



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

## SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT  
LEGISLATION COMMITTEE

ESTIMATES

**(Budget Estimates)**

TUESDAY, 24 MAY 2005

CANBERRA

BY AUTHORITY OF THE SENATE



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**SENATE**  
**RURAL AND REGIONAL AFFAIRS AND TRANSPORT LEGISLATION**  
**COMMITTEE**  
**Tuesday, 24 May 2005**

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

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

**Committee met at 8. 31 am.**

**TRANSPORT AND REGIONAL SERVICES PORTFOLIO**

Consideration resumed from 23 May.

**In Attendance**

Senator the Hon. Ian Campbell, Minister for the Environment and Heritage

**Department of Transport and Regional Services**

**Departmental Executive**

Mr Mike Taylor, Secretary

Mr Peter Yuile, Deputy Secretary

Mr Mike Mrdak, Deputy Secretary

**Corporate Services**

Mr Jeremy Chandler, Executive Director, Corporate Services

Mr Simon Ash, Chief Financial Officer, Corporate Services

Ms Sharon Field, General Manager, People and Planning

Mr David Banham, Chief Information Officer

**Bureau of Transport & Regional Economics**

Mr Phil Potterton, Executive Director, BTRE and Transport Research

Dr Judith Winternitz, Deputy Director, Regional & Statistics

**Australian Transport Safety Bureau**

Mr Kym Bills, Executive Director

Mr Alan Stray, Deputy Director, Aviation Safety Investigation

Mr Joe Motha, General Manager, Safety Research and Education

**Office of Transport Security**

Mr Andrew Tongue, Executive Director, Office of Transport Security

Mr Darren Crombie, Acting General Manager, Aviation Security

Ms Vicki Dickman, General Manager, Regional and Freight Security

Mr John Kilner, General Manager, Maritime Security

Ms Sue McIntosh, Acting General Manager, Critical Infrastructure and Surface Transport Security

**Aviation and Airports**

Mr Martin Dolan, Executive Director, Aviation and Airports  
Ms Marilyn Chilvers, General Manager, Aviation Operations  
Mr Neil Williams, General Manager, Airport Planning and Regulation  
Mr Nick Bogiatzis, General Manager, Aviation Markets  
Mr Mike Smith, Special Adviser, Airspace

**Airservices Australia**

Mr Hisham El-Ansary, Acting Chief Executive Officer  
Mr Tom Grant, General Manager, Organisation Development and Corporate Secretary  
Mr Andrew Fleming, General Manager, Air Traffic Management

**Civil Aviation Safety Authority**

Mr Bruce Gemmell, Acting Chief Executive Officer  
Mr Rob Collins, Acting Chief Operating Officer  
Mr Arthur White, Acting Executive Manager, Aviation Safety Compliance  
Mr Peter Ilyk, General Counsel, Office of Legal Counsel  
Mr Richard MacFarlane, Acting Executive Manager, Aviation Safety Standards  
Mr Peter Boyd, General Manager, CASA Improvement Programme  
Ms Betty Edwards, Chief Financial Controller  
Ms Nicola Hinder, Acting Executive Manager, Corporate Affairs

**AusLink**

Mr Robert Hogan, Acting Executive Director, AusLink  
Mr John Elliott, General Manager, AusLink Planning  
Ms Joan Armitage, General Manager, AusLink Systems and Regional Investment  
Mr Barry O'Neill, Acting General Manager, AusLink Road Investment  
Mr Jim Wolfe, General Manager, AusLink Rail Investment  
Mr Ed Cory, Director, NSW and ACT

**Maritime and Land Transport**

Mr John Doherty, Executive Director, Maritime and Land Transport  
Mr Michael Sutton, General Manager, Maritime  
Dr Anthony Ockwell, General Manager, Transport Integration and Reform  
Mr Peter Robertson, General Manager, Vehicle Safety Standards

**Australian Maritime Safety Authority**

Mr Clive Davidson, Chief Executive Officer  
Mrs Dianne Rimington, General Manager, Corporate

**Regional Services**

Ms Leslie Riggs, Executive Director, Regional Programmes and Territories  
Dr Leo Dobes, General Manager, Analysis and Performance  
Dr Gary Dolman, General Manager, Regional Communities – Regional Office Network  
Ms Karen Gosling, General Manager, Sustainable Regions & Operations  
Mr Daniel Owen, General Manager, Regional & Indigenous Policy

**Territories and Local Government**

Ms Sema Varova, Executive Director, Territories and Local Government  
Mr Andrew Wilson, General Manager, Territories  
Mr Adrian Beresford-Wylie, General Manager, Local Government and Natural Disasters

**National Capital Authority**

Ms Annabelle Pegrum, Chief Executive Officer

Mr Lindsay Evans, Managing Director, Business

Mr James Larmour-Reid, Managing Director Planning and Urban Design

Ms Alison Walker-Kaye, Director Corporate

Ms Emmy Jowitt, Assistant Chief Finance Officer

Mr Phil Wales, Director, Executive Governance

Mr Ted Schultheis, Principal Planner

Mr George Lasek, Director, National Capital Estate

**CHAIR**—I declare open this public meeting of the Senate Rural and Regional Affairs and Transport Legislation Committee. The committee will continue its consideration of the 2005-06 budget estimates for the Department of Transport and Regional Services. As I stated yesterday, answers to questions on notice and additional information should be received by the committee no later than 1 July 2005. I also remind officers of the Senate resolution relating to expenditure of public funds and claims of commercial-in-confidence.

[8.32 am]

**Civil Aviation Safety Authority**

**Senator MARK BISHOP**—My first question is probably for you, Mr Gemmell. At the previous estimates round we had a discussion on CASA's restructuring and the then wider policy of giving passenger-carrying operations the highest priority. Can you outline for the committee the progress of these initiatives, if any?

**Mr Gemmell**—The program continues. We announced a set of priorities for CASA which has passengers as the highest focus. We announced earlier this year that we wanted to do a restructure in CASA, to reorganise how we do our business away from the previous functional lines to a process where we are better aligned with the industry sector—air transport operations, general aviation, operations and so on. We have continued to work on that. We announced a few weeks ago the lower levels of that restructure—how the sections and branches will be organised—and we plan to formally shift across to the new structure on 1 July.

**Senator MARK BISHOP**—How have these reforms been received by industry to date? Have they all been implemented or are you still in the implementation phase?

**Mr Gemmell**—No, we are still in implementation. The restructure proposal is probably more for internal consumption than external.

**Senator MARK BISHOP**—You said you wanted to have functional units aligned with the major industry subgroups. Presumably it is done to cater to their needs.

**Mr Gemmell**—Yes, to make it somewhat easier for them to deal with us and be able to intersect at a lower level with CASA. Such response we have from industry has been quite positive about the changes. I cannot recall too many negatives coming in about the things we have done. There are queries. Some things will be a little harder to do than previously and other things will be a lot easier.

**Senator MARK BISHOP**—Do you have a document that gives the new organisational structure?

**Mr Gemmell**—Yes, we do.

**Senator MARK BISHOP**—Would you mind tabling that. Perhaps you might summarise the function of each group.

**Mr Gemmell**—The organisational structure: right at the top you see the Chief Executive Officer and the Chief Operating Officer of CASA. Reporting to them are a range of functions, in particular human resources and finance. Risk and audit also report directly to the CEO. Finance and HR function reports to the CEO through the chief operating officer. Below that you will see a number of what we call our operating divisions—that is, the Air Transport Operations Group looking after major airlines, big operators.

**Senator MARK BISHOP**—Perhaps you could concentrate on the air transport operations group and the general aviation operations group and explain to the committee the difference between the two and what purposes are achieved by having that functional division.

**Mr Gemmell**—In simple terms, the air transport operations group looks after big airlines, big aircraft, big operators. We have created the split between the two—it is not perfect, nothing is perfect—at 5,700 kilos, which is a very common weight used in aviation to differentiate between requirements on aircraft. So bigger aircraft operate above that and smaller aircraft operate below that.

**Senator MARK BISHOP**—So it is basically big and all others?

**Mr Gemmell**—Pretty much. It is big airlines and the rest, which range down to gyrocopters, ultralights and all sorts of stuff. There are some reasonable sized aircraft in there as well.

**Senator MARK BISHOP**—That is what I wanted to establish. That is straightforward. Can you have a quick look at page 87 of the PBS. At the bottom of table 3.1 there is a figure for staffing numbers which shows an apparent reduction in 2004-05 of 680 to 2005-06 of 650. Can you explain what is driving that reduction of 30—FTEs I presume?

**Mr Gemmell**—Yes. Senator O'Brien asked pretty much the same question last night. I will give it a go and hope I say something like what I said last night. A few things sit below that. One is that we will complete in the forthcoming financial year a major program that has been running that we have described as the CASA IP, the CASA improvement program. That will complete in 2005-06. The staffing attached to that program changes and some efficiencies derived from it are expected to cut in. Secondly, we have been anticipating for some time the implementation of the regulatory reform program—that is, the rewrite of the rules. As we have explained to this committee before, that is running slower than we anticipated, so we will not be resourcing that to the levels we otherwise anticipated. Thirdly, we have committed ourselves to reviewing the business processes that occur within CASA, in particular in the corporate support areas but also on the operational side, designed to achieve efficiencies in our operation to ensure we are providing services in future for which we will cost recover at the most efficient and cheapest rate and that we are providing functions as efficiently as we can.

**Senator MARK BISHOP**—In late April you advertised for three senior positions: group general manager, air transport; group general manager, personnel licensing, education and training; and a chief information officer. I presume that is related to the new restructuring.

**Mr Gemmell**—They are three senior positions in the new structure that are not filled.

**Senator MARK BISHOP**—How many applications have you received for each of the positions so far?

**Mr Gemmell**—I cannot answer that. We are doing it through a search agent, and they have not told us.

**Senator MARK BISHOP**—When is the closing date for applications?

**Mr Gemmell**—It is 13 May.

**Senator MARK BISHOP**—So presumably the search agency has been in contact with you to advise you of the number?

**Mr Gemmell**—I have not heard about the numbers that we have. We have not heard the results from them, but I expect to hear about that at any moment. From there, it is the process of sifting and sorting.

**Senator MARK BISHOP**—I understand that. If you could perhaps make an inquiry and let us know in due course?

**Mr Gemmell**—Of course.

**Senator MARK BISHOP**—Thank you. At the previous round, Mr Byron informed the committee that he had commissioned an industry panel to optimise expenditure on aviation training. How is this progressing?

**Mr Gemmell**—That was to do with flying training.

**Senator MARK BISHOP**—Mr Byron said:

I have also commissioned an industry panel which has drawn together ... experts. Those are the practitioners of flying training.

He then goes on to outline the brief he gave them.

**Mr Gemmell**—Yes, that is specifically directed to trying to raise the level of flying training in Australia. That panel has been formed. It has met a couple of times. It has a few focuses, but one of the key things it is doing relates to a publication that has been long known of in aviation which is, if you like, the flying training manual. It has not been updated for some years, and one of the group's early focuses is to update that manual and to reissue it to flying training organisations. Then, later in the year, they are planning on giving it a thorough review and updating it with more modern techniques.

**Senator MARK BISHOP**—What are they planning to do later in the year—update the manual again?

**Mr Gemmell**—Update the manual. They have taken an old manual that has not been updated for some time and they have looked through it, fixed the English up, sorted it all out, made it clear and reissued it. It had not been reissued for some years. Then they want to thoroughly review it and then probably reissue it.

**Senator MARK BISHOP**—Is that the primary purpose of what Mr Byron called an industry panel?

**Mr Gemmell**—No. We sent them out with the objective of assisting us in trying to raise the standards of flying training in Australia. That is where they have gone to try and do that, but the objective is to try and raise standards. We have done other things ourselves to try and support that program. We have instituted what we call dedicated flying training inspectors—people who will work closely with the flying training industry. Again, that is designed to ensure that a good product is produced by the flying training instructor.

**Senator MARK BISHOP**—What do these flying training inspectors do?

**Mr Gemmell**—They will go around and look at the flying training schools and particularly have a close look at the chief flying instructors and how they are instructing. They will actually do a lot more flying with the chief flying instructors and with the pilots that are being produced, so we will be a lot closer to what is happening in the flying training industry. That all stems from flying training being a reasonably high priority on our list, because that is the grounding that pilots get when they enter the industry.

**Senator MARK BISHOP**—On budget day, in press release TRS9/Budget entitled ‘Keeping Our Regional Airlines in Flight’, Minister Anderson stated:

... the Government had agreed to the implementation of a long term funding strategy for the Civil Aviation Safety Authority (CASA).

... ..

Under the strategy, CASA will be increasing its level of cost recovery, but the Government has made it clear that it must consult thoroughly with the industry before it makes any changes.

So the minister was putting the industry on notice that there was going to be increased cost recovery and CASA would consult thoroughly in due course. If you go to Budget Paper No. 2 at page 247, it says:

The new cost recovery arrangements will apply across a broader range of industry beneficiaries and will be determined following industry consultation.

So the budget papers are consistent with the minister’s press release. If you go to page 79 of the current PBS before you, it says:

As a result of the implementation of the LTFS departmental appropriations in 2005-06 have decreased by \$7.6 m ... This decrease is offset by an increase in revenue receipts from independent sources of \$5.5m, representing the phasing in of cost recovery from 1 January 2006.

So appropriation is down \$7.5 million and revenue receipts are up by \$5.5 million, which is apparently consistent with both the budget papers and the minister’s press release from 1 January. Have the industry consultations already commenced? If the answer is yes, with whom.

**Mr Gemmell**—There has been no substantive consultation with industry. All we have done at the moment is to advise various industry groups of the decisions that you have read there. We have not taken it further to say, ‘This is a proposition as to what we will charge for and how and when.’ We have not done that, which is the bit most of the industry is interested in. Consultation has started to the extent that we have advised people of the decision that we are

moving to increased cost recovery from 1 January 2006. There will be a program of talking to industry.

**Senator MARK BISHOP**—They would know that from industry gossip, from the minister's press release and from the organisation's web site.

**Mr Gemmell**—We have not taken the next step, which is to lay it out and say, 'Here it is, here is the set of charges that we would propose.'

**Senator MARK BISHOP**—You might then outline for the committee what your plans are and how you will consult on and inform industry of the implementation of the government's decision.

**Mr Gemmell**—We have to develop our propositions that we would put to industry as a possible means of introducing the wider range of cost recovery. At the moment, we are doing quite extensive costing analysis to see what things cost us. We have then got to turn that into a regime of what we will propose to charge industry. Then we will go out and consult with the major players, the major associations, and we will probably have to have some industry forums to seek reaction to it. We will certainly put a paper out that lays down what our propositions are and seek reaction to it from industry.

**Senator MARK BISHOP**—Where did that reduction in the appropriation of \$7.6 million come from? Is that a question for you or for the department?

**Mr Gemmell**—I am informed that there are two elements to it. The government, on top of a number of things, funded the CASA improvement program. That was \$4.7 million, plus we were given one-off funding in 2004-05 of some \$3.2 million to get us through the year while we worked through our long-term funding strategy.

**Senator MARK BISHOP**—So the entirety of the \$7.6 million comes from the recurring expenditure in the CASA improvement program, plus the non-continuation of the one-off \$3.2 million.

**Mr Gemmell**—I think you said 'recurring expenditure'. It is non-recurring expenditure. It is a one off.

**Senator MARK BISHOP**—I might have misunderstood you. I thought you said that the \$7.6 million reduction in appropriations was broken up into two areas—firstly, \$4.7 million from the CASA improvement program and, secondly, a one-off \$3.2 million which had been given in the 2004-05 year and which would not be continued. Is that correct?

**Mr Gemmell**—That is right.

**Senator MARK BISHOP**—So we are talking about the same thing. So the entirety of the \$7.6 million comes from the cessation of the CASA improvement program going into the future?

**Mr Gemmell**—And the one-off.

**Senator MARK BISHOP**—Yes. How long has the CASA improvement program been in place?

**Mr Gemmell**—Since 2001-02. It was a program of doing various upgrades that turned into mostly IT upgrades. It was specifically funded by the government from 2001-02 and each subsequent year for four years.

**Senator MARK BISHOP**—So there has been an upgrade program in existence for four years?

**Mr Gemmell**—Yes.

**Senator MARK BISHOP**—What did the PBS for 2004-05 show for the CASA improvement program?

**Mr Gemmell**—I am informed that it is \$4.275 million.

**Senator MARK BISHOP**—So the 2004-05 PBS had an allocation of \$4.275 for the 2004-05 financial year. Did the PBS in 2004-05 have further allocations in the three out years after 2004-05?

**Mr Gemmell**—No. The program was designed to—

**Senator MARK BISHOP**—end in 2004-05.

**Mr Gemmell**—Yes. And it is running reasonably on target to do that.

**Senator MARK BISHOP**—Going back to the cost-recovery discussion, you said that you were in the process of developing a proposition for a costing analysis that you are going to turn into a costing regime. Then you are going to have consultations with major players and major associations and put out either an information paper or a discussion paper—whatever it is going to be. Do you propose to issue guidelines when that is done? What is the process so that industry people know how and what they have to pay and to whom?

**Mr Gemmell**—The current process—which is a bit clumsy, and it is one thing we will look at—is that the charges that CASA imposes are set by regulation. It would mean that we would have to put regulations forward to achieve that. That is an element we will look at, but in the absence of a change to that regime a set of regulations will come forward.

**Senator MARK BISHOP**—Then you will gazette new regulations proposing the new fees?

**Mr Gemmell**—That is right.

**Senator MARK BISHOP**—On page 82 of the PBS, headed 2.3, the last sentence in the third paragraph says:

Existing fees were increased in 2004-05 being the first increase since CASA was formed in 1995.

So fees were increased last financial year for the first time in 10 years. Now we are going to have a further increase in fees applicable from 1 January 2006. Are we talking about the same thing here, or is it a different set of fees?

**Mr Gemmell**—They are slightly similar and slightly different. CASA has had a fee regime set in the regulations since it was created. That had not changed until last year. It had earned consistently in the order of \$3 million per annum for CASA. The fees were increased last year on the range of things that we charged for in those regulations to get us about \$5 million in this current financial year. Under the new regime, we are proposing not only to look at the

fees we are charging for existing things—and make sure that we are moving towards full cost recovery—but to widen the range of services that we may charge for.

**Senator MARK BISHOP**—What was the basis of the change last year?

**Mr Gemmell**—On the set of services we charged for, we upped the rate of cost recovery.

**Senator MARK BISHOP**—Last year you increased the rate and this year you are broadening the net?

**Mr Gemmell**—We will broaden the net and we will also look at the rate because we did not hit the rate that would get us to 100 per cent; we hit the rate that would make sure we got \$5 million. We will have to look at that, but we got somewhere near recovery for those.

**Senator MARK BISHOP**—So last year you went from \$3 million to \$5 million and had a fee increase of 66 per cent. In defence of that you said that that was the first move in almost 10 years. This year you are going to increase the rate as well. What principle are you looking at? Are you looking at full cost recovery, partial cost recovery, CPI or what? What is the basis of the increases?

**Mr Gemmell**—The fees would have to be consistent with the government's cost-recovery guidelines. In essence, we will be looking for full cost recovery for the services we charge for.

**Senator MARK BISHOP**—So you are implementing a decision of government in this area based upon full cost recovery?

**Mr Gemmell**—Yes, for the things we charge for. There is a range of things that CASA does that we will not charge fees for.

**Senator MARK BISHOP**—It is full cost recovery for services you provide—is that how you describe it?

**Mr Gemmell**—It is full cost recovery for regulatory services. That is how we describe it.

**Senator MARK BISHOP**—You also said that in 2006 you were going to 'broaden the net'. I think that was the colloquial term you used. What does that mean?

**Mr Gemmell**—There are currently a range of services that we provide to industry that we apply no or a minimal charge to. There is a range of things we do not charge for at all. We will certainly be looking at charging for those.

**Senator MARK BISHOP**—Are they non-regulatory services?

**Mr Gemmell**—They are probably still regulatory services, but they have not been included in the charging schedule and therefore we have been precluded from—

**Senator MARK BISHOP**—What sort of services are you talking about?

**Mr Gemmell**—The issue of exemptions, permits, approvals and things like that. We are particularly keen to charge when industry approaches us—it happens often—to do something a bit special or a bit unique for them. If we do it and it is not in the charging regime we have no ability to charge for it.

**Senator MARK BISHOP**—What do you anticipate this full cost recovery, broadening of the net and looking at the rates will increase your income by in a full year?

**Mr Gemmell**—The program is set out in the PBS. It moves from around \$5 million in the current year to over \$10 million in the next financial year and goes up beyond that.

**Senator MARK BISHOP**—Could you point me to a place in the PBS?

**Mr Gemmell**—Yes, it is on page 82—the last sentence in the fourth paragraph under heading 2.3. It is just above the table.

**Senator MARK BISHOP**—It says that it will go from the current \$5.1 million to \$10.6 million in the 2005-06 financial year. Then you anticipate further increases in revenue in the out years; is that correct?

**Mr Gemmell**—Yes.

**Senator MARK BISHOP**—Where will I find that?

**Mr Gemmell**—That is on page 96, at table 5.2, which shows the budgeted financial statements. The top line shows revenues from ordinary activities and it shows the sales of goods and services. You can see that the \$5 million increases to \$10 million and then, in the forward years, to \$15 million and eventually \$20 million.

**Senator MARK BISHOP**—That is not a bad increase over four years from \$3 million to \$20 million, is it?

**Mr Gemmell**—That is our current estimate of the cost of the range of services that we provide.

**Senator MARK BISHOP**—Is there reason to believe that those cost increases, which are essentially \$5 million a year in the three out years, will continue after 2008-09?

**Mr Gemmell**—No, by 2008-09 we expect to have hit full cost recovery for the whole range of items that we would charge for. Our current estimate of the cost of providing the range of services we are looking at is \$20 million.

**Senator MARK BISHOP**—This consultation exercise that you are going to go through in the second half of the year is really a process of informing industry of the range of changes, issuing the regulations and requiring them to implement them, is it not?

**Mr Gemmell**—It is consulting industry on our propositions. I anticipate that there will be lots of vigorous responses to our proposals. There may be room for us to alter some of the charging regimes—and that would be the purpose of it.

**Senator MARK BISHOP**—So the government's decision is both flexible and negotiable?

**Mr Gemmell**—The government's decision on what we are headed for in revenue is quite clear. Neither we nor the government has worked through exactly what we will charge for, when we will implement it and how much we will charge. Those are the propositions we will put out to industry and they may come back to us and say, 'Don't charge this way; charge that way.'

**Senator MARK BISHOP**—But the core principle is implementation of full cost recovery by 2008-09. That is to be phased in commencing 1 January 2006. The form or the timing of the phasing might be reconsidered subsequent to industry responding to your consultation exercise. Is that a fair comment?

**Mr Gemmell**—We are certainly open to suggestions when we put the proposition out. There might be better and worse ways of going about this and we will respond to that.

**Senator MARK BISHOP**—The form of recovery might be a negotiable exercise, but the exercise of going to full cost recovery is non-negotiable.

**Mr Gemmell**—That is a good way of expressing it.

**Senator MARK BISHOP**—I just wanted to establish the facts. Mr Gemmell, can we now turn our attention to the discussion we had yesterday with the bureau on the matters arising out of the accident in North Queensland. Can you confirm for the committee that CASA recently performed a safety audit on Transair?

**Mr Gemmell**—Yes, that is correct. We reissued Transair, the operator in question, with their AOC. We had performed an audit on them just prior to issuing the AOC.

**Senator MARK BISHOP**—What is the AOC?

**Mr Gemmell**—The air operators certificate. That is their authority to operate the service.

**Senator MARK BISHOP**—When did you do the audit?

**Mr Gemmell**—Across the period February-March.

**Senator MARK BISHOP**—Who conducted the audit?

**Mr Gemmell**—It was a CASA audit conducted by officers from the Brisbane airline office who have oversight responsibility for Transair, which is an airline operation.

**Senator MARK BISHOP**—It was officers of CASA located in the Brisbane airline office. How many persons were involved in that audit?

**Mr Gemmell**—There were four.

**Senator MARK BISHOP**—We do not need their names. Can you outline for us their expertise and responsibilities in carrying out that audit function?

**Mr Gemmell**—In doing an audit, they scope out the particular things they are interested in and look at those. We had people from a range of disciplines. We had a flying operations inspector—our language; in your language that is a pilot, someone with expertise in flying.

**Senator MARK BISHOP**—Thank you for that.

**Mr Gemmell**—We had an airworthiness inspector—that is someone with expertise on maintenance and how an aircraft operates. We had a dangerous goods inspector and a cabin safety inspector.

**Senator MARK BISHOP**—So that is the team that does the inspection.

**Mr Gemmell**—That was the team that did that one.

**Senator MARK BISHOP**—So you have a pilot, a maintenance man, a dangerous goods fellow and a cabin safety inspector. Do they audit the operation or do they audit individual planes?

**Mr Gemmell**—Again, the scope of the audit can vary but we are focused on looking at the systems that operate within an airline. That will include checking elements of the operation. In this particularly case they actually flew some of the route sectors with the operator. That is

not a consistent thing. It depends on what we are trying to look at with the operator. Sometimes we will just look at the systems. Other times we will do certain product checks.

**Senator MARK BISHOP**—What do you mean when you say you look at the systems within the airlines as part of the audit process?

**Mr Gemmell**—Any airline will have systems to manage and control how their operations are performing and the safety of them. We go through to make sure that those systems are written down in manuals and are properly recorded, and that they are being operated correctly.

**Senator MARK BISHOP**—Say you had an airworthiness inspector—he was the maintenance man—would it be his job to ensure that the operator had systems that provided for regular checking of the aircraft, regular checks that routine maintenance is carried out, regular checks that critical equipment is evaluated to ensure that it is working properly?

**Mr Gemmell**—From the AOC point of view, yes, they have obligations when operating an airline to make sure that certain things are done in respect of the aircraft. They have to have systems—sometimes quite complex systems—to ensure that those things are done, that they keep up to date and follow airworthiness directives and so on. That would be part of their tasks. The reason I qualify with respect to the air operators certificate is that we also issue COA approvals for the maintenance operator themselves. It is not uncommon for the operator to have a system to make sure that something that needs to be done is done, but then to subcontract that to a maintenance shop to do it. They have to have systems to make sure that they are satisfied.

**Senator MARK BISHOP**—And that is permitted.

**Mr Gemmell**—That is quite common. Some airlines do all the AOC and COA approvals themselves.

**Senator MARK BISHOP**—You did this safety audit on TransAir back in February-March. Media reports—and that is all I am relying on at this stage—suggest that CASA gave TransAir a clean bill of health arising out of that safety audit that CASA conducted back in February-March. Are those media reports correct?

**Mr Gemmell**—Correct to the extent that we re-issued the air operators certificate that was issued to them on 14 April. So that was a re-issue to them that was due. Clean bill of health stuff, I think I said last night that when we go through an airline and do an audit we will regularly come up with observations, requests for corrective actions, things we have seen, in the same way that any other audit goes through and sees things in the system and asks for those things to be improved.

**Senator MARK BISHOP**—Of course you will note things that need to be changed, altered or improved. That is the purpose of an audit. But you did not have any cause not to re-issue the AOC?

**Mr Gemmell**—Obviously, the AOC was issued, so the appropriate delegate did not see anything in the reports to him that would suggest not issuing the AOC.

**Senator MARK BISHOP**—Since the accident, have either you or your nominee had cause to review the report of the audit team that was done in February-March?

**Mr Gemmell**—Yes.

**Senator MARK BISHOP**—What have been your conclusions from that review?

**Mr Gemmell**—That there was a range of things found but nothing serious or significant.

**Senator MARK BISHOP**—So, even with your review, you stand by that decision to reissue the AOC? It was not made in error?

**Mr Gemmell**—From what I can see it was soundly based and consistent with our normal processes and procedures.

**Senator MARK BISHOP**—On the audit that was done, you said at the outset that it was based on systems within the airlines. Was the particular plane that crashed the subject of inspection through the audit process?

**Mr Gemmell**—I cannot be sure from the documents that are here. There is no particular reference to VH-TFU, which is the crashed plane.

**Senator MARK BISHOP**—What do you call the crashed plane?

**Mr Gemmell**—VH-TFU.

**Senator MARK BISHOP**—That is its call sign. So there is no reference in those documents to an inspection of VH-TFU?

**Mr Gemmell**—No. They obviously did a route check on an aircraft that appears to be a different aircraft. That is not to say they did not necessarily go on TFU, but it does not say they did.

**Senator MARK BISHOP**—Fair comment, but if they had done an inspection of VH-TFU one would presume there would be a note on the file that they had inspected the particular plane, wouldn't there? They make observations, they take notes, they seek things that might be improved, altered or changed. That can only be done with written records.

**Mr Gemmell**—Yes, they will certainly know whether they went on TFU or not. It is simply not in the audit report—it is not recorded there. I do not think that they did.

**Senator MARK BISHOP**—I do not think they did either, because if they had there would be a note in either the original report or the review that you caused to occur. So I am with you—I presume there had not been an actual inspection of VH-TFU. Perhaps you might make some inquiries of your officers present as to whether there was an actual audit of VH-TFU.

**Mr White**—To my knowledge there was no audit of TFU. They would have looked at the aircraft that were available on the day, the aircraft that were planning to fly routes of the day, and they got on those aircraft. There are two other aircraft that are mentioned in the actual report.

**Senator MARK BISHOP**—From the discussion yesterday with the bureau I understand there is a question as to whether the cockpit voice recorder was operational prior to the crash of the plane. I take it that the examination of such an instrument is not part of a safety audit.

**Mr Gemmell**—It is not routinely part. It is just one element of something that an airline operates. You would not necessarily expect that in doing an audit of this nature you would go through and check every piece of equipment on every aircraft.

**Senator MARK BISHOP**—No. I suppose some could describe it as a piece of equipment. It is a rather critical piece of equipment, isn't it?

**Mr Gemmell**—Yes and no. It is not critical to prevention of accidents. It is actually important once there has been one.

**Senator MARK BISHOP**—It may not be critical to the prevention of the accident by definition, but it was my take from the officers' evidence yesterday that the cockpit voice recorder might be critical in analysis terms into the future as a means of prevention of other or like accidents. In that sense, as a prevention into the future, I would have regarded it as critical.

**Mr Gemmell**—That is certainly true, which is why they are mandated to have this equipment in the aircraft.

**Senator MARK BISHOP**—That is right; that is why they are mandated to have the equipment in the aircraft. What I am really driving at is whether the safety audit that you conduct on systems, procedures and practices within airline operations is adequate in terms of passenger, pilot and staff safety when critical features of the aircraft, as I understand it, are not routinely examined by your audit team.

**Mr Gemmell**—That is correct. It is simply an impossibility to check everything on every aircraft before every flight.

**Senator MARK BISHOP**—Is it difficult to do so? You have used the word 'impossibility', which is an absolute. Is that right?

**Mr Gemmell**—We would have to be of a fantastic scale of operation to try and provide an oversight of the industry on that scale so that we could be sure that, when every aircraft took off, every piece of equipment on it was operating, had been tested and so on. The obligation is on the airline itself to do checks of those sorts of things, and then we do audits on how they are doing those checks. We do not sit there second-guessing the pilots about the judgments they are making on the aircraft. Given the number of flights and the number of aircraft—

**Senator MARK BISHOP**—I understand the point you are making. I am not talking about every piece of equipment on the plane. I am not talking about whether passenger seats go backwards and forwards or whether the back of the seat goes back adequately; I am talking about critical pieces of equipment that go to the operation or safety of the aircraft.

**Mr Gemmell**—When the pilots routinely get on the aircraft they do not check the seats at the back either; they will be checking the safety equipment and other equipment at the front of the aircraft. It is a major extensive program and it is usually done through checklist arrangements, which they are required to do. Whether they test these things is a judgment they make on the day. Some equipment is able to be unserviceable for a period. That is not outside the rules. It depends on what the equipment is and what backup arrangements they have. Those routines have to be set down in the operating manuals of the airline. We check that they are there, and when we do the audits we check that they are following those manuals. But we do not do it for every aircraft, every day, every flight—which is what you need to do to be sure.

**Senator MARK BISHOP**—Let us not exaggerate the nature of this discussion. No-one has suggested that CASA should inspect every aircraft, every day, for every flight. Our discussion is within these parameters: whether the audit safety process that CASA conducts is sufficient or adequate to guarantee passenger and staff safety. A plane having crashed to earth and 15 or 16 people having been killed—the fourth worst civilian disaster since World War II, we were informed yesterday—my questioning goes to the adequacy or otherwise of the safety audit program, no more and no less. What I am hearing you say is that your organisation is satisfied that the safety audit program is adequate, that in this instance it was done properly, that your review has confirmed that it was done properly and that—and this is the critical point—you do not see any need at this stage to depart from the current safety audit practice of airline operators.

**Mr Gemmell**—At this stage it is an important point. The cause is under investigation and we do not want to pre-empt the outcomes of that. We keep these things under review. It is very difficult for us. There is no doubt—because there has been an accident—that we did not see it coming. We did reviews and did not see this occurring. Had we seen this coming we would have taken action. It is easy to conclude that there must be something wrong in what we did, but we did not see it coming.

**Senator MARK BISHOP**—I conclude there is something wrong; I do not necessarily conclude that there is something wrong in what CASA did or did not do. I do not jump to that conclusion as yet.

**Mr Gemmell**—One of our objectives under the act is to prevent accidents and we have had a successful record over a long period of time—the airlines have really; we are just a piece of that puzzle—and we feel a sense of failure when we have an accident on this scale. We obviously have not seen the events that led up to it to enable us to prevent it.

**Senator MARK BISHOP**—How long has this safety audit approach been the approach of CASA? Has it always been the case?

**Mr Gemmell**—No. We have had some different approaches over time. The system focus has been around since 2001—

**Mr White**—About 2½ years. Prior to that it was pretty much a product audit where we simply got on the aircraft and flew and observed the pilots.

**Senator MARK BISHOP**—So 2½ years ago the organisation shifted from a product based audit to the safety based audit—

**Mr White**—Systems auditing, which also includes some product auditing obviously.

**Senator MARK BISHOP**—How long had that earlier product based audit approach been in practice?

**Mr White**—I could not say; quite a number of years.

**Senator MARK BISHOP**—Have you been with the organisation for a while, Mr White?

**Mr White**—I have been with the organisation for 10 years.

**Senator MARK BISHOP**—And in all of that time that product based approach was in practice?

**Mr White**—I was not always involved in the sort of job that I am doing now but, yes, to my knowledge it was.

**Senator MARK BISHOP**—So we had that product based approach at least for a long time. What was so deficient about that old system that caused the organisation to change to the new system some 2½ years ago?

**Mr Gemmell**—One of the things that would occur under that arrangement was that you would find something wrong with a particular flight and you would say, ‘You have got to fix this.’ It would be fixed and you would come along a year later and you would find exactly the same thing wrong because they had fixed the symptom but they had not got to the causes, which was the system that you needed to change to make sure you did not repeat the error. That was one of the faults in that arrangement. It is perfectly consistent with the way auditing as an area is going. If you talk to the Australian National Audit Office, they will talk to you about systems auditing. It is designed to get at the systemic causes of the events. It is rare that accidents occur because of just one thing going wrong. It will usually be a whole series of things that have gone wrong and failures in the system and failures of the defences in the system to pop up and stop the problem occurring.

**Senator MARK BISHOP**—What intrigues me in this discussion of this accident—and I am not going to hypothesise on the cause of the accident; presumably the inquiry team will come out with the reasons in due course—is the failure of the cockpit voice recorder to disclose any data of any value at all to the inquiry people. They have had to skate around the issue to find out the cause. That older product based audit system would have identified recurring problems in the cockpit recorder, would it not, Mr White?

**Mr White**—I very much doubt whether it would. What you are looking at are the actions of the pilot. On the cockpit voice recorder we not only look at systems prior to any audit but also look at documents, manuals, processes and procedures. In every aircraft there will be a flight manual, usually produced by the manufacturer. That manual, in the case of the Metro, contains an item which is a check before flight for the CVR and the FDR. There is also maintenance on both those items. The FDR in particular is a self-test and every time they press the button it will check the item itself. The cockpit voice recorder, because of the complexity of the various items in it such as the recording of individual voices and sounds, is only done once per year. In this particular aircraft it was in date.

**Senator MARK BISHOP**—It is done only once a year now, or under the old system?

**Mr White**—Under the present process.

**Senator MARK BISHOP**—Under the present system it is done once a year. When was it checked last?

**Mr White**—CASA—I think it would have been the CAA at that time—put out an airworthiness directive in 1988, so it has been in place since that date. This aircraft was checked on 16 June last year, so it was valid till 16 June this year.

**Senator MARK BISHOP**—So it was up for another check within a couple of months of the accident date. We are advised that the aircraft was weeks from being fitted with a terrain warning system; is that correct?

**Mr Gemmell**—Not completely.

**Senator MARK BISHOP**—You might tell us what the facts are.

**Mr Gemmell**—As we understand it, the aircraft was fitted with a GPWS—a ground proximity warning system. It was required to be fitted with a ground proximity warning system, and it was.

**Senator MARK BISHOP**—Tell us what a GPWS does.

**Mr White**—In that old system it is looking down at the ground and detecting rising ground or aircraft descent—in other words, a decrease in the distance between the two. Where the new equipment differs is that it looks ahead of the aircraft and can give much more warning of when you are approaching rising ground or, indeed, the aircraft is heading into the ground.

**Mr Gemmell**—That is the bit that they were some months away from having to install. CASA has mandated the fitting of what is known as EGPWS—the enhanced ground proximity warning system, which is this forward-looking terrain—in a certain range of aircraft by the end of June, which included this particular aircraft.

**Senator MARK BISHOP**—But for the accident—if the aircraft had kept operating—it would have been fitted with the new system.

**Mr Gemmell**—It was a requirement by CASA that to continue to work in RPT operations, with that number of passengers, it would have had to be fitted with an EGPWS by the end of June 2005.

**Senator MARK BISHOP**—If the aircraft had been fitted with an EGPWS prior to the mandatory date, would that have prevented this particular crash?

**Mr Gemmell**—I could not speculate on that; we just do not know.

**Senator MARK BISHOP**—We do not know.

**Mr Gemmell**—There is no question that we think the EGPWS is a very useful safety device, which is why we have mandated it. It has not been a popular move by CASA.

**Senator MARK BISHOP**—Why is that?

**Mr Gemmell**—Because it is expensive. The fitment of EGPWS is being resisted up to this day, particularly in the smaller aircraft of which the Metro is a classic example. However, we believe it is a very useful safety device. But you cannot speculate on whether it would or would not have assisted the pilot in these circumstances.

**CHAIR**—How expensive are these systems?

**Mr White**—From memory, it costs something like \$US100,000 for the enhanced or TAWS—as it is now called—equipment.

**CHAIR**—Is it likely to cost more than the plane is worth?

**Mr Gemmell**—We have not mandated them for all aircraft; we have mandated them for larger aircraft operating in passenger carrying operations.

**Senator MARK BISHOP**—I missed the answer to Senator Heffernan's question. What was the cost per unit?

**Mr White**—From memory—and we would have to check—it is something like \$US100,000 but, as the Acting CEO was saying, we are only mandating it for aircraft over 5,700 kilos. So the older, cheaper aircraft would not be involved—the smaller ones.

**CHAIR**—But a Metroliner with 25,000 hours on the airframe would not be worth a lot of money, would it?

**Mr White**—I could not comment. I would not know the cost.

**Senator MARK BISHOP**—That is the issue: cost and safety.

**CHAIR**—I know; that is the resistance.

**Senator MARK BISHOP**—How many Metroliners are there in Australia fitted with the terrain warning system? I think we have been told there are something in the order of 60.

**Mr Gemmell**—There are about 60 Metroliners in Australia. How many are fitted with the EGPWS, I would not know.

**Senator MARK BISHOP**—You do not maintain those records?

**Mr Gemmell**—No. One point I would make is that, while we have mandated the EGPWS fitment by 30 June, we did not actually tell anyone that they had to wait until then. We are encouraging people to put these things in earlier, but because of the expense business decisions are made.

**Senator MARK BISHOP**—Presumably your systems audits that are conducted after 1 July this year would identify operators or planes that have not complied with the direction to install the EGPWS.

**Mr Gemmell**—Yes, that would be something that we would look at, but we routinely look at equipment fitment, whether they have it, is it operating and so on.

**Senator MARK BISHOP**—We had some loose discussion yesterday that the ATSB received calls from two former Transair pilots which were referred onto CASA. Can you confirm that for the record, Mr Gemmell?

**Mr Gemmell**—We have checked our records for the period in question, which I think was back to 2002. We have nothing in our records to indicate that there were such calls made to CASA.

**CHAIR**—Where did the email go?

**Senator MARK BISHOP**—Why don't we go through them one by one?

**CHAIR**—All right.

**Senator MARK BISHOP**—From memory, it was raised that there were at least three instances where the two pilots in question attempted, by various routes, to consult CASA. You are saying that your organisation's records do not identify any contact to your organisation by either the pilots or other agencies referring on contacts.

**Mr Gemmell**—Understand that it is a bit difficult. We are not actually sure who we are talking about here or what actually their complaints are, so we are floundering around a bit about some pilots who may have reported to us. The only thing we seem to know is that it was

about the operations of Transair in PNG—that is what the newspaper articles said and that is what we have been looking for.

**Senator MARK BISHOP**—That is in 2001.

**Mr Gemmell**—Our records do not show that we received anything. I think we stated yesterday that one of the papers suggested that they called the CASA hotline and we transferred them to the ATSB. Mr Bills said that we cannot, and that is correct, we cannot, but also it is extremely unlikely that if someone had rung CASA about a regulatory matter we would refer them to the ATSB. If it is a regulatory matter, that is a CASA area. Our records do not show any contact.

**Senator MARK BISHOP**—The pilot said he called the confidential CASA hotline in July 2002 and was connected to an Australian Transport Safety Bureau official. That was in the newspaper report.

**Mr Gemmell**—Our records do not show that. If the nature of the complaint was regulatory, it seems an extremely unlikely thing to have occurred. However, that is all I know about it.

**Senator O'BRIEN**—You say you do not have the facility to transfer a call to the ATSB. You are not connected to the ATSB PABX.

**Mr Gemmell**—If that is what it meant. Yes, we are not on the same PABX. We cannot just plug it through. Our hotline is usually a mobile phone that someone is carrying around. But you would expect that there might be some records of that stuff. We do not seem to have any. The ATSB, according to their evidence, did not have any, so we wonder. Who knows.

**Senator MARK BISHOP**—Are those hotline calls taped?

**Mr Gemmell**—No.

**CHAIR**—Do you guys actually know who these people are?

**Mr Gemmell**—No. I can make some inquiries.

**CHAIR**—Does the air safety mob know? Does anyone know?

**Mr Gemmell**—I know of one. Over the weekend I received an email from the ATSB which passed on an email that had been written to the CAA in PNG in 2001 by someone who I assume is one of these people.

**CHAIR**—And what did it say?

**Mr Gemmell**—It made certain allegations and raised concerns about the operations of Transair in—

**CHAIR**—Would you care to table that for the committee?

**Mr Gemmell**—I would have to take advice on that.

**CHAIR**—If we are going to be seriously fair dinkum about this, I figure we had better do something about it.

**Mr Gemmell**—The question I have is whether they asked for confidentiality. What they have done I am not sure.

**CHAIR**—With respect, I would like to get to the bottom of this.

**Mr Gemmell**—The advice to us came from the ATSB. If it is to be tabled, the ATSB should be the ones to table it. They received it.

**CHAIR**—I took the liberty yesterday of indirectly getting in touch with these people. Obviously this is silly. I think it is highly irresponsible that, if there is a serious complaint by pilots, you wait for someone to ring you back. In my view, either they are seriously intimidated at the risk of losing their jobs or something else is wrong. If this were me and I were them, I would drive whoever it is mad by ringing them until I got something done about it. I would take it seriously fair dinkum. So yesterday I rang the *Courier-Mail* and said, ‘Could you get in touch with these people and tell them if they want to do something about it to give us a ring?’ The *Courier-Mail* has done that, but I have not heard. But if I knew who they were I would be out there on that blower in 10 seconds.

**My Yuile**—My recollection from yesterday is that the ATSB officers indicated that they had spoken to the pilots concerned. So they are in contact. It is not as if people are doing nothing and they are not concerned. They are concerned.

**Senator MARK BISHOP**—They want to speak off the record.

**My Yuile**—There is an issue of the roles and responsibilities of the Executive Director of the ATSB and the provisions of the transport safety investigation legislation.

**CHAIR**—This goes into the *Hansard*. Obviously, if they contact us we can be the intermediary.

**Senator Ian Campbell**—I think the problem is that if we want a Senate committee to conduct air safety investigations then—

**CHAIR**—No. If you want to play ducks and drakes with this—

**Senator Ian Campbell**—All of the documents that are relevant to this investigation should be available to the ATSB, and we have to tread very carefully. If the Senate wants to start demanding documents outside of an investigation, then I think we should tread very carefully.

**CHAIR**—But is there an investigation?

**My Yuile**—Yes.

**Senator Ian Campbell**—We spent two hours discussing this yesterday. There is an investigation on foot right now looking into the cause of the accident. The appropriate authority is investigating.

**CHAIR**—Does the ATSB know who these people are to ring them back?

**Senator MARK BISHOP**—The ATSB knows who they are.

**CHAIR**—They have a call-back number.

**Senator MARK BISHOP**—The problem is they want to speak off the record and the ATSB wants their comments on the record. That is the problem.

**Senator Ian Campbell**—They have spoken to them on a number of occasions.

**Senator O’BRIEN**—I think the difference between the email that was discussed and the investigation is that the email is about an event in PNG involving the company and not about the events immediately relating to the Lockhart River crash. I do not suppose that the

committee would be investigating the crash if we got the email, but there are relevant points that you make about becoming involved in the event prior to ATSB doing their work. I would not see a problem with getting the email if it were to be made available, because it would not be interfering with the investigation as such.

**CHAIR**—What I would be after is why they do not want to go on the record. If there are problems, maybe we could overcome those problems through the committee. They might be frightened of defamation or they might be frightened of losing their jobs—I do not know what their problem is. They tell me they are retired anyhow.

**Senator McLUCAS**—When was CASA advised of the accident at Lockhart River?

**Mr Gemmell**—The out-of-hours contact system was notified at 3.52 pm on Saturday, 7 May that the aircraft was missing.

**Senator McLUCAS**—By whom were you advised?

**Mr Gemmell**—I believe that was the ATSB.

**Senator McLUCAS**—What is the normal process of advices—the various authorities involved? What is the chain of advice?

**Mr Gemmell**—We have some standing protocols for the chain of advice. CASA's role in this sort of event is not, in the first instance, terribly important. We are not part of a search and rescue regime and we are not part of the police operation to try to find the people. Generally, the ATSB will be advised first and they have arrangements to advise us in due course. That is a perfectly understandable arrangement because, in the first instance, we do not have anything to do with it. When an accident occurs we cannot deal with the accident site. We would not routinely send people to the accident site. The ATSB has the first investigation rights for the accident.

**Senator McLUCAS**—Were you surprised at the time between the accident occurring and 3.52 pm?

**Mr Gemmell**—From my perspective, yes. I have asked questions as to why we were finding out late in the afternoon that an aircraft was missing. At that stage it had not been confirmed that it was a crash. I was concerned that there might have been an issue of how fast the notifications came through. The explanations to me were along the lines that the relevant authorities knew so the search and rescue people knew in appropriate time. The times they knew are a matter to ask the Maritime Safety Authority about. They oversight the search and rescue arrangements. We were informed late because everyone was busy trying to deal with the incident at hand. We are not critical to the search or the investigation.

**Senator McLUCAS**—Have you investigated any regulatory breaches by either Transair or Aero-Tropics recently?

**Mr Gemmell**—I am not sure what the question means—investigating 'regulatory breaches'. We do audits where we look for things. Audits are routine. We have constant information loops to tell us about information we might get in respect of operators. We did have some allegations made in respect of Transair from a former pilot that we did investigate.

**Senator McLUCAS**—When was that?

**Mr Gemmell**—In 2004.

**Senator McLUCAS**—What were those allegations?

**Mr Gemmell**—There was a series of allegations about the operating practices of Transair that went to safety matters.

**Senator McLUCAS**—Could you explain? What sort of safety matters?

**Mr Gemmell**—Things like inappropriate procedures, not appropriate training and checking arrangements for pilots and inexperience of copilots—things like that.

**Senator McLUCAS**—You did an investigation of Transair operations in 2004. This is separate from the audit you did in February and March of this year?

**Mr Gemmell**—Yes. The outcome of that investigation was that we were able to see evidence that refuted the allegations or no evidence that supported those allegations, but we did decide to upgrade our surveillance of the operator in the light of those allegations.

**Senator McLUCAS**—I do not get the connection: you found nothing but you have upgraded your surveillance.

**Mr Gemmell**—Because allegations were made—the fact that we cannot find anything does not mean there was no truth there. It would be wise to keep a close eye on it and that is why we did a fairly fulsome audit.

**Senator McLUCAS**—So that was the motivation for the audit in February and March?

**Mr Gemmell**—No, Senator. The motivation was that it was a scheduled audit because of the AOC being due for re-issue. Because of the allegations, we did what we thought was a reasonably thorough audit of that operator.

**Senator McLUCAS**—I understand that the flight that goes from Cairns to Bamaga, to Lockhart and to Cairns has been reinstated. Is CASA aware of that?

**Mr Gemmell**—No, not particularly. Transair does have an air operators certificate that allows them to operate that route. It has a range of equipment on their AOC suitable for that route, of which VH-TFU was one. The airline is still operating and we have an ongoing obligation to keep a close eye on the operator to make sure that they are operating safely in what has been, no doubt, a very difficult time for them.

**Senator McLUCAS**—So an operator does not have to advise CASA if they have reinstated an RPT?

**Mr Gemmell**—No. Operators get approval to operate services with particular equipment to particular locations. They do not have to tell CASA whether they are or are not operating those services. The more common thing would be for operators to have an approval to operate somewhere and then not exercise that right.

**Senator McLUCAS**—So a new plane has been put on the route. You do not have to approve a new plane going onto a regulated passenger transport.

**Mr Gemmell**—Not if it was a plane listed on their current AOC. There are a number of those, mostly the Metro class. They could switch another one of those across. On their AOC,

including the accident aircraft, there are five Metros and one Beech. So they could put one of the other Metros on the operation.

**Senator McLUCAS**—Could you table the list of those approved aircraft?

**Mr Gemmell**—I am reading from the air operators certificate, which I can certainly table. That is in fact the approval.

**Senator McLUCAS**—What happens if a plane is being used that is not on that list?

**Mr Gemmell**—They would have to get approval.

**Senator McLUCAS**—Have they gone through the process of getting approval for any other plane?

**Mr Gemmell**—Not to my knowledge.

**Mr White**—To my knowledge we have not had any request. If charter aircraft are used, they only have to have the type on the air operators certificate. It is only if it is a regular public transport that the aircraft have to be identified individually.

