

Ms O'Connell—The preconstruction activity can also involve surveying works and things that need to be done prior to actually seeing bulldozers out on the site.

Senator IAN MACDONALD—Of course. I shall keep my eye out for the surveyors. That is fine. The Cardwell Range for \$90 million, as I mentioned earlier, is at last under construction. Do you have any detail of when that is likely to be finished?

Mr Pittar—As you have said, you have noticed construction has started. Construction started on that Cardwell Range realignment in July of this year. The construction end date is currently scheduled as late 2012.

Senator IAN MACDONALD—I would be surprised if it takes that long.

Senator HEFFERNAN—Before we get to rail, in terms of national infrastructure and nation building, and given the challenges that face southern Australia with declining rainfall and overallocated rivers et cetera, does your department have a view on new infrastructure to seed new opportunities in Ord in stage 2 or 3?

Mr Mrdak—Certainly. As we have discussed, in the Australian government, and formerly in this department but now in the department of regional Australia, is the East Kimberley package, which included the \$195 million supporting infrastructure for Ord stage 2. That included roads, particularly in the Kununurra and Wyndham areas, and the port of Wyndham and the like. So those projects were part of that package. Apart from that, though, we have a number of projects in the program, such as the ones Mr Foulds mentioned—the Northern Territory beef roads and the like. Those projects—

Senator HEFFERNAN—For instance, Georgetown, which Senator Macdonald is familiar with, and the Gilbert River, which was pegged out in 1957 as an irrigation area, have never been really developed. Given that the global forecast for weather is declining rainfall—doubling the food task with less water et cetera—says to me, even though the northern taskforce seems to have lost its way in a jungle somewhere, that that road that goes out there, for instance, would not really encourage anyone. It is a dangerous road. It is a single road. Some of the grey nomads do not know to get off the road if there is a road train coming because it is only a 10-foot strip of tar. So do we have ambitions as a government in those areas? Obviously there is going to have to be some government infrastructure to encourage the next generation of farmers to take up opportunities where Mother Nature is declaring the opportunities are. Do we have that sort of planning in nation building?

Mr Mrdak—Not at this time, Senator, no.

Senator HEFFERNAN—Righto. Well, we will have to deal with that, and I am sure the government, in due course, will. Could we go to the main southern railway line? Have we got to change programs to do that?

Mr Mrdak—Well, I think the next item is the Australian Rail Track Corporation. Senator, if we are finished with nation building, will we move to ARTC?

Senator IAN MACDONALD—I do have a couple more questions on that. Senator Heffernan reminds me, talking about Georgetown, that the bridge over the Einasleigh River was funded under natural disaster relief, I understand.

Mr Mrdak—No. I think that was under the Regional and Local Community Infrastructure Program.

Senator IAN MACDONALD—A bridge on the main highway?

Mr Mrdak—Yes.

Senator IAN MACDONALD—That was your department but it is not now?

Mr Mrdak—That program has moved to regional Australia. But that bridge project, I think, is just about completed. It is about to be opened officially, I think.

Senator IAN MACDONALD—Yes. It is operating now.

Mr Mrdak—But it was funded under the Regional and Local Community Infrastructure Program.

Senator IAN MACDONALD—Which is now, as you say, not your department?

Mr Mrdak—That is right.

Senator IAN MACDONALD—Senator Heffernan mentioned an irrigation area in the same locality. Are you saying that if there were questions about that—I know Mr Gary Gray, the former parliamentary secretary for northern Australia, was very keen on it—your department, in its current form or in a former form, has done no work on water storage for the Gilbert River?

Mr Mrdak—Not in that area, not in relation to supporting infrastructure, no.

Senator IAN MACDONALD—And any work on that in the future would be in the regional department?

Mr Mrdak—It would be a combination of the regional department and ourselves.

Senator IAN MACDONALD—I was indicating to Senator Heffernan that he could go, but it would be a good idea, if we have to change programs, if I could just get an update on the Bruce Highway—that Cooroy to Curra upgrade. We have mentioned it in passing and in pieces, but can you just give me some more information? How much money has been allocated to section A and how much is currently being spent? What environmental impacts are being done on Coles Creek? What about environmental approvals generally? Are you able to give me them? I have a couple of other questions. Are you still funding the 45-kilometre long thick painted median strip between Cooroy southern interchange and the Wide Bay intersection north of Gympie? When will work start on this project? Will the government fund any additional overtaking lanes?

Mr Mrdak—We will certainly give you an update on Cooroy-Curra stage B, which we have got under construction.

Mr Pittar—Senator, as Mr Mrdak said, section B of the Cooroy to Curra upgrade is currently under construction.

Senator IAN MACDONALD—Has section A been completed?

Mr Pittar—No, Senator. Section B is the priority area. It is the part of the road which had the worst accident history, so it was the priority to move ahead on. The total project cost for that section B is \$613 million, with the Australian government contribution being \$488

million. Section B runs from Sankeys Road north for about 12 kilometres. That is a very significant construction site at the moment. It involves the construction of a four-lane divided carriageway on a new alignment between two new interchange connections on the existing Bruce Highway located south of Sankeys Road and south of the Traveston Road, including an underpass at Coles Creek. Construction commenced in September 2009 and is expected to be completed around the middle of 2012.

In relation to the other sections—sections A, C and D—the government has made a financial contribution to the securing of that alignment and for the future work to complete that entire section through to Curra at some future point. But at this stage, it is section B that is the active construction site and is provided for in the current Nation Building Program.

Senator IAN MACDONALD—Are you able to tell me what has been allocated to section A?

Mr Pittar—From memory, I think \$200 million was contributed to securing some of that alignment in the future. But I would prefer to just clarify that on notice, if I may.

Senator IAN MACDONALD—Okay. Are you able to tell me anything about the environmental impacts of the work being undertaken on Coles Creek, particularly where the creek is being rerouted and straightened?

Mr Pittar—I do not have specific information about the crossing of Coles Creek and would take that on notice.

Senator IAN MACDONALD—Yes, please. Will you still fund the 45-kilometre long thick painted median strip between Cooroy southern interchange and the Wide Bay Highway intersection? Does that mean anything to you?

Mr Pittar—I would have to take that specific amount—

Ms O'Connell—We would have to take it on notice.

Senator IAN MACDONALD—I want to know when work will start on the project, what government funds will be spent and whether the government will fund any additional overtaking lanes along this section of the highway. What is the final cost of the variable message signs that have been installed at Black Mountain, Federal, Coles Creek, Tuckekoi, Traveston and Kybong? When did each sign become operational? How often are the signs used? What messages have been displayed since they became operational? I suspect you might have to take most of those on notice.

Mr Pittar—Yes. We do not have that detail, I am afraid.

Senator IAN MACDONALD—We did speak about the Oakajee port, didn't we? I think Senator Ludlam also did.

Ms O'Connell—We did, Senator. We covered that with Infrastructure Australia.

Senator IAN MACDONALD—The Darwin port expansion?

Ms O'Connell—Similarly, we covered that with Infrastructure Australia.

Senator IAN MACDONALD—I do not think we did. We mentioned it, but we did not really go into any detail. Just remind me where it is. It was mentioned. I am not sure that we went into it at all.

Ms O'Connell—There was a commitment made for an equity injection for the Darwin port expansion, but it was subject to further analysis work being done by Infrastructure Australia.

Senator IAN MACDONALD—I beg your pardon. We did have that. So it is not running to schedule and within budget because it has not really started yet?

Ms O'Connell—Well, the commitment was subject to further work being done with Infrastructure Australia and pending their advice on that project. So it was specifically subject to that advice.

Mr Mrdak—I think the Northern Territory government is reviewing its projects plans.

Senator IAN MACDONALD—I do have a series of other questions that I think might be more beneficial to put on notice, although some of them that I will be putting in writing we may have already touched upon. Has the department made recommendations to COAG or Prime Minister and Cabinet concerning possible project interventions under the Nation Building Program intended to address concerns with project slippages, cost overruns and project delivery? This would be the right place to ask that?

Mr Mrdak—Yes, Senator. Certainly—

Senator IAN MACDONALD—Have you made recommendations?

Mr Mrdak—We have not made recommendations to COAG, no.

Senator IAN MACDONALD—Or to PM&C or to anyone else?

Mr Mrdak—Well, certainly the Commonwealth, in managing these programs, is constantly trying to manage delays and any suggestion of cost overruns and the like. So we do that as part of our program management.

Senator IAN MACDONALD—Are you able to tell me, perhaps on notice, the nature of the project slippages, cost overruns and project delivery issues?

Mr Mrdak—Certainly we will try to give you an image of those. Overall, under nation building for the main projects, the Commonwealth caps its contribution to most of the projects. So with any cost overrun, the expectation is that those are borne by the state and territory involved.

Senator IAN MACDONALD—So any cost overruns are borne by the states involved? It does not involve the Commonwealth in any additional money?

Mr Mrdak—Generally, with the Commonwealth, where it caps, we stick to our cap. We sometimes negotiate with the respective state and territory. If there are underspends in other projects in that jurisdiction which might be reallocated, we sometimes go through that process. But the Commonwealth has been pretty firm on its funding envelope and its capping for projects. Generally there is a rescoping process we sometimes undertake with some states, where the project cannot be delivered within the price that was originally indicated.

Senator IAN MACDONALD—So, generally speaking, do you think that all the projects under nation building are being delivered on schedule and within budget?

Mr Mrdak—Well, it certainly does stay within our forward estimates budget. We will do that. In terms of scheduling, my officers have indicated that schedules can move depending on a whole range of considerations, not the least of which is the availability of contractors and weather and the like. But we believe we are on schedule to deliver the bulk of nation building 1 within the program time frame. There may be some projects which will extend beyond into nation building 2, but I think that will be a relatively small number.

Senator IAN MACDONALD—Have you got any financial costings from, or have you given financial costings to, the oversight group that was established to support and monitor the implementation of key infrastructure and stimulus measures?

Mr Mrdak—As part of the establishment of the Office of the Coordinator-General within the Prime Minister's department, individual departments were levied amounts to pay for that coordination office. I think our contributions were of the order of—

Ms O'Connell—A couple of hundred thousand dollars.

Mr Mrdak—This year, I think it is of the order of \$250,000 to \$300,000.

Senator IAN MACDONALD—That is to establish the group, to operate the group?

Mr Mrdak—That is right.

Ms O'Connell—That is correct. Then we provide regular reporting to that group along with all other agencies that are delivering part of the stimulus package.

Senator IAN MACDONALD—And do you give advice to the group or do they give you advice? Is that advice made public at any stage, or will it be?

Mr Mrdak—The advice is published in the sense that we provide monthly reports to the Office of the Coordinator-General. The Prime Minister and Cabinet website provides updates on all of the fiscal stimulus projects, including our projects. Senator, for information—I think you were not here at the start—as part of the machinery of government changes, the Office of the Coordinator-General is actually transferring to my department as of next week from the Prime Minister's department.

Senator IAN MACDONALD—Okay. You say you have monthly reports to them. Are they given an update of how much money has been spent and where the money has been going? Is that done regularly as well?

Ms O'Connell—Yes, it is in terms of project progress and expenditure. There are reports produced by the Office of the Coordinator-General on the entire stimulus package.

Senator IAN MACDONALD—Has the oversight group given advice or in any way intervened to prevent and address concerns with project slippages, cost overruns and project delivery on the Nation Building Program? Of course, the papers are full of reports of slippages, overruns and problems with delivery. Are you able to tell me whether the oversight group has given advice to the department?

Ms O'Connell—Senator, in terms of the department's involvement with the stimulus package, and I outlined this earlier in terms of our involvement, our specific areas of

involvement were about the bring forward of 14 road projects—and that bring forward has happened and those projects are under construction—and 17 rail projects delivered through the ARTC; and the initiatives in terms of black spots and boom gates. Our stimulus funding contribution ceased at the end of last financial year. In terms of the delivery, there have been approximately 600 black spots—592, I think, is the precise number—delivered under the stimulus. In terms of the boom gates, there are 300 boom gates as part of that stimulus program. We report to the Office of the Coordinator-General on the delivery of those projects.

Mr Mrdak—Senator, in summary, I think as Ms O’Connell says, our nation-building projects are largely completed. Our nation-building programs under the Economic Stimulus Plan are largely completed. The vast bulk of the black spots and boom gates programs have been done. The major road projects and bring-forward rail projects are either completed or under construction. We have not had any advice from the Coordinator-General to make any rectification or take action for the programs we are delivering.

Senator IAN MACDONALD—But my question actually was: are you aware of any advice that the oversight group has given in relation to project slippages, cost overruns and project delivery on any of the nation-building programs?

Mr Mrdak—I cannot speak for other portfolios, but not in relation to our portfolio, Senator.

Senator IAN MACDONALD—Is your department aware that heads of Treasury for the states have reported to the Ministerial Council for Federal Financial Relations with regard to expenditure and output benchmarks for additional Commonwealth funding?

Ms O’Connell—I am aware of the heads of Treasury group and some of the work that they are undertaking.

Senator IAN MACDONALD—To what extent have the benchmarks reported at B3 of the Council of Australian Governments agreement on 5 February 2009 been met by each state and territory? Are you able to tell me that?

Mr Mrdak—No. I am sorry, Senator. They would be matters for Treasury. As I say, the Office of the Coordinator-General function will transfer to us next week, but I do not have that level of detail at the moment.

Ms O’Connell—But, Senator, it is fair to reflect that we are not aware of any concerns that the heads of Treasury have around the nation-building delivery components.

Senator IAN MACDONALD—Earlier I was told that \$37 billion in the current Nation Building Program is committed. How much of that has been committed under memoranda of understanding?

Ms O’Connell—Senator, all of the figures that relate to the state payments are committed under the memoranda of understanding. The amounts that are not would relate to the equity injections for the ARTC because it is not through a state. It is direct with the Australian Rail Track Corporation. That amount for the ARTC equity injection over the six-year window 2008-09 to 2013-14 is \$2.368 billion. So the amount other than the amount for the ARTC is in the memorandum of understanding.

Senator IAN MACDONALD—So you are saying everything of the \$37 billion is committed under a memorandum of understanding except for that ARTC stuff?

Ms O'Connell—That is certainly my understanding, Senator.

Senator IAN MACDONALD—Are those memoranda of understanding—

Mr Foulds—The untied local grants have been moved. The untied local grants are now delivered through the department of regional Australia.

Senator IAN MACDONALD—Are you talking to us or to Ms O'Connell?

Mr Foulds—To you, Senator.

Mr Mrdak—Mr Foulds was just clarifying that there is a component which is the untied local roads grants, which sit alongside the financial assistance grants.

Senator IAN MACDONALD—Of course, yes. Are the memoranda of understanding thought to be legally binding contracts between the Commonwealth and the state?

Mr Mrdak—Generally, it is not the normal practice to have contracts of that sort. Memoranda of understanding are, by their nature, agreements between two levels of government. Levels of government can obviously pursue action against each other but, as you will recall, Senator, they are generally agreements of that nature and governments do not tend to pursue those in commercial contract type mechanisms.

Senator IAN MACDONALD—I still remember the Western Australian forests issue, where the then state government completely ignored a binding agreement with the Commonwealth. But you are right; there is not much anyone can do about it. I think we established before that NBN was something that this department and Infrastructure Australia are not involved in.

Mr Mrdak—That is right, Senator.

Senator IAN MACDONALD—Do rail extensions other than the National Rail Track Authority or rail work come under here or under the next section?

Mr Mrdak—No, here.

Senator IAN MACDONALD—I think we have actually been through most of these, have we not? Correct me if I am wrong. Epping to Parramatta we certainly talked about. Did we mention the Hunter Valley, Liverpool Range new rail alignment?

Mr Mrdak—We have not. But you can either cover that here or with ARTC, which has responsibility for delivering that project.

Senator IAN MACDONALD—We might do that in ARTC. Regional Rail Express in Victoria?

Mr Mrdak—We did cover that this morning.

Senator IAN MACDONALD—Gold Coast light rail?

Mr Mrdak—That is here, yes. That is now under construction.

Senator IAN MACDONALD—It is running to schedule and within budget, as far as you are aware?

Mr Mrdak—Yes.

Ms O'Connell—Yes, it is, Senator.

Mr Mrdak—All of the process is now underway and I think the early construction works are now underway.

Senator IAN MACDONALD—Okay. I think we mentioned the Noarlunga to Seaford Road extension?

Mr Mrdak—Yes.

Ms O'Connell—We did, Senator. That is underway.

Senator IAN MACDONALD—The east-west rail tunnel we mentioned?

Ms O'Connell—Yes, Senator.

Senator IAN MACDONALD—Norbridge, I think we mentioned?

Mr Mrdak—Yes.

Senator IAN MACDONALD—West metro?

Mr Mrdak—With regard to the west metro project, Senator, the New South Wales government took a decision to not proceed with that project. We have reclaimed the unspent Commonwealth contribution.

Senator IAN MACDONALD—You have reclaimed that?

Mr Mrdak—Yes, we have, Senator.

Senator IAN MACDONALD—You have got it in your pocket?

Mr Mrdak—Yes.

Ms O'Connell—It was returned.

Senator HEFFERNAN—What did you reclaim?

Mr Mrdak—We reclaimed a total of—

Ms O'Connell—About \$82 million.

Mr Mrdak—Of our contribution, there was a \$90 million contribution paid. We recovered around \$82 million.

Senator HEFFERNAN—The loose change was \$8 million?

Mr Mrdak—I do not know how much the New South Wales government themselves expended.

Senator HEFFERNAN—I am sure there would be a few consultants.

Mr Mrdak—Considerably more than that.

Senator IAN MACDONALD—The Brisbane inner city rail study?

Ms O'Connell—Yes, Senator. We covered that a little earlier. That study is underway. Infrastructure Australia are working on that. It was covered briefly this morning when Mr Deegan was there.

Senator IAN MACDONALD—The Pacific Highway Bulahdelah bypass?

Mr Foulds—That is a road, Senator.

Senator IAN MACDONALD—Yes. In fact, rather than do that, I have a series of those, all of which ask how much the Commonwealth has expended and whether the project is running on schedule and within budget. I shall put them on notice.

Ms O'Connell—Senator, we are happy to provide information on the Bulahdelah bypass now, if you wish.

Senator IAN MACDONALD—Okay.

Mr Foulds—If that is the one that you want.

Senator IAN MACDONALD—It is just that I have a series of these.

Senator HEFFERNAN—I can ask about the main southern line, if you want to get on to something.

Senator IAN MACDONALD—There is a series of these, including the Canberra airport road upgrade. I might put these on notice. Tell me about Bulahdelah because I have crossed it out. I will give you the rest.

Mr Foulds—The Bulahdelah bypass has funding of \$284.8 million under the Nation Building Program. An amount of \$18.8 million has previously been provided under the previous AusLink program. The contribution between the two is \$303 million. It is currently under construction and well under construction. Minor contracts were awarded and works commenced in December 2009. Major construction commenced in August 2010. It is well underway.

Senator IAN MACDONALD—Rather than take the time of the committee, I will put the others on notice. I will put a couple of other questions on notice. But I think that might do me.

CHAIR—Do you want to go to the ARTC now?

Mr Mrdak—It is up to you.

CHAIR—I will make the decision. Let us go to ARTC.

Mr Mrdak—Chair, just to be clear, we are completing nation building and we will move to the ARTC?

CHAIR—As far as I am concerned, but I have to check with my colleagues. Does that complete nation building?

Senator IAN MACDONALD—Yes.

CHAIR—Thank you, Senator Macdonald.

Mr Mrdak—Thank you. We will move to the ARTC.

CHAIR—We will. We have eight minutes left.

[12.52 pm]

Australian Rail Track Corporation Ltd

Senator HEFFERNAN—Mr Marchant, what is your role in the ARTC?

Mr Marchant—Chief executive.

Senator HEFFERNAN—How can they make such a mess of the main southern line?

Mr Marchant—Fundamentally, Senator—

Senator HEFFERNAN—Is it the engineering role?

Senator Carr—We do not accept the presumption.

Senator HEFFERNAN—No. They have. Just for your background, I come from Junee. We are a railway town. It is full of train drivers.

Mr Marchant—I know it well, Senator.

Senator HEFFERNAN—We know what a mess the main southern line is. Was it just that they did not allow for the foundations or something under the new sleepers? What went wrong?

Mr Marchant—No, Senator. The problem goes back to the 1970s. It goes back to an issue with regard to the construction of the rail line in the 1970s. ARTC took over the north-east line in Victoria in 1998-99. The track on the north-east line has suffered from mud holes since it was laid in 1970. Nearly every second year since that time, mud holes have emerged along the corridor to different degrees and have been a continuous maintenance problem since the 1970s. Its condition is exacerbated by heavy wet weather. It has also shown up during periods of drought. The present situation comes at the end of a drought period followed by moisture built up on the track from recent years. Coming at the end of a prolonged dry period, the current situation has been exacerbated. ARTC has historically been addressing these issues through various maintenance programs since 1999.

Senator HEFFERNAN—There is no need to read through a brief.

Senator Carr—He is trying to be helpful.

Senator HEFFERNAN—I know he is—now you have woken up, Minister. In terms of the planning, 1983-84 was a really wet year. There was a series of really wet years. There was a flood in 1993. What went wrong? Where they did not replace the sleepers seems to have been a better—

Mr Marchant—No. That is not the case at all, no.

Senator HEFFERNAN—Well, there were not the speed restrictions on that line until we resleepered it that there are now.

Mr Marchant—That is a list of the temporary speed restrictions on that line since 1998.

Senator HEFFERNAN—Can you table that?

Mr Marchant—Yes. I have a spare copy for you. Effectively, Senator, this problem has been brought about by the nature of the ballast that was put on the Victorian section of the line.

Senator HEFFERNAN—Yes. I am familiar with that.

Mr Marchant—It is a soft ballast. I can tell you the location they brought it from. It is not up to the Australian standard that we use elsewhere—

Senator HEFFERNAN—Well, did someone get sued?

CHAIR—Sorry, Senator Heffernan, I am keen to hear the answer too. Please let Mr Marchant finish.

Mr Marchant—It would be difficult for someone to be sued because it was the state of Victoria. It was the 1970s when it was laid and it was well before we were around. The ballast framework they put in then probably suited their standards but they do not suit the standards we operate under.

Senator HEFFERNAN—For the benefit of Senator Sterle, who is interested in this, can you just describe to Senator Sterle what has happened in the last 12 to 18 months in terms of getting to Melbourne by train? How long, for instance, were people transferred by bus because of the line?

Mr Marchant—Well, there are a couple of issues there because some of the bus transfers did not relate exclusively to the mud holes.

Senator HEFFERNAN—But some did.

Mr Marchant—Some did.

Senator HEFFERNAN—People on this side of the line had to give up on the train.

Mr Marchant—The passenger train?

Senator HEFFERNAN—Yes.

Mr Marchant—And the reason for that dealt with the cycle times of the passenger services from Melbourne to Sydney. The bussing actually was a period of less than two weeks. I know that many people have commented on it. I have indicated upfront that I am disappointed that we have had to do this, but the reality is that we are going to fix it forever. But the problem is that it keeps on coming up regularly. Effectively, Senator, to give you some context, these are the temporary speed restrictions for passenger services since we took up in 1998-99. You will see from the graph that, from February 2004 to October 2005, the speed restrictions were at a higher period for the whole of that period than we are going to have for a period of a couple of weeks. So in the historical context, I am disappointed with the last couple of weeks, but it is not because of the reasons that people think it is.

Senator HEFFERNAN—Obviously these—

CHAIR—Do you want to table that?

Senator HEFFERNAN—Yes. We will table that. Obviously, I talk to train drivers. I have some train drivers, not on the main southern line south from Junee but back to Sydney, who would not have their families travel on the train because they reckon it is so dangerous. To describe what—

Mr Marchant—Senator, can I respond to the dangerousness issue. Again, that is—

Senator HEFFERNAN—No, the speed restriction controls the danger. I agree with that.

Mr Marchant—That is absolutely right.

Senator HEFFERNAN—I absolutely agree with that. I have no complaint about the safety issues for the railways, being from a strong railway town. Would you like to describe to the Senate committee the physical outcomes of these mud holes and what it has meant to a train and the movement of the line? As you know, we have those huge steel trains that travel south. What speed are they travelling at?

Mr Marchant—The steel trains travel at 80 kilometres an hour.

Senator HEFFERNAN—And they have been restricted to what?

Mr Marchant—Over a period of 60 kilometres alone out of the whole route, we have a total of 16 minutes of speed restrictions against the transit time.

Senator HEFFERNAN—And what are they restricted to? What speed?

Mr Marchant—There are three levels—60, 40 and 20. The 20 kilometres an hour is over two kilometres, the 40 kilometres an hour is over about five kilometres.

Senator HEFFERNAN—It is pretty amazing, though, in a world of jets and computers, that we can only run trains at 20 kilometres an hour.

Mr Marchant—For two kilometres.

Senator HEFFERNAN—I know.

Mr Marchant—I accept that observation, Senator. All I can say is this: (1) this is not a recent recurring issue brought about by concrete sleepers.

Senator HEFFERNAN—No. I realise that.

Mr Marchant—I want to overcome the idea that it has been brought about by concrete sleepers because in fact it is the opposite. In fact, in the timber sleepers there is greater movement and greater pumping and greater speed restrictions. When we took over the track from the state of Victoria in 1998-89, 28 per cent of the total track in Victoria was under speed restrictions. We are nowhere near that figure.

Senator HEFFERNAN—I am a concrete sleeper supporter. Go on a branch line, where they are all decayed and unusable and all the rest of it.

Mr Marchant—So, Senator, what I—

Senator HEFFERNAN—Can I just stay on the sleepers for a second and the concrete sleeper plant in Wagga. What happens to those big piles of rejected sleepers that have an 'X' on the end of them?

Mr Marchant—You would have to ask the plant. We do not pay for those, so it is their property.

Senator HEFFERNAN—There are stacks—

CHAIR—Senator Heffernan, this is your last question because it is lunchtime.

Senator HEFFERNAN—We will be back after lunch?

CHAIR—We will be back after lunch. Thank you, Mr Marchant. We will have an hour break. We will see you back at two o'clock. Thank you. Senator Hutchins will be in the chair.

Proceedings suspended from 12.59 pm to 2.00 pm

ACTING CHAIR (Senator Hutchins)—Welcome back, Mr Marchant. Mr Marchant, you did not have an opportunity at the last sitting to make an opening statement. If you would like to, you are most welcome to now.

Mr Marchant—I had not fully prepared an opening statement, but I do have a few outlines to make, only because this will be my last appearance before the Senate estimates committee after 13 years. I will just point out that ARTC was created in 1998 to try and create a one-stop shop, which actually meant negotiating with every state to try and bring them into a national network by commercial negotiations. Since then, since 1998-99, on the take-up of the South Australian railway line, we actually picked up the Western Australian line through a wholesale agreement in 2001, through to Kalgoorlie.

In New South Wales, we did a lease from 2004-05, for a 60-year lease of the New South Wales main lines. In Victoria, we took an extended lease in 2008-09 to add it up to 60 years. In 2010 we took the lease of the standard gauge to the Queensland border, to Acacia Ridge, which effectively brings the last element of the standard gauge connecting the capital cities of Australia together. ARTC traditionally has not received any CSOs for its operational activities. In South Australia, the take-up there was that, prior to ARTC's take-up, it was losing about \$30 million per annum, Victoria about \$40 million and, in New South Wales, the main lines we have taken up were receiving a CSO of \$290 million per annum. ARTC does not receive CSOs, and yet has been able to make an operating profit all the way through.

The track standards have materially changed. In Victoria, when we took it up in 1998-99, the track standards were only 19 tonnes at a maximum speed of just under 100 kilometres an hour. The track standards in Victoria now are 23 tonnes at 80, 21 tonnes at 115 and, in some cases, for passenger services, 130. In New South Wales, 28 per cent of the track was under speed restrictions and did not have consistent travel times up to the national standard. They are now working on 21 tonnes up to 110 to 115, 23 tonnes at 80 kilometres an hour, consistently throughout those networks, subject to the mud hole interruption at the moment. So effectively a large portion of the interstate standard gauge framework has come up to the national standards that were provided for as an objective.

In the east-west corridor, rail has moved from just over 50 per cent market share of land transport in 1998-99 to 81 per cent of the land transport market consistently in the last five years. The big challenges are the north-south, which started off at nine per cent of freight between Melbourne and Sydney, 15 per cent between Sydney and Brisbane, and 19 per cent between Melbourne and Brisbane. Effectively, the works that have been going on are to improve the transit time and reliability and capacity of those networks so they can consistently earn market share to the degree that rail, as a value-added proposition, can earn that market share up to 30 per cent over the next five years.

In the Hunter Valley, in the take-up in 2004-05, the perception, both in the market place and in the media and elsewhere was that rail infrastructure was the impediment to coal movements to the port in 2004-05. Every newspaper had it; everybody was spouting it. Today,

rail is in fact in excess of export capacity and there is not a bottleneck in the Hunter Valley and will not be so for the future. The Hunter Valley framework is turned around to a situation where rail is now a value-adding proposition, not a deteriorating proposition. The framework is that ARTC has moved closer to the objective that the Commonwealth established in establishing a company which the Commonwealth owns shares in and which it operates on a commercial basis without any CSO from government.

The economic stimulus package and the productivity packages have added significantly to that and, in the last budget, the Commonwealth of Australia contributed more than another \$1 billion to infrastructure improvements: the north coast curve easing; the Goulburn-Moss Vale area; the re-railing of Whyalla, Broken Hill, Parkes, Cootamundra; the resleepering of Broken Hill, Parkes; the Albury-Wodonga, Geelong re-railing; and the Gheringhap Loops. Most of those add significant contributions to improving rail's performance, the most significant of which is the north coast curve easing, which I will touch on later.

Wrapping through, the reality is that most of the standard gauge network has at least been brought back into a one-stop shop, which was the objective, and the objective now is to overcome the 20 or 30 years of rail's deterioration in performance by improving the network so that it can actually add value to the interstate rail network and to interstate freight operations. So that is where we are at.

ACTING CHAIR—Thank you, Mr Marchant.

Senator WILLIAMS—Are you going to retire?

Mr Marchant—I am looking for interesting opportunities.

ACTING CHAIR—Questions?

Senator HEFFERNAN—How much of the main southern line presently has speed restrictions on it?

Mr Marchant—Sixty kilometres.

Senator HEFFERNAN—And you are now—as opposed to the methods of the past—proposing to fix it once and for all?

Mr Marchant—Yes. The present speed restrictions are predominantly around 60 kilometres, most of which are actually old ballast. The problems have been coming up on a regular basis. The traditional rail method of fixing them—and it has been done since the seventies—is that someone lifts a rail, pours ballast into the thing and, in a matter of two or three years later, the ballast sinks to the bottom of the mud and the same mud hole problem comes back. I have a range of photographs here of that line which show that. With that mud hole in 1998-99, it took four days for the water to get out—running at 1,200 litres a minute. That was just to get the water out of one mud hole framework.

Rail traditionally has lifted the rail and put ballast in. The ballast eventually sinks under the mud. A matter of years later, with the pumping of the rail, the mud comes to the top again and they put in another few million dollars. About \$9 million every three years has gone in to doing the same thing over and over again. On this occasion, after the concrete sleepers went in, we were aware that there would be a redoing of mud holes. The reason we did not do it at the same time is that the engineering showed the mud holes would not be in exactly the same

location. The reason for that is that timber moved with the mud, whereas concrete beds it down, making it a much more solid track. The outcome of that is we will have a much stronger track when we get through this.

What we are now doing is actually not repeating the errors of the past. We are now trying to drain the framework out, as much as the weather can help us, so that when we get into November and the track starts to dry out, we are going to go in and undercut that old ballast—which we have identified at each of the locations—and put in mature ballast up to Australian standards and get rid of the problem forever. That will make sure that every three years this does not get repeated, and we will have solved it forever. The other two issues are where previous state governments, not ARTC, have built over some natural springs which only makes the problem worse. We are cutting out those areas and putting proper drainage in, so the springs can drain out, rather than form a dam under the rail. I apologise for the inconvenience of the last few weeks. A large part of that was also dealing with other works. But the reality is that we will come out of this with a much stronger, better rail line than was the practice, as I showed in the graph earlier today.

Senator HEFFERNAN—Which we have got. You have tabled it.

Mr Marchant—The speed restrictions there have been extensive over long periods of time. The rhetoric at the moment—that speed restrictions have not been like that—is untrue. As you can see from the graph, there was a speed restriction from February 2004 through to January 2006 at higher levels than we have gone through in just the last two weeks when we have peaked out.

Senator HEFFERNAN—What caused that?

Mr Marchant—That was brought about by track geometry faults and by the mud. When it dries out, it sinks as well and you have two problems. When it is wet, it bubbles, and when it dries, it sinks, both of which affect the track's configuration.

Senator HEFFERNAN—In the contractual arrangements above line—with below the line cap—are the trains that are running late paid some sort of recompense against the cost of using the line?

Mr Marchant—No. Traditionally in our train timetables we have allowed for a maintenance allowance which effectively covered it, except for the peaking bits. By getting rid of this problem forever, we are going to be able to improve transit time even better by taking away the maintenance allowance in those areas where this problem arises. The bottom line is that we are going to get rid of the problem forever, rather than repeating the same engineering process of filling it up and, three years later, coming back and filling it up again.

Senator HEFFERNAN—So there would be some lessons to be learned from, as it were, the slow train system with this railway line if we were ever to attempt a VFT. You would want to make sure that line was on a good foundation.

Mr Marchant—Effectively, that is correct, but remember most of these lines were built in the Dark Ages. Mud holes actually propagate across the whole of the Australian rail network, not just in this area, and they are constantly maintained at different levels. The problem in this area is that the ballast that is underneath it was substandard in the first place. But most of the

alignments go back to the 1930s. Anybody looking at a new alignment for very fast trains will look at a new alignment in a much more modern form.

Senator HEFFERNAN—So, just as a precaution, who manufactures the concrete sleepers?

Mr Marchant—We have three manufacturers: Rocla and AUSTRAC in three locations: Grafton, Wagga and Mittagong.

Senator HEFFERNAN—How do you know those huge piles of rejected sleepers at Wagga will not be used somewhere? What will they do with them?

Mr Marchant—Each of them is marked, as you have probably seen.

Senator HEFFERNAN—Yes, if you drive past you see that.

Mr Marchant—The reason they have been rejected is we do have a quality control process to ensure that substandard ones do not go onto our track, and we actually keep a record of those that are marked out.

Senator HEFFERNAN—Are they rejected on stress testing of strength?

Mr Marchant—Thickness and stress, yes.

Senator HEFFERNAN—There is no such thing really these days as a branch line because all the branch lines are buggered, so what are they suitable for? They are not suitable for landscape gardening. What would you use them for?

Mr Marchant—We do not own them. We only take possession of those—

Senator HEFFERNAN—But if they keep going, there will be a pile from Wagga to Junee there eventually. What percentage of the sleepers that are manufactured are rejected?

Mr Marchant—Somewhere about 1.5 per cent.

Senator HEFFERNAN—You would be aware there are some huge piles of rejected sleepers there.

Mr Marchant—We do not pay for the rejected sleepers. They are a problem for the manufacturer.

Senator WILLIAMS—Couldn't you use them for strainer posts, Bill—seriously?

Senator HEFFERNAN—Mate, they are an odd shape. The best strainer post that was ever built was the Sydney town railway line.

Senator WILLIAMS—Steel railway?

Senator HEFFERNAN—Yes. It is certainly an interesting experience to go down the main southern line when the train is jumping around. But you say you have got it under control, and as I say, with the speed restrictions I am not alleging it is not safe, but there you go. Over to you, Wacka.

ACTING CHAIR—Just a few quick ones. Mr Marchant, what progress has been made on the program to replace the 47 kilogram with the 60 kilogram rail?

Mr Marchant—Under the nation's productivity package, the Australian government put equity injections into ARTC. I emphasise equity injections, there will be a return on them

eventually. There were two parts to that program, and one major part is replacing 47 kilogram light rail, white concrete in configuration with a heavier 60 kilogram rail. The major areas are Whyalla, Broken Hill, Parkes, Cootamundra re-railing, and from Albury and Melbourne to Geelong.

Senator WILLIAMS—Excuse me, is that 60 kilograms for a metre?

Mr Marchant—No, the—

Senator WILLIAMS—It is the weight of it for—

Mr Marchant—It is the weight of the rail itself.

Senator WILLIAMS—Yes, but how—

Mr Marchant—Essentially, yes, it is on a metre basis.

Senator WILLIAMS—On a metre.

Mr Marchant—It has got a slightly higher head—

Senator WILLIAMS—Yes, higher, so a metre of that rail weighs 60 kilos—

Senator HEFFERNAN—It used to be three feet.

Mr Marchant—No, the measurement for the weight is over a metre.

Senator WILLIAMS—Over a metre.

Senator HEFFERNAN—It used to be that this 70-pound rail was three feet.

Mr Marchant—Yes, 60 kilograms.

Senator HEFFERNAN—And just out of interest, it was about \$3 for a 7 foot 6 inch fence post—a beautiful fence post.

Senator WILLIAMS—Sorry for interrupting!

Mr Marchant—The re-railing from Whyalla to Broken Hill—

ACTING CHAIR—*Blue Hills* will start in a moment, won't it!

Senator WILLIAMS—*The Camel Man!*

ACTING CHAIR—Sorry, Mr Marchant, go on.