**Senator McLUCAS**—How would a charter operation work?

**Mr White**—It is possible, Senator, and I really do not know.

**Senator McLUCAS**—It has been put to me, and I do not have revocation of this, that the plane that is being used now is a King Air—which does not appear in the list that you have just described, Mr Gemmell—that has been cross-chartered—I do not know if that is the right language—from Hinterland airlines. Would that be approved?

**Mr White**—If company A cannot operate a service themselves it is possible for them to charter another company to do that route for them. It is a very complex situation but it can be done.

**Senator McLUCAS**—So if they are cross-chartering to Hinterland air, how does CASA monitor the safety of that approved route?

**Mr White**—If it is Hinterland air, they would have their own air operators certificate.

**Senator McLUCAS**—You do not have to check that before that starts?

**Mr White**—Not if the second company already has a certificate that approves the operation they want to conduct.

**Senator O'BRIEN**—Provided the cross-charterer has an aircraft that has an AOC to operate an RPT route—is that what you are saying?

**Mr White**—It can be done as a charter. It can be an RPT—it is quite clear that so long as they have the ports and the aircraft type on the certificate they can just do it on behalf of another company. But they can be chartered to do it on the first company's behalf.

**Senator McLUCAS**—The charter in this instance would be to Transair or to Aero-Tropics?

**Mr White**—I could not say. It may well be the company that sells the tickets.

**Mr Gemmell**—There is clearly a relationship between Transair and Aero-Tropics. Aero-Tropics were selling the tickets for the route in question but had made it clear that the route

was operated on their behalf by Transair, and Transair had it on their air operators certificate. But Aero-Tropics have rights to operate there too, with a different suite of aircraft. They may well be operating the flight themselves.

**Senator McLUCAS**—So Aero-Tropics have got passenger transport permission, whatever that might be?

**Mr Gemmell**—Yes, they do. They have a range of smaller aircraft that are on their AOC. They also have Bamaga and Lockhart River on their AOC, so they would have an ability to provide a service with the range of aircraft that they have got on their AOC.

**CHAIR**—When something goes wrong, as it has, where does the buck stop?

**Mr Gemmell**—From our perspective, it is with the airline that had the rights to fly there, the AOC that covered it, which is Transair. They were operating the service.

**CHAIR**—So they are a separate corporate identity, different ownership, to the Tropics mob?

**Mr Gemmell**—They are a separate entity. They need to be for the AOC. Whether there is cross-ownership or any other arrangements I have no idea. There is obviously a commercial relationship, because they have subcontracted the provision of that particular service from Aero-Tropics to Transair, probably because of the aircraft types involved.

**Senator McLUCAS**—On a slightly different matter, Aero-Tropics run the mail run into Cape York. Is that a regulated passenger transport approved route?

**Mr Gemmell**—It could be, or it could be a charter operation. They would be the two alternatives. It all hinges around the basis on which it works. If it goes at the same time every day on the same routes that is generally an RPT operation. Aero-Tropics certainly have rights on their air operators certificate to provide such a service.

**Senator McLUCAS**—So you can confirm that they are approved to take passengers on the mail run.

**Mr Gemmell**—We could table the Aero-Tropics AOC, if you like. It is a publicly available document. You could look at the routes they have, the aircraft they have and the approvals they have. They have authority to conduct RPT operations and charter operations. The nature of any particular one at any point in time would be a matter for them.

**CHAIR**—I would like to announce to the committee that we have in the room a delegation of members from the Regional Representative Council of the Republic of Indonesia, ably led by Mr Irman Gusman, Vice-Chairman of the Representative Council and Coordinator of the Committee for Fiscal Equalisation and National Budget, Taxes and State Audit. You are most welcome, I hope you have a lovely stay and that we can teach you the operations of our committees.

**Mr Gemmell**—We are arranging to get a copy of the air operators certificate to table for Aero-Tropics, which will show the routes they are currently approved for. Whether that will incorporate the mail run up there I do not know.

**Senator McLUCAS**—I can check that, thank you.

**Senator MARK BISHOP**—Mr Gemmell, can I take you back to the beginning of our discussions earlier this morning. You identified four different inspectors from the Brisbane office who conducted the systems audit of Transair. Were any officers located in the North Queensland office, the Townsville branch, involved in that systems audit?

**Mr Gemmell**—I do not believe so. Whether these officers have ever been in the North Queensland office I would have to check, but all the officers concerned were out of our Brisbane airline office.

**Senator MARK BISHOP**—Why was the audit done out of the Brisbane airline office?

**Mr Gemmell**—Because this is a significant airline that is oversighted by our airline operations area rather than our GA area. The Townsville and Cairns area offices are general aviation operators, so in the main they are smaller aircraft. This operation is running a number of Metros, which are a big, sophisticated aircraft, and so it runs out of the airline area, where the expertise resides.

**Senator MARK BISHOP**—So you think that the four officers have not been employed in the Townsville office. Can you check with your offices and advise whether any of those four officers were employed at, or worked out of, the North Queensland office in 2003 or 2004.

**Mr Gemmell**—Yes, we can check that.

**Senator MARK BISHOP**—Mr Gemmell, did you say that the systems audits were done once a year or twice a year?

**Mr Gemmell**—It varies according to the nature of the operation, but for major airlines it is normally done twice a year.

**Senator MARK BISHOP**—So it would have been done twice a year for Transair?

**Mr Gemmell**—Normally, yes.

**Senator MARK BISHOP**—Transair was done in February or March, so it would be done again in August or September of this year?

**Mr Gemmell**—It is not quite that specific but, yes, we would have expected it to be done twice a year. It does vary a bit depending on how much we have seen of them and what we have done with them, and on resources. It is a balancing act to sort it through. These are scheduled audits we are talking about, but there may be other things we do in relation to the operation as well.

**Senator MARK BISHOP**—I think it was Mr White who said that the audit on the cockpit voice recorder is done every 12 months and that that would have expired in June this year.

**Mr White**—Not quite. That is not an audit; that is a maintenance requirement of the company.

**Senator MARK BISHOP**—So the certificate previously issued would have been valid until June this year?

**Mr White**—No. We are a little bit at cross-purposes here. Their company has a system of maintenance, and there are a number of items that they have to do under that system of maintenance. One concerns aircraft directives. Aircraft directives can be for various periods of

time. In this case it is one year that they would have to do it. It is not necessarily tied in with the air operator certificate or indeed the CASA audit.

**CHAIR**—When the air operator certificate came up, you would tick the box where it showed that they had had the yearly inspection or test—

**Mr White**—No, we do not go down to that sort of detail. There can be an enormous number of service bulletins and ADs and the like.

**Senator MARK BISHOP**—Do you recall the Skehill report that was commissioned by CASA back in 2004?

**Mr Gemmell**—Into the North Queensland office, yes.

**Senator MARK BISHOP**—That found a substantive lack of quality in the performance of a couple of the officers in the North Queensland office.

**Mr Gemmell**—The Skehill report was commissioned because of allegations made by certain officers in that office about other officers in that office. So we had it independently evaluated what was going on there and what might be done about it.

**Senator MARK BISHOP**—Were any of the officers who were the subject of the Skehill inquiry involved in the systems audit of Transair?

**Mr Gemmell**—No.

**Senator MARK BISHOP**—You have checked that?

**Mr Gemmell**—I have the names of those who were on it, and none of those were.

**Senator MARK BISHOP**—There was no connection between the two?

**Mr Gemmell**—No.

**Senator O'BRIEN**—The AOC that has been tabled shows in part 1 that Transair, according to its Australian AOC, was licensed to operate out of Port Moresby and Gurney. I take it that means the company operating in PNG is the same company that operated in Australia?

**Mr White**—No, not necessarily. There are two Transair companies. One was in Papua New Guinea and operating under a Papua New Guinea certificate of approval. But Transair Australia—just to identify it—does have approval to operate in Papua New Guinea as well.

**Senator O'BRIEN**—Do you know whether the PNG company uses the Australian Transair aircraft?

**Mr White**—I am not certain. But PNG is fairly strict on insisting that aircraft based in their country are Papua New Guinea aircraft.

**Senator O'BRIEN**—So 'We don't really know' is your answer?

**Mr White**—Not at this time.

**Senator O'BRIEN**—Do you know whether Transair PNG operates with Australian licensed pilots?

**Mr White**—They may well do, but all they would have to do in that case is to have their licences validated by CAA Papua New Guinea.

**Senator O'BRIEN**—Mr Gemmell, other than the email that you talked about receiving, copied from ATSB, what information did CASA have about alleged regulatory breaches by Transair in PNG?

**Mr Gemmell**—There are two bits of information that I have been able to find. Before the accident we cannot find any evidence that we had anything at all. Immediately after the accident we were contacted by a person who made some allegations about Transair's operations in PNG. Subsequent to that, we have received from a different person a copy of the email that was sent to us by ATSB.

**Senator O'BRIEN**—The *Courier Mail* article refers to a Mr McGee and some activities in Bougainville in PNG which I understand led to Mr McGee losing his PNG licence. Was CASA aware of that?

**Mr Gemmell**—We were aware of it.

**Senator O'BRIEN**—What action did CASA take if any?

**Mr Gemmell**—We were aware of it, because I recall receiving advice from PNG about it. I am not sure any action was required by us. Can we take that on notice to check whether we did anything?

**Senator O'BRIEN**—I am just wondering, assuming Mr McGee had an Australian licence, if any action was taken against that licence.

**Mr Gemmell**—I am not sure. The incident occurred in PNG and action was taken there. I am certainly aware of it. Whether any action was taken here I cannot recall.

**Senator O'BRIEN**—Is there no cross-jurisdictional protocol? If there is a breach warranting suspension or removal of a licence in another jurisdiction, does that not affect this jurisdiction?

**Mr Gemmell**—It is not automatic; we would have to go through the procedures and processes we have in place here for removing his Australian licence privileges.

**Senator O'BRIEN**—Is there a normal process that would apply if you became aware that a pilot licensed here had lost a licence in another jurisdiction?

**Mr Gemmell**—It is not automatic.

**Senator O'BRIEN**—But is there a process? Perhaps you are saying there is no automatic process. Maybe nothing happens; maybe something does.

**Mr Gemmell**—It is like any form of concern we might have about a person operating under a licence: we can take action according to that concern. When we find some practice that occurred here or overseas, we can decide that we will take action about that and seek to remove the licence if we think that is appropriate.

**Senator O'BRIEN**—The Bougainville incident involved Transair PNG, I take it?

**Mr Gemmell**—I cannot confirm that.

**Senator O'BRIEN**—Can you take that on notice?

**Mr Gemmell**—I do not know—it could have been a private flight. I cannot confirm the details. I will take on notice what we actually know about that operation and what we were told about it by PNG.

**Senator O'BRIEN**—If you could, and if you can let us know whether it was a charter flight or a private flight that would be good.

**Mr Gemmell**—We can only tell you if we were told that.

**Senator O'BRIEN**—Yes, I understand that. Also, was there a copilot on the flight and, if so, was that a commercial or private pilot. What do you say to the claim, apparently made by one of the pilots with information about the Transair operation, as reported in the *Courier Mail*, that talking to CASA about regulatory failure was, to quote the *Courier Mail*, 'a waste of time'? It is a worry, isn't it, if that is what experienced pilots are saying about effectively having no confidence in the agency.

**Mr Gemmell**—Absolutely, it is of concern. We put in systems and procedures across the ATSB and CASA designed to enable people to find a mechanism to talk to us, even where they are concerned about their confidentiality—hence our confidential CASA hotline and strict processes about confidentiality. It concerns me that people still do not feel free to talk to us. The reasons for that I do not know, but it concerns me. If they do not feel free to talk to us where safety is at risk, I think that is of great concern. It is a very important part of CASA's operations to have people advising us of what is going on and expressing concerns to us. We have to assess them. Some of those concerns can be driven by competitive issues—sour grapes or anything else—but some can be very valid. It is a very important source of intelligence to us to understand what we should be looking for with operators and what we should be doing. So it is of some concern if they will not talk to us. I would like to know why they thought it was a waste of time and what they thought we would do with it.

I have to say that perhaps we are not as good as we should be with feedback. We do find feedback a difficult thing. When someone reports something we may take action, investigate the incident, find no evidence to support it and have some difficulty feeding back a satisfactory answer to the person reporting. It is possible that people are reluctant to report to us because they are involved and may feel that they can more or less incriminate themselves in whatever has gone on. It is difficult to say.

**Senator O'BRIEN**—Given those concerns—and I would have to say that that sounds like a very reasonable response from CASA to what has been published in the *Courier Mail*—what steps is CASA taking to inquire into this event to see whether something can be done to correct what may be perception in part of the pilot community? If those concerns that you expressed are substantial concerns held by CASA, what are you actually going to do in this event to follow up?

**Mr Gemmell**—At this stage I cannot say. These events unfolded over the weekend—that was the first I knew of it—and then all the allegations that they would not talk to us started to come up. We will have to sit back and reflect on that and decide what, if anything, we should or can do about this. If there is something we can do, we will try it. In recent times we have significantly upgraded our complaints-handling system and tried to reassure people about the

confidentiality of our processes—that they can talk to us and we will maintain confidentiality. We will have to sit back and think what we might do to further enhance the processes.

**Senator O'BRIEN**—I would have thought that the attitude expressed by the chairman might have been taken by officers of CASA—namely, let us see if we can contact these gentlemen, ascertain how real their concerns are and deal with them if we can, rather than sit back and think about it for a while.

**Mr Gemmell**—As I think I said before, one of the persons concerned has already spoken to us. Immediately after the accident a person with concerns about operations in PNG contacted us and we had extensive conversations with them. We are looking into the other one.

**Senator O'BRIEN**—We have heard that. The point I am making is that there are two aspects to this. Firstly, if there are concerns out there, I would have thought that CASA would be proactive in dealing with concerns unreasonably held. Secondly, I would have thought that public reporting of a lack of confidence cannot assist CASA in establishing the sort of relationship that you would want to have with the pilot community and that you would want to deal with that very quickly.

**Mr Gemmell**—I agree. One of the things that we have to reflect upon is that we do not want to do anything that could interfere with the investigation the ATSB is undertaking. So talking to people who are also talking to the ATSB needs to be done in a thoughtful way. But we have to reflect on what has happened and decide what actions we can reasonably take to build public confidence in reporting to CASA.

**Senator O'BRIEN**—I would not take too long.

**Mr Gemmell**—I am not suggesting that we take too long. This has unfolded in just the last few days.

**Senator McLUCAS**—Could I get a copy of the AOC for Hinterland?

**Mr Gemmell**—I cannot say I am familiar with Hinterland. I assume that it exists; so, if there is one, of course we will find a copy for you.

**Senator McLUCAS**—Thank you. I understand there is an RPT approval for each route that an airline is approved for. Is that the way you issue them?

**Mr Gemmell**—It is normally on their AOC. A schedule to the AOC will tell you the aircraft that are approved to be operated and the routes on which they are approved to operate.

**Senator McLUCAS**—Can you point out to me on the Aero-Tropics AOC the appropriate place to be looking at?

**Mr Gemmell**—Do you have the Transair one?

**Senator McLUCAS**—Yes.

**Mr Gemmell**—The second page of it lists parts 1, 2 and 3, which are the various aerodromes they are allowed to operate at and the aircraft they are allowed to operate.

**Senator O'BRIEN**—In the Aero-Tropics one, it is the second page, headed 'Schedule 1 to AOC: regular public transport'?

**Mr Gemmell**—That is it.

**Senator O'BRIEN**—It lists the aircraft it can operate?

**Mr Gemmell**—Yes.

**Senator O'BRIEN**—What happens if the aircraft that is being operated is not one of those and is provided by another operator?

**Mr Gemmell**—It will be possible for them to contract another operator who had similar approvals to undertake that operation in their own right.

**Senator O'BRIEN**—So Hinterland would have to have an RPT operation, would it?

**Mr Gemmell**—Or charter, depending on the nature of the operation that was occurring. Alternatively, they could apply to us for some approvals to have aircraft added.

**Senator O'BRIEN**—Hinterland could override whatever type of operation was with the aircraft that they were licensed to operate.

**Mr Gemmell**—Yes, in much the same way as it may have appeared to have been an Aero-Tropics operation but Transair was actually operating the leg. They could do a similar arrangement to that commercial arrangement.

**Senator McLUCAS**—All I need is the AOC for Hinterland.

**Mr Gemmell**—We will get that to you.

**CHAIR**—Was it a TFU that crashed?

**Mr Gemmell**—Yes.

**CHAIR**—It was a later model than all the others. How many hours did it have on it? When was it manufactured?

**Mr Gemmell**—The TFU was manufactured in 1992.

**CHAIR**—It was the later model of their series. How many hours did it have on the airframe?

**Mr Gemmell**—It was built in 1992. It was placed on the Australian Civil Aircraft Register in July 2003 and, when it was placed on there, it had 24,700 hours of service. So it had a relatively high number of hours.

**CHAIR**—In 1993 it had 24,700 hours.

**Mr Gemmell**—It had 24,700 hours in July 2003.

**CHAIR**—How many hours did it have left on its engines?

**Mr Gemmell**—I do not have information on that.

**CHAIR**—But you would have it?

**Mr Gemmell**—We will provide that.

**CHAIR**—I go back to the flight recording problem. The recorder is checked annually in order to get a certificate of worthiness by the company or the company's contractors, is it?

**Mr White**—If the company is using an outside maintenance provider the outside maintenance provider has to have the certificate of approval to do the maintenance.

**CHAIR**—That happens once a year.

**Mr White**—There is scheduled maintenance, which goes over various periods—calendar or hours flown.

**CHAIR**—As with an engine which has varying hours of service, is the designated service on a flight recorder a once-a-year operation?

**Mr White**—Not necessarily. It can go on hours flown, hours used.

**CHAIR**—You might provide the committee with that.

**Mr White**—For the engines?

**CHAIR**—No, for the flight recorder.

**Mr White**—I am sorry, I misunderstood you.

**CHAIR**—I understand that for the engines it is an hours thing. For the flight recorder, is it a once-a-year operation?

**Mr White**—The cockpit voice recorder, I understand, has a test once a year on the maintenance side. The other recorder has a systems test every time you use it; it tests itself.

**CHAIR**—You go through various things on take-off. Does the flight recorder participate in such a test? I used to know them all off by heart.

**Mr White**—As I said earlier, just before taxi they have to check the FDR and CVR.

**CHAIR**—If you have a requirement that once a year the flight recorder has a complete check and overhaul and the day after you have that overhaul a wire comes loose or something goes wrong, when is the next time you discover your flight recorder is not working?

**Mr White**—If you are going to those sorts of depths, it could be 12 months. I am not sure that the actual press-to-test they do every flight will check on that recorder.

**CHAIR**—I think we were told that with the newer models you can have a press-to-test but with the others there is no press-to-test. I presume this recorder, because it has recorded bits and pieces of previous flights, had not been working for a good while. It may not have been working for six months or so. Isn't that a deficiency?

**Mr White**—It could be, Senator; I could not answer that. I am not familiar with what the test is when they do it each flight. The only details I have are on the annual check.

**CHAIR**—My understanding from the safety people is that in the earlier models there is no in-flight test.

**Mr White**—That could be correct.

**CHAIR**—I guess this is one of those unfortunate series of events.

**Senator McLUCAS**—Are you providing us with the AOC for Hinterland airlines today? Is it available now?

**Mr Gemmell**—Yes, we can provide that today.

**Senator McLUCAS**—I am interested that the other two were available and this one does not seem to be in the folder. Did you bring these because they are relevant?

**Mr Gemmell**—Yes. Aero-Tropics and Lessbrook, trading as Transair, were ones we knew were relevant. Up to now we did not know the Hinterland operator had any relevance.

**Senator MARK BISHOP**—I want to switch the discussion to the awarding or non-awarding of a contract in north-west Western Australia in December last year for remote air services. I am advised that DOTARS failed to renew a contract with Polar Aviation for remote air services in north-west Western Australia and the contract was awarded to another company. The company that failed to have its contract renewed is aggrieved at that decision and, to date, has pursued their complaint about that with the Office of the Commonwealth Ombudsman. Can you put on the record the processes surrounding the awarding or renewal of such a contract?

**Mr Dolan**—I think you are referring to the Remote Air Services Subsidy scheme, which is actually run by our regional business division, so you might raise that question with them later on. The regional services area of the department runs that program.

**Senator MARK BISHOP**—We are talking about remote air services in the north-west of Western Australia?

**Mr Dolan**—I believe so.

**Senator MARK BISHOP**—And the awarding of a contract in December last year.

**Mr Dolan**—Under the RASS scheme. That is a matter for regional services.

**Senator MARK BISHOP**—When is that to be raised?

**Senator Ian Campbell**—This afternoon—straight after lunch if we are on schedule.

**Senator MARK BISHOP**—I will do it then. So that is a departmental matter, not a CASA matter?

**Mr Dolan**—It is a departmental matter.

**Mr Yuile**—Senator, would you mind mentioning again the name of the company.

**Senator Ian Campbell**—So we can get that answer prepared.

**Senator MARK BISHOP**—The name of the company is Polar Aviation Pty Ltd. I am advised that they had a remote area services contract in the north-west of Western Australia which DOTARS failed to renew in December 2004.

**Senator Ian Campbell**—That is a good name for an airline in the Kimberley!

**Mr Yuile**—They were not successful?

**Senator MARK BISHOP**—They had the contract for some period of time and they were not successful in getting a renewal. They are aggrieved at that decision and they allege a range of matters. I want to understand the tendering process.

**Senator O'BRIEN**—Last night I was asking about CASA IP, so I will continue on that now. You told me that you are expecting the cost of the project to come in at plus or minus

\$32.6 million, and there was a question of an incentive payment that might affect the overall cost of the project. Can you tell me more about the incentive payment?

**Mr Gemmell**—You will regret asking me that question, because I will have to go into a bit of jargon. In the contract we have a thing known as a fee-linked key performance indicator, colloquially known as a FLIK P. Basically, that is an outcome measure of how well they produce the system or the process or whatever we want, and attached to that outcome measure there is a relationship to a fee that we will pay. For better than expected performance we have measures for how we would work that out, and if we actually get better than expected performance we might pay them some more. There is a whole range of measures, but one of them is that if they produce a system under the budget then we pay them a fee. It is pretty easy to work out why we think that is a good idea.

**Senator O'BRIEN**—What is that worth to the consultant?

**Mr Gemmell**—That depends on their performance.

**Senator O'BRIEN**—Have you assessed the FLIK P payment that is due?

**Mr Gemmell**—No, we have not. That is the variable that I was talking about. It does not make a huge difference to what we will finish up paying. That is why I could give you a reasonable figure for the likely outcome. If their performance is better, we would expect to pay them a little bit more and have a system that is performing better. Interestingly, we may pay them some money but find the whole program costs us less because they have come in under budget. So it is variable.

**Senator O'BRIEN**—That is what you are suggesting has been the case with the CASA IP program.

**Mr Gemmell**—Yes, it has been running reasonably well to budget. The real question you have to get at is the performance of the system and we will not know that until we run it live and run our tests and various studies of it. That will be a little bit after the event. In the scale of \$30 million, it is not a huge sum of money in the fee linked key performance indicators.

**Senator O'BRIEN**—Are you able to separate the costs into the two areas—business improvement and development of the IT system?

**Mr Gemmell**—No.

**Senator O'BRIEN**—They are one and the same, are they?

**Mr Gemmell**—Pretty much. As part of the IT system, you have to review your business processes, how you do your business and all that sort of stuff. It is all merged. The product we get is a system we have called AIRS—that is the name they have given to the software system we will have which replaces some significant current components.

**Senator O'BRIEN**—Accenture was the prime contractor for the project?

**Mr Gemmell**—Yes.

**Senator O'BRIEN**—What was the ultimate cost of their project involvement to the department? How much have you paid them to date?

**Mr Gemmell**—I do not have that information. Can I take that on notice?

**Senator O'BRIEN**—Sure. Were there other contractors who were paid and if so, how much?

**Mr Gemmell**—Most of our arrangements went through Accenture, but there were others whom we paid directly—those who owned the basic software that we finished up acquiring. We can provide that.

**Senator O'BRIEN**—Was there hardware involved as well as software?

**Mr Gemmell**—There certainly would have been hardware, but we have an outsourced hardware arrangement. That would have come from our IT supplier.

**Senator O'BRIEN**—Does that mean that the hardware cost is not in the \$32.6 million?

**Mr Gemmell**—There will be some of those costs in the figures?

**Senator O'BRIEN**—Are there other costs outside the \$32.6 million that have fallen on another part of the department's budget?

**Mr Gemmell**—I think that is fair to say. For example, we have spent money on the security of the whole system of which this is an important key component. We have spent that separately and have not counted it against the program. There are other elements like that as we try to upgrade our own systems. It is to the advantage of the AIRS system that will be produced, but it has not directly been counted against that project.

**Senator O'BRIEN**—In terms of the contractual arrangements, did the project costs overrun in any area?

**Mr Gemmell**—I would have to check. They certainly have not overrun at the levels I have been looking at. You are obviously asking me for something more detailed than that. I would have to check whether there were any overruns in any of the areas. The answer at the moment is not to my knowledge, but if I can check and come back on that, I will.

**Senator O'BRIEN**—What sort of legal costs have been associated with the CASA IP program?

**Mr Gemmell**—There have been some, obviously, on the contract and renegotiation of the contract. Be aware that we can employ external lawyers and we have our own internal lawyers, so it will take a little bit of work.

**Senator O'BRIEN**—Can you give us a breakdown of the legal costs—the firm of lawyers used and costs of individuals?

**Mr Gemmell**—Yes.

**Senator O'BRIEN**—And, in general, can you tell us what sort of work the lawyers have done?

**Mr Gemmell**—Yes, probably related to the contract and that sort of stuff.

**Senator O'BRIEN**—It might relate to the contract and there may be other things involved.

**Mr Gemmell**—Other things that we have asked for advice on, yes.

**Proceedings suspended from 10.30 am to 10.47 am**

**Senator O'BRIEN**—I am sure you can confirm that CASA receives a number of representations from members of parliament about action taken or contemplated against operators in their electorates or, in the case of senators, in their state. How would CASA normally handle these complaints or representations?

**Mr Gemmell**—It slightly depends on the way the representations come in. If they came in directly to us we would respond directly. Many of them would be from members to the minister and passed on to us and we would provide advice back to the minister on the matter.

**Senator O'BRIEN**—How often would those complaints be made to the minister's office and then passed on by Mr Anderson's staff to CASA? As a proportion of complaints, would that be more likely to be the case, rather than the representations being made directly?

**Mr Gemmell**—It is difficult to say. The minister's office can contact us and ask us what on earth we are doing with operator X, and that could be in response to a complaint. They do not have to tell us that. We would, of course, respond and advise what was going on. I cannot really answer that question.

**Senator O'BRIEN**—Whether or not the minister's office told you that they had received a representation, they would simply represent it as an inquiry.

**Mr Gemmell**—Yes. The department and the minister's office quite regularly make inquiries about something they have heard and ask what we are doing with operator X and we would provide advice on that.

**Senator O'BRIEN**—When that happened would CASA have a record of the inquiry and the response?

**Mr Gemmell**—We would probably have records somewhere. I am not sure we keep them in a terribly convenient central way. They would be related, for example, to the operators themselves. We would probably put it on those sorts of files.

**Senator O'BRIEN**—There would be some detailed record of those representations.

**Mr Gemmell**—Obviously if we receive correspondence that would be on the files and the responses we made would be on the files and so on.

**Senator O'BRIEN**—Would you record the nature of any investigation made by CASA as a result of such an inquiry?

**Mr Gemmell**—If we did investigations, yes. We need to be careful about the language. 'Investigations' at CASA has a certain meaning about where we would send people out to look at the operator. When we get such inquiries what we normally do is have someone in senior management look at what is going on and make an assessment.

**Senator O'BRIEN**—Where a contact is made direct, do you have some way of recording those representations? Do they go into a special file or into the file of the operator?

**Mr Gemmell**—I do not think there is anything special. There is no special file to my knowledge, but they would certainly all be related to the operator and we would have files that would cover whatever records we made of the contacts and our responses.

**Senator O'BRIEN**—Can you confirm for the committee that CASA has received a large number of complaints about the regulation of operators in North Queensland?

**Mr Gemmell**—We have certainly received complaints, but it is the ‘large number’ that I am baulking at. It is probably more accurate to describe it as having received a volume of complaints from a small number of people rather than a large number of complaints.

**Senator O’BRIEN**—Does that small number of people include the member for Leichhardt, Mr Entsch?

**Mr Gemmell**—We have had contact with Mr Entsch and his office, as they followed through some complaints made by people in those regions. Also, a year or so ago there were some interactions regarding a particular operator in North Queensland that CASA was taking action against.

**Senator O’BRIEN**—Are you talking about Lip-Air?

**Mr Gemmell**—No, I am not talking about Lip-Air.

**Senator O’BRIEN**—Trading as Aero-Tropics?

**Mr Gemmell**—No.

**Senator O’BRIEN**—Did Mr Entsch complain to CASA in relation to its actions or proposed actions against Lip-Air?

**Mr Gemmell**—We would have to check. The one I was referring to that we had a fair interaction about was action we took in respect of Cape York Air. What we eventually did is on the record. We would have to check, because none of us here is aware of any particular things on Lip-Air trading as Aero-Tropics.

**Senator O’BRIEN**—Can you tell us how many complaints or representations Mr Entsch or his office have made to CASA in the last five years?

**Mr Gemmell**—We would have to search the files, but we will do our best.

**Senator O’BRIEN**—Would you take that on notice, and would you also tell us the nature of the complaints and the action that resulted.

**Mr Gemmell**—We will do our best to follow up.

**Senator O’BRIEN**—So you would be able to identify the operator or operators.

**Mr Gemmell**—There would presumably be a topic they were writing to us about and what we did about it.

**Senator O’BRIEN**—Did Mr Anderson’s office play any role in dealing with complaints made by Mr Entsch or his office and CASA’s response to the complaints?

**Mr Gemmell**—It is fairly likely. If Mr Entsch made the representations to the minister, and there would be a fairly routine channel for those things, they would get passed to us through the minister, from the office to department, and through the process and backwards.

**Senator O’BRIEN**—Could you identify the complaints originating from Mr Entsch or his staff that went through the minister’s office?

**Mr Gemmell**—We can identify the ones that went through the minister and whether there were any others that came directly to us.

**Senator O'BRIEN**—Can you confirm that a Liberal senator from Western Australia complained about CASA's treatment of a commercial operator in that state because of the impact it was having on the operator's business?

**Mr Gemmell**—When was that? Do you mean ever?

**Senator O'BRIEN**—I am talking about in the last two years.

**Mr Gemmell**—Yes, I can confirm we have received representations from a senator about CASA's actions in respect of an operator.

**Senator O'BRIEN**—On the basis of the impact it was having on the operator's business?

**Mr Gemmell**—I might have to look at the letter to remind myself of the details of the complaint. They were certainly not happy with the actions CASA were taking in respect of that operator.

**Senator O'BRIEN**—You were not happy with CASA's actions?

**Mr Gemmell**—No, the complainant was not happy.

**Senator O'BRIEN**—What role did the minister's office play in dealing with that complaint?

**Mr Gemmell**—As I recall, that letter was written to the minister and was passed through to us to consider and provide advice on what we were doing.

**Senator O'BRIEN**—Can you supply the committee with the details of the nature of the complaint?

**Mr Gemmell**—It is a letter to the minister, so I would have to seek his agreement that it be provided.

**Senator O'BRIEN**—Is there some reason it should not be supplied to the committee that you are aware of?

**Mr Gemmell**—Nothing from my perspective.

**Senator O'BRIEN**—This would be a representation that is not out of order in terms of anyone making a representation on behalf of a constituent?

**Mr Gemmell**—My point is simply that the representation was made to the minister—it is his letter, not mine.

**Senator O'BRIEN**—This one went through the minister and came to you?

**Mr Gemmell**—Yes, so I would routinely seek his approval for that to be released.

**Senator O'BRIEN**—Does that mean CASA would never have actually dealt with the senator involved in relation to that complaint?

**Mr Gemmell**—The normal routine with a senator in one of these complaints would be that we would provide advice back through the department to the minister's office about what the appropriate terms of response might be. There might be some toing-and-froing from there, of course, but as a routine we would not write directly to the senator unless, of course, the senator wrote directly to us. In this case the letter was to the minister.

**Senator O'BRIEN**—Is CASA being reviewed as part of the process flowing from the report on corporate governance prepared by John Uhrig?

**Mr Gemmell**—It is a matter for the department. The answer to that is yes, but the department has the lead on that.

**Senator O'BRIEN**—Mr Yuile, could you tell us where that process is up to?

**Mr Yuile**—I might invite Mr Dolan to comment, but in broad terms my recollection is that we have to report back to the minister by the end of July.

**Mr Dolan**—That is correct. It is a review in accordance with the government's policy response to the Uhrig report, and our report is meant to be with the minister by the end of July.

**Senator O'BRIEN**—Can you confirm that consideration is being given to changing the status of CASA from an authority established under the terms of the Commonwealth Authorities and Companies Act to a body that is subject to closer ministerial control?

**Mr Dolan**—In terms of the principles which Mr Uhrig set out in his report and to which the government agreed, one of the questions would be whether it is more appropriate for CASA as a statutory body to be under the CAC Act or under the Financial Management and Accountability Act, which is essentially focused on the management of financial accountability and where Commonwealth funds are held.

**Senator O'BRIEN**—And the difference between what I said and what you said is?

**Mr Dolan**—It is about the management of Commonwealth funds rather than their level of control with the minister.

**Senator O'BRIEN**—So putting a company under the FMA Act rather than the CAC Act would not necessarily have the effect of making that body subject to closer ministerial control?

**Mr Dolan**—The question of the different impact of the organisation being under the CAC Act or the FMA Act would be part of the review—what would be the consequences if the suggestions in Mr Uhrig's review that the FMA act was more appropriate were taken up. That is part of what we are reviewing.

**Senator O'BRIEN**—I am sorry, I did not quite catch all of that answer.

**Mr Dolan**—Since Mr Uhrig raised the question of the appropriateness of the FMA Act, part of the review will address the question of what would be different if the FMA Act applied to CASA rather than the CAC Act.

**Senator O'BRIEN**—So it is not known at this stage?

**Mr Dolan**—That is one of the matters we are reviewing.

**Senator O'BRIEN**—I want to go back to the review of the national airspace system in 2003 by CASA. Which senior officers had a direct role in that project?

**Mr Gemmell**—I am not too sure. I cannot quite identify what you are talking about—the review of NAS in 2003? Can you be more specific?

**Senator O'BRIEN**—Are you saying there was no activity by CASA in 2003 in relation to NAS?

**Mr Gemmell**—No; there was mountains of activity by CASA on NAS. You are asking me who was involved. I would need to be pretty clear about that.

**Senator O'BRIEN**—I asked for the senior officers.

**Mr Gemmell**—As a general rule, for the last few years the CEO has led CASA's involvement with the NAS, supported by me. We are the most senior officers involved and we have had as close an oversight of the NAS developments as we can.

**Senator O'BRIEN**—Is it true that the senior officers involved in the failed project received a letter from Mr Anderson's senior adviser about that involvement in 2003?

**Mr Gemmell**—I would have to check, but nothing comes to mind. If you are talking about senior officers, you are talking about me and either the current Chief Executive or the previous Chief Executive.

**Senator O'BRIEN**—The previous Chief Executive, I take it, and other officers.

**Mr Gemmell**—Are you saying they received—

**Senator O'BRIEN**—Correspondence from Mr Anderson's senior adviser in 2003 about that involvement, criticising those officers for failing to give the project appropriate priority.

**Mr Gemmell**—I would have to take that on notice.

**Senator O'BRIEN**—If such a letter exists can it be supplied to the committee?

**Mr Gemmell**—I will take that on notice.

**Senator O'BRIEN**—Was there a meeting in the office of the secretary of the department—that is, Mr Mathews—to discuss concerns from Mr Anderson's senior adviser about CASA's handling of the national airspace proposed reforms?

**Mr Gemmell**—You will have to be more specific. We have had many meetings, some of which have occurred in the secretary's department.

**Senator O'BRIEN**—To discuss concerns raised by Mr Anderson's senior adviser about the handling. You are not aware of any such meeting?

**Mr Gemmell**—Are we talking 2003 still?

**Senator O'BRIEN**—Yes.

**Mr Gemmell**—I cannot bring to mind any specific meeting of that nature to discuss concerns from the minister's senior adviser.

**Senator O'BRIEN**—You are not aware of any meeting taking place where there was strong criticism levelled at officers of CASA about their performance in relation to that matter and where the security of their employment was raised?

**Mr Gemmell**—I am aware of meetings where CASA's performance was raised.

**Senator O'BRIEN**—Was the security of senior officers' employment raised as well arising from allegations of inadequate performance in relation to the proposed changes to the national airspace system?

**Mr Gemmell**—Implicitly, in the sense that if we were failing to perform and to deliver objectives then our positions—

**Senator O'Brien**—So you do recall something of that nature taking place in Mr Mathews's office?

**Mr Gemmell**—I can recall conversations where there were concerns expressed about how things were going and how it was proceeding. That is why I said you had to be specific. For us, or I think for anybody, it was not an easy process to go through and at various times there was some dissatisfaction with the performance of CASA.

**Senator O'Brien**—You do not recall that being connected to correspondence from Mr Anderson's senior adviser?

**Mr Gemmell**—I do not recall that. You are starting to stretch my memory of 2003 a bit. I do not recall anything in particular from the minister's senior adviser.

**Senator O'Brien**—We are talking about 18 months or two years ago. It is not the dark depths of time we are talking about, is it? If it occurred you would remember, wouldn't you? So I am wondering if you are unable to remember.

**Mr Gemmell**—I would need to check. I can recall probably one piece of correspondence from the minister's senior adviser. I do not recall that as being of any great moment in the course of events. I do not recall much else formally from the minister's senior adviser.

**Senator O'Brien**—Can you provide the committee with a list of the senior officers of CASA who had an involvement with the national airspace reform proposals of 2003 on notice?

**Mr Gemmell**—How far do you want me to go with 'senior'?

**Senator O'Brien**—What do you call senior officers in CASA? How far does the senior officer list go down?

**Mr Gemmell**—We range from the CEO, through me, right through every layer of management that was involved, right down to the working level. All would have had involvement with NAS in various ways across the course of the year. It had quite a number of tentacles, let me put it that way.

**Senator O'Brien**—How many layers are senior? You have management. I am talking about the people who make the ultimate decisions in the various areas.

**Mr Gemmell**—If I said 'above general management level', yes, I could provide you with that.

**Senator O'Brien**—Let us start with that.

**Mr Gemmell**—That is about four layers.

**CHAIR**—It is not just in the eye of the beholder, you see, because we all think we are senior backbenchers.

**Mr Gemmell**—It is just a matter of trying to get the answer to the question. Do you want the senior people or do you want everybody? Everybody would be a big list.

**Senator O'BRIEN**—I think 'senior' is a description that allows you the scope to get those people who had an important involvement at a high level.

**Mr Gemmell**—Fine. We can do that.

**Senator O'BRIEN**—Senator Heffernan suggests it can be just the old so-and-sos like ourselves, but I think we will go beyond that ageist terminology here. Where is Mr Byron?

**Mr Gemmell**—Mr Byron is overseas. He is in Europe on a visit to the United Kingdom, Germany and France.

**Senator O'BRIEN**—When was this trip organised?

**Mr Gemmell**—Some while ago.

**Senator O'BRIEN**—This year or last year? I am asking these questions because the timetable for the estimates was known in late November, I think.

**Mr Gemmell**—You are just asking me questions I cannot answer. When Mr Byron started planning the trip I do not know.

**Senator O'BRIEN**—I understand you may be in difficulty. I am making the point that we have a schedule which is known to officers here, to members of the Senate and to all the staff of the parliament and which would certainly have been known to Mr Byron, yet he cannot be here for the main estimates round of the year. I think we are entitled to know how far ahead this trip was organised and why it could not have been organised around these dates rather than on them.

**Mr Gemmell**—I can certainly seek advice from Mr Byron and the organisers of the trip as to those matters.

**Senator O'BRIEN**—What is the nature of the work he is engaged in?

**Mr Gemmell**—There are a number of elements to it. In the UK he is visiting the UK CAA and a number of operators. He is also making a presentation to CASA's insurance underwriters in London, which is quite an important event to ensure that our insurance premiums do not go through the roof. In France he is talking to the civil aviation authority of France and to operators such as Airbus and Eurocopter. In Germany he is talking to the relatively newly formed European Aviation Safety Agency—our equivalent in Europe, if you like. It is in a fairly formative time and there should be some pretty interesting conversations. He is also attending a major conference, known as the FAA-JAA international harmonisation conference, which is basically the big European bloc and the North American bloc meeting to try to harmonise aviation regulations. Other nations are invited along to that and Australia has played a lead role with some of the other nations to try to influence where some of these things are going.

**Senator O'BRIEN**—On notice can you give us the dates of the conference and can you advise the committee, or have Mr Byron do so, why visiting those authorities could not be organised around the dates of the estimates, which basically were known to be two days this week?

**Mr Gemmell**—I will seek that advice.

**Senator O'BRIEN**—CASA's head office is here in Canberra. Is that where Mr Byron's principal place of work is?

**Mr Gemmell**—Mr Byron resides in Melbourne and regularly comes to Canberra for work purposes.

**Senator O'BRIEN**—Is there an office in Victoria in which he performs his work for CASA?

**Mr Gemmell**—CASA has two offices in Melbourne, one at Moorabbin airport, the other in the Melbourne airline office which is based in the CBD in Melbourne. I understand Mr Byron goes to both those at various times.

**Senator O'BRIEN**—Does he have support staff there?

**Mr Gemmell**—No.

**Senator O'BRIEN**—Are his support staff based in Canberra?

**Mr Gemmell**—Yes. He and I share an executive assistant who sits outside my office in Canberra.

**Senator O'BRIEN**—How often would Mr Byron travel to Canberra from Melbourne?

**Mr Gemmell**—It is variable. It has ranged from not at all when he is travelling to other places to being in Canberra all week. He would be in Canberra for two to three days most weeks.

**Senator O'BRIEN**—Can you supply us on notice with the details of the number of trips, the cost of travel and the cost of accommodation?

**Mr Gemmell**—Yes.

**Senator Ian Campbell**—Can I respond to the business about Mr Byron not being here for estimates. I think it is only reasonable, if there are important conferences internationally, that CEOs attend—I think possibly in discussion with the minister. You should not naturally assume that estimates takes priority over every other activity. I think if there are important international conferences to attend, which will inform the work of the agency and will improve Australia's air safety because of Mr Byron's engagement, then these are matters for judgment. Having someone of Mr Gemmell's quite obvious talent fronting up as, effectively, the Acting Chief Executive Officer means that the agency is well represented before the parliament. I certainly would not want Mr Byron to feel that he has somehow derogated from his duties by not being here. I want it very clearly on the record that these are matters for judgment. If there is any doubt in the future, then it should be something that the minister decides. Mr Byron should not feel that, by not being here, he has done anything other than to uphold his duties in the way that we know he has in the past.

**Senator O'BRIEN**—I simply say that, because the dates of this hearing have been known since November, it may be that this conference is of such importance that Mr Byron had to be there, but I would be surprised if that is the case. It may be that the other appointments could not be organised at any other time than that which clashed with these estimates, but that would be surprising as well.

**Senator Ian Campbell**—A lot of international conference organisers do not look at the Australian parliamentary web site to see when the estimates are.

**Senator O'BRIEN**—I did not say that they did.

**Senator Ian Campbell**—These are matters for judgment. You have to make these judgments all the time, and I want Mr Byron to know that he is under no extraordinary pressure to cancel international conferences to be here when we have someone like the Acting Chief Executive who can do such a sterling job as his replacement.

**CHAIR**—Mr Gemmell is doing an excellent job and we do not want this to deteriorate to something that occurs down the paddock again, so let us get on with it.

**Senator Ian Campbell**—Mr Byron would have looked at the conference. He would have known that estimates was on and made a judgment. I fully support his judgment.

**CHAIR**—Your point is well and truly taken, Minister.

**Senator O'BRIEN**—And dismissed. What are the other costs associated with Mr Byron's residence in Melbourne when his main place of work is in Canberra? Are there associated vehicular costs? Are there two vehicles at both locations or are normal transport methods provided by the use of taxis and the public transport system when he is in Canberra?

**Senator Ian Campbell**—Did Mr Beazley write these questions?

**Senator O'BRIEN**—Thank you. I wish that he had but he has not.

**Senator Ian Campbell**—It is an interesting line of questions!

**Mr Gemmell**—We would have information about the costs that CASA incurs in supporting Mr Byron. Obviously when he comes up here there is a cost for taxis and things like that. There is a regular routine. I have to tell you that I drive him to the airport when he goes home because I get an extra 15 minutes to talk to him. It is amazing how many issues we sort out in that period of time.

**Senator O'BRIEN**—How should we cost your time?

**Mr Gemmell**—He is the CEO. I do it absolutely willingly, I can assure you. In fact, he very often tries to get someone else to drive him to the airport and I intervene.

**Senator O'BRIEN**—He is not trying to avoid you, is he, Mr Gemmell?

**Mr Gemmell**—He is a captive audience when I have him. I could not drop him at the airport.

**Senator O'BRIEN**—Do you ever go the long way?

**Mr Gemmell**—I have certainly been tempted, Senator.

**Senator O'BRIEN**—Is there a separate budget for the CEO in any respect or is it part of a broader budget?

**Mr Gemmell**—We run a budget line which we describe as 'the office of the CEO', which consists of the CEO, me, our executive support plus strategic advisers and a whole bunch of other things. It is not separate in that respect. It is a composite budget line with a number of the elements to it.

**Senator O'BRIEN**—What are the elements?

**Mr Gemmell**—The salaries and costs that are incurred by people such as me and my support staff, the strategic advisers who work in the office of the CEO and so on, plus any other costs that we incur in the course of our activities.

**Senator O'BRIEN**—Have there been substantial changes in the budget for the office of the CEO over the last three years?

**Mr Gemmell**—The office of the CEO was created after Mr Byron joined CASA, which was in December 2003. It had to be funded. We moved people across from other areas and did all those sorts of things. It did not exist as a separable budget line in previous CASA administrations.

**Senator O'BRIEN**—So when Mr Toller was employed there was not a budget for the office of the CEO?

**Mr Gemmell**—We did not have a thing we called the office of the CEO. The functions were performed in different ways. For example, in the office of the CEO we have someone who does the strategic and corporate planning. We have always done a corporate plan, but it was done elsewhere. I am reminded that we also had a board under the previous arrangement. With the abolition of the board, we had to set up new governance arrangements for the CEO, who is both the CEO and effectively the sole director of CASA. In effect, the CEO is the board.

**Senator O'BRIEN**—The board expenses no longer exist.

**Mr Gemmell**—The board expenses no longer exist. We had those, but effectively we have still got the same organisation to govern, and we pick up the costs in a different way.

**Senator O'BRIEN**—Can you provide us with a comparison of the costs for the provision of office, travel and transport for the office of CEO under Mr Byron and under Mr Toller? Obviously, you have salary, travel and accommodation costs.

**Mr Gemmell**—Salary stuff is not stuff that I am particularly privy to, so I do not know. We must have it, I guess.

**Senator O'BRIEN**—You must.

**Mr Gemmell**—Travel gets a bit difficult. Both the CEOs travelled. We have an organisation that is all over the country. I know they have all been to Perth, Brisbane and Darwin and all those sorts of places and there are costs associated with all of that. We can add it all up, if that is what you are asking.

**Senator O'BRIEN**—Yes. Obviously an aspect of Mr Byron's costs were associated with his travel.

**Mr Gemmell**—In effect you are asking: 'What did Mr Toller cost as compared to Mr Byron?'

**Senator O'BRIEN**—I want a like-with-like comparison.

**Mr Gemmell**—We can produce some figures with appropriate advice as to the nature of them and how you might interpret them.

**Senator O'BRIEN**—Is it possible to provide to the committee—and you will probably need to take this on notice—an age profile of the charter and RPT fleets operating in regional Australia?

**Mr Gemmell**—We have certainly got age profiles of the whole fleet. We are just debating whether we can get it for charter and RPT. We will have a shot at it, and if we cannot then we will advise.

**Senator O'BRIEN**—That will identify how many charter and RPT planes flying in regional Australia are more than 20 years old?

**Mr Gemmell**—It will show the age profile of that fleet. Where they are flying is a whole different question.

**Senator O'BRIEN**—I have a couple of questions about Civil Aviation Orders part 20 section 20.9, governing the refuelling of aircraft while passengers are on board.

**Mr Gemmell**—Ask away and we will see who can answer.

**Senator O'BRIEN**—I was so certain about the knowledge of the officers you had here that you would be able to answer that very easily. I did raise a couple of matters relating to this order in the November 2000 estimates hearings. Subsection 4.2.1 of the order says that aircraft with a seating capacity of 20 or more should not be loaded with aviation grade turbine fuel with passengers on board unless the fuel contains an antistatic additive and then only if certain procedures are carried out. That sounds to be a critical safety issue. Is that a fair understanding?

**Mr White**—I presume it is there for a reason. Static is undoubtedly a problem with refuelling.

**Senator O'BRIEN**—Can you outline how CASA would monitor a regime applying to the refuelling of aircraft? How do you monitor compliance with respect to both the additive and the other conditions outlined in subsection 4.2.

**Mr White**—I could not personally answer the one about the additive, but the procedures in use by an operator would certainly be checked by CASA. They should be documented in the company's manuals for refuelling purposes, such as connecting static lines before removing them and those sorts of things.

**Senator O'BRIEN**—Perhaps you can supply us with the appropriate procedures. Is an antistatic additive a common additive to aviation grade turbine fuel or a special additive?

**Mr White**—We will have to take that on notice.

**Senator O'BRIEN**—Do you know how frequent such refuelling would be? I have been on aircraft that have refuelled with passengers on board. Would the operator automatically be aware of whether the fuel had the additive?

**Mr White**—I could not answer that.

**Senator O'BRIEN**—Can you take that on notice, or is it impossible to answer?

**Mr White**—Yes, we can take it on notice.

**Senator O'BRIEN**—You are going to find out whether there is a fuel compliance regime in place; is that right?

**Mr White**—We will look at the various fuels, manufacturers et cetera and look at whether the additive is in all of those fuels. If it is in all of them and that is the standard, obviously the pilot would not necessarily need to know the detail and he would assume that it is in the fuel.

**Senator O'BRIEN**—The *Hansard* of November 2000 shows that there was an event where refuelling occurred in breach of the regulations. I do not know whether there has been any follow-up about that. It is noted in the *Hansard* estimates hearings of 22 November, page 159. Can you advise the committee, on notice, whether there has been any follow-up regarding that event, where that investigation led us and whether there has been any change in the nature of the fuel supply?

**Mr White**—We will take that on board.

**Senator O'BRIEN**—Thank you.

**CHAIR**—I thank the officers from CASA.. We will now move to AusLink.

[11.27 am]

#### AusLink

**CHAIR**—Does anyone at the table wish to make a statement of any kind?

**Mr Mrdak**—No.

**Senator MARK BISHOP**—Mr Wolfe, at the last round of estimates when I asked you some questions about advice relating to sea transport you said, in respect of a Treasury report into infrastructure bottlenecks—and this appears at page 23:

... the focus of that certainly has been to look at both the short-term issues and the longer term issues involved in the movement of coal through the rail and port links. So it is a broader examination than just blockages. What we are really looking at is what we can do in the short-term to improve the infrastructure and at what is the best way in terms of long-term planning.

That was in the context of DOTARS providing advice pertaining to sea transport for a Treasury report. Can you advise whether that report has been concluded? If the answer is yes, what were the outcomes?

**Mr Wolfe**—There are two different processes which I might outline for you. The first one—and the main one—which the department has been involved with is a report by the Department of Industry, Tourism and Resources into coal transport. Our advice has now been completed. I think you will probably have to ask DITR where the report is. My understanding is that they have provided the report to the minister.

**Senator MARK BISHOP**—Which minister?

**Mr Wolfe**—Minister Macfarlane, the Minister for Industry, Tourism and Resources. My expectation obviously would be that that report would be an important input to the work that has been done by the Prime Minister's task force.

**Senator MARK BISHOP**—We will come to the Prime Minister's task force in a minute. I refer to that report as a Treasury report and you refer to it as a—

**Mr Wolfe**—It is a DITR report.

**Senator MARK BISHOP**—You have had your input and you think the report has gone to the minister. Has it been publicly released?

**Mr Wolfe**—No.

**Senator MARK BISHOP**—Is it intended to be publicly released at all?

**Mr Wolfe**—I think that is a matter for the minister.

**Senator MARK BISHOP**—You said that was a report into coal transport.

**Mr Wolfe**—That is right.

**Senator MARK BISHOP**—From what angle?

**Mr Wolfe**—It particularly focuses on New South Wales and Queensland. It looks at the current issues in terms of impediments to the transport chain and looks at possible short-term and long-term measures to address that.

**Senator MARK BISHOP**—The House of Representatives Standing Committee on Transport and Regional Services has been asked by Minister Anderson to inquire into the integration of regional rail and road freight transport and their interface with the ports. The closing date for submissions was 9 May and there have been some 40 or 50 submissions received so far. Do you know when that committee is due to report?

**Mr Wolfe**—No. I might check with Mr Mrdak.

**Senator MARK BISHOP**—It is not on the web site, or on the copy of the material from the web site that I have.

**Mr Mrdak**—I am not sure if a final reporting date has been set. I can check that and come back to you. I think it is envisaged that the inquiry may take up to 12 months to undertake. I am not sure that a final completion date has been set for the committee.

**Senator MARK BISHOP**—That will be why it is not on the web site then.

**Mr Mrdak**—It will very much depend on the committee, the submissions received and the extent of the work the committee believes needs to be done, I think.

**Senator MARK BISHOP**—I understand that. Mr Wolfe, can you explain to me how the DITR report and the House of Representatives inquiry both relate, if at all, to the analysis conducted by DOTARS in preparation of the AusLink initiative and the Prime Minister's infrastructure task force? What is the relationship, if any, between the four?

**Mr Wolfe**—In relation to the Prime Minister's task force, my understanding is that the work that we did for the DOTARS report was provided to the task force. The AusLink work is a slightly different kettle of fish. I might ask Mr Mrdak. There was not a direct relationship there, given the fact that the AusLink white paper was produced in June 2004.

**Mr Mrdak**—The work that went on to produce the AusLink white paper looked more broadly at the national network and fed into decisions that were taken by the government at that stage about what the extent of the national network should be and which critical projects should be funded in this first five years on the network. The work that is going on, as Mr Wolfe has indicated, that we fed into that DITR report focused specifically on the coal

industry and future prospects of growth, projections of demand and how that will impact on the transport system and what measures government and industry should put in place to handle that. That has also been fed into the report of the Prime Minister's task force, which has recently reported to the Prime Minister. The House of Representatives inquiry is looking particularly at regional links into that national network and focusing on key concerns that have been raised in regional Australia in relation to grain lines in particular, particularly in New South Wales and South Australia where the state of the grain line network—what are called branch lines—

**Senator MARK BISHOP**—That is the rail network?

**Mr Mrdak**—Yes. It is looking at the state of those rail lines and their capacity to continue to meet the needs of primary producers, particularly given likely decisions to be taken in the future by Pacific National, which is the main grain hauler in New South Wales, the Australian Wheat Board and the like in relation to how they are going to handle the grain task into the future. They are issues which have been raised in a number of forums and I think the minister, in giving that reference, specifically wanted the House of Representatives inquiry to look at that particular issue.

**Senator MARK BISHOP**—Is the House of Representatives inquiry into rail networks in South Australia and New South Wales in any way connected to these other three?

**Mr Mrdak**—It builds on some of those. It is particularly looking at how some of those regional links, particularly road and rail at the regional level, hook into the national network for exports. The other studies are more focused on the larger parts of the national network. For example, the coal inquiry specifically looked at the rail linkages from the major mines down to the major coal loaders. What this is looking at is beyond that. It is looking more at the grain industry, other regional exports and the like and how they link into our ports and export points. It is an area that has not been as fully addressed in the past as certainly the national network work we did for AusLink and some of the more specific work that has been done for the Prime Minister's task force and the coal industry work.

**Senator MARK BISHOP**—I suspect the DOTARS report leading to the AusLink white paper, the DITR report and the PM's task force are relatively technical and economic in focus, addressing issues of concern in that context. They are different bodies inquiring differently from a standing committee of the House looking at impediments to the rail network in the grain industry in South Australia in New South Wales. Why has the minister gone down the path of the House inquiry into the grain industry in New South Wales and South Australia and other models for the other three inquiries? Is there an advantage?

**Mr Mrdak**—I think it reflects the work that has been done by the House of Representatives committee in the past. That has been proven to be a very effective forum in taking submissions from a wide range of groups and interests. I should not give you the impression that it is solely about the grain industry. That is one aspect that I think they will look closely at—the capacity of the branch line system to handle the grain load into the future. But there are other issues that they will look at regarding regional transport into the export points. It probably draws on the fact that the committee has been very useful. They have an ability to hold public hearings, take evidence and the like. It has proved to be an

effective forum to bring in a range of parties to generate a debate, particularly when you have systems which are predominantly owned and operated by state governments. It is quite an effective mechanism to get some of those issues on the table. I think that is the reason the House of Representatives committee has been drawn on in this instance. The other studies have different focuses and different time frames and have been done through different avenues.

**Mr Wolfe**—I can add to that. The coal report certainly was a specific response by the government to representations and to issues being confronted by the coal industry from the point of view of the Department of Industry, Tourism and Resources and of the Department of Foreign Affairs and Trade, because of our reliability as a supplier of coal, and from the point of view of the transport chains involved. It brought those together nicely to target a specific issue in relation to coal. As Mr Mrdak has said about the most recent House of Representatives inquiry, the minister has targeted the regional issues that sometimes get ignored in an examination of overall transport issues. I think that is why you find that with a lot of these grain lines—and I might add it is the case in New South Wales as well—the intrastate rail links involved sometimes do not get examined in a broader national context. That is why it is quite a specific inquiry.

**Senator Ian Campbell**—The other point is that a number of the members of that committee have—

**Senator MARK BISHOP**—Been agitating.

**Senator Ian Campbell**—taken an interest. There are emerging issues out there. I know that when I was in the portfolio one of the issues that was coming up—and I heard it referred to back in the west last week—was all the plantation crops of blue gum all around Australia that are maturing and coming on stream, and the road networks needed to get the product out of those regional areas to the ports. That is an issue on which I am absolutely certain we are quite a few years behind. The grain transport issues certainly bubbled up when I was in the portfolio. In fact, I think had a submission from the Australian Wheat Board lobbyist to ask if we could divert some money from Roads to Recovery to some spur lines out on the Eyre Peninsula. These are issues that are brought to the attention of both Labor and Liberal members of the House of Representatives. They develop their own inquiry; it is not just the minister saying, ‘Go and look into this.’ That is the dynamic, I think.

**Senator MARK BISHOP**—I understand the response. It is an examination of issues and agenda setting in those industries is what you are saying. That is a proper matter for a committee; I understand the process there. So we have the coal inquiry and the House of Representatives committee. We have been talking about grain. Does the House of Representatives inquiry also apply to other commodities that need to be shipped to the ports for export? The minister has referred to the issue of blue gums. That is another commodity. Does it apply to other commodities as well?

**Mr Mrdak**—Yes. I was just using the example of the grain lines as one specific issue that is in the public arena. As the minister has quite rightly mentioned, there are a whole range of industries where we have some developments coming on stream. The blue gum industry that the minister mentioned is one. There are extractive industries coming on stream. What the

minister is seeking is an avenue to have some of their transport linkages examined more broadly and, as you say, to see what items need to be progressed through the public debate on how we best address those links. Some of those are not necessarily Commonwealth actions but may be state or local government ones.

**Senator MARK BISHOP**—Is the inquiry that the House is doing into predominantly the grain industry or is it really into impediments to all commodities that are delivered to ports in those two states?

**Mr Mrdak**—All commodities. I was simply referring to grain as one example which is on the public record.

**Senator MARK BISHOP**—So it could be mining, extractive industries, as well?

**Mr Mrdak**—Exactly.

**Senator MARK BISHOP**—Minister Anderson put out a press release on 18 May, numbered A62/2005 and headed ‘Australia’s major export ports’, in which he said:

It is now time for the Australian government to extend AusLink to include the effective planning and regulation of Australia’s major export ports ...

Further on in the press release he said:

We also need to have a single Australian government regulator with transparent processes and tight deadlines because of the ports’ critical importance to our national future.

Can you elaborate on exactly what this will mean? What does the minister mean?

**Mr Mrdak**—There are two aspects to it. Firstly, in the work we are doing in relation to corridor strategies, which we discussed during the last estimates process, and in the planning approach we are trying to take under AusLink, the minister is now clearly stating that that should now encompass ports more broadly through port planning. That is not to say that the Commonwealth is going to take over port planning or control the ports. What he is saying is that we have a planning process under corridor strategies which is looking at the whole supply chain and bringing ports more formally into that. The focus of corridor strategies to date has been in looking at the road and rail links—the land transport linkages into export points. Given what we have seen this year regarding where some state port planning processes are at, the minister is saying we need to more formally link those planning processes together—the corridor strategies and the port planning. The second aspect—

**Senator MARK BISHOP**—Before you go to the second aspect, are we talking here about new ports or problems in existing ports?

**Mr Mrdak**—He is more focused on existing ports where we clearly have road and rail links under AusLink and on corridor strategies to those being developed. What he is saying is that we now need to more formally get port planning processes to coordinate with that. One of the objectives of AusLink is to have the three levels of government and the various operators coordinating planning through a shared understanding of what the demand drivers and the like will be. The second aspect is looking at the best arrangement for the future economic regulation of port facilities and port infrastructure. As you would be aware, there has been a debate this year in relation to a couple of ports but particularly Dalrymple Bay in Queensland

and whether the way that has been economically regulated is the best way to ensure that infrastructure investment takes place.

I think what the minister is signalling is the need to draw to attention some of the concerns that have been raised previously by the Productivity Commission and other groups about the need for a more nationally consistent approach to the way economic regulation of infrastructure, particularly key export infrastructure, takes place. One of the key findings of the Productivity Commission recently has been the need for a more nationally consistent approach and better guidance for regulators in relation to how they promote investment in infrastructure. I think the minister is saying that, in his view, there may well be a case for that to be done by the Australian government through a body such as the Australian Competition and Consumer Commission or through other Australian government mechanisms. That is really where he is coming from with both elements of his statement last week.

**Senator MARK BISHOP**—The minister is foreshadowing interest or concerns in those two areas. Are his concerns based upon any of the work done by DOTARS in the preparation of the AusLink initiative some time ago or the work of the Prime Minister's infrastructure task force?

**Mr Mrdak**—They certainly relate to our ongoing work. Certainly, since the launch of the white paper last year and in our work with industry, the maritime and the road and rail industries have been saying to us that we need to better integrate port planning into AusLink. That has been a clear message we have been receiving and I think the minister has recognised that and was making clear in his statements last week our agreement with that. I would certainly imagine that those messages were also being delivered to the PM's task force in their consultations around the country over the last couple of months. I would imagine those same industry groups would have been making those views clear to the infrastructure task force as well.

**Senator MARK BISHOP**—When is the PM's task force going to conclude?

**Mr Mrdak**—My understanding is that it has reported and a report was delivered to the Prime Minister on Friday of last week.

**Senator MARK BISHOP**—So they are still reviewing that. Is there any intention to make that public in due course?

**Mr Mrdak**—I do not know. That would be a matter for the Prime Minister.

**Senator MARK BISHOP**—The PM's task force was looking specifically at export blockages, wasn't it?

**Mr Mrdak**—That is right. They were tasked with looking at export bottlenecks and Australia meeting and enhancing its export potential. My understanding is that, in doing so, the task force sought submissions and extensively consulted around Australia with industry and state governments and the like about the issue more broadly and infrastructure investment generally.

**Senator MARK BISHOP**—How is that particular function of the PM's task force—looking at infrastructure blockages or bottlenecks—different to Minister Anderson's request

to the House of Representatives standing committee to look at blockages to a range of commodities being delivered to ports?

**Mr Mrdak**—I would imagine that a number of the issues flagged in the PM's infrastructure task force report are areas that will need to be further examined by the House of Representatives inquiry. I would imagine that some of the people who have made or will make submissions to the House of Representatives inquiry would have also discussed those issues with the task force. Without having seen the task force report, I cannot really say what areas they have or have not covered—

**Senator MARK BISHOP**—It has been a pretty quick inquiry that one, hasn't it?

**Mr Mrdak**—I think it has been a couple of months.

**Senator MARK BISHOP**—Who did it?

**Mr Mrdak**—It was chaired by Dr Brian Fisher from the Bureau of Agricultural and Resource Economics and it had two members assisting and working with him, Mr Max Moore-Wilton from Sydney Airports Corporation and Professor Henry Ergas, who is a well-known micro-economist.

**Senator MARK BISHOP**—And that went to all states and territories?

**Mr Mrdak**—No, my understanding is that they consulted with all of the states and territories. They held meetings with all of the jurisdictions and they sought submissions. They put out a discussion paper quite early on with some key questions and sought submissions in response to that.

**Senator MARK BISHOP**—But you believe that Minister Anderson's intent is to build on the issues identified in the PM's task force?

**Mr Mrdak**—I think that we will be having a look at the PM's task force report as and when that is released and having a look at the issues raised. I think that will be an important feed also potentially into the House of Representatives committee as well as an identification of some work areas.

**Senator MARK BISHOP**—But they are separate tasks—

**Mr Mrdak**—They are separate tasks at this point, but we may well find coming out of both of them some common issues which will need to be addressed.

**Senator MARK BISHOP**—Minister Anderson made his request to the House committee in full knowledge that the PM's task force was working and well under way and at that time was about to report—

**Mr Mrdak**—That is right. Certainly there was knowledge at the time the reference was given to the House committee that the PM's task force was about to commence, yes.

**Senator MARK BISHOP**—The AusLink white paper, under the heading 'Managing increases in transport activity: the current freight transport task', said:

Australia's economic growth involves both international and domestic freight movements.

A statement of the obvious. It continues:

Maritime transport carries over 99 per cent of total import and export trade in goods by volume. In 2002-03, these totalled over 596 million tonnes. Although the air transport component is small in volume, it constitutes approximately 26 per cent of the value of the total trade in goods. In 2002-03, this was \$256 billion.

Given this quite significant contribution, and hence the importance of air transport, why did the department or the government choose to not include air transport in AusLink's effective planning mechanism?

**Mr Mrdak**—The first thing is that the AusLink network does include linkages to the airports. I think the airports also have a quite well advanced planning regime through their master planning and major development planning process. There are 20 plans already in place for the major airports in how they develop. We believe that there is a well-developed planning regime there and some planning certainty and how they link into the off-airport road and rail network is relatively more known. That is not as clear-cut in relation to the ports and where they stand at the moment, and Mr Elliott might want to comment some more on that.

**Mr Elliott**—I was really going to say pretty much the same as Mr Mrdak. The national network does go to most of the major airports and, as Mr Mrdak has said, there is a Commonwealth planning regime that exists for the airports. They are effectively linked to the national network. If you were making comparison between airports and ports, then there is a single regime for airport planning, which is governed by the department. The economic regulator for the airports is the ACCC, which operates in a relatively light-handed manner to examine airports. I think that part of the motivation behind the minister's statement was that perhaps the same thing ought to be done for ports.

**Senator MARK BISHOP**—So the government and the department do not identify the same constraints or bottlenecks on the airport side as the government has identified at the land ports in terms of export facilitation?

**Mr Mrdak**—Our major airports have well-developed planning processes. They have 20-year master plans in place. Their development is known and coordinated. One of the interesting things we can note in the debate that has been going on in recent times about the adequacy of infrastructure is that questions have not been raised about airport infrastructure in the same way that questions have been raised about ports and rail. I think that reflects the fact that there is a planning process in place. There has also been continuing investment in the airports since they have been leased. That may well reflect the economic regulatory regime that has been in place since the airports were leased, which has provided some incentive for investment in aeronautical infrastructure. We have not seen the same pressures on our airport system that have been in place in our ports, which reflects a fairly steady and progressive investment profile, firstly by government and then enhanced by private investors.

**Senator Ian Campbell**—I was privileged to be involved in the AusLink policy development. Joan and I worked together on the Brisbane corridors. There is massive pressure in that south-east Queensland area. With the Queensland government we put a lot of effort into the connection between the Gateway Bridge—I think it is the Bruce Highway on the other side of the river—and the airport. Senator Bishop, you would be very familiar with the very big investments we are pushing ahead with in Perth. The Commonwealth is very keen to see the Roe Highway and the Fremantle eastern bypass completed so that we complete the

link to the increasingly busy Perth airport with its freight forwarding and the increasing capacity to South-East Asia with, say, seafood exports. We are trying to get a quality link from Fremantle, where you get a lot of the seafood exports, into the international freight terminal at the airport. The Roe Highway completion is important for that. It is very high on the government's agenda, and I think the intermodal work we are doing brings that in. Brisbane and Perth are very good examples of where the Commonwealth wants to make sure that we get links to the airports, seaports and land intermodal terminals working as efficiently as possible.

**Senator MARK BISHOP**—That is fine. I asked why the airports were not involved in the planning, and you have given me the government's position. I understand that. I think we had a discussion last time on the bilaterals between the states and territories. Can you update us on the progress in negotiating bilateral agreements with the states and territories. Where are we at on that?

**Mr Mrdak**—We have reached major milestones with a number of jurisdictions. We are confident that we will be able to enter into bilaterals with at least two jurisdictions over the coming weeks. We believe that we have reached agreement in relation to the bulk of the text and on one of the major impediments, which is the acceptance of the construction code and implementation guidelines. We hope to be able to finalise and sign bilaterals with South Australia and Victoria before the end of this financial year—I would hope, over the next few weeks. We are well advanced with drafting and negotiation with a number of other jurisdictions. but I could not give you a time frame on those at this point.

**Mr Elliott**—The pace of activity has accelerated quite significantly in the last month or so and we are having almost constant discussions with a number of states. So the process of reaching agreement is accelerating. While we might not achieve all of them by the end of the financial year, we are reasonably confident that we will get pretty close.

**Senator MARK BISHOP**—So we are at a very advanced stage with both South Australia and Victoria, and the others are progressing satisfactorily from the government perspective?

**Mr Mrdak**—There are a number of threshold issues in a couple of the jurisdictions, the major one for most jurisdictions apart from South Australia and Victoria being the acceptance of the construction code and guidelines.

**Senator MARK BISHOP**—In fact, that is really the key divisive point at the moment, isn't it?

**Mr Mrdak**—There are some outstanding issues with New South Wales and Queensland in relation to the higher mass vehicle limits, but principally the construction code remains the major outstanding issue for most jurisdictions.

**Senator MARK BISHOP**—And until the bilaterals between the Commonwealth and each jurisdiction are signed the money does not flow into the AusLink project, does it?

**Mr Mrdak**—That is correct.

**Senator MARK BISHOP**—We have a signed document with South Australia and Victoria, so the money flows there and the other states will have to make a decision accordingly.

**Mr Mrdak**—In the budget documents the government reaffirmed its position that funding for 2005-06 and beyond will be contingent on there being a signature on the AusLink bilateral agreements.

**Senator MARK BISHOP**—I understand that. Is it just speculation to ask you when you think the other states will come on board?

**Mr Mrdak**—I could not give you a time frame.

**Mr Elliott**—I do not think we could.

**Mr Mrdak**—As I said, there are some threshold issues for the governments to work on in relation to the construction code. The timing of that is really with them.

**Senator MARK BISHOP**—I understand. Can we turn to the pilot corridor strategies. What progress has been made in the development of the four pilot corridor strategies under AusLink? We will go through them one by one. Firstly, Sydney to Melbourne.

**Mr Elliott**—On Sydney to Melbourne we have made a start. We have a steering group and we have got together with New South Wales and Victoria to start the work on that. Broadly, that tends to involve pulling together what information there is to begin with and what the states might hold. I do not think we have reached the stage on that one yet where we are able to go forward and let a consultancy do some further work, but I would anticipate that eventually we will get to that stage.

**Senator MARK BISHOP**—So we are still gathering information for Sydney to Melbourne.

**Mr Elliott**—Yes.

**Senator MARK BISHOP**—What about the Adelaide urban links?

**Mr Elliott**—We have had several meetings on the Adelaide urban links and we are looking at quite a bit of the information. Because it is an urban area it is held by the South Australian Department of Transport and Urban Planning. They hold quite a bit of information. We have agreed with them that we will assist them to do some modelling work. They need to get some technical expertise on board and we said we will help out with that. They will then accelerate some of the work that they have already been doing in looking at a north-south link in Adelaide and generally progress the work forward. Some of that work they had already started, but they will accelerate the activity that is taking place.

**Senator MARK BISHOP**—Is the Adelaide urban link that access to the port in the western suburbs? You just said it was a north-south link.

**Mr Elliott**—Yes, they have been looking at a north-south link. Part of that is because there is some linkage between the terminals. The northern link comes from the northern part of Adelaide into the port and then some of the intermodal terminals are a little bit south of that, and there is also a fair bit of traffic on South Road.

**Senator MARK BISHOP**—It is now down to the harbour at Birkenhead, into Port Adelaide and then south from there—those suburbs.

**Mr Elliott**—That is right, yes.

**Senator MARK BISHOP**—We had a discussion last time about accessing the port from the west. Is that really what we are talking about now with the north-south link, or are they two separate things?

**Mr Elliott**—There is access from the west. It effectively comes in from the north. There is also access from the east.

**Senator Ian Campbell**—They are two separate things but we are trying to link them.

**Senator MARK BISHOP**—Okay. So we have gathered the information and we are now starting to do the analysis and the modelling. Is that right?

**Mr Elliott**—That is correct, yes.

**Senator MARK BISHOP**—So they are a step further ahead than the Sydney-Melbourne link.

**Mr Elliott**—Yes, that is probably a bit more advanced.

**Senator MARK BISHOP**—What about Perth to Adelaide?

**Mr Elliott**—That situation is pretty similar to the one with Sydney-Melbourne. We have started gathering some information. Again, it is a matter of coordinating with both Western Australia and South Australia to get the information we need. That embraces, of course, both the road and rail links, as the Sydney-Melbourne does.

**Senator MARK BISHOP**—Excuse me for a minute.

**Mr Elliott**—If I could be of assistance, I was just updating on the pilot corridor strategies.

**Senator O'BRIEN**—Have we dealt with Brisbane to Cairns?

**Mr Elliott**—Brisbane to Cairns is the one outstanding which I was going to finish on. We have again been doing work with Queensland to look at the information that they have in hand. They possess quite a bit of information on the Brisbane-Cairns link, but there is quite a bit of work to be done primarily in looking at the condition of the Bruce Highway and at the work that needs to be done to bring it up to a reasonable standard. In all of this, there is a learning curve and as we go forward we need to reflect on the way we are tackling the job. In fact, we have started to think that we will change our approach. We have put out a set of guidelines to each of the states that are taking part in the pilot. As we go through it, we are undertaking an iterative process with them, refining the guidelines as we go along.

**Senator O'BRIEN**—So the department is modifying its advice about priorities under AusLink as it goes, is it?

**Mr Elliott**—We are modifying the approach we take to the corridor analysis really.

**Senator O'BRIEN**—How does that affect the department's advice about the priorities?

**Mr Elliott**—I do not think it will affect advice about the priorities. Really and truly, we have a fair bit of work to get through over the next 2½ to three years, if we are to get into the hands of government a set of proposals or strategies that can be brought together and assessed by government for future investment under the next five-year program.

**Senator O'BRIEN**—Thank you for that. I now have some questions about the inland rail link. I understand that in April Minister Anderson issued a media release announcing the

details of what he described as a major study into the north-south rail corridor. Is it fair to say that there have been a number of announcements about studies into the north-south rail corridor? In July 1999, Minister Anderson announced a federal government contribution of \$330,000 to a prefeasibility study of the Melbourne to Brisbane inland rail link. What happened about that study?

**Mr Wolfe**—I will check the details, but my understanding is that the study was done, as its name suggests, as a prefeasibility piece of work.

**Senator O'BRIEN**—What does 'prefeasibility' mean? Is it to determine whether it is feasible to do a feasibility? Is that what it means—a third of a million dollars to find out whether it is feasible to do a feasibility?

**Mr Wolfe**—I will check the details for you but I think it was basically looking at what I describe as the broad parameters of whether or not there was some economic and engineering capability and credibility in proceeding to any further work.

**Senator O'BRIEN**—The minister said in July 2002, I think in response to the prefeasibility report:

What we now need to do is understand what it means for the various interested parties—including the Commonwealth and State Governments—and what steps may be involved in moving the proposal forward.

In April 2001 the minister announced the establishment of a federal government committee to oversee the inland rail project. It was to be made up of four relevant regional government members of parliament and would brief the minister on progress and advise on how the government could facilitate the railway's development. What happened about that?

**Mr Wolfe**—You are stretching my memory now. I shall take on notice what the outcome of that was.

**Senator O'BRIEN**—In June 2002 the minister re-established this parliamentary committee, so apparently it had not reported by then. Perhaps that is why you are stretching your memory—nothing happened—I am not sure. But he said:

The Federal Government's Inland Rail Taskforce has been re-established to help facilitate this innovative private sector approach.

Is that why in January 2003 the minister announced a further \$250,000 to another prefeasibility study into the final leg of what had become the Melbourne-Brisbane-Darwin inland rail link? Was that connected to this parliamentary committee or was there some other connection?

**Mr Mrdak**—Perhaps if I can put some context around this. The studies you have mentioned and the funding provided was to a consortium, which at that stage was looking for assistance to prove up its proposal for an inland rail link. The government did provide that assistance. As you would be aware, that consortium at that time was working on the basis—and its advice—that this would be a completely private sector funded proposal and would operate as a private operation. Of course there were a number of issues in that, not least of which was how it would link up to the existing Queensland and New South Wales rail networks and who would operate such a track and the like. There was a whole range of issues.

The work that was done in those studies that the government supported was, as Mr Wolfe has indicated, to determine the likely demand scenarios, whether there was some preliminary engineering route development work and the like. There was one proposal and then subsequently another proposal came forward. In the last year or so, we have had other groups expressing an interest in inland rail and they include Pacific National and Queensland Rail, which have started to look seriously at this issue.

The breakthrough which enabled this to gain some momentum was that the Commonwealth obtained the lease of the New South Wales Interstate and Hunter Valley rail track which means that the Commonwealth now has a mechanism by which it more directly can influence the development of alternative routes. Also, the other change has been that the consortia have now identified that, for the proposal to be viable, it requires a large amount of public investment, particularly in relation to the crossing of the Toowoomba Range to provide the infrastructure into the Port of Brisbane. That has been something over the last year or so that has been quite clear. The consortia have all now come to the view that it will require a public-private partnership. It cannot solely be financed by private consortia given the large amount of capital investment required. Around that is the process that has been gone through. Mr Wolfe will check the details of what arrangements were put in place previously by the minister.

But that is the context in the sense that we were assisting private consortia to prove up proposals over the last couple of years. The ARTC lease in New South Wales has been quite critical to taking that forward. But over the last few years there has been a fundamental shift in the sense that the consortia are now saying that to take it to the next stage of feasibility they also need to understand the willingness of governments to fund some of that infrastructure required if it is going to work. Hence the study which the minister has now announced and which the department is to undertake will be a corridor study. It will be very much driven towards looking at the costs, the engineering options, and the feasibility of it from a government perspective in terms of a business case for government as to whether it warrants public investment. But more broadly, it will look not just at the inland rail proposal but at the potential upgrading of the existing rail network in New South Wales, in particular the existing ARTC track. So that is the context we are now operating in with this project.

**Senator O'BRIEN**—The critical question now is not so much this new proposal but working on the existing rail network. Do I understand you correctly?

**Mr Mrdak**—It is one of the areas which we looked at in the work that we are about to embark on. There is a fundamental question here for government: if we are going to make a public investment in future rail capacity between Brisbane and Melbourne is that best done by enhancing the existing track, which is now controlled by the Australian Rail Track Corporation—as I said, we took over New South Wales in September last year—or is the future demand between Brisbane and Melbourne best met by a new track which would run north on new lines going across the Toowoomba Range? The view put by industry proponents is that the existing track, no matter what enhancement is made to it, will cap out at some point.

**Senator O'BRIEN**—What do you mean by 'cap out'?

**Mr Mrdak**—It will reach a natural capacity at some point, which means that an additional inland route will become a requirement. Also, the existing track is very dependent on access through Sydney, and one of the critical issues is: can you invest enough in creating pathways through the Sydney rail system to make the Brisbane-Melbourne rail system operate as efficiently as it should and could—or do you need to bypass Sydney totally? Those are some of the critical questions we will be examining for the government as part of our work on this over the next year. There has been a fundamental focus on the fact that we now have the ARTC, at least in New South Wales, and on the fact that all the consortia are now saying that it will require public investment, particularly in infrastructure, for any new track proposal to take place.

**Senator O'BRIEN**—How much of the previous work will be relevant to the new study if there is more focus on existing track than might have been the case previously?

**Mr Wolfe**—Quite a bit. For example, I suspect that much of the work done on route options and route suggestions—particularly in relation to the inland route—and the basic engineering work could still be used. As Mr Mrdak said—and I would like to stress this—this is a rail corridor study of Melbourne-Sydney-Brisbane. Certainly, the inland rail options have been put forward by a number of proponents, but we want to look at that entire corridor because it is the biggest freight corridor in Australia. As Mr Mrdak mentioned, because of the growth in freight on the east coast we see rail as playing an important part in shifting that freight and we need to look at the future options for how we address that.

**Senator O'BRIEN**—I do not think you will get any opposition from any sensible person about the freight task and maximising rail's role in the freight task in that very important major corridor. I am trying to get a feel for the relevance of the previous expenditures and inquiries, some of which I think had politics rather than national interest as their genesis.

**Mr Wolfe**—One of the things we have stressed as part of the study is that we are looking to have people who have previously gathered and put forward material of any form that is relevant to this particular corridor study provide it to us. We understand that for some particular parties there are intellectual property issues attached to that material and we respect that, but we obviously wish to build on previous work that has been done.

**Senator O'BRIEN**—Who paid for the work?

**Mr Wolfe**—In some cases the work has been paid for by private proponents.

**Senator O'BRIEN**—They may have a case. Are there any cases where the Commonwealth has paid for the work and there is some argument about intellectual property?

**Mr Wolfe**—I will have to check that for you. I think the initial ATEC work was jointly funded by us and ATEC so there would be an issue about them providing permission for that work to be used. We would have to check that.

**Mr Mrdak**—Most of our invested funds in the past have been in relation to generic demand studies and the like, to ascertain freight availability and so on. I do not think they would carry intellectual property rights, but we will check that. The bulk of the work that was carried out by the private consortia was in relation to route selection, mode of operation and technical specifications which may well carry intellectual property rights. They are the sorts

of issues we will need to work through with those consortia. But as Mr Wolfe has indicated, our starting point is to try and involve the industry to capture as much of that information as we can. We do not want to be going over that ground if that information is still relevant.

**Senator O'BRIEN**—At the previous estimates round Mr Mrdak talked about the close relationship the department has with Pacific National—that would be with Mr Corrigan, I guess—and the proposal to invest \$500 million in the eastern seaboard rail system. What is the current status of the broader relationship with Pacific National and, more specifically, what is the current status of Pacific National in relation to this project—or consideration, if 'project' is too advanced a term.

**Mr Mrdak**—Pacific National is one of the parties which is interested in developing the inland rail options. We are working with them, through the Australasian Railways Association, which is coordinating the rail industry input into our work. We talk regularly to Pacific National, through the ARA, on the north-south corridor work. On a more day-to-day basis we meet regularly with Pacific National to discuss their investment programs, their views on the ARTC investment program and the like. We meet fairly regularly with them in relation to an update both from them and us.

**Senator O'BRIEN**—How often?

**Mr Mrdak**—It is probably six weeks to two months. There is a meeting scheduled for later this week, which will be a regular meeting we have at working level with Pacific National officers.

**Senator O'BRIEN**—Does that give Pacific National any special status in relation to the ongoing corridor study and proposals to develop studies into actual projects in future?

**Mr Mrdak**—No, not special status. We meet with them regularly in relation to their operational plans, obviously, but there is no special status in terms of the corridor work. The Australasian Railways Association is coordinating the rail industry input to our work quite consciously because we understand there are a number of entities who are interested in becoming the developer—if it is to be—of an inland rail project. There are a number of consortia who seek to be the developer of that. We are seeking to coordinate our relationships with all of those through their peak industry body, the ARA.

**Senator O'BRIEN**—Who from the ARA is coordinating the industry in relation to this north-south corridor strategy?

**Mr Mrdak**—The chief executive of the ARA, Mr Brian Nye.

**Senator O'BRIEN**—Is there a forward time line for the development of a corridor strategy?

**Mr Mrdak**—We are aiming to have the strategy completed by July next year.

**Senator O'BRIEN**—That is June 2006.

**Mr Wolfe**—It is 30 June 2006.

**Senator O'BRIEN**—Do you meet with other consortia or proponents for projects, other than Pacific National, or do you just rely on the contact through the ARA?

**Mr Mrdak**—No.

**Mr Wolfe**—No. We meet separately with Queensland Rail. We have met with what is known as the GATR consortium—Great Australian Trunk Rail. We also catch up with state government colleagues as well.

**Senator O'BRIEN**—Do you have a regular meeting scheduled with those proponents, as you do with Pacific National?

**Mr Wolfe**—I think we should put the two things apart. In terms of the north-south rail corridor, the proposal is that—as Mr Mrdak has indicated—we will, through Mr Nye coordinating rail industry input, have one point of contact with him and then he will involve the industry. But we have other meetings with these parties on other issues as they come up. Obviously in future development, under AusLink for example, we envisage some contact with a range of rail organisations and associations and industry firms.

**Senator O'BRIEN**—What is the state of the generation of ideas to deal with the Sydney basin as part of the link between Melbourne and Brisbane, or linking it into some bypass system?

**Mr Wolfe**—Obviously in terms of the Melbourne-Sydney-Brisbane study, it is in the fairly early stages at this point. But discussions are going on between the ARTC and RIC, which is the New South Wales Rail Infrastructure Corporation, about how we can address the various issues in Sydney, including the discussion about the funding that has already been allocated under AusLink for the stretch between Strathfield and Hornsby. That is definitely ongoing.

**Senator O'BRIEN**—I thought the problem in part with Sydney was the variety of bridges, overpasses and double stacking of containers.

**Mr Wolfe**—That is one issue. There are a number of issues. The most significant one that the ARTC are working on at the moment is the southern Sydney freight line to get the freight through the south of Sydney up to Chullora. There are also issues in relation to moving freight in and out of Port Botany, on which some preliminary work will be done this year. But I would have to say that one of the issues is where New South Wales are at with what is known as their metropolitan freight strategy, which we are looking forward to seeing.

**Mr Mrdak**—Essentially one of the great issues with Sydney is the lack of dedicated freight train pass. The inability of freight to move without curfews and having to give way to passenger services is a major impediment to freight movement in Sydney, as is the lack of terminals in Sydney. As Mr Wolfe has indicated, we have a number of streams of work under way through AusLink, our investments in Sydney in the Port Botany and the northern line, and the ARTC investment in the dedicated southern rail line. We have work under way in relation to intermodal terminals in Sydney through an examination of the feasibility of the Moorebank site.

We are pursuing a number of avenues of work to try and address this, but one of the issues we and New South Wales face is the need for a more coordinated approach. Some of the issues that the Deputy Prime Minister was talking about last week were in relation to getting a more coordinated picture of what state governments are doing on their rail and port fronts.

**Senator O'BRIEN**—I look forward to watching that develop. In table 2.4, on page 18 of the PBS, there appears to be a postponement of funding or a carry forward of funding of

\$720,000 from 2004-05 to 2005-06 relating to the management of residual issues of the former Australian National Railway Commission. Is that a fair understanding of that aspect of the PBS?

**Mr Wolfe**—Yes, I think that carry forward is correct.

**Senator O'BRIEN**—What specifically is this funding for?

**Mr Wolfe**—It is for two things. Firstly, there is an outstanding commitment in relation to what is known as the 'planning room' in South Australia, which refers to a whole range of railway plans held there. The finalisation of that issue has been delayed because we need to discuss with the archive what happens with that material. Secondly, the remaining amount is a residual amount for possible outstanding issues in relation to the former AN. That money is there very much as a reserve.

**Senator O'BRIEN**—It is a reserve; it is not a postponement of action.

**Mr Wolfe**—The only thing that has been rolled over is the planning room issue.

**Senator O'BRIEN**—How much is involved in that carry forward?

**Mr Wolfe**—I am told that the planning room is about only \$20,000 to \$30,000. So the vast majority of that money is a reserve against contingent claims.

**Senator O'BRIEN**—Do you know how long it will need to be carried forward? Is there no other place where a contingency fund could be represented?

**Mr Wolfe**—I shall take that on notice, but we will be hopeful that the liabilities situation ends this coming financial year.

**Senator O'BRIEN**—Can you advise us, on notice, of any reasons it will not be able to be finalised in the coming financial year?

**Mr Wolfe**—Certainly.

**Senator O'BRIEN**—In the same table the figure you have against Roads to Recovery is \$23.57 million for 2004-05, which appears to be carried forward into 2005-06 and 2006-07. Does that represent moneys which should have gone to local government in 2004-05 which have been carried forward to the subsequent two out years?

**Ms Armitage**—That is the Roads to Recovery strategic allocation for 2004-05, where we anticipate up to \$6 million will be spent this year. So that represents the movement of those funds forward into the following two years.

**Senator O'BRIEN**—Do you mean spent or allocated?

**Ms Armitage**—Allocated for spending.

**Senator O'BRIEN**—Who has got the rest of the strategic fund?

**Ms Armitage**—At the moment we are processing proposals from a number of councils. It was anticipated that we would spend up to \$6.4 million, but not quite that amount may very well be allocated and sent out to councils.

**Senator O'BRIEN**—If that is the case then there will a greater carry forward, will there?

**Ms Armitage**—Yes, there will be a rollover. We anticipate that.

**Senator O'BRIEN**—Why do you think it will take another two years to spend the small amount of the residue of that strategic allocation?

**Ms Armitage**—This is part of the \$93 million. This is for projects that have already been announced and, as we have had some indication of cash flow from councils for the strategic projects that were announced, this is to ensure that we follow that cash flow.

**Senator O'BRIEN**—So the \$23.57 million is part of the \$93 million that has been allocated, is it?

**Ms Armitage**—There was \$30 million allocated in 2004-05 and of that we expect that \$23.5 million will be carried forward into the two years. There could be a little more depending on the proposals and the expenditure that we get in from the councils.

**Mr Mrdak**—I should clarify that there is \$150 million in strategic Roads to Recovery. There is \$120 million essentially spread over the five years. As Ms Armitage has indicated, there was \$30 million for this current financial year and that is driven very much by the requests by councils. Their cash profiling of it has necessitated our profiling it out over 2005-06 and 2006-07.

**Senator O'BRIEN**—The vast majority of that \$150 million is already committed, isn't it?

**Mr Mrdak**—\$93 million is committed.

**Senator O'BRIEN**—Plus the \$30 million for the unincorporated.

**Mr Mrdak**—Yes.

**Senator O'BRIEN**—So \$123 million of the \$150 million is committed.

**Mr Mrdak**—That is correct.

**Senator O'BRIEN**—This forms part of the moneys committed, not the amount which remains available for allocation?

**Mr Mrdak**—That is correct. This item in table 2.4 refers to the amounts that were provided for in this financial year which are unable to be spent in this financial year and have been profiled forward.

**Ms Armitage**—It is about movement of funds between years to accommodate the cash flows from the proposals.

**Senator O'BRIEN**—I now understand that. I think that in the past we have asked for information on the funding by electorate for financial years for Roads to Recovery and Roads of National Importance. Is it possible to get an update document for the 2004-05 financial year?

**Mr Hogan**—Yes, it certainly is. We do not talk in terms of Roads of National Importance now. It is AusLink network and non-network projects. I assume you want a profile for those as well.

**Senator O'BRIEN**—Yes. Are you saying there are no Roads of National Importance projects that have not carried forward? Can we identify if they have carried forward into AusLink?

**Mr Hogan**—We can, but we actually call them non-network projects now. It is just a change of name.

**Senator O'BRIEN**—It makes it easy to re-announce them, I suppose, if you change the name. I understand the formula for distribution of Roads to Recovery funds has been amended to reflect the 2004-05 assessments made by the local government grants commissions in each state and territory. Can you set out the net effect by electorate?

**Ms Armitage**—We will take that on notice. I can do it by state today, but we would have to take it on notice to do it by electorate.

**Senator O'BRIEN**—If you could that will probably save us time rather than taking it by state as well.

**Mr Mrdak**—In taking that on notice, we will need to ascertain whether we can do it and how much time that would take, if that is okay. I am not sure our system is built around that, but we will check that and come back to you.

**Ms Armitage**—There are some electorates which have a combination of councils where it will not be quite as clear for you. We have provided information by electorate for you, but at times that has not been as clear because you cannot divide up that part of the council with the electorate—they do not fit neatly.

**Senator O'BRIEN**—I understand that. Where that is not clear, where there is an overlap, I wonder if you can simply note that. It may be that there is some double count across electorates because of that. In relation to the strategic regional projects, at the additional estimates Mr Doherty told us:

At the moment we are at the stage of getting in detailed proposals from the proponents of those projects so that they can be assessed for value for money, technical effectiveness and those sorts of things, and a sensible cash flow can be set up about how the funding can be provided to the proponents.

Have detailed proposals being received now for all of the projects promised during the election campaign?

**Ms Armitage**—Detailed proposals have not be received for all of them. We have received them for six.

**Senator O'BRIEN**—Which six?

**Ms Armitage**—Batemans Bay bypass, Warnervale, Lakes Way, Bryn Mawr bridge, Outback Highway and also Dungog highway, which came in yesterday.

**Senator O'BRIEN**—Which ones are outstanding?

**Ms Armitage**—The remaining ones outstanding are: Princes Highway, Pambula River bridge, Camden Valley Way, Bondi Beach, MR301, Great Alpine Road, Metung Boardwalk, Yan Yean, Tablelands Road, River Heads Road, Bribie Island Road, the Daintree causeway, Sisters Hill, Bridport road, Nunamara-Targa and Port Sorell.

**Senator O'BRIEN**—In terms of assessing proposals, have guidelines and an assessment methodology for these projects now been finalised?

**Ms Armitage**—The interim guidelines were approved by ministers in March. When letters have been sent to councils these interim guidelines have actually been included. As Mr

Doherty said at early estimates, there are about the value for money and also whether the engineering solution proposed is robust and will deliver the outcomes.

**Senator O'BRIEN**—What does interim mean in the context of the guidelines? Are they really the guidelines against which the projects will be assessed?

**Ms Armitage**—They are the guidelines by which the election commitment projects will be assessed.

**Senator O'BRIEN**—So there will potentially, at least, be another set of guidelines for any future projects for the remaining \$26 million.

**Ms Armitage**—That is correct.

**Senator O'BRIEN**—It seems worth while. When were those interim guidelines developed?

**Ms Armitage**—They were developed after the election commitments and when the government had got the agreement for funding those projects. So that was basically through December, January and February.

**Senator O'BRIEN**—Mr Mrdak told us at the additional estimates:

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

Does this mean that there would have been a framework at the government's disposal through which it could have assessed its strategic regional project election commitments, had it referred them to the department for advice?

**Mr Mrdak**—The guidelines methodology that was agreed to by Australian Transport Council ministers on 4 November last year is the methodology which will be applied in the future by all jurisdictions assessing projects. The strategic Roads to Recovery projects were election commitments of the government and part of the government's platform.

**Senator O'BRIEN**—When was this methodology available to the department? You are talking about the Transport Council, but when did the department have it?

**Mr Mrdak**—The guidelines have been under development over the last couple of years. They have been at a stage where they were agreed to by officials from about the middle of last year. They were formally endorsed by all of the Australian transport ministers in November last year, and we are currently utilising them in our work on network project assessments in an operationalised form.

**Senator O'BRIEN**—When were they agreed at officer level?

**Mr Mrdak**—They were finalised around about the middle of last year.

**Senator O'BRIEN**—So what was the delay in having them considered by the transport ministers—the election?

**Mr Mrdak**—Normally the Australian Transport Council meets twice a year. Generally, they meet around about April or May and then again in October or November—that sort of timing. The normal cycle of ministerial council meetings included the November meeting.

**Senator O'BRIEN**—When was the agenda for the November meeting out? Was it actually out and postponed? Did you get to that point?

**Mr Mrdak**—It was a normal scheduled meeting in November, by recollection.

**Mr Hogan**—As Mr Mrdak has intimated, there is a process relating to the agreement of national guidelines that needs to be undertaken. That involves turning them into something that can be used by practitioners on the ground both in the states for framing their information for consideration by the Australian government and in the Australian government for assessing that information. That process is still in train and we are probably some weeks away from finalising it. The national assessment guidelines provided a framework. It is a little bit academic, I suppose you could call it. You then have to go through a process of turning it into something that can be used by the people actually doing the work.

**Senator O'BRIEN**—Do you mean a plain language version of the same document?

**Mr Hogan**—Basically.

**Senator O'BRIEN**—The national assessment methodology would be something that the department would understand, I take it, without it being reduced or altered to being a plain language document?

**Mr Mrdak**—We would use the guidelines. As Mr Hogan has indicated, we are now operationalising for people who are putting together proposals, making clear the key steps and the data requirements. The guidelines also provide various levels of cost-benefit analysis, depending on the scale of the project. We are producing some advice which gives people guidance as to where they might go to a lesser degree of cost-benefit analysis on certain projects which might not warrant a full assessment. That is the sort of operationalising that we are currently doing.

**Senator O'BRIEN**—What steps will follow from the receipt of formal detailed proposals? Where is the department at with its assessment process and those detailed proposals?

**Ms Armitage**—Some of them have only recently been received. We have four engineers who will be assessing them for their technical robustness, which links into value for money. They will be going through and the engineers will be providing their report to me on their assessment of the proposal. Often this assessment—I understand there has been some preliminary overview of them—will mean that we will have to go back to the proponents to get more detail. It is quite normal when project proposals come in for construction for there to be an iterative process with the proponents.

**Senator O'BRIEN**—Can you give us on notice when each detailed proposal was received?

**Ms Armitage**—I can do that.

**Senator O'BRIEN**—I did not understand from your earlier answer that these detailed proposals might have only just landed on the desk.

**Ms Armitage**—Batemans Bay was received on 4 April, as was Wyong Warnervale, and Lakes Way was received on 28 April. Bryn Mawr Bridge was received on 6 May and the Outback Highway we have had for a while but there has been quite an iterative process. As I said, I received that from Dungog Council last night.

**Senator O'BRIEN**—So other than the Outback Highway, most of them are relatively recent arrivals.

**Ms Armitage**—Yes. There has been quite an iterative process going on with the Outback Highway. The work has been going on but has not yet been finalised.

**Senator O'BRIEN**—At additional estimates, the department advised that it was still unclear whether matching funding would be sought from the Queensland government for River Heads Road, Tablelands Road and Bribie Island Road. Do you know whether those funds will be sought?

**Ms Armitage**—For Tablelands Road it is required. It is not required for River Heads Road, not for Bribie Island, but for the Daintree causeway yes.

**Senator O'BRIEN**—So you are waiting to hear from the Queensland government, are you?

**Ms Armitage**—That is correct.

**Senator O'BRIEN**—What funds were actually expended this financial year on strategic regional projects? Does that mean none?

**Ms Armitage**—To date, none.

**Senator O'BRIEN**—What is the estimated expenditure for 2005-06 in total?

**Ms Armitage**—As I have previously said, it is expected to be about \$6.4 but given the lateness of the project proposals that have come in, it will be less than that—until the assessment of the PPRs has been completed.

**Mr Mrdak**—Were you asking for 2004-05 there or 2005-06?

**Senator O'BRIEN**—2005-06.

**Ms Armitage**—Sorry. In 2005-06 we expect to expend the full amount which would be \$33.07 million because that includes the bring forward of the 10.57 we were discussing earlier.

**Senator O'BRIEN**—So the expected expenditure on strategic regional projects in 2005-06 is \$33.07 million?

**Ms Armitage**—That is correct.

**Senator O'BRIEN**—Can you give us a breakdown of where that expenditure is intended to go?

**Ms Armitage**—We can give you an overview of that. When we get more of the proposals in, the cash flow might change. It is often a moving feast but that is the calculation to date.

**Senator O'BRIEN**—You say that, because of the late arrival of the former proposals, you are expecting to spend less than \$6 million. Are you expecting to expend any money this financial year?

**Ms Armitage**—Yes.

**Senator O'BRIEN**—On which projects?

**Ms Armitage**—We expect that Batemans Bay would be one, particularly given the quality of their PPR; the Lakes Way PPR preliminary assessment is reasonable, but we need to go back; and, given some of the questions that have been asked of the Outback Highway, we would expect that they would be coming back to us as well. As I said, we are dependent upon responses, but the preliminary assessment of Batemans Bay is that it is a good draft project proposal.

**Senator O'BRIEN**—Has the department received any submissions for expressions of interest from other regions to access funds under strategic regional projects?

**Ms Armitage**—Yes. We have received around 21 submissions.

**Senator O'BRIEN**—How much are those submissions seeking in total?

**Ms Armitage**—The total cost of the 21 submissions would be \$391.5 million, of which the contribution sought from the Australian government is \$139.9 million.

**Senator O'BRIEN**—We have \$26 million in the fund at this stage?

**Mr Mrdak**—That is correct.

**Senator O'BRIEN**—Who will make the decision as to which of these projects receive money and which do not?

**Ms Armitage**—The ministers have written to councils who have not put in proposals, and there are letters going out to councils which have sent in proposals which say that the government will call for proposals in 2006-07 and, at that stage, the 21 proposals that have been put in will be asked to resubmit.