Mr Marchant—The Whyalla to Port Augusta, Crystal Brook to Broken Hill and Parkes sections have been 47 kilograms for a number of years, and due to the cross-section strength, they cannot accommodate an increase in axle loads. So effectively, by replacing these with 60 kilogram rail we are able to take better and stronger axle loads. Predominantly, that will help both the grain and agriculture industries but also the steel industry out of Whyalla to actually move steel to Sydney and from Sydney down to Melbourne. There are some 794 track kilometres to be replaced just in the Parkes-Broken Hill section with new 60 kilogram rail. That includes upgrading bridges and tunnels so that, effectively, the line works consistently.

It will reduce, obviously, the life cycle cost of the line and therefore reduce the cost to operators in the medium term. It will enable an increase in axle loads from 23 tonnes to 25 tonnes at 80 kilometres an hour and 23 tonnes will be able to move to 100 kilometres an hour, which actually improves the cycle time for our end users—and cycle time obviously goes in

the unit cost. It will improve the wagon-carrying capacity and it will obviously reduce train operating costs, all of which will make rail more competitive and more value adding in the logistics chain.

That program between Whyalla and Cootamundra is \$312 million. It will take 4,400 person months of employment, and if it is used to its maximum level it will reduce greenhouse gas emissions by 58,247 tonnes. The rail between Albury and Geelong is more than 239 kilometres. It obviously has the same benefits in it and actually would, if used to the maximum, reduce greenhouse gas emissions by 13,000 tonnes per annum and will employ 1,375 persons. The contracts for doing this work are already under way, and OneSteel at Whyalla has moved from a skeleton shift to 24/7 shifts now, producing more than 2,200 kilometres of steel for the rail over the next two years.

ACTING CHAIR—You were talking about the Broken Hill to Parkes sleeper program—where is that up to?

Mr Marchant—The other part of the Australian government's equity contribution to ARTC included doing what I think is the most critical last part of the concrete sleeper program. Just to put that in context, in the last three years, or since September 2008, ARTC has concrete sleepers more than 2,200 kilometres of the national rail network that were previously timber sleepers. Effectively it has been concrete sleepers from Melbourne to Brisbane, from Cootamundra to Parkes and lastly from Melbourne to Adelaide and the South Australian border.

ACTING CHAIR—You are saying this stuff is made locally? The concrete is made locally?

Mr Marchant—Concrete sleepers are manufactured in three locations: Grafton on the north coast of New South Wales, Wagga in the south and in Mittagong.

Senator Carr—That is a very good story.

Mr Marchant—Two hundred thousand concrete sleepers have been laid in place and, effectively, it is probably one of the fastest concreting programs that has been done in railways anywhere in that period.

Senator HEFFERNAN—I saw a contract with sand and gravel at the back of that.

Senator Carr—Personally?

Senator HEFFERNAN—Sand and aggregate. No, I declare I do not have a financial interest.

Mr Marchant—Your question was about Broken Hill to Parkes?

ACTING CHAIR—Yes.

Mr Marchant—That is the last remaining section of what would be considered the interstate main line which is timber sleepers—some 691 kilometres. The government's equity contribution enables ARTC to concrete sleeper that track with 1,040,000 concrete sleepers which are being manufactured right now; 500,000 in Wagga, 300,000 in Grafton in northern New South Wales and 200,000 in Mittagong. The concrete sleepers obviously reduce the issue of having to use rare rainforest royal species of timber, which were the previous

standard. Secondly, it produces a reduced life cycle cost because, effectively, we had to replace timber every 20 years. Concrete sleepers have 60-plus years life.

On the rail framework, it reduces the major impact of ride quality. The ride quality between Parkes and Broken Hill has not been as good as could be the case with concrete sleepers, and you do therefore get some damage to product, and passengers get disturbed by their—

Senator HEFFERNAN—Sore backs.

Mr Marchant—Sore backs—sorry, the disruption!

ACTING CHAIR—Is that a technical term?

Mr Marchant—It will improve that ride quality and reduce the damage to goods. More importantly, it will eliminate temperatures and speed restrictions across that area, as members would know, Broken Hill to Parkes can get very dry and hot.

Senator WILLIAMS—Just a touch, yes.

Mr Marchant—Effectively what happens with timber sleepers is that the track expands, and when the track expands we have to put speed restrictions on because it is very likely it could derail. If you follow the engineering concept, our track would be in the Indian Ocean for some parts of the year as the rail constantly expands. Fortunately it does not move that far, but it would if you followed the engineers' advice. Ignoring that engineering feature, the concrete sleepers actually hold that expansion in place and mean we can get rid of significant heat restrictions during a large part of the Australian summer, and therefore enable rail to stay more productive and more efficient, and to overcome fuel costs, damages and all the rest.

So from a rail perspective, from an ARTC perspective, this equity injection was a golden egg because we could never have got up in our balance sheet the money to actually do this work even though it has a net present value to Australia which is positive and a BCR which is positive, we could not have afforded it without an equity injection. We will certainly pay that with a return in equity but we could not have afforded the upfront cost, so this process actually produces a situation where we will break the back of the last section of the interstate main line which was timber-sleepered. In addition to the obvious benefits to rail it has productivity benefits to the company, one of which is employing people for another year or so in each of the concrete sleeper plants.

Each of the plants are now running 24 hours a day producing concrete sleepers for another year and half, and effectively that produces good employment in Grafton, Wagga and Mittagong, with more than 2,960 person-months employment and an investment of \$253 million, and obviously there is a long-term efficiency gain for rail because we are able to have less maintenance because they have a longer life and therefore lower the cost that we have to charge operators to compete. It is a good benefit to Australia.

ACTING CHAIR—Thank you, Mr Marchant.

Senator WILLIAMS—So the poor old ironbark sleeper cutters are out of a job. But 20 years to 60 years can probably justify that.

Mr Marchant—We still use them for bridges and the rest, so it is not the end of the world.

Senator WILLIAMS—Yes. Now, as you know, last time we were here I raised the issue about the Scone bypass. From memory I think there are 11,000 movements on the New England Highway where motor vehicles are crossing the train line. I raised concerns about if there was an accident there, if the train was heading north, the train would actually divide the town of Scone in half. On one side of the train you would have the emergency services—ambulance, fire brigade, et cetera—that could not get to the other side. Unfortunately, on 30 August there was a fatality where a local man was struck by a train on that very crossing I raised with you. The train was traveling south.

Mr Marchant—Yes. I think he was struck while standing on the railway at a passenger station.

Senator WILLIAMS—Yes. Anyway, the train was stopped for nine hours or so which then blocked the highway. If that train was heading north it may have blocked both crossings, the two crossing the town, and we would have had that town divided. If we do not have an overpass over the crossing there at Scone, then very serious ramifications could be the result. I understand you went up and had a look at that very crossing and met with the Upper Hunter Shire Council after we met here last time?

Mr Marchant—Some of my officers did.

Ms O'Connell—Yes, with the department.

Mr Marchant—Yes, some of my officers did with the department.

Senator WILLIAMS—Can you tell me how that meeting went—the inspection and whatever else you did up there?

Mr Mrdak—As a result of those discussions the government committed in the election campaign to \$2 million for a study to investigate the options for the work to be undertaken. We are now in the process of putting in place arrangements with the New South Wales government to undertake that work which will be the guide for the best way to deal with that crossing, and that commitment was made under the Regional Infrastructure Fund.

Senator WILLIAMS—Has that study started yet?

Mr Mrdak—Not yet but we are about to do that with New South Wales.

Senator WILLIAMS—When do you think it will get underway, that study for the \$2 million committed by the federal government to carry that study out?

Mr Mrdak—I would hope it would be before the end of this year.

Senator WILLIAMS—And of course the local community will be consulted?

Mr Mrdak—Yes.

Senator WILLIAMS—Yes. Do you have any idea for a solution for the problem there? Probably an overpass over the railway line. Obviously the study will bring out a recommendation for that.

Mr Mrdak—That is right—the best way to do it, along with the council and the RTA to try and work out what is the best way, and the rail authorities.

Senator WILLIAMS—Yes. We are looking at 11,000 movements a day, I think, of motor vehicles on the New England Highway that are going over that railway crossing. I forget the tonnage, but with expected growth in the Gunnedah Basin of coal mining, there are going to be huge shipments of coal as well so it is going to be a very busy crossing. There will be 11,000 motor vehicles and trucks going over it a day and numerous trains coming down and going back up.

Mr Mrdak—Yes.

Senator WILLIAMS—So you are right onto it?

Mr Mrdak—Yes. As I said, currently with those studies we are now settling with the government the process and we would hope to get those underway very quickly.

Senator WILLIAMS—Yes. Can I take you to the Murraundi tunnel proposal. In September the media carried a news story that a rail tunnel through the Liverpool Range had been shelved despite this being on the agenda for many years. Was the news report factual because it does quote Mr Marchant?

Mr Marchant—Like all news reports, they only quote one portion of any statement and what I said at that time was that one of the options that the miners—not ARTC—supported was a ground option, and they indicate—

Senator WILLIAMS—Was a what?

Mr Marchant—An above-ground option rather than the tunnel. I made it clear in both the statement and in the media reports that was the miners' preference at this point in time, having gone through from the seven options that we had published two years ago and worked through with them down to effectively three options. Effectively the three options that are presently being reviewed with the miners—and we hope to conclude it with them by December—is an alignment on the Eastern High tunnel which would cost over \$700 million and create capacity over the range of 200 million tonnes, and the Barambi Creek surface alignment which would cost in excess of \$400 million and create a capacity over the range of 90 million tonnes. The miners have asked to look at a third option, which is a land-based option, which is duplication of the existing track which could generate 60 million tonnes of additional capacity, and it is that third option that at this point the miners prefer. Duplication means duplication, not passing loops or crossing loops.

Senator WILLIAMS—Yes.

Mr Marchant—The reason that the miners prefer that is that, at this point in time, the capacity that was envisaged for a full tunnel at nearly a billion dollars was that BHP, Shenwa and others would come online by 2014-15. I think it is becoming obvious that BHP is unlikely to come online pre 2019-20, if it even comes on there, so therefore the amount of volume from the Gunnedah Basin looks as if it is going to be different than what the earlier models show. Effectively, we are not studying one option; we are studying three with the miners, one of which includes a partial realignment, another one is on a different type of angle, and those three options are the ones we are studying through at the moment and we hope to conclude that with the miners in December. The reason we have to conclude it with the miners in December is that if the miners wish to actually get the volumes through to the port that they

are envisaging they are going to have to make a decision with us by January or February next year if they want it to be built within the next two years.

Effectively, they have got a deadline to come up with that. I am happy to table with you what the three options are but the media report that we had come down to one option was not correct. All it did was extract one comment about the miners' preference, not about the three options we were studying.

Senator WILLIAMS—Right, but was not the construction—

Mr Marchant—I am happy to table the outline of the options. All of them are on our website, by the way.

Senator WILLIAMS—I was led to believe that construction of the tunnel was part of the deal between Prime Minister Gillard and the member for New England, Tony Windsor, and Mr Windsor's support for the government—that was what the media was reporting. So that has obviously been shelved?

Mr Marchant—It would be difficult for me to comment on that.

Senator Carr—You do not have to comment on that, thanks.

Mr Marchant—What I can say is the Australian—

Senator Carr—That is not part of any agreement, Senator.

Senator WILLIAMS—I will follow that up, Minister. Thank you for that. Is the ARTC contemplating an involvement in the sale of Queensland Rail?

Mr Marchant—ARTC was involved with the coal company consortium in a bid for the below rail assets and, as you probably read, the coal company consortium did not put a bid in.

Senator WILLIAMS—Right, so you are no longer part of a consortium of possible buyers?

Mr Marchant—The consortium did not put a bid in so it is not happening. The Queensland Rail sale is going as an integrated float in the market today.

Senator WILLIAMS—Does the ARTC have any plans in terms of involvement in the purchase of Queensland Rail by the private sector? Or does it have nothing to do with it? Anything in relation to the privatisation of Queensland Rail?

Mr Marchant—There are no proposals on the table that we are involved in.

Senator WILLIAMS—Okay. I now refer to the New South Wales Grain Freight Review that was released in September 2009. That review contained a number of recommendations by the Commonwealth that concern the ARTC. I would be grateful for an update for the ARTC regarding these particular recommendations, namely the current progress that the Commonwealth and New South Wales governments investigate the options to address train pathing constraints into the Port of Newcastle, and the associated decision by the New South Wales government to work with the Commonwealth and the ARTC to do so.

Mr Marchant—Senator, ARTC operates under a 60-year lease, the Hunter Valley coal lines, which go up to Werris Creek, and with the enhancements we have been making to the

Hunter Valley coal lines from the area from Werris Creek to the port, the rail capacity we presently have is in excess of the port capacity for coal and is quite—

Senator WILLIAMS—Yes, the port is 100 million tonne. Your capacity is how much? I think the port is 100 million tonnes, looked to be upgraded in five years to 200 million tonne a year. What is your rail system capable of carrying?

Mr Marchant—Senator, the rail system and the investments that we are making, both with Commonwealth support and on ARTC's own behalf, have in fact a basis that the port capacity in 2011 will be 156, the rail capacity is 185 million tonnes, and the nominations by the coal producer is 139.7 million, so the rail capacity is well in excess of the coal nomination capacity. In 2014, just to give you a projection ahead, based on our present program, the port capacity will peak at 189, based on present port announcements. That includes NCIG going to its full 66 million tonnes, which it has not yet gone to. The rail capacity will be 248 million tonnes, and effectively there is no capacity constraint of substance between Werris Creek and Newcastle Port which would be an impediment to grain users.

Senator WILLIAMS—So by 2014, I think you said, what are you doing to the rail to take it from 185 million tonnes up to what, 248 million tonnes, did you say?

Mr Marchant—We are in an investment program of more than \$1.5 billion to upgrade the Hunter Valley network. We are well through that program, as I can take you through. When we started in 2004-05, the capacity of the rail line was less than 93 million tonnes. In 2011 our capacity will be 185 million tonnes. We will draw that to 248 million tonnes by 2014. The Commonwealth of Australia has contributed \$580 million of equity to support ARTC's \$1.5 billion investment which you were referring to earlier, with regard to liberal ranges and the rest.

Senator WILLIAMS—What is the current progress to consolidate the responsibility for the management of the New South Wales branch line network to ARTC?

Mr Marchant—Senator, that would be a question you would have to ask the New South Wales government.

Senator WILLIAMS—Right. With respect to the current progress by the New South Wales government and the ARTC in developing a rolling three-year infrastructure plans for each branch line, any plans there in relation to ARTC and the New South Wales government?

Mr Marchant—Senator, we provide the New South Wales Country Rail Authority with a five-year forward plan. It is a matter for them and the New South Wales government what they wish to do with them.

Senator WILLIAMS—Could you add anything in relation to the current progress of the commitment made in the New South Wales grain freight review that the ARTC be required to negotiate and agree priorities for branch lines, networks, maintenance and the timing of branch line network maintenance with all train operators on this network?

Mr Marchant—The country regional network of New South Wales is owned by the state of New South Wales. ARTC manages that network on their behalf. They determine the investment. They determine the revenue.

Senator WILLIAMS—New South Wales determines the investment.

Mr Marchant—We only manage it based on their criteria.

Senator WILLIAMS—What is your opinion regarding the capacity of the New South Wales grain rail line system to cope with what could be a bumper wheat harvest in New South Wales this year?

Mr Marchant—I think the major issue for the New South Wales grain harvest, Senator, will be the above rail rolling stock.

Senator WILLIAMS—Actual lack of it?

Mr Marchant—I think it would be very difficult to do a bumper harvest.

Senator WILLIAMS—Or is there enough there and the condition of them is not good enough?

Mr Marchant—The bumper harvest in New South Wales that is forecast, the bumper harvest in Victoria that is forecast, the bumper harvest in South Australia that is forecast—

Senator WILLIAMS—Everywhere except Western Australia.

Mr Marchant—Except Western Australia—the issue will be above rail rolling stock, not below rail infrastructure, an issue that the grain industry has been aware of for three years. I personally have sat down with the managing director of GrainCorp and the rest and indicated they needed to make commercial arrangements for the above rail operators to actually deal with rolling stock, and they have not done so.

Senator WILLIAMS—That is good, Mr Marchant, and I wish you well in your new—whatever you are pursuing to do. Thank you for your questions and information. I find it very interesting, and you might find that big, big heap of rejected concrete sleepers could be very good fencing material, especially in the south of the country, because if you use concrete or steel and steel posts, then they are fireproof and it is very good when you have a fire go through a property and you do not have to replace the fences.

Mr Marchant—I will pass that on to AUSTRAC and Rocla.

Senator WILLIAMS—Yes, I was just thinking, what are they—two metres high if you stood one up?

Mr Marchant—Yes.

Senator WILLIAMS—You could drill holes in them with a hammer drill, with a bit of persistence, to actually put wire through them et cetera. Surely there would be some fencing material—I am sure many in the farming community would be glad to get hold of them.

Mr Marchant—I will pass that on to the manufacturers.

Senator WILLIAMS—Thanks, Chair.

ACTING CHAIR—That is a very practical idea there, Senator.

Senator WILLIAMS—My father did all those properties yonder.

ACTING CHAIR—You are wasted here in parliament—probably wasted here. Mr Marchant, thank you very much for coming along today, and I echo Senator Williams's views.

We wish you well and you leave this corporation in a much better standing than when you took it over those 13 years ago. Thank you very much.

Mr Marchant—Thank you, Senator.

Mr Mrdak—Can I just make a brief statement on behalf of the department and also acknowledge Mr Marchant. I have had the great opportunity over many years to work with Mr Marchant in his role, and it is fair to say that the task he has undertaken over his time with ARTC has been one, I think, of transformation for this country. Mr Marchant took on an organisation of some 30 people when it was first set up. It is now an organisation, which, for the first time in Australia's history, has really a national rail track system, and you have to remember, that is less than 20 years as a nation that we have been able to have standard gauge operations across the country.

Mr Marchant has transformed the national rail freight system. On behalf of all of us who have worked with him, we would like to put on the public record our great appreciation of his work and particularly the work in the last few years with New South Wales, reforming and rebuilding the New South Wales rail system, which I think has been of tremendous importance to the nation. So, Chair, thank you, and we also, like you, wish Mr Marchant all the best for his future career.

Mr Marchant—Thank you.

[2.36 pm]

ACTING CHAIR—Yes, thank you very much, Mr Marchant. Now, can I have Surface Transport Policy people, please.

Senator WILLIAMS—Who has got the call, Chair?

ACTING CHAIR—You have, Senator Williams. You do not want to give it to any other senators? No.

Senator WILLIAMS—Thank you, folks. Onto the heavy vehicle situations, heavy vehicle driver fatigue laws, regulatory discrepancies. How are the heavy driver fatigue reforms agreed by the transport ministers in early 2007 and rolled out from September 2008 going?

Ms Riggs—As your question notes, the new laws in most jurisdictions came into effect in August 2008. As you know also, Senator, there are some differences across jurisdictions where each of them have chosen in some small, or perhaps in your view, not quite so small ways, to vary from the model law that was proposed. There are two areas of activity that I might note for you in respect of national moves to bring about greater commonality in the application of those laws. The first we have also discussed in previous hearings, and that is the move to create a national heavy vehicle regulator which would be responsible for administration of a single national heavy vehicle set of laws, which would include laws that related to the management, for example, of driver fatigue. So that would be a single set of laws, a single set of rules that applied in all jurisdictions and at this stage the intention is that that regulator and those laws be in place from 1 January 2013.

Senator WILLIAMS—So we are still looking at 2½ years away, Ms Riggs?

Ms Riggs—That time frame has not changed, Senator, since the last time we talked about it.

Senator WILLIAMS—Yes. Are these things thrashed out—obviously the state ministers have to be there with the federal minister and that is where these things are thrashed out, are they?

Ms Riggs—There is an intergovernmental agreement that creates the National Transport Commission and commits, as far as possible, state and territory governments to adopting model laws which are brought before the Australian Transport Council—that is, all the state and territory ministers with the Commonwealth minister acting collectively. Once they are approved, the IGA proposes that each state and territory adopt them, but it recognises that there might be cases where they adopt them with some variation.

Senator WILLIAMS—Yes, because last time I was here—some laws are so frustrating—I was giving you an example where a very good friend of mine was—I quoted you—70 kilometres from home. In South Australia, they have a 12-hour rule. So if you start work at, say, 10 in the morning and you work until 10 at night, and you have worked in any 24-hour period, you cannot work more than 12 hours. So if you start at 10 in the morning, work until 10 at night and, if you started the next day at nine in the morning and worked until 10 in the morning, you have worked 13 hours in a 24-hour period and you are gone.

And it is quite amazing, in Western Australia, a truckie can start Monday morning and work 17 hours the first day, 17 hours the second day, 17 hours the third day, but they must take two days off. And my friend was telling me—he was not 70 kilometres from home; he was 30 kilometres from home in his Kenworth, with a cartload of sheep he was taking down to the south-east. He had to stop; his 12 hours was up. It was 19/20 minutes empty to get home—good bitumen road. If he had gone home and got caught, he faced up to a \$20,000 fine and, what is more, the company he worked for faced up to a \$20,000 fine, and he owns the company he worked for. So if he had gone home 18/19 minutes to sleep in his own bed, have a shower, have a meal and have a good night's rest, he could face fines of up \$40,000, when he was just 20 minutes from home after a 12-hour day.

Ms Riggs—Senator, you did express your frustration and I am sure that you know that these are not federal laws.

Senator WILLIAMS—No, they are not and, yes, the sad thing is people are simply leaving the industry in South Australia and getting frustrated and walking away from it. So let's hope that when they do get these laws—I just find it amazing. The point I make, Ms Riggs, is that, in Western Australia, the rules say you are allowed to work for 17 hours and, in South Australia, you are not allowed to work for more than 12 in any 24-hour period. So I wish you well with getting consistent laws across Australia because there are certainly a lot of discrepancies there now.

Ms Riggs—Thank you for your wishes.

Senator WILLIAMS—As yet, have Tasmania and Northern Territory agreed to adopt the reforms?

Ms Riggs—The 2007 reforms?

Senator WILLIAMS—Yes.

Ms Riggs—I will have to take that on notice. I would rather take it on notice, rather than be wrong.

Ms O'Connell—In terms of the single national jurisdictions and the national heavy vehicle single regulator for 2013, certainly all states and the Transport Council have been part of the process.

Senator WILLIAMS—And the territories?

Ms O'Connell—And the territories, yes, sorry. All states and territories have been part of that process in terms of progressing that and agreement and, indeed, the last meeting of transport ministers a month ago, September, part of the communication was also addressing progress with these reforms.

Senator WILLIAMS—These nationwide reforms that we are, hopefully, heading to will include truck-driving hours. Would it also include weights on trucks as well? Will there be standard weights for them?

Mr Mrdak—Yes, the intention is it will cover the full field of heavy vehicle regulation. And so, for the first time, we will have a single suite with some—and one of the things we are working through which Ms Riggs and Ms O'Connell are leading from our end is how do we deal with some of the local variations around fatigue levels.

Senator WILLIAMS—Yes, we have that problem where I live.

Mr Mrdak—Yes.

Senator WILLIAMS—I think I have raised with you before that we have an abattoir at Inverell. They slaughter a thousand head of cattle a day and the trucks come down from Queensland. And they get to Goondiwindi to the border, and they have to unload some of their stock to come into New South Wales. It is crazy. Of course, my fear is that, when the national regulations are adopted, they adopt the New South Wales weight, and not the Queensland weight. And hence, Queensland, then, has to carry a lot less on the trucks.

Mr Mrdak—I can assure you that the reason this is so difficult is because states like WA and Queensland are insisting that they retain their more permissive higher productivity approaches. And one of the things that we have got underway now to try and get around this is a number of variations where there are differences. We have an expert panel which has been appointed and they have been working quite closely. And that includes representatives from the livestock industry and the like on that expert panel to actually look at this to try and see if we can actually smooth out some of the variations and get a common set, which maintains the productivity that we have managed to get around the number of jurisdictions, but at the same time keeping the safety standards as high as possible.

Senator WILLIAMS—Exactly.

Mr Mrdak—So the expert panel—and they reported to the last meeting of the Australian Transport Council on 24 September—has made a lot of progress, but there remains some outstanding issues, particularly around fatigue and driving hours, but also particularly around some issues such as annual inspections of vehicles and the like, which New South Wales does,

which no other jurisdiction does. So there are still some major issues to sort out as we are trying to get to a single national legislation.

Senator WILLIAMS—But when it comes to the safety side of things, surely things are much, much better than they used to be. When I was driving trucks in the seventies we had three decks of sheep, two decks of cattle and we only had bogey trailers at the back. They were very unstable and lacking brakes, and these days, surely with the safety and the regulation inspections—

Senator ABETZ—But that was illegal in those days too, wasn't it?

Senator WILLIAMS—There were not any rules in our days, Senator Abetz. Our rule was: 'don't have an accident'.

Senator ABETZ—Don't get caught!

Mr Mrdak—There is no doubt the combinations that are available today are much safer than what was previously available. You are absolutely right. But often, as in a lot of these things, the regulatory systems have not caught up with the technology, which is much, much safer.

Senator WILLIAMS—I certainly support the safety and I am sure everyone in this room does. If you have a tri-axle tri-axle at the back, it is not only about stability of the load but it is also about there being another axle of brakes for better braking. Surely, with the strict regulations, especially in New South Wales, with truck inspections—putting them over the pits et cetera—one would hope that the safety on the roads is much, much better than it has been before. Where are we moving on to?

Senator ABETZ—You have not yet got to the Hume.

Senator WILLIAMS—We have run out of fuel. Is it the case that, in the original model laws, a driver working standard hours had to take a short break after 5¼ hours of work, but a driver could make a defence against a breach of this provision if there were no suitable place for a rest to be found and the driver found a rest stop within 45 minutes, Ms Riggs?

Ms Riggs—The first part of your proposition is, I believe, accurate. The second part of your proposition is accurate in some jurisdictions as they implemented the law, but other jurisdictions did not allow for that reasonable steps defence.

Senator WILLIAMS—Is it true that, in New South Wales and Victoria, this is still not a defence?

Ms Riggs—I believe so.

Senator WILLIAMS—Why can't New South Wales and Victoria be more flexible, given that a 2008 audit of 12,700 kilometres of Australia's major highways found that the states and territories have largely failed to meet the National Transport Commission guidelines regarding the provision of rest stops?

Ms Riggs—You know very well you would have to ask New South Wales and Victoria to answer that question. I cannot.

Senator WILLIAMS—This is a problem about the construction of rest stops. How can you legislate for trucks to make sure they stop on time to rest when there are no rest stops

available? This is a problem, especially with the number of trucks on the road now, and even running the risk that some rest stops are actually full up and you cannot get a park in there.

ACTING CHAIR—I am not sure—Ms Riggs said she could not answer that.

Senator WILLIAMS—Yes, fair enough. Moving to the rest stops, can you give me an update of construction of new ones—are there more of them—the demand for them. How many are under construction now? Have you any idea how many are under construction now around Australia?

Ms O'Connell—There is a very significant program around heavy vehicle rest stops.

Senator WILLIAMS—Yes.

Ms O'Connell—The full program is on our website. I can either take that on notice or come back to you on the progress made with all of those rest stops around Australia.

Senator WILLIAMS—Let me make it simpler for you. Would it be easier for you to find out actually how many rest stops we currently have in Australia on major highways?

Ms O'Connell—I can take that on notice, certainly.

Senator WILLIAMS—I do not want to give you too much work. What I am asking is: how many do we have now on our major intercity highways and major highways, what is the forecast of how many are required, and where are we up to as far as constructing new ones? So, for example, if we currently had 1,000 around Australia and the department says, 'We actually need 2,000, and how many are being constructed—there are 300 in between?' So I can get an idea of how many we have, and how the growth is as far as constructing those rest stops. Would that be okay?

Ms O'Connell—Certainly.

Senator WILLIAMS—That would be good. Where are we up to? I just want to take you to weights. I was talking to a truckie just prior to the election campaign. He had a B-double loaded with grain. When he loaded his rig up, core single axle on the steer, bogie drive, tri-axle, tri-axle, his whole weight was one tonne under, gross. When you load out on the farms, many of them have airbag suspension, so they look at the air pressure gauge to give them an idea of how much weight they are putting in their truck. He got pulled up down the road and, in the middle tri-axle, he was 20 kilograms overweight.

Now, you are allowed, what, 24 tonne on that tri-axle. He was 20 kilograms overweight. They charged him—I think it was a \$350 fine—and he said, 'Look, when I loaded the rig I knew I was under by my air gauges.' But what happened is the grain just shuffled back a bit in the front trailer as he was driving along. So they almost charged him again for his load moving. This is just outrageous. And so he paid the fine and on he went. With what is being proposed at a national level, is there any flexibility or is it just the line is in the sand and you cannot go one gram over it? Do you know, Ms Riggs?

Ms Riggs—The detail of the law and the compliance and enforcement regimes that will go with it is not yet settled. It has not yet been through a public consultation process and it has not yet been to transport ministers for ratification. So I cannot answer the question.

Senator WILLIAMS—Yes. Perhaps me raising this issue may highlight for those who are negotiating that perhaps a little bit of flexibility—I am not asking and say you can be half a tonne over in every axle or whatever but just, perhaps, if you are one tonne under on your total gross then you are not causing the damage to the road but you might just be 20 kilos over on one set of axles. So I hope I have made the point and perhaps, Ms Riggs, in negotiations you might be able to use that information when these negotiations are going on.

Ms Riggs—We will certainly put it on the table, Senator.

Senator WILLIAMS—That would be great.

Senator ABETZ—These first few questions on behalf of my Tasmanian colleague, Senator Richard Colbeck: can we be given the figures paid as a result of the passenger vehicle movements on the TT-Line? Does the department have that?

Ms Riggs—Just let me check, please.

Senator ABETZ—And if it is not readily available, if you can take it on notice, but if you do have it readily available that would assist.

Ms Riggs—I am sorry. I have come with Tasmanian Freight Equalisation Scheme numbers but I appear not to have brought passenger—

Senator ABETZ—The Bass Strait passenger vehicle equaliser.

Ms Riggs—Just the year to date paid?

Senator ABETZ—That was a general question, whether we can be given the figures, if we can. If you can give us the figures for 2005, 2006, 2007, 2008, 2009 and 2010.

Ms Riggs—Can I make them the financial years?

Senator ABETZ—Yes. Financial year is fine.

Ms Riggs—Thank you, Senator.

Senator ABETZ—And how much is being paid in globo and whether that in globo figure can then be reduced to the numbers of vehicles, because, if I understand it—

Ms Riggs—So total outlays for numbers of vehicles for each of those financial years.

Senator ABETZ—Yes. The total outlays and then the number of vehicles to which that applies and, similarly with the Tasmanian Freight Equalisation Scheme, if you are able to identify—I am not sure that you necessarily can—those that used the TT-Line as to the amount of payments made for freight movers who use the TT-Line, and I imagine that might not be available but, if it is, for those same five or six financial years, and if you can provide us the in globo figure. Then—I am not sure how you measure it per tonne, per cubic metre, whatever your standard measurement is—if you could advise that as well.

Ms Riggs—Some measurement of the quantity of freight.

Senator ABETZ—Yes.

Ms Riggs—But only interested in what is moved on TT-Line.

Senator ABETZ—Yes. And basically there is no secret to this, wanting to see if the TT-Line is shifting from passenger vehicle movements to freight, and that is why I want it over

those five or six years just so we can see if there is a trend. There is that assertion in Tasmania and in the marketplace that that is occurring and there is nothing like the figures to either prove or disprove something of that nature. So if you could assist in that regard that would be helpful. Does this department know about a Centrelink staffer possibly being asked to go from the mainland—that is the island that we are on at the moment—whether somebody was seconded at the start of the year to assess payments and prepare a business case for an audit of operators using the freight equalisation scheme and, in particular, small businesses? Are you aware of that or should I be going to Centrelink for that?

Ms Riggs—I am not aware of the particular arrangements that Centrelink makes in order to carry out the responsibilities we think it has as administrator of the program. I think it would be best to ask Centrelink for detail on that.

Senator ABETZ—So Centrelink. Yes. Accept that. Now, into the Freight Equalisation Scheme and ministerial direction, and we have section 9.1, which states that:

To be eligible to receive southbound assistance the claimants must be persons engaged in activities specified under sections A, B or C of the Australian and New Zealand Standard Industrial Classification.

Are we agreed thus far?

Ms Riggs—Yes, Senator.

Senator ABETZ—Who is the authority for classification of persons and businesses within ANZSIC?

Ms Riggs—By who is the authority, do you mean who is responsible for construction of that classification schema, or who is responsible for its interpretation as we use it within TFES?

Senator ABETZ—It is the standards and classifications section and, finally, the director of the business registration unit within the Australian Bureau of Statistics; would you agree with that?

Ms Riggs—I cannot go to the level of detail that you have gone with the director of the whatever but I agree that there is a section in the bureau that is responsible for—

Senator ABETZ—And that is the Australian Bureau of Statistics.

Ms Riggs—The Australian Bureau of Statistics that is responsible, in consultation with New Zealand colleagues, for the maintenance of this joint standard.

Senator ABETZ—Good. And I dare say, finally, the director might be a technical sign-off or something like that but, look, if we are agreed thus far that is also good. So, in regards to section 9.1 of the ministerial direction, the keepers of this direction or the implementers of this direction should seek advice, should they not, or defer to the Australian Bureau of Statistics with respect to the ANZSIC classification of applicants?

Ms Riggs—The process by which Centrelink applies this classification is based on information that is provided by claimants, so that is the information they use and then test it against the standard classification. If they find that they are unable to come to a view then their next step is to approach Mr Motha's branch in my division to ask the question as to

whether there is a policy issue here. That advice is given and, informing that advice, Mr Motha's staff might talk to the staff of the Australian Bureau of Statistics.

Senator ABETZ—Right. I am sorry, Mr Motha, is it?

Ms Riggs—Mr Joe Motha.

Senator ABETZ—Right. Thank you. So has Mr Motha ever been the beneficiary of, let's say, an ABS workshop or training or anything of that nature as to how to interpret the ANZSIC classifications, or does Mr Motha take it upon himself to believe that he understands the classifications sufficiently?

Ms Riggs—Mr Motha consults with his staff who have had some experience in working with the classification and who, as I said, if they need to, will talk to staff of the Australian Bureau of Statistics.

Senator ABETZ—Yes. One of the difficulties is you do not know what you do not know and, therefore, people may well be personally satisfied that they know but, unless they have been given a bit of training or some indication by the ABS of some of the nuances or other issues that might be involved, they might unwittingly make an incorrect call in relation to classification. So I suppose that is what I am seeking to explore with you, Ms Riggs.

Ms Riggs—I do not believe that Mr Motha has personally undertaken extensive training with the Bureau of Statistics in interpretation of the classification.

Senator ABETZ—Right. And what about his—what term did you use?

Ms Riggs—Staff.

Senator ABETZ—What about the staff that would assist him or advise him in relation to that? Chances are they would be more at the coalface on the day-to-day decision making and making recommendations to Mr Motha. What about them? Take it on notice if you do not know.

Ms Riggs—I think that would be better.

Senator ABETZ—Yes. That is fine. And, if they have not—a gratuitous suggestion from opposition—might it be advisable for there to be that sort of discussion with the ABS as to whether that might be beneficial?

Ms Riggs—I am always happy to contemplate better administration of programs.

Senator ABETZ—Good. That is all that I am asking in that regard. If you can come back to me as to whether you thought it was a good idea, bad idea, indifferent idea or whatever that would be very helpful. I suppose what I am wondering is, if the classification of a prospective claimant under the scheme is not clear, why wouldn't Centrelink simply go straight to the ABS, who are, for want of a better term, the experts in the interpretation of the classifications?

Ms Riggs—As I have already said, I am really happy to consider better ways of administering the program but, before my time, the paradigm set up for this is that Centrelink have queries that they believe go to policy interpretation matters then they come to us as the department responsible for the policy around the program.

Senator ABETZ—Yes. I think we know what the policy parameters are. It is about the interpretation of the various classifications. It is not so much policy but whether they fall in or out of the scheme on the basis of the technical classifications.

Ms Riggs—I do understand the distinction that you are making and I regret that I am going to give you the same answer. Before my time, a set of program management protocols came into being which have Centrelink coming to the department on matters which are classified to be of—and I will change my language slightly—an interpretive nature, and that includes interpretation of the classification scheme. As I say, I am perfectly happy to contemplate whether there might, in the future, be a better way of doing that.

Senator ABETZ—We have interesting circumstances such as Centrelink indicating that butcher shops are not classified under section ABC of ANZSIC, which is correct. But butcher shops claim freight equalisation because Centrelink classify their activities as manufacturing, even if ANZSIC does not. And so we have got some of these interesting reframing of facts—when I say ‘facts’—in relation to the ANZSIC classifications.

Ms O’Connell—If there are some potential inconsistencies around classification that you are aware of we are quite happy to take them and to discuss them with ABS to ascertain whether there is an issue with the classification.

Senator ABETZ—As I understand it, sometimes the claims are simply based on the name of a business as opposed to what the business actually does.

Ms O’Connell—Yes.

Senator ABETZ—But that is more Centrelink. What oversight do you have of Centrelink’s operation of this scheme?

Ms Riggs—I would like to make three points. I have mentioned already that it is up to the claimant to provide sufficient information for Centrelink to be able to make the classification, and if all they are providing is a business name then that is all Centrelink has to go on. The second point I would make is that—I think you raised some similar issues at the last estimates and I am more than happy to make the offer again that I made then—if you would give us the particulars of the claims rather than generalisations we would be in a much better position to be able to help ourselves, and then you, understand what the circumstances might be here.