**Senator O'BRIEN**—So none of the 21 is to be considered now?

**Ms Armitage**—The letter that went out of from the minister stated there would be a call for proposals in 2006-07 and that these councils would be asked to resubmit.

**Senator O'BRIEN**—That means they will not be considered now?

**Ms Armitage**—Yes, that is the outcome of that letter.

**Senator Ian Campbell**—The reality is that the budget for this year is fully committed, isn't it?

**Ms Armitage**—For the \$26 million, which becomes available in the final couple of years, we will be having a competitive call for proposals.

**Senator O'BRIEN**—Can we get the details of each of the 21 submissions—what they are proposing to do, what they are seeking from the Commonwealth and what the total cost of each project is?

**Mr Mrdak**—Some are probably more detailed than others, but we can certainly come back to you with as much detail as we can.

**Senator O'BRIEN**—It might be easier to supply a copy of the submissions, if that is in order.

**Mr Mrdak**—We will take that on notice if we can.

**Mr Wolfe**—I think a couple of the submissions have been marked 'commercial-in-confidence'. We will check that.

**Senator O'BRIEN**—Asking the Commonwealth for money 'commercially in confidence'!

**Mr Wolfe**—I think it is more the case that there are details of their proposals which have commerciality attached to them, not the actual request for the money.

**Ms Armitage**—We could come back with a table with a short paragraph that sums up what they are asking for. Would that be sufficient?

**Senator O'BRIEN**—At this stage I think we will go with that. Thanks.

**Senator Ian Campbell**—I think it is worth noting—I do not want to create a political fight here—that the Labor Party during the election campaign made a whole series of commitments to regional road projects of the National Highway or of the AusLink network. Pambula Bridge was one of them. There was the Casino to Murwillumbah rail line, Lanyon Drive, upgrading roads out at Blacktown, upgrading a train station at Pakenham, Bryn Mawr, a boulevard extension in Berwick—

**CHAIR**—Anything at Junee?

**Senator Ian Campbell**—I am just looking for Junee, I am not down to the J's yet.

**Senator O'BRIEN**—You miss out both ways.

**Senator Ian Campbell**—Millions and millions of dollars worth of what you would call regional—and I am sure Labor would claim were strategic—investments in roads. I suspect a quick adding up of them will show that they were substantially more than what we have committed under the regional strategic road portion.

**Senator O'BRIEN**—So you are prepared to fund less than we were—is that the purpose of that intervention?

**Senator Ian Campbell**—All I am saying is that we have committed to these projects and we want to build them. We have paid for them. I think that was the program Mr Beazley called the boondoggle.

**Senator O'BRIEN**—No, I think that was something else.

**Senator Ian Campbell**—No, it was. Roads to Recovery it was called—the boondoggle.

**Senator O'BRIEN**—Not the strategic component.

**Senator Ian Campbell**—This is the same program.

**Senator O'BRIEN**—In terms of the strategic component, is it possible that some of the election promises will fail the assessment process and will not be funded?

**Ms Armitage**—I obviously cannot make a comment on those on which we have not received PPRs. From my initial overview of projects and from some of the verbal responses from councils I could not say that any of them will fail.

**Senator O'BRIEN**—I am asking if it is theoretically possible.

**Ms Armitage**—Obviously one of the things we will be doing is working with the project proponents to ensure that they are technically robust and value for money. That is the approach that we are taking within the interim guidelines.

**Senator O'BRIEN**—So if they are not value for money they will not be funded?

**Ms Armitage**—We will be working with them to ensure that the proposals that they put in are technically robust and value for money. At this point in time it is theoretical.

**Senator O'BRIEN**—What is the time frame to complete the \$80 million flood proofing of the Bruce Highway at Tully?

**Mr Elliott**—Funding for the Bruce Highway at Tully extends to the end of the current AusLink five-year program, so we will be spending amounts over the next few years on that.

**Senator O'BRIEN**—Has any money been spent since the election commitment was made?

**Mr Elliott**—A small amount. We expect to spend about half a million this year.

**Senator O'BRIEN**—Is there any carry forward—is the money actually allocated to particular years or is it simply a lump sum to be spent across the years?

**Mr Elliott**—The profile at this stage is another 2.9 in 2005-06, 8.3 in 2006-07, 25 in 2007-08 and 43.3 in 2008-09.

#### **Proceedings suspended from 1.00 pm to 2.02 pm**

**Senator O'BRIEN**—Mr Mrdak, yesterday you undertook to provide to the committee a breakdown of the funding from the Ansett ticket levy towards particular initiatives. Has that been tabled yet?

**Mr Mrdak**—It was dealt with during the session on the Office of Transport Security in response to some questions. I can get the relevant *Hansard* for you. If that is not enough, I can come back to you.

**Senator O'BRIEN**—So it has already been done and it is in *Hansard* ?

**Mr Mrdak**—Yes. Ms Dickman gave a breakdown yesterday afternoon.

**Senator O'BRIEN**—Going back to the floodproofing of the Bruce Highway at Tully, is this project subject to the government's industrial relations clause?

**Mr Elliott**—Yes, it would be.

**Senator O'BRIEN**—So if the Queensland government does not sign up, the federal government will refuse to fund this work?

**Mr Elliott**—The government has said that funding will not flow in 2005-06.

**Senator O'BRIEN**—So the waters might be but the funding will not. It is about floodproofing part of the national highway, isn't it?

**Mr Elliott**—Indeed, around Tully. There is a study under way to have a look at that. It is quite a difficult area.

**Senator O'BRIEN**—There is a fair bit of rain throughout that area as I recall.

**Mr Elliott**—Not only that, it has not previously been properly floodproofed, so there is a fair bit of work to do on it by way of a hydrology study to get a good result. That will take a bit of time. I think that in the expenditure figures that I gave you before lunch most of the expenditure does not really start to flow for another couple of years. That is really partly a product of the study work that needs to be done.

**Senator O'BRIEN**—So the majority of the funding actually does not apply until the parliament after this one? It says '2008-09—\$43.3 million'.

**Mr Elliott**—I think in the year before that there is some money as well.

**Senator O'BRIEN**—There is \$25 million but we are talking about \$80 million and then \$43 million in 2008-09, which is definitely in the next parliament unless we have a coup or something.

**Mr Elliott**—It is towards the end of the current five-year AusLink period anyway, in my terms, I suppose.

**Senator O'BRIEN**—Has any further consideration been given to the repeated submissions from the Queensland government for an Australian government contribution to make the Wilmington rail crossing safer? To help refresh your memory, in February this year Ms Armitage answered a question from Senator Bishop:

Ms Armitage—We have had a letter from Queensland which has raised Wilmington as one of a series of projects that could be considered.

Senator BISHOP—As part of the upgrade of the Bruce Highway?

Ms Armitage—Exactly, yes.

**Ms Armitage**—I understand we have not had any further correspondence from the Queensland government on Wilmington.

**Senator O'BRIEN**—Is the Miriam Vale safety upgrade on track?

**Mr Elliott**—Yes, there is some funding being provided for that in 2004-05—\$500,000—and \$1.5 million in 2005-06.

**Senator O'BRIEN**—What has been spent to date?

**Mr Elliott**—We should have spent \$500,000 this financial year, with another \$1.5 million to be spent next financial year. Most of the work will be carried out in 2005-06.

**Senator O'BRIEN**—You say 'we should have spent it'. That is what is budgeted to be spent, is it?

**Mr Elliott**—It is budgeted to be spent this year. I am not quite sure if we have actually sent them the money on that particular project yet.

**Senator O'BRIEN**—With regard to the other projects on the Bruce Highway, what has been spent and what is the estimated expenditure for other projects on the Bruce Highway?

**Mr Elliott**—For all other projects?

**Senator O'BRIEN**—Yes.

**Mr Elliott**—There are quite a number of projects on the Bruce Highway. I will take it on notice and give your list. That might be the better way to deal with that one.

**Senator O'BRIEN**—The Caboolture Motorway widening: at additional estimates we were advised that \$36 million would be spent in 2004-05. Will it be spent? What is the current view on that?

**Mr Elliott**—I think we are revising that down at this stage. The expected spend in 2004-05 is now \$14.2 million, with \$38 million next year, in 2005-06.

**Senator O'BRIEN**—Does that include some carry forward of funds?

**Mr Elliott**—Yes, it would need to.

**Senator O'BRIEN**—How much? The difference between 36 and 14.2, I suppose.

**Mr Elliott**—Yes.

**Mr Hogan**—Senator, can I just clarify what you mean by carry forward of funds. We are not actually rebudgeting funds from 2004-05 to 2005-06. We are making allowance for additional project spend on Caboolture next year as against this year.

**Senator O'BRIEN**—Let me understand this. In the budget for 2005-06 currently there is \$38 million.

**Mr Hogan**—That is right.

**Senator O'BRIEN**—Is there any amount in that \$38 million that was originally intended to be spent in 2004-05?

**Mr Hogan**—Again this might not be particularly helpful. Originally, an amount of that was anticipated to be expended this year, but in pushing that back into 2005-06 we have not, for instance, moved funds into 2005-06.

**Senator O'BRIEN**—Does that mean that work that was going to be funded with the \$38 million in 2005-06 is being pushed further into the out years?

**Mr Hogan**—I am not sure what figure we originally had in 2005-06. What it means for 2004-05 is that some of the expenditure that has now gone from the Caboolture Motorway into 2005-06 will be used on other projects.

**Senator O'BRIEN**—So less will be spent on the Caboolture Motorway?

**Mr Hogan**—Not in total, but less will be spent this year.

**Senator O'BRIEN**—Less will be spent this year and the same amount will be spent next year so overall less will be spent over those two years. Does that mean that expenditure will be pushed further into the out years for the Caboolture Motorway?

**Mr Elliott**—It could be, yes.

**Senator O'BRIEN**—It is not planned to do that—is that what you are saying?

**Mr Elliott**—It is not planned to do that. We undertake a fairly large cash management process at the beginning of the financial year pre-budget to try and match the likely claim on funds with the progress of various projects. We try to match the two together as near as we can. The states give us their best estimate. Often that might be more than the likely funds that we have so we try to match the two together—that is, the funds that we are going to get from the budget with what the states think they can spend. They will often be a little bit optimistic in what they think they can spend. We try to make our best assessment of what that will be and then allocate funds accordingly.

**Senator O'BRIEN**—The money was to be spent on the Caboolture Motorway widening in 2004-05, it is now discovered, will not be spent on the Caboolture Motorway. Where will that \$14.2 million end up?

**Mr Hogan**—We go through a continuous process of review of expenditure of all projects. We have anticipated cash flows for projects through to 30 June 2005 and we look at that at various stages in the year and quite frequently there is a pattern of decreasing requirements for some projects. We try to match that by accelerating other projects through to pick up that available cash.

**Senator O'BRIEN**—Which projects have been accelerated?

**Mr Hogan**—I do not think that you could look at any individual projects and say that because of a delay in one project we are accelerating another project. It is done across the whole of the program.

**Senator O'BRIEN**—It is a very difficult answer to understand, might I say. I am trying to identify what has happened to the \$14.2 million which, as of February, was going to be spent on the Caboolture Motorway widening this year. We have now ascertained that the underspend will not see an increase in the funding for 2005-06 but apparently we will see an increase in funding for other projects across the range of projects that the department has responsibility for.

**Senator Ian Campbell**—If you go to the Caboolture Motorway you will see that the contract has been let and they are actually building it. So from our point of view it is basically paying progress-style payments, I presume, as the work progresses.

**Senator O'BRIEN**—That is what I thought and that is why I asked about whether the money had been directed further into the out years. I was told that was not the case, that it had been directed to other projects, so I am trying to see which projects are beneficiaries of this underspend to understand how—

**Senator Ian Campbell**—I do not think that there is a hypothecation. From my experience in the portfolio, you get an initial estimate of what the project will cost—and I think that the Albury bypass was one. I think I announced with Peter Batchelor that it was going to be about \$420 million and I understand that the tender came in at \$80 million over that.

**Senator O'BRIEN**—I can understand if the answer was that the \$14 million was going to the Albury bypass. That would be an identification—

**Senator Ian Campbell**—But we do not hypothecate it like that. We do not say that it is not going to be spent in Caboolture so we will spend it on the Peel deviation in Perth. It simply does not work that way. It is a cash management process.

**Mr Hogan**—At any particular time you might have projects that in total were underspending by, say, \$50 million. You then look to find projects where you can accelerate expenditure in the current year to the extent of \$50 million.

**Senator O'BRIEN**—I understand that. Are you saying that you do not know where that money will go yet?

**Mr Hogan**—We do and we have adjusted our cash flows in respect of projects—

**Senator O'BRIEN**—So if you do you can tell me where it is going.

**Mr Hogan**—I cannot tell you on a project-to-project basis. What I could do is give you a list of the projects that are likely to underspend and then give you a list of the projects where we are accelerating payments.

**Senator O'BRIEN**—Okay, let us start with that, and what you estimate the additional budget of those projects with accelerating progress will absorb.

**Mr Hogan**—I would have to take that on notice.

**Senator O'BRIEN**—I understand that. I am told that there have been 45 deaths on the Cooroy to Gympie duplication stretch of road in the last six years. The budget media release says this work will address immediate safety and congestion issues along the highway at Gympie. Is this funding also the subject of, indeed hostage to, the Queensland government being required to agree to the federal government's industrial relations agenda?

**Senator Ian Campbell**—It is called the national construction code. We are asking all states to sign up to the national construction code on all major construction works under all federal government programs over expenditure of \$5 million.

**Senator O'BRIEN**—So this means that in the absence of such signatory there would be no funding for the Cooroy to Gympie duplication?

**Senator Ian Campbell**—There will be no funding for any project in Australia that is valued at more than \$5 million if it involves construction and the recipient of the grant has not signed up to the national construction code or an agreement. The South Australians have signed up to what I would call a hybrid code between the state code and the federal code, which brought together what I regarded as the best elements of both. We are negotiating with the other states. That is the Commonwealth's policy. It is not the industrial relations agenda of the Commonwealth. That is something Kevin Andrews will be announcing at a future time. The agenda is a forward thing. The national construction code is something that we have asked all states to sign up to, whatever they are spending money on—be it a school, road or hospital. The Commonwealth want to ensure that we get the best value for taxpayers' money with construction projects. If we can build 10 miles for the same amount of money as eight miles, we would rather have 10 miles of new road than eight miles.

**Senator O'BRIEN**—So signing the code will guarantee that you will increase the amount of road built, will it?

**Senator Ian Campbell**—I would hope so. That is certainly my strong view. If you have got good workplace relations and efficient road builders, office builders or school builders, you will end up with much better competitive outcomes.

**Senator O'BRIEN**—Have other projects been identified and/or agreed with by the Queensland government to be advanced, in relation to the Bruce Highway?

**Mr Elliott**—I can give you that list of projects that would have what is currently under way and currently in prospect. Probably the best thing to do would be to indicate what is on there, what is allocated on that list for the length of the highway. There are still some funds that have not been allocated that are subject to various studies and so on.

**Senator O'BRIEN**—These projects will all be subject to the same code requirements.

**Mr Elliott**—By and large, yes.

**Senator O'BRIEN**—Excepting those where the project is under \$5 million.

**Mr Elliott**—Under \$5 million is the threshold, yes.

**Senator O'BRIEN**—Can you advise us of the estimated expenditure over each of the next three financial years on the Townsville ring road and when it is expected to be completed?

**Mr Elliott**—Over the next three years there is \$5 million allocated in 2005-06, \$20 million the year after that and \$15 million the year after that—that is 2007-08.

**Senator O'BRIEN**—Does that bring the project to completion?

**Mr Elliott**—Yes, that is the total estimated cost.

**Senator O'BRIEN**—Is the department undertaking any analysis of bringing into AusLink the transport corridor between Townsville and Mount Isa?

**Mr Elliott**—Not so far. The minister announced a month or so ago that we would undertake some study work in relation to Townsville and Mount Isa. We are in the process of putting together a brief which we will let to consultants to have that work undertaken.

**Senator MARK BISHOP**—Can we now talk about the Sydney-Brisbane corridor, the F3. Page 36 of the AusLink white paper committed the government to investing in the order of \$250 million in a new alignment between the F3 and the New England Highway at Branxton. There is also a commitment to investing a further \$50 million for additional widening of the F3. Do we have the spending profile for these projects in 2005-06 and future years?

**Mr Hogan**—Before I give you those figures I would like to stress that, while we have made indicative estimates of expenditure in the out years from 2005-06, the expenditure will, of course, be affected by how much we spend in the remainder of this financial year. We have anticipated a certain amount, and if it is less we will obviously have to add money in future years and if it is more we will have to spend less. The F3 widening will be \$2 million in 2005-06, \$20 million in 2006-07 and \$27 million in 2007-08. We are currently working in cooperation with the New South Wales RTA to work out how that funding might best be applied. The F3 to Branxton will be \$14 million in 2005-06, \$25 million in 2006-07, \$40 million in 2007-08 and \$162.7 million in 2008-09. That project is at a stage where additional planning is under way and may not be completed for some time. We are also awaiting a revised cost estimate on the project from New South Wales.

**Senator MARK BISHOP**—You are in negotiation with the RTA, the New South Wales government, on funding shares as part of state funding. Have those negotiations been finalised for the F3?

**Mr Hogan**—They are part of the negotiations of the AusLink bilateral agreement overall. Those negotiations are under way and have reached a reasonable state of progress, but they have not been concluded as yet.

**Senator MARK BISHOP**—Do you mean by ‘bilateral’ the overarching agreement between the Commonwealth and New South Wales?

**Mr Mrdak**—That is right. The AusLink bilateral agreement with each state will contain a number of commitments that we wish the state to sign up to. It will also contain a schedule of each of the projects in the first five years, the Australian government contribution for each of those projects and the state contribution we want for those projects. As you know, one of the reform agendas from our perspective is shared funding by state and territory governments on a number of key projects.

**Senator MARK BISHOP**—Are the figures you gave me relatively fixed, subject to cost blow-outs or cost savings?

**Mr Hogan**—That is the scale of the current estimated government contributions. As Mr Mrdak has just indicated, for both of those projects we will be seeking a contribution from the New South Wales government.

**Senator MARK BISHOP**—Is it dollar for dollar?

**Mr Hogan**—No.

**Mr Mrdak**—It varies across projects and across jurisdictions. But for both of those projects Mr Hogan has indicated, that is the total amount of the Australian government contribution that has been made to this point.

**Senator MARK BISHOP**—On those bilaterals, the major sticking point is the construction code, as I understand it.

**Mr Mrdak**—It is the major issue in relation to a number of jurisdictions but, as I say, in New South Wales there is also an issue of higher mass vehicle limits—the Commonwealth’s desire to see an extension of the eligible network roads that New South Wales will permit higher mass vehicles onto. They are the two primary issues for New South Wales.

**Senator MARK BISHOP**—Is the New South Wales allocation seriously in dispute or not—the funding contribution to the F3?

**Mr Mrdak**—I think it remains an issue for them, but they know the Australian government’s position, which is that we will be seeking a funding contribution.

**Senator Ian Campbell**—We are hoping Mr Carr’s announcements on infrastructure are very helpful in this regard. Is that today or tomorrow?

**Mr Mrdak**—Today, I think.

**Senator MARK BISHOP**—Have the costs blown out on this project at all since we discussed it in February?

**Mr Hogan**—The F3 to Branxton?

**Senator MARK BISHOP**—Yes.

**Mr Hogan**—We believe that when New South Wales provide us with revised costs they will be higher.

**Senator MARK BISHOP**—Higher than you thought in February?

**Mr Hogan**—Yes.

**Senator MARK BISHOP**—Significantly higher than you thought in February?

**Mr Hogan**—I could not speculate on that.

**Senator MARK BISHOP**—Has the Commonwealth contribution that you outlined today the same as you outlined back in February?

**Mr Hogan**—It may have been slightly rejigged—I would have to look at that. But the aggregate amount is the same.

**Mr Mrdak**—The total contribution by the Commonwealth has not changed. As Mr Hogan has indicated, the phasing across the out years may have changed, but the total capped amount contribution is fixed.

**Senator Ian Campbell**—The downside of rapidly increasing infrastructure spending is that it has an inflationary impact on the sector.

**Senator MARK BISHOP**—There is a media report that the cost has blown out on the Weakleys Drive interchange. Is that correct?

**Mr Hogan**—We have had some indications from New South Wales RTA that there has been or is likely to be a cost increase. Until we receive that in a more formal way—namely, through a project proposal for the actual construction of the interchange—we do not process it into our numbers.

**Senator MARK BISHOP**—Is that going to become a bit of a headache negotiating point?

**Mr Hogan**—I would not think so because there is a process laid down in all the bilaterals dealing with the issue of cost increases.

**Senator MARK BISHOP**—The *Maitland Mercury* on 10 May reported that the RTA had updated cost estimates of \$33.6 million to complete the Weakleys Drive project. Is that the figure we are talking about?

**Mr Hogan**—It is a figure of that kind. That may be right.

**Senator MARK BISHOP**—Is it correct? Are we in that ballpark?

**Mr Hogan**—I think it is fair to say that like the *Maitland Mercury* we have heard that figure. However, I stress again that we have not received a formal project proposal. Whether that is the final figure we see in the formal project proposal remains to be seen.

**Senator MARK BISHOP**—I understood from additional estimates that there was \$22.5 million allocated for 2005-06. Mr Hogan said—this is on page 78:

For Weakleys Drive, we have \$1.5 million in 2004-05 and \$22.5 million in 2005-06.

The budget media release indicates that this has been cut to only \$5 million. Is that correct?

**Mr Hogan**—It is \$5 million in 2005-06 and \$17.2 million in 2006-07. Taken together with the forecast expenditure of \$1.3 million and previous expenditure, that equates to the \$25 million which was previously allocated to the project.

**Mr Mrdak**—That reflects the situation Mr Hogan described. We are waiting for a project proposal from New South Wales, which means that the time frame for that project is pushed out. So we have accordingly adjusted our cash projections.

**Senator MARK BISHOP**—I am not quite clear, Mr Mrdak. I understood from additional estimates that there was \$22½ million allocated for 2005-06. That is what Mr Hogan said in additional estimates. But the budget media release indicates this has been cut to only \$5 million.

**Mr Hogan**—The budget media release was only setting up the expenditure for 2005-06. It did not indicate that \$17.2 million had now been pushed into 2006-07.

**Senator MARK BISHOP**—I see. So you have put it out one year.

**Mr Mrdak**—As I said, because of the delays in the project proposal coming forward, we have now reprofiled our cash. Our commitment remains the same. We have simply now extended our funding into 2006-07 to match the New South Wales construction schedule.

**Senator MARK BISHOP**—Can we now talk about the Sydney-Brisbane corridor, in particular the New England Highway. Page 37 of the white paper talks about the Commonwealth being committed to funding a number of other projects on the New England Highway and also says that the government will invest some \$5 million to commence a bypass at Muswellbrook. Can you update us on the projected expenditure profile for the Muswellbrook bypass and these other projects, please?

**Mr Hogan**—It is \$0.05 million in 2005-06, \$1 million in 2007-08 and \$3.85 million in 2008-09.

**Senator MARK BISHOP**—Is there going to be widening at several locations around there?

**Mr Hogan**—My understanding is that this is only planning funding. This is funding for planning.

**Senator MARK BISHOP**—For the planning itself, not for the construction.

**Mr Hogan**—Not for construction, no.

**Senator MARK BISHOP**—So the \$5 million is for the planning for the bypass—is that correct?

**Mr Hogan**—That is right.

**Senator MARK BISHOP**—Has that planning process been concluded?

**Mr Hogan**—No, it will not be concluded until 2008-09. This is one of the projects I think we talked about in the last estimates as being convenient to park at a certain stage and then resume towards the end of the five years.

**Senator MARK BISHOP**—So all we have at this stage is \$5 million over a period of years for the planning for the bypass—nothing more. That is a huge amount for just planning, isn't it?

**Mr Hogan**—Not for a project of this size.

**Senator MARK BISHOP**—Is it just the one site, or are there several areas where the road is going to be widened?

**Mr Hogan**—It is a bypass of several kilometres. It could well run into considerable tens of millions of dollars.

**Senator MARK BISHOP**—Has the government actually committed to constructing the bypass, or is that a decision to be made sometime after the planning has concluded?

**Mr Hogan**—What the white paper said was that additional funding would be sought from future budgets.

**Senator MARK BISHOP**—Additional funding would be sought from future budgets for construction.

**Mr Hogan**—That is right.

**Senator MARK BISHOP**—Realignment at Devils Pinch: was the \$15 million spent, which you advised us at additional estimates was allocated for 2004-05?

**Mr Hogan**—At this stage we anticipate expenditure of \$11 million and, accordingly, \$8.2 million has been budgeted in 2004-05.

**Senator MARK BISHOP**—And the other \$3 million in 2006-07?

**Mr Hogan**—That will complete expenditure for the project.

**Senator MARK BISHOP**—The \$8 million will conclude the project?

**Mr Hogan**—That is right.

**Senator MARK BISHOP**—You have already spent it. How much have you spent so far—\$15 million, minus \$8 million?

**Mr Hogan**—If we have got \$19.2 million, we must have spent \$5.6 million in previous years.

**Senator MARK BISHOP**—Has construction started?

**Mr Hogan**—Yes, it has.

**Senator MARK BISHOP**—When did it start?

**Mr Hogan**—It started in January 2004.

**Senator MARK BISHOP**—The realignment started in January 2004, and you have announced a further \$8.2 million in 2005-06.

**Mr Hogan**—That is right.

**Senator MARK BISHOP**—And you believe that will conclude the project?

**Mr Hogan**—Yes.

**Senator MARK BISHOP**—When do you think it will be concluded?

**Mr Hogan**—Towards the end of this year.

**Senator MARK BISHOP**—What were the reasons for the delay? Why did it take from January 2004 to the end of 2005 to do a realignment?

**Mr Hogan**—I am told there were technical difficulties associated with the site.

**Senator MARK BISHOP**—What were those technical difficulties associated with the site?

**Senator Ian Campbell**—Geomorphology, I bet.

**Senator MARK BISHOP**—That is a good word. What does it mean? Was the rock harder than you had anticipated?

**Senator Ian Campbell**—It was either too hard or too soft or there was a wetland somewhere nearby.

**Senator MARK BISHOP**—Instead of us guessing, why doesn't the official come forward and tell us what the real answer is—seeing the project has been announced on a number of occasions.

**Mr Cory**—I understand that the problem with the site was associated with drainage. It is essentially a landslip area. When the terrain becomes wet the road tends to move downhill basically. Particularly with the stresses imposed by heavy vehicles accelerating or braking down the hill, that created a lot of problems with the previous roadway. Diagnosing the problem adequately in order to come up with a solution was a fairly lengthy process. That, as I understand it, was essentially the reason for the project taking some time to get under way.

**Senator MARK BISHOP**—Regarding the realignments at Halcombe Hill, at additional estimates the department advised that \$5 million would be spent in 2004-05. Did that happen?

**Mr Hogan**—No. We are now anticipating expenditure of \$0.85 million.

**Senator MARK BISHOP**—Why is that? Why the reduction?

**Mr Cory**—Again, that is associated with basically the time it takes to get the project up and running, the identification of routes and the design issues associated with the realignment there.

**Senator MARK BISHOP**—So planning is taking longer than we thought?

**Mr Cory**—Yes.

**Senator MARK BISHOP**—There were to be \$10 million in 2005-06, which I note in the budget media release is now down to \$9.2 million. Will that \$9.2 million, plus the \$0.85 million in 2004-05 complete that work?

**Mr Hogan**—No. Again it is a matter, as with all other projects, of aggregate expenditures being maintained. Unless savings have been identified, it is a matter of the remainder of funds, \$5.10 million, being in 2006-07.

**Senator MARK BISHOP**—So the completion date of that project has slipped out by 12 months.

**Mr Hogan**—I do not know that it has slipped out by 12 months. It has certainly slipped a little bit.

**Mr Cory**—It has slipped into the following year. Whether that means that it will take the full 12 months, I do not think so. Certainly the funding distribution implies that it will be completed earlier in that financial year rather than later because of the relatively small amount of money involved compared to the earlier year.

**Senator MARK BISHOP**—We assume on current plans that it is going to be finished in 2005-06.

**Mr Hogan**—No, in 2006-07.

**Senator MARK BISHOP**—That is right, 2006-07. Where are we at with road safety improvements and realignment near Sunnyside Road north of Adelaide?

**Mr Hogan**—Do you mean Sunnyside north of Adelaide or do you mean Sunnyside on the New England Highway?

**Senator MARK BISHOP**—The New England Highway is north of Adelaide, I suppose.

**Mr Hogan**—We have \$0.3 million in 2005-06, \$3.2 million in 2006-07 and \$5 million in 2007-08.

**Senator MARK BISHOP**—And that is the New England Highway?

**Mr Hogan**—That is right.

**Senator MARK BISHOP**—Will the third year conclude it?

**Mr Hogan**—Yes, it will.

**Senator MARK BISHOP**—Are there any additional works planned on the New England Highway that were not identified in the AusLink paper? Have any additions been made in more recent times?

**Mr Mrdak**—No. Essentially the government has announced in the white paper its five-year program.

**Mr Hogan**—The only addition which should be made to that is the package works which straddle the Newell, the Sturt and the New England highways that we had such a good time with last estimates.

**Senator MARK BISHOP**—Which ones were they?

**Mr Hogan**—These are packages of what can be relatively minor works across a number of highways. In this case that includes the New England Highway as well.

**Senator MARK BISHOP**—What was the other highway?

**Mr Hogan**—The Sturt and the Newell.

**Senator MARK BISHOP**—I will take your word on that. Let us move north to the Sydney-Brisbane corridor, the Pacific Highway. What is the estimated expenditure on the Pacific Highway in 2005-06?

**Mr Hogan**—We are looking at \$40 million on the basis that that will complete the current 10-year agreement with New South Wales which has the Australian government paying \$60

million per year indexed. The reason it is less than \$60 million anticipated for 2005-06 is that we will be spending more than our \$60 million in 2004-05.

**Senator MARK BISHOP**—This is the last year of the 10-year agreement with the New South Wales government, but we have ongoing commitments in the forward estimates.

**Mr Hogan**—That is right. We have \$160 million in each of the three years 2006-07 to 2008-09.

**Mr Mrdak**—We have offered that as a contribution going forward towards a new agreement on the Pacific. That is one of the things we are negotiating with New South Wales.

**Senator MARK BISHOP**—You are having negotiations with the New South Wales government for their share?

**Mr Mrdak**—We are asking for a matching contribution.

**Senator MARK BISHOP**—So you are putting in \$160 million per year in each of the three out years?

**Mr Mrdak**—That is right.

**Senator MARK BISHOP**—You are seeking the same from the New South Wales government?

**Mr Mrdak**—We are seeking that to be matched by New South Wales.

**Senator Ian Campbell**—I think we are negotiating another 10-year agreement.

**Mr Hogan**—Some preliminary work is starting to happen amongst officials—and it needs to be discussed more thoroughly by governments—to start looking at a longer term agreement.

**Senator MARK BISHOP**—Is that figure of \$160 million in the three out years consistent with the contribution of the Commonwealth in the previous 10 years?

**Mr Mrdak**—It is an increase above what we have previously done.

**Mr Hogan**—Our average previously after indexation was \$65 million per year. The \$160 million is not indexed so it will be \$95 million per year higher.

**Senator MARK BISHOP**—You are saying that the \$160 million is not indexed or is indexed?

**Mr Hogan**—It is not indexed.

**Mr Mrdak**—Essentially, we are lifting our contribution from an average of \$60 million to \$65 million per year over the previous agreement to a \$160 million contribution per annum for the last three years of this program.

**Senator MARK BISHOP**—Was the New South Wales government's commitment in the previous 10-year agreement on a matching basis?

**Mr Hogan**—The 10-year agreement was for \$60 million, indexed, from each of the two parties. At the same time New South Wales continued its own upgrading program for the Pacific Highway of \$100 million per annum. So New South Wales was contributing \$160

million per annum across the 10 years. Included in that was maintenance of the highway as well as construction.

**Senator MARK BISHOP**—I understand that the Deputy Prime Minister floated the idea of expediting the upgrade of the Pacific Highway with private sector involvement. Has that gone any further than the idea stage?

**Mr Mrdak**—There are discussions taking place. I think that the Deputy Prime Minister and New South Wales Minister Costa have both made statements that they are working together on a longer term agreement, as Mr Hogan has indicated, for the upgrade of the Pacific Highway. Part of that work we envisage is an examination of the opportunities for private financing. That work is at the very preliminary stages and we are hoping to progress that very quickly with New South Wales.

**Senator MARK BISHOP**—Is this one of the things under discussion in the bilateral or is it separate from it?

**Mr Mrdak**—That will be separate from the bilateral. The bilateral will focus on this first five years, which is our contribution of the \$160 million and a matching contribution from New South Wales. Although the bilateral may include a reference to negotiating a separate, longer term agreement, we envisage that that will probably be done outside the bilateral.

**Senator MARK BISHOP**—Have you set up a joint officials' working group to explore options in terms of private financing for the Pacific Highway?

**Mr Mrdak**—We have not as yet. We have had discussions at officer level and ministers have discussed these matters. We would anticipate that the next stage will be some joint work with New South Wales more formally on looking at financing options.

**Senator MARK BISHOP**—So we are really at a very early stage as yet?

**Mr Mrdak**—A very early stage. We have received some initial work that New South Wales has done on these matters. We have evaluated it and had a look at that. We have done some of our own work at this end and we now probably need to have officials come together in a joint process. That is something that we anticipate ministers would agree to in the near future.

**Senator MARK BISHOP**—Is Mr Costa the new Minister for Roads?

**Mr Mrdak**—Yes.

**Senator MARK BISHOP**—Still on the Pacific Highway, what is the maintenance cost likely to be and has the Australian government made any commitment to fund maintenance on the Pacific Highway?

**Mr Mrdak**—Mr Hogan will give you some more detail on this. The Australian government is making a contribution to maintenance across the network in New South Wales, not solely to a particular section of highway. Under AusLink we are providing \$300 million per year across Australia for maintenance and that is a contribution to the whole network, not just what was formerly the national highway system. As you know, the Pacific Highway was not a national highway; it was a state road. We have made a contribution to maintenance, and the maintenance contribution for the coming year for New South Wales is—

**Mr Hogan**—It is \$112.79 million.

**Mr Mrdak**—That is the 2005-06 maintenance contribution for New South Wales.

**Senator MARK BISHOP**—And that is partly for the Pacific Highway.

**Mr Mrdak**—It is for all of the national network in New South Wales.

**Senator MARK BISHOP**—For all of the national network in New South Wales the Commonwealth contribution in 2005-06 is \$112 million.

**Mr Mrdak**—That is correct.

**Senator MARK BISHOP**—Who decides what amount, if any, goes to maintenance for the Pacific Highway?

**Mr Hogan**—I do not think the Australian government would want to be prescriptive in directing where its \$112 million goes. It is a matter of New South Wales making a contribution such that the total of funds is sufficient to maintain network roads to what we would call a fit-for-purpose standard.

**Mr Mrdak**—That is an important point. In the bilateral agreement with the jurisdictions, one of the conditions the Commonwealth is placing on its funding, both construction and maintenance, is the agreement of the jurisdictions to a fit-for-purpose standard against which we would manage and monitor maintenance to ensure the asset was not run down.

**Senator MARK BISHOP**—Did you say ‘fit for purpose’?

**Mr Mrdak**—Fit-for-purpose standard. That standard would apply to that particular section of road. We are asking states to sign up to, essentially, a great deal more monitoring by the Commonwealth of maintenance to a fit-for-purpose standard.

**Senator MARK BISHOP**—You are making sure the states, when they get money for a particular purpose, spend it on the particular purpose. Is that what you are telling me?

**Mr Mrdak**—That is right. And that the asset does not decline. The Commonwealth have spent a significant amount of Commonwealth funds over many years on the national highway system. We would not want to see that deteriorate because of decisions. We want to be able to monitor that.

**Senator MARK BISHOP**—Understood. Can you update us on the projected expenditure profile for the Commonwealth’s \$120 million contribution for the bypass at Tugun?

**Senator Ian Campbell**—There are very sensitive wetlands around Tugun, I have got to warn people.

**Mr Elliott**—The expenditure profile is \$60 million in 2006-07 and \$60 million in 2007-08.

**Senator MARK BISHOP**—There was an article in the *Gold Coast Bulletin* on Tuesday, 17 May under the authorship of a Mr Peter Gleeson. He says:

The most glaring funding omission for the Gold Coast was the six-laning of the Pacific Motorway between Nerang and Tugun. Main roads department research shows that the existing four-lane highway is expected to become a bottleneck within four years.

Is that correct? Does your research show that?

**Mr Elliott**—We have not done any direct research on that but I understand that the Queensland infrastructure forward planning shows something like that.

**Senator MARK BISHOP**—The growth of population across the Gold Coast is apparently going to be a bit of a problem—is that right?

**Mr Elliott**—A problem in the sense that it will lead to a growth in traffic, yes.

**Senator MARK BISHOP**—What is the Commonwealth's view on the state's desire to shift from four lanes to six lanes up there?

**Mr Elliott**—At this point in time we do not have any money in our program under AusLink for six-laning of the Pacific Motorway.

**Senator MARK BISHOP**—So the answer is no at this stage.

**Mr Elliott**—At this stage.

**Senator MARK BISHOP**—Have you had a request from the state government?

**Mr Elliott**—Not a direct request at this stage.

**Ms Armitage**—The department is involved with doing an eight- to 10-year plan in the context of the south-east Queensland infrastructure plan. The Queensland government has indicated that \$300 million could be available, but obviously we have got to get that planning process through and it has got to be set within the context of the money that is available for Queensland in the next five years.

**Senator MARK BISHOP**—Are the Queensland government seeking from the Commonwealth a similar figure to the \$300 million they are indicating might be available?

**Ms Armitage**—Not directly, but they have said they would put that amount on the table.

**Senator MARK BISHOP**—That suggests they are seeking the same amount.

**Mr Elliott**—It would not be a surprise.

**Senator MARK BISHOP**—You have allocated \$120 million over two years, so that will not take it up to \$300 million.

**Mr Elliott**—That is for the Tugun bypass.

**Ms Armitage**—And that is separate from the six-laning.

**Senator MARK BISHOP**—Let us head over now to the Hume Highway. What is the estimated total cost to complete the duplication of the Hume Highway and what is the time period for its completion?

**Mr Hogan**—Do you mean in New South Wales, or in New South Wales and Victoria?

**Senator MARK BISHOP**—In New South Wales—the Sydney-Brisbane corridor.

**Mr Mrdak**—I am not sure we have that estimate readily available.

**Senator MARK BISHOP**—You have the Albury bypass listed for Victoria. Is Craigieburn in Victoria or New South Wales?

**Mr Hogan**—Victoria.

**Senator MARK BISHOP**—Donnybrook?

**Mr Hogan**—Victoria. We can take that on notice. There is something like \$800 million being spent on the Hume Highway within the current five years of AusLink, but we would have to come back to you with a number for the estimated future expenditure.

**Senator MARK BISHOP**—You can take that on notice. What was spent last year?

**Mr Hogan**—These are forecasts of expenditure in 2004-05 only. I will go through them quickly. This is on the New South Wales side: \$42 million for Albury, \$4.2 million for F5 ramps, \$0.78 million for North Gundagai grade separation, \$0.44 million for Tarcutta truck parking facilities, \$0.25 million for Towrang-Carrick intersection upgrade, \$3.1 million for Coolac bypass, \$0.2 million for Kyeamba Hill curve realignment, \$0.21 for Table Top Creek bridge widening and \$1 million for other planning and safety works. That adds up to very close to \$50 million on the New South Wales side in 2004-05. That is the anticipated outcome, as I said.

**CHAIR**—Is Coolac in that?

**Mr Hogan**—Coolac was there, for \$3.1 million.

**CHAIR**—When is that going to be finished?

**Mr Hogan**—The cash flows have it finishing in 2007-08. It gets \$35 million next year, \$40 million the year after that and then it finishes up with \$29.72 million.

**Senator MARK BISHOP**—And on the Victorian side?

**Mr Hogan**—This is a much shorter list: \$7.05 million on the Wodonga side of the Albury-Wodonga upgrade and \$88.06 million for Craigieburn. That is it.

**Senator MARK BISHOP**—I am advised that prior to AusLink there was 100 per cent Commonwealth responsibility as part of the National Highway. What share does the Commonwealth expect to take in the cost of the duplication and also in the maintenance?

**Mr Mrdak**—This is the duplication of the Hume?

**Senator MARK BISHOP**—Yes.

**Mr Mrdak**—Yet to be determined. To this point in this five-year program the Commonwealth is meeting all of the costs of the Hume—is that right?

**Mr Hogan**—Nearly all. We are looking for a share from New South Wales in terms of the F5 because it is on the top end of the Hume in the semi-urban environment of Sydney.

**Senator MARK BISHOP**—The maintenance—does the Commonwealth pick that up?

**Mr Hogan**—As Mr Mrdak indicated in relation to the Pacific, we make a contribution to maintenance across the whole of the AusLink network.

**Senator MARK BISHOP**—So it is the same answer: the same formula?

**Mr Hogan**—That is right.

**Senator MARK BISHOP**—Have the internal bypass costs for Albury blown out?

**Mr Hogan**—As we advised at the last estimates hearing it had increased from \$402 million to \$518 million, including—

**Senator MARK BISHOP**—Over the life of the project?

**Mr Hogan**—That is right.

**Senator MARK BISHOP**—Has it increased further since February?

**Mr Hogan**—No.

**Mr Mrdak**—That is the contract price to the Commonwealth.

**Senator MARK BISHOP**—What were the reasons for that? Before you answer that, did you give the reasons for that in February?

**Mr Hogan**—We had a good discussion on it in February.

**Senator MARK BISHOP**—How much of that \$500 million has been expended so far?

**Mr Hogan**—While we are getting that for you, I reiterate that that is \$518 million being spent by the Australian government, and that takes in the Australian government contribution to the Bandiana link. The Victorian government is contributing \$5.8 million to the Bandiana link. The total cost of the project is \$524 million.

**Mr Cory**—To date there has been expenditure of just on \$75 million for the Albury project in New South Wales. That would be the vast bulk of the expenditure. Most of the preconstruction works—the planning activities and so forth—have been charged out through New South Wales. We are looking to spend a total of about \$7 million to the end of the current financial year in Victoria.

**Mr Hogan**—A total of \$24 million in Victoria to the end of 2004-05.

**Senator MARK BISHOP**—What is the expenditure profile for the remainder?

**Mr Hogan**—In Victoria it is \$65 million in 2005-06, \$40 million in 2006-07 and \$14.5 million in 2007-08. In New South Wales it is \$113 million in 2005-06, \$110 million in 2006-07 and \$68.02 million in 2007-08.

**Senator MARK BISHOP**—The budget media release says the government will provide \$80 million in 2005-06 to cover collectively the Albury-Wodonga bypass, the completion of the Craigieburn bypass and the Donnybrook interchange. Is that correct?

**Mr Hogan**—Yes, that is right. There is \$65 million for Albury-Wodonga, \$11.6 million for Craigieburn and \$3.5 million for Donnybrook.

**Senator MARK BISHOP**—Based on the information you gave us at additional estimates, I would have added up these projects as totalling \$195 million in 2005-06: Craigieburn, \$44.4 million; Albury bypass, Victoria, \$46 million; Albury bypass, New South Wales, \$100 million; Donnybrook, \$5 million—giving a total of \$195.4 million.

**Mr Hogan**—The first point is that we have excluded the New South Wales side of the Albury-Wodonga bypass, so we have to bring that figure in as well. We have got \$80 million—

**Senator MARK BISHOP**—So you have to add that \$100 million to the \$80 million, or take it off the \$195 million?

**Mr Hogan**—We have got \$80 million and then we add \$113 million and that brings it up to \$193 million.

**Senator MARK BISHOP**—The budget figures released a couple of weeks ago total \$193 million in 2005-06 for those four aspects of the project?

**Mr Hogan**—That is right.

**Senator MARK BISHOP**—That is remarkably close to the \$195 million.

**Mr Hogan**—Yes, but there has been some movement between projects. For instance, the expenditure came forward on Craigieburn and there is greater expenditure on the Wodonga side of Albury-Wodonga.

**Senator MARK BISHOP**—Where do we find that \$100 million that you are talking about in the budget papers?

**Mr Hogan**—The \$113 million was on the New South Wales side of Albury-Wodonga.

**Senator MARK BISHOP**—Backtracking, in February the total you gave for 2005-06 was \$195.4 million.

**Mr Hogan**—Yes.

**Senator MARK BISHOP**—The budget papers this time show \$80 million and you say that excludes the \$113 million for the New South Wales Albury bypass. Is that correct?

**Mr Hogan**—That is right. For that \$80 million we are only adding the three Victorian projects.

**Senator MARK BISHOP**—I see. So why has the Albury bypass for New South Wales been pulled out?

**Mr Hogan**—Is it the Victorian media release that you are looking at?

**Senator MARK BISHOP**—It refers to a budget media release so it must be from Mr Anderson.

**Mr Mrdak**—The minister generally releases a state-by state media statement on expenditure. I would imagine that the \$80 million is in the Victorian statement. There would subsequently be a New South Wales statement which would carry the Hume Highway expenditure for New South Wales in there.

**Senator MARK BISHOP**—I will check that and come back to you. I understand what you are saying.

**Mr Cory**—The Albury project is in fact let as two contracts, one in New South Wales and one in Victoria, hence there is an allocation in both.

**Senator MARK BISHOP**—So there are separate allocations in both of them. Has the total cost of the Albury bypass project—both sides—materially changed since February?

**Mr Hogan**—No, not at all.

**Mr Mrdak**—The contracts have been entered into at that price.

**Senator MARK BISHOP**—So there are no blow-out costs. When did you sign the contracts?

**Mr Hogan**—The Victorian contract was signed in January and the New South Wales contract was signed on 4 February.

**Senator MARK BISHOP**—So you had a full picture when we had our meeting in February, didn't you?

**Mr Hogan**—Yes.

**Senator MARK BISHOP**—And there has been no change since then.

**Mr Hogan**—No.

**Senator MARK BISHOP**—Let us now shift the discussion to the Goulburn Valley Highway. Some press clippings have been drawn to my attention about Dr Sharman Stone MP being critical of the department. She said that you were apparently partying all night on budget night. Were you aware of that?

**Mr Hogan**—No.

**Senator MARK BISHOP**—You were not aware of that. I would have been surprised, Mr Hogan. She is critical, as I understand it, of the cessation of or reduction in funding for the Goulburn Valley Highway. Can you bring us up to date with what is happening there?

**Mr Hogan**—There was no cessation or reduction. The \$15 million that had originally been budgeted for 2005-06 was moved to 2006-07. The reason for that is that we are still in the process of completing a bilateral agreement with Victoria. We are still exploring options with Victoria as to how best to allocate that \$15 million.

**Mr Mrdak**—I think it should also be pointed out that Minister Lloyd issued a statement in response to that making it clear that the government would be looking at opportunities to bring that expenditure forward. It has been rephased, as Mr Hogan has indicated, for budget management reasons at this point, given the status of the project, but the government is looking to bring that forward wherever it can.

**Senator MARK BISHOP**—You told us right at the beginning that you were very close to resolving your bilateral agreement with the state of Victoria, didn't you?

**Mr Mrdak**—We are.

**Senator MARK BISHOP**—If both governments resolve that completely within the next two or three weeks, could the allocation of funding for the Goulburn Valley project be brought forward?

**Mr Hogan**—Subject to identifying how best to apply the funds, yes. The situation we have at the start of any financial year is that all the funds are allocated to projects, but inevitably we encounter delays which allow us to accelerate other projects. So subject to the bilateral agreement happening with Victoria, we would be able to accelerate the funding in 2005-06.

**Senator MARK BISHOP**—I do not have the reference to all the departmental people being out partying so I should not say that; I should withdraw it.

**Mr Mrdak**—I have not seen that statement.

**Senator MARK BISHOP**—If I had the supporting attachment I would draw it to your attention but I do not have it, so I withdraw the comment. Dr Stone put out another statement which was later reported—and I do have this one—in the *Shepparton News* on 13 May. She announced a major breakthrough in reinstating the \$15 million in next financial year's budget.

She said that she would be keeping the pressure on for an injection of highway funds from any reallocation of the Scoresby Freeway funding. Has the money been brought forward to 2005-06 in a major breakthrough?

**Mr Mrdak**—As we have indicated, the minister has issued a statement making clear his intention to bring forward the money once the project details are clarified with Victoria. So that option is certainly there.

**Senator MARK BISHOP**—Is that a major breakthrough?

**Mr Mrdak**—I do not think I can comment on that. I am just putting the situation as we see it from a cash management perspective. The money will be brought forward if the projects can be clarified with Victoria.

**Senator MARK BISHOP**—Has the department been asked to look at options to reallocate the money from the Scoresby East link?

**Senator Ian Campbell**—The government has a firm policy on that.

**Senator MARK BISHOP**—There will be no reallocation?

**Senator Ian Campbell**—No.

**Senator MARK BISHOP**—None?

**Senator Ian Campbell**—The Scoresby money is for Scoresby—a toll-free Scoresby Freeway.

**Senator MARK BISHOP**—What happened to the improved truck stop at—

**Senator Ian Campbell**—If the Scoresby money became available, you and I would want it in the west, wouldn't we?

**Senator MARK BISHOP**—I do not know whether we would want it in the west, but we would want it. Let us not cut off our options. We would have the money, though—or I would have the money.

**Senator Ian Campbell**—Four lanes to Broome—that is what I am looking for.

**Mr Yuile**—And a canal down the middle.

**Senator MARK BISHOP**—We will have two canals: one going forward and one coming back.

**Senator Ian Campbell**—Grade-separated canals—solar powered.

**Senator MARK BISHOP**—Let us get back to some serious business. What is happening to the improved truck stop at Tarcutta?

**Mr Hogan**—Preconstruction work is continuing and an engineering workshop meeting was held on 9 February to review design. The next stage will be the submission of a project proposal for construction.

**Senator MARK BISHOP**—What is preconstruction work? Is that after planning?

**Mr Hogan**—It is after planning and before construction. It can be things like land acquisition or utility adjustments.

**Senator MARK BISHOP**—So we are at the preconstruction stage?

**Mr Hogan**—That is right.

**Senator MARK BISHOP**—How long will that take?

**Mr Hogan**—I am reminded that there are also environmental studies happening.

**Senator MARK BISHOP**—At Tarcutta? I have been to Tarcutta. What are the environmental studies occurring at the truck stop at Tarcutta? I am intrigued.

**Mr Cory**—Any project basically requires some environmental consideration. A major project requires a major environmental impact statement, which I guess we are all familiar with from things like the F3 to Branxton and so forth. On smaller projects, in New South Wales they refer to it as a review of environmental factors. It is essentially an environmental study undertaken on a slightly smaller scale. In fact, at Tarcutta the area that is intended to be utilised for the truck stop is adjacent to a waterway, a creek which flows beside the town, so there are issues associated with that.

**Senator Ian Campbell**—In the environment portfolio we call it a valuable wetland with all sorts of biodiversity.

**Senator MARK BISHOP**—Is that right. Mr Cory said it was a creek.

**Mr Cory**—There are issues associated with heavy vehicles, diesel spills, spills from loads and so forth.

**Senator MARK BISHOP**—Into the creek?

**Senator Ian Campbell**—They will need a full study on this one—a full assessment.

**Mr Cory**—There is also a noise issue.

**Senator MARK BISHOP**—I suppose there is with a truck stop.

**Senator Ian Campbell**—It sounds like a disaster!

**Senator MARK BISHOP**—Is the truck stop in the town?

**Mr Cory**—Yes, it is referred to as the ‘in-town’ site. A number of locations were looked at: the in-town site; a site just to the north of the town—sort of on the town boundary; and a third site closer to Gundagai. The in-town site was selected.

**Senator MARK BISHOP**—What is the population of Tarcutta?

**Mr Cory**—I do not know. I guess it would be in the low-hundreds.

**Senator Ian Campbell**—Humans or endangered species?

**Senator MARK BISHOP**—Shut up! I bet that if I lived in Tarcutta I would not want an in-town truck stop.

**Mr Hogan**—The trucks are stopping there anyway. They stop in the main street and in people’s backyards. So, given that circumstance—

**Senator MARK BISHOP**—So we are going to centralise it.

**Mr Cory**—There is also an economic issue associated with the business that the trucks stopping bring.

**Senator MARK BISHOP**—Are they stopping access to the pub and the deli?

**Mr Cory**—They bring trade to the takeaways, the service station and so forth.

**Senator MARK BISHOP**—We are at the preconstruction stage. When is construction going to start—in 12 months?

**Mr Cory**—I think it would be in that time frame. We have the bulk of our funding in the 2005-06 financial year so we would expect construction to be under way next financial year.

**Senator MARK BISHOP**—In the 2005-06 financial year?

**Mr Cory**—That is right. I should point out that this is a project that is being shared with the New South Wales government on a fifty-fifty basis—\$3 million from each government—so there would be a New South Wales cashflow to be factored into the equation as well.

**Senator MARK BISHOP**—Senator Hogg asks me whether you are going to invite Minister Campbell to open it—him showing such an interest in it.

**Mr Cory**—I will take that on notice, Senator.

**Senator Ian Campbell**—As one of the few members or senators with a heavy vehicle truck drivers licence in my wallet, I have a special affinity with truck stops.

**Senator MARK BISHOP**—The next thing you will tell me is that you have a TWU ticket in your wallet.

**Senator Ian Campbell**—Actually, I have the TWU membership form. Steve Hutchins gave it to me a couple of months ago.

**Senator MARK BISHOP**—Did you fill it out?

**Senator Ian Campbell**—I have filled it out but my wife has not approved my sending off the cheque.

**Senator MARK BISHOP**—We know about people who do not give you the cheque.

**Senator Ian Campbell**—I could be made an honorary member then I would not have to worry.

**Senator MARK BISHOP**—Honorary members do not vote, mate. You always want to vote.

**Senator Ian Campbell**—I will ask Steve if he will pay my fees—Conroy, that is.

**Senator MARK BISHOP**—Has the department done any work looking at the need for a Murrumbateman bypass between Yass and Canberra?

**Mr Cory**—There has been a fairly extensive route selection process undertaken by the New South Wales RTA, funded by the Australian government. That was concluded some little while ago with the identification of a preferred route and that route has been endorsed by the Australian government.

**Senator MARK BISHOP**—Does it need the endorsement of the New South Wales government?

**Mr Cory**—It was essentially a New South Wales government and RTA recommendation that the minister endorsed.

**ACTING CHAIR (Senator Ferris)**—How have the community group at Murrumbateman reacted to that third route, given the amount of campaigning they did on the alternative two routes which came up in this committee before? What has happened to the community consultation process out there?

**Mr Cory**—Following the announcement there were some written representations made in relation to people's preference or otherwise for that route. Subsequent to that there has been no consultation with the community as such in any formal sense as the route selection process is now complete. The next stage will be to take that further to an environmental impact statement. At that time there will be substantial consultation with the local community.

**ACTING CHAIR**—Where does the third route go? I am familiar with the existing route and the 'west is best' campaign that looked at a route to the west of the township.

**Mr Cory**—The preferred route is what was most recently referred to as the 'outer eastern bypass'. There had been previously an eastern bypass which had been placed some considerable time ago on the council environmental plan. That route was examined in the subsequent route selection process and a route a little further to the east—hence the 'outer eastern' nametag—was selected. The route departs the current highway just to the north of Murrumbateman and then traverses to the east of the recreation area cutting back in a loop onto the highway as it exits that uphill stretch to the south of Murrumbateman where the speed restriction sign has recently been moved to, heading towards Macintosh Circuit. The completion of the duplication would finish the overall project. It would then follow the existing highway to the ACT border.

**ACTING CHAIR**—That does not involve interference with any of those historic properties out there? One of the arguments about one of the routes was that it would interfere with the operation of some of those historic properties.

**Mr Cory**—There were statements to that effect. The impact on properties both to the east and to the west was a significant element of the route selection process.

**ACTING CHAIR**—So this resolves those issues?

**Mr Cory**—A decision has been made and I think it is fair to say that the issues have been resolved for the people who might have been affected by a western bypass.

**ACTING CHAIR**—It begs the question about this route and the property on the corner of Yass River Road: is that likely to be affected by it?

**Mr Cory**—There will be a number of properties affected by the proposed route. Property acquisition will be required for the bypass as such, and, to the extent that the duplication proceeds to the north and south of Murrumbateman, there will be strip acquisitions paralleling the existing road.

**ACTING CHAIR**—I look forward to the community lobbying on it.

**Senator MARK BISHOP**—Is this Murrumbateman bypass that the acting chair has now fully informed us about a priority project? Where does it rate in the pecking order?

**Mr Hogan**—It is not included in the current five-year AusLink program.

**Senator MARK BISHOP**—So this discussion is a bit premature, isn't it.

**Senator Ian Campbell**—It took many years to get the Albury issue resolved. You have to resolve these things before you fund them.

**Senator MARK BISHOP**—Let's talk about the Calder Highway. Can you provide the expenditure to date and projected forecasts for the Commonwealth contribution to duplicate the Calder Highway between Kyneton and Faraday?

**Mr Hogan**—We are anticipating expenditure of \$31.9 million this year on Kyneton-Faraday.

**Senator MARK BISHOP**—Is that 2004-05?

**Mr Hogan**—That is right. We anticipate \$15 million in 2005-06, \$40 million in 2006-07 and \$2.07 million in 2007-08.

**Senator MARK BISHOP**—Can you provide the same detail for the duplication between Faraday and Ravenswood?

**Mr Hogan**—Funding commences in 2007-08 with \$5 million and \$20 million in 2008-09. There is also a commitment in the white paper that an additional \$82 million will be sought from future budgets.

**Senator MARK BISHOP**—During the February additional estimates you advised us that \$25 million would be spent over 2007-08 and 2008-09. Would that complete the project?

**Mr Hogan**—No. As I just indicated, there is an additional \$82 million required from the Australian government to complete the project.

**Senator MARK BISHOP**—Has that been allocated?

**Mr Hogan**—No, there has been a commitment by the government to provide the additional funds from future budgets, but it has not as yet been allocated.

**Senator Ian Campbell**—I have a suggestion: we have a document here that Mr Hogan is working off that has basically every road with the expenditure broken down for every year of, I think, the next five years.

**ACTING CHAIR**—It might be useful if he could make that available to the committee.

**Senator MARK BISHOP**—Would you like to table that document, Mr Hogan?

**Senator Ian Campbell**—We will review it to make sure it is in a form that can be tabled. If you ask about a road, we could tell you if it is in the document.

**ACTING CHAIR**—It might save a little time.

**Senator MARK BISHOP**—I have questions on about 20 roads that I am going to put on notice.

**Senator Ian Campbell**—This document will probably answer all of those.

**Mr Mrdak**—This document will cover all of the roads to which the Commonwealth has made a commitment under AusLink.

**Senator MARK BISHOP**—In fact, the only questions I have outstanding relate to the Melbourne-Geelong link of the Melbourne-Mildura corridor, the Brisbane urban corridor, the

Adelaide corridor—the Great Eastern Highway out of Adelaide—and the Perth-Bunbury Highway in the south of Western Australia.

**Senator Ian Campbell**—All of that is in there.

**Mr Mrdak**—All of those projects with their cash flows—

**Senator MARK BISHOP**—Why don't you have a look at it while we question the next group and advise us at four o'clock.

**CHAIR**—What a great idea. I thank officers from AusLink. We will see them later.

[3.31 pm]

#### **Australian Maritime Safety Authority**

**Senator MARK BISHOP**—Welcome, Mr Davidson and Mrs Rimington. What is the budget allocation for maritime and land transport for the 2005-06 financial year, and where do I find it?

**Mr Davidson**—It is on page 107 of the portfolio budget statement.

**Senator MARK BISHOP**—Where are we looking?

**Mr Davidson**—The third column of the table, '2005-06 Budget (\$,000)', and the numbers below that, with a total appropriation of \$79.843 million.

**Senator MARK BISHOP**—\$79.843 million is your budget allocation.

**Mr Davidson**—Yes.

**Senator MARK BISHOP**—That is up by \$6 million. The bulk of that is in the levies. What is going on there?

**Mr Davidson**—Two components are increasing our allocations. The more important one from our perspective is in relation to additional funding for search and rescue. The Deputy Prime Minister secured in the 2004-05 budget funding for a turbine aircraft in Darwin and refurbishment of the search and rescue centre. That has been followed up in this budget with an allocation of some \$18 million for additional funding over four years for turbine aircraft for the rest of Australia.

**Senator MARK BISHOP**—Is that under the heading 'Australian Search and Rescue'?

**Mr Davidson**—It would appear there, but clearly not all of that is in the forthcoming financial year. It is spread over a four-year period. Certainly the tendering process and the commencement of the operation will be during the forthcoming financial year.

**Mrs Rimington**—It is \$54.7 million over four years for that new budget measure in 2005-06, as Clive mentioned.

**Senator MARK BISHOP**—How much of the \$54 million is in 2005-06?

**Mrs Rimington**—I have not got that information with me. It is about the \$18 million that Clive mentioned.

**Mr Davidson**—Of the funding that we received in this budget allocation—the \$54.7 million—2.1, or thereabouts, is in 2005-06. It increases by \$17 million to \$18 million across the final three years, giving a total of \$54.7 million.

**Senator MARK BISHOP**—Yes, that is right. I am just doing the maths. What are the maritime navigation levy, the regulatory functions levy and the protection of the sea levy?

**Mr Davidson**—The navigation levy funds the provision of marine aids to navigation. At the simplest level that is lighthouses; at the top end it is differential GPS stations and centres associated with electronic aids to navigation. So it covers commercial shipping industry aids to navigation, essentially.

**Senator MARK BISHOP**—What is the cause of the increases in the figures you see in the 2005-06 year?

**Mr Davidson**—I will just finish explaining the levies. The regulatory functions levy pays for port state control inspections. We have surveyors around 14 ports to inspect foreign ships and carry out functions in relation to ship inspection. The protection of the sea levy pays for the contingency arrangements associated with oil spill response and chemical spill response from marine sources. If we have a major oil spill we have stockpiles of equipment and trained personnel around Australia ready to respond to that under the national plan to combat pollution of the sea.

The increases are due to the substantial forecast increase in numbers of ships that will be calling at Australian ports, principally driven by bulk export trades. We build our forecasts off estimates produced by the Australian Bureau of Agricultural and Resource Economics. They forecast export numbers and we convert that into the number of ships and ship visits that we expect to get in the forthcoming financial year. Our task is driven by the number of ships that arrive. We inspect ships.

**Senator MARK BISHOP**—More ships, more inspections and more work. I understand.

**Mr Davidson**—Our estimates have been within two per cent annually and sometimes better than that.

**Senator MARK BISHOP**—Very good. So there is no increase in the unit cost of fees?

**Mr Davidson**—No. This year there has been no increase in the levy. Last year the minister announced a 15 per cent reduction in both the marine navigation levy and the regulatory functions levy. Prior to that it has been kept at its current rate or reduced. I refer you to the graph on page 132 of the portfolio budget statement. Where the dotted line occurs is 2003-04. That shows the decline in those revenue items, principally driven by reductions in the levy. The forecast increase is due solely to the additional funding we have received for search and rescue, which is an appropriation.

**Senator MARK BISHOP**—I understand. Thank you. Are staffing levels in AMSA this year up or down?

**Mr Davidson**—We have had relatively static staffing within the organisation for the last few years. The current number as at 30 March is 236 total staff, which translates to a full-time equivalent of 229.6.

**Mrs Rimington**—Page 118 of the PBS has our average staffing levels for the 2004 and 2005 financial years. It is at the very bottom of table 3.1.

**Senator MARK BISHOP**—Yes, I see. In the detail on page 248 of Budget Paper No. 2 it says:

The Government will provide Adsteam Marine Limited with funding of up to \$2.0 million in 2004-05 to maintain the current maritime salvage capability and services.

I think that is the beginning of the process arising out of the June 2004 House of Representatives Standing Committee on Transport and Regional Services, which tabled a report with a series of recommendations on ship salvage. That is what I want to talk about for a few minutes.

**Mr Davidson**—That is matter for the department's Maritime and Land Transport Division.

**Mr Yuile**—Responsibility for the handling of that has been with the Maritime and Land Transport Division, which is coming up after AusLink.

**Senator MARK BISHOP**—So all questions on salvage go to the Maritime and Land Transport Division?

**Mr Yuile**—Yes, with respect to that initiative. But there might be other general questions.

**Senator MARK BISHOP**—I have done finances and staffing. The only other issue I have for AMSA is maritime salvage capability and services arising out of the report.

**Mr Yuile**—I think we should handle it under that division.

#### **Proceedings suspended from 3.42 pm to 4.00 pm**

#### **AusLink**

**Senator MARK BISHOP**—Mr Mrdak, we might talk now about the Melbourne-Mildura corridor and then go to the Melbourne-Geelong link. Can you give us the projected expenditure profile for the Australian government's contribution of \$186 million towards the construction of the western bypass of Geelong?

**Mr Mrdak**—I will just find that for you. It is zero in 2005-06, \$50 million in 2006-07, \$76 million in 2007-08 and \$60 million in 2008-09.

**Senator MARK BISHOP**—What were the reasons for the delay in 2005 and for starting in 2006?

**Mr Hogan**—That money was originally profiled thus, the same way it is here in the pre-election economic and fiscal outlook. So there was no change on our part. That is exactly as it was profiled then and subsequently in February and now.

**Senator MARK BISHOP**—September's, February's and the current one are the same. When did the pre-election fiscal come out—in September or October?

**Mr Hogan**—It was September last year.

**Senator MARK BISHOP**—So the profile was the same in September and at the additional estimates in February as it is now?

**Mr Hogan**—That is right.

**Senator MARK BISHOP**—The first outlays were always going to be the \$50 million in 2006?

**Mr Hogan**—That is right.

**Senator MARK BISHOP**—I understand that the Victorian government has final planning approval to commence stage 1, from the Princes Freeway Corio to the Midland Highway at Bell Post Hill, and that the contract documentation is complete and waiting to go to tender. Is that correct?

**Mr Hogan**—That is correct.

**Senator MARK BISHOP**—Is there any reason why the \$90 million allocated in 2005-06 for the EastLink could not be made available to the Geelong bypass so that it could be commenced this financial year?

**Mr Hogan**—As Senator Campbell has already indicated, the government maintains its \$541.5 million commitment to the Scoresby Freeway as an untolled road—end of story.

**Senator MARK BISHOP**—I understand the government is agreeable to the Queensland government funding the gateway upgrade project in the Brisbane urban corridor, including with the collection of tolls. Is that correct?

**Mr Mrdak**—That is correct.

**Senator MARK BISHOP**—Why then has the government taken a different approach to this from the case of EastLink in Victoria?

**Mr Hogan**—The government's position on the Scoresby Freeway is that it signed a memorandum of understanding with the Victorian government saying that the Scoresby Freeway was going to be built as an untolled road.

**Senator MARK BISHOP**—So the reason is that there was an agreement and the government is not prepared to revisit the issue but it does not set a precedent in terms of toll roads elsewhere in Australia.

**Mr Mrdak**—I think the government would argue that the precedent is not about tollroads; it is about an agreement being entered into by the two governments and Victoria not adhering to that agreement.

**Senator MARK BISHOP**—I suppose that is the spin the Commonwealth chooses to put on it. There is, of course, ample precedent for agreements to be reopened and renegotiated, is there not?

**Mr Mrdak**—The government's policy position on this is clear. I do not think there is much I can add.

**Senator MARK BISHOP**—Can you provide the expenditure to date and the estimated expenditure for an integrated urban solution for Brisbane, including the Pacific Highway, the Logan Motorway and the Ipswich Motorway.

**Mr Mrdak**—The government has allocated an amount for the Brisbane urban. I might ask Mr Elliott to give us the details of that.

**Mr Elliott**—The government has allocated about \$627 million all up, including some money for safety works. To date, around \$296 million has been allocated to projects.

**Senator MARK BISHOP**—To those three projects?

**Mr Elliott**—Mostly to those.

**Senator MARK BISHOP**—Can you give us the breakdown of the allocation to date for those projects.

**Mr Elliott**—There is about \$160 million for the Ipswich Motorway, for the Logan Motorway interchange. There is \$54.9 million for interim safety works.

**Senator MARK BISHOP**—Whereabouts?

**Mr Elliott**—That is on the Ipswich Motorway. Around \$11.1 million has been approved for planning work for a northern option.

**Senator MARK BISHOP**—That is for planning work?

**Mr Elliott**—Yes. That is the Ipswich Motorway. Turning to the Brisbane urban corridor there is \$0.83 million for minor works, \$3.19 million for study works and planning on various parts of the Brisbane urban connector, \$10 million for the intersection of Balham and Beatty roads, \$5 million for automatic numberplate recognition and \$1.5 million commitment for planning work at the intersection of Mains and Kessells roads—of course, construction work would be a lot more. For the Logan Motorway it is a bit hard to estimate, but there is \$1.4 million to \$1.8 million for the trial of a toll waiver at night time to encourage trucks onto it, and about \$0.75 million for truck transponders for e-tolling.

**Senator MARK BISHOP**—And the Pacific Motorway?

**Mr Elliott**—I think I said before that we did not have any money in this five-year period for the Pacific Motorway—other than the Tugun Bypass, of course, for which there is \$120 million.

**Senator MARK BISHOP**—Didn't Senator Campbell say in last year's budget media release that \$24 million was spent in 2004-05 on upgrading the Ipswich Motorway?

**Mr Elliott**—I think that is part of the \$54.9 million for safety works.

**Senator MARK BISHOP**—Do you think that or do you know that?

**Mr Elliott**—We will take that on notice, but we think that is what it was.

**Senator MARK BISHOP**—What Senator Campbell referred to last year as 'upgrading' the Ipswich Motorway you now characterise as safety works. Is that what you are telling me?

**Mr Elliott**—Part of upgrading is to improve safety, yes.

**Senator MARK BISHOP**—Are we talking about the same thing?

**Senator Ian Campbell**—You will end up with a list of specific projects. It will come down to putting a traffic island here and something else there. It is a matter of how it is defined, but it would be the same. Basically, the Queensland main roads department will come back to us and say, 'Here is what we will do for that block of money.' That is the way it works, isn't it, Joan?

**Ms Armitage**—Yes.

**Senator MARK BISHOP**—Senator Campbell said last year that \$24 million was going to be spent in 2004-05 on upgrading the Ipswich Motorway. Has that money been spent or has it been rolled into this new figure of \$55 million?

**Mr Mrdak**—There has been expenditure this year. We will get you the figure.

**Mr Elliott**—To save time, I will double-check that and give it to you on notice.

**Senator MARK BISHOP**—When will you do that?

**Mr Elliott**—We will get someone to check.

**Senator MARK BISHOP**—While you are checking, that \$24 million that Senator Campbell announced in the 2004-05 budget on upgrading the Ipswich Motorway was later revised up to \$26 million in additional estimates. The question is: have the \$24 million and then the \$26 million been spent? If not, is it rolled into the \$55 million that you are now characterising as interim safety works on the Brisbane urban corridor?

**Mr Elliott**—The figures I am giving you are five-year figures. They are not this year's figures.

**Senator Ian Campbell**—The Brisbane urban corridor is different from the Ipswich Motorway.

**Senator MARK BISHOP**—Sorry, I was wrong there. I am talking about the Ipswich Motorway.

**Mr Hogan**—I can give you the anticipated spend for 2004-05 from the Ipswich Motorway safety works. It is \$18.2 million.

**Senator MARK BISHOP**—Is that figure of \$18.2 in 2004-05 the \$24 million that Senator Campbell was talking about arising out of last year's budget?

**Mr Mrdak**—I believe it is, but we will confirm that.

**Senator MARK BISHOP**—The reference is page 98 of the additional estimates where Ms Armitage said that it is \$26 million in 2004-05, \$10 million in 2005-06, \$80 million in 2006-07, \$230 million in 2007-08 and \$220 million in 2008-09. That was in response to a question I asked about the motorway.

**Ms Armitage**—I was reading out the proposed cash flow. As we have indicated, those cash flows have changed and we do not have a final confirmation of how much of that \$24 million has been spent because the financial year is not yet over. That was the proposed cash flow at that time.

**Senator MARK BISHOP**—In February?

**Ms Armitage**—Yes. Does that answer your question. As I said, that was the cash flow. We were expecting \$24 million to have been spent in 2004-05.

**Senator MARK BISHOP**—That is right. My understanding of events is this. Senator Campbell said in last year's budget media release that \$24 million would be spent in 2004-05 on upgrading the Ipswich Motorway. In February estimates, that figure was later revised up to \$26 million and I gave you the reference in the *Hansard*. My question is: has that money been

spent? Your answer I think is: yes, but we do not know exactly how much because we have not come to the end of the financial year.

**Ms Armitage**—Exactly. That is correct.

**Mr Elliott**—I think we are forecasting a slight under expenditure there at this stage.

**Senator MARK BISHOP**—But you will check that and let us know?

**Mr Elliott**—Yes.

**Senator Ian Campbell**—I am sure the Queensland government will send us the bill before the end of the year.

**Senator MARK BISHOP**—They would be silly not to. Minister Lloyd was reported in the *Courier-Mail* on 13 May as conceding that south-eastern Queensland has the worst congestion in Australia and saying that he would consider bringing money forward to fund a solution. Has any work been done on how this might be done?

**Mr Elliott**—Not at this stage. We are engaged in a process with the Queensland Department of Main Roads and Queensland Transport to look at an investment strategy for urban Brisbane. As you know, one of the corridor strategies that we want to undertake would include urban Brisbane. We think that urban is something of a priority for us and we are looking at an investment strategy that might go a bit further than the normal corridor strategy and work out what the priority expenditure should be for road funding in Brisbane.

**Senator MARK BISHOP**—Were you aware of the comments by Minister Lloyd on page 6 of the *Courier Mail* on 13 May that I referred to?

**Mr Elliott**—Yes, I have seen them.

**Senator Ian Campbell**—To put it in context, when I was the minister we entered into a contextual agreement with Paul Lucas, who is the Queensland minister and with whom I developed a very good working relationship. We decided, because of the nature of what was occurring in south-east Queensland—with two-, three- and even five-year funding strategies and strategic plans for the part of Brisbane particularly that sweeps from Ipswich, around the river, up to the port and across to the airport—that there was no doubt that the growth and the lack of planning there required a really long-term look. That is not a political comment, because both parties have been in power in Queensland over the past 20 years. We were looking at developing something like an eight- to 10-year strategy with investments from the Commonwealth and the Queensland government.

When I was minister I formed the view in the debate around the Ipswich Motorway—and now the election is behind us, I think we should get smart about it because at the time Labor said, ‘Let’s four-lane it,’ and we said, ‘There’s got to be a better way’—that the real problem was the growth occurring out to the west. Laurie Brereton stood up beside the Ipswich Motorway, probably 11 years ago, and declared open this new wonderful four-lane Ipswich Motorway. Within five years it had turned into a car park again. The development that is occurring around it now and is likely to occur in the future will be just as heavy if not heavier than what occurred when Laurie went up there. So just improving the capacity on that road is really a short-term strategy. I think you need to look at a whole plan about where we are going to be in 10 years time. Paul Lucas and I agreed that that should be the way forward.

You can have a fun debate with members Bernie Ripoll and Cameron Thompson about whether we should four-lane it or whether we should have a northern option and when we should do it. The reality is that it is going to cost billions of dollars to get transport right in that segment of Australia. It is very important for Australia's national transportation system. We have to find a way of ensuring that what is an AusLink corridor does not just become a de facto urban corridor, which is what the Ipswich Motorway has become. A lot of traffic on it is people just getting from one suburb to the next. So you need a really long-term plan. That is why somewhere in the AusLink document we put in a few paragraphs that say that these agreements with state governments should include long-term commitments to planning. There is no use building a lovely long stretch of four-lane, grade separated road and then find it clogged up with intersuburban traffic within a few years. It is a very bad investment for the Commonwealth.

That is the sort of attitude we have been trying to bring to Brisbane transportation issues. If you can get right the corridors all the way from the Queensland-New South Wales border, up past Caboolture and out to the west with constructive work between the two levels of government and the Brisbane City Council then we can deliver something big. But it is going to take a 10-year vision and a hell of a lot of money.

**Senator MARK BISHOP**—The responsibility for that is now with Minister Lloyd, or is it with this department?

**Senator Ian Campbell**—It is both. He is this department.

**Mr Yuille**—Mr Lloyd is our minister.

**Senator MARK BISHOP**—Is the department looking at the suggestions made by the minister?

**Mr Mrdak**—We are.

**Mr Elliott**—In the context of that investment strategy that the minister has agreed with Minister Lucas should be undertaken.

**Senator MARK BISHOP**—I understand.

**Mr Elliott**—So that would occur in that context. While I have the floor, can I go back to safety improvements? Originally it was \$24 million for safety improvements. It was up to \$26 million at additional estimates. But the likely expenditure is now \$18 million on that.

Can I also correct the record on an earlier issue? Senator O'Brien asked us about the Wilmington railway line. It is a project that we know as Plain Creek to Saltwater Creek. At the time of his question there was a little bit of confusion. We had not heard of the project. But just for the record, we have received a proposal for that and the project is reasonably well advanced. In fact, we understand that it is very close to the point where it could go to tender.

**Senator MARK BISHOP**—I can advise the committee that the remainder of the questions on AusLink can go on notice.

**ACTING CHAIR (Senator Buckland)**—I thank officers at the table. We will now move to Maritime and Land Transport.

[4.22 pm]

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**Maritime and Land Transport**

**Senator MARK BISHOP**—Where do we find the budget allocation for Maritime and Land Transport for the 2005-06 financial year in the PBS?

**Mr Doherty**—Probably the best place to work off is page 28 of the PBS document at the resourcing by outcomes section.

**Senator MARK BISHOP**—So it is at 1.4.1?

**Mr Doherty**—We are partly in 1.4.1 and partly in 1.1.2—‘Safety’. Effectively, the Vehicle Safety Standards Branch would appear in 1.1.2. That does not make up the complete output allocation for safety. Our proportion of that for vehicle safety standards is \$6,384,000 in 2005-06, which, with a corporate overhead attributable of \$4,631,000, gives you a total of \$11,015,000 for the vehicle safety function. In 2005-06 we are attributing 59ASL—a staffing equivalent of 59—to that as a broad figure.

**Senator MARK BISHOP**—Why has that increased so dramatically?

**Mr Doherty**—Mr Robertson would be able to go into the detail. There has been some additional funding provided. It commenced in the 2004-05 budget but has now continued through in a measure in the 2005-06 budget to boost the resourcing for the vehicle standards area. That would contribute to work in a number of areas, including the audit program, the research program and the actual staffing levels to handle the certification process. That reflects essentially issues of workload relating to a very buoyant sector. I should clarify that, while that increase in funding was initially provided in 2004-05, we have been gradually staffing up to achieve those numbers. So the expenditure will be higher in 2005-06.

**Senator MARK BISHOP**—Did the department provide a submission to the Productivity Commission review of national competition policy reforms in relation to freight and/or passenger transport?

**Mr Mrdak**—Yes, we did.

**Senator MARK BISHOP**—The Productivity Commission has now reported and made a series of recommendations. You would be familiar with that.

**Mr Mrdak**—Yes.

**Senator MARK BISHOP**—A recommendation was that the Australian government in consultation with states and territories should initiate an independent national review into the requirements for an efficient and sustainable national freight transport system encompassing all freight transport modes. Has DOTARS been charged with undertaking this review?

**Mr Mrdak**—Not to this point. The Productivity Commission report is a report to all governments, so it is a bit of a different process to that for a normal Productivity Commission report where the government releases its response at the time it releases the final report. In this situation the report is due to go to COAG on 3 June and it will be considered by COAG. The decisions that are taken at COAG will determine what work program comes forward and which department or departments of the Commonwealth address particular recommendations going forward. So the threshold is for heads of government to reach a decision on 3 June as to which of those recommendations they wish to pick up and do further work on. As to whether

they have a national competition policy agenda going forward or whether they pick up discrete work elements coming out of the PC report, we will really know that after 3 June.

**Senator MARK BISHOP**—Are the negotiations still being conducted between the Commonwealth and the various states as to what is going to occur at COAG?

**Mr Mrdak**—I would not say negotiations at this point. The report is being tabled at COAG on 3 June, which will give the heads of government an opportunity to discuss it and then determine how they want to take it forward from there.

**Senator MARK BISHOP**—So we are still very much at an early stage.

**Mr Mrdak**—Yes.

**Senator MARK BISHOP**—The heads of government will discuss it—is it heads of government or transport ministers?

**Mr Mrdak**—Heads of government at COAG. On the same day the Australian Transport Council—the transport ministers—will meet. That is coincidental: our Transport Council meeting had been scheduled for much longer. This report will also be on the agenda for the Australian transport ministers, so they will have an opportunity to discuss it, but very much in the context of what they would see feeding through whatever COAG decides. COAG will be the primary decision maker.

**Senator MARK BISHOP**—It is heads of government at COAG who make the decision if there is going to be a review, what form the review will take and who will conduct it.

**Mr Mrdak**—That is correct.

**Senator MARK BISHOP**—Then the state transport ministers essentially fall into line.

**Mr Mrdak**—If they decide to progress this then an avenue may well be for COAG to refer it to the council of Australian transport ministers, the ATC, to take the work forward.

**Senator MARK BISHOP**—So COAG will meet on 3 June and at the same time you have the council of state transport ministers meeting. What sort of time frame does the Commonwealth envisage to resolve the recommendations of the PC? Do we have an idea of that yet?

**Mr Mrdak**—I think it is too early to say at this stage. The primary responsibility for the Productivity Commission report and the national competition agenda is actually with the Treasury portfolio rather than with us. A lot of these decisions about which agenda items go forward and whatever time frames COAG might want to agree for them are yet to be determined.

**Senator MARK BISHOP**—The form of the review and the consultation processes and who would be invited to make submissions is all for decision later?

**Mr Mrdak**—All for decision post COAG. I think COAG will initially look to agree a menu of items or an agenda for national competition policy going forward. Then it will become a matter for jurisdictions at ministerial level and at officials level to determine the best way to do that.

**Senator MARK BISHOP**—The PC also recommended at 8.9:

The Australian government, in consultation with State and Territory governments, should commission an independent national review of the passenger transport sector, to assess the impact of recent reforms and determine what is now required to deliver further performance improvements in both urban and regional areas.

Is that recommendation also going forward to COAG and the state ministers in the same way?

**Mr Mrdak**—Yes.

**Senator MARK BISHOP**—All of the recommendations from the PC report will go forward for decision making.

**Mr Mrdak**—That is right.

**Senator MARK BISHOP**—I am talking now about maritime emergency towage services. On page 248 of Budget Paper No. 2 it says:

The Government will provide funding in 2004-05 and 2005-06 to ensure the maintenance of current maritime emergency towage capability and services around the Australian coastline.

Turning to table 2.2 on page 15 of the PBS, it says in note b on page 16:

Funding will be made available on the basis of a competitive tender, with provision for it being included in the Contingency Reserve.

What amount has been set aside in the contingency reserve?

**Mr Doherty**—I do not think I should provide that figure. The decision was made by government in the budget context not to publish the figure. The reason for that—and this is not unusual in competitive processes—is that once you publish the figure you provide that figure against which bids will then be made. In this process the idea is to try to get ideas. A different range of what the market thinks or what is capable from the market is necessary. The competitive process is best driven if there is not a clear figure on the table. The way it operates in this circumstance is that the dollar figure has been included in the contingency reserve but the dollar is not identified separately.

**Senator MARK BISHOP**—I am a little bit lost. The government has made a decision to set up a contingency reserve.

**Mr Yuile**—The issue is that once you have published a figure you get the tenders to meet the amount that has been allocated or assigned for the task. What the government wants to hear from the market is the most competitive way these services can be delivered. It has made its own assessment and put money aside in the contingency reserve of the Minister for Finance and Administration.

**Senator MARK BISHOP**—I see. You want to see whether the market matches what the government thinks is the appropriate amount?

**Mr Yuile**—It wants a competitive tender.

**Senator Ian Campbell**—We hope they will come in under what we have guessed.

**Mr Yuile**—Considerably lower.

**Senator Ian Campbell**—I asked the same question when we allocated \$420 million for the Albury bypass. I said, ‘Why would you put that out there because all the tenderers will know what to come in at?’

**Senator MARK BISHOP**—This will be sent out to tender in the next few months.

**Mr Doherty**—The advertisement for applications went out on 11 May. With two weeks allowed for applications, we are expecting applications—proposals from industry—to close tomorrow.

**Senator MARK BISHOP**—Would it be appropriate to ask the amount when we come back for November estimates?

**Mr Doherty**—At that stage decisions will have been made and allocated so I do not think there will be any further sensitivity about the figure at that stage.

**Senator MARK BISHOP**—You just want to see what the market is going to deliver in the meantime.

**Mr Yuile**—That is right. It is on the basis of a funding agreement that the government will put in place.

**Senator MARK BISHOP**—Turning now to the Tasmanian Freight Equalisation Scheme and the wheat freight scheme, table 3.2.1 on page 30 of the 2005-06 PBS and table 2.2 on page 42 of the 2004-05 PBS indicate an approximate \$5.5 million per annum increase in what the government anticipates paying under the Freight Equalisation Scheme in 2005-06 over the forward estimates period. Did the department undertake any economic modelling in raising the forecast appropriations for this scheme?

**Mr Doherty**—I am not aware of any specific economic modelling. We have been looking at a process over a period of time to see whether we can bring some more discipline into those figures as far as forecasting goes, but to date they have been driven to an extent by experience and information from the industry. It is very much a demand driven activity and we have had difficulty getting the forecasts right in relation to this program.

**Senator MARK BISHOP**—Yes, the increase is from \$83 million to \$89.4 million, which is approaching 10 per cent in a 12-month period. When you say it is demand led activity, is that caused by the increased economic activity in Tasmania, or is it related to something else?

**Mr Doherty**—I think that is certainly part of it. It essentially pays for a subsidy relating to the movement of freight between Tasmania and the mainland that occurs as part of Tasmanian industry. So inputs going south to Tasmanian industries and goods coming back to the mainland, such as paper and frozen vegetables, attract the subsidy. The amount of subsidy is then calculated on the containers moved, so the amount that we pay is dependent on the level of activity.

**Senator MARK BISHOP**—Last year’s budget figure was \$83.9 million and the actual expenditure was \$82 million, so it came in at about 2½ per cent under budget. Notwithstanding the fact that you came in under budget last year, you have increased the budgeted amount to \$89.4 million this year. Apart from a gut reaction that there is increased economic activity, is there a more empirical basis on which you have increased the amount?

**Mr Doherty**—I do not have that at hand. I can certainly check that and come back to you.

**Mr Sutton**—The figures have been upgraded on the basis of claims to date in this financial year. That upgrade is due to a comparison of the claims to date for this year against previous years, so there is a fairly solid basis for it.

**Senator MARK BISHOP**—You noted a trend-line increase.

**Mr Sutton**—Yes, that is right.

**Senator MARK BISHOP**—A budget media release put out by Mr Cobb, the Parliamentary Secretary to the Minister for Transport and Regional Services, entitled ‘Funding for Bass Strait schemes at the highest level ever’ reads:

Mr Cobb said the Government would consider the operation of the two freight schemes— that is, the TFES and the Tasmanian wheat freight scheme— further in 2005-06.

What exactly does Mr Cobb mean by ‘consider further’?

**Mr Doherty**—At this stage the government has not decided exactly the form of the review, but we have suggested considering something in the nature of a Productivity Commission review to look at the operation of the scheme, the benefits it provides and whether it is in the correct form to provide the necessary assistance to redress the disadvantage which Tasmanian industries suffer.

**Senator MARK BISHOP**—So the government is considering a review but has not yet made a decision? There will be a review?

**Mr Doherty**—Correct. I understand that the government will have a review; what has not been settled at this stage is the form of that review.

**Senator MARK BISHOP**—Who will conduct the review?

**Mr Doherty**—Ministers will make that decision.

**Senator MARK BISHOP**—Will that decision be made by Minister Anderson?

**Mr Doherty**—It will require more than Minister Anderson’s input. For example, if it is a Productivity Commission review, that is an area within the Treasurer’s portfolio and he would need to be involved in the decision.

**Senator MARK BISHOP**—Would that go to cabinet?

**Mr Doherty**—At this stage I suspect the matter probably would go to cabinet.

**Mr Yuile**—Mr Doherty is right: it might go to cabinet, or it might be an exchange of correspondence between ministers about how they might handle it. I am not quite sure.

**Mr Doherty**—Mr Yuile’s point is a good one. We do not know that it would go to cabinet; that is a matter for ministers to decide.

**Senator MARK BISHOP**—But relevant ministers are currently considering whether there should be a review. Is that correct?

**Mr Doherty**—No, I think the decision has been made to conduct a review; ministers are considering the form of that review.

**Senator MARK BISHOP**—Okay, we have gone one step further. Do you have any idea of the time lines involved?

**Mr Doherty**—I think that will depend on the form of review that they decide on. The expectation, I think, is that we would be trying to get something to feed into budget processes in the future, so it would need to happen sooner rather than later.

**Senator MARK BISHOP**—Have the terms of reference of that review been decided yet?

**Mr Doherty**—No.

**Senator MARK BISHOP**—Is one of the options for consideration the amalgamation of those two schemes?

**Mr Doherty**—I am speculating. I expect that the form of the assistance provided is the sort of thing that would be covered. The terms of reference would be broad enough to consider that. The history of this issue was the taking over of the wheat freight scheme from the agriculture portfolio. That resulted in what we have now, which is two schemes: one dealing with bulk and the other with containers.

**Senator MARK BISHOP**—Yes, we had that discussion in February. Pending the terms of reference being determined and the review being conducted, the government does not have any intention to cap the scheme in the meantime?

**Mr Doherty**—Correct. There is no decision to cap the scheme at this stage. The only cap that applies in relation to these relates to one ferry on the Sydney service, but that is on the passenger side and the review relates to freight.

**Senator MARK BISHOP**—Turning to the continuous voyage permits and the single voyage permits, do we know how many single voyage permits were issued in the 2004-05 financial year?

**Mr Sutton**—Within the department, my branch retains responsibility for issuing permits but they are processed in the operations centre of the Office of Transport Security. They are the ones who maintain the statistics. We can check with OTS and table the numbers.

**Senator MARK BISHOP**—You do not have access to them at the moment?

**Mr Sutton**—Not the most up-to-date figures.

**Senator MARK BISHOP**—Do you have any indicative figures for both the SVPs and the CVPs for the 2004-05 financial year?

**Mr Yuile**—If Mr Sutton has not got them we can get them to you by the end of the week.

**Mr Sutton**—The latest figures available indicate that 141 single voyage permits were issued in the first quarter of 2005. There were 40 continuous voyage permits for the same period.

**Senator MARK BISHOP**—Do you have the year-to-date figures to the end of March?

**Mr Sutton**—In the second quarter of 2004 there were 180 SVPs issued; in the third quarter there were 193; in the fourth quarter there were 173; and in the first quarter this year there were 141. The equivalent figures for CVPs are: second quarter 2004, 28; third quarter, 41; fourth quarter, 44; and first quarter of this year, 40.

**Mr Doherty**—To clarify, those figures were for the last four quarters. If you are looking for this financial year it would start with the second of those figures—the third quarter 2004 onwards.

**Mr Yuile**—That is year-on-year figures.

**Senator MARK BISHOP**—The four quarters you gave me end in March 2005.

**Mr Sutton**—Yes, the most recent figure is to the end of the first quarter 2005.

**Senator MARK BISHOP**—We have the figures for previous years from previous estimates. That is fine. I want to talk briefly about the vessel known as the *Destiny Queen*. Are the Chinese and Russian crew members on the *Destiny Queen*, anchored in the Spencer Gulf, authorised under the special purpose visas to work in Australia?

**Mr Sutton**—I will take that question on notice. I do not have the information in front of me.

**Senator MARK BISHOP**—Is it your section that issues the SVPs?

**Mr Sutton**—Yes, it is. I do not have the information relating to that particular permit in front of me.

**Senator MARK BISHOP**—You do not recall whether it has come across your desk?

**Mr Sutton**—If the vessel received a permit since May last year then it would have come across my desk.

**Senator MARK BISHOP**—You do not recall it coming across your desk?

**Mr Sutton**—No, I do not. We probably handle on average three to four permit applications a day.

**Senator MARK BISHOP**—The ship has some notoriety at the moment arising out of the article in the *Australian* on 16 May under the by-line of Ms Wiese Bockmann. Has no-one in your department or section drawn it to your attention?

**Mr Sutton**—No, but I will check that.

**Senator MARK BISHOP**—If you could check that and come back to us by the end of the week it would be appreciated.

**Mr Sutton**—Certainly.

**Senator MARK BISHOP**—Do the *Destiny Queen* and its operators, Destiny Abalone, have to comply with Australian regulations whilst anchored in Spencer Gulf?

**Mr Sutton**—If they are subject to a permit they are subject to the provisions of the Navigation Act.

**Senator MARK BISHOP**—What obligations does that impose upon them whilst they have a permit?

**Mr Sutton**—If they receive a permit they are required to comply with all the requirements of the Navigation Act, which are many and varied. That would certainly relate to conditions for crew, environmental safety factors and all the other things that fall under the Navigation Act.

**Senator MARK BISHOP**—My next question is around national road safety and licensing, which I was advised to ask of this organisation.

**Mr Yuile**—There was a question you asked of Mr Bills from the ATSB. I think it related to vehicle standards, which Mr Robertson can handle.

**Senator MARK BISHOP**—We were discussing course content and Minister Andersen's desire to devise a skills program and curricula and trial it in two states. We were talking about a pilot trial which was going to be the subject of evaluation whilst the pilot was being conducted, and then we were going to go to a full 14,000-person extended trial over two years in New South Wales and Victoria. That was the tenor of the discussion, wasn't it?

**Mr Yuile**—That is the responsibility of Mr Bills and the road safety area within the ATSB. I was not in the room, but I think you asked a question about vehicle safety standards.

**Senator MARK BISHOP**—Yes, I went into safety issues with imported second-hand cars that have undergone compliance with Australian standards after their arrival in Australia.

**Mr Yuile**—Mr Robertson can cover that.

**Senator MARK BISHOP**—Mr Robertson, this is your moment in the sun! Have there been safety issues with imported second-hand cars that have undergone compliance with Australia standards after their arrival in Australia?

**Mr Robertson**—I was aware that there was a similar question yesterday, but I did not catch the context. It is a hard question to answer because, if there were safety concerns with any individual vehicle, that would be brought to the attention of the relevant state regulatory authority. If the question is more broadly about the safety of second-hand imported used vehicles, again it is difficult to answer. The best way I can answer it is to refer to the various views from different sides of that debate. It has been a very heated debate.

**Senator MARK BISHOP**—It was in the context of the government announcing changes to the arrangement for the importation of vehicles of 15 years or older. The question is: if such new restrictions are to be put in place for specialist imported vehicles, why is there no restriction on the importation of vehicles built before 1 January 1989?

**Mr Robertson**—Thank you, that helps a lot. Perhaps to give you a bit of background, the changes announced very recently by the minister replace what was known as the 15-year-old import scheme, which was essentially a provision in the import regulations to facilitate the importation of classic vehicles for hobbyists. In fact we have had vehicles going back to 1898. There was a bit of a blip in the mid-1960s for the Mustangs, which were very popular, and the MGBs and those sorts of vehicles.

Very recently, though, we have seen a very significant increase in the number of vehicles being imported that are just 15 years old. In other words, it has become a mainstream opportunity for used car sales. One of the reasons for the 15-year-old scheme was that it was not really worth the while of the regulators getting into the business of trying to certify older vehicles. They were generally very small in number, the states have their own regulatory checks before registrations and there was a pretty low risk. But when you start getting into the area of mainstream vehicle imports in significant numbers, vehicles which essentially are not undergoing the level of certification activity that would apply to other vehicles, they start to

slip through the net. The states do apply road worthiness checks at the point of registration; nevertheless, you will have vehicles that for Commonwealth purposes are unregulated.

**Senator MARK BISHOP**—So the problem under the previous arrangements was that, basically, it had shifted from being a niche importation market to a more commercial importation market and that the scale of imports was so significant it warranted a review of the scheme. Is that right?

**Mr Robertson**—Correct. You would have found on average about 3,000 to 4,000 vehicles a year, but in the past year that has gone up to around 17,000 vehicles. The reason is that the under 15-year-old second-hand imported vehicle segment was quite heavily regulated. From April 2003 we introduced what is called the Registered Automotive Workshop Scheme, which limits the types of vehicles brought in so that they are actually specialist or enthusiast vehicles; you cannot have a mainstream vehicle. The scheme imposes some quite rigorous checks on the nature of the certifications that the vehicles have to go through. That has had the effect of pushing the market in second-hand imported vehicles to the over-15-year-old segment, and that accounted for the increase in numbers.

**Senator MARK BISHOP**—Did you notice a pattern in relation to where the vehicles were being imported from?

**Mr Robertson**—From Japan. Some come from the United States. There is a bit of a market in American muscle cars and pick-ups, but they would typically be in the order of about a thousand vehicles a year, maybe less. There is a small market in some European vehicles, such as Lancias, but everything else is Japanese.

**Senator MARK BISHOP**—So the bulk of the huge increase from 3,000 to 17,000 was the importation of vehicles that have been taken off the road in Japan and essentially dumped down here.

**Mr Robertson**—Correct.

**Senator MARK BISHOP**—I said that; do you think that as well?

**Mr Yuile**—Being sold here.

**Senator MARK BISHOP**—Is that right?

**Mr Robertson**—It is a very profitable venture. The Japanese have an arrangement they refer to as ‘shaken’, which effectively makes it very difficult to re-register a car after it is a few years old. It becomes very expensive and so the vehicles become available for export. They can be bought cheaply and resold at quite a reasonable profit.

**Senator MARK BISHOP**—They buy them cheap up there and sell them at market price down here; is that the go?

**Mr Robertson**—Yes.

**Senator MARK BISHOP**—Okay, I have the picture. I want to talk about this fire on a ship up in Brisbane today. Can you bring us up to date with what has occurred?

**Mr Yuile**—That is an AMSA issue rather than one for the department. If there is a fire on board a vessel, that is most likely an issue for AMSA..

**Senator MARK BISHOP**—Yes, but I think it is a foreign vessel with a foreign crew.

**Mr Yuile**—Did you say it was a foreign vessel and a foreign crew? Did you say there was a fire on board?

**Senator MARK BISHOP**—The report I heard was that there was a fire on a ship in Brisbane this morning.

**Mr Sutton**—The way the regulatory system operates, AMSA and its inspectors, regardless of whether the vessel is under permit, would be the ones directly involved in any action taken in relation to a vessel like that. AMSA, as a matter of course, would advise us and the minister's office of any significant incidents. I must say, this is the first time that I have been aware of there having been an incident in Brisbane today.

**Mr Yuile**—If you like, I can certainly undertake to inquire of AMSA and try and get you a report on that.

**Senator MARK BISHOP**—We might pursue it first thing tomorrow morning, if that is all right with you.

**Mr Yuile**—Whatever you like.

**Senator MARK BISHOP**—AMSA have gone now, haven't they?

**Mr Yuile**—They have gone, and I think Mr Davidson was travelling—that is why you rearranged the schedule. But I can certainly follow it up for you.

**Senator MARK BISHOP**—I will come back to you later on this evening with the line of questioning I had on AMSA. If you could get that to Mr Davidson overnight, we might be able to get an update tomorrow morning.

**Mr Yuile**—We will certainly see what we can get for you.

**Senator MARK BISHOP**—An update tomorrow morning?

**Mr Yuile**—We are back on Friday.

**Senator FERRIS**—DAFF.

**CHAIR**—You can have a go at that if you like.

**Mr Yuile**—We can certainly try to get a progress report or a 'current state of play' type report which we can pass to the committee for your information, and we can table it formally on Friday with the chair.

**Senator MARK BISHOP**—Could that be done tomorrow morning?

**Mr Yuile**—Can I find out what they have?

**Senator MARK BISHOP**—That is fine.

**Mr Yuile**—We will certainly do what we can.

**Senator MARK BISHOP**—That is fine. I will come back to you after I have finished here. I think I am done.

**Mr Sutton**—Can I clarify a matter relating to your question on the *Destiny Queen*? I am not entirely confident I have given you the right answer about what conditions it is operating

under. When we get back to you with the information about the permit and the query you had about that, we will give you a comprehensive answer about the conditions that it is operating under.

**Senator MARK BISHOP**—Thank you, Mr Sutton.

[4.59 pm]

**CHAIR**—We will now move to output group 2.1, Regional services. Welcome. I hope you enjoy your stay with us and that Senator O'Brien keeps us entertained with his questions.

**Senator O'BRIEN**—And, indeed, that Ms Riggs and others keep us entertained with their answers. But first I want to ask some questions about the department's involvement in the COAG Indigenous trial site in the far east Kimberley. I refer to the answer to question on notice No. 283, which reveals that in 2002-03 the department expended \$81,178 as part of its involvement in the trial site and that 100 per cent of that expenditure consisted of general departmental expenses, including salaries, travel and related administrative expenses. Is that right—100 per cent of the department's financial commitment in the first year of the trial was expended on itself?

**Ms Riggs**—Yes, that is correct.

**Senator O'BRIEN**—And in the second year, 2003-04, the total expenditure was \$561,822, of which \$369,819 was expended on departmental expenses—more than 65 per cent. I am taking the answer to be the correct.