Senator ABETZ—A specific example, then, is the case of Compact Designs, a firm in Launceston that manufactures knock tubes for the cafe industry. Two Centrelink staff visited the site, observed the manufacturing process and confirmed the proportions of the business’s activities that were of a manufacturing nature. The firm was regarded as ineligible to receive freight assistance, yet the ABS, after being contacted, had no hesitation in classifying Compact Designs as a manufacturer. So there is a real, live example. If the ABS are the keepers of the classification, one wonders why these sort of discrepancies seem to arise on a regular basis.

Ms Riggs—I am happy to inquire into that particular matter. There are several other things I would wish to know about that business—whether it is part of a larger corporate entity, for example—which are also germane to classification.

Senator ABETZ—Yes, which is another area, if I may, that I will get into. In relation to the report that would have been filed by Centrelink about that visit, that would not be with your department; that would be at Centrelink?

Ms Riggs—No, it certainly would not be. That is day-to-day management and operation of the program.

Senator ABETZ—All right. So I will ask about that later on today.

ACTING CHAIR—Did you bring one of these knock tubes with you? What is a knock tube?

Senator ABETZ—That is where they bash the used coffee bean out and then use with the cafe machines. They are what baristas use.

Senator LUDLAM—There are companies that just make knock tubes?

Senator ABETZ—No, but they are in the business of manufacturing, and the stuff gets imported. It gets manufactured in Tasmania and then is sent off, and that is what the Freight Equalisation Scheme is supposed to assist with.

ACTING CHAIR—Tasmanian knock tubes!

Senator ABETZ—Senator Ludlam, I am more than happy to provide you with a private tutorial about the wonders of the cafe industry. Viridian New World Glass is an example of another business. Centrelink determined that 30 per cent was insufficient to be regarded as a manufacturer despite being part of a larger company. Centrelink has considered the specific activities of the Tasmanian operation in isolation to the rest of the business. So I am just wondering, you basically have no day-to-day discussions with Centrelink about the administration of this scheme.

Ms Riggs—No. We do not.

Senator ABETZ—All right. So the rejection rate by Centrelink: is that something that interests your department?

Ms Riggs—The decision-making process is entirely within Centrelink and there is a quarterly discussion about the fundamental operations of the program and what outcomes it is producing. As part of that discussion, the team that is responsible in a policy sense within this department would examine certain basic data about the scheme: the payment rates, how many claims have been examined and the rejection rate. You might recall that last year we had conversations not infrequently about the length of time it took to process claims. Blessedly we are not having that conversation today because—

Senator ABETZ—Because things have improved considerably.

Ms Riggs—Yes. We have a regular—

Senator ABETZ—And is that because you made representations to Centrelink as well, or not?

Ms Riggs—I think Centrelink also felt that their performance in that regard might—

Senator ABETZ—‘Also felt’. Does that mean that you did make representations to Centrelink?

Ms Riggs—I think I have acknowledged that we were in conversation with Centrelink at the time we had those conversations.

Senator ABETZ—So seeing that you can have conversations with Centrelink about the delays in processing, I am wondering whether you might also be able to have conversations with Centrelink about some of the decisions. Without putting too fine a point on it, I sometimes wonder whether the Centrelink mentality may be to try to restrict the payments as much as possible, as one might imagine with certain social security payments; whereas the Freight Equalisation Scheme is in fact designed to assist the Tasmanian economy, job creation et cetera. I am just not sure that the approach to the Tasmanian Freight Equalisation Scheme by Centrelink is the sort of approach that one might have expected from the actual policy and what the design, and indeed the desire, of the policy would have been. But I will leave that for you, Ms Riggs, to consider, and also whether or not you might like to include that in another conversation with Centrelink. Thank you, Chair, and I will pursue those other matters with Centrelink tonight.

Ms Riggs—Thank you very much, Senator.

Senator ABETZ—Yes.

ACTING CHAIR—Does this area deal with bicycles—pushbikes?

Ms Riggs—I suppose we deal with bicycles as much as anyone does in the department.

ACTING CHAIR—Senator Ludlam?

Senator LUDLAM—I have got about eight on transport, and they will be pretty quick.

ACTING CHAIR—Go ahead, Senator Ludlam.

Senator LUDLAM—It is road safety, specifically, that I am after, in the context of cyclists.

Ms Riggs—We will take your questions, Senator.

Senator LUDLAM—In the stimulus package that the parliament passed in the early part of last year there was a contribution towards Commonwealth funding of the cycleways.

Ms Riggs—This division did not manage those.

Senator LUDLAM—Where do I go to talk about that?

Mr Mrdak—We are happy to take questions on that, Senator. It was part of our Nation Building division.

Senator LUDLAM—It was, indeed.

Mr Mrdak—We funded that National Bike Path Program through our regional and local government division, which is no longer with us.

Ms O'Connell—It is now with the Department of Regional Australia, Regional Development and Local Government, as part of the changes.

Senator LUDLAM—I cannot keep track. I wonder how you folk do. Can I just direct some general questions in relation to that?

Mr Mrdak—Certainly.

Senator LUDLAM—Has all of that spending been acquitted, or is that still rolling out?

Mr Mrdak—From memory, as I said, this is a program that has now gone with Regional Australia, but the bulk of the program has been completed. I think there are a small number of projects still under construction, and the finalisation and acquittal process is still happening but, for all intents and purposes, the program is largely either finalising construction or completed.

Senator LUDLAM—Great. From the government's point of view, was that program a success?

Mr Mrdak—I think the answer is yes, from our perspective. It has provided an opportunity for a number of local governments to provide upgraded cycling facilities across the country, and it also provided an immediate fiscal stimulus as well in a number of communities.

Senator LUDLAM—Where do we find a list of the final projects that were funded, the amounts that were spent, where they were and so on? Does such a thing exist in one place?

Mr Mrdak—It would. It was on our website. I presume it is on the Regional Australia website, but let me get those details for you, Senator.

Senator LUDLAM—Thanks. I have kind of been following this around portfolio by portfolio. Is there going to be some kind of concluding report that wraps up how the overall program was spent and what the outcomes were, rather than a piece-by-piece breakdown?

Mr Mrdak—Certainly, Senator. If you go to the fiscal economic stimulus website, we can provide those details. That is hosted at the moment by the Primer Minister's department and that, effectively, has all of the projects, including all of the projects under the National Bike Path Program, all set out. You can search by location for each of those, with details of each of the projects. The expectation is that the Office of the Coordinator-General will produce, as they have been doing, regular reports on the total program.

Senator LUDLAM—Okay. I think that one was in the order of \$40 million or thereabouts.

Mr Mrdak—Yes. That is correct.

Senator LUDLAM—How does that compare with the annual Commonwealth funding on like infrastructure on bike paths and cycling works?

Mr Mrdak—That was a dedicated program.

Senator LUDLAM—It was a one-off.

Mr Mrdak—Normally, if the Commonwealth is funding other projects, particularly road projects, then there may be a component providing access for cycling as part of that, but that is the only program that I am aware of which is having a dedicated program for national cycleways funded by the Commonwealth.

Senator LUDLAM—There is nothing in the Constitution that says we cannot provide some kind of annual appropriation for cycling infrastructure, though, is there? We can do that any time we like—any time the budget permits.

Mr Mrdak—As I said, the Commonwealth can establish programs. In this situation, it was established as part of the economic stimulus plan.

Senator LUDLAM—Yes. But there is nothing that says that the Commonwealth can only fund a cycle track as part of a stimulus measure or if a freeway project is going in you would consider whether it is appropriate to throw a cycle path along it.

Mr Mrdak—The Commonwealth can, provided it is consistent with its constitutional areas of responsibility.

Senator LUDLAM—Yes, indeed. Is there any ongoing cycling funding at all, or is that it? Was that a one-off?

Mr Mrdak—It is just that program. Unless, as I say, there is a major piece of road infrastructure which also incorporates access provisions for cyclists and the like or particular provisions then there is no other dedicated program.

Senator LUDLAM—Is there a reason for that? Would it not be quite a good idea for such a thing to exist, or should I put that to the minister?

Mr Mrdak—That would be a matter for the government.

Senator LUDLAM—Minister?

Senator Carr—Yes?

Senator LUDLAM—I just put to the officer that it might be a decent idea that we have an ongoing fund for the provision of cycling infrastructure since it worked so well as a fiscal stimulus.

Senator Carr—I do not think there is much I could add to what the officer has been saying. I have been following this very closely and, as stimulating as it is—

Senator LUDLAM—Your body language did suggest otherwise.

Senator Carr—As I said, as stimulating as it is, I do not think there is anything more that I can add to what the officer has said.

Senator LUDLAM—Okay.

Mr Mrdak—This is the first dedicated program that I am aware of that the Commonwealth has undertaken in this way for supporting that. You may be aware that, recently, the Australian Transport Council ministers adopted the National Cycling Strategy—the next long-term strategy—which included a range of initiatives which will be implemented by state and territory governments, along with the Commonwealth government, to promote cycling.

Senator LUDLAM—Did any of those initiatives involve dedicated Commonwealth funding? I am suggesting it worked pretty well, not just as a stimulus but as a way of getting people on their bikes.

Mr Mrdak—As I say, at this stage, there is only the dedicated program which has now been finished.

Senator LUDLAM—Nearly finished. My other questions go directly to safety. Ms Riggs, you said you would try and answer these. What can you tell us about the Commonwealth's

contribution to road safety, but specifically safety for cyclists on our roads? You would be aware, obviously, of the very high number—I think it is 86 per cent—of cyclist fatalities between 2001 and 2004 involving a motor vehicle. One of my staff was bowled off her bicycle by a bus. People do take their lives into their hands, and with some of these things bicycle helmets can only go so far. Does the Commonwealth have an interest in specifically promoting bike safety?

Ms Riggs—I think there are a couple of things to say, Senator. The existing National Road Safety Strategy is a partnership between the Commonwealth and the states and territories and it has been constructed in such a way that each two years there is also a road safety action plan—again shared between the Commonwealth and states and territories—which sets out outcomes and objectives that the states and territories, with the Commonwealth, seek to achieve. I think it is also fair to say that, in large measure, over the past decade the states and territories have been, consistent with their constitutional responsibility, the major players in relation to road safety. The secretary has acknowledged that the current bike path program is the only direct investment in cycling matters that the Commonwealth has made recently.

Perhaps prospectively, one of the matters I might mention is that, through our vehicle standards area, we are currently working on a regulatory impact statement on how we might be able to make some improvements to vehicle standards which would better protect pedestrians. It is not directly focused on cyclists but, in fact, with respect to any improvements we can make to lessen the impact on pedestrians in the unfortunate event of an impact between a car and a pedestrian, those same improvements would have beneficial impacts in respect of an impact between a car and a cyclist.

Senator LUDLAM—Okay. I appreciate that that is probably valuable work, but another part of that task is trying to prevent cars colliding with people or cyclists in the first place. Those design changes would probably be quite welcome. But anybody, for example, in the Transport Safety Bureau—have we got them in the room today?

Ms Riggs—The Transport Safety Bureau is a transport accident investigating bureau.

Senator LUDLAM—Really? Okay. Would they keep statistics or have any kind of institutional concern for the high numbers of cyclists killed in Australia, or is that really not within their remit?

Ms Riggs—Road safety is not part of the bureau's active considerations. Their involvements are in the air safety area, in rail incidents on the interstate rail network—

Senator LUDLAM—National rail network.

Ms Riggs—and in relation to maritime incidents that involve large ocean-going—the blue water fleet, the international trading fleet.

Senator LUDLAM—Okay. So who is looking after cyclists, then, at a Commonwealth level?

Ms Riggs—Well, myself and Mr Motha are responsible in a policy sense for road safety at the Commonwealth level. That encompasses all dimensions of road safety, including the Commonwealth involvement in the drafting of our next 10-year National Road Safety Strategy, but I think it is fair to reflect on what the secretary has already said, that in this

portfolio I cannot single out a particular piece of activity that is at this stage directly related to cyclists, except insofar as if roads are better and the system that supports road usage is improved in a safety sense, then all users of those roads are better off.

Mr Mrdak—To give you an illustration, Senator, just to add to what I was saying earlier, the National Bicycle Strategy, which was adopted by all of the transport ministers last month, is the product of work that our department is involved in and the other jurisdictions, and we do provide funding support to the Australian Bicycle Council through the Austroads network, which is all of the states and territory agencies. So there is a lot of work happening, and if you look at the National Bicycle Strategy and, as Ms Riggs has indicated, the forthcoming National Road Safety Strategy, I think there are initiatives there which will have a positive benefit for cycling in the future.

Senator LUDLAM—To what amount do you fund the bicycle council?

Ms Riggs—I think it is in the order of \$130,000 a year.

Senator LUDLAM—Wow. When you said before that nobody in your portfolio is directly responsible, so where does that properly lie at a Commonwealth level?

Mr Mrdak—We are responsible for all road safety matters for the Commonwealth.

Senator LUDLAM—Okay. But there is not a cycling unit that I can call to the next estimates or people whose main area of concern is looking after cyclists?

Mr Mrdak—No. Mr Motha and his branch look after all aspects of road safety and that ranges from the physical condition of the roads right through to all the interventions governments make to try and improve safety of the whole system. Driver behaviour, vehicle stands and all of those matters relating to safety are all covered within this group in my department.

Senator LUDLAM—Is there a degree of expertise? I mean, it is actually quite a specialised area of expertise. I was looking earlier at some of the initiatives taken overseas, in Amsterdam, for example, where there are cycle streets. Private vehicles involved in an accident involving a cyclist on those streets are considered automatically at fault, so there is strict liability on that side.

Senator Carr—Pedestrians as well.

Senator LUDLAM—I beg your pardon?

Senator Carr—Pedestrians as well. Recently there, I had an experience in this regard, and anyone that comes into contact with a bicycle in any way is at fault.

Senator LUDLAM—Okay. Is that a plus or a minus?

Senator Carr—No, I am just making the point to you. I just think you should get the full list here when you are actually assessing this great policy.

Senator LUDLAM—I was not trying to be deceptive about it. To me it seemed like a very interesting idea and there is a very, very low rate of bicycle fatalities in Amsterdam. So I am presuming you are not being glib about it, but there are a lot of Australians killed on the roads on bikes.

Senator Carr—I was run into by a bicycle and they frowned at me for being in their way.

Senator LUDLAM—You could have apparently wound up in court, but at least you were not harmed or killed, fortunately.

Senator Carr—Well, it depends on your point of view.

Senator LUDLAM—That is threatening to be a pretty serious distraction. There are a lot more Australians killed on bikes on the roads in Australia than there are in Amsterdam. So do we have any expertise? Do we have any bright ideas or creativity, or where is it to be found? Because at the moment it sounds a little bit like what we are up to is that we are treating cyclists as something of an afterthought, and if that is not the case, then do not let me leave with that impression, but what are we actually doing?

Mr Mrdak—We would not like to leave you with that impression at all, Senator.

Senator LUDLAM—Because there is no standalone funding commitment anywhere. Stimulus was good, but it is gone.

Mr Mrdak—I think, as I have said, the Australian government made a major commitment to improving community cycling facilities—

Senator LUDLAM—In that initiative?

Mr Mrdak—in that initiative.

Senator LUDLAM—That was an Australian Greens initiative. It was good that it was there, but it was ours. And now it is gone, it has lapsed, what comes next?

Mr Mrdak—As I have said, the government has recently worked through an Australian bicycle strategy which I think contains some very good initiatives. You may wish to have a look at that.

Senator LUDLAM—I am aware of that, but we have left it to the states and territories to fund it, unlike the National Road Network and rail public transport.

Mr Mrdak—I think the Australian government makes a significant contribution to road safety through our investment programs in roads, the work we are doing on improving driver standards and behaviour, the work we are doing on vehicle standards. I think the Australian government is making a major commitment there. I would not want you to consider in any way that that is not a significant commitment to road safety for all users of roads, including bicycles.

Senator LUDLAM—We will leave it there. Thank you for your time.

Senator WILLIAMS—Chair, may I go from there, please?

ACTING CHAIR—You certainly may. You said you had eight questions.

Senator WILLIAMS—Eight, yes. Ms Riggs, just in relation to work diaries, is it still the case that in South Australia and Victoria, on a typical 12-hour day, if you work within 100 kilometres of home or your base, you do not have to fill a work diary in?

Ms Riggs—Several of the jurisdictions make an exemption from having to fill in a work diary for either being only within 100 kilometres of home base, or I think in Queensland it is

200 kilometres. Quite frankly, I do not have the list with me of which jurisdictions have the 100-kilometre allowance. I will take that on notice.

Senator WILLIAMS—I think you are right. Queensland is 200 kilometres. I think South Australia and Victoria are 100 kilometres. I understand the New South Wales state government had insisted that all heavy truck drivers fill out work diaries even for local work, but New South Wales issued an exemption valid for one year only that drivers undertaking work within 100 kilometres do not need a diary. Primary producers must fill out a diary if they work more than 160 kilometres from their base. Do you know if these are still requirements in New South Wales considered just for one year?

Ms Riggs—No, I do not, sorry.

Senator WILLIAMS—You are not sure? I will not take you down the road of other discrepancies in the fatigue laws. Can I make a quick suggestion? I was just talking to Senator McEwen. It is amazing, going back to South Australia, you can work within 100 kilometres of the home, you do not have to fill in a work diary, you can start at two in the morning and work till 2 the next morning, 24 hours straight. Wouldn't it be great that if you went away more than 100 kilometres, you did your 12 hours, if you came back and you were within that 100 kilometre zone where you do not have to fill in the work diary, that could be an exclusion where you can actually drive home from then on? That was just a suggestion to you, Ms Riggs, in your negotiations. The National Heavy Vehicle Regulator kicks off on 1 January 2013.

Ms Riggs—That is correct.

Senator WILLIAMS—Is it correct that the NHVR has a project office that is already established in the office in Brisbane?

Ms O'Connell—It is correct that we have established a project office in Brisbane for—

Senator WILLIAMS—How many staff are in that office, do you know, Ms O'Connell?

Ms Riggs—No. The office is not part of this portfolio. It is part of the Queensland Department of Transport and Main Roads, and it has been established in Queensland because COAG has agreed that Queensland will host both the national law and the head office of the National Heavy Vehicle Regulator.

Senator WILLIAMS—So no federal costs at this stage for staff there?

Ms O'Connell—No, Senator. All states and the Australian government are contributing to the costs for the National Heavy Vehicle Project Office.

Senator WILLIAMS—Right.

Mr Mirdak—In this year's budget, Senator, the Australian government did provide funding for the National Heavy Vehicle Regulator office and also the Rail Safety Regulator office. So we are a contributor, as Ms O'Connell says, along with the states to funding the staffing of that office.

Senator WILLIAMS—So the office in there in Brisbane; is it operating? Is it staffed?

Ms Riggs—Yes, it is.

Senator WILLIAMS—You do not know how many staff, though?

Ms O'Connell—No.

Senator WILLIAMS—Okay. You do not know how many staff will be in it ultimately by the time the agreements come in 2013 and things kick off?

Mr Mrdak—I mean, at this stage there is a relatively small number of staff as it gears up. We do not have a final size of the office at this stage. I think it is of the order of about five to six people at this stage, which is the starting base of getting the organisation running.

Senator WILLIAMS—So starting base of five or six, roughly?

Mr Mrdak—Yes.

Senator WILLIAMS—And you are forgiven if you are not exactly right. That is fine, but—

Mr Mrdak—Yes, but it is of that order.

Senator WILLIAMS—It is not 200 people or anything?

Mr Mrdak—No, this is very small and there is work going on through the National Transport Commission and in jurisdictions to—

Senator WILLIAMS—So the NHVR will be funded by the states and the feds.

Mr Mrdak—Final funding arrangements are yet to be settled.

Senator WILLIAMS—Are they?

Mr Mrdak—One of the bits of work we are doing over the next year or so is to settle how the funding arrangements will operate. At this stage we are funding the project office on a COAG split, effectively where the Commonwealth pays in the order of 35 per cent and the jurisdictions in total contribute to the remainder.

Senator WILLIAMS—I note that on the National Transport Commission's website there are more than 360 issues to be addressed when it comes to uniformity across all jurisdictions. Will all these issues be resolved in model legislation?

Ms Riggs—Yes. In effect all of those issues, bar about a dozen, have achieved resolution at this stage and that resolution will be made public in due course in the not too—

Senator WILLIAMS—So out of the 360 there are only about a dozen.

Ms Riggs—Yes, that is right, and they are the subject of the expert panel that Mr Mrdak has already made reference to.

Senator WILLIAMS—So those issues of weight and—

Ms Riggs—They are predominantly those in the driver fatigue—

Senator WILLIAMS—Weights with driver fatigue. They are the issues that have not been agreed on, so there are basically 362, 352, agreements throughout, but there are a dozen stumbling blocks—the serious ones.

Ms Riggs—Yes.

Senator WILLIAMS—Will it be state legislation that is mirrored or referred to by the jurisdictions when this whole thing comes out? It will have to go under state legislation, will it? It cannot be federal laws when you get the whole basket, the mish-mash, together?

Ms Riggs—The agreement of the Council of Australian Governments is that it would be what we call a state-based template law. That means that the Queensland parliament will pass it as law in Queensland, but it will be called—

Senator WILLIAMS—So Queensland will be the template legislation.

Ms Riggs—It will be called national law and each other state or territory parliament will pass a piece of law that says that thing that is the national heavy vehicle law in Queensland is now the national heavy vehicle law in this state. So that is the notion of template law in this context.

Senator WILLIAMS—So it will be Queensland. What confidence do you have that the regulatory impact statement will be ready by February 2011?

Ms Riggs—That is the current schedule, and I am very pleased, as I understand it, with the work that is underway. As I say, of those potentially 300—and I think you used the number 362—we are down to a handful of them and in fact the regulatory impact statement is emerging in pretty solid draft form amongst officials at the moment on the 350-odd that have been resolved.

Senator WILLIAMS—Wonderful. I understand an expert panel or a high level reference group is offering advice in the developments of the RIS.

Ms Riggs—Both an expert panel, on those dozen or so issues yet to be resolved, and a high-level reference group are the official group that is working in support of the NTC and the project office in developing the regulatory impact statement. It comprises people at quite senior levels from each state and territory.

Senator WILLIAMS—What is the membership of the high-level reference group you mentioned?

Ms Riggs—Each state and territory and the Commonwealth has a representative. Ms Wieland, who is on my left, is the Commonwealth representative. She is one of the general managers in my division.

Senator WILLIAMS—How many times has it met?

Ms Riggs—It meets roughly monthly, either in person or by teleconference.

Senator WILLIAMS—And over what sort of period has it done that?

Ms Riggs—We kicked these reforms off longer than 18 months ago. Some form of representative group at that level has been meeting about monthly, and indeed sometimes fortnightly, for about 18 months. It was not always called the high-level reference group, just as the project office has only come into being over the last few months, but a group of that kind has been meeting for getting on for 18 months.

Senator WILLIAMS—Does the membership include industry representatives?

Ms Riggs—No. The consultation with industry happens separately through an industry advisory group and some broader industry forums that the project office is responsible for managing. The project board, members of the project board, and/or members of the high-level reference group seek to attend when they are close to home as they are able and so on.

Ms O'Connell—There was an industry consultation session in Newcastle last month as part of the process.

Ms Riggs—There is to be one in Perth in the middle of November.

Senator WILLIAMS—Ms Riggs, could you briefly tell me what this industry advisory group is made up of?

Ms Riggs—About eight, 10 or a dozen—I am happy to put the names—

Senator WILLIAMS—Transport organisations?

Ms Riggs—Yes, transport operators, those interested in the transport industry and a couple of users of the trucking industry, so they are not representative. They are 10 or 12 individuals who know and use the trucking industry, so they are either operators or whatever. They bring a good industry view to the project office.

Senator WILLIAMS—Could you take on notice for me whether anyone in that advisory group is from livestock transport and the grains transport please?

Ms Riggs—They are not representative of any particular organisation, so I will not necessarily know what their background is. Perhaps it would be better if I took on notice giving you a list of the names of the members of that group.

Senator WILLIAMS—That would be good. If you could do that, that would be fine.

ACTING CHAIR (Senator Hutchins)—Is that No. 8?

Senator WILLIAMS—Yes, that is No. 8. Thanks, Chair. I get the hint.

Senator IAN MACDONALD—I have got a series of questions, sorry.

ACTING CHAIR—Senator Macdonald.

Senator IAN MACDONALD—I would not want to curtail Senator Williams.

Senator WILLIAMS—No, I have got through most of mine. Thanks.

Senator IAN MACDONALD—Could someone correct me if these questions have been asked. I know what Senator Williams has been talking about is in this area, but have Tasmania and Northern Territory agreed to adopt the heavy vehicle driver fatigue laws?

Ms Riggs—Senator Williams has in fact asked that question already.

Senator IAN MACDONALD—Has he? Have you asked all of these questions, John?

Senator WILLIAMS—Yes, I have asked most of them.

Senator Carr—Yes, you have got to get the script right here.

Senator IAN MACDONALD—There is no script.

Senator Carr—No. Obviously not.

Senator IAN MACDONALD—These are from the—

Senator Carr—That would require a degree of organisation.

Senator WILLIAMS—I am sure, Minister, that when you were in opposition and you were over at the Senate you never got anything from the shadows to ask any question. Would that be true?

ACTING CHAIR—Order! Come on, a lot of those questions were from the shadow minister.

Senator IAN MACDONALD—I have asked some. I am sorry; I was not here.

Senator Carr—Thanks for telling us that I am the shadow minister, too.

ACTING CHAIR—Senator Macdonald, do you have any other questions?

Senator IAN MACDONALD—I do. You told me in answer to a question, number ISTP 11, in questions on the government's regulatory impact statement, that work is currently underway to define the details of financial model and service delivery arrangements between host jurisdictions and possible delivery arrangements through existing institutions. Is that still the case? Is that answer still current?

Ms Riggs—Yes, I do have it. Yes, it is still the case that those details are still being worked through.

Senator IAN MACDONALD—When was this answer was provided? Do you know?

Ms Riggs—Sorry, Senator, when it was provided to the committee?

Senator IAN MACDONALD—No, when you provided it to the minister. What I want to know is how current it is.

Ms Riggs—It was provided to the minister within the time frame set by our internal portfolio management of these. I am sorry; I do not have that date with me.

Senator IAN MACDONALD—No, but it would have been July some time, wouldn't it?

Ms Riggs—I think that is right.

Senator IAN MACDONALD—Has there been any advance in that work since July?

Ms Riggs—Yes, there has. There is project work underway in relation to each of these specific questions, but we do not have definitive answers, except in relation, perhaps, to the notion of employer. The model that is being contemplated is that the head office of the National Heavy Vehicle Regulator will be in Queensland. It will be created by Queensland law and so those people will be employed as employees of the state of Queensland. But many other staff who currently work for other jurisdictions—road transport agencies, if I can use that term generically—will almost certainly be undertaking functions on behalf of the Heavy Vehicle Regulator in the future.

Senator IAN MACDONALD—Thanks for that. Can I refer you to your answer to question ISTP 08, in which I asked you about the differences between Victoria and New South Wales and a farmer crossing the border. It can have a three-metre width in Victoria and 2.83 metres in New South Wales. I asked if that was true and your answers were, 'Yes,' and, 'Yes.' Is that situation being addressed and when is there likely to be some resolution?

Ms Riggs—Senator, I would hope that on 1 January 2013 there will be a national heavy vehicle regulator responsible for administering a single national heavy vehicle law, and while I do not know which of those outcomes—or indeed even a third outcome might be the case in respect of width—the intention is that there be one nationally agreed width for such product being carried on such a vehicle.

Senator IAN MACDONALD—Until 1 July 2013 people just put up with that situation? There is no interim arrangement between governments that something that is as clearly ludicrous as that cannot be resolved at an interim—

Mr Mrdak—Senator, I think your question highlights exactly why we are trying to do the national regulator for those very reasons.

Senator IAN MACDONALD—Yes.

Mr Mrdak—One of the real issues is how entrenched the positions of respective jurisdictions are on some of these regulatory differences. And to cut to the quick, I think the work that we are doing is highlighting how in many cases these restrictions do not make sense. But that is not to say that there is a disposition on some jurisdictions' part to change those until we get to 2013. In fact, the work we are doing, particularly from the expert panel, which is trying to get some consistency on some of the core questions like fatigue, is finding a great deal of reluctance on the part of some jurisdictions to change their arrangements. I would be less than honest if I was to suggest that we are going to see a breakthrough on the head of the national regulator given—

Senator IAN MACDONALD—There is no breakthrough?

Mr Mrdak—My view is—

Senator IAN MACDONALD—I just did not hear what you said.

Mr Mrdak—Sorry. I was saying I would be less than honest if I was to say that I think there will be a breakthrough on some of these regulatory differences before we move to a national regulator, given the entrenched position of at least one or two jurisdictions at the moment.

Senator IAN MACDONALD—Is it possible to share with us that little example on what Victoria allows, three metres, but literally across the river it is thought that only 2.83 metres is safe. Is there—

Mr Mrdak—It is principally an issue of the New South Wales RTA's views of the condition of its roads—the width to which they have put in place shoulders in a number of those crossings, areas close to the border and what they believe is the load capacity of a number of those roads, as well as width in terms of bridges and pavement strength. It is very much a strong operational view of the New South Wales RTA, in my experience, that that is the regulatory environment which their systems can cope with.

Senator IAN MACDONALD—Are you able to tell me the difference between New South Wales and Queensland in allowable width?

Mr Mrdak—I would have to come back to you, Senator, if that is okay. I do not have that with me.

Senator IAN MACDONALD—If you allowed for Queensland roads, then the width would probably be one metre. If that is the reason for Victoria and New South Wales being unable to reach an agreement and if that is the rationale and there is some justification for it, it would seem that if we do get a national standard it will be standard, but the width in cases like that would be minimal because very few of the other states would have roads of the same standard as New South Wales and, certainly, Victoria.

Mr Mrdak—To some degree it reflects a judgment on behalf of regulators in some jurisdictions about what they regard as a safe tolerance and their appetite for risk in their view, and I think they are the sorts of issues we need to deal with. We certainly believe that the national regulator reform is, I think, the best way to try and get a nationally consistent approach.

Senator IAN MACDONALD—All right. Thanks for that. I think that just about does me on that, thank you.

[3.45 pm]

Australian Maritime Safety Authority

ACTING CHAIR—Thank you very much. Now can we have AMSA, please.

Senator WILLIAMS—Who is the expert from AMSA? I am looking at the names.

Ms O'Connell—Mr Graham Peachey is the CEO of AMSA.

Senator WILLIAMS—Mr Peachey, how are you?

Mr Peachey—Good thank you, Senator.

Senator WILLIAMS—Who is the current chair of AMSA?

Mr Peachey—Leo Zussino is the chair.

Senator WILLIAMS—On whose nomination was he appointed?

Mr Peachey—Senator, we are not part of that. That is not a matter for AMSA management to get involved in.

Senator WILLIAMS—Do you know what his qualifications—

Senator IAN MACDONALD—That is a question for the minister or the secretary.

Senator WILLIAMS—Minister, do you know who nominated Mr Zussino as the chairman of AMSA?

Mr Mrdak—Senator, this morning in answer to questions from Senator Colbeck I undertook to see if I had any further information in relation to his nomination process. The appointment was made by the Australian government in November 2008.

Senator WILLIAMS—Namely the minister?

Mr Mrdak—Yes. The minister—

Senator WILLIAMS—Do you know who was minister at the time?

Mr Mrdak—Minister Albanese.

Senator WILLIAMS—Minister Albanese made the appointment.

Mr Mrdak—That is consistent with the normal practice for how appointments to boards are made. It went through the process of the minister and then the cabinet.

Senator WILLIAMS—You say it is consistent. Do they actually advertise a position to the public?

Mr Mrdak—No, Senator. The process of successive governments has been that potential nominees for board appointments are identified. The ministers then make a recommendation to their colleagues in the cabinet and then those appointments are signed off at a cabinet level before they are provided to the Governor-General and executive council for statutory appointment.

Senator WILLIAMS—Right. We have got Mr Zussino—is that how you pronounce it?

Mr Mrdak—Yes.

Senator WILLIAMS—He is the Chair of AMSA. He is also the CEO of the Gladstone Ports Corporation. Are you aware of that?

Senator Carr—Senator, I do not want to inhibit your line of inquiry, but these matters have been dealt with at some length this morning.

Senator WILLIAMS—I was talking to the secretary and they said, ‘Will you please raise these issues. Senator Colbeck raised these this morning and bring them up this afternoon.’ Is that correct? Do you know, Chair?

ACTING CHAIR—I was not here, but from just speaking to the secretary, the—

Senator WILLIAMS—The secretariat are shaking their heads saying they do not know.

ACTING CHAIR—A number of these questions, as I understand, were put this morning.

Senator WILLIAMS—Yes. We just raise the point about the appointment of the chair of AMSA—that he is also the CEO of Gladstone Ports Corporation. Is this not a conflict of interest?

Senator Carr—These questions were pursued this morning.

Senator WILLIAMS—I was not here this morning, sorry.

Senator Carr—Yes.

Senator WILLIAMS—That means do not answer them now, does it?

Senator IAN MACDONALD—This is the appropriate place. This is Australian Maritime Safety Authority, yes.

ACTING CHAIR—Senator Williams, do you want to pursue that now? What about Senator Macdonald’s—

Senator WILLIAMS—I will just ask one more question. The secretary has just informed me that these questions were asked this morning and they said that, if there was an incident in the port of Gladstone, that should be raised now. In 2006, the *Global Peace*, a ship, had its hull and fuel tank punctured in an accident with a tug. In more recent times we have seen the *Shen Neng 1*, which ran aground on the Barrier Reef. If Mr Zussino is in this position of CEO of the Gladstone Ports Corporation and Chair of AMSA and there is an incident like an oil

leak, fuel leak or whatever in the port at Gladstone, what hat does he put on first? What decision does he make? Does AMSA come first or does his Gladstone port come first? This is where the conflict is. Mr Peachey may be able to answer that.

Mr Peachey—In the *Shen Neng* case, the chairman recognised the potential conflict of interest and he initiated discussion on that and he actually stepped aside during that time. The issue for us—and we take governance and all of that terribly seriously, particularly potential conflicts of interest—is whether we have the appropriate arrangements in place to ensure that the board is protected should this occur. The fact is that this board, and probably many others, draws on expertise from all sorts of areas. To have a well-informed and very engaged board, you require that sort of expertise around the table. In this case, we were satisfied that there was a potential conflict. The vessel, as it turns out, did not actually go into Gladstone. But he saw a potential conflict, notified his colleagues on the board that there was a potential conflict, and stepped aside.

Senator WILLIAMS—That satisfies my question. Thank you.

Senator IAN MACDONALD—In the questions you had this morning—I was not here—did you take on notice the rationale for the appointment of someone who could have a conflict of interest to this position?

ACTING CHAIR—I am not sure that is a question the CEO can answer.

Senator IAN MACDONALD—No. I am talking to Mr Mrdak and Senator Carr.

Senator Carr—There are rules that govern conflict of interest. There were the rules that were in place when you were a minister. I have no doubt they were the rules in place when you made recommendations to the cabinet or through the various processes of government for appointments. They have not changed.

Senator IAN MACDONALD—I am not talking about people's political affiliation.

Senator Carr—This is not about politics. This is a straight question regarding the process by which this department and the government deal with even perceptions of conflicts of interest. The officers have explained what has happened in this particular circumstance. That is consistent with the practice across the government. It is consistent with the practice, as I understand it, that has been established protocol in the Commonwealth of Australia for a very, very long time.

Senator IAN MACDONALD—This particular appointment—as I say, forgetting political affiliations—does have this possibility of conflict between Mr Zussino's role in Gladstone and his role as chair of the Maritime Safety Authority. I am just wondering—you can give me the answer now, but I suspect you will have to take it on notice—if you could tell me if this was considered before the appointment was made and, if so, what was the result of that consideration?

Senator Carr—I presume that these questions were considered. However, I will take it on notice and we will just double-check the situation.

Senator IAN MACDONALD—Thank you for that. A publication of the Maritime Safety Authority from June 2010 says that maritime reform is intended to replace the eight different administrations regulating commercial vessel safety in Australian waters with one national

maritime safety regulatory system for all commercial vessels. Whereabouts is that? Can you tell me? Is that yours, or perhaps Mr Mrdak's? Anyway, where are we at as far as that reform is progressing?

Mr Mrdak—Perhaps I will start and then Mr Peachey may wish to add some more detail. Along with heavy vehicles and rail, this is one of the COAG reform agendas, which is to move to a single national regulator by 2013. In this situation, AMSA will become the national regulator of all commercial vessels operating in Australian waters. Where it is at, at the moment, is that we are currently finalising the draft intergovernmental agreement for COAG consideration. Our intention was that that would have been considered, but with the caretaker government and the like there has obviously been a rescheduling of the COAG processes. Our intention is to take that to the next possible meeting of COAG senior officials, with a view to settling the intergovernmental agreement. At the same time, Australian Transport Council ministers, at their meeting on 24 September, considered detailed progress reports, and there is a range of work now happening, which Mr Peachey may want to talk about, in relation to legislation, mechanisms for cost recovery and the way in which AMSA will operate in this role. So there is a range of work now happening in the lead-up to that 2013 period which Mr Peachey might want to provide some more detail on.

Senator IAN MACDONALD—Yes. I am not sure that I need to go into that. My real question was: have all of the states and territories, in principle, agreed to this, subject to sorting out the detail and the legislation?