**Ms Riggs**—I am not arguing with the figures that you are quoting.

**Senator O'BRIEN**—And in year 3, the current financial year to 31 December, of the \$396,180 of expenditure, \$297,669 or 75 per cent was expended on departmental expenses: salaries, travel and the like. It is fair to say, isn't it, that this expenditure is described as Australian government Indigenous expenditure?

**Ms Riggs**—Perhaps it would help you if I could explain and put some context around these answers. The figures that we have quoted in that answer relate to the department's role as the lead agency in the East Kimberley COAG trial site. Our role is to engage with the communities, to work with the Western Australian government, to help coordinate whole-of-government activity in relation to the communities in the trial site and to help communities access relevant government programs and services. As you know, we are not actually a big service delivery department and particularly not at the level of individual entitlements. We do not deliver any Indigenous-specific programs. Really, it is not surprising in that context that, of those relatively modest amounts of money, the majority are spent on the staff who are engaged in those facilitative support coordination activities.

**Senator O'BRIEN**—So, of the expenditure to date, in excess of 70 per cent has been on the staff, the travel et cetera?

**Ms Riggs**—Of the direct expenditure by this department on that trial site, if you weight those three years together, I think that figure of about 70 per cent might be right. It might be a little bit less than that.

**Senator O'BRIEN**—I think it is 72 per cent, actually.

**Ms Riggs**—But the reality is that that is not the only money that is being spent in the trial site. I think I am right in saying that each of the communities there has an active CDEP, and there are other moneys flowing from other agencies which we have not included in the answer to this question.

**Senator O'BRIEN**—I understand you are responding about this department's expenditure, which is what I asked.

**Ms Riggs**—That is right.

**Senator O'BRIEN**—Can I have an update on the current year's expenditure? A document released by Senator Vanstone to coincide with the budget said this department would expend \$1.147 million on the COAG trial site in 2004-05, which is a considerable leap from the \$396,000 to 31 December.

**Mr Owen**—The total COAG trial expenditure for the three years is \$1,289,336. The current year expenditure is \$646,336 to 29 April this year.

**Senator O'BRIEN**—How has that been spent? Can you give me the breakdown?

**Mr Owen**—The estimated general departmental expenses is \$511,430. The provision of an administration centre in Bililuna, one of the communities, is \$33,144. The development of community safety and grog strategy in this financial year is \$44,629. The contribution towards youth activities in Balgo, which is a new item, is \$4,263. Assistance towards community consultation and participation in the trial site has been \$16,505. Assistance for the COAG women's gathering in this financial year has been \$19,821.

**Senator O'BRIEN**—Certainly the proportion of general departmental expenses has not gone down compared to the answer to the question on notice. I am looking at the \$511,000 and the \$646,000.

**Mr Owen**—I cannot do the calculation quickly enough, but it is within the same realm.

**Senator O'BRIEN**—The department expects to spend \$1,541,800 in 2005-06. Is it possible to get an estimated breakdown of that expenditure?

**Mr Owen**—I will to take that on notice.

**Senator O'BRIEN**—The answer to question on notice No. 283 says the department is developing:

... performance indicators to monitor the further outcomes of the trial.

Have those performance indicators been developed or are they in the process of being developed?

**Mr Owen**—They are in the process of being developed.

**Senator O'BRIEN**—When do you expect those performance indicators will be completed?

**Mr Owen**—We are working jointly on that with the office of indigenous policy in the Department of Immigration and Multicultural and Indigenous Affairs because it has to line up with other trials. That is going on intensively at the moment.

**Senator O'BRIEN**—So you do not know when you will conclude that.

**Mr Owen**—We are not certain, but it is certainly a pretty vigorous work in progress at the moment.

**Senator O'BRIEN**—Can the committee have a copy of those performance indicators when they are completed?

**Mr Owen**—Certainly.

**Senator O'BRIEN**—Has the Kimberley Interpreting Service been used to provide interpreting services during the COAG trial?

**Mr Owen**—Yes.

**Senator O'BRIEN**—Is there any way you can describe what their role has been or how involved they have been?

**Mr Owen**—They have certainly been involved in a number of the consultative meetings that we have instigated in relation to the trial. Their role has been in the provision of interpreters at those meetings to translate languages for participants and, probably more importantly, for us.

**Senator O'BRIEN**—How many languages are used on the site?

**Mr Owen**—Many. There are at least three traditional languages and also variations of Aboriginal English, as it is called.

**Senator O'BRIEN**—Has the department provided any funding to the Kimberley Interpreting Service unrelated to the COAG trial?

**Mr Owen**—I will have to take that on notice to give you the precise detail.

**Senator O'BRIEN**—If you can, it might assist. I want to know whether the department is aware of a proposal by Kimberley Interpreting Service for a program of interpreter training at the Kimberley COAG trial site.

**Mr Owen**—Yes, we are.

**Senator O'BRIEN**—Has that proposal been considered for funding as part of the COAG trial?

**Mr Owen**—Not as yet, as I understand, but again I would like to take that on notice to get the right nuance of whether it is being supported through one of our programs or directly as part of the trial facilitation.

**Ms Riggs**—I may be able to assist. We have provided funding under the Sustainable Regions Program in the Kimberley region to the Mirama Council Aboriginal Corporation operating the Kimberley Interpreting Service to increase the use of interpreters within the existing client base and develop an expanded market within the private sector in the Kimberley. That project was valued at \$115,500 exclusive of GST.

**Senator O'BRIEN**—Has that money been provided or will it be provided over a period of time.

**Ms Riggs**—This project was approved about two years ago and my understanding is that the figures I quoted were for expenditure in the 2003-04 financial year.

**Senator O'BRIEN**—Have any communication pilot programs been funded at this department's COAG trial site—obviously to improve communication channels between the department's officers and the residents of the trial site?

**Mr Owen**—We certainly have accessed some professional assistance in training ourselves and the people who have been working for the department involved with the trial activity. As I said, we have also accessed interpreter services for various of the meetings that we have been involved in and we are about to approach the market for further assistance with communication, but that has not yet been finalised.

**Senator O'BRIEN**—Do you know what you are going to approach the market for?

**Mr Owen**—Certainly a tender specification is being finalised at the moment in relation to assistance to develop a communication strategy for the community communications.

**Senator O'BRIEN**—Are you doing that alone or in conjunction with the Office of Indigenous Policy Coordination?

**Mr Owen**—That is a very good question. At the moment they have some panel people who we might be able to access and we are sorting out which way would be best to go with that. By nature, we need people who are able in the languages of the particular area we work in.

**Senator O'BRIEN**—That would be something you envisage would be funded out of the coming financial year's budget.

**Mr Owen**—Yes.

**Senator O'BRIEN**—What about beyond that?

**Mr Owen**—It depends on the strategy and what they recommend to us, to be honest.

**Senator O'BRIEN**—On another Indigenous program related matter, this department will apparently make no contribution to the Crocfest program in 2005-06. That is my understanding. Is that correct?

**Ms Riggs**—It is fair to say that no decision has been made about whether or not the department would support Crocfest from next year.

**Senator O'BRIEN**—What is the time line for the making of that decision, if one is indeed to be made?

**Ms Riggs**—It is dependent upon matters happening in another department at the moment and is outside our control. So I am afraid I cannot give you a time line on that.

**Senator O'BRIEN**—Which department is it?

**Ms Riggs**—I understand that the Department of Finance and Administration is auditing the Crocfest and the Commonwealth's involvement in it to date.

**Senator O'BRIEN**—Do I interpret that to mean that, subject to the audit not revealing anomalies, there is some positive chance of funding?

**Ms Riggs**—No, Senator. We will not be making a decision until after the audit is completed and the outcome of the audit will be one element of our decision making process.

**Senator O'BRIEN**—Senator Vanstone says this department will have just two Indigenous programs in 2005-06—the COAG trial site and the Remote Aerodrome Inspection Program. Can you tell us anything about the latter program, or is that something that needs to be raised with another area?

**Ms Riggs**—No, it is our area. Before Ms Gosling deals with that, may I add to a previous answer I gave you. I told you about a project providing funding to the Kimberley Interpreting Service funded through Sustainable Regions. Dr Dolman has drawn my attention to a smaller project funded a year later under the Regional Partnerships program for some \$29,500 to facilitate the recruiting of interpreters at two communities in the Kimberley region, one of which was the Balgo community, which is one of the five communities in our trial site.

**Senator O'BRIEN**—Which was the other community?

**Ms Riggs**—Kalumburu.

**Ms Gosling**—The Remote Aerodrome Inspection Program is a program that provides aerodrome inspection services and technical advice to 58 remote Northern Australian Indigenous communities in the Northern Territory, Western Australia and Queensland and it had funding in 2004-05 of approximately \$180,000.

**Senator O'BRIEN**—And that is the proposed expenditure in the coming financial year, is it?

**Ms Gosling**—The exact figure has not been determined for 2005-06, but at this stage I do not have any information to suggest it would be significantly different to that amount.

**Senator O'BRIEN**—For the expenditure in 2004-05, is it possible to get a breakdown of how the money has and will be expended?

**Ms Gosling**—Yes, but I would have to take it on notice. I do not have that information with me.

**Senator O'BRIEN**—Is it a program for which the community has to apply for funding?

**Ms Riggs**—It is a program under which we engage with a company that does a number of things in relation to the aerodromes and the skills of the people in those identified communities. Sometimes that firm goes out and does an inspection and provides a report about the status of the aerodrome. In another set of circumstances they might run a training program for local residents to be able to undertake some of the responsibilities of the use of that aerodrome, given that it is not used for regular passenger transport, for example. It is a program where sometimes the community comes to the department and asks, sometimes it goes to the consultant and sometimes the consultant makes a proposal because of what they have seen when they have been out there doing the ongoing bit of their work, which is to get to those communities. It is a fairly flexible program from that point of view.

**Senator O'BRIEN**—Does it follow that most of the funding goes to the consultant for the delivery of services?

**Ms Gosling**—Yes.

**Senator O'BRIEN**—Thanks. I will look forward to that breakdown. Is it possible to get a table of all overspends and underspends by program for the financial year 2003-04?

**Ms Riggs**—You would be wanting for each of Regional Partnerships and Sustainable Regions a comparison of what the budget was at additional estimates time in 2002-03 compared with what the actually achieved spend was? It is just those four numbers?

**Senator O'BRIEN**—No, 2003-04, not 2002-03.

**Ms Riggs**—I am sorry, for 2003-04. So it is the budget as at additional estimates in that year and the actual achieved expenditure?

**Senator O'BRIEN**—Yes.

**Ms Riggs**—I will not fossick right now but we will get those figures for you.

**Senator O'BRIEN**—I should say that it will be good to get a comparison with the previous year if it is easily found. For the current financial year in what programs are you anticipating underspends or overspends?

**Ms Riggs**—I think that at previous hearings we have tried to provide an explanation of some of the issues around managing a program that is dependent on the capacity of community groups and small and medium sized enterprises in non-metropolitan Australia to manage projects according to the time frames that they originally set and so on. At this stage it would be our expectation that both Sustainable Regions and Regional Partnerships may not achieve their full expenditure. But also at this stage it is fair to say that our staff and project proponents and Sustainable Regions committees and area consultative committees are working very hard to try to achieve the maximum responsible spend for both programs in this financial year.

**Senator O'BRIEN**—Do you envisage any overspends? I am taking from what you said that you do not.

**Ms Riggs**—No, I do not envisage overspends—although, if you had asked me that question at this time last year I would have said no. In fact, because of the actual date of payment of a grant component in Sustainable Regions we ended up overspending by, I think, \$180,000 on Sustainable Regions last year. But no, I do not anticipate doing that this year.

**Senator O'BRIEN**—I note from the executive minutes admitted to the departmental secretary in April that the general manager of the budget group of the department of finance indicated:

... overall DOTARS programme estimates—

for 2004-05—

have been adjusted to reflect the most likely financial outcome ...

Can you tell me what adjustments this involved?

**Ms Riggs**—I think that is a question that you would want to ask the Department of Finance and Administration.

**Senator O'BRIEN**—So does that mean that you do not know the answer?

**Ms Riggs**—The document you are referring to is, I understand, a document of that department. I think it would be inappropriate for me to answer on their behalf.

**Senator O'BRIEN**—So are you saying that the department does not know or that for some reason you are unable to answer that question?

**Ms Riggs**—The budget papers and the portfolio budget statement have in them the current position in relation to the budget for both Regional Partnerships and Sustainable Regions. Those represent the allocations for these programs for this financial year. I have already explained to you that we are working our very hardest to bring in those programs as close to those expenditures as we believe we can and is responsible to do so.

**Senator O'BRIEN**—So you do not know what that statement means. Is that what you are saying? It is not a matter confidentiality, it is not advice to a minister. I do not know why you cannot answer the question.

**Ms Riggs**—I am not going to take responsibility for what a DOFA officer said in that context. The yellow book represents this department's position about the budget for these two programs.

**Senator O'BRIEN**—So you do not know what was referred to—what adjustments he was referring to? Is that what you are saying or are you just refusing to answer?

**Ms Riggs**—I do not have the document that you are referring to in front of me. As you know, I was out of the country for most of April. I am not familiar with the document or what the reference may have been at that time.

**Senator O'BRIEN**—Are you saying that the department will not answer that question, because you do not know?

**Senator Ian Campbell**—This is not the department of finance.

**Senator O'BRIEN**—No. It is the department whose budget we are discussing, and an issue about the budget has obviously been raised between the department of finance and this department. I am trying to find out what it means.

**Senator Ian Campbell**—As minister, I am certainly not going to encourage illegal behaviour by answering questions about leaked documents. Next question.

**Senator O'BRIEN**—Is it illegal to answer the question?

**Senator Ian Campbell**—No, it is illegal to leak documents. Obviously someone with access to a government document has broken the law. What you are saying is, 'Let's encourage senior public servants to leak documents by using them as fodder in estimates committees.' I am not going to aid and abet a crime. You may choose to.

**Senator O'BRIEN**—Whether they are leaked or not, the matter is in the public domain and I am entitled to ask the questions.

**Senator Ian Campbell**—If something gets into the public domain because someone performs a criminal act, why would you encourage it? Are you all for saying, 'Wave them on. Give them a chequered flag. Give them a green light'?

**Senator O'BRIEN**—That is a good defence for a government that tries to avoid embarrassment, but this is a matter that is in the public domain. It is about the budget.

**Senator Ian Campbell**—Lots of things are in the public domain through illegal activity.

**Senator O'BRIEN**—I do not know whether there has been any illegal activity in this regard or not, but this is in the public domain; it is about the budget.

**Senator Ian Campbell**—Budget deliberations are cabinet-in-confidence.

**Senator O'BRIEN**—It is not a budget deliberation.

**Senator Ian Campbell**—It is a breach of the law. If Senator Kerry O'Brien, Labor senator, wants to say, 'Let's encourage people in the Australian Public Service to leak documents,' you go and do it. We are not going to do it by answering questions about leaked finance documents.

**Senator O'BRIEN**—I believe this is interdepartmental correspondence; I do not think it is a budget document. It is not protected.

**Senator Ian Campbell**—The budget document is here. What I am showing you is the budget document. That is what we are here to talk about. If you have any questions about the estimates or anything relating to the portfolio budget statements, we will welcome them. This is the cabinet decision.

**Senator O'BRIEN**—How have figures in that document been adjusted following discussions between the department of finance and this department to reach the final figure?

**Senator Ian Campbell**—Budgets are a process that involve enormous numbers being worked through and added up. We get to a bottom line. In our government we tend to get a bottom line where we have a surplus. When you guys were in power, you used to have a bottom line that was bleeding with red ink. Ours generally adds up. These are the portfolio budget statements for this department. They are the end of the cabinet process. They were delivered by Treasurer Costello in the House of Representatives a couple of weeks ago. We are here to go through them in detail.

**Senator O'BRIEN**—I am trying to find out how those figures were arrived at, which I am entitled to ask about.

**Senator Ian Campbell**—I have just described it to you. We have a budget process; we have an Expenditure Review Committee process; we then have a final budget cabinet. It is agreed by the cabinet. The documents then get sent to the printer. They get tabled in the parliament on budget night. Then we come here a few days later and discuss the details.

**Senator O'BRIEN**—We are discussing the details, and the details obviously involve some adjustments which have been made in arriving at the final figures. That is what I want to ask about.

**Senator Ian Campbell**—That is what happens with all budgets.

**Senator O'BRIEN**—Indeed, if you ask the questions in relation to other budgets, so be it. I am asking in relation to this one.

**Senator Ian Campbell**—You can ask as much as you want, but we are not commenting on documents that—

**Senator O'BRIEN**—Okay, you are refusing.

**Senator Ian Campbell**—Because some public servant has broken the law and leaked a document, we are not going to aid and abet a crime. You seem to want to.

**Senator O'BRIEN**—So you are refusing to answer questions about the budget document and figures in the portfolio budget statements?

**Senator Ian Campbell**—Let us answer some questions. We are on table 3.2.2. Do you have any questions?

**Senator O'BRIEN**—I have asked a number of questions which you are indicating you are refusing to answer.

**Senator Ian Campbell**—No, I am not. You are asking an officer of the Commonwealth to discuss a document leaked from another department which is not the subject of these estimates. If you have got any questions for officers of the Department of Transport and Regional Services, I am sure the chair would encourage you to ask them. If you want to ask questions of the finance department about their documents, I am sure that the secretary of this committee will be able to tell you where they are meeting—in what room and when.

**Senator O'BRIEN**—Have DOTARS program estimates been adjusted upwards or downwards following discussions between this department and the Department of Finance and Administration?

**Senator Ian Campbell**—That goes to the core of the budget cabinet process.

**Senator O'BRIEN**—No, it does not.

**Senator Ian Campbell**—It does.

**Senator O'BRIEN**—It goes to discussions between two departments.

**Senator Ian Campbell**—That is the core of the cabinet process.

**Senator O'BRIEN**—No, it is not.

**Senator Ian Campbell**—The deliberations of the cabinet and the government on the budget are here; these budget papers are the result.

**Senator O'BRIEN**—I am talking about deliberations between two departments. What has been decided is the final product. There have been discussions which occurred, not in the cabinet room but between two departments—

**Senator Ian Campbell**—Yes, but that is all around the cabinet process.

**Senator O'BRIEN**—That is not protected. It is not protected. Indeed, the Clerk of the Senate has given some advice on what is and what is not protected. I do not believe this is protected.

**Senator Ian Campbell**—I see. So, when the department of the environment comes forward with its first application for funds under the budget, and the department of finance comes back and says, 'That's a bit rich; tell the minister he's asking for too much money,' that whole iterative process should be subject to budget estimates?

**Senator O'BRIEN**—It can be.

**Senator Ian Campbell**—Well, it is not.

**Senator O'BRIEN**—If they are discussions between departments—

**Senator Ian Campbell**—The executive government makes a decision about what its budget will be and produces thousands of pages saying, 'Here are our budget estimates for the next year,' after a policy process which leads to cabinet making a decision on the budget. We present it to the parliament and then the parliament, quite properly, analyses it and asks questions about it.

**Senator O'BRIEN**—That is what I am doing: I am analysing it and asking questions about it. I want to know what adjustments were made prior to the figures that we now see.

**Ms Riggs**—Senator, I do not believe any adjustments have been made as a result of a discussion between departments. I believe adjustments have been made as a result of the decisions of the budget cabinet.

**Senator O'BRIEN**—That seems to fly in the face of the executive minute that you know is in the public domain that says:

... overall DOTARS programme estimates have been adjusted to reflect the most likely financial outcome ...

That might be quite an innocent adjustment; I do not know. I am just asking to find out what it is.

**Ms Riggs**—Perhaps I could assist you if I take you to page 53 of the portfolio additional estimates statements for 2004-05. In that, the revised budget for 2004-05 for Regional Partnerships is shown as being \$103,431,000. In the portfolio budget statements for 2005-06, on page 32, the estimated actual expenditure in 2004-05 for Regional Partnerships is shown as being \$86,922,000. Is that of assistance to you?

**Senator O'BRIEN**—It certainly is. What is the difference again? My maths is not that quick.

**Ms Riggs**—I have not done the arithmetic.

**Senator O'BRIEN**—What was the first figure again?

**Ms Riggs**—The first figure was \$103.4 million and the second figure is \$86.9 million.

**Senator O'BRIEN**—So we are talking about a \$16 million reduction.

**Ms Riggs**—Something in that order, yes.

**Senator O'BRIEN**—Can you tell us why that adjustment was necessary—why there was the underspend of \$16 million?

**Ms Riggs**—It was not an underspend; the budget has been adjusted for 2004-05. There are two elements to that. The first is the need, yet again, to move the \$2.2 million provision for compensation for changed electricity generation at Weipa into an out year, because the arrangement under which Weipa might become a local government authority within the definition of the Queensland state government has not yet been agreed and so that compensation is not yet necessary to that community. The second is some \$14.3 million which we as a department, based on the very best knowledge we have of the projects within this program, believe it is highly likely we would not have been able to expend this year, so it has been removed from the estimate.

**Senator O'BRIEN**—In relation to the \$14.3 million, have you had any reason to revise your view as to whether some of that might now be spent that you did not think would be spent?

**Ms Riggs**—No. At this stage our very best estimate is something like \$87 million or just under that is the maximum we will expend this financial year in Regional Partnerships.

**Senator O'BRIEN**—Is it true that the Department of Transport and Regional Services was reluctant for the budget to be adjusted to allow for changed outcomes for the Regional Partnerships program?

**Ms Riggs**—The reality of the government's decision is that the budget for the program for this year has been adjusted. I do not think that any views of the department ought to be canvassed here. Clearly the government has now made its decision.

**Senator O'BRIEN**—Were the changed figures from the portfolio additional estimates statement and the budget document arrived at by calculation by the Department of Transport and Regional Services? In other words, was it the Department of Transport and Regional Services that determined that there would be an inability to spend the \$14.3 million from Regional Partnerships in the current financial year that was in the portfolio additional estimates statement?

**Ms Riggs**—That was indeed informed by our very best judgment as the program managers, yes.

**Senator O'BRIEN**—So it was this department's calculation?

**Ms Riggs**—Yes.

**Senator O'BRIEN**—Why would it take some instruction from the secretary to the Treasury to require this department to adhere to the government's wish that the accuracy of budget estimates be a high priority?

**Ms Riggs**—I have no idea.

**Senator O'BRIEN**—Can you confirm Dr Watt's further comment that 'under prevailing circumstances a further slippage of \$7 to \$14 million has taken place under this program'? Clearly \$14 million—

**Senator Ian Campbell**—We are now commenting on Dr Watt's leaked document, are we?

**Senator O'BRIEN**—The final figure is indicative of that.

**Senator Ian Campbell**—We are not going to be commenting on finance department documents that are leaked. We are not going to encourage crime in this place.

**Senator O'BRIEN**—This is a communication between two departments. It is not protected.

**Senator Ian Campbell**—It is a leaked document.

**Senator O'BRIEN**—It does not matter—it is not protected.

**Senator Ian Campbell**—I am not commenting on that document.

**Senator O'BRIEN**—How many documents in the public domain are leaked documents which are the subject of public debate?

**Senator Ian Campbell**—If you want to ask Dr Watt about his document over at Finance estimates, walk down the hall and go to Finance estimates.

**Senator O'BRIEN**—I am asking questions here and ascertaining whether—

**Senator Ian Campbell**—We are not encouraging crime.

**Senator O'BRIEN**—There is no crime involved.

**Senator Ian Campbell**—There is no crime involved in leaking a Commonwealth cabinet-in-confidence document?

**Senator O'BRIEN**—There is no crime involved here.

**Senator FERRIS**—Yes, there is.

**Senator O'BRIEN**—I am asking questions about communications between—

**Senator Ian Campbell**—This is like you saying that Ian Kiernan is not chairman of Primary Energy. You are saying that black is white.

**Senator O'BRIEN**—I am saying that there is no crime here.

**Senator Ian Campbell**—It is a Crimes Act crime to leak a cabinet-in-confidence document out of the finance department.

**Senator O'BRIEN**—There is no crime here this evening. I am asking about a document—

**Senator Ian Campbell**—Are you the judge and the jury, are you?

**Senator O'BRIEN**—in the public domain which deals with communications—

**Senator Ian Campbell**—The document is in the public domain because someone broke the law.

**Senator O'BRIEN**—I do not know that that is true and you do not either.

**Senator Ian Campbell**—But you just said it was not true. You are being the judge and jury.

**Senator O'BRIEN**—I do not know what happened out there. What I know is what is happening in here. I am asking—

**Senator Ian Campbell**—Ask a question about the DOTARS budget estimates and we will answer it. We are not going to answer questions about a document that has illegally gone into the public domain because someone broke the law. You are in possession of stolen goods.

**Senator O'BRIEN**—No, I am not. I am in possession of—

**Senator Ian Campbell**—You have got your grubby left hand on it, mate.

**Senator O'BRIEN**—No, I have not.

**Senator Ian Campbell**—You have a stolen document there and you are now dealing in it.

**Senator O'BRIEN**—I am asking questions about communication between two departments about the portfolio budget statement which is the subject of these estimates.

**Senator Ian Campbell**—You are asking questions about a document that has been leaked. It is not a communication between the departments; it is a communication that has been leaked because someone broke the law. You are encouraging further people to break the law because you have your left hand on a stolen document—

**Senator O'BRIEN**—Have I! That is not—

**Senator Ian Campbell**—and we are not going to join with you in that grubby exercise.

**Senator O'BRIEN**—I do not have my left hand on anything that has been stolen. Frankly, you would want to be careful about allegations that you make which you cannot substantiate. You are pretty good at making statements that are not borne out by the facts.

**Senator Ian Campbell**—This is the senator, Chair, who said that Ian Kiernan was not the chairman of a public company when he was.

**Senator O'BRIEN**—On the basis of a document I supplied you—

**Senator Ian Campbell**—Now you are quoting from a document—

**Senator O'BRIEN**—No, I am not.

**Senator Ian Campbell**—that has been illegally leaked from the department.

**Senator O'BRIEN**—I do not know that to be the case.

**Senator Ian Campbell**—You are asking questions in a committee that is dealing with the estimates of another department.

**Senator O'BRIEN**—Let us deal with Mr Kiernan. You said you were going to produce some documents, so produce them.

**Senator Ian Campbell**—If you want to go and ask Dr Watt about a document, I suggest that you get one of your colleagues to ask him or make yourself a participating member in the relevant committee of the parliament—

**Senator O'BRIEN**—I do not need to.

**Senator Ian Campbell**—because you are in the wrong one here now.

**Senator O'BRIEN**—I am not—I am in the right one. I am asking questions about this budget.

**Senator Ian Campbell**—Chair, do we have any questions on the DOTARS estimates that are now before us?

**Senator O'BRIEN**—I have questions, but you are refusing to answer them. I am continuing to ask the questions.

**Senator Ian Campbell**—If we have no further questions on the regional services part of the portfolio, we will move to the next item.

**Senator O'BRIEN**—No, we will not. I will keep asking questions. You are refusing to answer questions—that is the problem.

**Senator Ian Campbell**—I am not going to be answering questions that relate to a stolen or leaked document.

**Senator FERRIS**—The minister has directed the officers at the table not to answer questions on a leaked document, so—

**Senator Ian Campbell**—No, I have not. I have said that I will not answer them. The government will not answer them.

**Senator FERRIS**—there is not any point in continuing to ask them because they will not be answered.

**Senator O'BRIEN**—The minister has just said that he is not directing them not to answer.

**CHAIR**—Anyhow, we do not appear to be making any progress, I have to say.

**Senator O'BRIEN**—I am interested in making progress. Asking questions is the way that I am trying to do it.

**CHAIR**—I am trying to make a bit of progress here too. It has nine letters and it is—

**Senator O'BRIEN**—Do not start that; we will be here until five o'clock on Friday.

**Senator FERRIS**—Let us move on.

**Senator O'BRIEN**—I am trying to move on. Is it true that there has been a history of previous underspends in this program?

**Ms Riggs**—The program is in its third year. It is true that this program has previously underspent.

**Senator O'BRIEN**—Can you give us the history of those underspends?

**Ms Riggs**—We have now located an appropriate table. In 2003-04 the revised budget for Regional Partnerships, as at additional estimates time, was \$100.5 million, and the actual expenditure was \$78.5 million. I think I am right in saying that that was the first year of Regional Partnerships; it began on 30 June 2003-04. This year our revised budget as at additional estimates was \$103.4 million. I have said this to you already. Our current best estimate of what we will spend—we acknowledge it is a maximum best estimate, but Dr Dolman tells me that he and the program managers are increasingly confident of achieving very close to this figure—is \$86.9 million.

**Senator O'BRIEN**—The history of the program, it is fair to say, is a history of allocations which have not been met. You make the point, rightly, that is only two years of history, but that is a history.

**Ms Riggs**—If you want to call that a history, so be it.

**Senator O'BRIEN**—Are you saying it is not a history of this program's expenditure?

**Mr Yuile**—I think what Ms Riggs is saying is that that is the experience of establishing the new program. In the first two years, that is the picture.

**Senator Ian Campbell**—Isn't the point that we make funds available and we rigorously make sure that they comply with the program benchmarks and program milestones and we are very cautious to make sure that the Commonwealth funds are spent according to the applications.

**Senator O'BRIEN**—I am sure we can use that quote somewhere.

**Senator Ian Campbell**—I am sure you can.

**Senator O'BRIEN**—I am sure we will.

**Senator Ian Campbell**—I am sure you would have done the same for the turtle interpretation centre, the sporting complex at Thuringowa and the Rockhampton showgrounds.

**Senator O'BRIEN**—It would have been under a tourism program.

**Senator Ian Campbell**—And the \$54 million Tasmanian package, the bike plan in the Swan Valley.

**Senator O'BRIEN**—What was your Tasmanian package?

**Senator Ian Campbell**—And a range of other marginal seat measures that you put in your election commitments.

**Senator O'BRIEN**—Returning to the questions, has the \$14.3 million that is not spent in the coming financial year been the subject of rephrasing?

**Ms Riggs**—No, it has not.

**Senator O'BRIEN**—Are there any other figures than those which appear in the portfolio budget statements which will indicate the profile for Regional Partnerships and Sustainable Regions in the coming financial year and the out years? I say that because I suppose I am not making myself as clear as I could. I just want to know if there are any qualification to the line items for the out years which show expenditure that might allow me to adjust my understanding against what is in the PPS.

**Ms Riggs**—I think I should simply say to you that the budgets, including the forward estimates as shown on page 32 of the portfolio budget statements, for both Regional Partnerships and Sustainable Regions, are the figures to which we are working for next financial year and in a planning and forward commitment sense for the three years beyond that.

**Senator O'BRIEN**—How much, if any, of the expenditure for the 2005-06 year is already committed?

**Ms Riggs**—I will ask Dr Dolman and Ms Gosling to answer that for each of the two programs respectively.

**Dr Dolman**—Concerning the Regional Partnerships program, for the financial year 2004-05 we have committed \$99.2 million and, as we have just been discussing, of that we expect to spend \$86.9 million.

**Senator O'BRIEN**—So, with respect to the difference between those figures, which year or years of the budget estimates as represented on page 32 of the PBS will that money come from?

**Dr Dolman**—Essentially these are contracts for projects where the proponent has told us that they expect to spend the money this financial year. We know from experience that that is unlikely to happen. Proponents are invariably optimistic about their ability to spend the money, which is the reason why there is a difference. We expect that, because those projects

are contracted and largely under way, the majority of those funds will be spent next financial year.

**Senator O'BRIEN**—Have you currently any reason to believe that those funds will not be spent until 2006-07?

**Dr Dolman**—No.

**Senator O'BRIEN**—Is any other money committed, either contractually or as the subject of contractual considerations, from the 2005-06 budget estimate figure on page 32?

**Dr Dolman**—Yes, we have further—

**Mr Yuile**—I think we need to be clear about where we have actually contracted and where there might be applications in the pipeline.

**Senator O'BRIEN**—There may be approval, but the contract phase is about to commence or, having commenced, is not completed, so—

**Mr Yuile**—And there may be projects under consideration which have not been approved.

**Senator O'BRIEN**—There could be a heap of projects under consideration—

**Mr Yuile**—That is correct.

**Senator O'BRIEN**—but until they are approved I take it that the money is still available to all comers.

**Mr Yuile**—That is what I wanted to clarify, yes.

**Senator O'BRIEN**—Am I right when I say that, until the money is committed, it remains available to whomever?

**Mr Yuile**—That is certainly within the minister's discretion, yes.

**Dr Dolman**—I will go through it. We have some \$21.6 million contracted against what we are calling new Regional Partnerships projects. Those are projects that have commenced since the beginning of the program and the Namoi Valley structural adjustment projects where we have contracts in place. We have \$16½ million, I guess, that is earmarked against ACCs, though there is not a contract in place for that yet. There is a further amount—around \$31 million—for election commitments, some of which are contracted and some of which are yet to be contracted.

**Senator O'BRIEN**—Those three numbers that you have just given me: they are in addition to the \$99-odd million that was referred to in relation to the 2004-05 year?

**Dr Dolman**—That is correct.

**Senator O'BRIEN**—So adding the difference between that figure and the \$86.9 million to those three figures will give us a rough understanding of how much remains—I do not want to use the word 'committed'—the subject of positive consideration?

**Dr Dolman**—That is correct.

**Ms Riggs**—Yes.

**Senator O'BRIEN**—What is the situation with the Sustainable Regions 2005-06 budget figure in the same context?

**Ms Gosling**—For 2005-06, we are estimating expenditure of \$48 million for that program. Of that \$48 million, we would say at this point that approximately \$25 million is actually committed.

**Senator O'BRIEN**—Okay. Are there applications that you could categorise as in the pipeline and most likely to be funded?

**Ms Gosling**—Yes. I would not want to put a figure on that but there are a number of applications and a number of the advisory committees in the regions are working up applications that we would expect to come forward that would also be funded out of that \$48 million.

**Senator O'BRIEN**—Why would you not like to categorise it?

**Ms Gosling**—I do not have a precise figure here and also we may not always be privy to exactly where each committee is up to with their deliberations and what might be coming forward from them. We might not know what state of readiness it is in to come forward as a recommendation to the minister.

**Ms Riggs**—You will appreciate that one of the distinctions between Regional Partnerships and Sustainable Regions is that an application under Regional Partnerships comes directly to the department. Under the Sustainable Regions program, it goes first to a sustainable region advisory committee. Not everything that goes to them comes forward to the minister recommended as it appears in the application. Ms Gosling is wise, therefore, to say that we are aware of the activity of committees but we would not want to quantify the outcomes of that activity until such time as we see their letters of recommendation.

**Senator O'BRIEN**—I am not asking the officer to do that. The \$25 million committed: is that funding that has been signed off by the minister?

**Ms Gosling**—Yes. That would be approved by the minister and the subject of a funding agreement.

**Senator O'BRIEN**—Are there before the minister a number of proposals with the support of the sustainable regions committee?

**Ms Gosling**—Again, I do not have the details here. There may well be some that either are under consideration by the department or have got to the stage of being sent from the department to the minister for consideration.

**Senator O'BRIEN**—Can you get us those figures in terms of the finances?

**Ms Riggs**—In total figures?

**Senator O'BRIEN**—Yes.

**Ms Riggs**—We will have a look at that, yes.

**Senator O'BRIEN**—Thanks for that. In table 2.4 on page 18 of the current PBS \$2.2 million of Regional Partnerships funding is identified as being moved to 2007-08. Is that the—

**Ms Riggs**—That is the Weipa money that I mentioned.

**Senator O'BRIEN**—I think we have established that that is the only money that has been—

**Ms Riggs**—The only money from Regional Partnerships that has been moved forward.

**Senator O'BRIEN**—In terms of the Sustainable Regions Program, it appears that \$7.5 million has been rephased to 2005-06. Do I understand that correctly?

**Ms Riggs**—That is correct.

**Senator O'BRIEN**—In relation to that, can you give us some explanation as to how there came to be an underspend of that magnitude? What brought it about?

**Ms Riggs**—A number of quite substantial projects brought forward from a number of the existing regions simply ran into circumstances in which, it was clear to us, they would not meet milestones in this financial year. We knew that early enough to be able to signal it through the additional estimates process and to make provision for that by seeking to have the money moved forward, and the government agreed that that was appropriate in the case of that program.

**Senator O'BRIEN**—We do know that commitments were made to fund some projects that have not been the subject of the necessary approval applications to the competent local authorities. That is not completely in line with the guidelines for that program, is it?

**Ms Riggs**—The guidelines for the Sustainable Regions Program make no reference whatsoever to the timing within the project cycle when development approvals need to be gained, unlike Regional Partnerships.

**Senator O'BRIEN**—If that is the case—if you then have to wait for a regulatory approval process, like a local government approval—the program is more likely to have a gap between the approval of funds and commitment of funds. We do know of particular projects—for example, on the Atherton Tablelands—that have fallen foul of that.

**Ms Riggs**—Experience has shown us precisely that. Some of the contribution to that was our being able to conclude that there was something in the order of \$7.4 million that would not meet milestone commitments this year.

**Senator O'BRIEN**—Can we identify the particular projects that were unable to be funded according to the timetable? Is it able to be broken down to that degree?

**Ms Riggs**—We would have to take that on notice.

**Senator O'BRIEN**—If you could, thank you.

**Ms Riggs**—There was one other element of that \$7.4 million that I should make reference to. It relates to projects where there is, in effect, a delay between the committee bringing it forward and the department's negotiating the funding agreement, because in that time period it became evident to the department that there were not, for example, certain approvals, preconditions like commitments of partners to funding and so on in place. Some of it may not be committed projects so much as projects where we have not even got to the actual formal commitment by signing the funding agreement. Those are a little more difficult to describe, but we will do our best to give you the information you seek.

**Senator O'BRIEN**—That might explain the slippage between the \$5 million that was thought might be the underspend early in the year and the \$7.4 million it turned out to be.

**Ms Riggs**—We have talked before about how difficult some of this stuff is to get absolutely right.

**Senator O'BRIEN**—I appreciate the explanation for how that might occur. Has there been correspondence between this department and the department of finance about the underspend of both of these programs?

**Ms Riggs**—The normal vehicle for correspondence between this department and the department of finance is through our chief finance officer, not through line program areas, so I would not necessarily be familiar with that.

**Senator O'BRIEN**—I appreciate that. Mr Yuile, is it possible to find out if there is such correspondence and whether we can receive copies of it?

**Mr Yuile**—In relation to those two programs?

**Senator O'BRIEN**—Yes.

**Mr Yuile**—Yes, I can certainly explore that. If it is in the context of budget considerations then ordinarily that would not be the sort of correspondence that we would release. That would also be a question that I would need to talk to the secretary and the minister about.

**Senator O'BRIEN**—I do not believe that there is any protection for correspondence in that context—at least, that is the advice I have.

**Mr Yuile**—If it is budget related correspondence.

**Senator O'BRIEN**—If it is correspondence between the departments, as distinct from the government's consideration of a budget matter, I do not think it is protected.

**Mr Yuile**—I do not know how you can distinguish the two. One is related to the other. I have not seen your advice. I agree to take it on notice.

**Senator O'BRIEN**—In table 3.2.2 of the PBS, as in other tables, the Bert Hinkler Hall of Aviation Museum is separated from the other Regional Partnerships icon programs. Can you explain why that is?

**Ms Riggs**—The line for the construction of the Bert Hinkler Hall of Aviation Museum has appeared in the department's portfolio budget statements for, I think, three years. It was a decision taken in 2001 by the government, so it has been there ever since. It is separate from Regional Partnerships because Regional Partnerships did not exist then, and I think this department had not then fully brought into its fold the Regional Assistance Program or the ACC network. In the funding that we have received through the additional estimates process, we have an additional \$2½ million within the Regional Partnerships program for funding the Bert Hinkler Hall of Aviation Museum, making the government's contribution towards that project some \$4 million. It is a quirk of history.

**Senator O'BRIEN**—Is it a political rephrasing? You do not need to answer that.

**Ms Riggs**—It is a quirk of history.

**Senator O'BRIEN**—Are there contractual arrangements in place in relation to the expenditure of both of those pots of money, if I can put it that way?

**Ms Riggs**—No. The team leader who is advising me tells me that they are in close discussion with the proponents of this project, but we are not yet at the point of being able to sign a funding agreement.

**Senator O'BRIEN**—With whom are those discussions?

**Ms Riggs**—With the Bundaberg City Council, I understand.

**Senator O'BRIEN**—How long have those discussions been under way?

**Ms Riggs**—I guess, on and off over a three-year period as we sought to promote more expenditure from the original \$1½ million than simply the \$50,000 that was contributed to some design work done in 2002, but intensively since the early part of this year when it became possible for us to begin negotiation with organisations that had made commitments during the election campaign and for which we were confident that the additional estimates would provide funding. So some few months.

**Senator O'BRIEN**—Does the department provide any funding for the Australian Prospectors and Miners Hall of Fame in Kalgoorlie?

**Ms Riggs**—It does not ring a bell in my mind. I do not think that we have brought with us a list of some 550 projects currently funded under Regional Partnerships, so can I take that on notice?

**Senator O'BRIEN**—You can.

**Mr Yuile**—Do you want to know whether they have applied for funding?

**Senator O'BRIEN**—Yes, I do. I was going to ask that next, but thank you for anticipating my question. Has the department ever received representations from a member of the parliament about the project and, if so, from whom?

**Ms Riggs**—If we have an application, we will have a file and, if we have a file, we will have filed such representations on it. If we do not have an application, such representations will have gone onto a general correspondence file, and I make no promise about our being able to find such representations.

**Senator O'BRIEN**—So you will be able to tell us, if you have received an application, what stage of the evaluation for funding such a project has reached?

**Ms Riggs**—We would be able to tell you if there were an outcome of the consideration of the application or whether it was still in process, yes.

**Senator O'BRIEN**—I note from page 31 of the PBS—if I understand the document correctly—that there will be a 10 per cent increase in the staffing levels for outcome 2. Is that right?

**Ms Riggs**—That is what the table says.

**Senator O'BRIEN**—Can you give us an explanation for the growth in staffing?

**Ms Riggs**—I cannot provide an explanation for the totality of that, because outcome 2 includes regional services, services to the territories and to local government and natural disaster relief, and not all of that is within my competence.

**Senator O'BRIEN**—Do you know any reason for any of that?

**Ms Riggs**—Perhaps I can best describe it to you in these terms: for the regional services element—that is, output 2.1.1, which is one of the four elements of this—in June 2004 the average staffing level for what is now the equivalent of this division was 179.5. In June 2005 we anticipate that it will be 206, and we anticipate maintaining staffing at about that level, give or take the odd on and off, throughout the financial year. Clearly, these average staffing levels are numbers, and I have given you FTE; and they are averages for the year, and I have given you point in time. But, yes, it is true that we have had growth of some 25 in ASL terms in the regional services area over the past 12 months and we anticipate maintaining it at around that same staffing level. That is a large part of that increase. The reason for that is that the regional offices, and, to some extent, the Canberra based staff, were under considerable pressure over the course of last year in processing Regional Partnerships applications, managing a Senate inquiry and undertaking a number of other activities associated with being proper, appropriate and accountable public servants—and the secretary agreed to give us an increase in staffing.

**Senator O'BRIEN**—So you think that would explain part of the 33 positions that seem to be an increase?

**Ms Riggs**—That is right. A major part of those 33 positions is to do with that.

**Senator O'BRIEN**—Were there a number of decisions about increasing staff? Was a decision taken to engage the 25 FTE additional staff at some particular point or points? Can we know that?

**Ms Riggs**—No, fundamentally there was one significant decision around the middle of the year, but it has taken us some few months to activate that decision to achieve the increased staff levels.

**Senator O'BRIEN**—The middle of calendar or the middle of the financial year?

**Ms Riggs**—The middle of the financial year.

**Mr Yuile**—We do a mid-year review. It is usual practice. I am trying to think whether it was before or after Christmas.

**Ms Riggs**—I can tell you that Dr Dolman was on leave when I licensed the area managers to go out and begin recruiting some 25 or 26 additional staff around our 10 or 11 regional offices.

**Dr Dolman**—It was January.

**Ms Riggs**—Since I think he disappeared in mid-December and did not come back until early February, that would have been in January, which would be the right timing for the mid-year review.

**Senator O'BRIEN**—Can you give us, on notice, a breakdown between head office and the regional offices?

**Ms Riggs**—I will take that on notice.

**Senator O'BRIEN**—When did the government decide to directly fund the six icon projects, and how was this communicated to the department?

**Ms Riggs**—They were announced as commitments by the government during the course of the election campaign. I can find the precise date for you—24 September rings a bell in my brain, but I would not want to be held to that. It was a public statement on the part of the government in the course of the election campaign. Subsequently the government considered how it would best give effect to its election commitments. I do not know the date of the cabinet minute which gave effect to those six projects, but the outcome of whatever that cabinet minute was is in the portfolio additional estimates statement, so formally the decision became public on the day that the bills associated with that document were tabled in the House of Representatives.

**Senator O'BRIEN**—I did not ask when it became public; I asked how it was communicated to the department.

**Ms Riggs**—At an appropriate time, we would have seen a cabinet minute associated with the consideration of what subsequently became the additional estimates. The original statement on the part of government is *A Stronger Economy, A Stronger Australia: Investing in Stronger Regions*, which, as I say, I believe was released around 24 September last year. But the decision to follow through on that would have formed part of the cabinet minute which was part of the additional estimates process.

**Senator O'BRIEN**—During the February additional estimates process, Ms Riggs, I think you confirmed that the department was undertaking a risk assessment process for each of the six regional icon projects: the Mackay science and tech centre, the Bert Hinkler Hall of Aviation, the Buchanan rodeo park at Mount Isa, the Dalby showgrounds project, the RM Williams bush centre and the Tamworth equine centre. Where are those risk assessment processes up to, if I can put it that way?

**Ms Riggs**—I would be delighted to tell you. The Buchanan rodeo park in Mount Isa has been approved by the minister, so that risk assessment process and the minister's subsequent agreement have been achieved. Indeed, the recipient has signed a funding agreement. We expect to make the first payment for that project within the next two weeks. The Tamworth equine centre has similarly completed assessment within the department and been approved by the minister. We are currently settling the final details of the funding agreement between us and the proponent.

Some aspects of the assessment of the Bert Hinkler Hall of Aviation in Bundaberg are still under way. The upgrade of the Dalby showgrounds is also still in assessment. The RM Williams centre is in assessment. The Mackay science and technology centre is still in the process of settling its business plan. So we are still in discussion with them but are not in a position to move formally to assess whether or not there are risks to the Commonwealth in that project.

**Senator O'BRIEN**—So all of the others have prepared and submitted business plans?

**Ms Riggs**—All of the others have provided the information that we sought from them in a form that enabled us to make an appropriate assessment.

**Senator O'BRIEN**—Does that mean they provided business plans?

**Ms Riggs**—A business plan is one way of satisfying the matters that we seek from each of the proponents.

**Senator O'BRIEN**—Which of the proponents had to supply a business plan?

**Ms Riggs**—I do not know that. What I am saying to you is that each of them have provided equivalent information sufficient to enable us to undertake the assessment. Whether or not it came behind a page that said 'business plan' is not relevant to our ability to undertake an appropriate assessment.

**Senator O'BRIEN**—Who determined whether a 'business plan' was necessary—the proponent, the department or the minister?

**Ms Riggs**—We determined a number of elements of information that were necessary and we seek information from the proponent until we have sufficient to satisfy those elements. Some of those can be satisfied by the provision of a business plan. How the proponent seeks to satisfy the requirements is up to them. We do not begin our assessment until we have sufficient information to satisfy each of those elements of information.

**Senator O'BRIEN**—Can you give us details of any identified risks with any of the projects and the methodology used to assess the significance of those risks?

**Ms Riggs**—I am happy to give you on notice a description of the process of risk assessment that the department has gone through. Whether or not I am going to share with you the risks is a matter that I would want to consult with the minister about. After all, those are matters which we have identified in our assessment of the projects. They are part of our advice to the minister.

**Senator O'BRIEN**—This totals \$27.5 million of public funds to be expended. In February you said that a risk assessment process would be undertaken. Is it work the department has done?

**Ms Riggs**—I have described to you where each of those assessments is up to. It is either work the department has done to provide advice to the minister, as a result of which the minister makes a decision, or work which is in progress or work which we do not yet have sufficient information to progress.

**Senator O'BRIEN**—I have not asked for how you advise the minister as to those risks; I have asked what risks were identified and I have asked about the methodology that you would use generally.

**Ms Riggs**—And I have agreed that we will provide you on notice with the methodology. What I am saying to you is that I would want to take advice from the minister as to whether or not the nature of the risks and what we have done to ameliorate them—

**Senator O'BRIEN**—No, I am not asking for that information; I am asking for identified risks, not any subsequent methodology, not how you have actually assessed them in your advice to the minister, nor how you ameliorated them.

**Ms Riggs**—We cannot identify them until we have assessed them, and the assessment is the first step in the process of advising the minister. So I cannot give you an identified risk until we have got to the point of constructing it as part of our advice to the minister.

**Senator O'BRIEN**—I do not think it is right that you cannot tell me what risks you have identified without telling me how you have assessed them. I think you can tell me the risks that have been identified.

**Ms Riggs**—The risks arise as part of our process of assessing the application or the information. They are not identified in any other way. The assessment is the primary thing we do. Risks might arise from assessment. It is those matters, amongst others, that we provide advice to the minister about in relation to each of these projects. Therefore, the identified risks are integral to our advice to the minister.

**Mr Yuile**—Before Senator Bishop left, he asked us asked about a fire on a vessel in Brisbane and he said he was going to leave some questions for us, but we did not follow that up.

**Senator O'BRIEN**—I have the questions.

**Mr Yuile**—I just wanted to make sure.

**Proceedings suspended from 6.25 pm to 7.34 pm**

**Senator O'BRIEN**—Can we get some information about each of the icon projects. When did the department commence assessing each of them?

**Ms Riggs**—I would have to take that on notice.

**Senator O'BRIEN**—Did the department conduct its own assessments or use external consultants?

**Ms Riggs**—In providing you with information about when we started assessing them and in answering your previous question about the assessment methodology, I will be happy for that answer to outline whether it was departmental or a mix of departmental and/or involved external players,

**Senator O'BRIEN**—Apart from internal departmental costs, can you give us a breakdown of costs of assessment: for example, for each application what consultants were used?

**Ms Riggs**—Where we have used external providers as part of the assessment process, we can detail those costs.

**Senator O'BRIEN**—Was the department required to pay travel costs in relation to any of these six icon project applications?

**Ms Riggs**—In relation to consultants, if we have used them. We will take that on notice.

**Senator O'BRIEN**—And what about the department itself?

**Ms Riggs**—I am not aware that in relation to these six projects we have incurred travel costs for departmental staff.

**Senator O'BRIEN**—If you have, you will let us know?

**Ms Riggs**—If we have, we will provide it.

**Senator O'BRIEN**—I take it your earlier answers indicate that the same methodology used for the assessments of these projects will apply to other Regional Partnerships projects.

**Ms Riggs**—Certainly, in essence, the same methodology will apply to any other projects which are being funded through Regional Partnerships but were committed to by the government as election commitments and the methodology for assessment is modelled on that which applies to any Regional Partnerships application which comes to us.

**Senator O'BRIEN**—It is similar but not the same?

**Ms Riggs**—If there are any significant differences, we will describe them to you, in describing the methodology. It is very closely modelled on the Regional Partnerships assessment process.

**Senator O'BRIEN**—I take it the methodology for assessing the projects will give us an inkling of how the benefits of each of the particular projects would have been assessed?

**Ms Riggs**—The methodology will describe the approach, and that approach goes to many of the same matters that the assessment methodology does for Regional Partnerships. The question of benefit is one that we look at, but I think it is fair that I say that the government has already agreed that these projects have merit. The major part of our assessment is focused indeed on being able to construct an assessment that identifies whether or not there are risks of any nature to the government from having indicated through the election period that they would support these projects.

**Senator O'BRIEN**—I am trying to marry up the answer you gave about the use of this methodology in some form in relation to all Regional Partnerships projects. I know they are not your precise words, but I think that is what you were trying to convey. If that is ongoing, surely the methodology would deal with benefits, or is that something you have to, for want of a better term, cobble onto the methodology for the other projects?

**Ms Riggs**—No. The notion of the benefit of the project, what is the outcome it produces for its community, is inherent in the Regional Partnerships assessment methodology and also one of the underpinnings of this. A clear description of what the project is intended to achieve is clearly one of those matters.

**Senator O'BRIEN**—And an assessment that it is reasonable to expect the proposal to have the claimed impact on the community?

**Ms Riggs**—Yes.

**Senator O'BRIEN**—But, in the case of the icon projects, I thought you were saying that that had already been determined by the government so it was not a matter to be assessed in the department's work.

**Ms Riggs**—The merit of the project is not fundamentally at issue, but if there are issues about the project—and I am talking very hypothetically to try and explain this to you—that might lead us to have some reservations about whether the project as proposed will indeed deliver those benefits, that might be a matter of risk which we might draw to the minister's attention. Does that help you to understand the linkage?

**Senator O'BRIEN**—I understand what you are saying about that, and that is at least a partial linkage. I think I understand how you might adjust any such methodology to a project where the government had not already made a positive assessment. Are there any of the icon projects where particular requirements are being or have been made of the proponents because issues were highlighted by the risk assessment process—that is, where proponents will have to do something to satisfy a test to obtain funding?

**Ms Riggs**—You will recall from before the dinner break that I said that only two of these six projects had proceeded through assessment and to the point of approval by the minister. In both those cases we have either a signed funding agreement or a funding agreement for which the negotiation is pretty much settled. In any funding agreement we negotiate in Regional Partnerships, there are requirements placed on the recipient of the funding, or the prospective recipient of the funding, that go to all the general matters that formed the body of the funding agreement, which I think we have provided you with a copy of in the past. Then there is the construction of the schedule to the funding agreement, which includes the milestones for the project, which is the completion of certain activities or the achievement of certain outcomes or the satisfaction of certain conditions that need to be met by the proponent before another payment is triggered, for example, and depending on how we might assess issues to do with the length of time the project will run, with the complexity of the project, the financial standing of the proponent, we might in negotiation with the proponent construct those requirements to best moderate any risks there would be to the government. Everyone who signs up to a Regional Partnerships funding agreement has to meet certain requirements and each of those is tailored to the specifics of that project.

**Senator O'BRIEN**—Would we get an understanding of how the project's needs and the government's needs have been tailored for each project by seeing the agreement and the milestone requirements?

**Ms Riggs**—That is right.

**Senator O'BRIEN**—Are we able to see those agreements?

**Ms Riggs**—You certainly are.

**Senator O'BRIEN**—And in each case I suppose it would be open for us to inquire of the department why a particular milestone requirement was put in place?

**Ms Riggs**—I think that would be fair.

**Senator O'BRIEN**—I take it the departmental assessment process was at arm's length from the minister in each of the six cases, or those that have been completed and those that are ongoing?

**Ms Riggs**—They are done in the department, just as the Regional Partnerships application is assessed in the department.

**Senator O'BRIEN**—I will just be clear in my mind here. When you go through the risk assessment process it is not to establish that there is absolutely no risk but that the risks to the Commonwealth have been minimised?

**Ms Riggs**—It is to establish whether there are risks to the Commonwealth above and beyond the ordinary risks. Any funding agreement has an element of risk in it. It is to satisfy

the same requirements or some of the requirements or to assess the extent to which the fundamental requirements of partnership, community benefit and so on of the Regional Partnerships are met. It is then to assist us in designing the elements we might seek to include in the funding agreement so as to best mitigate any risks above and beyond the ordinary that that assessment might highlight for us.

**Senator O'BRIEN**—Does that mean all of those processes are designed to minimise risk you cannot eliminate?

**Ms Riggs**—Yes.

**Senator O'BRIEN**—I am trying to shorthand it.

**Ms Riggs**—Yes.

**Senator O'BRIEN**—I am trying to encapsulate it in as few words as possible.

**Ms Riggs**—Absolutely,

**Mr Yuile**—On the basis that there is nothing that is of no risk, as you said.

**Senator O'BRIEN**—I would have thought it is absolutely minimal. That is the design of your processes. That is what your processes are designed to achieve.

**Mr Yuile**—Consistent with the objectives of the project.

**Senator O'BRIEN**—And that, in the department's view, can be achieved if its recommendations are accepted by the minister?

**Mr Yuile**—That would be what we put to the minister for his consideration.

**Senator O'BRIEN**—It is a matter for the minister whether he/she accepts, modifies or rejects your recommendations.

**Ms Riggs**—As is always the case in a discretionary grants program where the minister is the decision maker.

**Senator O'BRIEN**—When we were talking about these icon projects earlier this year, I think we were told the government was considering the funding mechanism to confirm the funding commitments. In the February estimates, Ms Riggs, you said that no decision had yet been made how to give effect to the election commitments. That may not have been specific to the icon projects, but I cannot be clear from the *Hansard*.

**Ms Riggs**—I would be surprised if I said that at the February estimates. If I can put it in very basic terms, they were designed to examine the portfolio additional estimates statement. In that statement there are, I think, four measures disclosed that were the subject of the additional estimates process. Of course, I cannot find the right page.

**Senator O'BRIEN**—I think I have confused it with what was said on 2 February at the Senate inquiry rather than at the estimates. Perhaps I will withdraw that, because I will have an opportunity to consider it further, and I will perhaps ask you in another forum.

**Ms Riggs**—I cannot wait!

**Senator O'BRIEN**—I am so pleased that you are anxious for the process to continue.

**Mr Yuile**—Part of our trouble is that we do confuse which previous hearing you are talking about.

**Senator O'BRIEN**—Sometimes I do as well.

**Mr Yuile**—I was not talking about you; I was thinking about me.

**Senator O'BRIEN**—Have any payments commenced for the icon projects? You may have already answered that.

**Ms Riggs**—I said before the dinner break that we expect to make the first payment to the one project for which we have a signed funding agreement within the next two weeks.

**Senator O'BRIEN**—I might at this point, Mr Yuile, come to those questions about the *Jervis*. Do you want the questions on notice?

**Mr Yuile**—I think Mr Sutton took them on notice. He did not have detail with him, so he has certainly taken that back to the department.

**Senator O'BRIEN**—I am sorry, I misunderstood what you said at the end of the last session.

**Mr Yuile**—Sorry, the *Jervis*. I beg your pardon.

**Senator O'BRIEN**—The vessel in Cairns.

**Mr Yuile**—Cairns or Brisbane?

**Senator O'BRIEN**—Sorry, Brisbane.

**Mr Yuile**—Sorry, no.

**Senator O'BRIEN**—It is in Cairns actually. The press report is from Brisbane, but it was in Trinity Inlet in Cairns. This is according to the wire service.

**Mr Yuile**—You said you were going to give me the questions. What I did say to Senator Bishop was that some of that information he would be asking for—at least what he indicated—would be information which AMSA would have as part of its responsibilities and that if he gave us the questions I would endeavour to try and get an answer for him as quickly as possible—probably not tonight but certainly as quickly as we can get it back here.

**Senator O'BRIEN**—This week?

**Mr Yuile**—Yes—depending on the questions, Senator.

**Senator O'BRIEN**—With regard to the Tamworth—

**Mr Yuile**—I am sorry, you were going to check whether you could either read me the questions or give me the questions.

**Senator O'BRIEN**—I have got some but they are not in a form in which I can give them to you. I will get those to you tomorrow morning.

**Mr Yuile**—I will not be here tomorrow morning, but we will get them.

**Senator O'BRIEN**—I am sure we can find you.

**Mr Yuile**—I mean I will not be here in this building tomorrow.

**Senator O'BRIEN**—We can give them to the secretariat and they will make sure you get them.

**Mr Yuile**—Senator Heffernan invited me to come to the AQIS ones tomorrow, so maybe I will be here.

**Senator O'BRIEN**—With regard to the Tamworth Equine Centre project, why did the Tamworth Regional Council have to complete another four-page pro forma information document on the equine centre when the project was announced as an election promise? Is there some difficulty with the original paperwork?

**Ms Riggs**—We needed to know precisely what the current thinking of the Tamworth Regional Council was in relation to the equine centre. We needed some form of assurance as to whether or not it was indeed the same project as on earlier paperwork that was in the department.

**Senator O'BRIEN**—You needed to know if it was the same project?

**Ms Riggs**—Or not the same project. Some time had elapsed from when we had received information. I have described to you the processes we go through. We need sufficient information from each of the proponents to be able to make the assessment that we have spent some little time talking about. The four-page pro forma was a document we sent to all the proponents.

**Senator O'BRIEN**—Can the committee be supplied with a copy of it?

**Ms Riggs**—Yes, certainly.

**Senator O'BRIEN**—Did the project change in any way between what you understood was the application and the pro forma?

**Dr Dolman**—There is quite a long history with this project. I think you are familiar with a lot of it. This originally was an application that was put forward in 2001 under the Regional Assistance Program. It went through an assessment at that time, including an independent assessment by Professor Chudleigh. That project was not approved. The project that was put forward as an election commitment was developed considerably from that original proposal, including a significant drop in the total value of the project and the ask from the Commonwealth government.

**Senator O'BRIEN**—When you received the pro forma, what changes were in the project from that which you thought had been approved? Were there any?

**Ms Riggs**—Can we just check that we are really clear about the process. The government made an announcement during the election campaign, let us say in principle, indicating it would fund a project. Subsequently, once we knew that the government was indeed going to provide funding for those projects and through Regional Partnerships, we needed to know certain things about those projects. We developed a pro forma to garner that basic information. In some cases we have had to go back and ask for considerably more detail.

Let me take you back to an earlier answer I gave you. For example, in relation to the Mackay science and technology centre, the way they are choosing to satisfy that request for additional information is through the development of a business plan. In the case of the equine

centre, what we discovered from the pro forma when it came back was that, broadly, the project was not substantially different but we had updated financial information and we had updated information about what the time frame could be, given that it was now proceeding towards a formal approval on the part of the Commonwealth. The formal approval by the minister came after the completion of that pro forma and our assessment of the project, using information that we had, including that provided through the pro forma. There is a difference between the election commitment and what we call approval. Approval comes after our having garnered that information and undertaken the assessment in the language we use inside the program.

**Senator O'BRIEN**—Does it mean that if there was some change of substance in the pro forma the election commitment might have been reconsidered?

**Ms Riggs**—That is a hypothetical and we have not had a case of that. I think that would be a matter for the minister to consider should that case occur.

**Mr Yuile**—Just to add to that, if I can recall the beginning of that answer from Ms Riggs, clearly the election indicated an intention to do certain things. Following the election, the question of then putting that into place follows the budget processes and the appropriation. I think she used the words 'in principle'. Clearly the word is 'intention', subject to the normal processes of government and budget. Just for the record, I will get that right.

**Senator O'BRIEN**—I am finding it a little strange, and I am sure other people do, that there was a commitment and then a pro forma information document was sought. Given the government's commitment, one assumes that there was not going to be a reconsideration of the funding. I am trying to understand the process in that context. It does not seem to make a lot of sense.

**Ms Riggs**—Can I try once more. There was an original application some several years ago. There was an examination of that application, including by Professor Chudleigh, and a report. From the department's perspective, there was then an announcement included in an election statement. We do not know on what basis that judgment was made. We do not have another application per se. The only information that we had at that time to make a judgment on was material which was substantially out of date or could have been substantially out of date and certainly was out of date in terms of timing, so we sought, using the pro forma, to garner information—indeed, we acquired quite a lot of information about this project—and were able to make the assessment on the basis of that.

I wonder if the gap is that it might be easy to think that there was in fact a second application that sat in there somehow which we had knowledge of. We do not know if there was or not; we certainly did not have knowledge of it. That is why we need to gather current information about each of these projects that the government has made a commitment towards.

**Senator O'BRIEN**—Did the minister give the department any documentation which formed the basis of the government's decision to fund the project?

**Senator Ian Campbell**—These were election commitments.

**Senator O'BRIEN**—I understand that, but the minister is represented in the media in front of plans, charts and the like.

**Senator Ian Campbell**—I have no doubt that the Labor spokesmen, including you, would have had plans for the National Museum of Indigenous Culture.

**Senator O'BRIEN**—I am asking questions about the budget. Those are not matters in the budget, so let us not play games and waste time.

**Senator Ian Campbell**—No, we are talking. I know you do not like it, but—

**Senator O'BRIEN**—No, I do not like you wasting my time.

**Senator Ian Campbell**—It is not your time; it is the committee's time.

**Senator O'BRIEN**—It is my time; it is the committee's time. I am asking the questions.

**Senator Ian Campbell**—Ministers come along here but are not allowed to talk. Is that the way it is?

**Senator O'BRIEN**—You are allowed to talk in answer to questions, but you are running an argument—

**Senator Ian Campbell**—That you do not want to hear.

**Senator O'BRIEN**—to avoid the question.

**Senator Ian Campbell**—No, you do not want to hear it.

**Senator O'BRIEN**—I do not want to hear something which is not about the budget.

**Senator Ian Campbell**—During an election campaign we go into caretaker mode and the opposition comes out with a series of —

**Senator O'BRIEN**—I am not going to be quiet. If you want this thing to go on, then it will go on.

**Senator Ian Campbell**—If you had won the election you would have come to this same department and said, 'Here are our promises. Can you please deal with them.'

**Senator O'BRIEN**—Are those in the budget?

**Senator Ian Campbell**—You are saying that because we won the election we should not have done that.

**Senator O'BRIEN**—If they are in the budget, I am happy to address them. If they are not, let us deal with the matters that are in the budget.

**Senator Ian Campbell**—We are talking about how these projects get into the department.

**Senator O'BRIEN**—No. You do not want to address the matters in the budget.

**Senator Ian Campbell**—The officer has quite admirably explained to you that how it occurs is that during the caretaker period a bunch of people going out offering themselves as the next government of the country say, 'We're going to do projects for an RM Williams centre. We're going to do projects here.' The alternative government, the Australian Labor Party, came out with a list of another 18 or so projects which are very similar, some of them in

different places and different amounts, and we put our regional programs and other programs to the people of Australia and they voted for the coalition.

When we came into power we said to the department, 'Here are the programs that we have promised at the election and we want to keep our election commitments, so let's do it.' Had Mr Latham become Prime Minister—God help Australia—someone in the Labor Party would have come to a department under a Latham government and said, 'Here's our list of proposals. Can you please find the programs and the funds to deliver them.' That brings us to this process here where this cabinet has gone through a diligent process, gone through a budget process and we are seeking to meet our election commitments under the regional services program.

**Senator O'BRIEN**—Ms Riggs, were you asked to assess any of the projects on the sheet that the minister is waving around there, or were you asked to assess projects that the government had promised?

**Ms Riggs**—It would be quite inappropriate during a caretaker period for—

**Senator O'BRIEN**—No, subsequent to the election.

**Ms Riggs**—I have described the process that we have gone through in relation to each of the projects which we have been asked to manage through Regional Partnerships. I am happy to repeat it for you.

**Senator O'BRIEN**—No, I would like an answer to the question that I was asking, which was essentially whether the government gave you any documentation from its assessment—

**Ms Riggs**—I have described the process that we have gone through.

**Senator O'BRIEN**—I am not satisfied that I have an explanation that I understand. The purpose of my question is to understand your answer. I am asking you, or any officer who can answer, whether the government gave the department any documentation which formed the basis of the government's consideration of the particular projects that it had decided to fund. It is a simple question.

**Senator Ian Campbell**—We certainly would have given the department the election commitments, wouldn't we?

**Ms Riggs**—The documentation we have is the government's election statements and those documents which assisted us in preparing possible matters for cabinet consideration in the context of additional estimates and in the context of this current budget; and confirmation by the minister's office of who the proponents were in respect of each of the projects which ultimately are being funded through Regional Partnerships.

**Senator O'BRIEN**—The documentation that you received from the government identifying its election commitments was the document that was shown to you earlier, the election policy?

**Ms Riggs**—That is one of them, sir.

**Senator O'BRIEN**—Which other documents?

**Ms Riggs**—There is an election statement platform relating to certain commitments made in respect of Tasmania. There are a number of other commitments made during the campaign,

some of which are in those sorts of documents, others of which were made on a one-off basis. A number of those are projects that we are picking up through here, so there are a number of those. I also indicated there were some other documents that were part of the process of sorting out within the government—involving discussions between departments and between departments and ministers—which projects might go, for example, into which departments, and ultimately confirmation of who the proponents of each of the projects were.

**Senator O'BRIEN**—All of this revolves around this pro forma information document, given that clearly the department was required to process the government's election promises in whatever process was appropriate. What I am trying to find out in each case is whether that was the processing based on material the department already had in the form of applications or whether there was other material which the minister provided to the department to identify or further identify particular projects other than the title and an amount of money.

**Ms Riggs**—I have described the process that has been in place. Certainly, in the case of some of the projects, they had been the subject of an application under Regional Partnerships.

**Senator O'BRIEN**—Yes. The pro forma document, you said, was to identify whether it was the project that the government understood was to be funded. Is that right?

**Ms Riggs**—It was to secure information which would enable us to undertake the process of assessment that we have spent some time discussing.

**Senator O'BRIEN**—I thought you said earlier it was to make sure it was the project the government had promised the funding for, as they understood it.

**Ms Riggs**—I do not believe I said that.

**Senator O'BRIEN**—Don't you?

**Ms Riggs**—We may have a different understanding of what was said.

**Senator O'BRIEN**—The pro forma was—how would you describe it again? I do not want to misrepresent you—to secure information to assist—

**Ms Riggs**—It was to secure the basic information that we needed in order for the department to be able to undertake the assessment according to the process—a process which I have agreed we will provide some documentation on for you—which we have talked about in the way we have assessed those projects and the elements we have assessed in order to be able to provide advice to the minister.

**Senator O'BRIEN**—I presume the pro forma information documents repeated information which in many cases the department already had.

**Ms Riggs**—It would have potentially repeated or perhaps updated information which we might have had, were they projects that had been the subject of a Regional Partnerships application.

**Senator O'BRIEN**—Is it true that questions relating to the levels of satisfaction with the Regional Partnerships program have now been included in DOTARS client satisfaction surveys?

**Ms Riggs**—I stand to be corrected, but I am not aware that DOTARS has a client satisfaction survey. However, I can advise you that, in undertaking internal reviews of both

the Sustainable Regions Program and the Regional Partnerships program, we ourselves ask questions of program clients as to whether or not they are satisfied with the administration of the program.

**Senator O'BRIEN**—You are saying?

**Ms Riggs**—Your question appeared to me—and forgive me if I misunderstood you—to be based on a premise that DOTARS ran some form of global client satisfaction survey. My answer is intended to say that I am not aware that DOTARS does do that, but I can tell you that we run program internal review processes as part of our evaluation strategy for both Sustainable Regions and Regional Partnerships. Some of those whom we survey in that context are clients of those programs.

**Senator O'BRIEN**—If Minister Anderson's office is of the view there was a series of questions being prepared relating to satisfaction with Regional Partnerships, that would not be to do with the DOTARS client satisfaction survey?

**Ms Riggs**—If Minister Anderson's office were aware that some questions were being asked of clients of Regional Partnerships about their satisfaction with Regional Partnerships, it would be because they were aware that we were surveying some clients of Regional Partnerships as part of our evaluation strategy.

**Senator O'BRIEN**—Page 47 of the PBS talks about performance indicators and suggests the government is looking to achieve a 90 per cent satisfaction rating from project proponents and ACCs.

**Ms Riggs**—That is the quality objective we have set ourselves for the forthcoming year, yes.

**Senator O'BRIEN**—How will you?

**Ms Riggs**—We intend surveying some of the program's clients and some ACCs.

**Senator O'BRIEN**—Would that be a client survey of some sort?

**Ms Riggs**—Yes, within the context of our ongoing performance improvement program and our evaluation strategy for the program.

**Senator O'BRIEN**—Would that be a specific survey of Regional Partnerships rather than a department-wide survey?

**Ms Riggs**—This is a performance measure for the Regional Partnerships program.

**Senator O'BRIEN**—Yes. I am trying to isolate them.

**Ms Riggs**—Our intention currently is to do precisely what I have already described.

**Senator O'BRIEN**—It has not happened yet?

**Ms Riggs**—I believe we have a survey of some project proponents for which the results are now being collated. I do not believe at this stage we have surveyed ACCs.

**Senator O'BRIEN**—Is there a particular questionnaire that has been prepared for the survey?

**Ms Riggs**—Yes.

**Senator O'BRIEN**—Is it a form that is filled in or is it a set of questions asked in person?

**Ms Riggs**—It is a form that is filled in.

**Senator O'BRIEN**—Can we have a copy of the form?

**Ms Riggs**—I think so.

**Senator O'BRIEN**—Thank you. The questions were prepared within the department?

**Ms Riggs**—By a team within the department who have some expertise in program evaluation.

**Senator O'BRIEN**—Did the minister's office play any role in formulation of the questions or approval of the questions?

**Ms Riggs**—No.

**Senator O'BRIEN**—How were the entities that were chosen to be surveyed selected? Was it all of the successful applicants?

**Ms Riggs**—Dr Dobes will provide what information he can about the methodology.

**Dr Dobes**—Senator, it varies. But generally, because we try and survey proponents or clients who have actually been involved in some part of the program, we try and get as many of them as we can. The answer is that we try and get all of them, but sometimes you cannot, because you have a non-response, for example; at other times we may lose touch with them, and so on.

**Senator O'BRIEN**—'All of them' being all applicants or all successful proponents who thereby become clients?

**Dr Dobes**—Generally, you would go just for the successful ones, if you were trying to assess how successful the program had been. But it obviously makes statistical sense to also look at people who were not successful, to see what they think about the program.

**Senator O'BRIEN**—There are people who withdrew their applications.

**Dr Dobes**—Yes.

**Senator O'BRIEN**—There are people who applied and thought they should get up and did not; there are people who applied, did not think they would get up but did.

**Dr Dobes**—Absolutely.

**Senator O'BRIEN**—But what you are saying is that you have only surveyed the winners?

**Dr Dobes**—No. We may try and capture both sets, but what I am saying is that it is much harder to get those people who are unsuccessful, because they are generally less willing or they may no longer be there. They may have moved away and withdrawn their application for that reason.

**Senator O'BRIEN**—That would call into question the veracity of such a survey, wouldn't it—the limitations on the sample that you selected?

**Dr Dobes**—It depends how you want to run that. If you are trying to get a very strict statistical analysis, you probably would not do that because you do not have all of the information and you do not know what the response bias would be. But, in the case of a

qualitative survey, where you are trying to elicit responses that help you improve a program, I think the survey techniques are quite credible and, in fact, can provide very useful feedback to managers who manage those programs.

**Senator O'BRIEN**—Although they are a limited set, are they anonymous, or do they identify the entity answering the survey?

**Dr Dobes**—We would certainly need the names of the people, to identify them and to send them survey forms and for follow-up. I think that is what you are asking me.

**Senator O'BRIEN**—Yes. I want to know if you can identify who has answered which questions and what they have said.

**Dr Dobes**—Yes, indeed. We would have those records, but we would not divulge them further, for confidentiality reasons, obviously.

**Senator O'BRIEN**—The department prepares the survey, sends it out, collates the answers and draws its own conclusions?

**Dr Dobes**—To an extent. Everything that you have said is true, except that we also follow up answers, particularly if there is a lack of clarity or if we think that there is a trend that has been revealed in some way that needs further clarification. We would always try to do some sort of follow up then.

**Senator O'BRIEN**—What has been the cost of conducting this survey?

**Dr Dobes**—We are talking about the internal surveys that Ms Riggs has just described?

**Senator O'BRIEN**—Yes.

**Dr Dobes**—I cannot give you an exact figure. I can certainly dig it out for you. The cost is the opportunity cost in terms of the staff time. There are travel costs and accommodation costs. If you want to go further than that from an economic analysis, obviously it is the opportunity costs to the applicants and the ACCs, but the financial costs are basically travel, staff time and accommodation.

**Senator O'BRIEN**—Can you provide the department's costs? I am not expecting you to assess the costs of those who have responded.

**Dr Dobes**—Certainly.

**Senator O'BRIEN**—Is there a similar survey of applicants for funding under the Sustainable Regions Program?

**Dr Dobes**—Yes, there is. As Ms Riggs has already said, both programs are run in a fairly rigorous fashion. In terms of program management, there is an evaluation strategy for all of our programs, and we follow that. So the answer is: yes, Sustainable Regions as well as Regional Partnerships.

**Senator O'BRIEN**—Are the surveys sent to applicants whose applications have not been successful?

**Dr Dobes**—I would have to go back and check, but I am pretty sure that we have done that in terms of Sustainable Regions.

**Senator O'BRIEN**—Is it the same questionnaire?

**Dr Dobes**—No, it would be different, because obviously they are two different programs. We do include the Sustainable Regions consultative committees or the committees that go with them, as we do with Regional Partnerships.

**Senator O'BRIEN**—Could we have a copy of that survey form?

**Dr Dobes**—Yes.

**Senator O'BRIEN**—It is again posted out, completed by the applicant alone, and posted back?

**Dr Dobes**—It is. But, once again, there is follow-up. In fact, my team has just come back from some fairly extensive travel, following up and asking questions, for the simple reason that you get much more information that way.

**Senator O'BRIEN**—Can we have the departmental costs of the pursuit of the survey: the preparation, the pursuit of answers, and follow-up?

**Dr Dobes**—Yes, certainly.

**Senator O'BRIEN**—Page 28 of the portfolio additional estimates statement told us that \$1.5 million was to be spent on Bank@Post in the 2004-05 year. How much has been spent to date?

**Ms Gosling**—The full amount has already been paid to Australia Post under the agreement we have in place with them.

**Senator O'BRIEN**—I note from a joint release by Mr Anderson and Mr Cobb of 22 April that the department has signed the agreement with Australia Post, which I am sure precedes the funding. I presume that spells out the role for Australia Post and for the department. Can you summarise those roles for us?

**Ms Gosling**—I will attempt to. I do not have the agreement in front of me. Australia Post is responsible for the rollout of the infrastructure into the post offices. As the press release indicates, a number of post offices have been nominated to have the installation by the end of June 2005. That is now up to Australia Post. Australia Post will be reporting back to the department on progress, and we will be liaising with them in terms of trying to settle the rollout for the future stages of the program.

**Senator O'BRIEN**—Is a copy of the agreement able to be made available to the committee?

**Ms Gosling**—Yes.

**Senator O'BRIEN**—The attachment to the 22 April release lists the sites to be given Bank@Post facilities.

**Ms Gosling**—Yes.

**Senator O'BRIEN**—According to that list, 20 are to be completed by June 2005. Does that mean the beginning or the end of June?

**Ms Gosling**—By the end of June we would expect those to be installed.

**Senator O'BRIEN**—That is giving them a bit of latitude. Are you saying the beginning?

**Ms Gosling**—Sorry, the end. I do not think Australia Post would be able to produce that outcome; it would be good if they could.

**Senator O'BRIEN**—I am sure anything is possible with Australia Post. Which of the 20 have already been achieved?

**Ms Gosling**—I would have to take that on notice and get that information from Australia Post. In fact, I am not sure whether any of them have been completely installed at this point. We can come back to you with that information.

**Senator O'BRIEN**—Do I understand you to be saying you do not know of any reason why the full 20 would not be in place by the end of June?

**Ms Gosling**—No, that is required under the agreement. So we are expecting the full 20 to be installed by the end of June.

**Senator O'BRIEN**—According to the statement, online banking is already in place in 141 Australia Post sites, resulting from the Rural Transaction Centres Program. How long did it take to install the 141 sites currently running?

**Ms Riggs**—It was not arranged through an equivalent to this agreement with Australia Post, which sets out a whole program of 266 sites and a rolling schedule of 20 by so many and another 50 by such and such and so on. They were done under a different arrangement through a number of tranches. Even so, there was then negotiation with the individual proprietors of those LPOs and so on. In essence, from when the first of those was approved through to when the last of them was rolled out was probably a couple of years. But it was done under a different set of arrangements.

**Senator O'BRIEN**—So are you absolutely confident that the contractual arrangements for the 266 licensed post offices will be achieved?

**Ms Riggs**—I have no reason at this stage to believe that Australia Post will not deliver on the requirements under that memorandum.

**Senator O'BRIEN**—There is a little confusion you might be able to clear up. Mr Cobb has said, and the annual report says, that there are 239 rural transaction centres approved across Australia, providing access to basic private and government transaction services. I am told, but I have not counted them, that DOTARS' web site lists 238. Perhaps on notice you can tell us—

**Ms Riggs**—I would love to take it on notice. Thanks, Senator.

**Senator O'BRIEN**—I am sure you would love to. Three of the rural transaction centres in the approved but not operational list—Perisher Valley, Tullibigeal and Binalong rural transaction centres—are noted as withdrawn. They now appear on the Bank@Post list. Why have those three RTCs been withdrawn?

**Ms Riggs**—I will take that on notice.

**CHAIR**—Was Tullibigeal one of them?

**Senator O'BRIEN**—Tullibigeal, yes.

**CHAIR**—The season is pretty tough there.

**Senator O'BRIEN**—You mean they haven't got any need for a banking service?

**CHAIR**—Buggered if I know.

**Senator O'BRIEN**—They are all on exceptional circumstances.

**CHAIR**—They make withdrawals, not deposits.

**Senator O'BRIEN**—You have got to have something to make the withdrawal from.

**Senator Ian Campbell**—That is right.

**CHAIR**—I remember the first one. That was Eugowra. Have any of them shut down since they started?

**Ms Riggs**—My recollection tells me that one may have voluntarily closed itself down and transmuted into something a bit different.

**Senator O'BRIEN**—That might be the difference.

**Senator Ian Campbell**—It might have been Bendigo Bank coming into town.

**Ms Riggs**—That does not always help the RTC of course.

**CHAIR**—They are bloody handy.

**Senator O'BRIEN**—Can you tell me why Mole Creek in Tasmania appears on the list of RTCs which are approved but not operating and also on the list of proposed Bank@Post sites? Does that mean the RTC is to be downgraded to a Bank@Post site, rather than a full service?

**Ms Riggs**—We will take the particulars of that on notice. Without knowing anything about Mole Creek, apart from the fact that it has a really nice little wildlife park where I once cuddled a baby wombat which was pretty cute—

**CHAIR**—You are as bad as me!

**Senator O'BRIEN**—That is better than some tourists who run over them. I must congratulate you on your intentions.

**Ms Riggs**—I cannot tell you the details of why Mole Creek is listed in that way. But I can say that when some community groups have put in applications for an RTC and it has been approved, they have then found it very hard to proceed to make it actually happen. I am sure you are aware of communities that have that experience in any one of a number of areas. It may be that in fact the Mole Creek RTC is not going to proceed, so instead it is on the Bank@Post list, because at least that will ensure that there is some banking facility within that community.

**Senator O'BRIEN**—Can you give us the information about that site—and also Captains Flat and Kendall in New South Wales, Gununa in Queensland and Jerramungup in Western Australia?

**Ms Riggs**—We will take them on notice, of course.

**Mr Yuile**—Are you saying each of those has an RTC?

**Senator O'BRIEN**—No, they appear on the list of RTCs approved but not operating and also on the Bank@Post list. Can the committee be supplied with a schedule for the implementation process for each RTC listed as approved but not yet operational?

**Ms Gosling**—Sorry, Senator, could you repeat the question?

**Senator O'BRIEN**—When are the RTCs that are approved but not running due to commence operation?

**Ms Gosling**—The program funding under the Telstra legislation runs out on 30 June this year. We are working very intensively with the proponents of all of those RTCs. The story changes on a daily basis. We have contacted a number of them that were experiencing some delays, and a number are now looking as if they are going to be able to complete on time. Until 30 June we really will not know exactly how many—hopefully, how few—we will have that did not quite complete.

**Senator O'BRIEN**—They are all effectively scheduled to complete by 30 June?

**Ms Gosling**—The payments have to be made by 30 June.

**Senator O'BRIEN**—Do they have to complete before that date?

**Ms Gosling**—Yes. If they can demonstrate to us that they will be operational shortly after 30 June, obviously we will try and do everything to make sure that they have got the Commonwealth funding by 30 June, and we will work closely with them to make sure they are up and running as soon as possible after that.

**Senator O'BRIEN**—In that regard the RTCs are approved but not operational for the West Australian communities of Kalannie, Mukinbudin and Frankland. I understand these communities have been contacted recently by Mr Wilson Tuckey, advising them that, unless community contributions towards the RTCs are in place by 15 June 2005, the Commonwealth will withdraw the offer of funding. Is that the government's policy?

**Ms Gosling**—As I said, under the Telstra 2 legislation the reserve that is funding the RTC program closes on 30 June. Obviously, within the department we have normal procedures for accounting purposes and invoices have to be paid within a certain time. We are aiming for about mid-June. We are working very closely with all of the RTCs that are still to complete their projects, to assist them in any way we possibly can to help them complete by 30 June.

**Senator O'BRIEN**—Is the department aware of Mr Tuckey's representations on this basis?

**Ms Gosling**—I am not aware of those particular representations or the circumstances relating to those particular RTCs. We have made it clear to the RTC proponents for some months that this is the situation with this program.

**Senator O'BRIEN**—This week, on Friday at the latest, could the committee be supplied with a list of the RTCs that fall into the category of approved but not yet operating, who must complete in accordance with the timetable you have outlined?

**Ms Gosling**—We can do that. As I indicated previously, the story is literally evolving on a daily basis and there are a number of communities working very hard around the country to try and complete their RTCs within the time frame. We will provide the list but there will probably be caveats with some of them.

**Senator O'BRIEN**—I am happy for you to advise us of the caveats.

**Ms Gosling**—Yes.

**Senator O'BRIEN**—That will be the sum total of the approved RTCs that run the risk of not being funded and all of the others that are approved will be funded?

**Ms Gosling**—Sorry, what I thought we were asked to provide was a list of those that have been approved but are not yet complete for one reason or another.

**Senator O'BRIEN**—Yes. What I am trying to find out is: when we have got that list will we have the list of all of the centres approved but not yet funded whose funding is at risk, and therefore all of those others that have been approved have their funding secured?

**Ms Gosling**—Yes.

**Senator O'BRIEN**—According to statements by Mr Anderson on 30 September last year and Senator Coonan of the same date, another by Mr Anderson and Mr Cobb on 12 April, Bank@Post will provide giroPost facilities at 266 Australia Post outlets. The statement of 22 April states that the new Bank@Post facilities are to be in place within approximately 18 months. Is that 18 months from 22 April? Is it therefore the case that we will have those 266 facilities by the end of October 2006 under the agreement with Australia Post?

**Ms Gosling**—The time frame we are working on with Australia Post does indicate we will have all of those in place by December 2006.

**Senator O'BRIEN**—Are there any provisos in the agreement which would allow for that target not to be met and the agreement still to be complied with?

**Ms Gosling**—I will take that on notice. My recollection from looking at the agreement some time ago is 'no'. That is the time frame we are working towards, but I do not recall the detail of every provision. Perhaps I can take that on notice.

**Senator O'BRIEN**—The minister might tell us it is rock solid and ironclad.

**Ms Riggs**—I am sure it is a very good agreement, Senator, but I think Ms Gosling is wise not to give you an unequivocal answer on this.

**Senator O'BRIEN**—Probably so.

**Mr Yuile**—There may be clauses in it that might lead to the possibility of a change in that timetable or to no delivery of a service.

**Senator O'BRIEN**—Yes. That raises the question: if Australia Post can't deliver the service in that time, are there penalties in the contract?

**Mr Yuile**—It could lead to that question.

**Senator O'BRIEN**—It could. Let us say it has.

**Mr Yuile**—We will cover that as well.

**Ms Riggs**—It is fair to say that after the first \$1.5 billion which we have already provided to Australia Post, as I understand the payment arrangements, we only make payments in arrears based on then installed EFTPOS Bank@Post facilities. While there may not be a penalty that allows us, in effect, to claim money back or deduct money, there will be no further payment unless there is achievement after the first \$1.5 million is exhausted, as it were.

**Senator O'BRIEN**—I can understand, if that is the case, that you could not give the ironclad, rock solid guarantee. I want to ask some questions about the Rural Medical Infrastructure Fund. What model is that fund based upon?

**Ms Riggs**—Can you explain the question a little more, Senator?

**Mr Yuile**—Do you mean the model of the funding or the model of the notion of such centres? That is what we are asking.

**Senator O'BRIEN**—I want both, so maybe it is two questions.

**Ms Riggs**—The Rural Medical Infrastructure Fund is running under the same framework as within the Regional Partnerships program. It is running on the same guidelines. We use the same standard funding agreement. It has a specificity to it about the nature of the facilities that can be bought or constructed or supported through it. Through an additional set of guidelines which are supplementary to the Regional Partnerships guidelines there are instructions for applicants as to how to respond to the standard Regional Partnerships funding application but directing it particularly to satisfying the following kinds of detailed explanations. The normal Regional Partnerships assessment criteria will be used but applicants are asked specifically to address within those a clear demonstration of the need for improved medical services for the targeted populations; a clearly defined and sustainable practice management approach; evidence of effective recruitment and retention strategies for medical practitioners; and support from key medical stakeholders.

**Senator O'BRIEN**—What is the role, if any, of the Department of Health and Ageing?

**Ms Riggs**—They will provide expert advice to this department which will assess the breadth of the Regional Partnerships criteria, particularly in relation to these clearly medically oriented sub-elements of those criteria as officers of the department undertake assessment for applications that come in with the box ticked saying, 'This is an RMIF application.'

**Senator O'BRIEN**—What, if any, is the relationship of this program to the multipurpose health centres funded by the Department of Health and Ageing?

**Ms Riggs**—I will take the question on notice.

**Senator O'BRIEN**—What liaison occurs between the Commonwealth—or the Department of Health and Ageing—and the area health services or the zonal services or equivalent state or local health authorities with regard to funding applications and how is that envisaged to work?

**Ms Riggs**—I do not know what Health will do in that respect and I would invite you to ask them through an appropriate committee. For our part, in the same way we would normally assess the establishment of appropriate partnerships and given this support from the key medical stakeholders' specific element for this program, we will be looking to see the evidence adduced in the application about appropriate liaison and consultation. Because ACCs will be involved in supporting potential applicants under this element of Regional Partnerships, we would expect—as we would with any other applicant—to help them understand the nature of the partnerships involved.

**Senator O'BRIEN**—Would you expect consultation with local representatives of the Australian Division of General Practice?

**Ms Riggs**—We will not be more specific about it than we have been in the guidelines, which I am happy to make available. They are available through the Regional Partnerships web site, so it would be just as easy for you to see them for yourself. As with any Regional Partnerships application, it is up to the applicant to demonstrate that they satisfy the requirements of the program.

**Senator O'BRIEN**—Can we have a copy of the procedures as well as the guidelines?

**Ms Riggs**—The procedures are in essence the procedures that you already have, at least through the other committee if not through this one, for Regional Partnerships, with an addendum that points out the need to include the department of health through a certain process for the specific elements that relate to matters which, quite frankly, our staff are not expert in assessing.

**Senator O'BRIEN**—If we ask for an update of procedures from time to time we will be able to get them as well?

**Ms Riggs**—Yes, you will.

**Senator O'BRIEN**—How will this department go about selecting particular communities, assuming a choice has to be made between competing applicants?

**Ms Riggs**—We do not yet have evidence of what the demand for this program will be. The guidelines make it clear that this is available to rural and remote communities with populations under 10,000 that fall into the inner regional, outer regional, remote and very remote classifications under the ABS's Australian geographical classification system. If at any time we find ourselves inundated and have to deal with a competitive process we will deal with it then, but we do not know that we need to, so we have not in fact devised one of those relative merit scales yet.

**Senator O'BRIEN**—Have you any indication of the sort of level of funding per region that the program has been modelled on?

**Ms Riggs**—No, we have not done that. What the guidelines do make clear is that for any individual project the maximum support under the RMIF will be \$200,000 from the Commonwealth.

**Senator O'BRIEN**—Will there be a requirement for matching funding in any form?

**Ms Riggs**—It is part of Regional Partnerships, so it will have at least the same requirements. It has that underpinning. Partnerships must be demonstrated, including financial partnership, yes.

**Senator O'BRIEN**—At what level will the final decision be taken to fund or not to fund or as to the conditions to be applied?

**Ms Riggs**—It is a Regional Partnerships element. It will be decided by a minister in this portfolio. Commonly regional partnerships are decided by Parliamentary Secretary John Cobb at this stage.

**Senator O'BRIEN**—The area consultative committees will be involved?

**Ms Riggs**—The area consultative committees, as with any other Regional Partnerships application, will separately make their recommendation to the department and to the minister.

**Senator O'BRIEN**—What will be the role, if any, for members of parliament?

**Ms Riggs**—The regional partnerships arrangements are silent on a role for members of parliament and continue to be so.

**CHAIR**—In other words, life is what you make of it.

**Senator O'BRIEN**—An interesting proposition, Mr Chairman. What do you mean by that?

**CHAIR**—That is for you to figure out.

**Senator O'BRIEN**—You invite another question with that response. Is there an expectation that these centres will have a role in population and community health promotion and provision?

**Ms Riggs**—The government's election commitment is quite specific: that this program is intended to provide support for local government councils wishing to purchase or otherwise establish a walk-in, walk-out clinic which makes it easier for them to attract and/or retain a medical practitioner. What the business of that medical practitioner is is not an element of this program, other than for satisfying the medical-specific criteria that I have already read out to you. This is about helping to support the provision of a piece of infrastructure.

**Senator O'BRIEN**—Is there any guidance as to whether doctors will need to be employed in these premises or contracted for potential applicants?

**Ms Riggs**—One of the four specific elements I read out to you was that the applicant, which must be a local council, must provide evidence of effective recruitment and retention strategies for a medical practitioner or practitioners to operate in these centres.

**Senator O'BRIEN**—It is not proving that there is a doctor about to be engaged but a strategy to engage a doctor? I am just trying to understand your words.

**Ms Riggs**—Yes, I understand the point that you are making. It is certainly the intention of the program that a doctor or doctors be employed to use these facilities.

**Senator O'BRIEN**—I am absolutely certain that that is the intention. I am just trying to understand how the criteria will work. Does someone need to come along and say, 'This is how we're going to go about getting a doctor and we believe it will be successful,' or does someone come along and say, 'If I have this centre I have a guarantee of this doctor'?

**Mr Yuile**—Part of it is the whole issue of providing a facility that allows you to attract and retain a doctor, so there may well be instances where a council does have someone lined up or indicating preparedness to undertake those sorts of services in a particular remote community. I can well imagine a situation where, as part of the strategy they are offering to attract somebody, they are able to also offer an appropriate facility. I am trying to give an example of a process going on for negotiation of that provision of service alongside the provision of appropriate infrastructure.

**Senator O'BRIEN**—How do we ensure that the provision of funding under this program will not simply become a means whereby medical practitioners move from one region to another, depending on who is a successful applicant for funds?

**Mr Yuile**—I am not sure that that has been a problem that we have had to deal with.

**Ms Riggs**—There is nothing built into this program that would preclude a council attracting a medical practitioner from one remote region to another.

**CHAIR**—It happens all the time.

**Senator O'BRIEN**—I know. In this case, it may be funded by the Commonwealth. The inducement for one to win and one to lose might be funded under this program. It is a bit like commercial neutrality.

**Ms Riggs**—Competitive neutrality.

**CHAIR**—There is more to it, with great respect, than the medical centre because there is also the partner, children, school, shopping. This is a very complex issue which is all very competitive.

**Senator O'BRIEN**—That is exactly the point. The provision of better facilities may tip the scale.

**CHAIR**—A decent high school might be more important.

**Senator O'BRIEN**—It might be, but it might be that better facilities tip the scale where there are two equally disadvantaged communities. I am wondering what is built into this program to militate against this being the winner/loser decider.

**CHAIR**—Some doctors prefer to own their own ship than to rent it.

**Senator O'BRIEN**—Yes.

**CHAIR**—There are a whole lot of factors. It is called human nature.

**Ms Riggs**—Senator, I think we can only reiterate that we have not built safeguards against that and I do not believe that we can build a safeguard of that kind in here. The program does not provide recurrent funding and the Commonwealth will in no way be the employer. The issue of who works where in the Australian work force is an issue about the relationship between the employee and the employer. The Commonwealth, by and large, is not part of that.

**Senator O'BRIEN**—I am not saying that it is.

**Ms Riggs**—I do not think we can. I do not think we can construct this in a way that can guard against the issue that you raise, any more than we can stop an unintended consequence of supporting the community facilities of some other kind in a regional town that has over time an impact of attracting people from a nearby regional town to that centre. There is a bit of a magnet there. I think to suggest that one facility makes a substantial difference of that kind is probably overplaying the significance of the value of the support of this kind.

**Senator O'BRIEN**—I would have thought that this was a policy designed to address the complaint of local government that they are more and more required to expend local government funds to construct these sorts of facilities. That would be the case, wouldn't it? That is the purpose of the policy: to deal with the issue, as raised in the local government sector, that their scarce funds are more and more being required to provide facilities so that they can attract medical practitioners?

**CHAIR**—With great respect, it is a good investment—as an old, worn-out mayor—because you have a doctor who is probably attracted to a nearby hospital, and in having the

doctor you attract more ratepayers, build more homes, collect more rates, become a more vibrant society, so it cuts both ways.

**Ms Riggs**—Senator, I will be happy to read into the record, if you would like, the government's description of this policy from its election platform in relation to it.

**Senator O'BRIEN**—Sure. The guidelines are on the web site, I take it?

**Ms Riggs**—Yes.

**Senator O'BRIEN**—And the Commonwealth will have no role in relation to these facilities, other than seeing that the funding proposal—a 'bricks and mortar' proposal is one way of describing it—is completed in accordance with the proposal. After that this department will have no further role.

**Ms Riggs**—Unless a small number of these centres are picked up through some form of post-funding agreement evaluative process for the program as a whole, in due course.

**Senator O'BRIEN**—Will there be a requirement that local government may not on sell these facilities once funded for the community?

**Ms Riggs**—It is not an element of the standard RP funding agreement but you raise an interesting point.

**Mr Yuile**—It is certainly a built-for-purpose centre. I am not sure how readily you would necessarily be able to on sell. In case you had another medical practitioner interested in purchasing?

**Senator O'BRIEN**—Perhaps, yes. I am assuming that, once developed with Commonwealth assistance, these will have some asset value. The design of the program is to equip the community with medical facilities, not the council with an asset, I take it?

**Mr Yuile**—Certainly it is to provide the means of providing a service, that is right.

**Senator O'BRIEN**—And how long will this funding be available?

**Ms Riggs**—It is \$5 million a year over three years.

**Senator O'BRIEN**—What do you think the target of the program is in terms of the number of local government bodies? Has there been any assessment of the target footprint? I think there are 675 local government bodies. Obviously many of those are in cities.

**Mr Yuile**—There are seven hundred and something local government bodies.

**Senator O'BRIEN**—I am relying on Australian Local Government Association figures.

**Mr Yuile**—But, as Ms Riggs said, it is limited to the ABS outer regional—

**Ms Riggs**—Outside of the major metros. It is a little complicated by the issue about how you use the 'communities of up to 10,000'. You can contemplate a geographically very large shire that might have 10,000 people in it, but, realistically, it is two or three population centres with the rest of a dispersed population, and whether you would count that as one or potentially three applications is very problematic. Nonetheless, we did do the analysis. Unfortunately we have forgotten to bring it with us, so I will the answer on notice, please.

**Senator O'BRIEN**—Thank you.

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**Proceedings suspended from 9.01 pm to 9.17 pm**

**Senator O'BRIEN**—What is the future of the Sustainable Regions Program? When will this program start to be wound down?

**Ms Riggs**—The eight initial regions have funding remaining for projects in 2005-06, and the two regions announced during the election campaign and for which funding was provided through the additional estimates process earlier this year have funding through to June 2008.

**Senator O'BRIEN**—What impact does this program have on the department's need for staffing?

**Mr Yuile**—What staff have been—

**Senator O'BRIEN**—That is another way of putting it. When and if the program finishes, does that mean that that staffing will no longer be required?

**Ms Riggs**—There is a team of about 10 in national office at the moment, and there is a staff member in each of about four regional offices, with some responsibility for the regional regions adjacent to that regional office. Increasingly, we will move more of the responsibility out of Canberra, particularly as the two more recently announced regions wind up. As projects wind down, clearly the requirement for the number of staff who are undertaking project monitoring and management, following through on payments and so on, will decline.

At this stage, we have a small increase in the number of regional officers involved in the program, while we have the eight initial regions and the two coming on stream at the moment. From July 2006, we will have to manage down the number of staff involved in the program. Does it mean fewer staff overall in terms of the Regional Services Division? It is 15 months away before we get to that point. I do not know what will happen with Regional Partnerships or whether the government might make decisions in relation to adding further regions to the program, but given things remain the way they are at the moment we will have to manage staff down.

The division is quite volatile in its staffing and we have staff at more junior levels than some of the other divisions in the department because we are a program area. There is nearly always a place, if we are managing down a section in size, for people to transfer within the division at this stage, given we keep our staffing level overall relatively constant.

**Senator O'BRIEN**—How much of the Sustainable Regions funding pays for the department's administration of the program?

**Ms Riggs**—The funding for Sustainable Regions overall has both an administered and a departmental element. I will take that split on notice, if I can, rather than make it up for you right now.

**Senator O'BRIEN**—Thank you for that. I would not want you to make it up.

**Ms Riggs**—Sorry, I would not make it up. There is an agreed allocation made.

**Senator O'BRIEN**—I am sure that is the case.

**Ms Riggs**—I do not have it in my head, nor can I quickly find the piece of paper.

**Senator O'BRIEN**—Could I have the same breakdown for Regional Partnerships?

**Ms Riggs**—Yes, certainly.

**Senator O'BRIEN**—With regard to the Sustainable Regions Program, we have seen some major concerns expressed about the application or non-application of competitive neutrality guidelines with respect to a significant number of projects. Is it likely that the department will review the guidelines of the program for its remainder in that context?

**Ms Gosling**—No, it is not proposed at this point to review the guidelines in relation to competition under the Sustainable Regions Program. As you know, it is one of the criteria for that program. I will read it out for you:

The project does not compete directly with existing businesses, unless it can be shown that there is an unsatisfied demand for the product/service or the product/service can be provided in a new way.