Mr Mrdak—Yes, they have. Last year, COAG agreed that they would move to a single maritime regulator, and that would be AMSA.

Senator IAN MACDONALD—This will require a rewrite of the Navigation Act 1912; is that correct?

Mr Peachey—That is right.

Senator IAN MACDONALD—How far advanced is that rewrite?

Mr Peachey—AMSA is working very closely with the department on that. We are the regulator, and the department is obviously taking policy carriage of that, but the work is well advanced. We are providing technical input into that sort of work. But there have been discussions across government. We are looking at the timetables, and consultation is underway. The department, as I understand it, put out a consultation paper only recently on the rewrite of the Navigation Act, and we are looking at those comments at the moment.

Senator IAN MACDONALD—Thank you for that. Could I just return to the question I raised with you some time ago at estimates about the coastal piloting services in the Torres Strait and Great Barrier Reef. Where is that at?

Mr Peachey—We are consulting with all the relevant people on a revised marine order governing coastal pilotage arrangements. A draft marine order is in progress and it is pretty well advanced at this stage. We are up to a stage where we are going very carefully through it internally before it goes out for further consultation.

Senator Carr—How much have you got to go, Senator Macdonald?

Senator IAN MACDONALD—It is just this particular issue, which I will be very short on.

Senator Carr—Thank you.

Senator IAN MACDONALD—We spoke about this almost a year ago, wasn't it? I do not have the details in front of me, but I thought there was to be some resolution within a year. Have I got that right?

Mr Peachey—We did a review some time ago. It is probably that year you are talking about. We had a discussion paper out about the future of pilotage in that area. We engaged with an expert group to give us advice on that. Their view was that, as an initial step, we should look at our marine order to see whether we can actually strengthen it and, over time, come back and test whether or not we have. That is what we are doing at the moment. As you would understand, this is a particularly sensitive area of the world for us, and we are doing our best to make sure that whatever arrangements are in place protect that sort of pristine environment. So it will take time, and we are doing a very thorough job at it.

Senator IAN MACDONALD—Do you have any feel for a resolution?

Mr Peachey—I do.

Senator IAN MACDONALD—A timeline for a resolution, I mean.

Mr Peachey—The plan is to have it hopefully in force early next year.

Senator IAN MACDONALD—Okay.

Mr Peachey—This is just not an arrangement saying there should be a pilot on a vessel. There are some details that we are covering with, and it might be instructive if I just touch on a couple of them so you get a better understanding rather than leave you with the impression that—

Senator IAN MACDONALD—As long as we do not overstay the indulgence of the chair.

ACTING CHAIR—Of course, it is not just me.

Senator IAN MACDONALD—Yes.

Mr Peachey—What we are looking at is a greater emphasis on safety management systems within the area. We are looking at an introduction of a point system for pilotage, similar to the car arrangements on the highway. We are looking at requiring the pilot boat or the pilot helicopter to report that a coastal pilot has boarded or disembarked the vessel, so there is a greater emphasis on reporting. We are requiring pilots to be briefed on safety procedures. We are looking at ensuring pilots and boat crews are involved in the development of the safety management system, so there is full collaboration between both parts. We are looking at ways of ensuring that any incidents are reported in a timely manner within 24 hours.

We are looking at ensuring that deficiencies or near misses be reported and updated regularly. We are putting a greater emphasis on fatigue and risk management in the process. We are looking at greater responsibilities on the pilot providers themselves. So what we are looking at involves not only the pilot but also the management of the whole pilot system, the

reporting of incidents and the analysis that would follow that up. So it is quite a comprehensive package that we are putting together.

Senator IAN MACDONALD—Yes. I was conscious of some of the sensitivities, but you do expect that you will have it resolved by the end of this year?

Mr Peachey—We are going out to consult, and then we will bring it in next year is the plan, yes. The first half of next is the deadline we set ourselves.

Senator IAN MACDONALD—Okay. Thanks for that. And that is all I have. Hardly worth bringing you down.

ACTING CHAIR—Thank you, gentlemen.

Proceedings suspended from 4.02 pm to 4.19 pm

ACTING CHAIR—Gentlemen, are we ready to start? We will recommence. I understand Senator Heffernan and Senator Macdonald have questions. We are on to policy and research.

Senator HEFFERNAN—Thanks very much—policy and research. Does the department believe the projected volumes of rail traffic make the railway a commercially or economically viable project—the proposed inland railway?

Mr Mrdak—Senator, we have been involved with this for a number of years. We headed a study up in about 2005-06, and then more recently, the Australian Rail Track Corporation has done a lot of work. I think both of those pieces of work have indicated that over the course of beyond the next decade, then the volumes will be there and that it will become an economically viable option into the longer term, and hence the Australian government's decision to start to fund some of the corridor acquisition and the planning work. So in the election commitment the government committed \$300 million beyond 2014-15 to start some of the corridor acquisition for the inland rail.

Senator HEFFERNAN—So the current work to infrastructure by the bureau is already underway?

Mr Mrdak—The work was done by Australian Rail Track Corporation, but certainly the projections that are there are probably the most robust that anyone has produced thus far—

Senator HEFFERNAN—Do you have a paper trail on that that you could table?

Mr Mrdak—Yes, we could certainly provide the most recent report.

Ms O'Connell—In fact, the inland rail study report is on the department's website.

Senator HEFFERNAN—Has BITRE conducted any cost analysis or assessment of the infrastructure required to support enhancement of Australia's freight and transport networks?

Dr Dolman—Senator, we have not done any direct work looking at the question you have raised. We have done forecasts of growth of the freight task, and a range of related questions, but we have not directly looked at the infrastructure investment required.

Senator HEFFERNAN—So what, if any, involvement have BITRE had with Infrastructure Australia?

Ms O'Connell—At times I think the Infrastructure Australia work and analysis does rely on some of the data, statistics and information that has been provided by the bureau. As Mr

Dolman said, there is a freight forecast that is produced by the bureau, and I think that work informs Infrastructure Australia's work on things like the National Freight Strategy.

Senator HEFFERNAN—Just to jump to another subject briefly, when will the northern railway line become viable, the Darwin to Alice Springs link?

Mr Mrdak—I have not looked more recently at the financial position of the company, to be honest, Senator. It has recently gone through a process of sale. I just have not looked at the current operations of the company, to be honest.

Senator HEFFERNAN—What are BITRE's current projections of the costs of road, rail and port congestion on the Australian economy?

Ms O'Connell—The bureau has done some work on congestion modelling, and I will ask Mr Dolman to speak to that work.

Dr Dolman—The work that we have done relates specifically to road congestion. The work is a few years old now, but essentially we were suggesting that avoidable road congestion costs the Australian economy of the order of \$10 billion, growing to some \$20 billion over the next 10 years.

Senator HEFFERNAN—So given—it makes great TV footage; it is like a helicopter putting out a fire, but it does not actually put out the fire—those shots you see of all the ships waiting to be loaded off the various ports with coal and whatever, do you build into your assumptions the demurrage costs?

Dr Dolman—We have not looked specifically at port congestion. We do look at container port issues and productivity in our water line series, and we are looking to expand that into the bulk ports, including the coal ports, and we are looking at establishing a set of indicators. At the moment we are not reporting on that. We are in the process of negotiations, including with Ports Australia.

Senator HEFFERNAN—Is that because by and large governments like to see private capital build those infrastructure and therefore they are the ones that have got to beware of the cost-benefit analysis of doing it? Do you need to have government-owned ports?

Dr Dolman—The majority of bulk ports do involve private investment in Australia. At the extreme, I guess in the Pilbara the iron ore exports are largely using private infrastructure. It gets more complex, the arrangements, in some of the coal export ports where the infrastructure is often provided by the state government, but there is considerable private investment in those as well.

Senator HEFFERNAN—So you could see the sense in Rio and BHP wanting to share infrastructure, as it were, to make more use of it, a bit like the merging of a local municipal council and a shire council with the use of a grader, you get more out of it?

Mr Mrdak—Certainly, both Rio and BHP, in their recent look at sharing infrastructure, now they have moved away from their joint venture, they are still looking at doing a lot of infrastructure sharing. As Dr Dolman said, if you look at some of the development in the Pilbara, it does seem to make some sense for them to be able to share infrastructure. Particularly given the large cost of expanding port facilities, there would seem to be some

benefit for them to be able to share infrastructure and facilities, and the issue then becomes what other access do other miners get to those facilities in terms of common use facilities.

Senator HEFFERNAN—So have you priced or do you have figures on what are the infrastructure cost projections for the needs of regional and local governments over the next five years?

Mr Mrdak—No, we have not done that analysis.

Senator HEFFERNAN—As an old worn-out shire president, I am well aware that we had a lot of bridges we could not afford to fix because not enough people drove over the bridges.

Mr Mrdak—There certainly has been analysis done by people such as the Local Government Association, but we have not specifically done any research into those areas.

Senator HEFFERNAN—What work in regards to the regional development has BITRE performed recently?

Dr Dolman—The bureau, with the change of arrangements with the establishment of the new Department of Regional Development, is continuing to do research into regional issues. We are establishing a cooperative working relationship with the new department. We are currently working on three or four major projects in this area. We are producing a web page which provides a set of indicators on the performance of regions. It is called the Information on Regional Australia web page. That should be available early next calendar year. We are doing work on population movement trends within regional Australia and between regional Australia and cities, and we are continuing our work on small area performance, looking at economic growth in regions across Australia. They are the main projects that we are working on at the moment.

Senator HEFFERNAN—You say you are working on several projects. They are not specific, like not that road to Bullamakanka over there, it is just a generic snapshot of different areas.

Dr Dolman—That is correct. The majority of the bureau's work has been looking at Australia-wide, rather than focusing on a particular region.

Senator HEFFERNAN—I am sure that Senator Macdonald would be interested, obviously with the science that is out there, which is going to be put on the public record in the next few weeks, I understand, on the changes to weather patterns, et cetera, and the opportunities of developing mosaic developments in the north, that you will be pretty busy if Australia has got any brains and learns to work with mother nature instead of against it. What work in regards to regional development has the bureau been asked to do in the last three years by the government?

Dr Dolman—The bureau is not specifically commissioned to do particular pieces of work. We obviously work with ministers and the rest of the department. Largely the bureau's role is to support the rest of the department in its work analysis and now to support the work of the Department of Regional Development as well. So we develop a plan of research and a set of advice that is likely to come up, based on our discussions largely with the other parts of the department.

Ms O'Connell—The bureau does publish its reports and findings and makes them publicly available. If you are interested, we can provide you with a link to the published reports and information in relation to regional Australia over the last couple of years.

Senator HEFFERNAN—I am sure that would be handy for the committee. So at the moment, with regards to regional development, there are some specific jobs you are doing.

Dr Dolman—Yes, those three, in particular, that I spoke of: the looking at establishing regional indicators, the population and looking at economic performance of regions.

Senator HEFFERNAN—So this is stuff you cannot touch and feel, though, population growth. Given the turmoil in recent days for the Murray-Darling Basin and the projections of 800 jobs at the end of the tunnel generically because a town might get shut down, but those people go off and get a job in a coalmine or something, at the end of the day they say—which is only a guess, I can assure you, no-one really knows the answer—there will be job losses. How do you assess population movements?

Dr Dolman—The work that we are doing is looking at a range of trends that have occurred, looking at population data that is available from a range of sources: the Australian Bureau of Statistics, the health department has some data, also some data from states as well. So we are looking at the trends that are occurring, and so that includes things like gradual movement from some areas of regional Australia, increased movement to larger centres rather than some of the smaller centres.

Senator HEFFERNAN—So are you in a position to provide to the committee some of that work or some of your guesstimates?

Dr Dolman—The intention is to publish that report once it is completed, as most of the bureau's work is, and we will be putting that up on our website once it is complete.

Senator HEFFERNAN—So in your work—I mean, I can recall and I am sure the minister would be interested, when Peter Abeles talked about a very fast train to Melbourne, he wanted to go down through the snowfields and pick up the Skitube. And the people in Goulburn got quite excited about the opportunity for growth of Goulburn from 40,000 to 140,000. The one big thing they did not think about was the water supply. I was the shire president at the time and I conned a few people down in the Gippsland to put on a blue—some greenies—so that we got the people who were doing the in-depth study of the ski route down the coast to have a look at the inland route, which would come up west of Albury and back up through the back of Canberra and away it went, because of the better opportunity in places in like Albury and Wagga, et cetera for population growth because of a good water supply. Obviously one of the challenges for population movement and the projected 1½ million people that are going to South-east Queensland in the next 20 years is the water supply. Do you take into consideration in considering population movements secure water?

Dr Dolman—Not directly. I guess the work we are doing is really to inform those sorts of decision, so that you can see the likely future trends of population growth based on current trends, and which informs the issues of infrastructure support required to be able to address issues like being able to provide them with water, being able to provide adequate transport.

Senator HEFFERNAN—So you have not been specific. For instance, the Argyle Dam holds 10,000 gigs, which is more than the major storages put together, in the Murray-Darling Basin. And obviously the biggest storage in Australia is on the Gordon River in Tasmania—12,450 gigs. But with the growth of, for instance, the potential of Kununurra and the Ord scheme, which at the present time is 14,000 hectares with 340 gigs of water being used, and most of the water in the dam allocated to the hydro, and the potential of the order of 40,000 hectares and the potential for Kununurra to grow from 5,000 people to 50,000, do you bother to figure any of that in population growth? Do you get into enough detail to be able to figure out what Australia is going to look like by 2050 or 2080? Do you go out that far?

Dr Dolman—We do not normally go out that far.

Senator HEFFERNAN—But do you only think past the next election cycle or the next government's command, or do you look where are we going to be in 2050, and not any particular government, by the way? I mean, we really need to have a 50 year snapshot of this stuff.

Dr Dolman—No, we do try and look at the long-term trends, in particular in our work in transport. We look at transport demand usually, at the moment, out to 2030, so we are trying to take that longer term trend that allows for the longer term planning. In terms of the northern Australia one, we did bring together a compendium of information on northern Australia about 12 months ago.

Senator HEFFERNAN—And did that inform the task force?

Dr Dolman—Yes, it was just one of the inputs that went into the task force.

Senator HEFFERNAN—That more or less drove into a fog, the task force. What will be the role of BITRE in the government's announced Regional Development Policy Centre, as agreed with Messrs Windsor and Mr Oakeshott? What will that role be?

Mr Williamson—The details, as I understand it, of that policy centre are still being settled with the Minister for Regional Australia. BITRE has not been asked to have a specific role as yet, but we may be.

Senator HEFFERNAN—Can I just give you a little bit of free advice?

Mr Williamson—Yes.

Senator HEFFERNAN—If the science on the decline in the run-off in the southern parts of Australia is 40 per cent right—all science has vagary; it might only be 10 per cent right, it might be 90 per cent right—if it is between 40 and 50 per cent right, we are actually going to have to reconfigure the way we have settled and do business in rural and regional Australia. So will you be taking some of that, looking at that science and saying, 'Well, if this is 15 per cent right, this is what we might have to do'? Are you thoughtful enough to do that sort of stuff?

Ms O'Connell—Responsibility for policy issues around regional Australia has moved to the new portfolio of Regional Australia, Regional Development and Local Government. BITRE's role is to provide supporting actual data analysis and research information, based on being, if you like, requested or commissioned. At this point, I think Dr Dolman has outlined

they are not doing any location-specific work. It is yet to be seen whether Regional Australia will ask for any of that work to be done by the bureau.

Senator IAN MACDONALD—Can I just butt in there and just clarify. With the change in portfolios, you as a bureau are still situated within this department.

Dr Dolman—That is right.

Senator IAN MACDONALD—What is the role with the other department? Are they going to pay you for your work or how do they commission work?

Mr Mrdak—At this stage, what I have agreed with the Acting Secretary of the Regional Australia Department is we will retain all of the research capability within the bureau, rather than split it out. It is a relatively small number of people who are dedicated under regional research. The arrangements of how we will commission work and cost recovery are things we will have to settle. As I said, there is a range of things. We are just doing shared services at the moment because it is the easiest way to get the new department up and running. We have not gone to that level of detail yet. But I think the two departments will continue to work pretty closely together, including in the research tasks.

Senator IAN MACDONALD—Perhaps you will not be able to answer this, Mr Mrdak. I do not think you will. Were you consulted before the departments were rearranged? Perhaps it is not a fair question.

Mr Mrdak—It is not a fair question. It is a matter for government.

Senator IAN MACDONALD—It was really whether these sorts of things were pointed out.

Senator Carr—It is not standard practice.

Senator IAN MACDONALD—Say no more. Senator Heffernan, I just wondered where the bureau sat with the new department.

Senator HEFFERNAN—So does BITRE believe the Regional Development Policy Centre will be undertaking work that it would have otherwise performed? Are they going to take work off you?

Mr Mrdak—Not that we are aware of, Senator, no.

Senator HEFFERNAN—How does BITRE assess the state of data on regional Australia at the moment? I mean, how informed and up to date are you? What are the significant gaps you see in the data and what is the government doing to fill the gaps?

Dr Dolman—The work of the bureau, I think, since it took on the regional responsibility has been aimed at trying to fill some of those gaps. So we have done systematic collection and collation of data across a range of areas, looking at issues such as income distribution, economic growth in regions, accumulation of wealth in regions and the type of employment that occurs in regions. So we have been developing that underpinning data that allows us to answer questions as they are asked about a whole range of regional issues, including the sorts of questions you have been asking us. So there has been a build-up of data. Some of that the bureau continues to collect. Some of it, like the wealth information, the Australian Bureau of Statistics has seen the value of and they have actually taken over the collection of that data.

So we are building the data sets that allow for better analysis of regional issues and, as I mentioned earlier, we are also developing a set of indicators that will be made public so that people can see how regions are performing, one relative to the other.

Senator HEFFERNAN—Are you only as good, though, in your research and report as the baseline that you are given? Today—or last night, was it?—ABARE were given some work to do on the Murray-Darling Basin, and it took a while but we got out of them what were the ground rules on which they were instructed to give the work, and they were instructed to give an analysis based on a three per cent loss in water and an extraction of 12,300 gigs out of 23,400, and yet the science is saying we are going to lose a minimum of 3,500 by 2050 and possibly up to 11,000 gigs, which will completely alter what is happening in rural and regional Australia in the Murray-Darling Basin, which is 6.2 per cent of Australia's run-off, with 38 per cent of the run-off coming from two per cent of the landscape just down the back here.

Is there a weakness in the system that you are not allowed to venture beyond a standard set of instructions from whoever is telling you to do the research? I am talking about the long-term settlement of rural and regional Australia, with the huge market, with two-thirds of the world's population living in Asia, with the global food task doubling, with 1.6 billion people on the planet possibly displaced by 2050, half the world's population poor for water and a billion people unable to feed themselves on the planet by 2050. Are you allowed to look at that big picture and say, 'This is where Mother Nature or Australia could develop'?

The weather forecast is for declining rainfall in the south. The weather will move in an anti-clockwise direction, so south-east Queensland will dry out; south-west Queensland is going to get wetter. The weather is going to come down through more of the Kimberley, and some of the Kimberley might change from pastoral conditions to farmable conditions in places like the Gogo station area, the conjunction of the Margaret River and the Fitzroy River et cetera. Are you allowed to look at all those things and have a vision at all, or is just: 'Look, son; this is what we want you to look at and these are the guidelines and don't get beyond that'?

Senator Macdonald has portfolio responsibility on our side for the north. I know only too well, from the northern task force, that the CSIRO were given the study to do, which was flawed and a bucket of custard, as far as I am concerned, because they were told, in considering the resources of the north, that they were not allowed to consider storing the water or damming the water, because the three governments that partly funded the research—that is, the Western Australian government at the time, which has since changed, the Northern Territory government and the Queensland government—had a policy of no new storages for water, which is crazy. There are lots of ways to store water.

ACTING CHAIR—Senator Heffernan, I wonder if you could get to your question.

Senator HEFFERNAN—There is a question.

ACTING CHAIR—So they can either answer yes or no.

Senator HEFFERNAN—Are you allowed to have a vision or do you just have this sterile zone in which you are allowed to produce your work? Australia needs a vision. We are hoping that you have got a vision.

Ms O'Connell—I think many of the topics that you have outlined there—water, climate, weather patterns—are outside the responsibilities of the portfolio and therefore outside the responsibilities of the bureau within the portfolio.

Senator HEFFERNAN—That is fair enough, but could it be seen—and am sure the minister is interested—could it be seen as a flaw, though? If we are going to study population growth, we have actually got to study natural resource movement.

Senator Carr—I do not think anyone here doubts your interest in the topic or concern for the issues that you have raised. The difficulty that the officers have is that they do not have administrative responsibility for the things you are asking. These are questions perhaps better suited to the chamber, rather than this particular estimates committee.

Senator HEFFERNAN—Yes. This is a very interesting topic. I can remember, Senator Macdonald, when we were appointed to the northern taskforce the Prime Minister rang and said, 'What does all this mean?' I said, 'It means trying to figure out what Australia is going to look like in 80 years time and whether we will need a railway line that goes from Townsville and picks up the north-south railway line and ends up with a new deep-sea port out in the Kimberley there somewhere.' The Wyndham port, as you know, is a barge port. It is hopeless. So there are all sorts of opportunities—

ACTING CHAIR—Thank you, Senator.

Senator HEFFERNAN—for population growth. Kununurra, in my view—

ACTING CHAIR—Senator!

Senator HEFFERNAN—should be 50,000 people in another 15 or 20 years.

ACTING CHAIR—It may well be there. Senator Macdonald, do you have an opening statement!

Senator IAN MACDONALD—No, but thank heavens we have visionaries like Senator Heffernan around to keep us away from the mundane, narrow issues. Just following on from an issue Senator Heffernan raised, did I hear you right as saying that the bureau has never, ever done any work on those literally hundreds of huge ships you see sitting off the Queensland coast? Has that never been the subject of any inquiry of yours?

Dr Dolman—We have provided advice within the department on that issue.

Senator IAN MACDONALD—You have? I am sorry; I thought you said before that you had not done.

Mr Mrdak—I think Dr Dolman said that they have not done any dedicated published research in relation to those issues, but certainly there have been a number of studies under the previous government and more recently in relation to looking at those issues of the demurrage and what the issues are for the resources sector export, and we have contributed pieces of work to that.

Senator IAN MACDONALD—Understanding that advice to ministers is not something you can share with us, is there anything in the work that you have done on that subject that could be shared with us and the public at large?

Dr Dolman—As I mentioned earlier, we are looking to develop a set of performance indicators for our bulk ports, which will be published as part of the *Waterline* series. So it will be publicly available information about how well those ports are performing, including, we expect, information on the length of ship queues, where that is relevant.

Senator IAN MACDONALD—What are the time parameters for that work, very approximately? I will not hold you to it.

Dr Dolman—We are currently working on it. We hope to be able to start publishing it within the next 12 months.

Senator IAN MACDONALD—Just coming back to your constitution, you are effectively a unit within the department, but your major research projects are as directed by either the minister or the secretary or one through the other. Is that correct? Or do you initiate research on your own account?

Dr Dolman—Our research program is approved by the secretary, yes. In developing that, we make suggestions about—

Senator IAN MACDONALD—You suggest to the secretary what you might usefully do and the secretary approves or otherwise?

Dr Dolman—Yes, and other parts of the department make suggestions to us about what we should be doing.

Senator IAN MACDONALD—To you, and coming down from the minister as well. If the parliament asked you to do some work—perhaps I should ask Mr Mrdak—would find favour within the department? For example, parliament might resolve to ask the bureau to take advantage of its expertise in doing a work on, for example, the ships lying off the Queensland coast—but you would not do that because you are already doing it, you tell us.

Mr Mrdak—It would be a matter, at the end of the day, for the minister and, obviously, I would have to balance what resourcing was available to the bureau to undertake some tasks, but that would be something we would look at.

Senator IAN MACDONALD—Before I became involved more intimately I always thought the bureau was a semiautonomous group with a very good reputation, but I find it is just really a section of your department.

Mr Mrdak—You are absolutely right. It is a very good group and a very, very good research body. I think it is the premier transport research body in the country that does applied economic research. But it is a unit within my department, yes.

Senator IAN MACDONALD—I mean, ABS has the perception of being more independent and more broadly community based rather than departmental based. Perhaps that is just a perception rather than a reality. But are you prepared to comment on any synergies or similarities or differences with ABARE?

Mr Mrdak—I do not have a good enough understanding of ABARE, to be honest, to give you an appraisal of it. I know the quality of the work that the bureau does and it is high quality, but I could not at all pass comment on ABARE and how it operates.

Mr Williamson—I was just going to point out, having come fairly recently from the agriculture portfolio, my observation is that the operation of what is now ABARE-BRS and what is BITRE are very similar. The major difference I would point out is size. Our bureau here is a relatively modestly sized organisation and I think, as you heard yesterday, ABARE-BRS is significantly larger.

Senator IAN MACDONALD—I am sure the secretary has taken your hint, Mr Williamson.

Mr Williamson—Oh, no. I was not suggesting anything. No. I was really just going to the volume of output.

Senator LUDLAM—While I was out of the room I am not sure whether Senator Macdonald actually got an answer to his question. If parliament resolves to refer a matter to ABARE or to you folks, for that matter, is it entirely at your discretion as to whether you take it up or not, or are you actually compelled to do so.

Mr Mrdak—Obviously, I would have a look at the request. At times, parliamentary inquiries have made recommendations in relation to research which the bureau or the department should undertake. Obviously, they are matters which governments then consider. If there were such a request from the parliament, that would be something that the minister would consider.

Senator IAN MACDONALD—They work on the direction of the government, Senator, we were told.

Senator LUDLAM—No. I am aware of that.

Senator IAN MACDONALD—So you would right now; if you want them to do something just give the direction along.

Senator LUDLAM—Oh, give it up. My questions are probably more in line with what Senator Heffernan was asking, but I just wanted to ask briefly—am I in the right place to ask about the high-speed rail study that was committed to.

Mr Mrdak—Yes.

Senator LUDLAM—Has anybody asked you about that so far today?

Mr Mrdak—No.

Senator LUDLAM—Then I am going to. Can you just tell us what is happening?

Mr Mrdak—As you are aware, the government has made a commitment to undertake a high-speed rail study. Draft terms of reference have been prepared and they are currently with the minister for his consideration.

Senator LUDLAM—That was quick. That is great. Who prepared the terms of reference?

Mr Mrdak—We did. The department.

Senator LUDLAM—You did in the department.

Mr Mrdak—That is correct.

Senator LUDLAM—And they are with the minister—that is with Minister Carr—that is with you, or with the department—

Mr Mrdak—No, with Minister Albanese. Minister Albanese has responsibility for these matters.

Senator LUDLAM—He is not here to ask how that is going. So he signs off on the terms of reference at some point. Is there a start and end date for the—what do I call it, a study, an inquiry, what?

Mr Mrdak—The commitment that has been entered into—and I think it is a commitment that has been entered into with the Australian Greens—is that a part of that work will be completed by June next year. We are yet to settle the exact terms of what will be completed by then. That is a matter for the minister.

Senator LUDLAM—This is an idea that has been under consideration for a long period of time, but one of the issues that has been raised over and over again is preservation of corridors if we may not resolve to build this thing some time soon, but at least we do not want to be building across the corridors and sterilising certain parts of the country from the project ever going ahead. Is there any coordinated planning process anywhere in the country that you folks are involved in or aware of that ensures that that does not happen while we are studying the concept, or is that all at a state and territory level?

Mr Mrdak—I think a key part of the work we are about to undertake with this high-speed rail study is to do just that. It is to look at what corridors may be available that are either developed or undeveloped that need to be protected should a decision be made to protect such corridors in the future for a high-speed rail study. I defer to Mr Williamson but I think the terms of reference that we propose do have a major focus on the issue of corridor preservation and protection.

Mr Williamson—That is right, and in fact the minister in several public statements has emphasized the focus of the study being particularly around those longer term corridor issues, and, in terms of interaction with state and territory governments, he has also stated that the study will involve close interaction with those governments on those sorts of issues. So it is very much, as we understand it, what the government has in mind.

Senator HEFFERNAN—To save reinventing the wheel, for this corridor—Sydney to Melbourne—the coastal route and the inland route were pegged out provisionally in the mid eighties. I actually still have all the records of that.

Senator LUDLAM—You might want to provide it to these folks.

Senator HEFFERNAN—There you go.

Senator LUDLAM—I am suggesting—

Senator HEFFERNAN—And dear old Sir Peter Abeles was being very cunning.

Senator LUDLAM—Let's move on. Who is actually going to lead the study? Will it be conducted externally or internally?

Mr Williamson—I think the minister has indicated that the department will manage the study but, again, also that it will draw on appropriate expertise from outside government,

from the private sector. The secretary said the minister is still settling the specific arrangements for the study so I probably cannot say much more than that.

Senator LUDLAM—Can we expect an announcement before the end of the year, or is that a bit ambitious?

Mr Williamson—I think the minister indicated the study would commence before the end of the year, yes.

Senator LUDLAM—We will just have to watch this space. These questions then go to some of the longer range issues that Senator Heffernan was raising about where this country might be in the near and the medium term. In particular, I wanted to ask about oil supply, and I know that it is something that you folks have quite a bit to do with. There was a *7.30 Report* not that long ago that made some pretty serious and strong claims about Australia's oil import bill doubling from about 600 billion or 300 million barrels of oil a year to \$30 billion or 500 million barrels of oil a year in the next five years. That is at odds with what I have been able to find from ABARE, and I know that is not you folks, but you deal with transport and fuel issues. First of all, are you familiar with the piece that I am referring to, and with those claims that have been in press?

Dr Dolman—I am not. Not the particular report that you are talking about but, more generally, we are aware of those issues. Yes.

Senator LUDLAM—We still do not have an energy white paper. I do not know who has dropped the ball on that but it does not exist. Are you folks involved, in any way at all, in informing or coordinating on that?

Mr Mrdak—No, that is a matter for the resources, energy, and tourism portfolio.

Senator LUDLAM—I thought you might say that. All right, you do not have any formal involvement in that. The piece that I am referring to did state that oil in Australia, conventional oil anyhow, has effectively peaked and it did that some time ago, and our import bill has been rising—that we currently import about 50 per cent of the oil that Australia consumes in an average year. In 20 years we will be importing 80 per cent, and that is going to have spectacular impacts on our balance of payments. Are you folks doing any research at all, or is there anything that you can point me to, into transport vulnerability or the impacts—what that would actually have, and ways of transitioning out of liquid fuels and oil, in particular? Is that at all within your domain?

Dr Dolman—There are a couple of pieces of work, I guess, that we are doing that is relevant to that, or maybe three. We do projections of the transport demand, and that is informed in part by oil issues. So, when we are looking at the projections of both passenger movement and freight movement across Australia, and on specific corridors, the models that we use do take into account the price of oil and the impact that is likely to have on demand—similarly, aircraft movements and air passenger movements.

Senator LUDLAM—That is interesting because that is at odds with what I understood. The work that you have done on freight recently, which I found very useful, that shows effectively between now and 2030 freight movements in terms of tonne kilometres will

double. You have based that approximate three per cent annual growth on your predicted three per cent annual growth in GDP roughly between now and 2030 or declining a little bit?

Dr Dolman—We are projecting growth above GDP growth which has been—

Senator LUDLAM—That is right; you are.

Dr Dolman—the trend, but we are actually projecting as well that it will slow compared with past trends.

Senator LUDLAM—Saturation, or whatever you have called it.

Dr Dolman—That is correct.

Senator LUDLAM—But we will have enough stuff by 2030 and we will be shipping less of it around. But my understanding is that the oil price variables that you imported into that model—just assume oil stays cheap out to 2030—you have just imported that wholesale from ABARE and there are no oil shocks in any of your freight projections, not even oil shocks, I should not say; there is not even really any material increase in oil prices.

Dr Dolman—As I said, the models that we have do enable that sort of analysis and I guess that what we have done in that report is to give our business as usual a most likely outcome, but we—

Senator LUDLAM—What makes you think business as usual is the most likely outcome, I guess is my question.

Dr Dolman—Sorry. The most likely future outcome is what we are expecting. We also find that both freight and passenger movements—cars on roads or aviation movement—are relatively unaffected by increases in prices in fuel. We have run a number of scenarios. They are sometimes not included in the report, and sometimes they are, but we look at a range of options, some of which are consistent with peak oil sorts of oil prices and others at the other end of the scale which are consistent with ABARE or International Energy Agency projections of oil price. We look at the range of options that are possible and usually, as I say, we provide an estimate based on our best estimate of a whole range of conditions that are likely to be going forward, and in most of our reports—in particular the most recent reports—we have started to include sensitivity analysis relating to those key parameters.

Senator LUDLAM—And do they provide researchers the ability to plug in different oil price assumptions to see what happens to the rest of your model?

Dr Dolman—Yes, they do.

Senator LUDLAM—Okay. Can the public do that or is that what your researchers are able to do?

Dr Dolman—At the moment that is what our researchers do.

Senator LUDLAM—I have found one particular paper—and maybe this is one of the ones you are referring to—the *Road and rail freight: competitors or complements?* published by you folks this year, to be a useful piece of work. The point about the fact that for oil prices around US\$100 per barrel road freight costs are above door-to-door rail freight costs across all Australian intercapital corridors—I think that is highly significant because we are going above the US\$100 a barrel mark at some stage into the future and yet we are still planning as

though road freight will stay cheaper than rail freight indefinitely. Do you have any comment on that or any other work that backs that up, or anywhere you can show me that would persuade us that the Australian government is paying attention to that fact, that rail freight is actually more economic than road freight above approximately that threshold?

Mr Mrdak—The short answer is yes. I think the Australian government has been very conscious of the need and, if you look at the investment program that governments have been undertaking in the national rail freight system, it acknowledges the need for a reinvigoration. The discussion we were having with Mr Marchant a little earlier of the national rail freight system—but having said that, you have also got to factor in that price alone is not necessarily the only determinant of a modal shift from road to rail. In fact, rail has been considerably cheaper on a number of corridors for some time. What has often driven the shift away and then back to road has been reliability, and in fact it has been the quality and reliability of the rail infrastructure and rail services which has been a much more important determinant than price as to modal shift.

I think the bureau's analysis highlights the price projections quite rightly and we have seen that, but certainly on the east coast where we saw spikes in fuel price and how that flowed through, what we also saw was companies moving to rail then moving back because of the reliability issues. In fact, that is where the focus has been, on investment, and if you look at our investment program under Nation Building it has got quite a strong focus through the ARTC but also through state governments on improving the reliability of rail, particularly through capital cities like Sydney. We have got a major investment program in the north; we have got northern Sydney, the north coast rail line improvements that the ARTC has been doing. That is where we have put a lot of focus because, until you get that right, price alone will not determine that modal shift because of the reliability and benefits that road can provide.

Senator LUDLAM—All right. I take that on board. That is helpful, although in your future projections out to 2030 you still assume that road freight is going to take up the bulk of the task. You do not seem to have assumed at any stage that oil price is going to go above \$100 a barrel and tip us into that slightly different pricing regime.

Mr Mrdak—The point Dr Dolman made about price sensitivity I think is very important and what is the real world experience of the elasticity.

Senator LUDLAM—But if you go out into the industry—you go and talk to local government or you talk to people in the industry—they are reading the document that says oil is going to stay cheap and freight task is going to double and most of it is going to go on road. It is excellent if the model gives you the flexibility to play with some different scenarios, but it is not what people are reading and it is not what they are planning for.

Mr Mrdak—I think the bureau's analysis remains probably the most robust analysis of the issues by anyone.

Senator LUDLAM—But is it correct—or let me put that in another way because we do not know what is going to happen in the near future. How well prepared is Australia right now for an oil shock that takes us above \$2-3 a litre?

Mr Mrdak—That is a matter of conjecture, Senator. I am not sure we can go into that.

Senator LUDLAM—So we do not know.

Mr Mrdak—No, what I am saying is it is a matter of conjecture at this point.

Senator LUDLAM—We are planning for oil to stay cheap indefinitely, is my point, and it is not going to.

Mr Mrdak—I do not think that is what we are saying at all.

Dr Dolman—As Mr Mrdak was saying, and the report that you are actually referring to makes the point that to some extent there is limited substitutability between road and rail because people have an expectation about how quickly things would be delivered. Even though rail might be cheaper with a higher oil price, it still does not make people make the decision to move to rail because of a whole range of other factors.

Senator LUDLAM—Yes.

Dr Dolman—We provided some advice in a question on notice to you which suggested that our middle point projection for oil price in 2020 would be over \$100 a barrel, so we are doing our projections and in fact that freight projection would be based on the mid-term price which we are estimating in 2020 to be US\$117 or thereabouts a barrel, and by 2030 we would expect it to be \$150-odd a barrel.

Senator LUDLAM—Okay, so those numbers you have fed me there and the ones that you returned as a question on notice, are they the same numbers that you fed into that model about the freight task doubling out to 2030?

Dr Dolman—I can double check that—

Senator LUDLAM—If you could.

Dr Dolman—but that would be my expectation. That is the mid-point projections.

Mr Williamson—I think our answers to you were to 2020, whereas the report—

Senator LUDLAM—Yes, I think you are right. I did not ask that much further but I had not read that study.

Mr Williamson—Yes.

Senator LUDLAM—My last question then on this subject, and then I will pass you back to the chair, is have you done any modeling at all? For example, the CSIRO study of about two years ago looked at an oil crunch, or an oil crisis—whatever you want to call it—a supply crisis that took metropolitan petrol over \$8 a litre. Have you folks done any thinking at all about what will happen if that occurs not in 2050 but much, much sooner? Have you been tasked at any time to do any kind of research or thinking into what the country looks like in that event?

Dr Dolman—I am not sure exactly which piece of work you are talking about but we have been involved in research with CSIRO that looks at those sorts of scenarios. That is a very extreme scenario and there is a whole range of other scenarios that were also considered in the work that we did with CSIRO. Also, looking back, we continue to publish data that shows the effects of high oil prices a couple of years ago as well, and that did show that there were significant shifts in behaviour; not so much a reduction in traffic—people still use cars—but

there was a small reduction and, in particular, a shift to public transport. The share of public transport use went up quite significantly when oil prices went up and we are doing modeling to try and understand that better and be able to provide projections about what we expect to happen with urban public transport. Also, we examined the car fleet and we saw changes where people, rather than reduced travel, shifted to smaller and more fuel efficient cars, so again there is a whole range of responses that come and, as I said before, often it is not about reducing the travel, it is about making choices that reduce the costs of travel and make that more fuel efficient.

Senator LUDLAM—All right; I will leave it there. The CSIRO piece I am referring to is *The potential future petrol prices under alternate international oil market conditions*, published in 2008. It got a bit of press because their abrupt shock scenario took petrol over \$8 a litre. I do not know how much it would cost to fill up a Commodore at that kind of price. On notice, if you can provide us with whatever you think—you can see where I am going—that your agency has done in the recent price that most closely answers the question that I am asking about an oil shock. I do not believe it has really been done, but if you are saying you have, I would appreciate a chance to see it.

Dr Dolman—I will come back to you on that.

Senator LUDLAM—Thanks very much. Thank you, Chair.

ACTING CHAIR—Thank you.

Senator IAN MACDONALD—I have just one question along that same theme. Have you done any work looking at future energy costs forecasting, as it will clearly happen with Australia that we will follow the lead of other advanced countries in having nuclear power running in a lot of Australia 20, 30, 40 years out? Have you ever done any work and factored that in in the same way as Senator Ludlum is suggesting you factor in these future oil shock prices?

Dr Dolman—No, Senator.

Senator IAN MACDONALD—Okay. Well, perhaps you should do that when you are following Senator Ludlum's suggestions as well.

ACTING CHAIR—All right. Thank you very much, gentlemen. We will now go to the Office of Transport Security.

[5.11 pm]

Office of Transport Security

ACTING CHAIR—Welcome, Mr Wilson and Mr Retter. Okay. Senator Heffernan.

Senator HEFFERNAN—Do you want to make an opening statement, boys?

Mr Mrdak—No.

Senator HEFFERNAN—In a recent *Four Corners* ABC program on 30 August, Nick McKenzie alleged links between criminals and employees who work at several points in Australia. You are familiar with that, are you?

Mr Mrdak—Yes, Senator.

Senator HEFFERNAN—The *Four Corners* report outlined how employees with security clearance may have been compromised by their various links to various criminal organisations and individuals, and this, of course, has brought into question the effectiveness of current security measures. Along with CCTV, restricted access to secure areas and increased cooperation between government agencies, the maritime security identification card is a key aspect of our port security. You would agree?

Mr Mrdak—Yes, Senator.

Senator HEFFERNAN—The MSIC is a nationally consistent ID card used by port employees. Holders are vetted by federal government agencies and given access to otherwise restricted areas in our ports. On what basis are issuing bodies selected or approved to issue an MSIC? Are there regulations they are required to adhere to?

Mr Mrdak—I might ask Mr Retter and Mr Dreezer to handle that, if I can, Senator.

Mr Retter—Senator, I will get Mr Dreezer to answer.

Mr Dreezer—Issuing bodies are selected on the basis of their engagement with the maritime security sector. All of those issuing bodies lodge issuing body plans to the department, which we approve.

Senator HEFFERNAN—And how do you monitor their compliance?

Mr Dreezer—Through our audit and compliance program.

Senator HEFFERNAN—So how do you know that they are not issuing them—and they are, obviously—to crims? How do you get around that?

Mr Dreezer—All maritime security cards are only issued on the basis of authority from AusCheck to issue a card.

Senator HEFFERNAN—Does that mean that the cross-check is a failure?

Mr Dreezer—No.

Senator HEFFERNAN—Well, how come these crims work on the wharfs?

Mr Wilson—Senator, if I might, whilst the *Four Corners* article was interesting, they were allegations made in *Four Corners*. I do not know that there were court cases that ran through—

Senator HEFFERNAN—No. I know all of that.

Mr Wilson—finding that any members that were accessing ports were in breach of MSIC regulations, or that any of the cards were issued in breach of those regulations. So my recollection of the *Four Corners* article was that there were allegations of criminal activity, but—

Senator HEFFERNAN—Well, I will sharpen it up for you a bit. In the actual interview, this is what they said:

In NSW, a crew of port workers, all with government security passes, has for several years been “involved in the importation of drugs through the Sydney ports”.

In Victoria in 2008, authorities intercepted text messages that showed alleged ecstasy importers being tipped off by maritime insiders about customs agents watching their container—

these are the boys on the inside with the passes—

“They’re sitting off it. He strongly suggests that we leave it alone ‘cos it’s completely off mate”.

Are you familiar with this stuff, or is this a no-go zone? Should we not be talking about this?

Mr Retter—I think the issue here is that the maritime security regime that is in place is a layered regime. As you would be aware, for many years it has focused on counter-terrorism, predominantly, and other unlawful acts. There are a range of other matters that are dealt with by border agencies and law enforcement agencies at our ports every day of the week. Many of the issues that have been the subject of media attention really go to the heart of other agencies and their responsibilities.

Senator HEFFERNAN—Yes, that is a fair comment. But, at the same time, the system allows the issuing of an MSIC to a criminal.

Mr Retter—Senator, that—

Senator HEFFERNAN—I know it is not your responsibility; the criminal—

Mr Retter—No, Senator, I was just going to say—

Senator HEFFERNAN—is not a terrorist.

Mr Retter—that the regulations under the act allow the issuing of a card to an employee with an operational need to get one under quite, I would suggest, stringent requirements, including background checking conducted by the Attorney-General’s Department against a specific list of offences. As you would be aware, the government earlier this year enhanced that regime significantly in terms of the offences that would preclude somebody having a maritime security identity card.

Senator HEFFERNAN—So how many applicants have had previous criminal convictions other than drink-driving offences, and how many of these applicants are accepted? What proportion of people have previous criminal convictions that are clear?

Mr Wilson—We would have to take that on notice.

Senator HEFFERNAN—That is all right. Is the card—that is, the MSIC—freely transferable? That is, can the card be used interstate if an employee with clearance moves to another state?

Mr Wilson—Yes.

Senator HEFFERNAN—Just for us people—and there are plenty of viewers and listeners—who are not familiar, what is the restriction about me giving my MSIC card to Mr Mrdak here?

Mr Dreezer—The maritime security identification card has your photograph and your name on it as well as a kinegram, which is a tamper-proof mechanism on the card. So you could not give your card to anyone else.

Senator HEFFERNAN—But are there entry points to the ports that do not require anything other than a swipe?

Mr Retter—There are, at some points, a requirement for a face to identity check. I think that is Mr Dreezer’s point—

Senator HEFFERNAN—I can take you to Sydney airport, by the way, where you can get in with someone else's identity just by flashing the card.

Mr Retter—I was about to say that, in cases where swipe arrangements are not in place, the requirement is for the security guard at that particular entrance point to match the MSIC photo and the name against the person who is actually holding it as they go through.

Senator HEFFERNAN—If I come to a gate at Sydney or somewhere and all I have to do to get in is swipe the card, you would recognise that there are those entry points?

Mr Retter—There are a number of staff entry points where that is possible.

Senator HEFFERNAN—Yes, so Mr Mrdak could get in on my card.

Mr Retter—Potentially, yes.

Senator HEFFERNAN—Can I tell you: it is going on and we ought to be doing something about it. What is the average time it takes for the entire vetting process to be completed? Is there a backlog?

Mr Dreezer—In general, a card—either an MSIC or an ASIC—takes about a week to be completed. However, in some cases the checks are more complicated and can take anything up to several weeks.

Senator HEFFERNAN—So is there a backlog?

Mr Dreezer—Not that I am aware of.

Senator HEFFERNAN—What government agencies are involved in the vetting clearance process?

Mr Dreezer—The Australian Security Intelligence Organisation, ASIO, conducts a security assessment. CrimTrac also conducts a criminal history background check with state and territory police jurisdictions, and the Department of Immigration and Citizenship conducts an immigration check if one is required on a foreign national.

Senator HEFFERNAN—How long do those government agencies generally take to assess individuals?

Mr Dreezer—As I said, the advice from AusCheck is that a non-complicated ASIC or MSIC generally takes about a week to be background-checked.

Senator HEFFERNAN—So another weakness in the system is that if I am a criminal—if I am a bloody drug runner or whatever—but I have not been caught then I do not turn up and I can get a pass. The ones that are smart can get a pass.

Mr Wilson—I do not think there is any system in the world that can determine if you have done something illegal but nobody has caught you.

Senator HEFFERNAN—Yes, but we will come to a bit of interesting stuff in a minute. Why do people under the age of 18 not require vetting when applying for an MSIC?

Mr Dreezer—That is the government policy.

Senator HEFFERNAN—There you go. Minister, what do you reckon the answer is? It seems extraordinary. You can have a licence to drive and vote or whatever—I do not know.

Mr Wilson—That is the government policy in regard to the legislation.

Senator HEFFERNAN—Can I just point out to the estimates committee that—

Senator Carr—That is the answer; it is a legislative requirement.

Senator HEFFERNAN—Why do people under the age of 18 not require vetting when applying? If you were a smart operation and you had 17-year-olds—and there are plenty of 17-year-old criminals or dubious people at 17—they just get a pass without any questions asked. Isn't that a weakness?

Senator Carr—It is a requirement of the law.

Senator HEFFERNAN—But shouldn't we change the law? You can take that on notice as to why that is so and why we do not change. There must be a logic behind it.

Mr Mrdak—There is.

Mr Retter—It relates to legislation as it pertains to background checking, particularly security background checking, as I understand it, which is conducted by ASIO and other agencies for persons who are effectively not adults in the eyes of the law.

Senator HEFFERNAN—Yes.

Senator Carr—Senator, you would be aware that it has been the practice for some years and in fact was introduced by the previous government.

Senator HEFFERNAN—I am not interested in what a previous government or this government does, but it seems patently absurd—

Mr Wilson—I might add that whilst they are not subject to receiving an ASIC or an MSIC card—a security clearance—they are not entitled to access a secure area without escort by a holder of an ASIC or MSIC card.

Senator HEFFERNAN—Yes, but, for God's sake, why wouldn't you demand it? There are plenty of terrorists who have strapped bombs to themselves and blown themselves up who are kids.

Mr Wilson—I might add that they are treated the same as any other individual who is, for operational requirements, requiring to access a secure area. They will be able to obtain a visitor identification card and are able to go into the secure area under escort of a holder of an ASIC or MSIC holder.

Senator IAN MACDONALD—Are they searched or do they go through the metal detectors?

Mr Retter—It depends on the environment we are talking about, but in essence the access arrangements relate to the operational need to go to an area. Some areas require people to go through screening; other areas do not. It depends on the nature of the area that you are talking about.

Senator IAN MACDONALD—But if there is a 17½-year-old who is driving a petrol truck in to refuel an aircraft—

Mr Retter—He would not be allowed to.

Senator IAN MACDONALD—Are you saying he would not be allowed to?

Mr Retter—He would not have access to those areas if he has not got access to an ASIC.

Senator IAN MACDONALD—Unless he is with—

Mr Retter—Unless he was being escorted in the truck, and I would it find very unusual for somebody to pay for that arrangement on a permanent basis.

Senator HEFFERNAN—Wouldn't it be sensible, though, given that the emphasis is on terrorism, to simply put them through the same process? What is good for the goose ought to be good for the gander.

Mr Wilson—That would mean that all people who needed to enter a secure area, for even the shortest period of time—a very, very occasional or one-off period—would have to obtain an ASIC.

Senator HEFFERNAN—The MSIC—

Mr Wilson—Or an MSIC. They would be required.

Senator HEFFERNAN—If I am 17, according to the figuring behind the question, I am not vetted when I apply for MSIC, but you say it is a restricted MSIC?

Mr Dreezer—It is not a restricted MSIC. A person cannot apply for an MSIC if they are under 18 years of age, so therefore they would not be issued with one.

Senator HEFFERNAN—That is different to where we started, then.

Mr Dreezer—No.

Senator HEFFERNAN—My question was: why do people under the age of 18 not require vetting when applying for—

Mr Wilson—I have to apologise, then, if we took the question in part and not in whole, but the reason for them, as Mr Retter indicated, not being required to undertake a vetting process is that they are minors and as Mr Dreezer indicated, that if you are under 18 you will not be able to access an ASIC or an MSIC, and they will be able to access secure areas of the port or the airport using a visitor's identification card.

Senator HEFFERNAN—Without any vetting?

Mr Wilson—Without any vetting but in company of a person who holds an ASIC or an MSIC.

Senator HEFFERNAN—Yes. So if I am a professional trained drug runner—and there are plenty of these around—and I have a container coming in and I want a bit of assistance with the freight, I can grab a couple of young fellows from down the back of wherever who are under the age of 17, get them a visitor's pass, and take them in with me to help me unload the whatever.

Mr Wilson—Again, Senator, I would take you to the point that Mr Retter made before, which was that the ASICs and MSICs have not been constructed to address non-counterterrorism activities such as drug running.

Senator HEFFERNAN—So it is an open market on the wharf for drug runners.

Mr Wilson—No, as—

Mr Mrdak—To use your hypothetical, I think it would be extremely unlikely in those circumstances that the operators of those facilities would enable those, in your words, ‘young people coming off the street’ to be accessing those wharves, even accompanying someone.

Senator HEFFERNAN—No, not off the streets.

Senator Carr—This is all very interesting. Do you have a specific question to put to the officers?

Senator HEFFERNAN—Yes, I have plenty.

Senator Carr—I think we can spend a lot of time discussing hypotheticals with no great value to them.

Senator HEFFERNAN—How does the process differ between Australian citizens and non-Australians and how much more stringent is the vetting process for non-Australians?

Mr Dreezer—The process is the same for both Australian citizens and non-Australian citizens in that they all have an ASIO security assessment, as well as a criminal history background check. In respect of non-Australian citizens, there is also an immigration check as well.

Senator HEFFERNAN—So how much extra time per unit with the vetting process will the vetting process take with the new enhancements?

Mr Dreezer—Sorry, with the enhancements to the MSIC scheme? AusCheck advise that there will not be a significant difference in terms of the completion of the background check. At the moment, they have advised me that there have been no issues in terms of the current implementation of the new MSIC changes.

Senator HEFFERNAN—And what will the increased cost per unit of MSIC be once the recommendations are implemented, and what is the current cost?

Mr Dreezer—The current cost for an MSIC card is around about \$240 for a five-year card. From 1 December, there will be an option available for an MSIC application to choose either a four-year card with a two-year background check, or a two-year card. The details of costs are still to be worked out by the issuing bodies, but our indications are that it will probably be around about an additional \$100 per card on the basis that there is an additional background check, and there are other administrative costs.

Senator HEFFERNAN—And what is the current rejection rate of applicants?

Mr Retter—If I may answer that, and I will also cover your earlier question which was to do with the number of people in the context of MSICs who might have disclosable criminal backgrounds and answer that for you. At present, we have about 138,000 MSICs being used around Australia. If I take financial year 2010-11 figures as being indicative, so far this year we have issued about 5,761 MSICs. Of those, 963 applicants—that represents about 16½ per cent—had a disclosable criminal offence. Of those who then went on to be examined in detail as part of the process and found to be non-eligible—that is, they were refused an MSIC—the total number was about 30, which is 0.5 per cent.

Senator HEFFERNAN—Will current pass holders who fall into the rejection criteria as a result of the new enhancement be given any special consideration?

Mr Dreezer—Sorry, I did not hear your question?

Senator HEFFERNAN—Will the current pass holders, who under the new enhancement arrangements may fail the test, will they be given any special—

Mr Dreezer—No.

Senator HEFFERNAN—So they will just be—

Mr Dreezer—If I could finish. The circumstances will be that all of the current MSIC holders will be background checked against the new criteria. Should they be found to be ineligible, they have the option of appealing to the department for the issue of a discretionary card. In that appeal process, the department must take into account whether or not the MSIC holder has had an offence during the period that they hold the card. So each of those MSIC holders—the 138,000 MSIC holders will all have to, in the future, go through a background check against the revised MSIC criteria.

Senator HEFFERNAN—When is the first opportunity of an employee without an MSIC able to be in contact with containers?

Mr Dreezer—I would not be able to answer that question. It is an operational matter.

Mr Wilson—It is a hypothetical question.

Senator HEFFERNAN—Outside the fence.

Mr Wilson—Well, it would depend on the individual port area. As we indicated before, a person who does not hold an MSIC is able to be escorted into a secure area by somebody who holds an MSIC. Therefore, if they have an operational reason to be inside of the port area, then they can come into contact with a container. But the most likely point at which any person who does not hold an MSIC comes into contact with a container is outside of the secure area of the port.

Senator HEFFERNAN—So for the purposes of practicality, are you saying that the allegations in the *Four Corners* program are not to be believed?

Mr Wilson—As I said at the outset of this conversation, the allegations in the *Four Corners* report were, to the best of my recollection, in relation to criminal activity in terms of drug running. Neither I nor any of my officers are in a position to comment in detail about those allegations.

Senator HEFFERNAN—Isn't this a weakness?

Mr Wilson—As I went to say before, criminal activities are dealt with by the police forces involved in securing the ports.

Senator HEFFERNAN—Yes, I appreciate that.

Mr Wilson—The ASIC and MSIC regimes are not designed to address criminal activities such as the one that you have raised.

Senator HEFFERNAN—But why—

Mr Mrdak—We are sure that our security regime is robust in relation to transport security. The allegations in that program—

Senator HEFFERNAN—No, I appreciate that. But you would think that, as part of the due process and maximising the use of resources, you would have some capacity to deal with the crooks who work on the wharves.

Senator Carr—Yes, but if you have specific matters—

Senator HEFFERNAN—Is the OTS concerned with recent allegations that imply some current pass holders have links to criminal organisations that may use the ports to import illicit substances into Australia? It is obviously going in. We have trouble catching them. Are you concerned about that, or do you just think that is someone else's problem?

Mr Mrdak—Not at all. We would be concerned if that translated into a security threat in relation to the operations of those ports or airports. At the moment, I think the allegations relate to criminal activity, but I do not think that anyone has suggested that that has an indication of a linkage to transport security threats. I think they are matters which the Australian Crime Commission and the Australian Federal Police are looking at—the connections. But at this stage, our security regime is, we believe, robust.

Senator HEFFERNAN—But often there is cross-fertilisation between one and the other. As we know, in Afghanistan the poppy trade and the heroin trade funds the terrorist trade. Who is to say it is not going on here?

Mr Mrdak—I think they are matters which the law enforcement agencies are looking closely at, but our focus is—

Senator HEFFERNAN—Surely anti-terrorism, or are we talking anti-criminal?

Mr Mrdak—And they are.

Senator HEFFERNAN—Without going into a no-go zone for security purposes, do you have some sort of intelligence operation on the wharves?

Mr Mrdak—We, as a portfolio, do not. They are matters for other Commonwealth agencies.

Senator HEFFERNAN—I would have thought it would be handy to have one or two undercover blokes wandering around seeing what they are all up to.

Mr Mrdak—They are matters for the law enforcement agencies.

Senator HEFFERNAN—For individual card holders or otherwise, what penalties apply for an infringement of the regulations?

Mr Dreezer—There is a range of regulations which provide offences. I would have to take on notice that range of offences and provide you with the penalties.

Senator HEFFERNAN—You could take that on notice, yes.

Mr Retter—Can I correct the record. Earlier you were raising questions relating to whether individuals under 18 years of age could get a card. Contrary to the statements made earlier, we have just checked the facts and under certain circumstances there are ways under 18s can get a card. So I apologise for misleading you there.

Senator HEFFERNAN—I am coming to it.

Mr Retter—And because this is quite a complex area within the regulations, what I would like to do is to—

Senator HEFFERNAN—I have the same bit of paper here. I was about to hit you over the head with it.

Mr Retter—correct the record and, if you are agreeable, under written notice provide you with a detailed description of the circumstances.

Senator HEFFERNAN—Yes, so I will read from the issue here:

Anyone who needs regular unescorted access to a maritime security zone may apply for an MSIC.

MSIC application forms are available from authorised MSIC issuing bodies. Applicants need to provide documents that prove their identity, such as a birth certificate and drivers licence. They also need to prove Australian citizenship or residency status. Non-citizens need to provide documents that prove their right to work in Australia.

... ..

People under 18 do need an MSIC to access or work unmonitored in a maritime security zone, but they do not require an AFP criminal history check or ASIO security assessment. However, once they turn 18, they have six months to go through the full application process for an MSIC, including the AFP and ASIO background checks.

So, yes, we need to correct the record.

Senator IAN MACDONALD—So if you are under 18 you can get a card if you do not have police or ASIO checks.

Mr Retter—That is correct.

Senator HEFFERNAN—Which is the point I was originally trying to make.

Senator IAN MACDONALD—People go to war and drive cars at that age. I appreciate you only administer the law as it is, but clearly, Minister, for those of us who are not in government it really is something that should be addressed by private member's bill if the government is not prepared to re-look at that.

Senator HEFFERNAN—We cannot ask you for an opinion, because I am sure the minister is wide awake there.

Senator Carr—No, I am saying to you they will be against the standing orders.

Senator HEFFERNAN—I know, and you would say it very gracefully too. He got all this Kremlin background training! He knows the bureaucracy perfectly.

Mr Wilson—I think you may find that there is a difficulty with the clash between the legislation associated with the minors and the legislation associated with ASIC.

Senator HEFFERNAN—It is our job to flush these things out and deal with them, and I appreciate the sentiments of Senator Macdonald. Obviously Senator Macdonald and I will try and do something about what I see as a fundamental flaw.

Senator IAN MACDONALD—And the fact that it was a flaw for decades does not excuse it. It is not a political issue.

Senator HEFFERNAN—Governments of all persuasions have managed to bugger up water, but that does not mean we should not fix it up. I briefly turn to airports? Are we equipped to go to airport security?

Mr Retter—Yes.

Senator HEFFERNAN—Isn't it a fundamental weakness that I can give my pass to Mr Mrdak and he can drive onto the airport in a truck at certain entry points?

Mr Retter—The issue of the card and its potential for misuse is, I think, a point you have made. That begs the question of other additional measures that could be applied around the card to enhance the security arrangements.

ACTING CHAIR—Mr Retter, can I just ask you this: if you worked at Sydney Airport for, say, Qantas or one of the loading agents, you still have to have another card to get access onto the airport, don't you? The ASIC card does not give you access to the airport, does it?

Mr Retter—It depends whose card you are talking about.

ACTING CHAIR—You still need to get through the machine to get through there like that.

Senator HEFFERNAN—There are gates where we just swipe and drive on—caterers can, for instance.

ACTING CHAIR—But not with an ASIC hard.

Mr Retter—Every card that is issued at an airport by the airport operator or the airline carries with it a degree of access, depending upon the job that that individual may have. Some people will have access to only one or two areas within an airport. There will be a small number of people with unlimited access because of the nature of their role.

Senator HEFFERNAN—So, going to the airport security and the contracting of the security task, would you be familiar with SNP?

Mr Retter—I am.

Senator HEFFERNAN—Sydney Night Patrol. They have the head contract, still, for provision—

Mr Retter—Sydney Night Patrol, as I understand it, has the contract for screening at Sydney Airport in terminals 1, 2 and 3.

Senator HEFFERNAN—Without going to too sensitive an area, some of those SNP contractual arrangements are subcontracted to other labour providers?

Mr Retter—I am aware that that was the case some years ago. I could not confirm if that was still the case now.

Senator HEFFERNAN—What I am trying to do very quietly and politely is follow-up on an earlier sensitivity where it was a matter I took to you-know-where.

Mr Retter—At the time you raised those issues, we passed that information to the appropriate agencies. To me that is an operational matter for them to then deal with.

Senator HEFFERNAN—Could I very quietly ask you to follow that up and see where it finished up?

Mr Retter—I can ask the AFP to ensure that they are aware of the matter that you raised and that they have dealt with it.

Senator HEFFERNAN—I am happy to revisit it with paperwork. I do not think we should—

Senator Carr—I understand that custom and practice here is that if you have matters you should take them to the police.

Senator HEFFERNAN—I have.

Senator Carr—So then it is not a matter for these officers.

Senator HEFFERNAN—It is.

Senator Carr—If it is in the hands of the police, it is—

Senator HEFFERNAN—I have gone through the correct channels and I would just like to think that what was going on, the method of employment and who was employed has been corrected.

ACTING CHAIR—Thank you, Senator Heffernan. Thank you very much, gentlemen.

[5.46 pm]

Aviation and Airports

Senator IAN MACDONALD—In question AAA 02 from the last estimates I asked about the Brisbane Airport master plan. I was told that ‘the national aviation policy white paper released in December 2009 indicates that government is committed to a formal review of the need for a curfew at Brisbane Airport to inform the government’s consideration on the next Brisbane Airport master plan in 2014’.

The answer to the next question, which is AAA 03, says ‘page 214 of the National Aviation policy white paper released at the same time confirms that the government is conscious of the value of a network of curfew-free airports and has no current intention to introduce additional airport curfews’.

Those answers seem to be slightly inconsistent.

Mr Doherty—The white paper does indicate that the government recognises the significance of curfew-free airports, and there is no decision at this stage to extend any curfews, but at the time of the Brisbane Airport master plan it was announced that there would be a review commencing, I think, in 2012 in the lead-up to the next master plan process. It was about whether some form of curfew might be required for Brisbane. There is no decision on the outcome of that review, but the decision to conduct a review was recorded in the white paper.

Senator IAN MACDONALD—Do you mean some curfew might be required or some relaxation of the curfew might be required?

Mr Wilson—I think that would pre-empt the consideration of the review, as all reviews should reasonably canvass all of the options available. There are a number of other hypothetical situations that you may wish to countenance.

Senator IAN MACDONALD—But your answer says that the government recognises the value of a curfew-free airport but has no current intention to introduce additional airport curfews.

Mr Wilson—That is correct.

Senator IAN MACDONALD—Okay.

Mr Mrdak—And the government reaffirmed in its white paper that it would maintain the existing curfew restrictions that apply at those airports that do have curfews.

Senator IAN MACDONALD—So those that have a curfew-free airport—which is, what, Melbourne, is it—

Mr Mrdak—There are a number of airports that are curfew free: Melbourne, Canberra, Brisbane—

Senator IAN MACDONALD—Brisbane is not curfew free.

Mr Mrdak—Yes, it is.

Senator IAN MACDONALD—So you can take off and land at any time of the day or night in Brisbane?

Mr Mrdak—There are certain restrictions on certain aircraft types' operations and preferred runway operations but, yes, Brisbane is curfew free.

Senator IAN MACDONALD—Has that always been the case?

Mr Mrdak—With the opening of the new airport, yes. The only—

Senator IAN MACDONALD—Someone must have been fibbing to me years ago when they said, 'We cannot take this delayed plane'—perhaps it was because it was a curfew into Sydney.

Mr Mrdak—The airports that have legislated curfews in Australia are Sydney, Adelaide, Coolangatta and Essendon.

Senator IAN MACDONALD—Okay. So it is curfew free. All right. That makes sense to me. Now I have sent Senator Heffernan away. That was the only question I had, but Senator Heffernan has some questions, I understand. If you could just ask them quickly, we might get out a bit earlier.

Senator HEFFERNAN—Yes, we are praying for an early night here. Are we in a position to have a yarn about Canberra Airport?

Mr Mrdak—Yes.

Senator HEFFERNAN—Could you give me an update on the status of the proposed Tralee development. I understand that it is out there in the public arena again, is it not?

Mr Mrdak—My understanding is that the New South Wales Department of Planning has recently permitted the Queanbeyan City Council to issue their revised planning proposal. I think that is now—

Mr Doherty—That is correct. The local environment plan has been republished for comments.

Senator HEFFERNAN—I understand—and we have had the evidence here endlessly from just about everyone involved in aviation who opposes the proposition that you build a suburb deliberately under the flight path when there are tens of thousands of acres around Canberra—that the Commonwealth has decided to oppose this development. Is that correct?

Mr Mrdak—The Commonwealth position has consistently been to oppose the development of the proposed Tralee development, yes.

Senator HEFFERNAN—Could you, for the record, outline the reasons for the Commonwealth's objections—noting, of course, that the most obvious reason is that it is directly under the Canberra Airport flight path—and will the minister be making these reasons clear publicly?

Mr Mrdak—Senator, we have consistently taken a position that, as you have stated, there are alternative sites available for residential development in the Majura Valley and for the Queanbeyan region. This is an area which is under the main approach path and the departure track for the airport, which we have been seeking to protect. We believe that the levels of noise intrusion will be disruptive to the community, based on previous patterns of development, which we have also opposed and which have led to complaints about airport operations. We believe Canberra Airport has a substantial role to play in the future in terms of the growth of aviation in the region. It is the only curfew-free major airport between Melbourne and Brisbane, and we believe it should retain its curfew-free status, and that has been our consistent advice to governments. The department did previously lodge a submission raising our concerns, and it is our intention to lodge a revised submission again raising our concerns with the development with the New South Wales government.

Senator HEFFERNAN—At the end of the day, though, you are at the mercy of the decision of the New South Wales government and have no overriding powers or—

Mr Mrdak—It will be a decision of the New South Wales government. Mr Doherty may wish to comment. We have a process, which was set up in the wake of the white paper, to look at safeguarding airports to try and preclude such developments.

Senator HEFFERNAN—Yes, that is right.

Mr Mrdak—That is a process which is now underway.

Mr Doherty—Yes. We have a working group established with representatives of the states to try and look at improving the suite of metrics and approaches which are used as a basis for these planning decisions.

Senator HEFFERNAN—Is this the land use planning regime put forward by the Commonwealth in the national aviation white paper?

Mr Doherty—The national aviation white paper foreshadows this area of work, yes.

Senator HEFFERNAN—So, under what is happening now, is there a risk about prejudice to that plan—of getting in ahead of the plan? Is there a likelihood that you could get cut off at the pass?

Mr Doherty—There is the risk of a decision being made in the New South Wales case in advance of the outcomes of that work in the study, yes.

Senator HEFFERNAN—So what can we do in the national interest? You have to think like the enemy, as in *Top Gun*. If I were on the other side of this argument, that is exactly what I would be doing. I would be getting in ahead.

Mr Stone—One of the things that we would be arguing in the department's submission towards that New South Wales process, having started the National Airports Safeguarding Advisory Group, is that New South Wales should await the development of the national land use planning guidelines that were foreshadowed in the white paper. The development has been proposed for quite some time and we think that it could wait for that work to be developed over the next 12 to 18 months.

Senator HEFFERNAN—So, other than imploring the New South Wales government, we have no power. There may be a change of government, actually. That might help.

Mr Stone—There is no legislative power for the Commonwealth.

Mr Mrdak—Constitutionally and legislatively, we do not have a basis for taking action at this point.

Senator HEFFERNAN—You know, politicians get courage when they get threatened politically. Should there be a public awareness program to absolutely articulate the specific national interest in, as you correctly describe, the only non-curfew airport for ages and the capacity of this airport to become a great national asset because of its non-curfew status?

Mr Mrdak—Certainly we have been clear in the advice that we have been providing in our submissions, and I think the Canberra Airport has been clear, as has the ACT government, that Canberra has a great deal of potential for growth as a major aviation facility. It has the fortunate benefit of having undeveloped, low-density land under its approach corridors.

Senator HEFFERNAN—So, to square the thing off, would it be possible for the Commonwealth, for instance, to have a land swap?

Mr Mrdak—We are not in that position at this stage. We do not have equivalent land to swap—

Senator HEFFERNAN—I am unaware, by the way, of the title of the land originally. This has been going on for some years, as you know, and originally the people involved had an option on the land, which is a pretty sensible thing to do, rather than buying the land. I have no idea where it is up to, but I really think we ought to be pretty active on this and think like the enemy. Is it true to say that the ACT government, local ACT members and the airlines all oppose this development?

Mr Mrdak—That is my understanding. That remains the position of the ACT government and the—

Senator HEFFERNAN—So given all of that, and given that there seems to be little doubt that this is actually a bad planning decision, what is your opinion on—I do not know that opinions are available here—why the New South Wales government and Queanbeyan City Council—

Senator Carr—I think that is not a question you can ask the officers.

Senator HEFFERNAN—Perhaps you could answer that, Minister. Why do you think they want to push ahead with it? Everyone but one or two people opposes it.

Senator Carr—I think the whys and wherefores of state governments often are matters of some mystery.

Senator HEFFERNAN—So is it just the case that the New South Wales government, in trying to please whoever it wants to please, is going to rely on an old noise standard and basically build development in an area that it knows is subject to aircraft noise and from which it knows it will receive aircraft noise complaints?

Mr Mrdak—Certainly, in our submission to the New South Wales process, we have made clear our view on what the noise implications are—that that is an area where the potential residents will be exposed to noise levels which will interfere with daily activities. The area falls just outside the Australian Noise Exposure Forecast and the Australian standard but, that said, our experience nationally has been that that is not necessarily an adequate predictor of the level of complaint that will take place once people move into that area.

Senator HEFFERNAN—Does the Commonwealth think that the ANEF, this old noise measure used by New South Wales, is not enough, by itself, to justify a planning decision like this?

Mr Stone—Certainly part of what we are trying to develop through those national land use planning guidelines would be to use some complementary metrics as well as the ANEF. We would agree that the ANEF is an old standard and can be improved and that there may be alternative measures that can be used for land planning decisions, and that is something we want to work through with the states.

Senator HEFFERNAN—I think you could negotiate a land swap. I negotiated the Junee jail land site, and the bloke who owned the land did not want to sell it but he was very happy when he left. In your discussions with the New South Wales planning department, and other New South Wales government officials, what justification do they give for such a monumentally apparently bad planning decision? What are their—

Mr Mrdak—That is a question for the New South Wales planning officials with regard to their final decision.

Senator HEFFERNAN—If the reason they are doing this is to encourage affordable housing then they will want to have more than pink batts in the roof. Has anybody actually worked out how much more money it takes to build a house that has to be insulated to exclude aircraft noise when in a known noise area? The assumption is these houses affordability will—

Mr Doherty—I do not think there is any easy answer to that question. The experience with noise insulation programs is that it depends on the particular structure, and the other element

is whether noise insulation is a satisfactory response anyway, given that it means that people cannot keep windows open at night.

Senator HEFFERNAN—Is it your understanding that to get this development through, promises were made about the provision of an Anglican school and other facilities.

Mr Wilson—We cannot comment on that, Senator.

Senator HEFFERNAN—Given that it is now becoming clear that these facilities, including the Anglican school, will not be provided, do you think those who support the development have some explaining to do.

Mr Wilson—Again, we cannot comment on that, Senator.

Senator HEFFERNAN—That does not surprise me. Is there any explicable reason why the New South Wales government would continue to support such a flawed decision that seems strange to go against the Commonwealth, the ACT government, airlines—

ACTING CHAIR—Senator, you know they cannot—

Senator HEFFERNAN—airport aviation participants and the wider community—

ACTING CHAIR—Senator, they cannot answer that.

Senator Carr—We cannot take this much further.

ACTING CHAIR—Those juniors who write that up should know this.

Senator HEFFERNAN—I have to say, it is a monumentally bad decision.

ACTING CHAIR—Bill, you have made your point. If you have any further questions, proceed.

Mr Mrdak—Our submissions are on the public record, Senator.

Senator HEFFERNAN—How are we getting them over in Perth—changes to the air landing—

Mr Mrdak—I think that is probably one for Airservices. In relation to the recent changes, probably Airservices, when they appear, are best placed to give you an analysis of that, Senator.

Senator HEFFERNAN—Do you want to go home? That will do me.

ACTING CHAIR—As there are no further questions, gentlemen, thank you very much for coming along. And they are all sharpening their knives for CASA.

[6.06 pm]

Civil Aviation Safety Authority

ACTING CHAIR—Thank you very much CASA. We are going to commence questions now.

Senator BOYCE—Thank you. You will have to bear with me on some of these questions because I am on a very steep learning curve about the topic of automatic activation devices—ADDs. As I understand it, CASA has delegated authority to the Australian Parachute

Federation and the Australian Skydiving Association to make regulations and set standards for parachute operations in specific circumstances; am I correct in that assumption?

Mr McCormick—We have our sports bodies all put together into a sports aviation group and we oversee them by various methods. We are in the process of transitioning some of them. For the Parachute Federation, they do have a standard operating manual and we allow them, if they operate within that manual and in association with the Australian Parachute Federation, then it is conceivable that will be correct.

Senator BOYCE—Currently I understand that the majority of AADs used in Australia are manufactured by a company called Cypres.

Mr McCormick—I am sorry, Senator. I am unaware of that. I do know of the company but I do not know the commercial market penetration that company has.

Senator BOYCE—Okay. Are you aware that the director of rigging for the APF, the Parachute Federation, Mr Rory Hatchet, is a dealer for Cypres in Australia?

Mr McCormick—No, Senator. I am not.