Also on the application form we ask the proponent to fill out a section to indicate how they see that their project may impact on other businesses. That is something that is then looked at by the Sustainable Regions Advisory Committee and also by the department in providing any advice to the minister on the project.

**Senator O'BRIEN**—That invites a self-serving comment about the competition that the funded or assisted business might be to another business, does it not? You do not extend that inquiry into the community, according to those guidelines.

**Ms Gosling**—No. The whole program is a competitive grants process and it is open to applicants from any particular business.

**Senator O'BRIEN**—Absolutely, it is open to applicants. But I thought that the guidelines were designed to avoid giving one business a leg-up against another where they are competing businesses. Is that not the case?

**Ms Gosling**—Certainly in terms of the criteria it is one of the things that the committee has to look at and, as I said, the department looks at in providing advice to the minister and, indeed, ultimately the minister in making the decision. It is a useful process for the proponent to put on the application form how they see their project sits within the existing market and how it impacts on other businesses and consumers in that market.

**Senator O'BRIEN**—But surely you are inviting the comment which the proponent sees as assisting its own case—in other words, if they think it is in their interests to minimise suggestions of competitive partiality rather than neutrality, they would do that in the application, wouldn't they?

**Ms Riggs**—It is important to note a few things about this issue. This criterion is not simply about, 'Is there an existing business apparently offering the same set of services?' Competitive neutrality is a more complex issue than that. It goes to matters of the degree of competition in an industry as a whole within the region, whether there is a monopoly situation or a healthy competition. It goes to questions of overall market demand. If there is unsatisfied demand in a market, there is no reason why a second or third or additional provider is necessarily disturbing a competitively neutral situation in a way that will of itself impact negatively on existing providers.

There are issues of product differentiation or service differentiation and niche marketing, and I think there are issues about the fact that additional provision in some parts of some

markets overall boosts the economic situation of a region and therefore can foster economic growth rather than create tougher times for existing players in a market. I would not want it to be thought that the sole source of information was from the applicant. In both Regional Partnerships and Sustainable Regions, the committees have their own knowledge of the region in which they are working.

Their employees have access to the industry bodies and associated industry stakeholders. Not infrequently an application comes in with a number of letters of support from other players, either in the industry itself in that region or more generally from business in the region. There are local councils and chambers of commerce and other government departments with knowledge too. The person who is responsible for assessment is not drawing on a single source. In making their judgment about the extent to which any business or expansion of a business will, in a limited way at least, disturb an existing network of competition, this criterion is not intended to say, 'There can be no new business or no growth of business in a region or in a location.' It is intended to try and make an assessment about whether there will be such an unfair one that it improperly disturbs the operation of a market and its capacity to resettle after a new or expanded player comes into that market.

The third thing I want to say is that, if the officer assessing a project on this criterion has any concerns whatsoever, ultimately the onus is back on the applicant to prove, if they choose to, that the disturbance will not be problematic after the initial growth or introduction of a new business—will not be a problem to existing businesses' same product, not just related product, and same market, not just overlapping market. It is more complex than existing providers or an applicant simply saying, 'No, I won't disturb the market.' I do not think we should unduly simplify it.

**Senator O'BRIEN**—I do not know whether we are unduly simplifying it, but the propositions put by businesses that considered they were put at a disadvantage by grants of approvals of applications for competing or potential competing businesses make the case. For example, one business competing with JAM Custom Kitchens—the main or only competitor—said, 'We've invested our own money. We've spent 20 years building up the business with no assistance. Someone comes along with a couple of hundred thousand dollars. Not only do they not have to pay interest on it but they do not have to repay it, as a leg-up to their business to come into the market that we have just strived to create over 20 years. They just walk into the market, get a financial leg-up from the Commonwealth and we are told, 'This is not an issue where competitive neutrality should rule the other applicant out.'

That is the case that was put to us by an affected business— quite reasonably I would have said—but on the other hand saying, 'We do not have a problem with a business coming and starting up and competing on equal terms. We can't oppose that. What we're opposed to is the Commonwealth providing a non-repayable interest-free loan.'

**Ms Riggs**—It is important in the particular case you are talking about to recollect that JAM was not a start-up business. It was already operating in the region and the support it sought was to expand a showroom facility rather than to exist where it had not existed before.

**Senator O'BRIEN**—More than that. It was a workshop/showroom/residence and it was moving from an estate off the main road to a premises on the main road and diagonally opposite the competing business.

**Ms Riggs**—It was not a new business in the region or even in the location.

**Senator O'BRIEN**—That is like saying it was already a competitor in the same region. It was not.

**Ms Riggs**—That it was already a competitor is precisely my contention. The second matter I would like to point out about this is at the end of the day JAM has declined to take the grant.

**Senator O'BRIEN**—That is right. They have declined because of the complaints raised and the fear there would be a community reaction. That is my interpretation. They have declined. The point is the process allowed the application to be approved.

**Ms Riggs**—Precisely, on the basis of the much more complex set of circumstances I have tried to describe to you in my earlier answer, rather than the simple protest of one existing business operating in a related but not identical market in a location which was very close to the location that JAM was already operating in. It is not a major disturbance to the market at all.

**Senator O'BRIEN**—That is a very unfortunate comment because, very clearly, you move a business that is a workshop in an industrial estate off the main drag, set it up diagonally opposite an existing business, give it a showroom, a workshop and a residence with a \$200,000 Commonwealth subsidy, producing products which compete with products of the other business and then say it is not a competitor. I do not think that gives any credit to the Commonwealth's ability to judge any application. I do not think anyone who has heard the evidence that the committee has heard would agree with you.

**Ms Riggs**—That the other committee has heard.

**Senator O'BRIEN**—That the other committee has heard, that is true. The Atherton Hotel project is another successful applicant who was complained about by businesses who say the competitive neutrality principle has not been properly or adequately applied and that the grant should not have been approved on the basis, firstly, that there were already at least two premises to provide convention facilities and, secondly, that it provided an advantage to one licensed hotel in the town over other similar premises. I am wondering what the department is learning from all of this. Is the department learning anything? Has the department taken any lessons from the concerns being expressed on the public record about these matters?

**Ms Riggs**—Yes, we have. In the case of the two new sustainable regions, we are working through with the committee members and, once they are appointed, the executive officers of those committees so that they clearly understand the complexity of the judgment that we are asking them to assist us in making in relation to this issue of competitive neutrality, along the lines of the sorts of issues and considerations and sources of information I have gone into.

**Senator O'BRIEN**—How have the committees for these two new sustainable regions been established? Can you describe the process of how they have been selected, who has done the selection?

**Ms Riggs**—The committees are appointed by the minister.

**Senator O'BRIEN**—The Atherton Sustainable Regions Committee is a committee of the mayors of the region, as I understand it.

**Ms Riggs**—That is correct. The original composition of the committee was the mayors of the four shires on the Atherton, an independent chair and another independent member chosen by the minister.

**Senator O'BRIEN**—The other example I can think of is the Cradle Coast Authority, which has a more professional board selected from the community on the basis of effectively representing different particular interests and industries in the community.

**Ms Riggs**—As I understand it, and as I think you are aware, the Cradle Coast Authority was an already existing body.

**Senator O'BRIEN**—Yes.

**Ms Riggs**—As I understand it, the minister sought and received advice, and acted on advice, that an appropriate committee for that region would be to ask the Cradle Coast to form a subcommittee of its existing authority for the purposes of advising him in relation to the operation of that sustainable region.

**Mr Yuile**—Senator, you used the word 'professional', and I would not want to leave the record without indicating that clearly there are other committees. I think what you are pointing out is that there is no one size fits all. The minister has considered the needs and the aspirations and the circumstances of the regions.

**Senator O'BRIEN**—Can I counterpoint that comment with an alternative description of the committee which might be 'representational'. That was the point I was seeking to make, rather than picking people, because they have been elected representatives.

**Mr Yuile**—They are not representational.

**Senator O'BRIEN**—They are representational. That is what I call a 'representational committee'.

**Mr Yuile**—So four mayors are representational?

**Senator O'BRIEN**—I did not say they were not representational in that sense.

**Mr Yuile**—I am just trying to understand.

**Senator O'BRIEN**—What I am saying is that you would probably describe that committee as a representational committee, whereas the Cradle Coast one, as I understand it, is certainly not formed by all of the mayors from the councils in the region.

**Ms Riggs**—It is fair to reflect that the Cradle Coast Authority itself is the coming together of the 15 local government authorities.

**Senator O'BRIEN**—That is absolutely right. I agree with that.

**Ms Riggs**—I would be reluctant to accept the notion that representational committees did not have professional skills, if you were to use that in a pejorative sense about their capabilities.

**Senator O'BRIEN**—No. I certainly was not saying that any person who attained the office of mayor of a community had no professional skills, but they would be, I guess, less likely to

stand above the politics of the region and look at the broader region than a professional committee.

**Ms Riggs**—The Cradle Coast Authority’s subcommittee that acts as the sustainable regions committee at the moment has three mayors, two CEOs, the director of the University of Tasmania’s Burnie centre, and a representative from the Tasmanian ACC.

**Senator O’BRIEN**—I did not think that was right but I will check that. You might be right. I did not think that was the case. I know there is one mayor on the Cradle Coast Authority.

**Ms Riggs**—The committee rotates membership every 12 months, and that would be my recollection of the last time I was there which was some few months ago. I acknowledge that. But I could be wrong.

**Mr Yuile**—All I am saying is that, in another committee at Playford-Salisbury where you have representatives from both councils as well as former senior business people and other community representatives, my observation of that committee has been that it has very much sought to think about the totality of that region and the needs of that region, and that it has had professional—and I use that in a descriptive sense—expertise in terms of financial and local government administrative skills, business and tertiary interests. There are a range of skills and professional capacities on those various committees. That is the point I was trying to make.

**Ms Riggs**—Senator, there are currently two mayors.

**Senator O’BRIEN**—I know Smithton.

**Ms Riggs**—Ross Hine and David Brewster.

**Senator O’BRIEN**—Regarding the two new committees, can you give us the details of members of the committees and their background?

**Ms Riggs**—There is a media release by John Cobb from Wednesday or Thursday of last week which has the details of the membership of the Darling Matilda Way Sustainable Regions Advisory Committee in it. The membership of the Northern Rivers-North Coast Sustainable Regions Advisory Committee has not yet been announced. I am anticipating it might well be announced in the middle of next week.

**Senator O’BRIEN**—Does the media release from Mr Cobb have the details of the background of the Darling Matilda Way committee? If not, can we get that on notice from the department?

**Ms Gosling**—Yes, we will take that on notice. I do not have the press release in front of me.

**Senator O’BRIEN**—In relation to the Northern Rivers-North Coast?

**Ms Riggs**—If it is available in a timely way, as we respond to the questions we take on notice from this committee, we will be happy to include it in our answers.

**Senator O’BRIEN**—Any time between now and when?

**Mr Yuile**—Next week, we hope.

**Ms Riggs**—I believe it will be next week. I think, therefore, we should be able to provide it.

**Senator O'BRIEN**—Presumably there is a team that is responsible for monitoring of the implementation of successful funding agreements within the department. Where does that team sit, or is it dispersed?

**Ms Riggs**—The regional officers have responsibility primarily for assessing applications, writing funding agreement and managing those funding agreements. They would think that was probably a simplistic view of their work. In relation to projects under Regional Partnerships and, increasingly, Sustainable Regions, that is the role they fulfil. They also manage ACCs, participate in committee meetings, and so on.

**Senator O'BRIEN**—What oversight from head office exists? How does that work?

**Ms Riggs**—You are aware of our internal procedures manual. We have some internal benchmarks: internal reporting arrangements about following through on process, spending money, managing funding agreements, monitoring visits—those sorts of things. Dr Dolman chairs a weekly meeting of regional managers, usually held by teleconference. We get regional managers together every four to six weeks to talk through operational issues. In addition to that, there are opportunities for staff from Canberra to visit regional offices and for staff from regional offices to contribute to the work being done in Canberra. That supports that notion of consistency and commonality of application of our procedures around the regional offices.

**Senator O'BRIEN**—Is there likely to be an internal assessment of the program towards the end of its life? What is planned with regard to an analysis of the program?

**Ms Gosling**—Dr Dobes has outlined some of the process in relation to the evaluation that his team is undertaking of the Sustainable Regions Program. A first stage has been done and Dr Dobes might like to outline further that process. That was a post-implementation review that looked at the implementation and some of the administrative issues that came up in the early stages of the initial eight regions. The team is currently undertaking a second stage that is looking at, in more detail, the actual projects.

**Ms Riggs**—I think perhaps in a previous membership we have provided to this committee copies of both the evaluation strategy for the Sustainable Regions Program and, I believe, the Regional Partnerships program. If we have not, the secretariat might like to let us know and we will be happy to provide them. I am really sure about the Sustainable Regions Program, because Senator Stephens used to ask us questions about it quite routinely. I am pretty sure of the Regional Partnerships program as well, but if not we are happy to provide that to the committee.

**Senator O'BRIEN**—I am happy if it is available through the committee, to take it through the committee, and not have you supply it again. I am happy for an update from Dr Dobes about what has occurred.

**Ms Gosling**—Can I add to that? At the February hearings of this committee we actually provided a copy of the post-implementation review of the Sustainable Regions Program, so the committee has access to that report.

**Senator O'BRIEN**—What has occurred since then, Dr Dobes?

**Dr Dobes**—Maybe I can just put all of this into context for you very quickly. The strategy for evaluation of both programs has three phases. There is what is called the post-implementation review. That is the first phase. In other words, we look at how the program was implemented.

The next phase is really looking at the operational aspects as you go on over time, and then the one that you were asking about before is the third phase, where at the very end of the program you wrap up, preferably with an external review of how the program has gone, what the outcomes have been. Where we are at the moment is slightly different for both programs. For the Regional Partnerships program we have only just done the first phase, which is the post-implementation review. We have had a look at how it was implemented. That is not quite complete but we have just about finished that one.

With Sustainable Regions, we are into the second phase. In other words, we have looked at how it was implemented and we are now looking at how it is operating. But the big tension when you are doing any of these is really not to do them too quickly. You do want to do them quickly to get feedback very quickly but, on the other hand, if you do them too soon you do not have enough data points. You do not exactly have enough information of completed projects, or a completed process to assess. But each of them has those three phases and they are all scheduled.

**Senator O'BRIEN**—In terms of this program, I know from the forward estimates that expenditure is expected to peak from \$26 million in the current financial year to \$48.3 million in the forthcoming financial year, which is quite a bounce around, to the tune of an 86 per cent increase, and then to drop back to \$11.9 million. What would account for the great variations in expenditure?

**Ms Gosling**—That is partly, as Ms Riggs indicated earlier, that the initial eight regions under the Sustainable Regions Program are due to wind up on 30 June 2006, and we are moving towards that date. That is part of the explanation. In terms of the spike of the \$48 million, we have that amount in 2005-06 because of some of the issues that Ms Riggs indicated earlier in the evening, in relation to managing this type of program and having some of the projects experience delays for a variety of reasons.

**Senator O'BRIEN**—What work did the department do to identify the areas contained in the two new sustainable regions?

**Mr Owen**—As provided in a previous question on notice which was a question from you, the assessment of the two new sustainable regions was undertaken by the government in the course of developing policy for the 2004 election. Factual material was provided, sourced by the department. That may have been used in the later analysis.

**Senator O'BRIEN**—It was not the department's analysis at all. You provided some background material?

**Mr Owen**—We did provide information in relation to a range of regions and in relation to a bunch of possible indicators, which included population change, taxable income, some dimensions like that.

**Mr Yuile**—The remoteness indices and also the socioeconomic indices which are available and which clearly would be the sorts of things that a government might consider, and we were certainly providing information.

**Mr Owen**—And the other one is unemployment rates.

**Senator O'BRIEN**—So the general socioeconomic indicators of the regions. And how were the boundaries chosen, do you know, or was it just that the government chose?

**Mr Owen**—We provided information according to Bureau of Statistics footprints. There are aggregations at various levels for bigger or smaller footprints.

**Senator O'BRIEN**—When you say that, does that mean that the boundaries are identical to statistical area boundaries in some confirmation or other of the Bureau of Statistics?

**Mr Owen**—That was certainly the basis upon which we provided advice.

**Senator O'BRIEN**—I understand that, but I am asking about the areas of the regions.

**Mr Yuile**—The actual outcome?

**Ms Riggs**—We covered each of the two recently announced regions. The precise size and shape of it is a matter for the government, as announced in their election platform, relating to regional Australia.

**Senator O'BRIEN**—Perhaps you can take that question on notice and see if the government can provide information which provides a rationale for the boundaries or, alternatively, tell us that there is not one, other than that is a decision of government.

**Mr Yuile**—I think as we said in the answer, Senator, we certainly provided background information but that was as far as that advice went.

**Senator O'BRIEN**—Yes, I understand that is what you are saying. I am using this process to inquire of the government the basis for the selection of the boundary lines.

**Mr Yuile**—I will certainly take that on notice.

**Senator O'BRIEN**—Is the department aware of the factors in each of the two new regions that offer the greatest challenges and opportunities for the Sustainable Regions Program?

**Ms Gosling**—In relation to the two new committees, as Ms Riggs indicated earlier, one is already announced and off and running and has had a first meeting. The second one, the Northern Rivers-North Coast, has not had a meeting yet. One of the first tasks for both of those committees will be to determine their regional priorities and to address the very issue you have raised. The whole basis of the program is that it is local solutions and they will have to determine their own priorities and consider what challenges they need to address.

**Senator O'BRIEN**—Will they each have an office?

**Mr Yuile**—An executive officer, yes.

**Ms Riggs**—Yes.

**Senator O'BRIEN**—Do you know which cities they will be based in?

**Ms Riggs**—The Darling Matilda Way region has chosen to base its executive office in Bourke and, as Ms Gosling said, the Northern Rivers-North Coast committee has not met yet, but I would anticipate that it will be in Coffs Harbour.

**Senator O'BRIEN**—Is the phenomenon of sea change a factor in the selection of these regions? I see the chair of the Northern Rivers committee gives the reason for selection as socioeconomic disadvantage in the phenomenon of sea change. How does that work?

**Ms Gosling**—Senator, just as with another region—for example, Campbelltown-Camden is experiencing a lot of population growth—that is just one factor that a region on the Mid North Coast of New South Wales might have to address. Again, that would be something that the committee will need to decide: whether the movement of population to the area is something so significant that they think they need to list it as one of their priorities.

**Mr Yuile**—It is clearly one of those things. Depending on the region it may mean influx of population but it may mean an influx of population which is ageing or it may mean an influx of population where professional people are shifting for lifestyle reasons, to work remotely and so on. As you know, 'sea change' is a broad terminology and can reflect a lot of subtleties within different communities and therefore requires differing strategies for those communities. For the Darling Matilda Way committee quite a different set of circumstances clearly decides: the changing nature of agriculture; the challenges of the drought; issues of environmental sustainability; issues of remoteness; and the very things we talked about earlier in terms of attracting and retaining services—some towns which are growing, some towns which are experiencing decline. It is that range of factors which those committees will have to address to develop strategies appropriate to the circumstances.

**Senator O'BRIEN**—How much funding will each of the regions be allocated?

**Ms Riggs**—The PAES makes it clear the sums of money are \$21 million for the Darling Matilda Way region and up to \$12 million for the Northern Rivers-North Coast region.

**Senator O'BRIEN**—How were those sums arrived at?

**Ms Riggs**—In the same way that you have asked us to take the matter of how the boundaries were arrived at on notice and to seek advice from the minister, I will have to do likewise.

**Senator O'BRIEN**—It is a construct of the department?

**Ms Riggs**—That is right.

**Senator O'BRIEN**—Was the department involved at all in the process of selecting members of the advisory committees?

**Ms Riggs**—Yes, Senator. Some members of the advisory committee for Darling Matilda Way, for example, and some people who indeed were not ultimately chosen to be on that committee, we were asked to gather CVs for, get some background on and provide that to the minister for consideration.

**Senator O'BRIEN**—I take it some people who did not go through that process were selected nevertheless?

**Ms Riggs**—I think it is fair to say that four members of the Darling Matilda Way region were chosen at least in part because they were already existing ACC chairs and were known to have good knowledge of the region or at least those elements of the region that they are responsible for in their ACC chair role. We provided advice in relation to all of the other members of the committee, I would have thought. We would also have gathered background information and CVs on people who ultimately were not appointed to the committee.

**Senator O'BRIEN**—Did the minister provide a list for you to prepare the advice on or was that initiated by the department?

**Ms Riggs**—Some of those were names that we ourselves could have potentially identified through regional offices, through our knowledge of ACCs, a whole host of ways. Certainly others of them were names that we were asked to seek information about by the minister's office.

**Senator O'BRIEN**—It seems that the Darling Matilda Way region—covering I think 26 local government areas in south-west and western New South Wales, not far short of one million square kilometres, around the size of South Australia, and a population of 80,000 people—has some particular challenges for community of interest. How will this committee address that? Has the department any insight into that?

**Ms Riggs**—That is one of the issues that the committee agreed in broad terms at its first meeting that it would probably have to take up over its next couple of meetings: that while it talked about the issue of priorities for the region, it would have to talk about how it would operate, how it would seek to address those, what its parameters were for the way it was going to do its job.

**Senator O'BRIEN**—Am I wrong in saying that there is no barrier to this program funding regional community infrastructures?

**Ms Riggs**—There is no barrier to this program's funding regional community infrastructure.

**Senator O'BRIEN**—Is that also true of the Regional Partnerships program?

**Ms Riggs**—I believe what I call regional community infrastructure is probably a not insubstantial part of what is funded through Regional Partnerships.

**Mr Yuile**—One of the streams explicitly, as you know, is around economic opportunity. Another is around provision of services. Clearly that is where the rural telecommunications—RTCs—program, has been located. In terms of the philosophy and the rationale and the streams of activity, the work of Bank@Post would be fitting within that stream of activity. I am consolidating; the answer is yes.

**Senator O'BRIEN**—There is a report in the *Manning River Times* of 5 April. Mr Don Phillips is reported as indicating his role will be to involve initially the selection of a committee of about six community and business oriented people. Do you know if that is accurate?

**Ms Riggs**—It is true. I can confirm that Don Phillips has been asked by the Deputy Prime Minister to chair that committee. I believe that in his formal invitation to Mr Phillips he

indicated that he would welcome his assistance in identifying people who might form part of the committee.

**Senator O'BRIEN**—Mr Phillips will be reporting directly to the Deputy Prime Minister?

**Ms Riggs**—The arrangements for those sustainable regions advisory committees is that they make recommendations to the Deputy Prime Minister. Ms Gosling has reminded me, in the interests of absolute clarity, that the decision-maker for the Darling Matilda Way will be the Minister for Local Government, Territories and Roads, Jim Lloyd, because both Mr Anderson and Mr Cobb have electorates that are covered by that region.

**Senator O'BRIEN**—Mr Phillips apparently says he will be conferring with Mark Vaile, Luke Hartsuyker and Ian Causley asking for their suggestions as to the committee's make-up. Will he feed that back into the advice you give to the minister or is that a separate stream of advice?

**Ms Riggs**—We will not necessarily know whether names that come to us, whether they are directly from Mr Phillips or from other sources, have been prompted by conversations he has had with either of those three relevant local members or, indeed, any other members of those communities, so I am afraid I cannot answer the question.

**Senator O'BRIEN**—I see that he has not referred to the member for Richmond, so apparently he is not going to consult the member for Richmond, who is elected also—

**Ms Riggs**—I do not believe the electorate of Richmond is in any way inside the—

**Senator O'BRIEN**—It is not inside the division at all?

**Ms Riggs**—area of the Northern Rivers-North Coast Sustainable Regions Advisory Committee.

**Senator O'BRIEN**—My misunderstanding.

**Ms Riggs**—Richmond, I believe, has an area in common with the far north east New South Wales sustainable region.

**Mr Yuile**—Which is already in place.

**Senator O'BRIEN**—I wanted to ask some questions surrounding the awarding of the contract to aviation operators for remote area services in north-west Western Australia. A company by the name of Polar Aviation believes that the failure to renew its contract for remote area services is unusual. It apparently had a longstanding association and fulfilled tender obligations. As a result of that, can you explain the process around the awarding of such remote area aviation service contracts?

**Ms Gosling**—Yes. I was not personally involved at the time. I was not even with the department, let alone responsible for managing the program, but I have been able to gather some information which I hope might help you. In late 2003 the department issued a tender for all of their air operator services under the Remote Air Service Subsidy Scheme. However, that tender was terminated because in the 2004-05 budget the government allocated some additional funds that would enable the tender to go slightly broader and cover a larger number of remote communities, so another tender was issued on 22 May 2004.

A tender panel was convened comprising some departmental staff, a former departmental officer, who had significant experience and expertise in the area, and someone from Australia Post, given their interest in the service in the delivery of post. The tender panel had, as is the normal process, a number of selection criteria which they looked at in assessing the air operators for each of a number of specified regions and routes and rated the tenders accordingly. Golden Eagle, I understand, was the successful operator for the area that Polar Aviation flies in.

**Senator O'BRIEN**—Can you, on notice, give us a copy of the criteria against which the tenders were judged?

**Mr Yuile**—It would have been published.

**Ms Gosling**—It would have been public, sir.

**Mr Yuile**—We can get you that, but I would have thought it was part of the published tender.

**Senator O'BRIEN**—Thank you. I am told that the department claimed the deciding factor to awarding the contract to Golden Eagle was that company's capacity to undertake regular public transport operations. Is that so?

**Ms Gosling**—I am not exactly sure what precise information was provided back in the way of a briefing to Polar Aviation. Clearly, that would have been one factor that the panel would have taken into account in assessing the bids, along with factors in relation to other criteria.

**Senator O'BRIEN**—I am told that Golden Eagle has never conducted RPT operations and that the airstrips do not comply with Civil Aviation Regulation 92A with regard to airstrips fit for RPT. Can you, on notice, advise whether that is correct and, indeed, whether the issue of the ability to undertake RPT operations was a key factor.

**Mr Yuile**—We can certainly do that—unless Ms Gosling has more information at the moment.

**Ms Riggs**—We need to take some advice about what is proper for us to give you, in the context of properly managing the information provided to us. In the context of a tender and the feedback we give to both successful and unsuccessful tenderers, we need to be quite clear about what we can and cannot provide. With that caveat around it, we will of course try to answer your question.

**Mr Yuile**—Yes, because I think the question goes to exactly what services were called for and what operators were or were not prepared to put forward by way of their responses. If they did not respond to the tender as specified, then it is not surprising that the tender might have gone to another operator, but we need to check that sort of detail.

**Senator O'BRIEN**—Hopefully, those questions can be answered on notice.

**Mr Yuile**—Sure, Senator.

**Senator O'BRIEN**—I have some questions about natural disaster mitigation and the like.

**Ms Riggs**—Is that the end of Regional Services?

**Senator O'BRIEN**—No, it is not the end, but it is for tonight. It is the end for these estimates.

**Ms Riggs**—Thank you very much, Senator. Can I, through the acting chair, please provide an answer to a question where I said I would split that increase in staff between the Canberra based staff and the regional based staff. We said the increase was around about 25, but in fact it was 26½. The increase in Canberra over the period is planned to be 11 and in our regional offices 15½, to get to the 26.

**Senator O'BRIEN**—Who gets the half?

**Ms Riggs**—Senator, it is all about how you move the money around.

**Mr Yuile**—There is a part-timer in Hobart, I think.

**ACTING CHAIR**—Thank you very much—Ms Riggs, especially. Can I call to the table now the Territories and Local Government section, but we are only dealing with the Local Government part before 11 o'clock tonight.

[10.16 pm]

#### **Territories and Local Government**

**ACTING CHAIR**—Welcome to the estimates.

**Senator O'BRIEN**—In February the committee was discussing the fact that expenditure on regional flood mitigation in 2003-04 fell by 52.1 per cent. I think Mr Doherty then advised us that the minister had approved projects to the full value of the Regional Flood Mitigation Program's allocation in 2003-04. However, due to insufficient progress of those projects, there were unspent funds, which were rolled into 2004-05 and 2005-06. What is the current status of those projects which saw funding rephased in the way previously advised?

**Mr Beresford-Wylie**—That funding was rephased into those successive years because work had not begun on those projects. I think in response to a question on notice we provided the status of regional flood mitigation funding projects. I think that was question 30 of the last Senate estimates. In terms of the status of the program, funding has been rolled in, as you said, for successive years. The current status of the RFMP in terms of an overview on 8 April 2005 is that we have had total funding at that date of \$48,478,000 provided. Expenditure to date, and that is 8 April, is \$35,092,957. The difference between those two figures is \$13,385,000 or so. That covers 220 projects and, of that \$13,385,000 or so, we were expecting around \$7 million to be unspent although committed to the end of 2004-05 and rolled forward from 2004-05 to 2005-06.

**Senator O'BRIEN**—I had a distraction, and I did not hear the last figure.

**Mr Beresford-Wylie**—Of that roughly \$13.4 million, which is the difference between funding to date, at 8 April, and expenditure to date, our estimate was that around \$7 million or so would be unspent at the end of 2004-05 and would be rephased to 2005-06 and appear in our budget papers as rephased.

**Senator O'BRIEN**—And the answer that you referred to will identify the projects as subject to that funding?

**Mr Beresford-Wylie**—It identified, I think, a list of projects where you asked for the status of the funding round. The 2003-04 funding round referred to quite a large number of projects and I think there was reference to the 2004-05 funding round as well.

**Senator O'BRIEN**—The 2004-05 portfolio budget statement on page 66 predicted expenditure on natural disaster mitigation for the year 2004-05 to be \$17.5 million. This year's PBS shows this amount to have dropped to \$10.5 million, and table 2.4 on page 18 confirms a rephasing of \$7 million. What is the reason for the underspend to date?

**Mr Beresford-Wylie**—The unspent NDMP funds relate to funding which has been allocated under the program. We pay a certain amount up front and then we pay on invoice from the states. We have yet to receive invoices for that remaining amount of work, the \$7 million, which means either that it has not been undertaken yet or we have not been invoiced yet, and so that funding has been rolled over.

**Senator O'BRIEN**—How many applications were received under this program in the last application round?

**Mr Beresford-Wylie**—I do not have that figure on me. I will have to take that on notice.

**Senator O'BRIEN**—Could you give us that figure and the total amount applied for.

**Mr Beresford-Wylie**—For the number of applications in 2004-05?

**Senator O'BRIEN**—Yes. That is the last application round, isn't it? Are you able to supply a list of projects approved for the 2005-06 financial year, including their location, cost of project and expected completion date?

**Mr Beresford-Wylie**—For 2005-06?

**Senator O'BRIEN**—Yes.

**Mr Beresford-Wylie**—Not yet. For 2005-06, applications for funding closed on, I think, 25 February 2005 and state and territory ministers were asked to submit recommended projects for 2005-06 funding to the minister by 30 April 2005. We have yet to receive that full list of submissions from the states.

**Senator O'BRIEN**—In the circumstances, when would you expect the information that I asked for to be available?

**Mr Beresford-Wylie**—Once we receive the submissions from the states, we then look at the list of submitted projects and provide advice to the minister about the projects that have been put forward by the states. It is then up to the minister to make a decision about the funding of the projects and to make an announcement of those projects. We specified 30 April so that it would give us an opportunity to put advice to the minister and allow him to make announcements prior to the beginning of the 2005-06 financial year.

**Senator O'BRIEN**—Page 53 of the portfolio additional estimates budgeted \$89.5 million in natural disaster relief arrangements for 2004-05. Page 32 of the PBS shows actual expenditure of \$70 million. What is the reason for the underspend there?

**Mr Beresford-Wylie**—The figure we put in the budget and in the additional estimates is the latest figure we have available from the states and territories about the estimated claims that they will make on the NDRA. We pursued the states for more accurate indications of

what they would claim, and our best estimate at the present time is that it will be up to about \$70 million. That is what the states will claim, rather than the original \$89.5 million or so that they advised.

**Senator O'BRIEN**—That means, does it, that they have revised their estimates downwards?

**Mr Beresford-Wylie**—That is correct.

**Senator O'BRIEN**—On 18 May, Premier Gallop declared the storms in Western Australia of 16 May to be a natural disaster. His statement indicates that, as a result, Western Australia will have access to the Commonwealth funds. Can you give us a summary of the work the department has been doing, and is doing, with the Western Australian authorities in the wake of this disaster?

**Mr Beresford-Wylie**—We have made contact with the Western Australian government, and they have advised us that they have declared it an eligible disaster or notified it as an eligible event under the Natural Disaster Relief Arrangements. That means that the state will engage in disaster relief work and that it will be eligible for reimbursement at the point when they seek reimbursement under the natural disaster relief arrangements. It will be eligible for reimbursement at a rate of 50 per cent for the personal hardship and distress expenditure that the Western Australian government makes or spends on those victims of the disaster or, alternatively, the funds or the money that is spent by the WA government will form part of a consolidated year list of expenditure on eligible events in Western Australia, for which they will seek a reimbursement. While we have been in touch with them on the workings of the NDRA and they have declared the event to be a natural disaster and provided us with some advice of the damage, that is the full extent of our engagement with WA.

**Senator O'BRIEN**—What was their advice of the damage?

**Mr Beresford-Wylie**—They provided a bit of advice that some infrastructure had been damaged. We were talking there about five schools or so. I think it has been cursory advice at the present time.

**Senator O'BRIEN**—What is the Commonwealth's role in the determination as to whether they claim 50 per cent of what they have reimbursed or a total amount later in the year, and what are the final consequences for the Commonwealth in those circumstances?

**Mr Beresford-Wylie**—The NDRA determination allows us to choose between the two options based on what is the best financial outcome for the state. The state will have incurred personal hardship and expenditure for this event. There were previous events in Western Australia during this current financial year as well. There was a significant bushfire around the turn of the calendar year for which there was expenditure. What will happen is the state will provide us with an audited statement of its expenditure on those eligible events and their assessment of what they might be entitled to in terms of a claim for 50 per cent of the personal hardship and distress or, alternatively, a claim for a rebate if the amount of consolidated expenditure exceeds the threshold of expenditure that the state must incur. We will look at those two and work out which is the best solution for the state and then provide that reimbursement.

**Senator O'BRIEN**—Presumably, one solution will be more costly for the Commonwealth than another.

**Mr Beresford-Wylie**—That is correct, but the nature of the determination is such that we do not penalise the state for incurring more or less expenditure in the personal hardship and distress. It simply depends on how the figures come out.

**Senator O'BRIEN**—What is the threshold for Western Australia?

**Mr Beresford-Wylie**—The threshold for Western Australia is based on a formula which is 0.225 per cent of the size of the budget. From memory, the first threshold for Western Australia was about \$27 million this financial year. The second threshold will be 1.75 times the first threshold. After the first threshold is reached the state is entitled to a 50 per cent reimbursement up until the second threshold is reached and then it is entitled to a 75 per cent reimbursement.

**Senator O'BRIEN**—Mr Beresford-Wylie, in February you advised the committee that South Australia was yet to make a claim on the NDRA for the Eyre Peninsula fire and that you were yet to receive further formal advice from the South Australian government about what additional assistance they might be seeking. Have you now received that claim and the advice as to what the South Australian government require?

**Mr Beresford-Wylie**—We have not received either a formal NDRA claim yet or advice about what the South Australian government might be seeking in addition to the NDRA.

**Senator O'BRIEN**—Is there a time by which that needs to be supplied—for example, the end of the financial year?

**Mr Beresford-Wylie**—No. There is not a time limit for the claim of the NDRA. There is a time limit on expenditure but there is not a time limit on the claim. We have been in regular contact with the South Australians to try to elicit when they might be putting this in or explaining what additional assistance they might be seeking beyond the NDRA, but we have yet to receive advice.

**Senator O'BRIEN**—Therefore there is no known cost to the Commonwealth of the Eyre Peninsula fires.

**Mr Beresford-Wylie**—There is no known final cost, that is correct.

**Senator O'BRIEN**—Is there a current cost?

**Mr Beresford-Wylie**—There is some advice we have of cost incurred by agencies other than us. Possibly in response to a question on notice, we provided some advice about what that cost would be. I have some brief updated figures which I can provide.

**Senator O'BRIEN**—That would be good, if you could.

**Mr Beresford-Wylie**—Yes. We had talked about broad indications we had from the tax office about them providing a range of services, but we did not have a cost for that. We did have a cost for the Department of Family and Community Services, which had advised on a number of ex gratia payments. That number of ex gratia payments stands, at the moment, at 293 payments which total \$339,200. There is a package that has been offered by the Minister for Agriculture, Fisheries and Forestry announced on 25 February 2005 of \$2.68 million in

funding for natural resource management related bushfire activities for the lower Eyre Peninsula. That is contingent on matching funding from the South Australian government. I am not aware of the status of the commitment of matching funding at the present time. We have received advice from the Department of Defence that it provided non-emergency recovery operations, the cost of which totalled \$185,092.52.

**Senator O'BRIEN**—That is the sum total?

**Mr Beresford-Wylie**—That is the total I have before me at the present time.

**Senator O'BRIEN**—Thank you for that. I am advised that the National Emergency Communications Working Group have given unanimous support to three recommendations from the New South Wales fire brigades—namely, that a national code be developed for broadcasters to ensure that whenever they air a program that promotes an emergency number that is not triple 0 they put a message on the screen warning viewers that triple 0 is the emergency number in Australia, that all visa immigration slips that are filled in by new arrivals to Australia include information they can take with them advising that the emergency number in Australia is triple 0, and that a short flier be given to every person who buys a mobile phone explaining the proper use of triple 0 for mobile phones. What role, if any, has this department played, possibly in cooperation with the Australian Communications Authority or Emergency Management Australia, in researching and considering the implementation of these recommendations?

**Mr Beresford-Wylie**—We have not been involved in that consideration.

**Senator O'BRIEN**—Were you aware of it?

**Mr Beresford-Wylie**—Not until you mentioned it, no.

**Senator O'BRIEN**—Is the department aware of any statistics available on the occasions when visitors to Australia call 911 instead of triple 0 for an emergency?

**Ms Varova**—These are questions for EMA.

**Senator O'BRIEN**—Are you saying there would be no role for this agency with respect to that matter?

**Ms Varova**—No role, or a limited role.

**Mr Beresford-Wylie**—It sounds more like an operational or response role, and our role is essentially mitigation and relief.

**Senator O'BRIEN**—I will pursue the matter elsewhere. In February Mr Doherty discussed the \$6 million over three years which is earmarked for the establishment of a bushfire awareness and preparedness day. What is the role of this department in that?

**Ms Varova**—Similarly, that is a program within the responsibility of the Emergency Management Authority.

**Senator O'BRIEN**—This department does not have any role at all in relation to bushfire awareness and preparedness day?

**Ms Varova**—They have carriage of that responsibility.

**Senator O'BRIEN**—In February, the committee received some information on the implementation of each of the recommendations of the COAG bushfire report. At that time many were works in progress. Can we get an update on the implementation progress for each of these recommendations?

**Ms Varova**—Our department has responsibility for coordinating the implementation of those recommendations. Perhaps Mr Beresford-Wylie could go through, recommendation by recommendation.

**Mr Beresford-Wylie**—We have overall responsibility for coordinating the implementation of actions by Australian government agencies. It is those agencies themselves who are responsible for implementing the actions. We provide the mechanism by which what they have done is reported back through the Australian Emergency Management Committee to the augmented Australasian Police Ministers Council and then to the Council of Australian Governments; so our role with regard to each of the separate recommendations, where they are not part of DOTARS' line responsibility, is simply to ensure that we keep the agencies online, in a sense, and that we report what they are doing through to the augmented Australasian Police Ministers Council

There was advice provided, I think, on where we had gone with some of the recommendations. Two substantive developments that have occurred since we talked in February involve a recommendation relating to the Insurance Council of Australia, which was to be asked to review the industry's code of practice in response to lessons learnt from claims arising in the 2002-03 bushfires. We have since been advised by Treasury that it has written to the Insurance Council of Australia along the lines that were agreed in the COAG response seeking advice on whether there is scope for the General Insurance Code of Practice to take into account the lessons learnt in the 2002-03 bushfires. That letter was sent on 29 April. The Insurance Council of Australia has advised that its board has recently approved changes to the code of practice, which will be launched in June or July of this year, which addressed the matters raised in the COAG bushfire inquiry.

We also sought and received advice of further action that had been taken with regard to a recommendation, which was 6.2, concerning the review of the building code of Australia. The COAG response had agreed that the Minister for Industry, Tourism and Resources would write to the Building Codes Board stressing the urgency of the need to complete the Building Codes Board's review of the construction of buildings in bushfire-prone areas. There is a standard there. We have received advice that the Minister for Industry, Tourism and Resources has written to the Building Codes Board. Those are probably the two substantive areas where there has been further progress in terms of the advice we provided you earlier about the implementation of the recommendations.

My responsibility extends to convening a meeting of the relevant Australian government departments, which I did convene earlier this month, to identify exactly who would be responsible as a lead agency for taking forward each of the recommendations from the Australian government's perspective. That meeting resolved on which agencies would be responsible and also agreed that we would provide a series of reports to meet the timing requirements of the forthcoming meetings of the Australian Emergency Management Committee, which is the officials, and the augmented Australasian Police Ministers Council;

so I am not expecting a report on progress made by Australian government agencies until early in June. Similarly, we have got in touch with each of the jurisdictions to ask them to provide us with advice on what they are also doing to implement the COAG agreed response for each of the recommendations, asking for advice from them by early next month as well so that we can feed into a consolidated report for officials, then ministers, then on to COAG about what has been achieved in the first 12 months or so.

**Mr Yuile**—When is that?

**Ms Varova**—It is 3 June, I understand.

**Mr Beresford-Wylie**—When COAG made its response it asked for a report back from the augmented Australasian police ministers after about 12 months, so it would be expecting an out-of-session report from that ministerial council in January of next year. The augmented Australasian Police Ministers Council itself is scheduled to meet at the end of this year in around November. At that stage, it will have a chance to consider a report to go back to COAG.

**Mr Yuile**—I was just thinking that there is an upcoming COAG meeting and I was perhaps anticipating that question.

**Senator O'BRIEN**—How does that influence the Commonwealth's responsibilities in this area? We are waiting potentially for responses in the middle of the next bushfire seasons.

**Mr Beresford-Wylie**—We expect to have received advice from departments in June on what they are doing to address each of the recommendations, from an Australian government perspective, and also advice from the individual jurisdiction on how they are going in addressing those recommendations. We will seek an update of that advice probably in about September to allow us to provide that updated advice through to the augmented Australasian Police Ministers Council.

**CHAIR**—Is this an argument about who should spend the most money on bushfire fighting? The great flaw in this thing in the ACT, with great respect to everyone inquiring into it, was that (1) they had not faced an emergency of that proportion ever in the comfort of Canberra, and (2) when it was way out there in the back paddock, the people and the planes with retardants that should have got to it were not brought into it because, from what I understand, people were waiting for a declaration that would have involved federal funding. Is that what this is all about? Is this going to be an argument at the end of the day over how much Commonwealth funding states can get into firefighting?

**Mr Beresford-Wylie**—I would say that the actual COAG document talks about joint funding in certain areas but also sets out some things that are required to be done in terms of fairly practical measures about communications and incident reporting systems. Action has been taken by the emergency management authority from an Australian perspective and also the state and territory jurisdictional emergency services and emergency managers to look at that.

**CHAIR**—You can spend hundreds of millions of dollars on all of those things you just talked about and make no money available for the pumps and the hoses, which is what is happening. The volunteers all get the s-h-i-t-s and say, 'Well, someone else can put the fire

out.’ That is just a reflection from an old burnt-out section. I used to be the emergency controller for our part of the state, and there was always an argument over how quickly could you get someone else’s money involved in putting the fire out. With great respect to everyone that is inquiring into it, that is what it will all come down to.

**Senator O’BRIEN**—We could have saved a lot of money, apparently.

**CHAIR**—At the end of the day that is what it really comes down to. You could ring Col Adams, a pilot at Cootamundra, who would tell you he was sitting there waiting for the call, did not get the call because the appropriate level of emergency had not been declared so the Commonwealth would fund it. While it was still out there in the back country, they could have restricted it with fire retardants. I do not know whether it will take five years, 10 years or two minutes for magistrates, judges, lawyers, courts and systems to arrive at a conclusion that it was all about money, with great respect to everyone.

**Senator O’BRIEN**—You might want to take those comments on notice and give us a response.

**CHAIR**—Let history decide all that. Been there and done all that.

**Senator O’BRIEN**—I am going to start asking questions about local government. In February I asked a question about the staffing profile of the local government branch. We were told 13.1 full-time equivalent staff dealing with local government and 13.8 dealt with natural disaster mitigation and relief but the size that the local government branch were advised on notice was different than the sum of those two parts. Can you give us an update?

**Ms Varova**—I can give you the updated figures. At 30 April our full-time equivalent for local government is 12, and for natural disasters 13.4. They are without any attributions for executive support et cetera. That would probably add about another one full-time equivalent to each of those. It is in the order that was the case at the last estimates.

**Senator O’BRIEN**—You are around 27.4 really?

**Ms Varova**—Yes.

**Senator O’BRIEN**—Is it possible to get staff classifications by function for territories and local government and for natural disaster relief areas?

**Ms Varova**—Yes, I can certainly provide you with those. Would you like me to read those to you now?

**Senator O’BRIEN**—If that is easy.

**Mr Yuile**—This is the level of staff who are undertaking various tasks within the division?

**Ms Varova**—You would like it broken down or for the whole division?

**Senator O’BRIEN**—In each particular branch.

**Ms Varova**—For local government we have one person at the EL2 level; at EL1 level it is 4.9 equivalent, so I will say five people; at the APS6 level we have one person who works part time, so it is 0.67; at the APS5 level, two people; at the APS3 level, one person. In addition, we have two people who work in another section who focus primarily on planning issues but on local government issues as well. We have two people at the EL1 level. On the

natural disasters side we have two people at the EL2 level; five people at the ASO6 level; two people at the APS5 level; three people at the EL1 level. In addition, we have an SES band 1, and 0.5 of an APS4.

**Senator O'BRIEN**—Thank you for that. In February this committee was told that the department would present a draft report of the local government national report to the minister within weeks. Can you tell us when that draft response was presented?

**Ms Varova**—We have not tabled the report as yet. It will be ready to be tabled in the very near future. There were some delays. We were expecting in February that it would be tabled within a matter of weeks. There were some last minute changes by the states when we provided the copy of the report to them for clearance, and that extended it a little. We also had some delays with our design consultants, as a result of illness. We are hoping that it will be tabled within a couple of weeks.

**Senator O'BRIEN**—The act requires the minister to table the report as soon as practicable after 30 June each year.

**Ms Varova**—That is correct.

**Senator O'BRIEN**—It is nearing the end of May.

**Ms Varova**—It has been much longer than we would have hoped this year.

**Mr Yuile**—Senator, I understand obviously the point you are making. It might be worth while for Mr Beresford-Wylie to explain the processes and, therefore, the dependencies involved in the publication of this report.

**Mr Beresford-Wylie**—In preparing the report, we write to the states seeking advice on input for the national report. The national report usually includes information about the allocation of funding across each of the 700 or so local government authorities who have been receiving funding under the act. We also get advice from the states about the methodologies that they have applied and advice about a variety of other programs which they provide to local government. There are some programs, for instance, in Queensland that the Queensland government uses to provide support to Indigenous local communities, and we include advice of that.

We seek obviously to get that advice as quickly as we can from the states. Over the last three years our report has been tabled in February of one year, March, and then in fact December 2003. We tabled two reports in 2003. We were hoping to get the information from the states but there were some delays. When I spoke to you in February I thought we had finalised our input from the states and we would be in a position to go forward to our graphic designer. We put the document to the graphic designer at the same time as we put it to the states, but we received subsequent advice from a couple of the states that the advice that they had provided to us on their methodology in fact related to the previous year's methodology rather than the methodology for the 2003-04 year.

We stopped the report, which had been graphically designed so it was in a graphic state; received the additional advice and advised our graphic designer of that. That was a little bit slower than it would have been, had the document simply been at that stage in text. It had already gone to the graphic designer. I then have to say that our graphic designer fell ill, and

that delayed our work for a brief period of time. By the time we had finalised that graphic design work and given the job to our printer, we were coming up against work that the printer was doing regarding the budget and that delayed, a little bit longer, our ability to finalise the document in a form suitable for tabling. It is regrettable that we have had a series of incidents which have built on each other, but we do endeavour to go to the states, seek their advice as soon as possible, and then incorporate that advice into a finalised document.

**Senator O'BRIEN**—Having heard that, I draw your attention to page 51 of the PBS, the performance indicator of quality. It says that an annual report on the operation of the act is tabled as soon as practical after 30 June each year. How can it be improved?

**Ms Varova**—Our focus this year will certainly be on liaising much more closely with the states to ensure that we get the information that we need in a much faster time. Therein lies our real issue. This year there were a series of events that unfortunately delayed it quite markedly, and we certainly do not want a repeat of that in 2005-06.

**Senator O'BRIEN**—What would normally be regarded as the as soon as possible date after 30 June?

**Ms Varova**—It would be highly unlikely that we could complete the report before December, by virtue of the fact that we do not get the final factor from the Treasurer until the end of July. The distribution of the grants has to happen in August. We have to wait for all of that to be completed before we can focus well and truly on the preparation of the report. That period between August and October ideally is the time during which we receive all the information from the states. That provides us with a preparation time, the ability to provide it to the minister for consideration and subsequent printing et cetera. December is a very reasonable time. That is quite quick.

**Mr Beresford-Wylie**—December is the best we have achieved over the last three years. As I said, for the 2000-01 report it was February 2002; for the 2001-02 report it was March 2003; but for the 2002-03 report it was December 2003.

**Ms Varova**—If we pass December, of course, we hit the holiday period, and that has shown itself to delay things even more markedly.

**Senator O'BRIEN**—Unfortunately, the best we are looking at this year is June 2005.

**Mr Yuile**—Senator, in trying to answer your question clearly, there might be some systems and technology issues that we could obviously seek to employ further with our state colleagues in terms of accelerating that end of the process beyond what we already do. As Mr Beresford-Wylie said, the real challenge is timely receipt of information after the distribution and reporting by our state and territory colleagues.

**Senator O'BRIEN**—The question was, what can be done to improve it? You have the test in the PBS. If that indeed is a quality test, how are you going to improve it?

**Ms Varova**—Our focus will be on much closer interaction with the states on those issues. It is not that we do not have frequent interaction on those issues, but I think we have to be a bit tougher when it comes to the guidelines of when we expect the data and information.

**Mr Beresford-Wylie**—I think we would also try to work a little more closely with the states, having learned this year from the mistake that was made with the methodology, to

make sure that there is double-checking so that we do not get that extra delay, which has been a delay for the last couple of months, as a consequence of some late corrections because some incorrect information was provided.

**CHAIR**—It is time to go home! Thank you very much, ladies and gentlemen. It was a great pleasure.

**Committee adjourned at 11.02 pm**