Senator BOYCE—Are you aware that a letter written by a rival company, Aviacom SA, seeking to find out why their automatic aviation device was not being approved for use in Australia has yet to be responded to, as I understand it, by Mr Hatchet. There was a letter sent on 28 September this year to Mrs Kim Hardwick, from the Australian Parachute Federation, asking why the restrictions concerning the Argus AAD, which Aviacom SA manufacture, had not been lifted. They had not received a response to an earlier letter sent in the beginning of August to Mr Hatchet and, as I understand it, have yet to receive an answer.

Mr McCormick—No, Senator.

Senator BOYCE—How does CASA oversight these delegates or delegate organisations, in terms of ensuring that conflicts of interest are not happening?

Mr McCormick—I think the device to which you refer, Senator, is an automatic activation device—

Senator BOYCE—Yes.

Mr McCormick—Or an automatic opening device which is primarily used with a reserve parachute in case the parachutist is unconscious or unable to open it their normal—

Senator BOYCE—If the parachute fails to open or, for some reason, people cannot pull their emergency parachute, this will set it off.

Mr McCormick—Yes. Okay, we are talking about the same thing then. We do not oversight the commercial aspects of any of that operation. For many years the focus for CASA—the priority has been given to fare-paying passengers carrying operation, so regular public transport charter and the like. It is only of recent times that we have put the sports aviation groups together in our sports aviation forum and looked to oversee them closer. The issues you raise are the first time we have heard of this.

Senator BOYCE—Is it the case that no-one could market an AAD in Australia without the approval of the delegates, or a delegate body?

Mr McCormick—That would be my understanding, but to confirm that I will have to take that question on notice.

Senator BOYCE—And if, as alleged, the person who does the approving is a dealer for one particular company's AAD and is not corresponding with a company that makes a competing AAD, would you see that as a problem?

Mr McCormick—Sitting here, it does sound like there could be a conflict of interest, yes.

Senator BOYCE—Apart from my raising the issue here, what processes do you have in place to try and ensure there are not conflicts of interest?

Mr McCormick—Commercial conflicts of interest are not in our remit. The technical standards, of course, we agree with the Australian Parachute Federation or international standards. The actual oversight or what happens between commercial entities is not an area where, traditionally, CASA has been involved. But as I say, we will take—

Senator BOYCE—But there is quite a serious potential for conflict of interest if, in fact, someone who profits from a particular product is also the gatekeeper for competing product, isn't there?

Mr McCormick—As I said, I think sitting here I can see how that could be seen as a conflict of interest, yes.

Senator Carr—Where does the senator take her complaint? Can I just clarify.

Mr McCormick—We will take that on notice and we will get back to you with what the details of that are. We have recently conducted risk assessments of all the sports aviation activities in Australia, and Australian parachuting as well as the Parachute Federation. There is another group that also does parachuting. So we have a very good idea of the technical standards.

Senator BOYCE—Is that the Australian skydiving association?

Mr McCormick—Correct.

Senator BOYCE—But there are only those two sporting bodies, so to speak.

Mr McCormick—They are the only formal bodies, correct.

Senator BOYCE—I probably should just state for the record I am advised that the Aviacom AAD, in fact, has a system like a black box in it, which makes it easy to check what, if anything, went wrong. And, as I understand it, the Cypres product does not. So it could be argued that, in fact, the product that is being kept out of the Australian market is superior to the product to the one that is currently there.

Senator Carr—That, presumably, will come back in the response.

Senator HEFFERNAN—I want to talk about pilot training, if that is all right, as a lapsed pilot. There is some concern about commercial pilot training being provided by third parties in simulation centres and not directly by airlines. And in earlier estimates, we have talked about the fact that you can do a number of hours on a simulator and hop in a 737 in the right-hand seat.

Mr McCormick—Third-party provision of training is what you are talking about there.

Senator HEFFERNAN—Yes.

Mr McCormick—Yes, there are third-party providers and we are in the process of writing regulations around that to allow for that to take place.

Senator HEFFERNAN—So the likes of Qantas and other airlines are going to have pilots who will have a multicrew licence?

Mr McCormick—No one in Australia has pursued the multicrew licence at this stage, other than the original six cadets who returned to China.

Senator HEFFERNAN—And those crew that returned to China with multicrew licences were qualified to fly what?

Mr McCormick—What aircraft they have gone back to fly, I do not know.

Senator HEFFERNAN—But it could be the equivalent of a 737.

Mr McCormick—Presumably, yes.

Senator HEFFERNAN—And yet, at the same time, they are not actually licensed to fly a Cessna 150.

Mr McCormick—The skill set required to fly the Cessna 150 by themselves is different to the skill set required to sit there as first officer.

Senator HEFFERNAN—Yes, so we are turning out these pilots in Australia. Admittedly, they have gone back to China, but this is a global growing problem, Senator Carr. What is the shortfall in pilots—the snapshot for 10 to 20 years? Is it 200,000 or 300,000?

Mr McCormick—Depending on the commercial figures you read—and the commercial figures, of course, are produced by the equipment manufacturers, Boeing and Airbus, predominantly—you will see different numbers from 2,500 out. But every time there is any change like the global financial crisis you find the projections go to zero. If I could just elaborate on one point, though, the multicrew pilot licence is not currently being used in Australia.

Senator HEFFERNAN—No.

Mr McCormick—We do not have anybody training pilots for the Australian market using that licence, which is an ICAO standard licence now.

Senator HEFFERNAN—Yes, it seems to me that, if you aspire to drive a Harley 1,000 motorbike, you should first get on a Pee Wee 80 or something to learn a bit about how a motorbike operates. And so, if you are going to have a 737—so you do not knock the end off the wing—it would pay you to be in a smaller aircraft and not to have just gone from a simulator to the right-hand seat. In aviation circles today, like Qantas and Jetstar and everyone else, do they accept that you do not really have to have that basic training, as it were?

Mr McCormick—There still is flying training involved. It is not all simulator work. It is just that in the private to commercial licence, which is the tradition around Australia, the people that you see obviously have got good hours.

Senator HEFFERNAN—You go to Kununurra or somewhere and they are aspiring to—

Mr McCormick—Correct. They are on what we would most probably call the conventional path.

Senator HEFFERNAN—The cost of pilot training is something like \$180,000, which comes out of the trainee's pocket in a lot of cases.

Mr McCormick—Fifty thousand dollars would be closer to the mark for a commercial licence. It is about another \$30,000 for a conversion if you have to pay for it.

Senator HEFFERNAN—Yes. So are you able to provide figures for the number of the commercial pilots in Australia currently flying domestic routes who have received their initial pilots training by third-party providers as opposed to airlines?

Mr McCormick—I am not too sure where that distinction comes out because, even in the case of using a third-party trainer—and a third-party trainer is someone who owns another simulator—the actual testing which is required by CASA for the licence to be issued to that person is carried out by an examiner from the relevant airline. So in the case of Jetstar, as you mentioned, when that pilot is to be checked in that simulator, it is not a third-party person that is doing it. It is third-party equipment, but it is actually a Jetstar check captain that is checking that pilot. So the airline retains the requirement to maintain the standard. We hold the airline to the standard.

Senator HEFFERNAN—Does some of this simulator training occur overseas?

Mr McCormick—Simulator training can be carried out overseas. In the particular area right now, because there is a lack of simulators in Australia for certain aircraft types, we are in the process of mandating that certain activities which, up until now, were carried out in an aeroplane have to be carried out in a simulator. Unfortunately, there was a recent fatal crash in Darwin of an Embraer from Airnorth, where they were practising what is called a V1 cut asymmetric takeoff. We are in the process of mandating that in the future that must be carried out in a simulator. Now, the availability of simulators in Australia for the Embraer, of course, may force people to go overseas. If they do go overseas, the simulator they use must have a certificate of approval from CASA that meets our standards. It is a reality, unfortunately, that for a lot of aeroplanes there are not the simulators available in Australia.

Senator HEFFERNAN—One of the long-term problems—and I would not choose to run an airline—is the so-called competition. You have a lot of the client base who fly expecting to go from here to Port Douglas for \$60, or in a special flight from here to Melbourne for \$85—well below the cost of any meaningful recovery. Isn't this inherently putting airlines on a path to cost-cutting and, eventually, planes falling out of the sky?

Mr McCormick—The position of CASA is that we are here to stop it getting to that point if, indeed, there are those behaviours.

Senator HEFFERNAN—But there is a danger, isn't there, in the ridiculous assumption by consumers that somehow it ought—

Mr McCormick—I think it would be fair to say that, in general, certainly high-capacity regular public transport operators in Australia would have a great deal to lose if they were to get into the situation of having a hull loss. So there is a great imperative for them to maintain the standards where they are. When it comes to new entrants into the airline business—small

organisations—one of the things that we are looking at before we authorise them for their operator certificate is just those sorts of concerns.

Senator HEFFERNAN—So going back to my original question, of the people who passed the training in the last 12 months, how many of them are local products and how many have gone to Singapore or somewhere and sat in a simulator over there?

Mr McCormick—We do not keep those statistics, I am afraid.

Senator HEFFERNAN—Should you?

Mr McCormick—We would have to put a requirement for the airlines to tell us of their training. Now, what we do know, of course, is where they are training not how many they send there. We may not know on a day-to-day basis because, as I said, if they are using some simulator training device overseas, but it will require our approval.

Senator HEFFERNAN—The Jetstar incident in July 2007 and the QantasLink incident in Darwin in February 2008 showed inadequate third-party training for the pilot as a factor. Which third-party training provider provided the training for these particular pilots of these incidents?

Mr McCormick—I am not sure that third party training actually is the major determinant. If we look at those two incidents, the Jetstar incident in Melbourne, of course, was a result of the crew and perhaps the airline itself using an unauthorised procedure to carry out a manoeuvre known as a go-around. A go-around is where you can no longer carry out that landing, whether because you do not see the runway in weather, as in this case, or for whatever other reason, and you have to go around and carry out the approach again.

Senator HEFFERNAN—Was it a TOGA?

Mr McCormick—No. They used a procedure known as the TOGA tap which—

Senator HEFFERNAN—Yes.

Mr McCormick—With that particular aeroplane type—and I am not familiar with the A320 but I am familiar with its bigger brother, the A330—you have to physically place the thrust levers in the position.

Senator HEFFERNAN—Yes, and they did not quite make it there and—

Mr McCormick—No, they did not, because they carried forward a procedure from the days of Ansett, and unfortunately the history will show that the procedures of Ansett were perhaps never the best in some instances. In that particular instance—

Senator HEFFERNAN—I understand that there have been a few TOGA incidents. How many incidents have been reported during the last five years?

Mr McCormick—I would have to take that on notice, or the ATSB would be the people to tell us that.

Senator HEFFERNAN—Thank you very much. Is the trend of reporting these incidents, as opposed to these incidents occurring, increasing or decreasing? In other words, do we not report some of them sometimes?

Mr McCormick—We are in constant discussion with the airlines to ensure that they do report to us.

Senator HEFFERNAN—Do you suspect they do not?

Mr McCormick—I do not think that we have a situation where people are deliberately hiding anything from us. Each organisation has its own safety management system and they will rank or rate incidents on a certain level, but I think that in reality the ATSB may be better able to help you with that on the reporting side of it.

Mr Mrdak—The ATSB will be available later this evening, or later this afternoon.

Senator HEFFERNAN—I am just consulting my dear colleague, Senator Xenophon. I have a series of questions of—

Senator XENOPHON—You have never called me dear before.

Senator HEFFERNAN—Dear and near. Maybe we would do better to deal with these in the inquiry that is coming up. Do you think so?

Mr McCormick—Without knowing the questions, Senator, I could not really tell you.

Senator HEFFERNAN—Yes. I will get away from that. The minister is smiling. Please note that the minister is smiling. Can I just go to a more practical question. I will leave the training thing for the inquiry. Why are passengers not asked to show ID at airports as we used to? A lot of pilots believe their passengers should show their licence and ticket before entering the plane.

Mr McCormick—I think that is a question for the Office of Transport Security.

Mr Mrdak—It is probably one for the department. I suppose the question is: what is the security outcome you are seeking? Everyone entering the sterile area goes through a screening point. They go through security procedures. What is the security outcome you are seeking by—

Senator HEFFERNAN—I suppose that, in terms of national security, you can actually book in outside the secure area, get your pass and not have any grenades and things on you, or whatever, and you could be Billy Whoever from Wherever flying with your ID and no-one will know the difference.

Mr Mrdak—What is the interest we are dealing with here?

Senator HEFFERNAN—I would have thought that it was somehow in the national interest and in the interest of order and security and accountability in the community that the person whose name is on the ticket is the person who is in the seat on the plane.

Senator IAN MACDONALD—Why? They go through screening.

Senator HEFFERNAN—If you want to have illegal trafficking—child trafficking and prostitution trafficking or all sorts of things—this would enable it.

ACTING CHAIR—Senator Heffernan, the department has given you the answer, although you may not like it.

Senator HEFFERNAN—Do you accept that? I am asking you whether you are happy that you do not really have to prove who you are when you get on a plane.

Mr Mrdak—I think it is probably one for the department rather than CASA. CASA is the safety regulator and I am not sure that there is a safety issue.

Senator HEFFERNAN—Yes, there is sort of a safety issue here.

Mr Wilson—Senator, I have to apologise; I was out of the room when you asked the original question. Is the question about going through as a passenger onto an aeroplane?

Senator HEFFERNAN—Yes.

Mr Wilson—The major concern in regard to the aviation security task is to actually restrict the materials that are taken onto the plane rather than the individuals, which is how the system is designed. Added to that, there are also hardened cockpit doors which are designed to reduce the—

Senator HEFFERNAN—I accept all of that but, as with the earlier evidence that we saw with the MSIC, you are interested in security—antiterrorism issues and not criminal issues.

Mr Wilson—Correct.

Senator HEFFERNAN—It seems to me that this is compartmentalising other people's problems away from yourself. I would have thought you should have a dual occupation here. If I were a criminal, for instance, and I wanted to say I was in Sydney because I did not want people to know I was in Melbourne and someone flew to Sydney with my ticket, I might say, 'Well, here it is; I flew to Sydney,' but I am actually in Melbourne. There are all sorts of reasons why we ought to know that the person sitting in the seat is the person who—

Mr Wilson—But that is an issue that has nothing to do with aircraft security. The point you are trying to address there is criminality, which again is a point that needs to be addressed by—

Senator HEFFERNAN—Not necessarily. What is the objection to having to show ID when you go to an airport? What is the objection?

Senator IAN MACDONALD—Isn't it a fact that nearly all of the airlines ask you to prove who you are before you pick up your ticket?

Senator HEFFERNAN—No, not anymore. That is finished. That is what I am talking about. You used to do that.

ACTING CHAIR—I think the department has made its point. Whether you like it or not, that is immaterial.

Senator HEFFERNAN—Why did things change? You used to have to do that.

ACTING CHAIR—Senator Heffernan, ask a question. If you have not got a question—

Senator HEFFERNAN—I have.

ACTING CHAIR—Ask it.

Senator HEFFERNAN—Why did we change?

ACTING CHAIR—You got the answer; you did not like it. I am sorry.

Senator HEFFERNAN—No, I did not get the answer. Senator Macdonald is misled. You do not anymore.

Senator IAN MACDONALD—I always book it online so it has never worried me.

Senator HEFFERNAN—Why did we change?

Mr McCormick—It is not a question for CASA, I am afraid.

Mr Mrdak—I think it is a decision—

ACTING CHAIR—We are going to go in a minute

Senator HEFFERNAN—Can we take that on notice, Mr Mrdak.

Mr Mrdak—I think the airlines have introduced streamlined check-in procedures to try and handle—

Senator IAN MACDONALD—And we do not want to do anything that stops the streamlining. It is hard enough going through an airport anyhow.

Mr Mrdak—I think it is about making it more efficient to move the volumes of people we have got—

Senator HEFFERNAN—Yes, I know—\$50 airfares and—

Senator IAN MACDONALD—No, Bill, you are on the wrong track there.

Senator HEFFERNAN—I surrender.

ACTING CHAIR—Any further questions there, Senator Heffernan?

Senator HEFFERNAN—I surrender.

ACTING CHAIR—Senator Heffernan, have you got any more questions?

Senator HEFFERNAN—Mate, you want to come fly with me if you want a thrill.

ACTING CHAIR—Okay. I do not think so. Senator Macdonald, do you have some questions?

Senator IAN MACDONALD—Yes.

ACTING CHAIR—Right. We are two minutes out, so we will adjourn until 7.30.

Proceedings suspended from 6.28 pm to 7.29 pm

ACTING CHAIR—We will recommence this estimates hearing. Senator Xenophon.

Senator XENOPHON—Thank you, Chair. What information about incidents does CASA receive from the ATSB? In other words, what are the protocols in terms of receiving information about incidents from the ATSB?

Mr McCormick—We have recently established a memorandum of understanding between CASA and ATSB which covers some of these areas, and there are statutory issues as well.

Senator XENOPHON—Is that MOU a public document?

Mr McCormick—It absolutely is, yes.

Senator XENOPHON—Is it on your website? Can we get it?

Mr McCormick—Yes, we can get it.

Senator XENOPHON—If you can get it to the committee, that would be useful.

Mr McCormick—I will defer to Dr Aleck, the associate director, who is responsible for this and previously was head of our Legal Services Division.

Dr Aleck—The MOU that we have established with the ATSB certainly facilitates the exchange of information, on the understanding that the ATSB receives information generally under circumstances where it is confidential and the identity of the reporting individuals or organisations is protected for the purposes of ensuring a continuing free flow of information. The information they provide to CASA is about occurrences, events, to the extent that they can provide that without identifying the individuals who are involved.

Senator XENOPHON—How does that compare to the US system? I understand they have a system whereby information about incidents is provided to the FAA as de-identified information. It is then compiled on a database, which gives you an idea of various safety trends and issues. Is that the same thing that happens here or is it different?

Dr Aleck—It is a slightly different system, but at the end of that process you can end up with the same result. That is one of the reasons we entered into this MOU, so that we could ensure that our respective databases complement one another.

Senator XENOPHON—Would CASA acknowledge that the US system goes a little further than the MOU? Is that something that CASA would look at in terms of providing that free flow of information from people who do not want to be identified, for whatever reason, but at least you get an idea of safety trends?

Dr Aleck—That is an excellent question because, in fact, in addition to working closely with the ATSB on examining how we can improve the system we have today, we have been working closely with the ATSB in preparing the papers that were presented at the last ICAO Assembly earlier this month. That will involve looking at systems that are used throughout the world, to take the best from them that we do not have ourselves and improve our system on that basis.

The NTSB program operates slightly differently to anything you will find in Australia, because in the United States the information availability requirements are, depending on the perspective, either stricter or more relaxed than they are here. However, the ability to provide information publicly, the obligation to provide information publicly, is much more strongly underpinned in the US legislation, and that has created some tension in terms of how much information should be made public. Of course, once it goes into a database, if it is not de-identified, it is identifying individuals.

Senator XENOPHON—Sure. So there is an issue there. Going back to the initial question: does CASA receive copies of original reports made to the ATSB by pilots and operators?

Dr Aleck—We do not receive copies but we receive summaries of those reports that are de-identified. They are provided to us on a fairly regular basis.

Senator XENOPHON—But if you wanted to look at the original source materials, you could do so? You have the power to ask for that?

Dr Aleck—Much of it, and only after the ATSB has de-identified it. In some cases the consequence is that we do not get that early in the piece. But if you are looking at it for

analytical purposes, it does not matter. If you are looking at it for reasons of making an appropriate safety intervention, it might be a little bit dated.

Senator XENOPHON—Sure. The ATSB, upon completion of its investigations, often reports that it is satisfied with the response from the operator—for example, that an internal investigation is being conducted by the operator and therefore it is satisfied that that is being done. It is my understanding that the ATSB is not tasked to subsequently follow up the final outcomes of such processes, and obviously I will ask the ATSB whether that is accurate or not.

Does CASA revisit or review any outcomes from ATSB reports in such instances—and sometimes it could be a systemic issue and not an issue as to whether the ATSB has followed it up or not—as to whether there are any emerging trends or whether there has been a follow-up in terms of recommendations made?

Mr McCormick—Yes. As you rightly say, some of that is for the ATSB. The ATSB reports generally will come out with recommendations and some of them will of course involve CASA. The recommendation will say: the board recommends CASA does X or does Y. We analyse each of those recommendations and, if it is appropriate and possible for us to implement them, we will follow up what is being done from that point of view. Again I will not speak for the ATSB, but they look at incidents for a different reason than we do.

Senator XENOPHON—But you have a role as the regulator to enforce the regulations.

Mr McCormick—Correct.

Senator XENOPHON—What involvement does CASA have in an ATSB investigation? When the ATSB is investigating an incident, what role is there for CASA?

Mr McCormick—It may be a little difficult to be completely general about this, but in areas of expertise we would provide technical expertise and so on. Of course, we do our own data analysis as well, for educational purposes and for other purposes that are outlined in the act.

Senator XENOPHON—One issue that has been raised with me—and I do not know if this is correct or not—is whether a CASA officer is able to sit in on an ATSB investigation. Is that the case?

Mr McCormick—Perhaps the term is a bit general, but—

Senator XENOPHON—For instance, where an interview is taking place, or any part of an investigation, even if it is in the initial fact-finding stage, a CASA officer may be able to sit in.

Mr McCormick—I will defer to Dr Aleck, who will give you a better answer on that.

Dr Aleck—The option is available but it is rarely exercised—certainly sitting in an interview—the reason being that the information that is conveyed in the course of that interview for ATSB purposes is protected. It puts CASA officers in a potentially invidious position if they hear something that they cannot then report back for regulatory purposes. They are obliged, when they do participate—and they do participate in aspects of an investigation—to operate under the ATSB rules, which means that they cannot convey back to CASA information which is protected under the ATSB rules.

Senator XENOPHON—But it is awkward, isn't it? It can be potentially awkward?

Dr Aleck—It is, but we now conduct parallel investigations, and I must say that in the last 18 months or so our arrangements with the ATSB have become much more effective. Nobody is in any doubt about the fact that they do not have to be interviewed by us; they have to be interviewed by the ATSB.

Senator XENOPHON—I understand. Perhaps on notice you could give me an indication of how widespread this is.

Dr Aleck—Absolutely.

Senator XENOPHON—It seems to be quite rare, but could you take that on notice. It has been put to me that there is a concern that it could potentially inhibit information if a CASA officer is sitting in on an interview, for fear of prosecution in terms of the interviewee, and there would be some merit in that point.

Dr Aleck—There would certainly be merit in the concern. It has not happened, but perhaps one of the reasons it has not happened is that that event occurs so infrequently.

Senator XENOPHON—Yes. Merit in the theory but not necessarily the actuality.

Dr Aleck—That is probably fair.

Senator XENOPHON—I am very conscious of my undertaking to Senator Abetz, but I have a couple more questions. What overall monitoring does CASA do of the investigations conducted by the ATSB? That is, does CASA look to identify trends in incidents to see if there needs to be an overall change in regulations? I would imagine that you do, but how do you do that in a practical sense?

Mr McCormick—Yes, we do. In fact, even though we are looking at the incidents for different reasons, one of the other aspects of the MOU now allows that—perhaps it is better to say what the situation was previously. The ATSB would get to the conclusion of their investigation, produce their report and then there would be recommendations that come to CASA. Some of those recommendations may be about safety-critical items or things that require deeper inspection which are not actually completely relevant to the incident that is under investigation by the ATSB.

Again, I will not speak for the ATSB, but when they identify that there is a safety outcome going to come out of this inquiry—they can see that coming, so to speak—they alert us early in the piece, which allows us, as Dr Aleck said, to conduct more or less a parallel investigation but for different reasons. We have done this and there was a recent incident where we did follow this procedure. As I said, we do look at the outcome and what it means systemically, what it means for the industry, what it means for the public and what it means for the legislative position going forward.

Senator XENOPHON—No doubt these are issues that will be canvassed in the context of the inquiry by the references committee into pilot training, which you are aware of. Finally, given the rapid development of new technologies in the aviation industry, do you consider that CASA, with its current staffing—and you can give me an idea of the staff in terms of enforcement roles—has the relevant capacity to deal with these issues? In other words, are you stretched and did the efficiency dividend apply to CASA as well?

Mr McCormick—Going backwards through those, no, the efficiency dividend does not apply to us at this stage. One of the principles of our long-term funding strategy and our new policy proposals, which actually came through this place in a separate hearing, was to bolster our staff to allow us to do much more surveillance, much more in-depth analysis. Do you want the actual numbers of staff we have?

Senator XENOPHON—Put it on notice, perhaps.

Mr McCormick—I have it here, if you would bear with me for a second. The current staffing number is 741, of which 293 CASA officers are directly employed in the operations area. Some others of course will have a role complementary to that but they are not actually defined in that position. The previous government's policy to move forward our new policy proposal allowed us to increase our staff by 97 positions. Fifty of those positions already existed, and they were basically people who were not on full-time employment or whose positions were not funded going forward out of this financial year. The other 47 were basically recruited to be in this area, apart from six people who are in a graduate program which I have only just introduced. We have basically recruited all but seven of those people, so we are on track on the NPP to put ourselves in a position where I think we can carry out the oversight we should have with the staff that we have, thanks to the previous government's commitment.

Senator XENOPHON—I will put you on notice that when the inquiry happens I think there are some issues in relation to the Tiger incident—the Mackay to Melbourne flight—about enforcement, enforcement tools and the like.

Mr McCormick—Certainly. I look forward to that.

Senator ABETZ—I have a number of areas for CASA this evening. The first one is in relation to the CASA Industry Complaints Commissioner report into complaints by Mr Richard Green. I understand they came down with a report in July 2009. Is that correct? They made four recommendations. Is that also correct?

Mr McCormick—If you could go on, perhaps I will—

Senator ABETZ—To your knowledge, yes?

Mr McCormick—To my knowledge.

Senator ABETZ—I want to go through this step by step so that we do not get a disconnect, but I hope at this stage all that is undisputed. Yes?

Mr McCormick—Yes. There is an Administrative Appeals Tribunal action as we speak about Mr Green.

Senator ABETZ—All right. Can you inform me as to what aspect Mr Green or yourselves have taken the action in relation to?

Mr McCormick—No, Mr Green—

Senator ABETZ—Mr Green has taken the action.

Mr McCormick—Again, to my knowledge, Mr Green has taken the action, yes.

Senator ABETZ—So he is the applicant in that matter.

Mr McCormick—I would like to answer you as best I can.

Senator ABETZ—No. The reason why I slowed down is because of that.

Mr McCormick—Understood.

Senator ABETZ—I am very mindful of that. Is the issue of an apology part of the matter before the Administrative Appeals Tribunal, to the best of your knowledge?

Mr McCormick—I am not aware of that. I am more aware of the substance of the issue.

Senator ABETZ—In that case, if the issue of apology is not before the Administrative Appeals Tribunal, let us deal with that. I understand that, out of the four recommendations made by the industry complaints commissioner, the fourth one was the suggestion of an apology. That industry commissioner's report went to your ethics and conduct committee and after about eight months your ethics and conduct committee provided you with a review of that decision. Is that correct?

Mr McCormick—Yes, that is correct.

Senator ABETZ—In that, they recommended that you not apologise.

Mr McCormick—That is correct.

Senator ABETZ—It is interesting that an ethics and conduct committee—so-called—refuses the suggestion of an industry complaints commissioner for an apology to be offered to somebody when one would assume that to do so the only thing that might hurt is a bit of pride, as opposed to anything else. We will not canvass the technical stuff tonight, because chances are the Administrative Appeals Tribunal might deal with that, but why was just a simple apology so robustly objected to? If I can quickly go on, Mr McCormick, you then wrote to Mr Green on 27 April saying that you had decided that 'an apology is not warranted'.

Mr McCormick—Yes, that is correct.

Senator ABETZ—So why not?

Mr McCormick—Because we have nothing to apologise for. I reject the findings of Mr Michael Hart as the independent complaints commissioner—or the industry complaints commissioner, I should say—in that he did quite often act as an independent complaints commissioner or more as an advocate for the industry rather than on the facts of the matter. The facts of the matter are before the AAT and will be proved and, if they are proved, we will see where that goes. At this stage, it is pointless me accepting something from somebody who was unqualified to make that statement—and that is Mr Hart—and for me to apologise to Mr Green when it has not been determined that I have anything to apologise for.

Senator ABETZ—You did not have much respect for Mr Hart, did you?

Mr McCormick—I found Mr Michael Hart a very nice person.

Senator ABETZ—But unqualified to make the assessments that you have just referred to.

Mr McCormick—Correct.

Senator ABETZ—You see, in the last estimates on page 118 of the *Hansard* of Thursday, 27 May 2010, my colleague Senator Macdonald asked:

Was any reason given for Mr Hart's retirement? Did he retire or was he terminated?

You answered:

No, Mr Hart retired. It was his own personal request to retire at that date.

Senator IAN MACDONALD—No reason was given—relevant to the interests of the parliament, I might say?

Mr McCormick—Not that Mr Hart communicated to me.

Are you standing by that?

Mr McCormick—Yes, I am.

Senator ABETZ—Right. Can I then ask you whether you remember receiving Mr Hart's letter to you dated 16 October 2009?

Mr McCormick—I do not have that letter with me.

Senator ABETZ—Can you recall that he said things such as:

When I accepted the position of industry complaints commissioner with the Civil Aviation Safety Authority, it was on the basis that the role was to support the then CEO by managing complaints, CASA stakeholders and the authority's relationship with industry. In view of proposed changes to duties, relationship and role of the ICC, together with the advice conveyed to me by the EM office of DAS that it is your direction that the ICC should now answer to the newly established ethics and conduct committee, I have had cause to review the terms and conditions of my employment with the authority.

ACTING CHAIR—Before you answer that, Mr McCormick, maybe the rest of the committee would like to have a copy of that, if you do not mind.

Senator ABETZ—Of course, yes, if that can be done expeditiously because I will need it back again. But possibly Mr McCormick—

ACTING CHAIR—Mr McCormick probably would like a copy.

Senator ABETZ—Yes, of course.

Mr McCormick—Thank you, Chair.

Senator ABETZ—Senator Macdonald specifically put to you:

No reason was given—relevant to the interests of the parliament ...

And you say:

Not that Mr Hart communicated to me.

I would have thought that paragraph was pretty clear that he was concerned about the administration and the way things were going. Right, wrong or indifferent his concerns, he did communicate them to you, did he not?

Mr McCormick—Mr Hart and I had a verbal conversation. Naturally I would not have left just that letter sitting there. When we completed our verbal conversation, he asked to leave the organisation of his own volition towards the end of December, because that maximised his pension benefits. He assured me at the time that most of the matters he was raising could be addressed, but he wished to leave. So I think our conversation supersedes what is written in that letter. I stand by what I said: Mr Hart chose to leave. He chose to leave when it was advantageous to him.

Senator ABETZ—Mr McCormick, there is no argument that he chose to leave. I am not asserting that he was sacked or bullied out of the organisation, but I am putting to you that it was a very—well, I do not want to be derogatory to my colleague Senator Macdonald—bland question:

No reason was given ... ?

And you said:

Not that Mr Hart communicated to me.

Of course he communicated it to you, and it is obvious from the letter, isn't it?

Mr McCormick—I will have a look at the letter again. As I say, I do not have it with me. Our conversation, the way we terminated our discussion and he agreed when he wanted to leave, I think supersedes any letter that had been sent before.

Senator ABETZ—Did he ask to have his letter withdrawn? Did you ask him to withdraw his letter?

Mr McCormick—That is not normal practice within CASA.

Senator ABETZ—Of course not; so that communication remained, did it not, as part of the totality of the communication? Mr Hart at no stage said to you, 'Look, dammit, ignore that letter. That was written in a fit of anger,' or whatever. 'I don't mean it.' Nothing like that was said, was it?

Mr McCormick—In our conversations we cleared the air on any matter that Mr Hart might have had. I thought they were cleared to his satisfaction.

Senator ABETZ—Whether you had or had not cleared the air, the question was whether something had been communicated to you, and you answered, 'No,' where in fact it had been. I suggest to you, with respect, that that was not necessarily telling the committee the full extent of your knowledge at the time in response to Senator Macdonald's question.

Mr McCormick—I may have overlooked some point of that letter. I have to admit, I do not have it in front of me and I did not have it in front of me when I answered Senator Macdonald's question.

Senator ABETZ—The photocopy is coming. What we may do, Chair, is set that aside until the letter comes back.

ACTING CHAIR—Do you have more questions?

Senator ABETZ—Yes, I do, but I am not sure—we may be able to talk quietly amongst ourselves for 30 seconds.

ACTING CHAIR—Do you have any planned questions there, Senator Macdonald?

Senator IAN MACDONALD—No, none.

Senator ABETZ—It was a very straightforward question, not at all loaded in any way. I thought it was a very proper question. Mr McCormick, now that you have the letter in front of you, can you please indicate whether you recall seeing such a letter?

Mr McCormick—I do not recall it, sitting here, but I would not say that I have not see it. We had certainly had more discussions since October, before Mr Hart left in December.

Senator ABETZ—Read the very last paragraph: ‘Taking into account the terms of my current contract and to allow you and the authority to manage an orderly transition of the work I have been doing, my last day of employment will be 31 December 2009.’ That is exactly what you said you had agreed with Mr Hart. So you had this conversation with Mr Hart, agreeing that to suit his purposes—he suggests yours as well, but I am happy to accept just for his purposes—he will terminate on 31 December, yet he still writes all the other information in there as being an expression of his reasons and concerns for leaving; and so, with respect, the day that you agreed with him that he would leave on 31 December must have been before this letter was written.

Mr McCormick—No, it was not before this letter was written.

Senator ABETZ—All right.

Mr McCormick—I think, as he says: ‘I am therefore resigning from the authority and the position of Industry Complaints Commissioner and will be retiring from full-time work to read law, preparatory to admission to the bar in New South Wales’—is how we finished our conversation. We parted on good terms. We did not have any issues when he departed. 31 December, as I say, was to his advantage.

Senator ABETZ—But his complaints about the way the ICC was being treated clearly in this letter of 16 October 2009, which concludes that the date of his leaving the employment—

Mr McCormick—Mr Hart put his view. I met with Mr Hart on more than one occasion after this letter and I discussed with him his points of view and what he considered was an issue. What he said to me is perhaps not what is conveyed in this letter.

Senator Feeney—Senator, can I just have one moment?

Senator ABETZ—Yes, of course.

Senator Feeney—We are trying to ascertain whether a copy of this exists in the department’s files. I would like to make the point for the record that this document is unsigned and undated—

Senator ABETZ—16 October.

Senator Feeney—in the sense that there is not a date received stamp; forgive me. I am interested in the veracity of our—

Senator ABETZ—But it is interesting that it is agreed by the witness that 31 December 2009 was the agreed date. But that is fine.

Mr McCormick—We do not have any recollection of having this letter within our system but, as the senator said, we will of course look to see where it is.

Senator ABETZ—Did you get a letter of resignation from Mr Hart?

Mr McCormick—I do not actually have a recollection of what we have in our systems. I will have to take that on notice and see what we do have.

Senator ABETZ—Is it correct that, in publishing the CASA annual reports of 2006-07 and 2008-09, there was an outline of Mr Hart’s biography published in those reports?

Mr McCormick—That is before my time.

Senator ABETZ—Can somebody with a longer corporate memory confirm that for me?

Mr McCormick—Perhaps if you would like to—

Senator ABETZ—All right, take that on notice. Then can I be advised why his biography was removed prior to the publication of the 2008-09 annual report?

Mr McCormick—Again, I will have to take that on notice. We will check with people who were around at the time to see what was in there.

Senator ABETZ—Were you around at that time?

Mr McCormick—I started in 2009.

Senator ABETZ—The 2008-09 annual report, which would have come out after 30 June 2009.

Mr McCormick—Correct.

Senator ABETZ—You were around then?

Mr McCormick—Correct.

Senator ABETZ—You cannot recall any direction by yourself about the removal of Mr Hart's biography from the annual report?

Mr McCormick—No, sir, it is not something that I recall, but as I said we will look and see what the reports have to say.

Senator ABETZ—How many discussions did you have with Mr Hart after you became the director of aviation safety before he indicated to you that he wanted to leave the organisation?

Mr McCormick—It would number in the dozens. I started 1 March 2009. I spoke to Mr Hart virtually the first or second day I was in the position, or very shortly thereafter. 1 March happened to be a Sunday, so I cannot recall the exact day I first spoke to him. I worked very closely with Mr Hart because I wished to look back over the number of records and reports that he had produced.

Senator ABETZ—And in those discussions, did you reject his reports and attack his ability and the reports?

Mr McCormick—No. I rejected quite a few of his findings. That is correct. What I did say to Mr Hart and what has been said before is that he quite often was making conclusions in areas where he was not qualified to make those conclusions.

Senator ABETZ—At any stage did Mr Hart indicate to you that the undisclosed changes to the role of the ICC represent a material and significant change to his employment, both implied and written, that he has with the authority? Did he say words to that effect to you?

Mr McCormick—I do not recall those particular words.

Senator ABETZ—They are in the letter, so you might like to refresh your memory.

Mr McCormick—Yes, but you are asking whether he said those words to me?

Senator ABETZ—Yes.

Mr McCormick—I do not particularly recall aspects of whether he thought his contract had been changed. I think in view of the terms—of course, these here are bland words, if indeed I have seen this letter and we have a record of it. There is actually more before: ‘I have cause to review the terms and conditions of my employment with the authority.’ I can assure you that his contract was honoured in full.

Senator ABETZ—He considers it a material and significant change to his role. Do you agree that the role has since been changed?

Mr McCormick—The role of the Industry Complaints Commissioner, what it does now, is perhaps more of the role that I think he was given to start with.

Senator ABETZ—So has the role changed?

Mr McCormick—The role has expanded.

Senator ABETZ—The role has expanded? Do you think it was important to tell the Senate and the parliament that, that the role had changed?

Mr McCormick—At the time at which—you refer to the last question from Senator Macdonald?

Senator ABETZ—Yes, on Thursday, 27 May, when Senator Macdonald was canvassing this.

Mr McCormick—The terms of reference of the ICC are on our website. The ethics and conduct committee actually is the part that changed the role of the ICC. Mr Hart, as he originally pointed out to me, did not think that the Industry Complaints Commissioner and the ECC were compatible items. He did not necessarily say that he thought the role should be done some other way or should be something else. But I cannot speak for Mr Hart in what he was thinking at the time.

Senator ABETZ—Mr Hart cannot be here, but—

Mr McCormick—Mr Hart is in the Administrative Appeals Tribunal with Mr Green.

Senator ABETZ—What, as a witness?

Mr McCormick—Correct.

Senator ABETZ—Undoubtedly he has been called as a witness. I assume you might be giving evidence as well, Mr McCormick?

Mr McCormick—If I am called to give evidence, I will.

Senator ABETZ—So just as much weight should be given to you as a result of that? If people are called as witnesses, people are called as witnesses. Or are you suggesting that Mr Hart is an actual party to the proceedings?

Mr McCormick—No. I am unaware of what the situation is. I would be surprised if that is the case.

Senator ABETZ—Yes, so would I. I turn now to another topic, question on notice No. 15 from last time.

Mr McCormick—Yes.

Senator ABETZ—I asked:

How many other times has CASA been made aware that flights have gone beyond 12 nautical miles for search and rescue operations and you have not put them through this sort of third degree?

That is how I described it, and you said you would take it on notice. You said:

CASA is unaware of the number of search and rescue flights that have gone beyond 12 nautical miles.

Then:

All holders ... must confine their operations within 12 nautical miles from the Australian coastline.

Can you see that in the answer?

Mr McCormick—Yes.

Senator ABETZ—Yes, good. You went on:

CASA is in the process of reminding all domestic AOC holders—

that is, air operator certificates—

of the limits of Australian territory ...

et cetera. Mr Peter Fereday, executive manager of industry permissions, wrote a letter on 30 June 2010 to AOC holders and the chief pilot. Is that correct?

Mr McCormick—It was in June 2010. Whether it was the 30th or not is—

Senator ABETZ—Has that letter since been countermanded or a moratorium applied to it?

Mr McCormick—Perhaps I could give you a slightly longer answer on that, if you do not mind.

Senator ABETZ—Yes, of course, if you anticipate it might clear up further questions. That would be good.

Mr McCormick—CASA wrote to all holders of AOCs in June 2010 advising they must have an appropriate authorisation on their air operations certificate and their operations specification—ops spec—if they conduct commercial operations outside Australian territory. Flights beyond 12 nautical miles from the territorial sea base of Australia are outside Australian territory.

Senator ABETZ—Can I just quickly interrupt? Is a search and rescue operation deemed a commercial operation, because they are chartered by the emergency services?

Mr McCormick—AMSA?

Senator ABETZ—Yes. Would that would be seen as a commercial operation?

Mr McCormick—AMSA, yes.

Senator ABETZ—Yes.

Mr McCormick—CASA gave operators contracted to AMSA for search and rescue services an interim three-month authorisation on 15 July 2010 to conduct search and rescue into and out of Australia, and to ensure continuity of service and that authorisation has been extended to 31 December 2010.

Senator ABETZ—Who are AMSA again?

Mr McCormick—The Australian Maritime Safety Authority, who contract search and rescue services.

Senator ABETZ—Just run that by me again. What does all that mean?

Mr McCormick—The operators that provide a search and rescue service on a commercial basis by contract to AMSA—and I would not like to speak for AMSA; another department may wish to—are contracted to operate search and rescue. We gave them an interim three-month authorisation on 15 July to conduct search and rescue operations in and out of Australia to ensure that there was a continuity of search and rescue services available. Subsequent to that, on 7 October 2010, we wrote to the same people in a continuation of notice of variation of air operators certificate—and I refer to the correspondence dated 15 July to which I have just referred:

... advise you of CASA's decision to vary your air operators certificate to authorise you to perform activities into and out of Australian territory for a period of three months. This notice extends the period mentioned in the letter dated 16 July to 31 December 2010.

Senator ABETZ—So we are now out to 31 December 2010 with this—how do I describe it?—moratorium?

Mr McCormick—Correct—extension of the approval.

Senator ABETZ—Extension of the approval. That is a blanket approval for everybody now?

Mr McCormick—That is for operators who are contracted to AMSA for search and rescue services.

Senator ABETZ—So why did you find it necessary to do that after, if I might say, taking a fairly heavy approach with Tasair at the time, then Senate estimates, then a month later this letter to everybody reminding them of this, and then shortly thereafter, in effect, a recalling of that letter?

Mr McCormick—The letter has not been recalled. It has been extended. We have extended the period that they have while we continue the work. As you rightly said, we carried out an investigation when Tasair and DirectAir Pty Ltd operated outside 12 nautical miles. I do not have the *Hansard* in front of me, but I think you will find that at some stage there I mentioned that there was confusion amongst CASA officers, as well as the industry, about what constituted territorial limits in Australia; whether it was 12 nautical miles or 200 nautical miles.

Senator ABETZ—In this letter of, I think, 30 June—that is the letter I have got in front of me—where does it say that they can fly beyond the 12 nautical miles?

Mr McCormick—I will have to read that letter, if you wish. But if I could go on to where we are now?

Senator ABETZ—Yes.

Mr McCormick—Our procedures and administrative arrangements have been updated to handle AOC applications from operators wanting to conduct operations into and out of Australia in a more effective way. For example, the operations specification which is attached

to an air operator certificate will be changed so that operators will be authorised to fly outside 12 nautical miles when departing from or arriving into an Australian aerodrome. Also, they will be authorised to fly between aerodromes located on or up to 200 nautical miles off the Australian mainland, in Tasmania and in the Australian Torres Strait Islands. This initiative resolves the majority of cases where there is uncertainty about the operators being properly authorised for these flights. That is all operators now.

What we have done in the interim is allow the search and rescue, naturally, to continue while we looked at the various acts—including the Civil Aviation Act and, of course, the Seas and Submerged Lands Act 1973—to establish what we had to do to allow normal operators to operate outside of 12 nautical miles.

Senator ABETZ—The document you were just reading from, was that the letter that was sent?

Mr McCormick—Which letter are you referring to?

Senator ABETZ—The one that you were just reading from.

Mr McCormick—No, those are my own notes. That is not a letter.

Senator ABETZ—Because I could not find that information in this letter of 30 June that was sent to the AOC holder and chief pilot:

CASA wishes to clarify your obligations regarding conducting commercial operations outside Australian territory.

Then it talked about the restriction, the 12 nautical miles. My advice from the industry or sector is that after that letter went out a moratorium—for want of a better word—was issued for three months, and it now appears as though it has been extended to 31 December.

Mr McCormick—I think we have got a couple of issues running here. There was obviously a problem with understanding where the 12 nautical miles Australian territory stopped and started. The ramification of saying, ‘You can’t go outside 12 nautical miles’—which was the interpretation of the Civil Aviation Act and the Submerged Lands Act and the Australian territory definitions—we did not wish to stop AMSA still being able to conduct search and rescue. So the initial letter to which you refer, that we wrote on I think you said 30 June 2010, to everyone, actually says that an operator is engaged in this sort of thing, responding to a sudden or extraordinary emergency, such as search and rescue, may be able to undertake such an operation without a complete application for variance. That is variance of the air operator certificate which, up until then, we were of the view limited operations to 12 nautical miles. The second last paragraph, the one before the dot points, in the 30 June letter, states:

If, as an operator, you are in any doubt as to whether you are required to hold an additional AOC authorisation, please contact CASA’s permission application centre for further advice.

Initially we were allowing the search and rescue people to continue as though this question of 12 nautical miles had never arisen, but it was our duty to address it when it came to everybody else, including those people.

It took us some time to establish how we would allow people to operate outside Australian territory without having to have an international air operators certificate. Because it looked like it would take us longer to do, we extended the three-month moratorium, as you call it—

the three-month approval we gave to those search and rescue people—out to the end of December to allow us enough time to reach a position which could encompass everyone. We have reached that position and we wrote again to those people on 7 October saying that we are going to continue that. Now that we are happy that we have a way of stopping people having to pay for an international air operators certificate, we are in the process of going out and changing all the operators certificates to say—

Senator ABETZ—Do they still have to ring this 136773 number, the CASA permission application centre?

Mr McCormick—As the letter says, ‘If you have any questions relating to this matter, please contact this number.’

Senator ABETZ—And is that manned 24 hours a day?

Mr McCormick—There is a hotline number for the permission application centre. I do not know whether that is that number.

Senator ABETZ—If somebody is called out at two o’clock in the morning, my advice is that sometimes the coordinates of where they are going to be flying to are faxed or emailed to them as they are driving to the airport to get the plane ready and it might come to them at a very late stage. To then have to stop and try and get some permission, when somebody is in danger of drowning, just seems to me—

Mr McCormick—No, I am sorry, we are losing track of this a little bit I think, with all respect.

Senator ABETZ—Feel free to interrupt if you think that is the case, because I do want to get to the nub of it.

Mr McCormick—I am talking now about the aircraft that are contracted to AMSA to provide search and rescue services. That letter that we have talked about—30 June—allowed the search and rescue people three months to continue operating as though this question of 12 nautical miles had never arisen. The extension to December—again, it applied only to the search and rescue people that were contracted to AMSA—allowed us to put in place a fix for the whole of the industry, but nobody in search and rescue was ever in the position of having to ring that number before they flew out.

Senator ABETZ—Who is AMSA again?

Mr McCormick—The Australian Maritime Safety Authority.

Senator ABETZ—What if Tasmania Police got a call that there was a boat in trouble, Tasmania Police contracted the airline to undertake the search and it was not an AMSA contract? Would they be allowed to fly beyond the 12 nautical miles?

Mr Mrdak—Where there is a search and rescue that takes place in those circumstances, the AMSA search and rescue centre takes coordinating control, so I do not think those circumstances that you raised hypothetically would actually occur.

Mr McCormick—But if it were to occur, because it is an emergency they are permitted to operate without violating the act.

Senator ABETZ—That is very good. Just for clarification, last time round I think you may have indicated that Tasair did not have a search and rescue aspect on its air operators certificate operations specifications. I have in fact been provided with a copy that says that that will expire on 30 November 2011, effective date from 24 November 2009. They in fact did have such a certificate. I just clear up the record in relation to that. Thank you, Chair.

ACTING CHAIR—Thank you very much. Are there any further questions for CASA? Senator Back.

Senator IAN MACDONALD—I want to follow up some of the things Senator Abetz was talking about, but you go first.

Senator BACK—Thank you, Chair, gentlemen. I just want to draw some attention for a few minutes to the regulatory review program. I understand the RRP has been in place since 1996.

Mr McCormick—You mean the rewrite of the regulations?

Senator BACK—Yes.

Mr McCormick—I do not have the exact start date with me, but I should imagine it was in that area.

Senator BACK—The intention, as I understood it, was to rewrite and review aviation regulations to be in plain English, consistent with overseas regulation, to eliminate overadministration where possible and to comply with Australian law and guidelines. That is a reasonable summary of the objectives of the review?

Mr McCormick—I do not have the objectives in front of me, but that sounds reasonable.

Senator BACK—Where are we with the review program? What is its status?

Mr McCormick—The new regulations are termed the Civil Aviation Safety Regulations—CASRs. There are 59 parts made or planned. Thirty-three of those parts have been made in whole or in part. Twenty of them and three subparts are in the legal drafting process, which is between my office and the Office of Legislative Drafting and Publishing—OLDP—and CASA.

Senator BACK—Is it an ongoing process or do you intend that it comes to a conclusion?

Mr McCormick—I intend to bring this to a conclusion as soon as physically possible, but I will add: it never really ends, because it is a case of, ‘You have to go back and start again,’ in legislation.

Senator BACK—Sure. Can you confirm that one of the primary purposes of the program is to ensure that Australian legislation is consistent with overseas regulation in view of the international scope of the aviation industry?

Mr McCormick—Our first obligation as a signatory country of the International Civil Aviation Organisation—ICAO—and part of the United Nations, is to follow their standards and recommended practices—SARPs as they are referred to. As we are a signatory country and we are regarded as a first-tier country, we take that as our starting point and then obviously we look to other regulatory regimes around the world that we can harmonise with or we try and pick the best practice we can.

Senator BACK—I want to draw attention for a couple of moments to penalties. I understand there is a process of penalty points. Could you explain to us what that process is about and how the penalty points are accumulated?

Mr McCormick—If you do not mind, I will defer to Dr Aleck again on the legal issues.

Dr Aleck—Thank you. The civil aviation regulations provide for offences, and penalties for contravention of most of them, consistent with a great deal of legislation that deals with public health and safety. Consistent with all criminal legislation in the Commonwealth, rather than assigning a dollar figure, a penalty point under the criminal law act is \$110.

Senator BACK—One hundred and ten dollars?

Dr Aleck—One hundred and ten dollars for each penalty point, I believe, yes. Sorry, it is \$1,100. The maximum penalty under the regulations is 50 penalty units—no, it is \$110—\$5,500. That is the maximum penalty under the regulations that can be incurred. Are you talking about penalty points or demerit points? I believe it was penalty points you were asking about.

Senator BACK—Penalty points.

Dr Aleck—Penalty points is a uniform practice in Commonwealth criminal legislation. Rather than assigning a dollar amount, a penalty point is assigned. That enables the government, when penalties are not considered appropriate, to simply raise the value of a penalty point and all the legislation is automatically accorded. That has not happened in recent times, but that is the purpose of a penalty point.

ACTING CHAIR—A penalty point is \$1,100, is it?

Dr Aleck—A penalty point I believe is actually \$110, if I am not mistaken.

Senator BACK—Is this penalty point system consistent internationally? Do the aviation regulations in other countries also have this?

Dr Aleck—The practice of imposing penalties for offences, infractions or violations, or criminal offences in civil aviation legislation is not uncommon at all. It is very common in many jurisdictions.

Senator BACK—And we have always had it? When I say ‘always’—

Dr Aleck—We have had penalties for offences under our regulations for at least 60 years.

Senator BACK—What are the demerit points?

Dr Aleck—A demerit point is a relatively new innovation, and that has to do with the infringement notice scheme. If someone is convicted or found guilty of an offence of strict liability, they will incur a demerit point on paying an infringement notice or being found guilty, virtually the same as the motor vehicle scheme. If you incur a certain number of demerit points within a certain period of time, there is an automatic statutory suspension and that can go up as far as a cancellation if that happens too often, but I should point out there is a provision in our legislation that makes it clear that if a person derives their entire or a substantial part of their income from the exercise of the privileges which are suspended, they may make an appeal to the director to have their licence or certificate reinstated subject to

such conditions as are necessary in the interests of safety. If the director declines to do so, that matter is reviewable in the AAT.

Senator BACK—Returning to the penalty points now, what is the impact? If someone accumulates penalty points, apart from the financial burden, what could it lead to—a suspension of their employment? Could it lead to a criminal offence? Could you give us the end point?

Dr Aleck—A penalty point is simply a shorthand term for a dollar amount that is imposed by a court, if they are prosecuted and convicted, in which case a court can impose a penalty up to the maximum penalty points that are attached to the offence. If they choose to pay an infringement notice as opposed to challenging the matter in a prosecution, they will pay one-tenth of the maximum amount that could be imposed. The standard or the most frequently occurring penalty under the regulations is \$5,500 or 50 penalty units. If they choose to pay that as an infringement notice, they pay \$550 and there is no admission of guilt or liability.

Senator BACK—But there is no capacity for this penalty point system to lead to a criminal conviction?

Dr Aleck—It is only imposed if there is a conviction or a finding of guilt or a person—

Senator BACK—Would that be a civil matter or could it be a criminal matter?

Dr Aleck—It would have to be a criminal matter.

Senator BACK—It would have to be.

Dr Aleck—It is only in a criminal proceeding that a penalty of that kind is imposed. It is not a civil penalty. It is a criminal penalty.

Senator BACK—What sort of person who could incur such a penalty: an airline pilot, aircrew, maintenance staff?

Dr Aleck—Any person who is bound by the regulations. If they were found to have contravened them, the decision has been taken to prosecute them and they are successfully prosecuted, then, yes, they could be; just as someone who fails to wear their seatbelt would incur penalty points and demerit points if they chose to challenge the matter in court and were found guilty.

Senator BACK—There is an involvement, I understand, from the Minister for Home Affairs and Minister for Justice—is that correct?—supported, as I understand, by the Criminal Justice Division of Attorney-General's, in advising on the framing of offences and certain other enforcement powers to assist agencies. I am reading here; I apologise, Chairman. In framing these types of provisions:

... the Department, with the authority of the Minister, publishes the *Guide to Framing Commonwealth Offences, Civil Penalties and Enforcement Powers*.

Is that correct?

Dr Aleck—Yes, that is correct.

Senator BACK—I have been correctly advised. Does the regulatory review program have regard to this document in the redrafting of the legislation and regulations?

Dr Aleck—Absolutely, and I can assure you that the provisions of our regulations new and old that include penalties and offences are crafted in accordance with those guidelines. Mind you, it is the Attorney-General's Department that ultimately determines the formulation of those provisions, but the policy behind them is quite consistent with that document.

Senator BACK—And yet it has been put to me that departures from the principles contained in the guide may be necessary or justified in the context of a particular legislative framework. So the agency has the capacity to vary that?

Dr Aleck—Which agency? The instructing agency?

Senator BACK—CASA.

Dr Aleck—CASA can certainly propose that there be changes, but I must say that the proposals that we have advocated do not involve whether or not there should or should not be a penalty. They involve the actual linguistic formulation of those provisions. That is the issue that has probably been more contentious because there have been changes in the policy to which you refer over which CASA has no control. That policy is made, as you said, by the justice department.

Those changes have involved a reformulation of the language that is used for those offences. The intent, by the way, is to make it much more explicit as to what a person must do or must fail to do if they are to be found guilty of an offence. So, although it does add words and sometimes words that one might reasonably argue are not entirely necessary for understanding, the intent and the objective is to put beyond doubt what conduct is or is not permissible.

Senator BACK—It is to be expected I suppose, but, Mr McCormick, I understand that there have been different people associated with the aviation industry who have written to you expressing their concern about the process just described to me, expressing their concerns partially on process and procedure. Are you familiar with those concerns expressed? One name given to me was a Mr Cannane who had corresponded with you. Could you recall that? Has there been such concern expressed?

Mr McCormick—Mr Cannane normally communicates to CASA representing an organisation called AMROBA and he has communicated with us many times over my tenure in this organisation.

Senator BACK—Can I ask the nature of those communications, and your responses? In general, are you in support of or not in support of the concerns that he particularly has expressed?

Mr McCormick—I think it is fair to say that he expresses quite a few concerns over a very wide area. Some of them go to the most basic level on the type or format of the regulations. Some of it again is more specific, about some of the issues. I do note Mr Cannane is quoted in the latest, I think, *Australian Flying* magazine, saying that he has no difficulty with CASA. Suffice it to say that these maintenance regulations in particular, which affect AMROBA, are not universally popular. There are very many views of what format maintenance regulations should take. We do deal with everyone who puts an inquiry or comments in to us.

Senator BACK—So he would in the normal course of business receive from you or from CASA a response to concerns. One comment, if I may be allowed to read it, is:

That a subjective interpretation of completion of a maintenance task could constitute a 50 point strict liability offence is absolutely unacceptable, and appears to be a complete breach of the Office of Home Affairs guidelines for establishing criminal offences—but nobody in CASA seems to care.

That is the only quote I will read out. Is that consistent with the sort of communication that you recall from Mr Cannane?

Mr McCormick—Mr Cannane comments on many levels.

Senator BACK—Does that particular one have any validity in your minds?

Mr McCormick—I am not sure that I have personally received every communication from Mr Cannane, but I will ask Dr Aleck to comment some more on that, if I could.

Dr Aleck—I can respond only because I have had numerous exchanges with Mr Cannane, in writing as well as face to face on this very issue. Many of Mr Cannane's observations about the way in which the formulation of penalties in legislation occurs are not correct. I have explained this to him at some length and I had been under the impression, at least on a number of occasions, that he understood and accepted my explanation. But I will say again that there is nothing that I am aware of in our legislation that departs from the policy of the government on this.

Senator IAN MACDONALD—I just want to go back to the May 2010 estimates and the answers that you have given to me to questions taken on notice. Thank you for them. We were talking about Mr Hart's reports, of which he tells me he completed 28 during his term from 4 June 2007 until 31 December 2009, as the Industry Complaints Commissioner. He did 28 reports which contained 108 recommendations and you have given me a summary of those recommendations.

Mr McCormick—Is that question 4 that you are looking at?

Senator IAN MACDONALD—Yes, it is. Of those 108 recommendations, how many were actioned?

Mr McCormick—I would have to take that on notice.

Senator IAN MACDONALD—Was it most of them or a few or them?

Mr McCormick—Because they go back some considerable time now, I would have to take that on notice. I have no idea at this stage.

Senator IAN MACDONALD—You told me the reports of Mr Hart were not suitable for tabling in this committee because they contained confidential material that is inappropriate for general publication. What do you mean by that? I asked for a couple of reports and said, 'Please delete names. Just give us the idea of what they are about without naming names.' Would they still be inappropriate for general publication if there were no names mentioned?

Mr McCormick—I am looking at the bottom of 4 there. The ICC receives and reports on information that is confidential from a commercial and/or privacy perspective, and all reports contain references to named persons.

Senator IAN MACDONALD—Yes, but if you remove the references to the named persons, it would at least allow the committee to get some idea of the nature of the recommendations in his reports.

Mr McCormick—We can certainly look at that—how it would be if it was an FOI request but with perhaps a bit more detail for the Senate.

Senator IAN MACDONALD—Yes.

Mr McCormick—As to the reports themselves, again if there are any in particular that you wish an answer on, we can take that on notice. Otherwise, we will review what we have there.

Senator IAN MACDONALD—I have no idea what is in the reports because they are not made available. There is no other way I can get them unless you give them to me, so I cannot really identify any. Would the 108 recommendations have related to individual operators, would they have related to the procedures within the Civil Aviation Safety Authority or would there be a bit of each?

Mr McCormick—There would be some of each.

Senator IAN MACDONALD—Of the 108 recommendations, those that relate to CASA clearly would not have had names in them. Is it possible to get copies of those recommendations?

Mr McCormick—We will obviously look at the reports and the 108 recommendations. In fact, quite a few CASA officers are named in those reports.

Senator IAN MACDONALD—You have given me a summary of those. That summary, so that I understand it, contains the guts of the recommendations made by Mr Hart, does it? They are in No. 5, the answers to the next question. It does seem that a lot of them relate to CASA. In fact, from a quick skim through them, they seem to all relate to CASA.

Mr McCormick—If you look at the more up-to-date data, between 1 July 2009 and 30 September this year, which is obviously not in those questions that you asked then, of the matters that we have had raised, 122 have been complaints about CASA, 337 have been complaints about the aviation industry and 42 have been other matters, including requests for information. So the majority would actually be about the industry.

Senator IAN MACDONALD—That may be now but, following Senator Abetz's questioning, these recommendations of Mr Hart seem to be, as I say, from a quick skim through them, practically all directed at CASA, suggesting that there were a lot of complaints against CASA which your own industry complaints commissioner felt were justified enough to issue recommendations suggesting that CASA should, broadly speaking, change its ways. It is that an accurate interpretation of all this material?

Mr McCormick—Without knowing myself the contents of the ones that predate me by a considerable margin, like the 2007 reports et cetera, again we will look at those and bring them forward. CASA obviously gets a mention in quite a few of the complaints.

Senator IAN MACDONALD—But you have kindly provided me with them, Mr McCormick. You just have to look at the answers to question 5.

Mr McCormick—Yes, CASA obviously does get a mention, as the industry complaints commissioner says. Of course, some of these have been overtaken by other events. They were the findings that were in those reports, but events have rendered some of these moot. Some of the others we have done, perhaps not in the same terms, and some of these of course have been closed.

Senator IAN MACDONALD—Is the industry complaints commissioner's role—now the ethics committee—to improve operations in CASA or to improve operations in the aviation industry generally?

Mr McCormick—I can table the terms of reference as they exist now, if you like, which clearly point out the relationship between the ethics and conduct committee and the industry complaints commissioner. The industry complaints commissioner is to be concerned with complaints that are brought to us by anybody, even if it is external to the industry.

Senator IAN MACDONALD—About the operations of CASA?

Mr McCormick—About CASA or about the industry. Quite a few of the complaints we get are about other parts of the industry. I can defer once again to Dr Aleck, the chair of the ethics and conduct committee which advises me. I also have the current industry complaints commissioner here.

Senator IAN MACDONALD—I am following on from what Senator Abetz raised. I gather from the tone of his questions—and I hear you say to the contrary, and correct me if I have got this wrong—that there is a suggestion that Mr Hart may have issued a lot of recommendations about the operations of CASA, and certainly the material you have provided me with seems to confirm that, and because of that he felt that he could not continue in his role. He might have thought he was forced out. You assure us that that is not the case. I am more interested in that than what is necessarily happening now.

Senator Feeney—Your reconstruction of events is certainly one you are entitled to make, but that is a hotly contested set of issues. The circumstances in which he left—

Senator IAN MACDONALD—I am not making a point of that. I am simply explaining why I am more interested in Mr Hart's recommendations than the current ethic committee's recommendation. If you were to take Mr Hart's recommendations, it would seem to me to be a very poor assessment of the work of CASA. Correct me if I am wrong. I am only reading a two-line summary which you provided me with, but even these two-line summaries, which were done by you, seem to be a litany of complaints against CASA and recommendations for a change of action. Is that a fair interpretation? You have given me these. They are your two-liners on what the report was about, so tell me that I am misinterpreting them.

Mr McCormick—Perhaps the easiest way would be to allow Dr Aleck again to explain what some of these reports are all about.

Senator IAN MACDONALD—Okay.

Dr Aleck—Firstly, looking through these—and I have seen them before but I am refreshing my memory now—let me say that a good many of the recommendations Mr Hart made were very sound and sensible. I might add that he would not have been the first to make them and many of them are recommendations that were quite consistent with actions that were already

in train in CASA. As I look through some of these recommendations, they are recommendations that CASA has undertaken to put into effect. Whether it was because Mr Hart recommended them or not is another question. I must say too, in fairness, that a number of the recommendations Mr Hart made did not meet those criteria; that is probably a function of a human being not being spot-on in every instance.

I do want to correct the notion that has been repeated on a number of occasions that there was something about the creation of the ethics and conduct committee which subjected the industry complaints commissioner to some sort of vetting or veto. As you will see—and we are happy to table the terms of reference of the committee—every manager in CASA, including the manager of human resources who is responsible for code of conduct matters, the industry complaints commissioner and every other executive manager who may deal with complaints, is subject to the oversight of the ethics and conduct committee. Their obligation is simply to report to the conduct committee that a matter has come to their attention to be dealt with in accordance with their terms of reference, and it is the committee's prerogative to say, 'Fine, you go ahead and do this in accordance with your processes, and report back to us and let us know what you've done.' The same process would have applied to Mr Hart, but he chose not to participate in that process.

Senator IAN MACDONALD—Dr Aleck, that is very interesting. You are perhaps answering my next question before I ask it. You are not really answering the question I asked, which is basically what I am interested in at this point in time. Perhaps we will come to that later.

Dr Aleck—About these recommendations?

Senator IAN MACDONALD—Sorry?

Dr Aleck—The question you are asking is about what is wrong with these recommendations. Why have they not been—

Senator IAN MACDONALD—No, I have not even got to that. I have said, 'Have they been actioned?' and you are saying, 'Yes, many of them have.'

Dr Aleck—Yes, many of them have, and had been, even at the time they were made. Action was in train.

Senator IAN MACDONALD—It seems that someone in your organisation has taken the time to give me 11 pages of summaries of his recommendations. Perhaps you could photocopy that for me and go through and put a big tick or a cross to indicate whether those recommendations were actioned directly as recommended, not actioned at all or perhaps a half sign to say they were actioned but not in the way recommended.

ACTING CHAIR—Do you want to go home tonight, Senator? We could adjourn for half an hour while Dr Aleck goes through it.

Senator IAN MACDONALD—I would not even think of it.

Mr McCormick—We did take on notice to look at the 108 recommendations and we will look at them in the frame you say. I will stress that some of these recommendations have been overtaken by time. We will make that clear perhaps in the summary as well.

Senator IAN MACDONALD—I am talking about at the time they were made, August 07. For example, one recommendation said: ‘ICC to write and advise the organisation of the situation.’ If that was done, put a tick. If it was not done, put a cross. as that done? If he did not write to the organisation but wrote to someone else, put a half sign.

Mr McCormick—I appreciate what you are saying, but of course the question that arises is the other type here. Some of these recommendations—and, again, I cannot put my finger on one and point you to a particular number here—were rejected.

Senator IAN MACDONALD—That is what I am saying: if they are rejected, you put an X on them.

Mr McCormick—Yes, but the basis upon which they were rejected is what I am heading towards here: we may not have agreed with the methodology, the result or anything else. So just to put down that we have rejected the finding may leave you a bit short of information.

Senator IAN MACDONALD—I was just trying to make it easier for you. If you want to give me an essay on each one—

Mr McCormick—I would prefer not to do that, thank you.

Senator IAN MACDONALD—How about we go back to the ticks and crosses?

Senator Feeney—But you are not actually being that prescriptive. As long as you get the information, that is the relevant point, isn’t it?

Senator IAN MACDONALD—As I say, you do not need to write me an essay on each one. That will do.

Mr McCormick—Quite right. Yes.

Senator IAN MACDONALD—I understand that there are constraints on your time. There is a recommendation at reference 5.1A: ‘Establish a self-administering professional industry body under the act and regulations. Did we do that at the time? Then perhaps put a tick. If we have done it subsequently, perhaps put a tick plus or something. If we did not do it, we rejected it out of hand, put a cross. Most of this will not mean anything to me. I just want to get a bit of an indication of the recommendations that were made and how much notice CASA actually took of the recommendations of your Industry Complaints Commissioner.

Mr McCormick—I understand what you are asking.

ACTING CHAIR—Senator, do you have any more?

Senator IAN MACDONALD—Yes, I do. I am sorry.

Senator Feeney—Not as sorry as I am!

Senator IAN MACDONALD—I can appreciate that. In question 5 I asked you about Macair:

I understand that some of the recommendations related to maintenance issues and training procedures for staff and pilots. Perhaps I could ask you or your colleagues were any of those recommendations in relation to Macair ever actioned?

Then you answered by saying what the recommendations were. You do not actually say to me whether they were actioned.

Mr McCormick—I think I did on the second page, the last paragraph, before the bullet points. It says, ‘The ICC recommendations relating to CASA’s overall operations were not implemented directly. A number of related activities were picked up in the restructuring of CASA from July 2009 to ensure it focused on its key safety responsibilities as defined under the Civil Aviation Act.’

Senator IAN MACDONALD—So these recommendations were made over what period of time? That particular recommendation that you have given me, when was that actually made?

Mr McCormick—Sorry, which recommendation?

Senator IAN MACDONALD—The one you have listed there in relation to Macair. One of Mr Hart’s reports related to Macair lists the recommendations. When was that done, do you know?

Mr McCormick—It will be in the summary of the report. It is not cross-referenced there. It will be in 2009. Perhaps if you give me a second, I might be able to put my finger on it now. Of course, the issue with Macair was that it was subject to additional surveillance and audit before the company ceased operations in January.

Senator IAN MACDONALD—You say in January of 2009. I am trying to relate that date to when these recommendations were made. Was it around that date or before or after?

Mr McCormick—Again, that is before my time. But we will find which particular report that refers to.

Senator IAN MACDONALD—But some other things were done. I would be interested in those things, if you could do that for me. I want to return to the questions I asked about HeavyLift and OzJet, which was question No. 8 particularly. I want to get this in perspective. In June 2008 HeavyLift Cargo Lines assumed ownership of OzJet. This is your answer:

Heavylift bought a Boeing B727 from National Jet Express and applied to operate the aircraft in a freight carrying capacity on the Ozjet Air Operator Certificate. The application did not proceed as Heavylift were not able to supply sufficient information for CASA to issue the approval.

If I read your material correctly, OzJet did not get the CASA approval. In June 2008 HeavyLift took over OzJet:

The application did not proceed as Heavylift were not able to supply—

I am repeating that, because it is repeated here. Then it says:

In June 2009 Strategic Airlines purchased Ozjet ...

and that particular aircraft, as I understand, and from June to September they were able to get an AOC. Is that correct? Is my interpretation correct?

Mr McCormick—In June 2009, yes, Strategic Airlines purchased OzJet Airlines from the administrator. It was in administration at the time.

Senator IAN MACDONALD—Yes. They then applied for an AOC that HeavyLift had not been able to get in the previous year and yet Strategic Airlines were able to get it within a matter of three months. Is that correct?

Mr McCormick—The actual dates I have not got, but that would appear to be correct. That is correct.

Senator IAN MACDONALD—Prior to the issue of the AOC to Strategic, I understand, a CASA manager became aware through a matter raised with Mr Hart, I assume, that his name had been discussed regarding a possible senior management position with Strategic Airlines. It would be interesting if we could find out what time this was. A conflict of interest was then declared by the manager who was removed from any input or contact with the AOC application process. The manager resigned from CASA on 14 November 2009 and took up a position with Strategic Airlines. Quite clearly, the AOC was granted to Strategic Airlines between June and September, at which time this manager, who subsequently left CASA and took up a position with Strategic Airlines, was working in CASA. There are no dates mentioned, but it says:

Prior to the issue of the AOC—

so that is prior to September, this CASA manager, whoever it was—

became aware through a matter raised with the Industry Complaints Commissioner that his name had been discussed as a possible senior management position with Strategic Airlines.

So he resigned. He was removed, but it would be interesting to find out what date he was removed, because it—

Mr McCormick—There is a time line here. In regard to HeavyLift, they were unable to provide us with sufficient paperwork, so that is why they did not get the AOC.

In the case we are talking about now, where it has come to the CASA officer and the Strategic Aviation Group, on 1 September the CASA officer to whom we refer met with his direct manager in relation to an allegation to the Industry Complaints Commissioner that this person had been given a position with the Strategic Aviation Group. On 4 September the CASA officer emailed his direct superior stating that the rumour had no basis in fact as far as he was concerned. However, he advised that he had asked a friend who held a senior position with the airline to make discreet inquiries. The friend confirmed that there had been discussions at a senior level in relation to a possible position for the CASA officer.

That same day, 4 September 2009, that CASA officer signed a conflict of interest declaration with respect to OzJet Airlines trading as Strategic Airlines, stating that he had discovered through third parties that Strategic Airlines had been having internal discussions about offering employment to him, although he stated that, 'No offers or direct contacts have been made with me.' Management of the conflict of interest plan was implemented the same day, including replacing that officer in the chain of command and as a delegate involving Strategic air operator certificate applications.

Suffice to say, this issue—we are open and frank with everything that happens in our organisation—has been referred to the Ethics and Conduct Committee, who have instructed the Industry Complaints Commissioner to look into this matter, particularly issues around the timing of the documents to which you refer. It is our firm expectation at this stage that an independent investigator will be appointed from outside CASA to conduct a thorough investigation into all matters surrounding Strategic Airlines.

Senator IAN MACDONALD—What, about the same incident? That is happening now?

Mr McCormick—Correct.

Senator IAN MACDONALD—When was that decision made?

Mr McCormick—The chronology around Strategic Airlines?

Senator IAN MACDONALD—No. When was the decision made to refer it to an independent investigator?

Mr McCormick—I will refer to the Ethics and Conduct Committee again, although I think we are about to hear that the actual date is 14 October.

Senator IAN MACDONALD—A week ago?

Mr McCormick—A week ago. I will admit that initially, with the person standing aside on the conflict of interest matters, with the information to hand to us that seemed like it had been managed well. It would appear now, either from what we are hearing or in looking at some of the time lines that you have referred to in the issuing of these documents—I do not consider it a case that I wish to intervene in. The Ethics and Conduct Committee recommended that we investigate this fully and that is what we are going to do. That was last week when the Ethics and Conduct Committee met.

Senator IAN MACDONALD—Perhaps you might have drawn that to my attention at the beginning of these proceedings, as it is dealing with a series of answers. When did we actually get these?

Mr McCormick—I apologise. I was not sure where we were going with this.

Senator IAN MACDONALD—When did we get these answers? It does not matter. These may have only been rumours, but just coincidentally they turned out to be true; this officer was employed by Strategic Airlines on 14 November. What you have not told me, and no doubt the investigation that you have just referred to will—you tell me that in September 2009 Strategic was issued with an AOC. It would be interesting if that happened on 3 September 2009. Do you have a date?

Mr McCormick—I did not say what date the AOC was issued. I just gave you the chronology of 1 and 4 September.

Senator IAN MACDONALD—No, in your answer you—

Mr McCormick—Sorry, I thought you were referring to what I just said to you.

Senator IAN MACDONALD—You did. You said on 1 September and on 4 September.

Mr McCormick—29 September is the answer.

Senator IAN MACDONALD—So 29 September the AOC was issued?

Mr McCormick—Correct.

Senator IAN MACDONALD—Then six weeks later this same officer resigned and took up a position with Strategic and you are now having that investigated?

Mr McCormick—That is correct. If I could just take a couple of seconds of the committee's time: I think Dr Aleck has explained that the Industry Complaints Commissioner

and its position and role within our whole network is to deal with the issues that come to it which are not of a serious nature. They are serious, but they are not as serious as what might be considered around these sorts of incidents. We do not try and undertake any forensic efforts ourselves, into the depth that I think this requires so that we are happy that we understand exactly what has happened, regardless of the innuendo or the rumours or the facts which relate to the matter.

Senator IAN MACDONALD—It begs the question, though, doesn't it, that somewhere along the line someone had reported to Mr Hart that this did not seem to be totally in accord with standard practices, particularly as HeavyLift had been trying to get an AOC for the same aircraft for over a year and got nowhere. Suddenly Strategic buy the aircraft, apply for the AOC and they get it within a couple of months, and Mr Hart obviously investigates.

Mr McCormick—When Mr Hart was informed by the industry, Mr Hart never communicated that to me; not that I would expect him to because I imagine that person has a great deal of contacts with the industry et cetera which I may not even be aware of. When the matter was brought to his attention and he raised it with the CASA officer involved and with the CASA officer's immediate superior on 1 September—the time line that we are very happy with—you would have to ask Mr Hart himself when he first heard of this matter. I do not have that. I might add that at the time the industry complaints commissioner was satisfied that the disposition of this complaint was satisfactory. It is only as things have progressed to where they are today that we are left with questions which we cannot adequately answer without a forensic investigation.

Senator IAN MACDONALD—Your answer says: 'A CASA manager became aware through a matter raised with the Industry Complaints Commissioner that his name had been discussed.' So obviously Mr Hart was the one that told this guy that it had been suggested—I assume, reading between the lines—that he was dealing with an AOC application in an airline he was about to be offered a job in. That is a certain interpretation that may be quite unfair to the person involved. Fortunately there are no names and I have got absolutely no idea who the person is. It might be my brother perhaps, in which case I will not get a very good welcome at home. I do not know who it is, but it does seem, on the face of it, to warrant further investigation, which you are doing.

Mr McCormick—Correct.

Senator IAN MACDONALD—So perhaps when we resume here at some late hour, late week, at some other time we will have the results of that, will we?

Mr McCormick—We will. If I could just add—the question that you did ask about when Mr Hart first knew of this—we are led to believe that he had an anonymous tip-off on 31 August 2009.

Senator IAN MACDONALD—I am pleased that, after telling me I would have to ask Mr Hart, you have now been able to find that. I appreciate that you have. By the way, these answers to questions were given to the committee on 18 October, which is three days ago, and I might have thought that that being the case—I am not sure when you gave them to the minister, of course, and we know, from bad experience this week, that most of the ministers have sat on these for two or three months, so perhaps I am being unfair to you.

ACTING CHAIR—You were a minister once.

Senator IAN MACDONALD—I never took two or three months to do this. We would never issue answers to questions as the estimates committee was meeting for the next time.

ACTING CHAIR—It is nearly nine o'clock. Have you got many more questions?

Senator IAN MACDONALD—Senator Xenophon wants to come back for ATSB, so I am afraid that, in spite of my optimistic predictions earlier, we are not going to have an early night.

ACTING CHAIR—So you have still got more for CASA?

Senator IAN MACDONALD—Yes, I have a couple more.

ACTING CHAIR—We will have a short break.

Proceedings suspended from 8.59 pm to 9.12 pm

ACTING CHAIR—Senator Macdonald says he has about five minutes of questions here.

Senator IAN MACDONALD—Thanks, Mr Chair, and thanks again, CASA people. I have here a letter from a constituent who I will not name, although you may well identify him. He says that there is an escalating number of AAT cases against CASA. Would you agree with that? There seem to be. I think somewhere you—or someone—have given me 24 in the last nine months. Is that an unusually high number of actions in the AAT?

Mr McCormick—Looking back at applications lodged during the years, in 2004-05 there were 33; 2005-06, 39; 2006-07, 26; 2007-08, 34. Of course, there are applications on hand from the previous years in our current year of 24. Twenty-six applications were lodged during the year. Whether it is escalating or the mere fact that people do of course have their rights under the administrative decisions act and are pursuing things more, we have not drawn any conclusions from that.

Senator IAN MACDONALD—That is fine. It was only incidental to my question, which was that this person said they had written questioning Mr McCormick at the recent Senate estimates committee about the escalating number of AAT cases:

Since I wrote to you, I have received a reply from the CASA board advising me that they fully support the leadership of Mr McCormick—

which is fine—

and that the board is not the appropriate body to which comments about the direction of CASA should be directed. I was advised that such observations should be directed to the minister.

And my constituent goes on:

It certainly makes me wonder what the board is there for.

Then he makes some uncomplimentary suggestions which I will not go into. I am not sure who I ask this question of, but if there were a complaint against Mr McCormick is it correct that it should go to the minister and not to his board?

Mr McCormick—My employing body for the purposes of the Remuneration Tribunal is the CASA board now. I predated the existence of the board. My original employing body was

the minister. A complaint against me—I have not actually dealt with this. I should imagine the minister will eventually be involved, but the board is of course the first step.

Senator IAN MACDONALD—But it is suggested to me that the board wrote to this person. I am not sure who ‘the board’ is, whether it is the secretary of the board, the company secretary, but the suggestion to me is that the board wrote to my constituent and said, ‘Don’t raise it with us. It’s nothing to do with us if you don’t like Mr McCormick. Refer it to the minister.’ I cannot believe the board would do that. I would have thought if there were complaints that they would go to the board in the first instance and perhaps then end up with the minister. What is the process? If I did have a complaint against Mr McCormick—which I do not—would I report it to the board or to the minister?

Mr McCormick—Is it possible to see a copy of the letter from the board?

Senator IAN MACDONALD—No, it is not, because I do not have it. No, it says ‘2 July, attached’. Anyhow, my question is: could you check with the board, whoever that is—I mean, do they have a minutes secretary?—and see if they did write and advise anyone that that is where the complaint should go, to the minister rather than to the board. Could you, if need be, take on notice where complaints should be directed in the unlikely event that there would be any complaints against the director? Should they go to the board in the first instance or to the minister?

Mr McCormick—We certainly will take that on notice. Could you perhaps give us the date of that letter?

Senator IAN MACDONALD—My staff have written ‘2 July, attached’, but I am not sure that that is the date. It is since the last estimates. I imagine the number of letters the board might have written on that sort of subject would be fairly limited, so it should not be difficult, I would think, to find out whether that is correct.

Mr McCormick—Yes.

Senator IAN MACDONALD—And perhaps on notice you could tell me whether the information I have been given is a complete load of crock or whether there was some misinterpretation, or whatever.

Mr McCormick—Yes. Was your constituent’s letter sent direct to the board or to CASA? I am just trying to make sure we can track the letter correctly.

Senator IAN MACDONALD—It says:

Since I wrote to you—

that is to me—

I have received replies from the CASA board advising me that they fully support the leadership of Mr McCormick and that the board is not the appropriate body to which comments about the direction of CASA should be directed. I was advised the observations should be directed to the minister.

It is between 2 July and 18 July this year.

Mr McCormick—Thanks.

Senator IAN MACDONALD—Finally, CASA has been rewriting regulations for several years. According to Senate estimates, in 2007 CASA told the committee that up to that date

the regulatory review program cost \$144 million. Since that time how much has been spent on the program?

Mr McCormick—We will have to take that on notice.

Senator IAN MACDONALD—Okay. What action has the CASA director, John McCormick, taken to ensure that executives managing the regulatory review program cease drafting legislation in formats that do not comply with a series of directions and guidelines such as the RRP's published guidelines; the repeated instructions of successive ministers and directors; the Commonwealth's *A guide to framing Commonwealth offences, civil penalties and enforcement powers*?

Mr McCormick—CASA does not draft the regulations. The OLDP drafts the regulations.

Senator IAN MACDONALD—The office of parliamentary draftsmen?

Mr McCormick—The Office of Legislative Drafting and Publishing.

Senator IAN MACDONALD—Someone must give—

Mr McCormick—The subject matter experts from CASA give the briefs to the drafters but the drafters very much follow the guidelines, I can assure you.

Senator IAN MACDONALD—Perhaps I can get Mr Mrdak to follow that question up—whether the complaint should be to the office of parliamentary draftsmen, which you would direct through your department, no doubt.

Mr Mrdak—We will have a look at that.

Senator IAN MACDONALD—You will appreciate that these are not my questions. I am assisting a colleague. Why can't the management of other aviation rule sets that are part of the regulatory review program be managed in the same way as were parts 21 to 35 when the relevant ministers agreed that the draft regulations be passed straight from their drafting committees to the Attorney-General's office of legal drafting and publication, bypassing the roadblock which now seems to have been reinstated? Would anyone like to comment on that?

Mr McCormick—I find that an interesting question.

Senator FEENEY—You will have to appreciate that it is difficult to comment on a letter that they do not have before them.

Senator IAN MACDONALD—No, this is not a letter. Why can't the management of other aviation rule sets that are part of the regulatory review program be managed in the same way as were parts 21 to 35 when the relevant ministers agreed that the draft regulations be passed straight from their drafting committees to the Attorney-General's office of legal drafting and publication, bypassing the roadblock which now seems to have been reinstated?

Mr McCormick—I think before we could do justice to that question—

Senator IAN MACDONALD—The question means little to me, I might say, but I thought it might mean something to you.

Mr Mrdak—It does mean something to us.

Senator IAN MACDONALD—It does mean something to you?

Mr Mrdak—I am not sure we agree with the sentiment or the statement, but Mr Doherty might quickly explain. There is a process in place to expedite the legal drafting around the regulatory reform program.

Mr Doherty—The regulatory review program is a large and complex legislative program, and I think the time frame to get through it has been a concern to everyone. We have established a joint working arrangement between the department, CASA and the Attorney-General's Department.

Recently a task force has been established, where the drafting team from CASA works closely with the legislative drafters from the Office of Legislative Drafting and Publishing, in an attempt to remove any breakdown in the quick flow of information back and forth and with the aim to get through the remaining parts of the program as soon as possible. It is a complex exercise, and the translation of quite detailed instructions into the requirements of Commonwealth legislative drafting is complex, but the process that has been set up should enable us to get through that as quickly as we can while still taking account of processes, such as referral to the Criminal Justice Division, to make sure that the Commonwealth legal policy requirements are fully met as we go through that.

Senator IAN MACDONALD—Obviously a constituent of the colleague for whom I am asking this question thinks that there has been a backward step in the way the rule sets are managed. For what it is worth, take that on board. I will mention to my colleague what you have said, and perhaps he or she will follow that up at the next proceedings.

Mr Mrdak—Thanks.

Senator IAN MACDONALD—Thank you. That is all I had.

ACTING CHAIR—Thank you, CASA.

[9.23 pm]

Airservices Australia

Senator BACK—Gentlemen, good evening. In response to questions on notice at the Perth hearing of the Senate inquiry which you were kind enough to attend, Airservices said they had recently consolidated and refined a tailored consultative process. You wrote:

Where flight path change proposals are not primarily safety related, there is often greater opportunity to involve communities during the design of proposals.

Even in situations where changes are primarily safety related, do you have a community consultation procedure or an information program in place for involved communities?

Mr Russell—If you recall during the references committee hearings—and I think it was in Perth—we tabled our consultation protocol, and I think that is the document that you may be referring to. The answer is yes, we do. We see it as a dynamic document that will be amended as this increased emphasis on community consultation that is happening within our organisation occurs.

Senator BACK—That will have application right around Australia?

Mr Russell—It will—that is right.

Senator BACK—Staying with Perth Airport, if I may—I think I am correct here but correct me if I am not—the degree of angle for approach and departure at Perth Airport is currently three degrees and previously was five degrees.

Mr Russell—It is normal for passenger aircraft operating into airports around Australia to operate on a three-degree glide slope, not five.

Senator BACK—That three-degree figure has been in place for some time?

Mr Russell—Yes, it has.

Senator BACK—If a five-degree approach and departure was possible, what impact would it have on noise for people out some distance from the airport, without necessarily changing the ANEF for the airport?

Mr Russell—Some aircraft cannot fly that profile. I think you are referring to steeper approaches and sharper take-offs. Wherever possible, in accordance with noise abatement management, we try and achieve that, but it is not always possible, given the design of the airspace. You have conflicting aircraft potentially above some of those aeroplanes and/or below them. Wherever noise abatement opportunities exist, we do try and implement those sorts of procedures.

Senator BACK—Under the new flight path arrangements at Perth Airport, are there circumstances or situations in which jet and non-jet aircraft might share the flight path, obviously with vertical separation for safety?

Mr Russell—One of the objectives of the Western Australian Route Review Project was separating jet and non-jet aircraft on air routes in and out of Perth. There are obvious issues in terms of the speed profile of both of those types of aircraft and potential safety issues. One of the objectives was to separate, wherever possible, jet aircraft from turbo-prop aircraft in that sort of environment.

Senator BACK—I think the department has issued draft guidelines for these community aviation consultation groups. Have they been issued, Mr Mrdak?

Mr Mrdak—I think we have draft guidelines under preparation. I am not sure that they have been issued as yet.

Senator BACK—Mr Russell, what involvement or input did Airservices have into the development of these guidelines, if at all?

Mr Russell—If I am interpreting that correctly, you are referring to the community consultation fora that are a part of the white paper—

Senator BACK—I am indeed.

Mr Russell—released in December.

Senator BACK—Yes, that is correct.

Mr Russell—Clearly it is our intention to be a member of each of those consultative fora at all of the major airports around Australia. There have been airport consultation fora in place at some airports but not all. I think this is going to bring about a uniformity and, as I say, it is our intention to be involved in all of them.

Senator BACK—Originally there was a deadline of 28 May, I think, for people to make comment on the draft guidelines. Was that date held or did you delay the date? If it has been delayed, until when, and when can we expect to see the guidelines?

Mr Doherty—That is probably one for the department rather than Airservices. The draft guidelines for both the community consultation groups and the planning consultation forums were sent out in April. We are considering the responses that have been received and in the nature of these exercises we would not cut that off. If there is a response that comes back, we would certainly consider that. I should say that the guidelines go more to the formation. The guidelines for the airports around the form and structure of those would not necessarily go into the substance of particular issues or what approach should be taken to a particular form of consultation. That is the sort of issue that could be discussed and developed through the groups.

Senator BACK—Can you give us some idea of the level of interest by members of the community in making submissions.

Mr Doherty—It is probably too early for the public to be fully engaged with the draft guidelines. I think once the groups are up and running, if they run effectively, that will foster better community participation over time.

Senator BACK—So, whilst you make mention of people in the local vicinity of the airport, I would imagine there would be no restriction on any person making a submission or expressing an interest in this process.

Mr Doherty—Certainly, and in taking part. No, we would be looking to make sure that they were structured in a way that did take account of the broadest possible catchment.

Senator BACK—If you think to this point the public have not engaged in it to any extent, what process do you intend to adopt to alert the public to the fact that they have a limited amount of time in which to be part of this process?

Mr Doherty—Once these groups are established they will then start to undertake their activities. Pointing to some of the better examples which exist, one of the stronger ones is in Brisbane at the moment. They are going through a process to look at how they do the outreach to the public to make sure they get good participation.

Senator BACK—I think the guidelines present an opportunity to define and enhance the process for complaints handling through the community aviation consultation groups. Is that correct?

Mr Doherty—From memory, that is one of the aspects which are raised, yes.

Senator BACK—My question really goes, I think, to Airservices. Can you give us some sort of guarantee that the complainant is more likely to be treated as an individual and less as a statistic in terms of the way in which they perceive their complaint? I recall one person indicating to us—you may recall also, Mr Russell—that unless they specifically asked for their complaint to be registered, then it was not. Can you give us some indication of how in the draft guidelines the agency and the department are dealing with this question of the complaints handling process.

Mr Russell—Senator, you and I have met each other on a number of occasions this year over the question of aircraft noise. Airservices has put a considerable amount of effort into improving the way we handle these types of complaints that we get. I do not think we are there yet, but we have put a lot more work into it in the last 12 months. At the same time, in terms of the white paper, you would know that the Aircraft Noise Ombudsman has been established. That role is independent of the management of Airservices but reports to the Airservices board.

That role has been taken up by Mr Ron Brent, who was formerly the Deputy Commonwealth Ombudsman, so he comes to the role with considerable experience. Part of his brief is to review how we handle noise complaints, monitor and report to the community on consultation and the sort of information that we provide to the community, some of which can be overly technical, and to see whether that can be simplified and made more easily understandable. He makes recommendations to our board. He updates those inquiries on a separate website and produces an annual report which will be made public. Through that whole process I believe that we are going to further lift our game in this area.

Senator BACK—I want to just point briefly to the recommendations of the inquiry in which you participated. I am not asking you for your response to government, but have you been asked yet to respond to the 10 recommendations that were made by bipartisan agreement of that committee?

Mr Russell—I might ask the department to answer that in the first instance.

Mr Doherty—Yes, we have been working on a draft response to the committee. It is not quite at the stage where it can be provided yet. And, yes, we have invited input from Airservices in the response to the recommendations and received it.

Senator BACK—I wonder if it would be possible to take on notice the question when might it be that the minister would respond back to the Senate to advise the outcome. I presume the minister would be waiting in the first instance for feedback from the department, but would you anticipate that that will be with us in calendar 2010?

Mr Mrdak—The minister will obviously look to expedite a response. We have not completed the work for him as yet. I think, if at all possible, he would like to make a response this calendar year, but that will be somewhat dependent on receiving our draft and getting his views and comments and also other views that he will seek.

Senator BACK—Finally, Mr Russell, I waited with keen interest at my letterbox day after day for my invitation to the opening of the new fire station at Perth Airport, but I then saw the smiling faces of those who were in attendance at the opening, so I imagine it is now operational.

Mr Russell—I sent you an invitation. I hope you got it.

Senator BACK—No, I did not.

Mr Russell—I do apologise, but I certainly sent you one.

Senator BACK—I thank you for that. In all seriousness, I was very keenly awaiting it.

Mr Russell—I did promise to do that, and I did indeed.

Senator BACK—I still would like to have an inspection of it. Thank you very much.

Mr Russell—At any time we would be pleased to do that.

Senator BACK—Chairman, that concludes my questions.

ACTING CHAIR—Unless there are any further questions for Airservices, thank you very much. Could we have ATSB.

[9.38 pm]

Australian Transport Safety Bureau

ACTING CHAIR—Senator Xenophon is going to open the batting.

Senator XENOPHON—Thank you. Mr Dolan, welcome. I understand there are three different frameworks for aviation incident and accident reporting: mandatory reporting, voluntary reporting and confidential reporting. That is correct?

Mr Dolan—Broadly speaking, yes.

Senator XENOPHON—In broad terms. What provisions exist under the confidential reporting framework?

Mr Dolan—Under the confidential reporting framework there is a capacity for anyone in the aviation industry to bring to the attention of the ATSB on a confidential basis concerns about safety of operations, and it is a quite extensive range of things. Then we examine those and see what steps can be taken, while protecting confidentiality, to actually address those safety issues that have been raised.

Senator XENOPHON—How does it compare with the United States system? As I understand it, it has a system whereby information about incidents is provided to the FAA as de-identified information and then compiled into a database—so that enables persons to provide information confidentially without fear of prosecution—and the FAA assesses and analyses trends and incidents et cetera. To what extent are the confidential reporting provisions here different from those in the US? I am happy for you to take that on notice.

Mr Dolan—I would say that it is a difference in scale rather than kind, with one key variation, which is that the ATSB, the independent investigator, is where the notifications, the reports, go. We keep a record of those. We do use them to track trends, to bring them to the attention of parties in the industry, as we use the mandatory reporting database to track trends in safety and to sometimes inform where our investigative attention should be.

Senator XENOPHON—Has the ATSB done any comparative research or analysis on the use of the three different reporting channels in terms of its efficacy and outcomes? Again, that is something you may wish to take on notice.

Mr Dolan—We are preparing some more detailed information on that for the separate committee inquiry into these issues. That is not quite complete, but perhaps if I give you the snapshot then you will get some—

Senator XENOPHON—No, let us leave it at that, because I have a number of questions and I know that there will be some crossover in terms of the inquiry.

Mr Dolan—Okay.

Senator XENOPHON—What information about incident reports does the ATSB provide to CASA and at what time?

Mr Dolan—We provide a daily set of incident reports to CASA—so everything we have received and assessed—but we de-identify those to the extent that it is very difficult to discern any individual. So it gives CASA the information that they can use to monitor industry safety trends but not information that can identify an individual.

Senator XENOPHON—So you would not normally provide the original reports to CASA for those reasons?

Mr Dolan—Yes. We would provide a de-identified version. The content of the reports, other than the information that would lead to the identification of individuals, is provided. So most of the information is made available to CASA.

Senator XENOPHON—As I understand it, CASA officers can sit in on ATSB investigations in certain circumstances. Is that correct?

Mr Dolan—The short answer is no.

Senator XENOPHON—CASA gave a slightly different view on that.

Mr Dolan—There are a limited number of circumstances where it is open to the ATSB to second CASA officers as investigators. They are then subject to the explicit provisions of the Transport Safety Investigation Act, including the confidentiality provisions. We have not done that for about two years.

Senator XENOPHON—So it is quite rare?

Mr Dolan—Yes.

Senator XENOPHON—You can understand that in some quarters in aviation they say that that perception might inhibit the provision of information, on the part of the interviewee, for fear of prosecution.

Mr Dolan—That is one of the reasons why it is very rare for us to involve CASA. The other point I would make is that I am not aware of any instance where, even when we have seconded CASA people, they have participated in interviews. We think that would certainly have a chilling effect, despite all the protections we put in.

Senator XENOPHON—No, I think the mere presence of CASA might chill some people, for whatever reason.

Mr Dolan—It might make them more reticent about providing information.

Senator XENOPHON—That is not a criticism of CASA.

Mr Dolan—No.

Senator XENOPHON—It is just by virtue of their regulatory and enforcement functions. How many reports regarding aviation incidents are submitted to the ATSB each year, in approximate terms? Again, on notice is fine.

Mr Dolan—I can give you ballpark figures, if that is okay with you.

Senator XENOPHON—Sure.

Mr Dolan—We receive approximately 15,000 notifications of safety incidents per year, each of which we assess, and we come out generally at about 8,000 that we would assess as safety occurrences. So we vet them. There are duplications—we get reporting from two sources about the same incident. There are some that we look at and say, ‘This doesn’t even represent a small safety thing,’ and so on. So it is 15,000 and 8,000.

Senator XENOPHON—Again, because of time constraints, is it possible for you to take on notice, in terms of that process of culling and assessment in the protocols—because for some reason we have been reading a lot of ATSB reports recently—how many of those formal reports that are on your website are published each year, even a ballpark figure?

Mr Dolan—Ballpark, last year we published approaching 80. We are hoping to increase that number by the comparatively new mechanism of what we call level 5 reports, the short-form ones. But that is the sort of scale of it.

Senator XENOPHON—But, going from 15,000 incidents to 80 long-form reports, there must be quite a significant culling process—

Mr Dolan—Indeed, there is.

Senator XENOPHON—and prioritising of what is important.

Mr Dolan—And we have a set of publicly available guidelines as to conditions, where our investigative attention generally is, involving questions of fatality, potentially serious accidents to the fare-paying public and so on, which we can obviously make available to you.

Senator XENOPHON—There is another issue. What time frame is there for the ATSB to report, once you have decided to investigate an incident? Does it depend on the complexity of the investigation, or is there a benchmark?

Mr Dolan—There have always been benchmarks, but I would have to admit that we have not been particularly good at hitting our benchmarks. Since I have taken over as chief commissioner, I have made it clear that we have to improve the timeliness of our reporting.

Senator XENOPHON—Is that a resource issue?

Mr Dolan—In one sense it is. One of the things that have been driving it over the last—

Senator XENOPHON—Senator Feeney is listening very carefully, to go to the Treasurer about this, I think!

Senator Feeney—That was arguably a leading question, Senator Xenophon. When is someone going to say it is not a resource issue?

Senator XENOPHON—Sometimes they do.

Mr Dolan—I think it would be useful if I were to explain just what I mean by that. This is not saying that we have a resource base that is unsustainable. This is saying that in the last 18 months we have had four investigations that we classified, in terms of complexity, as level 2. Our experience has been, up until 18 months or two years ago, that we never had more than one of those a year. So our resources have been diverted to large, extremely complex investigations and that has led to a delay in the last—

Senator XENOPHON—For instance, the 1998 Bangkok QF1 incident was a level 2, wasn't it?

Mr Dolan—That is correct.

Senator XENOPHON—That was about a 180-page report, yes?

Mr Dolan—And the Qantas 72, the mid-air upset over north-west Australia, is another; the Emirates tail strike, where there were problems with take-off in Melbourne; and the Papua New Guinea investigation, the Kokoda one; and Qantas 30, the exploding oxygen cylinder over the South China Sea.

Senator XENOPHON—So in terms of those level 2 investigations, you are up four times your general rate?

Mr Dolan—Yes. That has had a knock-on effect on the timeliness of our other investigations.

Senator XENOPHON—There you go; it was not a leading question after all, Senator Feeney.

Senator Feeney—Quite right. Once again, my faith in you has been vindicated!

Senator XENOPHON—In the US, as I understand it, when a report is published there is a consumer advocate or a consumer representative in relation to those reports, so there is that input which we do not have in Australia. Is that the case?

Mr Dolan—Consumer in terms of the passenger?

Senator XENOPHON—Yes, the passengers.

Mr Dolan—That is generally correct. Our system essentially works on the basis that we are investigating an occurrence and we are drawing conclusions on that, and our findings, our identification of the safety issues, are put to those that have a direct interest—which is normally the operator, those that may have been injured or their next of kin and so on—because they are the ones that we are likely to be telling to do something or suggesting that they do something as a result of our investigation.

Senator XENOPHON—I am conscious of time. Finally, there is a process of discussion and consultation with the operator, isn't there? You prepare a draft and then you have to get feedback from the airline operator?

Mr Dolan—That is correct. There are probably two elements that are worth focusing on there. The first is that, if, in the course of an investigation, we discover a critical safety issue, we are not going to wait until we have completed our process to bring that to the attention of an operator or the regulator and try and get something done about it. So there is a process of discussion and consultation and trying to get something done there. The second is that at the point that we have a draft report we circulate it to that range of interested parties. That is to achieve two things: the first is to determine whether they have taken any safety action in response to the issues we have identified; and the second is to ask them whether we have got anything wrong factually and, if we have, to give us evidence to demonstrate that.

Senator XENOPHON—So it is a natural justice process?

Mr Dolan—Yes.

Senator XENOPHON—I am sure we will speak again in the context of the references committee inquiry. Thank you.

Mr Dolan—I am very happy to help the committee.

ACTING CHAIR—Senator Macdonald for the last word.

Senator IAN MACDONALD—I have a case of an ambulance officer, Jamie Laurence Jackway—he has authorised me to say this—who received injuries as a result of falling from a rescue helicopter while performing duties as a paramedic. Essential to his claim for compensation is production and publication of the Australian Transport Safety Bureau's report investigation number AO-2009-068. It is now 10 months since the incident. What is the status of that report? When will the report be made publicly available?

Mr Dolan—I and my fellow commissioners were considering a draft of that report last week, so the process is approaching completion.

Senator IAN MACDONALD—It will be publicly available?

Mr Dolan—When we have completed that process, yes, it will. The only other comment I would make is that there may be some slight misunderstanding perhaps on the part of the injured person's legal advisers, in that our reports and our processes are not designed or indeed permitted to be used to allocate blame, to support findings of liability or to be used in court action.

Senator IAN MACDONALD—I cannot speak for the legal advisers. I am aware of that, of course, from long association with ATSB. I understand they needed to get some facts on the table and that is what it was. I am advised that they were told that it would be available in April, early May. But, anyhow, let's not quibble about a few months.

Mr Dolan—We have tried to track down the basis of that comment. I have failed to do so. What I say on a standard basis is that we aim to have completed our reports within a year.

Senator IAN MACDONALD—Yes.

Mr Dolan—So I apologise if inadvertently we created a different expectation. I understand the difficulties in this case. They were very severe injuries and I can understand anything that would hold up an appropriate process for compensation—

Senator IAN MACDONALD—I have written to Mr Albanese about this, on 21 September, which perhaps you are aware of?

Mr Dolan—I am aware.

Senator IAN MACDONALD—I do not think he has responded to me but, anyhow, we have the good news from you and that is all we—

Mr Dolan—If I could add, we certainly would hope to have this out before the end of the year. It is going to interested parties this week, so the comments will happen, we will finalise and the end is within sight.

Senator IAN MACDONALD—Thank you very much. That is all I have, but one of my colleagues has a question here about passenger ID at airports, which I am refusing to ask because I do not agree with it.

ACTING CHAIR—Censorship! Outrageous!

Mr Dolan—I am not sure I could help you with that one.

Senator IAN MACDONALD—I suspect not, but it has already been—

Mr Mrdak—I think I have said all I can at this stage on that.

Senator IAN MACDONALD—Yes. You are in charge of the airport security screeners, are you?

Mr Dolan—No, I am not.

Senator IAN MACDONALD—Who is?

Mr Dolan—The standards are set by the Office of Transport Security.

Mr Mrdak—The department sets the regulatory framework. The actual engagement of the security screeners is done by the screening authority, which is either the airport operator or the airline.

Senator IAN MACDONALD—So if I wanted to know annual staff turnover of screeners, I would have to go to Qantas?

Mr Mrdak—You can put that question to us at the department on notice and we could see what information we could get from the screening authorities, but it would be diverse. There are a large number of screening authorities.

Senator IAN MACDONALD—Again, I think Senator Heffernan went through some of this with CASA, but I am not sure whether it is also in your area: a question on why cleaners are not screened when they clean planes, yet pilots are screened. Is that your area?

Mr Dolan—No.

Mr Mrdak—That is again with myself and the department.

Senator IAN MACDONALD—Is that right, that cleaners are not screened or do not have those—

Mr Mrdak—I do not think it is as clear-cut as that. I do not think that is correct, but let me take it on notice. I think we had better check the actual details on that.

Senator IAN MACDONALD—I would be horrified if everybody else is screened but the cleaners who clean the planes are not. That cannot be right.

Mr Mrdak—I think that they would, as would anyone who accessed the aircraft, be required to go through screening, but I will check and give you a definitive answer.

Senator IAN MACDONALD—Now, take-off/go-around incidents. Is that ATSB?

Mr Dolan—We have certainly done a number of investigations that involve approaches to land and go-around, yes.

Senator IAN MACDONALD—Could I ask you, obviously on notice, how many incidents have been reported in the last five years; and is the trend of reporting incidents increasing or decreasing?

Mr Dolan—Yes, I would be happy to take that on notice and we can collate that information. I will perhaps just leave it at that.

Senator IAN MACDONALD—Do you have a feel for whether they are increasing or decreasing?

Mr Dolan—To give you a preview of something that will be in our annual report, we are a little uncomfortable at this stage that there are a number of incidents—relating to approaches to land and potentially unstable approaches to land and how they are handled—that we will be taking a closer look at.

Senator IAN MACDONALD—That will be mentioned in your report when it is issued?

Mr Dolan—In the annual report, yes.

Senator IAN MACDONALD—When is that due?

Mr Dolan—We are hoping it will be tabled in accordance with the statutory standard by the end of the month.

Senator IAN MACDONALD—That is disturbing. How many stick operator incidents have been reported during the past five years?

Mr Dolan—I would have to take that one on notice, too. Stick shaker I think you are asking?

Senator IAN MACDONALD—Stick—incidents where the plane is about to stall?

Mr Dolan—Stick-shaker incidents. I do not have that available to me but I would be happy to take it on notice.

Senator IAN MACDONALD—Hopefully the answer is none.

Mr Dolan—No, there have been a number of stick-shaker incidents, including some we have investigated.

Senator Feeney—I think what is clear, Senator, is that people who fly as much as us should listen to these answers with great trepidation.

Senator IAN MACDONALD—Would these be general aviation aircraft or RPT?

Mr Dolan—Stick shakers by their nature are likely to be larger aircraft and a good chance that they would be passenger-carrying.

Senator IAN MACDONALD—I wish I had not asked.

Senator Feeney—We could have it struck from the record.

Senator IAN MACDONALD—Unfortunately, it is stuck in my record!

Mr Dolan—Sorry. I do not want to give the wrong impression. I would encourage you not to be alarmed by what I am saying. Yes, we have evidence of some of those sorts of incidents, but if you compare them to the number of take-offs and landings that are involved and so on, this is not a huge number.

Senator IAN MACDONALD—That is reassuring. Perhaps it will be better if you take this next question on notice, so that I do not go to bed with this tonight: is the trend of reported incidents increasing or decreasing?

Mr Dolan—We can provide that.

Senator IAN MACDONALD—Unless you tell me it is decreasing, do not tell me; and I will hear about it later.

Mr Dolan—We will provide you with what an analysis of the facts shows.

ACTING CHAIR—Then we will drive home.

Senator IAN MACDONALD—Yes, no wonder. Perhaps I do not want to know, but is this where a plane reaches a speed where it is not moving forward through the air?

Mr Dolan—No, it is a warning that the plane is approaching a speed where there is the risk of stalling.

Senator IAN MACDONALD—Why would that happen? Is it because they are coming in too quickly and then they are asked to hold back and instead of going around they slow it down?

Mr Dolan—There are a range of things that have to come together to come into land at an appropriate speed, coming down and so on. In making adjustments to line up to achieve correct speed, to achieve the flare, the careful putting down of the wheels on the runway and so on, there can come points where the speed is taken off so much that the aircraft is getting towards the edge of a stall, and that is when the warning comes in: 'If you keep on going like this, something may happen.' So it is designed as a protection in the system, to give a warning that something may happen if there is not an adjustment made.

Senator IAN MACDONALD—How do you hear about it?

Mr Dolan—We get notified by the operators that this has been reported to them by their pilots and in some cases we receive notification direct from the pilot that there has been an incident.

Senator Feeney—There was a mandatory report?

Mr Dolan—There was a mandatory report, yes.

Senator IAN MACDONALD—It is mandatory reporting?

Mr Dolan—Yes.

Senator IAN MACDONALD—Who would know, besides the pilots, that you had reached that stage and, if they chose not to confess that they had been perhaps a little—

Mr Dolan—For passenger aircraft, for the most part, there is a recording of a range of parameters—not just in the black box—that we have access to in the case of accident, but also in systems that are available to the operator. What they do is monitor exceptions within that, and stick shakers are one of those. So there is an internal verification. If a report does not come in, they have a separate piece of information that says there was an incident.

Senator IAN MACDONALD—That is the airlines themselves?

Mr Dolan—The airlines themselves.

Senator IAN MACDONALD—That is on some radar?

Mr Dolan—No, it is the internal systems of the aircraft.

Senator IAN MACDONALD—Does someone other than the pilot check those internal systems?

Mr Dolan—The safety departments of the airline operators check where there have been breaches of a range of different parameters, because they are trying to watch safety occurrences internally within their operation so that they can meet their duty to operate safely.

Senator IAN MACDONALD—In giving this information on notice, you will not tell us the airlines involved, I hope.

Mr Dolan—I would be happier to provide it in an aggregated form.

Senator IAN MACDONALD—Yes. I would be happier if you did that, too. I mean, sometimes ignorance is bliss!

Mr Dolan—The number will be comparatively small, but there have been a number of reports of stick-shaker incidents.

Senator IAN MACDONALD—Where you become involved, what happens to those responsible? Are they retrained; are they slapped on the wrist; are they fined; are they thrown in jail?

Mr Dolan—It would depend on the circumstances. What would normally happen is that the operator would undertake an internal investigation of the circumstances, for their purposes to exercise their responsibility to operate safely, and the normal response would be to take a pilot offline, if it was sufficiently serious, for retraining. Some of them upon investigation turn out not to be particularly serious and understandable in the particular circumstances.

Senator IAN MACDONALD—Is there an instance where you would have regulatory authority to cancel that pilot's licence?

Mr Dolan—We explicitly have no authority to take any action against anyone in the aviation industry, except for failure to meet our mandatory reporting requirements.

Senator IAN MACDONALD—Is that something that CASA would then look at? CASA issue pilots licences, don't they?

Mr Dolan—That is correct. Certainly CASA would be taking a safety regulatory interest in those sorts of cases. So if intervention beyond the attention of the operator to safety were necessary, then CASA is the organisation that would do it.

Senator IAN MACDONALD—Are you required by law to pass on to CASA details of all breaches? Perhaps you are not.

Mr Dolan—No, we are not required to pass on details of breaches. There are two things. This goes back to some of the discussion that I was having with Senator Xenophon. We receive notifications of safety occurrences—things that happen that may have an implication for safety. We de-identify those and pass them on to CASA so CASA can analyse them for trends, as we do. CASA has its own reporting, notification and surveillance systems and they

can separately look into the systems of individual operators and try and work out what is going on.

Senator IAN MACDONALD—All right. On that unhappy note, I am finished for the day. Thank you very much, Mr Dolan and Mr Mrdak.

ACTING CHAIR—Thank you very much. As it is now the end of this estimates session, I would like to thank Hansard for being here and looking after us once again. To the committee secretariat and of course the secretary, Jeanette Radcliffe, and department officials, thank you very much. This hearing of the estimates for Regional Affairs and Transport is declared adjourned.

Committee adjourned at 10.05 pm